

**CONVENIENCE TRANSLATION  
OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
ORIGINALLY ISSUED IN TURKISH,  
SEE NOTE I OF SECTION THREE**

**HSBC BANK A.Ş.**

**PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
AT 31 DECEMBER 2012**



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

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

We have audited the accompanying unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 31 December 2012 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

*Disclosure for the responsibility of the Bank's Board of Directors:*

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

*Disclosure for the Responsibility of the Authorised Audit Firm:*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit is conducted in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.



*Independent Auditor's Opinion:*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of HSBC Bank A.Ş. as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with article 37 of Banking Law No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

*Additional Paragraph for Convenience Translation:*

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with article 37 Banking Law No. 5411, 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.

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

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned above the printed name of the partner.

Haluk Yalçın, SMMM  
Partner

İstanbul, 8 March 2013

## UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S. AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012

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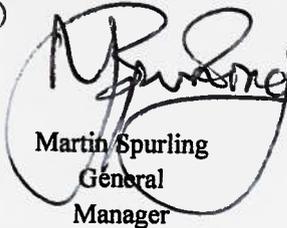
The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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



Antonio Pedro Dos  
Santos Simoes  
Deputy Chairman



Martin Spurling  
General  
Manager



Neslihan Erkazancı  
Financial Reporting  
Assistant General  
Manager



Burçin Ozan  
Group Head



Gilles Denoyel  
Head of  
Audit Comitee



Leyla Etker  
Member of  
Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Burçin Ozan/Group Head  
Tel : (0212) 376 41 86  
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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

**II. EXPLANATION ABOUT THE 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 THE BANK BELONGS TO**

As of 31 December 2012, the Bank’s nominal capital is 652.290 TL dividend in to 65.229.000.000 each with a nominal value of TL 0,01 TL. The share capital of the Bank has been fully paid and registered. The total capital of the Bank is owned by HSBC Bank Plc which is located in England and established in accordance with British Law. As of 30 December 2012 there has been no changes regarding the Banks capital structure, shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

Capital structure of the Bank is composed of group “A” and “B” shares. Board of Directors are chosen among the candidates nominated by group “A” shareholders.

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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**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**

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
<b>Chairman:</b>	Brian ROBERTSON(*)	Chairman	Undergraduate
<b>Chairman Deputy:</b>	Antonio Pedro Dos Santos SIMOES	Chairman Deputy	Graduate
<b>Board of Directors:</b>	Martin SPURLING	Member and CEO	Graduate
	Kevin Peter SAWLE	Member	Graduate
	Mark John THUNDERCLIFFE	Member	Graduate
	Jonathan James CALLEDINE	Member	Graduate
	Leyla ETKER	Member	Graduate
	Gilles DENOYEL	Member	Graduate
	Edward Michael FLANDERS	Member	Graduate
<b>CEO:</b>	Martin SPURLING	CEO	Graduate
<b>Director of Internal Audit:</b>	Rüçhan ÇANDAR	Head of Internal Audit	Graduate
<b>Chief Assistant General Manager:</b>	Necdet Murat ŞARSEL	Credit and Risk	Graduate
<b>Executive Vice Presidents:</b>	Virma SÖKMEN	Corporate and Commercial Banking	Undergraduate
	Süleyman Selim KERVANCI	Global and Investment Banking	Graduate
	Taylan TURAN	Retail Banking	Graduate
	Ali Batu KARAALİ	Treasury and Capital Markets	Graduate
	Neslihan ERKAZANCI	Financial Control	Graduate
	Ali Dündar PARLAR	Internal Systems and Regulations	Graduate
	Darren Wayne ROWBOTHAM	Technology and Service Groups	High School
	Şengül DEMİRCAN	Human Resources	Undergraduate
<b>Internal Audit Committee:</b>	Gilles DENOYEL	Head of the Audit Committee	Graduate
	Mark John THUNDERCLIFFE	Member of the Audit Committee	Graduate
	Leyla ETKER	Member of the Audit Committee	Graduate
<b>Auditors:</b>	Hamit Sedat ERATALAR	Auditor	Undergraduate
	Zeki KURTÇU	Auditor	Undergraduate

(\*) Brian Robertson has been appointed Chairman of Board of Directors as of 24 December 2012 however has not started his duty as of reporting date. The responsibilities have been carried out by Vice Chairman of Board of Directors Antonio Pedro Dos Santos Simones.

There are no owned shares of the above individuals.

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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**IV. INFORMATION ON QUALIFIED SHAREHOLDERS**

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

(\*) HSBC Bank Plc is wholly owned by HSBC Holdings Plc and HSBC Holdings Plc is indirect shareholder of the Bank with 99,99% share..

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

**V. SUMMARY INFORMATION ON THE 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 Liras and in foreign currency,
- To provide Turkish Liras and foreign exchange funds, to use these funds by itself or to act as an intermediary,
- To launch cash and non-cash loans to all kind of sectors,
- To perform discount and purchase activities,
- To perform capital and security market transactions, to establish and manage security investment funds in accordance with the relevant regulations,
- To join in both local or foreign companies as founder partner or shareholder, to perform management and auditing process to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities which already exist.

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, İsviçre Sigorta, Zurich Sigorta, Aviva Sigorta, Chartis Sigorta, Allianz Sigorta, Coface Sigorta, Mapfre Sigorta and Anadolu Hayat Emeklilik through its branches.

As of 31 December 2012, the Bank has 334 branches dispersed throughout the country and 4 branches operating abroad (31 December 2011: 326 branches and 4 branches operating abroad).

As of 31 December 2012, the Bank employed 6.170 (31 December 2011: 6.155).

**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 Account Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. and HSBC İnternet ve Telekomunikasyon Hizmetleri A.Ş. are accounted in the financial statements prepared in accordance with TAS based on line-by-line method. The Bank's subsidiaries HSBC Yatırım ve Menkul Değerler A.Ş. is included in the scope of consolidation by line-by-line method.

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

None.

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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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**SECTION TWO**

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- I. Balance Sheets - Assets**
- I. Balance Sheets - Liabilities and Equity**
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- III. Income Statements**
- IV. Statements of Income and Expense Items Accounted Under Shareholders' Equity**
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		ASSETS					
		TL	FC	Total	TL	FC	Total
<b>I. CASH BALANCES WITH CENTRAL BANK</b>	(V-I-a)	295.829	2.255.863	2.551.692	332.912	1.466.657	1.799.569
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	(V-I-b)	744.078	136.889	880.967	302.009	54.235	356.244
2.1 Trading Financial Assets		744.078	136.889	880.967	302.009	54.235	356.244
2.1.1 Government Debt Securities		736.899	11.097	747.996	165.958	17.414	183.372
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		7.179	125.792	132.971	131.127	36.821	167.948
2.1.4 Other Marketable Securities		-	-	-	4.924	-	4.924
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>	(V-I-c)	285.070	614.559	899.629	97.216	269.329	366.545
<b>IV. MONEY MARKETS</b>		1.975.982	53.650	2.029.632	4.152.681	-	4.152.681
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	53.650	53.650	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		1.975.982	-	1.975.982	4.152.681	-	4.152.681
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(V-I-d)	3.019.741	-	3.019.741	2.257.545	478.755	2.736.300
5.1 Share Certificates		4.211	-	4.211	3.000	-	3.000
5.2 Government Debt Securities		3.015.530	-	3.015.530	2.254.545	478.755	2.733.300
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS</b>	(V-I-e)	12.986.558	2.435.183	15.421.741	11.070.338	2.762.891	13.833.229
6.1 Loans		12.721.657	2.435.183	15.156.840	10.900.215	2.762.157	13.662.372
6.1.1 Bank's risk group	(V-VII)	25	12.127	12.152	12	8.861	8.873
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		12.721.632	2.423.056	15.144.688	10.900.203	2.753.296	13.653.499
6.2 Loans under Follow-up		733.136	14.428	747.564	593.108	14.460	607.568
6.3 Specific Provisions (-)		468.235	14.428	482.663	422.985	13.726	436.711
<b>VII. FACTORING RECEIVABLES</b>		82.240	10.223	92.463	205.080	17.891	222.971
<b>VIII. HELD-TO-MATURITY SECURITIES (Net)</b>	(V-I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(V-I-g)	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	(V-I-h)	35.023	-	35.023	35.023	-	35.023
10.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
<b>XI. JOINT VENTURES (Net)</b>	(V-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>	(V-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>	(V-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>	(V-I-l)	139.132	-	139.132	128.622	-	128.626
<b>XV. INTANGIBLE ASSETS (Net)</b>	(V-I-m)	92.561	-	92.561	89.712	-	89.712
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		9.111	-	9.111	6.262	-	6.262
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(V-I-n)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		30.605	-	30.605	8.772	-	8.772
17.1 Current Tax Asset		-	-	-	8.772	-	8.772
17.2 Deferred Tax Asset		30.605	-	30.605	-	-	-
<b>XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(V-I-p)	5.129	-	5.129	7.801	-	7.801
18.1 Held for sale Purposes		5.129	-	5.129	7.801	-	7.801
18.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(V-I-r)	93.299	6.944	100.243	385.857	8.611	394.468
<b>TOTAL ASSETS</b>		19.785.247	5.513.311	25.298.558	19.073.568	5.058.373	24.131.941

The accompanying explanations and notes set out on pages 13 to 89 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011  
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
<b>I. DEPOSITS</b>	(V-II-a)	7.893.175	6.313.236	14.206.411	8.084.617	5.162.164	13.246.781
1.1 Deposits of Bank's risk group	(V-VII)	65.101	2.024	67.125	132.543	2.031	134.574
1.2 Other		7.828.074	6.311.212	14.139.286	7.952.074	5.160.133	13.112.207
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(V-II-b)	75.453	111.115	186.568	52.012	66.047	118.059
<b>III. BORROWINGS</b>	(V-II-d)	2.097.828	3.599.743	5.697.571	1.713.728	3.756.608	5.470.336
<b>IV. MONEY MARKETS</b>					889.994	-	889.994
4.1 Funds from Interbank Money Market							
4.2 Funds from Istanbul Stock Exchange Money Market							
4.3 Funds Provided Under Repurchase Agreements	(V-II-c)				889.994		889.994
<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>		524.541	8.274	532.815	473.102	7.589	480.691
<b>VIII. OTHER LIABILITIES</b>	(V-II-e)	317.833	76.431	394.264	223.841	100.634	324.475
<b>IX. FACTORING PAYABLES</b>		207		207	29		29
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	(V-II-f)					1	1
10.1 Financial Lease Payables						1	1
10.2 Operational Lease Payables							
10.3 Other							
10.4 Deferred Financial Lease Expenses (-)							
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(V-II-g)						
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge							
11.3 Foreign Net Investment Hedge							
<b>XII. PROVISIONS</b>	(V-II-h)	319.985	1.816	321.801	244.426	1.597	246.023
12.1 General Loan Loss Provision		248.321		248.321	184.137		184.137
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		27.204		27.204	23.066		23.066
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		44.460	1.816	46.276	37.223	1.597	38.820
<b>XIII. TAX LIABILITY</b>	(V-II-i)	64.686		64.686	42.635		42.635
13.1 Current Tax Liability		64.686		64.686	42.378		42.378
13.2 Deferred Tax Liability					257		257
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS</b>	(V-II-j)						
14.1 Held for sale purpose							
14.2 Related to discontinued operations							
<b>XV. SUBORDINATED LOANS</b>	(V-II-k)		844.110	844.110		517.816	517.816
<b>XVI. SHAREHOLDERS' EQUITY</b>	(V-II-l)	3.050.125		3.050.125	2.795.701	(600)	2.795.101
16.1 Paid-in Capital		652.290		652.290	652.290		652.290
16.2 Capital Reserves		308.462		308.462	234.836	(600)	234.236
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences							
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)							
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	272.693		272.693
16.3 Profit Reserves		1.908.575		1.908.575	1.667.788		1.667.788
16.3.1 Legal Reserves		175.911		175.911	161.966		161.966
16.3.2 Status Reserves							
16.3.3 Extraordinary Reserves		1.732.664		1.732.664	1.505.822		1.505.822
16.3.4 Other Profit Reserves							
16.4 Income or (Loss)		180.798		180.798	240.787		240.787
16.4.1 Prior Years' Income or (Loss)							
16.4.2 Current Year Income or (Loss)		180.798		180.798	240.787		240.787
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>14.343.833</b>	<b>10.954.725</b>	<b>25.298.558</b>	<b>14.520.085</b>	<b>9.611.856</b>	<b>24.131.941</b>

The accompanying explanations and notes set out on pages 13 to 89 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011**

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

II. OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>41.302.840</b>	<b>35.397.199</b>	<b>76.700.039</b>	<b>41.490.230</b>	<b>22.296.410</b>	<b>63.786.640</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(V-III-a-2,3)	<b>346.362</b>	<b>2.185.331</b>	<b>2.531.693</b>	<b>313.349</b>	<b>2.510.644</b>	<b>2.823.993</b>
1.1 Letters of Guarantee		345.535	483.763	829.298	313.124	613.629	926.753
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		345.535	483.763	829.298	313.124	613.629	926.753
1.2 Bank Acceptances		-	694.336	694.336	225	917.906	918.131
1.2.1 Import Letter of Acceptance		-	693.800	693.800	225	917.906	918.131
1.2.2 Other Bank Acceptances		-	536	536	-	-	-
1.3 Letters of Credit		827	642.129	642.956	-	738.090	738.090
1.3.1 Documentary Letters of Credit		827	428.622	429.449	-	592.881	592.881
1.3.2 Other Letters of Credit		-	213.507	213.507	-	145.209	145.209
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		-	353.859	353.859	-	239.041	239.041
1.9 Other Collaterals		-	11.244	11.244	-	1.978	1.978
<b>II. COMMITMENTS</b>	(V-III-a-1)	<b>30.582.645</b>	<b>7.439.879</b>	<b>38.022.524</b>	<b>35.084.130</b>	<b>379.773</b>	<b>35.463.903</b>
2.1 Irrevocable Commitments		9.823.766	7.439.879	17.263.645	7.708.782	379.773	8.088.555
2.1.1 Asset Purchase and Sale Commitments		1.933.789	7.260.647	9.194.436	71.490	379.692	451.182
2.1.2 Deposit Purchase and Sales Commitments		-	178.690	178.690	-	5	5
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	1.000	-	1.000
2.1.4 Loan Granting Commitments		460.496	-	460.496	514.845	-	514.845
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		656.743	-	656.743	604.511	-	604.511
2.1.8 Tax and Fund Liabilities from Export Commitments		5.223	-	5.223	4.778	-	4.778
2.1.9 Commitments for Credit Card Limits		5.906.065	-	5.906.065	5.440.276	-	5.440.276
2.1.10 Commitments for credit cards and banking services promotions		7.257	-	7.257	5.925	-	5.925
2.1.11 Receivables from short sale commitments of marketable securities		-	235	235	-	-	-
2.1.12 Payables for short sale commitments of marketable securities		-	235	235	-	-	-
2.1.13 Other irrevocable commitments		854.193	72	854.265	1.065.957	76	1.066.033
2.2 Revocable Commitments		20.758.879	-	20.758.879	27.375.348	-	27.375.348
2.2.1 Revocable Loan Granting Commitments		20.758.879	-	20.758.879	27.375.348	-	27.375.348
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(V-III-b)	<b>10.373.833</b>	<b>25.771.989</b>	<b>36.145.822</b>	<b>6.092.751</b>	<b>19.405.993</b>	<b>25.498.744</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		10.373.833	25.771.989	36.145.822	6.092.751	19.405.993	25.498.744
3.2.1 Forward Foreign Currency Buy/Sell Transactions		1.372.562	3.010.333	4.382.895	1.249.556	2.243.857	3.493.413
3.2.1.1 Forward Foreign Currency Transactions-Buy		858.980	1.339.794	2.198.774	762.560	983.517	1.746.077
3.2.1.2 Forward Foreign Currency Transactions-Sell		513.582	1.670.539	2.184.121	486.996	1.260.340	1.747.336
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		7.494.449	19.378.012	26.872.461	4.318.178	12.175.981	16.494.159
3.2.2.1 Foreign Currency Swap-Buy		1.865.766	8.438.557	10.304.323	418.486	6.289.376	6.707.862
3.2.2.2 Foreign Currency Swap-Sell		5.628.683	4.626.703	10.255.386	3.899.692	2.698.507	6.598.199
3.2.2.3 Interest Rate Swap-Buy		-	3.156.376	3.156.376	-	1.594.049	1.594.049
3.2.2.4 Interest Rate Swap-Sell		-	3.156.376	3.156.376	-	1.594.049	1.594.049
3.2.3 Foreign Currency, Interest rate and Securities Options		1.506.822	2.163.494	3.670.316	525.017	3.269.771	3.794.788
3.2.3.1 Foreign Currency Options-Buy		753.411	785.077	1.538.488	230.530	535.268	765.798
3.2.3.2 Foreign Currency Options-Sell		753.411	785.077	1.538.488	294.487	476.115	770.602
3.2.3.3 Interest Rate Options-Buy		-	296.670	296.670	-	1.129.194	1.129.194
3.2.3.4 Interest Rate Options-Sell		-	296.670	296.670	-	1.129.194	1.129.194
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		-	1.057.844	1.057.844	-	1.716.384	1.716.384
3.2.5.1 Interest Rate Futures-Buy		-	528.922	528.922	-	767.856	767.856
3.2.5.2 Interest Rate Futures-Sell		-	528.922	528.922	-	948.528	948.528
3.2.6 Other		-	162.306	162.306	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>22.262.559</b>	<b>1.557.415</b>	<b>23.819.974</b>	<b>16.022.249</b>	<b>1.737.253</b>	<b>17.759.502</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>18.615.336</b>	<b>1.527.205</b>	<b>20.142.541</b>	<b>11.963.478</b>	<b>1.604.608</b>	<b>13.568.086</b>
4.1 Customer Fund and Portfolio Balances		1.612.654	-	1.612.654	1.626.037	-	1.626.037
4.2 Investment Securities Held in Custody		13.457.834	856.281	14.314.115	6.593.079	816.616	7.409.695
4.3 Checks Received for Collection		2.139.631	215.749	2.355.380	2.536.972	293.114	2.830.086
4.4 Commercial Notes Received for Collection		127.113	-	127.113	183.385	-	183.385
4.5 Other Assets Received for Collection		-	4.758	4.758	-	10.907	10.907
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.278.104	450.417	1.728.521	1.024.005	483.971	1.507.976
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>3.647.223</b>	<b>30.210</b>	<b>3.677.433</b>	<b>4.058.771</b>	<b>132.645</b>	<b>4.191.416</b>
5.1 Marketable Securities		202.920	-	202.920	7.835	-	7.835
5.2 Guarantee Notes		140.569	30.210	170.779	179.868	132.645	312.513
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		3.303.734	-	3.303.734	3.871.068	-	3.871.068
5.6 Other Pledged Items		-	-	-	-	-	-
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>63.565.399</b>	<b>36.954.614</b>	<b>100.520.013</b>	<b>57.512.479</b>	<b>24.033.663</b>	<b>81.546.142</b>

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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TURKISH, SEE IN NOTE I OF SECTION THREE**

**HSBC BANK A.Ş.**

**UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED  
31 DECEMBER 2012 AND 31 DECEMBER 2011**

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

<b>III. STATEMENT OF INCOME</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period (01/01/2012 - 31/12/2012)</b>	<b>Prior Period (01/01/2011 - 31/12/2011)</b>
<b>I. INTEREST INCOME</b>	<b>(V-IV-a)</b>	<b>2.472.854</b>	<b>1.952.424</b>
1.1 Interest on Loans	(V-IV-a-1)	1.841.347	1.449.320
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks	(V-IV-a-2)	63.085	30.049
1.4 Interest Received from Money Market Transactions		251.260	176.669
1.5 Interest Received from Marketable Securities Portfolio	(V-IV-a-3)	282.931	270.351
1.5.1 Trading Financial Assets		90.021	25.119
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3 Available-for-sale Financial Assets		192.910	245.232
1.5.4 Held to Maturity Investments		-	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		34.231	26.035
<b>II. INTEREST EXPENSE</b>	<b>(V-IV-b)</b>	<b>1.101.894</b>	<b>877.051</b>
2.1 Interest on Deposits	(V-IV-b-4)	754.471	638.607
2.2 Interest on Funds Borrowed	(V-IV-b-1)	311.566	201.687
2.3 Interest Expense on Money Market Transactions	(V-IV-b-5)	31.189	33.095
2.4 Interest on Securities Issued	(V-IV-b-3)	-	-
2.5 Other Interest Expenses		4.668	3.662
<b>III. NET INTEREST INCOME (I + II)</b>		<b>1.370.960</b>	<b>1.075.373</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>475.258</b>	<b>403.341</b>
4.1 Fees and Commissions Received		527.559	471.006
4.1.1 Non-cash Loans		18.884	11.420
4.1.2 Other		508.675	459.586
4.2 Fees and Commissions Paid		52.301	67.665
4.2.1 Non-cash Loans		519	404
4.2.2 Other		51.782	67.261
<b>V. DIVIDEND INCOME</b>	<b>(V-IV-c)</b>	<b>7.415</b>	<b>15.981</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>(V-IV-d)</b>	<b>(252.801)</b>	<b>(131.878)</b>
6.1 Trading Gains/(Losses) on Securities		40.778	(3.117)
6.2 Derivative Financial Transactions Gains/(Losses)		(303.207)	(108.396)
6.3 Foreign Exchange Gains/(Losses)		9.628	(20.365)
<b>VII. OTHER OPERATING INCOME</b>	<b>(V-IV-e)</b>	<b>78.828</b>	<b>171.701</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.679.660</b>	<b>1.534.518</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(V-IV-f)</b>	<b>275.594</b>	<b>160.568</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(V-IV-g)</b>	<b>1.164.529</b>	<b>1.052.614</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>239.537</b>	<b>321.336</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		<b>239.537</b>	<b>321.336</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(V-IV-h)</b>	<b>(58.739)</b>	<b>(80.549)</b>
16.1 Current Tax Provision	(V-IV-i)	(89.601)	(61.930)
16.2 Deferred Tax Provision		30.862	(18.619)
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	<b>(V-IV-j)</b>	<b>180.798</b>	<b>240.787</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1 Income from Non-current Assets Held for Resale		-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3 Other Income From Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Expenses for Non-current Assets Held for Resale		-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3 Other Expenses From Discontinued Operations		-	-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(V-IV-k)</b>	<b>180.798</b>	<b>240.787</b>
Earnings/ Loss per Share		0,002772	0,003691

The accompanying explanations and notes set out on pages 13 to 89 form an integral part of these financial statements.

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

**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER  
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2012 AND 31 DECEMBER 2011**

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (31/12/2012)</b>	<b>Prior Period (31/12/2011)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>82.635</b>	<b>(152.546)</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	-	-
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>(16.527)</b>	<b>27.336</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>66.108</b>	<b>(125.210)</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>8.118</b>	<b>15.866</b>
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	8.118	15.866
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	-	-
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>74.226</b>	<b>(109.344)</b>

The accompanying explanations and notes set out on pages 13 to 89 form an integral part of these financial statements.

**HSBC BANK A.Ş.**

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

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2011**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY</b>																	
<b>31 December 2011</b>	<b>Note (Section Five)</b>	<b>Paid-in Capital</b>	<b>Adjustment to Paid-in Capital</b>	<b>Share Premium</b>	<b>Share Cancell. Profits</b>	<b>Legal Reserve</b>	<b>Statutory Reserves</b>	<b>Extraordinary Reserves</b>	<b>Other Reserve</b>	<b>Current Period Net Profit/(Loss)</b>	<b>Prior Period Net Profit/(Loss)</b>	<b>Marketable Securities Valuation Differences</b>	<b>Rev. Diff. in Tangible and Intang. Assets</b>	<b>Bonus Shares from Investments</b>	<b>Hedging Fund</b>	<b>Rev. Diff. in Tangible Held for Sale/Disc. Operat</b>	<b>Total Equity</b>
<b>I. Period Opening Balance</b>		652.290	-	-	-	149.450	-	1.312.011	272.693	242.738	-	70.887	-	-	-	-	2.700.069
<b>II. Changes in Accounting Policies according to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. New Balance (I+II)</b>		652.290	-	-	-	149.450	-	1.312.011	272.693	242.738	-	70.887	-	-	-	-	2.700.069
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	(109.344)	-	-	-	-	(109.344)
<b>VI. Hedging Transactions Funds (Effective Parts)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIX. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	240.787	-	-	-	-	-	-	240.787
<b>XX. Profit Distribution</b>		-	-	-	-	12.516	-	193.811	-	(242.738)	-	-	-	-	-	-	(36.411)
20.1 Dividend Paid		-	-	-	-	-	-	-	-	(36.411)	-	-	-	-	-	-	(36.411)
20.2 Transfers to Reserves		-	-	-	-	12.516	-	193.811	-	(206.327)	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance (III+IV+V+.....+XXII+XXI)</b>		652.290	-	-	-	161.966	-	1.505.822	272.693	240.787	-	(38.457)	-	-	-	-	2.795.101

The accompanying explanations and notes set out on pages 13 to 89 form an integral part of these financial statements.

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

**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2012**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY</b>																	
31 December 2012																	
	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserve	Statutory Reserves	Extraordinary Reserves	Other Reserve	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat	Total Equity
<b>I. Prior Period End Balance</b>		652.290	-	-	-	161.966	-	1.505.822	272.693	240.787	-	(38.457)	-	-	-	-	2.795.101
Changes in the Period																	
<b>II. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	74.226	-	-	-	-	74.226
<b>IV. Hedging Transactions Funds (Effective Parts)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Valuation Differences due to Revaluation of Property and Equipment</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Valuation Differences due to Revaluation of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Foreign Exchange Differences</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes due to the Reclassification of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Effect of the Changes in Investment in Associates' Equity to the Bank's Equity</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Paid in-capital Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVII. Current Year Income or Loss</b>		-	-	-	-	-	-	-	-	180.798	-	-	-	-	-	-	180.798
<b>XVIII. Profit Distribution</b>		-	-	-	-	13.945	-	226.842	-	(240.787)	-	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	13.945	-	226.842	-	(240.787)	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (I+II+ ....+ XVIII)</b>		652.290	-	-	-	175.911	-	1.732.664	272.693	180.798	-	35.769	-	-	-	-	3.050.125

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**HSBC BANK A.Ş.**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS AT 31 DECEMBER 2012  
AND 31 DECEMBER 2011**

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

<b>VI. STATEMENT OF CASH FLOW</b>			
	<b>Note (Section Five VI)</b>	<b>Current Period (31/12/2012)</b>	<b>Prior Period (31/12/2011)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		760.755	445.363
1.1.1 Interest received		2.521.212	1.809.328
1.1.2 Interest paid		(1.086.263)	(861.907)
1.1.3 Dividend received		7.415	15.981
1.1.4 Fees and commissions received		527.559	474.471
1.1.5 Other income		(183.601)	60.188
1.1.6 Collections from previously written-off loans and other receivables		101.557	194.845
1.1.7 Payments to personnel and service suppliers		(511.365)	(434.421)
1.1.8 Taxes paid		(178.666)	(71.500)
1.1.9 Other		(437.093)	(741.622)
1.2 Changes in operating assets and liabilities		(2.313.317)	1.287.855
1.2.1 Net (decrease)/increase in trading securities		(515.308)	93.409
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		(47.523)	(34.338)
1.2.4 Net increase/(decrease) in loans		(1.798.738)	(4.336.410)
1.2.5 Net increase/(decrease) in other assets		(835.622)	(541.998)
1.2.6 Net increase/(decrease) in bank deposits		(134.899)	(93.354)
1.2.7 Net (decrease)/increase in other deposits		1.102.855	2.608.365
1.2.8 Net (decrease)/increase in funds borrowed		528.887	2.587.248
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		(612.969)	1.004.933
<b>I. Net cash provided from banking operations</b>		<b>(1.552.562)</b>	<b>1.733.218</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(358.828)</b>	<b>397.498</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		(76.854)	(31.749)
2.4 Disposals of property and equipment		1.467	12.734
2.5 Cash paid for purchase of investments available-for-sale		(2.359.108)	(1.072.641)
2.6 Cash obtained from sale of investments available-for -sale		2.075.667	1.489.154
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>(1)</b>	<b>(36.411)</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		-	(36.411)
3.5 Payments for finance leases		(1)	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(7.920)</b>	<b>(34.119)</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(1.919.311)</b>	<b>2.060.186</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	<b>(VI)</b>	<b>5.111.127</b>	<b>3.050.941</b>
<b>VII. Cash and cash equivalents at end of the period</b>	<b>(VI)</b>	<b>3.191.816</b>	<b>5.111.127</b>

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**UNCONSOLIDATED PROFIT APPROPRIATION STATEMENT AT 31 DECEMBER 2012  
AND 31 DECEMBER 2011**

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

<b>VII. DISTRIBUTION OF CURRENT YEAR INCOME</b>	<b>(31/12/2012) (*)</b>	<b>(31/12/2011) (**)</b>
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1. Current Year Income	239.537	321.336
1.2. Taxes And Duties Payable (-)	(58.739)	(80.549)
1.2.1. Corporate Tax (Income tax)	(89.601)	(61.930)
1.2.2. Income withholding tax	-	-
1.2.3. Other taxes and duties	30.862	(18.619)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>180.798</b>	<b>240.787</b>
1.3. Prior Year Losses (-)	-	-
1.4. First Legal Reserves (-)	9.040	13.945
1.5. Other Statutory Reserves (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))(***)]</b>	<b>140.896</b>	<b>226.842</b>
1.6. First Dividend To Shareholders (-)	-	-
1.6.1. To Owners Of Ordinary Shares	-	-
1.6.2. To Owners Of Privileged Shares	-	-
1.6.3. To Owners Of Preferred Shares	-	-
1.6.4. To Profit Sharing Bonds	-	-
1.6.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.7. Dividends To Personnel (-)	-	-
1.8. Dividends To Board Of Directors (-)	-	-
1.9. Second Dividend To Shareholders (-)	-	-
1.9.1. To Owners Of Ordinary Shares	-	-
1.9.2. To Owners Of Privileged Shares	-	-
1.9.3. To Owners Of Preferred Shares	-	-
1.9.4. To Profit Sharing Bonds	-	-
1.9.5. To Holders Of Profit And Loss Sharing Certificates	-	-
1.10. Second Legal Reserves (-)	-	-
1.11. Statutory Reserves (-)	-	-
1.12. Extraordinary Reserves	-	226.842
1.13. Other Reserves	-	-
1.14. Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	-	-
2.1. Appropriated Reserves	-	-
2.2. Second Legal Reserves (-)	-	-
2.3. Dividends To Shareholders (-)	-	-
2.3.1. To Owners Of Ordinary Shares	-	-
2.3.2. To Owners Of Privileged Shares	-	-
2.3.3. To Owners Of Preferred Shares	-	-
2.3.4. To Profit Sharing Bonds	-	-
2.3.5. To Holders Of Profit And Loss Sharing Certificates	-	-
2.4. Dividends To Personnel (-)	-	-
2.5. Dividends To Board Of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1. To Owners Of Ordinary Shares	0,002772	0,003691
3.2. To Owners Of Ordinary Shares ( % )	-	-
3.3. To Owners Of Privileged Shares	-	-
3.4. To Owners Of Privileged Shares ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1. To Owners Of Ordinary Shares	-	-
4.2. To Owners Of Ordinary Shares ( % )	-	-
4.3. To Owners Of Privileged Shares	-	-
4.4. To Owners Of Privileged Shares ( % )	-	-

(\*) As of reporting date, yearly ordinary meeting of the General Assembly has not been held yet to decide on the profit appropriation for the year 2012.

(\*\*) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2011 financial statement dated to 27 March 2012 and rearranged in this direction

(\*\*\*) As of 31 December 2012, the deferred tax asset of current period amounting to TL 30.862 is not subject to profit distribution

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

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

(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 in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and other decrees, notes and explanations related to the accounting and financial reporting principles (all “Turkish accounting Standards” or “TAS”) published by the BRSA. The format and the details of the publicly announced financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqués Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated 28 June 2012, additions and changes in the related to communiqué. The Bank, prepares accounting records in TL in accordance with the Banking Act, Turkish Commercial Code and Turkish tax legislation.

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 unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, corrections are made and the effects of these corrections are reflected to the income statement.

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments, which have been effective as of reporting date have no impact on the accounting policies, financial condition and performance of the Bank.

**b. 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 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.

**c. 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 the reporting standards. These accounting policies and valuation principles are explained in explanations on accounting policies section.

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012**

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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 conducts its investments at low risk and high yielding financial assets with collaterals. 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 equivalents. Maturity structure and yield of liabilities and placements are being considered according to market conditions and long term placements are invested in higher yielding financial assets.

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

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

These analyses, limit usages and controls are being discussed in monthly Asset-Liability committee meetings and developing decisions are being 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 at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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

The Bank has no investments in associates as of 31 December 2012. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) 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 subsidiaries of the Bank are “HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.” and “HSBC İnternet ve Telekomünikasyon 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 transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

**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, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are not considered as hedging instrument are classified as derivative instruments or held for trading and recognised at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “financial assets at fair value through profit or loss” in “trading derivative financial assets” and if the fair value difference is negative, it is disclosed in “trading derivative financial liabilities”. As of 31 December 2012 and 31 December 2011, the Bank does not have any embedded derivatives. As of 31 December 2012 and 31 December 2011 the Bank does not have any derivative financial instruments held for hedging.

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

Interest income and expenses are recognised on an accrual basis using the effective interest rate method. In accordance with the related regulation, realised interest accruals and rediscounts of the non-performing loans and other receivables are reversed and recognised as interest income only when they are collected.

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

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

Financial assets at fair value through profit or loss consists of trading financial assets and financial assets at fair value through profit or loss and 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 profit or loss is reflected to the income statement. Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV. of Section Three.

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

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

**c. Loans and Receivables:**

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

For loans in which making risk assessment for the loans and receivables on the basis of consumer and portfolio is non-performing loan, Bank provides specific provisions not less than the determined minimum rates according to the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette Dated 1 November 2006 and numbered 26333. Apart from 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 deducted from the net income of the year. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

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

**d. Held-to-Maturity Financial Assets:**

Held-to-maturity financial assets are financial assets that are not classified under loans and receivables and which have fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding held-to-maturity securities is reported as interest income and impairment for these financial assets recognised at income statement. There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. There are no held-to-maturity financial assets as of 31 December 2012 and 31 December 2011.

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

In each balance sheet date, the Bank assesses if there is an objective indication of the impairment of financial assets or financial asset groups. If such indications exist, the Bank will determine the amount of impairment. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. 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 “Methods and Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions” published in the Official Gazette No. 26333 dated 1 November 2006 and these provisions are changed against the income for the year.

**IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the 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.

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. The Bank has no financial assets at fair value through profit or loss subject to repurchase agreements as of 31 December 2012 and 31 December 2011. Funds given against securities purchased under agreements to resell (“Reverse repos”) are accounted under “Receivables from reverse repurchase agreements” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Bank has no securities lending transactions. The Bank has government bonds amounting to TL 50.000 as of 31 December 2012 that the Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş (31 December 2011: TL 67.752).

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

The Bank has no discontinued operations as of 31 December 2012 and 31 December 2011. Property and equipment held-for-resale purpose consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No.26333 and classified as assets held for sale.

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

The Bank's intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with "Intangible Assets" ("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 fixed assets purchased before 31 December 2004, end of the high inflation period is accepted as 31 December 2004 or subject to inflation indexation until 31 December 2004. Intangible fixed assets purchased after 31 December 2004 are recognised with their purchase cost in the financial statements.

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

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

**XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

All property and equipment are measured in accordance with "Property, Plant and Equipment" ("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 tangible assets purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Tangible assets purchased after 31 December 2004 are recognised with their purchase cost in the financial statements. Tangible assets 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%, 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 tangible fixed assets are capitalized, other repair and maintenance costs are recognised as expenses. There are no mortgages, pledges or similar precautionary measures on tangible fixed assets.

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

Provisions and contingent liabilities are accounted in accordance with, "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("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.

**XVI. EXPLANATIONS ON CONTINGENT ASSETS**

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. 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.

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

Obligations related to employment termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("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 3%.

**XVIII. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

According to the article no. 32 of "Corporate Tax Law" No. 5520 was published in the Official Gazette, No. 26205 dated 21 June 2006, the corporate tax rate is 20%. Corporate tax is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed. Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the 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 shares is not considered as profit distribution and thus does not incur withholding tax.

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

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

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

The tax applications for foreign branches:

***TURKISH REPUBLIC OF NORTHERN CYPRUS***

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next twelve years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

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

The 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 “Turkish Accounting Standard for Income Taxes” (“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.

**c. Transfer Pricing:**

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

**XIX. EXPLANATIONS ON BORROWING**

The funds borrowed are recorded at their purchase costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end counter buying 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 as of 31 December 2012 and 31 December 2011. The Bank has no issued convertible bonds as of 31 December 2012 and 31 December 2011.

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

The Bank has no issued share certificates as of 31 December 2012 and 31 December 2011.

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

Avalized drafts and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment.

**XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

The Bank has no government grants as of 31 December 2012 and 31 December 2011.

**XXIII. EXPLANATIONS ON OPERATING SEGMENTS**

Segment reporting is presented in Note X of Section Four.

**XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION**

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.

**XXV. EARNINGS PER SHARE**

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>
Net Profit for the Period	180.798	240.787
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings per Share (*)</b>	<b>0,002772</b>	<b>0,003691</b>

(\*) Amounts are expressed in full TL.

**XXVI. CASH AND CASH EQUIVALENTS**

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

**XXVII. 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.

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**XXVIII. RECLASSIFICATIONS**

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures as of 31 December 2011, to conform to changes in presentation in the 31 December 2012 financials.

**XXIX. OTHER MATTERS**

None.

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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT**

**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO**

a. As of 31 December 2012, the Bank's capital adequacy ratio is 17,12%. This rate is above the minimum rate specified by the related regulation.

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

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

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

**c. Information related to capital adequacy ratio:**

	31 December 2012								
	Risk Weights								
	% 0	% 10	% 20	% 50	%75	% 100	% 150	% 200	% 1250
<b>Credit Risk Based Amount</b>	<b>5.836.925</b>	<b>-</b>	<b>252.133</b>	<b>3.367.558</b>	<b>5.855.455</b>	<b>7.574.496</b>	<b>1.492.911</b>	<b>1.404.697</b>	<b>-</b>
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	5.146.527	-	-	-	-	30.990	-	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	252.133	361.485	-	926.883	440	-	-
Claims on corporates	93.721	-	-	-	-	5.903.159	-	-	-
Claims included in the regulatory retail portfolios	77.000	-	-	-	5.838.106	-	-	-	-
Claims secured by residential property	12.282	-	-	3.006.073	17.349	80.173	-	-	-
Past due loan	-	-	-	-	-	264.901	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.492.471	1.404.697	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	507.395	-	-	-	-	368.390	-	-	-

(\*) According to the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated June 28, 2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

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**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)**

**d. Summary information related to unconsolidated capital adequacy ratio:**

	<b>Current Period 31 December 2012</b>
Capital to be employed for credit risk (Amount subject to credit risk * 0,08) (I)	1.499.924
Capital to be employed for market risk (II)	135.827
Capital to employed for operational risk (III)	219.436
<b>Shareholders’ Equity</b>	<b>3.970.567</b>
<b>Shareholders’ Equity / ((I+II+III)*12,5*100)</b>	<b>17,12</b>

(\*) According to the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated June 28,2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

**e. Information about shareholders’ equity items:**

	<b>Current Period 31 December 2012</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	652.290
Nominal Capital	652.290
Capital Commitments (-)	-
Adjustment to Paid-in Capital	-
Share Premium	-
Share repeal	-
Legal Reserves	1.908.575
Adjustments to Legal Reserves	272.693
Profit	180.798
Net Current Period Profit	180.798
Prior Period Profit	-
Provision for Possible Losses up to 25% of Core Capital	-
Profit on sale of associates, subsidiaries and buildings	-
Primary Subordinated Loans <sup>(1)</sup>	-
Loss that is not covered with reserves (-)	-
Net Current Period Loss	-
Prior Period Loss	-
Development cost of operating lease (-)	28.691
Intangible Assets (-)	92.561
Deferred-Asset for tax which exceeds 10% of core capital (-)	-
Excess Amount expressed in the Law ( Article 56, 3 <sup>rd</sup> paragraph) (-)	-
<b>Total Core Capital</b>	<b>2.893.104</b>

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**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)**

	<b>Current Period 31 December 2012</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General reserves	248.321
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	-
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	813.677
45% of value increase fund of financial assets available for sale and associates and subsidiaries	16.096
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-
<b>Total Supplementary Capital</b>	<b>1.078.094</b>
<b>CAPITAL</b>	<b>3.971.198</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>631</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	198
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Other	276
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3.970.567</b>

(\*) According to the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" published in the Official Gazette No. 28337 dated June 28, 2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

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

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

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**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)**

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.

The Bank made capital plan within the Bank's Medium-Term Plan for the next three-year period.

**II. EXPLANATIONS ON CREDIT RISK**

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

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

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

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

When evaluated together with the financial operations of other financial institutions as an active participant in international banking market and when it is considered that a significant portion of the loan portfolio of the Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.

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

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

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

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

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

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

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**II. EXPLANATION ON CREDIT RISK (Continued)**

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

10 basic customer risk rating ranges are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

<b>Risk Classifications</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount</b>
Claims on sovereigns and Central Banks	5.177.517	2.805.910
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.540.941	1.422.761
Claims on corporates	5.996.880	7.827.088
Claims included in the regulatory retail portfolios	5.915.106	6.506.198
Claims secured by residential property	3.115.877	2.984.483
Past due loan	264.901	234.103
Higher risk categories decided by the Board	2.897.168	2.093.996
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	875.785	2.611.255
<b>Total</b>	<b>25.784.175</b>	<b>26.485.794</b>

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

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

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

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

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

As of 31 December 2012, the Bank has TL 532 (31 December 2011: TL 127) of non-cash loans turned into cash loans.

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

	<b>Current Period 31 December 2012</b>		<b>Prior Period 31 December 2011</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letter of Guarantee	65	-	-	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit	-	-	-	-
Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	465	-	126	-
Other Liabilities	2	-	1	-
<b>Total</b>	<b>532</b>	<b>-</b>	<b>127</b>	<b>-</b>

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

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

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

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

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

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

When evaluated together with the financial operations of other financial institutions as an active participant in international banking market and when it is considered that a significant portion of the loan portfolio of the Bank consists of retail loans, it is thought that there is no significant level of loan risk concentration.

**f. The proportion of the Bank's top 100 cash loan balances in total cash loans:**

18% (31 December 2011: 19%).

**The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans: %77 (31 December 2011: %79)'dir.**

**The proportion of the Bank's cash and non-cash loan balances with the first 100 customers comprises of total cash loans and non-cash loans: %22 (31 December 2011: %24)'dir.**

**g. The Bank provided a general provision amounting to TL 248.321 (31 December 2011: TL 184.137).**

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

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

	Risk Categories (***)																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
<b>31 December 2012</b>																	
Domestic	5.146.527	-	-	-	-	368.190	5.909.307	5.810.483	3.070.715	259.668	2.897.107	-	-	-	-	875.785	24.337.782
European Union Countries	-	-	-	-	-	714.988	9.711	5.630	10.337	1.940	-	-	-	-	-	-	742.606
OECD Countries (*)	-	-	-	-	-	41.830	853	955	2.096	103	-	-	-	-	-	-	45.837
Off – shore Countries	-	-	-	-	-	45.626	-	153	619	-	-	-	-	-	-	-	46.398
USA, Canada	-	-	-	-	-	45.137	8.963	505	1.611	21	-	-	-	-	-	-	56.237
Other Countries	30.990	-	-	-	-	290.147	68.046	97.380	30.499	3.169	61	-	-	-	-	-	520.292
Subsidiaries and Joint venture	-	-	-	-	-	35.023	-	-	-	-	-	-	-	-	-	-	35.023
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>5.177.517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.540.941</b>	<b>5.996.880</b>	<b>5.915.106</b>	<b>3.115.877</b>	<b>264.901</b>	<b>2.897.168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>875.785</b>	<b>25.784.175</b>

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

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

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

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

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

**i. Risk Profile according to sectors and counterparties:**

Sectors/Counterparties	Risk Categories (*)																TL	FC	Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
<b>Agricultural</b>	-	-	-	-	-	-	66.903	100.340	44.296	2.258	-	-	-	-	-	-	169.229	44.568	213.797	
Farming and raising livestock	-	-	-	-	-	-	57.679	7.953	14.464	1.669	-	-	-	-	-	-	46.976	34.789	81.765	
Forestry	-	-	-	-	-	-	8.996	4.030	5.365	558	-	-	-	-	-	-	15.641	3.308	18.949	
Fishing	-	-	-	-	-	-	228	88.357	24.467	31	-	-	-	-	-	-	106.612	6.471	113.083	
<b>Industry</b>	-	-	-	-	-	-	3.859.897	195.555	683.353	59.448	-	-	-	-	-	-	2.232.420	2.565.833	4.798.253	
Mining	-	-	-	-	-	-	50.752	3.848	15.867	567	-	-	-	-	-	-	38.987	32.047	71.034	
Production	-	-	-	-	-	-	3.646.789	190.939	665.919	58.881	-	-	-	-	-	-	2.180.086	2.382.442	4.562.528	
Electricity, Gas, Water	-	-	-	-	-	-	162.356	768	1.567	-	-	-	-	-	-	-	13.347	151.344	164.691	
<b>Construction</b>	-	-	-	-	-	-	497.493	77.379	144.223	11.337	-	-	-	-	-	-	286.744	443.688	730.432	
<b>Services</b>	2.161.987	-	-	-	-	1.540.941	1.527.878	196.838	499.351	19.888	-	-	-	-	-	-	2.090.918	3.855.965	5.946.883	
Wholesale and retail trade	-	-	-	-	-	-	1.079.609	103.425	216.925	14.014	-	-	-	-	-	-	1.087.739	326.234	1.413.973	
Hotel and beverage service	-	-	-	-	-	-	45.560	12.905	109.191	955	-	-	-	-	-	-	67.231	101.380	168.611	
Transportation and telecommunication	-	-	-	-	-	-	130.976	24.143	28.172	2.654	-	-	-	-	-	-	137.709	48.236	185.945	
Financial Institutions	2.161.987	-	-	-	-	1.540.941	37.701	2.863	93.741	55	-	-	-	-	-	-	592.199	3.245.089	3.837.288	
Real estate and lending service	-	-	-	-	-	-	322	409	2.695	-	-	-	-	-	-	-	3.279	147	3.426	
Self employment service	-	-	-	-	-	-	167.743	28.030	25.783	874	-	-	-	-	-	-	109.786	112.644	222.430	
Education Service	-	-	-	-	-	-	2.113	2.317	4.360	13	-	-	-	-	-	-	8.385	418	8.803	
Health and financial service	-	-	-	-	-	-	63.854	22.746	18.484	1.323	-	-	-	-	-	-	84.590	21.817	106.407	
<b>Other</b>	3.015.530	-	-	-	-	-	44.709	5.344.994	1.744.654	171.970	2.897.168	-	-	-	-	-	875.785	13.902.957	191.853	14.094.810
<b>TOTAL</b>	5.177.517	-	-	-	-	1.540.941	5.996.880	5.915.106	3.115.877	264.901	2.897.168	-	-	-	-	-	875.785	18.682.268	7.101.907	25.784.175

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

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

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

**j. Term distribution of risks with term structure:**

Risk Categories	Time to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
Claims on regional governments or local authorities	65.792	3.290.728	18.092	873.552	898.367
Claims on multilateral development banks	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	908.587	203.029	52.243	133.341	96.577
Claims on corporates	981.588	950.765	1.079.171	1.321.849	1.483.111
Claims included in the regulatory retail portfolios	2.528.631	519.536	555.255	328.177	577.690
Claims secured by residential property	34.798	102.075	152.047	144.962	2.651.123
Past due loan	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	816.343	2.080.826
Securities collateralized by mortgages	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other receivables	9.211	-	-	-	-
<b>TOTAL</b>	<b>4.528.607</b>	<b>5.066.133</b>	<b>1.856.808</b>	<b>3.618.224</b>	<b>7.787.694</b>

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

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

Rating Scores;

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

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

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

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

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

**i. Risk Amounts according to Risk Weights:**

	Risk Weights									Deducted from Equity
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
1. Amount Before Credit Risk Mitigation	5.653.923	-	252.133	361.485	7.987.484	8.631.545	1.492.911	1.404.697	-	121.883
2. Amount After Credit Risk Mitigation	5.836.925	-	252.133	3.367.558	5.855.455	7.574.496	1.492.911	1.404.697	-	121.883

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

Current Period 31 December 2012	Trading Financial	Available for Sale Financial Assets	Held to Maturity Securities	Total
	Assets (Net)	(Net)	(Net)	
Moody's Rating	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	747.996	3.015.530	-	3.763.526
Ba2	-	-	-	-
<b>Total</b>	<b>747.996</b>	<b>3.015.530</b>	<b>-</b>	<b>3.763.526</b>
Prior Period 31 December 2011	Trading Financial	Available for Sale Financial Assets	Held to Maturity Securities	Total
	Assets (Net)	(Net)	(Net)	
Moody's Rating	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	183.372	2.733.300	-	2.916.672
Ba2	4.924	-	-	4.924
<b>Total</b>	<b>188.296</b>	<b>2.733.300</b>	<b>-</b>	<b>2.921.596</b>

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

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

Miscellaneous Information regarding Important Sectors or Counterparty Type:

	Credits			
	Impaired credits	Past due credits	Value adjustments	Provisions
<b>Agricultural</b>	<b>9.169</b>	<b>6.439</b>	<b>74</b>	<b>6.913</b>
Farming and raising livestock	8.147	5.465	55	6.478
Forestry	989	609	12	433
Fishing	33	365	7	2
<b>Industry</b>	<b>127.037</b>	<b>155.806</b>	<b>3.919</b>	<b>67.648</b>
Mining	2.686	9.388	296	2.123
Production	124.294	146.393	3.623	65.468
Electricity, Gas, Water	57	25	-	57
<b>Construction</b>	<b>22.963</b>	<b>100.268</b>	<b>2.091</b>	<b>11.631</b>
<b>Services</b>	<b>79.410</b>	<b>55.618</b>	<b>1.268</b>	<b>59.616</b>
Wholesale and retail trade	47.684	45.767	1.045	33.787
Hotel and beverage service	2.437	1.187	50	1.491
Transportation and telecommunication	8.359	1.611	32	5.758
Financial Institutions	11.992	3.450	69	11.938
Real estate and lending service	94	-	-	94
Self employment service	5.502	-	-	4.628
Education Service	365	1.817	36	265
Health and financial service	2.977	1.786	36	1.655
<b>Other</b>	<b>509.456</b>	<b>374.559</b>	<b>8.380</b>	<b>337.104</b>
<b>Total</b>	<b>748.035</b>	<b>692.690</b>	<b>15.732</b>	<b>482.912</b>

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

	Provisions				Closing Balance
	Opening Balance	provided during the period	Provision Reversals	Other Adjustments (*)	
Special Provisions	444.338	240.319	55.481	146.264	482.912
General Provisions	184.137	67.627	3.442	-	248.321

(\*) Loans under follow up in non-performing loan accounts amounting to TL 146.264 has been sold for a consideration of TL 25.100 to Girişim Varlık A.Ş. as of 17 December 2012, and a related special allowance in portfolio amounting to TL 146.264 has been cancelled.

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

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

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>1 January 2012</b>	<b>84.866</b>	<b>113.641</b>	<b>238.204</b>	<b>436.711</b>
Transferred during the period	67.998	48.641	123.431	240.070
Collection during the period	7.015	17.197	23.642	47.854
Write-off/sold	-	40.019	106.245	146.264
<b>31 December 2012</b>	<b>145.849</b>	<b>105.066</b>	<b>231.748</b>	<b>482.663</b>

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>1 January 2011</b>	<b>226.851</b>	<b>161.437</b>	<b>320.864</b>	<b>709.152</b>
Transferred during the period	10.254	19.772	76.312	106.338
Collection during the period	5.349	14.709	29.608	49.666
Write-off/sold	146.890	52.859	129.364	329.113
<b>31 December 2011</b>	<b>84.866</b>	<b>113.641</b>	<b>238.204</b>	<b>436.711</b>

**r. Information on types of loans and provisions:**

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>Current Period - 31 December 2012</b>				
Standard loans	6.104.941	4.463.379	3.978.405	14.546.725
Close monitoring loans	543.442	94.977	64.159	702.578
Loans under follow-up	238.668	181.337	327.559	747.564
The specific provision (-)	145.849	105.066	231.748	482.663
<b>Total</b>	<b>6.741.202</b>	<b>4.634.627</b>	<b>4.138.375</b>	<b>15.514.204</b>

	Commercial Loans	Consumer Loan	Credit Cards	Total
<b>Prior Period- 31 December 2011</b>				
Standard loans	7.237.385	3.296.692	2.845.029	13.379.106
Close monitoring loans	378.317	74.415	53.505	506.237
Loans under follow-up	164.234	167.571	275.763	607.568
The specific provision (-)	84.866	113.641	238.204	436.711
<b>Total</b>	<b>7.695.070</b>	<b>3.425.037</b>	<b>2.936.093</b>	<b>14.056.200</b>

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

	Current Period 31 December 2012 Collateral Value	Prior Period 31 December 2011 Collateral Value
Mortgages	254.998	294.452
Pledged Vehicle	29.842	18.431
Cheques and Notes	2.608	2.844
Cash	162	120
<b>Total</b>	<b>287.610</b>	<b>315.847</b>

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**III. EXPLANATIONS ON MARKET RISK**

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

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

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

Beside controlling market risk, in regard to monitoring and managing the market risk, product and portfolio based yield curve scenarios, stress scenarios, liquidity, gap and volatility analysis are conducted. Through these analyses, it is aimed to be prepared and making fast decisions in regard to the targeted profitability and potential risks. Conducted analysis, limit usage and controls are discussed and necessary decisions are made in the weekly Asset-Liability Committee meetings.

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

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

**Information on Market Risk:**

	<b>31 December 2012</b>
	<b>Amount</b>
(I) Capital to be Employed for General Market Risk - Standard Method	60.374
(II) Capital to be Employed for Specific Risk - Standard Method	1.372
Required Capital Requirement for securitization of the position of specific risk - Standard Method	-
(III) Capital to be Employed for Currency Risk - Standard Method	3.258
(IV) Capital to be Employed for Commodity Risk - Standard Method	-
(V) Capital to be Employed for Exchange Risk - Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options - Standard Method	43
(VII) Capital requirement for counterparty credit risk - Standard Method	70.780
(VIII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model	-
(IX) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	135.827
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	<b>1.697.838</b>

(\*) According to the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated June 28, 2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

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**III. EXPLANATIONS ON MARKET RISK (Continued)**

**Average Market Risk Table of Calculated Market Risk for Period Ends:**

	Current period 31 December 2012		
	Average	Maximum	Minimum
Interest Rate Risk	51.566	60.374	45.736
Share Certificates Risk	1.251	1.737	543
Currency Risk	4.878	7.817	2.481
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	43	51	32
Counterparty Credit Risk	21.126	70.780	8.482
<b>Total Amount Subject to Risk</b>	<b>78.864</b>	<b>135.827</b>	<b>59.910</b>

**b. Information related to counterparty credit risk :**

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

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

Quantitative information on Counterparty Risk:

	<b>Amount</b>
Interest Rate Based Contracts	316.624
Foreign Currency Based Contracts	2.042.227
Commodity Based Contracts	812
Stock-Based Contracts	-
Other	-
Positive Fair Value Gross Amount	132.971
Benefits of Offsetting	-
Offsetting Current Risk Amount	-
Retained Guarantee	-
Net Positions on derivatives	2.491.194

(\*)TL 2.795 related with trading accounts has been calculated counterparty risk for commitments of marketable securities Exchange transactions.

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**IV. EXPLANATIONS ON OPERATIONAL RISK**

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

The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2011, 2010, and 2009 in accordance to the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio” published in the Official Gazette No.28337 dated 28 June 2012.

	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2011</b>	<b>Total/No. of Years of Positive Gross</b>	<b>Rate (%)</b>	<b>Total</b>
Gross Income	1.576.266	1.400.454	1.412.009	1.462.910	15	219.436
Value at Operational Risk (Total*12,5)						2.742.956

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**V. EXPLANATIONS ON CURRENCY RISK**

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

The Bank is acting extremely careful management of foreign currency and usually regulates the currency risk with being attentive not to take open position. The Bank is acting in accordance with legal restrictions and the limits determined by the Board of Directors on the regulation of foreign currency positions.

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

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

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

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

The Bank, as a general principle is not carrying its foreign currency position, but equilibrating foreign currency positions with derivative products. Foreign exchange bid rate of important foreign currencies are indicated in the table below.

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

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

- d. Current foreign exchange bid rates of the 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 - 31 December 2012</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	1,7869	2,3565
<b>Before Balance Sheet Date</b>		
1. Day Bid Rate	1,7868	2,3639
2. Day Bid Rate	1,7898	2,3751
3. Day Bid Rate	1,7986	2,3775
4. Day Bid Rate	1,7986	2,3775
5. Day Bid Rate	1,7986	2,3775
<b>Prior Period - 31 December 2011</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	1,8820	2,4343
<b>Before Balance Sheet Date</b>		
1. Day Bid Rate	1,9185	2,4764
2. Day Bid Rate	1,9073	2,4764
3. Day Bid Rate	1,8965	2,4796
4. Day Bid Rate	1,8965	2,4796
5. Day Bid Rate	1,8965	2,4796

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

**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:**

The Bank's simple arithmetic average foreign exchange rates for US Dollar is TL 1,78773 (31 December 2011: TL 1,86732) and exchange rates for Euro TL 2,34402 (31 December 2011: TL 2,46126).

**f. Information related to Bank's Currency Risk:**

<b>Current Period - 31 December 2012</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents and Central Bank	777.532	1.004.952	473.379	2.255.863
Banks	28.933	557.496	28.130	614.559
Financial Assets at Fair Value through Profit or Loss (Net)	3.917	8.390	-	12.307
Interbank Money Market Placements	-	53.650	-	53.650
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans (*)	1.425.060	1.872.156	19.327	3.316.543
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	1.562	3.066	934	5.562
<b>Total Assets</b>	<b>2.237.004</b>	<b>3.499.710</b>	<b>521.770</b>	<b>6.258.484</b>
<b>Liabilities</b>				
Bank Deposits	5	87.596	53	87.654
Foreign Currency Deposits	1.587.968	3.637.978	999.636	6.225.582
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.472.622	2.971.230	1	4.443.853
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.696	6.352	226	8.274
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	9.921	56.955	12.405	79.281
<b>Total Liabilities</b>	<b>3.072.212</b>	<b>6.760.111</b>	<b>1.012.321</b>	<b>10.844.644</b>
<b>Net on Balance Sheet Position</b>	<b>(835.208)</b>	<b>(3.260.401)</b>	<b>(490.551)</b>	<b>(4.586.160)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	4.153.073	9.313.327	973.287	14.439.687
Financial Derivative Liabilities	3.318.015	6.080.652	486.405	9.885.072
Non-cash Loans	444.030	1.641.965	99.336	2.185.331
<b>Prior Period - 31 December 2011</b>				
Total Assets	1.314.118	4.593.992	304.890	6.213.000
Total Liabilities	2.636.474	6.016.553	902.016	9.555.043
<b>Net on-Balance Sheet Position</b>	<b>(1.322.356)</b>	<b>(1.422.561)</b>	<b>(597.126)</b>	<b>(3.342.043)</b>
<b>Net off-Balance Sheet Position</b>	<b>1.396.503</b>	<b>1.384.180</b>	<b>592.516</b>	<b>3.373.199</b>
Financial Derivative Assets	2.167.832	4.935.618	704.711	7.808.161
Financial Derivative Liabilities	771.329	3.551.438	112.195	4.434.962
Non-cash Loans	280.604	2.152.222	77.818	2.510.644

(\*) Loans consists of foreign indexed loans amounting to TL 871.137 (31 December 2011: TL 1.181.045) and foreign factoring receivables amounting to TL 10.223 (31 December 2011: TL 17.891).

(\*\*) Other assets does not consist of prepaid expenses amounting to TL 1.382 (31 December 2011: TL 1.615) as of 31 December 2012.

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

Fair value of foreign currency buy transactions amounting to TL 124.582 (31 December 2011: TL 24.799) classified under derivative financial assets held for trading and fair value of currency sell transactions amounting to TL 110.081 (31 December 2011: TL 57.413) classified under derivative financial liabilities held for trading are not included on balance sheet position since notional amount of these transactions are included in off balance sheet positions.

As of 31 December 2012 and 31 December 2011, if bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	<b>Current Period – 31 December 2012</b>		<b>Prior Period – 31 December 2011</b>	
	<b>Income Statement</b>	<b>Equity (*)</b>	<b>Income Statement</b>	<b>Equity (*)</b>
US Dollar	(2.778)	(2.778)	(3.778)	(3.838)
Euro	(15)	(15)	7.415	7.415
Other	(367)	(367)	(461)	(461)
<b>Total</b>	<b>(3.160)</b>	<b>(3.160)</b>	<b>3.176</b>	<b>3.116</b>

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

As of 31 December 2012 and 31 December 2011, as a result of 10 % appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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**VI. EXPLANATIONS ON INTEREST RATE RISK**

There is an interest sensitivity gap at the balance sheet of the Bank in short-term due to structural risk of the banking sector that is obligation to the funding of long-term assets with short-term deposits. Derivative financial instruments are used against the risk of possible interest risk of interest rate sensitive asset and liabilities. Interest futures and swap operations 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 - 31 December 2012</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 and Central Bank	-	-	-	-	-	2.551.692	2.551.692
Banks	694.524	86.541	6.301	-	-	112.263	899.629
Financial Assets at Fair Value Through Profit or Loss (Net)	61.421	49.880	750.057	12.158	7.451	-	880.967
Interbank Money Market Placements	2.029.632	-	-	-	-	-	2.029.632
Available-for-sale Financial Assets (Net)	502.514	1.879.427	633.589	-	-	4.211	3.019.741
Loans (*)	5.540.070	2.661.405	2.115.477	3.657.450	1.274.901	264.901	15.514.204
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	402.693	402.693
<b>Total Assets</b>	<b>8.828.161</b>	<b>4.677.253</b>	<b>3.505.424</b>	<b>3.669.608</b>	<b>1.282.352</b>	<b>3.335.760</b>	<b>25.298.558</b>
<b>Liabilities</b>							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8.517.041	1.945.398	495.181	13.802	-	2.995.074	13.966.496
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.815	532.815
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Borrowings	2.356.507	515.684	2.982.273	476.097	211.120	-	6.541.681
Other Liabilities (**)	50.607	80.424	51.820	3.714	-	3.831.086	4.017.651
<b>Total Liabilities</b>	<b>11.101.636</b>	<b>2.541.506</b>	<b>3.539.695</b>	<b>498.023</b>	<b>211.120</b>	<b>7.406.578</b>	<b>25.298.558</b>
Balance Sheet Long Position	-	2.135.747	-	3.171.585	1.071.232	-	6.378.564
Balance Sheet Short Position	(2.273.475)	-	(34.271)	-	-	(4.070.818)	(6.378.564)
Off Balance Sheet Long Position	-	-	264.679	-	-	-	264.679
Off Balance Sheet Short Position	-	-	-	(264.679)	-	-	(264.679)
<b>Total Position</b>	<b>(2.273.475)</b>	<b>2.135.747</b>	<b>230.408</b>	<b>2.906.906</b>	<b>1.071.232</b>	<b>(4.070.818)</b>	<b>-</b>

(\*) Loans consist of factoring transactions amounting to TL 92.463.

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

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

<b>Prior Period - 31 December 2011</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 and Central Bank	-	-	-	-	-	1.799.569	1.799.569
Banks	195.108	-	-	-	-	171.437	366.545
Financial Assets at Fair Value Through Profit or Loss (Net)	112.982	53.464	97.679	79.735	12.384	-	356.244
Interbank Money Market Placements	4.152.681	-	-	-	-	-	4.152.681
Available-for-sale Financial Assets (Net)	970.633	942.626	816.146	3.895	-	3.000	2.736.300
Loans (*)	3.865.867	1.663.136	4.335.153	3.132.260	888.927	170.857	14.056.200
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	664.402	664.402
<b>Total Assets</b>	<b>9.297.271</b>	<b>2.659.226</b>	<b>5.248.978</b>	<b>3.215.890</b>	<b>901.311</b>	<b>2.809.265</b>	<b>24.131.941</b>
<b>Liabilities</b>							
Bank Deposits	191.710	6.315	23.084	-	-	154.294	375.403
Other deposits	7.255.581	2.617.087	479.979	6.033	-	2.512.698	12.871.378
Funds from Interbank Money Market	889.994	-	-	-	-	-	889.994
Miscellaneous Payables	-	-	-	-	-	480.691	480.691
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Borrowings	3.268.592	757.578	1.750.353	510	211.119	-	5.988.152
Other Liabilities (**)	54.738	15.643	44.028	3.650	-	3.408.264	3.526.323
<b>Total Liabilities</b>	<b>11.660.615</b>	<b>3.396.623</b>	<b>2.297.444</b>	<b>10.193</b>	<b>211.119</b>	<b>6.555.947</b>	<b>24.131.941</b>
Balance Sheet Long Position	-	-	2.951.534	3.205.697	690.192	-	6.847.423
Balance Sheet Short Position	(2.363.344)	(737.397)	-	-	-	(3.746.682)	(6.847.423)
Off Balance Sheet Long Position	-	321.623	-	53.589	318.434	-	693.646
Off Balance Sheet Short Position	(113.771)	-	(656.947)	-	-	-	(770.718)
<b>Total Position</b>	<b>(2.477.115)</b>	<b>(415.774)</b>	<b>2.294.587</b>	<b>3.259.286</b>	<b>1.008.626</b>	<b>(3.746.682)</b>	<b>(77.072)</b>

(\*) Loans consist of factoring receivables amounting to TL 222.971.

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

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

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

<b>Current Period - 31 December 2012</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,14	-	7,00
Financial Assets at Fair Value Through Profit or Loss (Net)	5,60	7,85	-	6,17
Interbank Money Market Placements	-	1,00	-	6,09
Available-for-Sale Financial Assets (Net)	-	-	-	5,96
Loans	5,31	5,54	-	12,49
Held-to-Maturity Investments (Net)	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	0,34	-	4,90
Other Deposits	2,02	2,34	2,26	7,4
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Borrowings	1,66	1,79	-	8,82
<b>Prior Period - 31 December 2011</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,52	-	12,09
Financial Assets at Fair Value Through Profit or Loss (Net)	5,50	7,42	-	10,67
Interbank Money Market Placements	-	-	-	11,79
Available-for-Sale Financial Assets (Net)	-	2,48	-	9,86
Loans	5,91	4,48	4,72	12,72
Held-to-Maturity Investments (Net)	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	0,74	0,55	-	8,01
Other Deposits	2,83	2,58	2,00	9,76
Funds From Interbank Money Market	-	-	-	6,49
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Borrowings	2,74	1,35	-	11,67

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

**c. Interest rate risk on banking book:**

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

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

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

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

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

<b>31 December 2012</b>	<b>Shocks Applied (+/- x basis point)</b>	<b>Gains / Losses</b>	<b>Gains / Equity - Losses / Equity</b>
<b>Type of Currency</b>			
1. TL	500	(444.056)	-11,18%
2. TL	200	8.527	0,21%
3. EUR	200	61.508	1,55%
4. EUR	(400)	469.506	11,82%
5. USD	(200)	(1.156)	-0,03%
6. USD	(200)	(73.000)	-1,84%
<b>Total (of negative shocks)</b>		<b>(374.020)</b>	<b>-9,42%</b>
<b>Total (of positive shocks)</b>		<b>395.351</b>	<b>9,96%</b>

(\*) According to the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated June 28,2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

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

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

Equity securities which are not publicly traded are booked as their cost value, if calculation of fair value cannot be determined properly.

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

None.

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**VII. EXPLANATIONS ON LIQUIDITY RISK**

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

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

For various liquidity crisis scenarios, liquidity crisis management methods are present.

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

Since the Bank is pricing its liabilities faster than its assets, the Bank is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed in determined limits.

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

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

In accordance with the Communiqué on the Measurement and Assessment of Liquidity of the Banks published in the Official Gazette dated 1 November 2006, liquidity ratio of the banks on a weekly and monthly basis should be 80% for foreign currency denominated assets and liabilities, and for total assets and liabilities it should be 100%. Liquidity ratios of the Bank as at 2012 and 2011 are presented below:

<b>Foreign Currency</b>			
<b>Current Period - 31 December 2012</b>	<b>I. Maturity Tranche</b>	<b>II. Maturity Tranche</b>	
Average	111,15	108,47	
Maximum	143,18	130,63	
Minimum	86,70	89,84	
<b>Total</b>			
<b>Current Period - 31 December 2012</b>	<b>I. Maturity Tranche</b>	<b>II. Maturity Tranche</b>	
Average	126,62	117,34	
Maximum	141,16	124,57	
Minimum	115,21	111,11	
<b>Foreign Currency</b>			
<b>Prior Period - 31 December 2011</b>	<b>I. Maturity Tranche</b>	<b>II. Maturity Tranche</b>	
Average	124,28	119,44	
Maximum	142,51	137,68	
Minimum	106,70	101,64	
<b>Total</b>			
<b>Prior Period - 31 December 2011</b>	<b>I. Maturity Tranche</b>	<b>II. Maturity Tranche</b>	
Average	141,16	125,37	
Maximum	169,99	142,01	
Minimum	121,87	117,74	

- d. Evaluation of amount and sources of the Bank’s cash flows:**

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

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

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

<b>Current Period - 31 December 2012</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years and Over</b>	<b>5 Years Unallocated (* )</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents and Central Bank Banks	486.483	2.065.209	-	-	-	-	2.551.692
Financial Assets at Fair Value through Profit or Loss (Net)	112.263	694.524	86.541	6.301	-	-	899.629
Interbank Money Market Placements	-	21.881	42.318	771.576	33.287	11.905	880.967
Available-for-sale Financial Assets (Net)	-	2.029.632	-	-	-	-	2.029.632
Loans (**)	-	4.984.193	1.913.011	2.132.211	4.752.472	1.467.416	15.514.204
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets (***)	-	-	48.008	325	30.831	-	402.693
<b>Total Assets</b>	<b>598.746</b>	<b>9.795.439</b>	<b>3.315.397</b>	<b>3.802.057</b>	<b>5.643.903</b>	<b>1.550.375</b>	<b>25.298.558</b>
<b>Liabilities</b>							
Bank Deposits	47.603	177.481	-	10.421	4.410	-	239.915
Other Deposits	2.995.074	8.538.707	1.923.732	495.181	13.802	-	13.966.496
Borrowings	-	1.901.082	257.869	2.378.690	948.778	1.055.262	6.541.681
Funds from Interbank Money Market	-	-	-	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Miscellaneous Payables	-	281.944	115.023	121.971	13.877	-	532.815
Other Liabilities (***)	-	45.150	59.608	171.002	416.164	78	4.017.651
<b>Total Liabilities</b>	<b>3.042.677</b>	<b>10.944.364</b>	<b>2.356.232</b>	<b>3.177.265</b>	<b>1.397.031</b>	<b>1.055.340</b>	<b>25.298.558</b>
<b>Net Liquidity Gap</b>	<b>(2.443.931)</b>	<b>(1.148.925)</b>	<b>959.165</b>	<b>624.792</b>	<b>4.246.872</b>	<b>495.035</b>	<b>(2.733.008)</b>
<b>Prior Period - 31 December 2011</b>							
Total Assets	876.794	10.017.416	2.759.621	3.454.235	5.387.584	1.136.324	24.131.941
Total Liabilities	2.666.992	11.088.880	2.880.988	2.165.731	1.593.220	733.826	24.131.941
<b>Net Liquidity Gap</b>	<b>(1.790.198)</b>	<b>(1.071.464)</b>	<b>(121.367)</b>	<b>1.288.504</b>	<b>3.794.364</b>	<b>402.498</b>	<b>(2.502.337)</b>

(\*) Loans consist of factoring receivables amounting to TL 92.463 (31 December 2011: TL 222.971) as of 31 December 2012.

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

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

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

<b>Current Period - 31 December 2012</b>	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Bank Deposits	225.099	8.636	6.593	-	-	240.328
Other Deposits	11.527.220	1.938.073	508.654	14.596	-	13.988.543
Payables to Money Market	-	-	-	-	-	-
Borrowings	2.536.852	92.315	2.123.394	1.281.343	1.232.563	7.266.467
<b>Total</b>	<b>14.289.171</b>	<b>2.039.024</b>	<b>2.638.641</b>	<b>1.295.939</b>	<b>1.232.563</b>	<b>21.495.338</b>
<b>Prior Period - 31 December 2011</b>						
Bank Deposits	346.020	6.411	23.976	-	-	376.407
Other Deposits	10.327.653	2.102.689	495.045	6.392	-	12.931.779
Payables to Money Market	890.292	-	-	-	-	890.292
Borrowings	2.492.514	284.603	2.211.681	1.022.046	651.410	6.662.254
<b>Total</b>	<b>14.056.479</b>	<b>2.393.703</b>	<b>2.730.702</b>	<b>1.028.438</b>	<b>651.410</b>	<b>20.860.732</b>

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

**g. Explanations on securitisation positions:**

None.

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

Current Period - 31 December 2012	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over
<b>Derivatives held for trading</b>					
Foreign exchange derivatives:					
- Inflow	2.148.120	2.892.334	6.654.841	1.443.012	903.278
- Outflow	2.149.813	2.898.180	6.667.165	1.430.881	831.956
Interest rate derivatives:					
- Inflow	-	-	1.044.179	2.145.210	792.579
- Outflow	-	-	727.700	2.461.689	792.579
<b>Total Inflow</b>	<b>2.148.120</b>	<b>2.892.334</b>	<b>7.699.020</b>	<b>3.588.222</b>	<b>1.695.857</b>
<b>Total Outflow</b>	<b>2.149.813</b>	<b>2.898.180</b>	<b>7.394.865</b>	<b>3.892.570</b>	<b>1.624.535</b>

Prior Period - 31 December 2011	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over
<b>Derivatives held for trading</b>					
Foreign exchange derivatives:					
- Inflow	4.696.421	463.659	2.204.803	1.340.129	514.725
- Outflow	4.729.978	466.221	2.227.332	1.281.214	411.392
Interest rate derivatives:					
- Inflow	-	-	994.239	2.043.849	453.011
- Outflow	-	-	866.263	2.352.497	453.011
<b>Total Inflow</b>	<b>4.696.421</b>	<b>463.659</b>	<b>3.199.042</b>	<b>3.383.978</b>	<b>967.736</b>
<b>Total Outflow</b>	<b>4.729.978</b>	<b>466.221</b>	<b>3.093.595</b>	<b>3.633.711</b>	<b>864.403</b>

**VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES**

**a. Net-off made with the process and policies according to balance sheet and off-balance sheet and the level of the net-off usage of the Bank:**

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

**b. Explanations on valuation and management of collaterals:**

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

**c. Received main collateral types:**

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

The volatility adjustments regarding the receivables, collaterals and currency mismatch of the collaterals are made as per the standard volatility-adjustment approach defined in the article no. 37 of the above mentioned regulation.

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**VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)**

**d. Main guarantees ve counter party of credit derivatives and their credit worthiness:**

None.

**e. Information on market risks and credit risks concentrations related to credit reduction:**

None.

**f. Collaterals based on risk classifications:**

<b>Risk Classifications</b>	<b>Balance</b>	<b>Financial Guaranties</b>	<b>Other/Physical Guaranties</b>	<b>Guaranties And Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	5.177.517	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.098.600	-	-	-
Conditional and unconditional receivables from Corporates	7.893.602	104.198	-	-
Conditional and unconditional retail receivables	11.662.583	86.728	-	-
Conditional and unconditional receivables secured by Mortgages	3.132.785	3.029.819	-	-
Past due receivables	264.785	-	-	-
Receivables defined in high risk category by BRSA	2.897.181	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	8.819.941	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	880.894	-	-	-
<b>Total</b>	<b>41.827.888</b>	<b>3.220.745</b>	-	-

(\*) According to the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” published in the Official Gazette No. 28337 dated June 28,2012, information of prior period that have not presented for 1 year as coming into force date of regulation.

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

**IX. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Carrying Value		Fair Value	
	Current Period 31 December 2012	Prior Period 31 December 2011	Current Period 31 December 2012	Prior Period 31 December 2011
<b>Financial Assets</b>	<b>21.444.544</b>	<b>21.140.869</b>	<b>22.401.571</b>	<b>22.013.047</b>
Interbank Money Market Placements	2.029.632	4.152.681	2.029.632	4.154.005
Banks	880.967	366.545	880.817	366.564
Financial Assets Available-for-Sale (Net)	3.019.741	2.736.300	3.019.741	2.736.300
Investments Held-to-Maturity (Net)	-	-	-	-
Loans (*)	15.514.204	13.885.343	16.471.381	14.756.178
<b>Financial Liabilities</b>	<b>21.280.907</b>	<b>19.715.624</b>	<b>21.366.818</b>	<b>20.125.752</b>
Bank Deposits	239.915	375.403	239.915	375.361
Other Deposits	13.966.496	12.871.378	13.973.313	12.886.679
Borrowing	6.541.681	5.988.152	6.620.775	6.383.021
Securities Issued	-	-	-	-
Miscellaneous Payables	532.815	480.691	532.815	480.691

(\*) Loans consist of factoring receivables amounting to TL 92.463 (31 December 2011: TL 222.971).

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

Aforesaid classifications related to fair values are determined as follows;

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

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

<b>Current Period - 31 December 2012</b>	<b>1st Level</b>	<b>2nd Level</b>	<b>3rd Level</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>748.099</b>	<b>132.868</b>	-	<b>880.967</b>
- Government debt securities	747.996	-	-	747.996
- Share certificates	-	-	-	-
- Trading derivative financial assets	103	132.868	-	132.971
- Other securities	-	-	-	-
<b>Available for Sale Financial Assets</b>	<b>3.015.530</b>	-	-	<b>3.015.530</b>
- Government debt securities	3.015.530	-	-	3.015.530
- Other marketable securities (*)	-	-	-	-
<b>Total Assets</b>	<b>3.763.629</b>	<b>132.868</b>	-	<b>3.896.497</b>
Trading Derivative Financial Liabilities	211	186.357	-	186.568
<b>Total Liabilities</b>	<b>211</b>	<b>186.357</b>	-	<b>186.568</b>
<b>Prior Period - 31 December 2011</b>	<b>1st Level</b>	<b>2nd Level</b>	<b>3rd Level</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>188.404</b>	<b>167.840</b>	-	<b>356.244</b>
- Government debt securities	183.372	-	-	183.372
- Share certificates	-	-	-	-
- Trading derivative financial assets	108	167.840	-	167.948
- Other securities	4.924	-	-	4.924
<b>Available for Sale Financial Assets</b>	<b>2.733.300</b>	-	-	<b>2.733.300</b>
- Government debt securities	2.733.300	-	-	2.733.300
- Other marketable securities (*)	-	-	-	-
<b>Total Assets</b>	<b>2.921.704</b>	<b>167.840</b>	-	<b>3.089.544</b>
Trading Derivative Financial Liabilities	-	118.059	-	118.059
<b>Total Liabilities</b>	-	<b>118.059</b>	-	<b>118.059</b>

(\*)Since Kredi Garanti Fonu is under the financial assets available-for-sale is classified with its acquisition cost, it is not included in the table below.

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

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

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

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

The Bank has no fiduciary transactions.

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**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.

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Current Period – 31 December 2012</b>					
Operating Income	999.514	510.953	169.193	-	1.679.660
Other	-	-	-	-	-
<b>Operating Income</b>	<b>999.514</b>	<b>510.953</b>	<b>169.193</b>	<b>-</b>	<b>1.679.660</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(22.043)	151.447	110.133	-	239.537
<b>Profit before Tax</b>	<b>(22.043)</b>	<b>151.447</b>	<b>110.133</b>	<b>-</b>	<b>239.537</b>
Corporate Tax Provision (*)	-	-	-	(58.739)	(58.739)
<b>Profit after Tax</b>	<b>(22.043)</b>	<b>151.447</b>	<b>110.133</b>	<b>(58.739)</b>	<b>180.798</b>
Minority Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(22.043)</b>	<b>151.447</b>	<b>110.133</b>	<b>(58.739)</b>	<b>180.798</b>
Segment Assets	9.675.503	6.702.495	8.885.537	-	25.263.535
Investments in Associates	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>9.675.503</b>	<b>6.702.495</b>	<b>8.920.290</b>	<b>270</b>	<b>25.298.558</b>
Segment Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>13.742.944</b>	<b>4.413.787</b>	<b>7.141.827</b>	<b>-</b>	<b>25.298.558</b>
<b>Other Segment Items</b>	<b>(311.435)</b>	<b>(13.131)</b>	<b>(2.911)</b>	<b>-</b>	<b>(327.477)</b>
Capital Investment	-	-	-	-	-
Amortization	(46.849)	(13.131)	(2.192)	-	(62.172)
Impairment	-	-	(719)	-	(719)
Non-cash Other Income-Expense	(264.586)	-	-	-	(264.586)
Restructuring Costs	-	-	-	-	-

(\*) Corporate tax provision is not distributed.

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
<b>Prior Period - 31 December 2011</b>					
Operating Income	865.338	518.204	150.976	-	1.534.518
Other	-	-	-	-	-
<b>Operating Income</b>	<b>865.338</b>	<b>518.204</b>	<b>150.976</b>	<b>-</b>	<b>1.534.518</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	12.585	199.624	109.127	-	321.336
<b>Profit before Tax</b>	<b>12.585</b>	<b>199.624</b>	<b>109.127</b>	<b>-</b>	<b>321.336</b>
Corporate Tax Provision (*)	-	-	-	(80.549)	(80.549)
<b>Profit after Tax</b>	<b>12.585</b>	<b>199.624</b>	<b>109.127</b>	<b>(80.549)</b>	<b>240.787</b>
Minority Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>12.585</b>	<b>199.624</b>	<b>109.127</b>	<b>(80.549)</b>	<b>240.787</b>
Segment Assets	7.334.236	7.935.392	8.827.290	-	24.096.918
Investments in Associates	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>7.334.236</b>	<b>7.935.392</b>	<b>8.862.043</b>	<b>270</b>	<b>24.131.941</b>
Segment Liabilities	12.357.494	4.484.348	7.290.099	-	24.131.941
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>12.357.494</b>	<b>4.484.348</b>	<b>7.290.099</b>	<b>-</b>	<b>24.131.941</b>
<b>Other Segment Items</b>	<b>(37.125)</b>	<b>(17.951)</b>	<b>(2.444)</b>	<b>(342)</b>	<b>(57.862)</b>
Capital Investment	-	-	-	-	-
Amortization	(53.214)	(17.951)	(2.444)	-	(73.609)
Impairment	-	-	-	(342)	(342)
Non-cash Other Income-Expense	(16.089)	-	-	-	(16.089)
Restructuring Costs	-	-	-	-	-

(\*) Corporate tax provision is not distributed.

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**SECTION FIVE**

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

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

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Cash/Foreign Currency	230.041	130.420	172.437	95.618
The CBRT	65.788	2.065.213	160.475	1.355.074
Other (*)	-	60.230	-	15.965
<b>Total</b>	<b>295.829</b>	<b>2.255.863</b>	<b>332.912</b>	<b>1.466.657</b>

(\*) Account of precious metal amounting to TL 60.230 (31 December 2011: 15.953 TL) as of 31 December 2012.

**2. Information related to the account of the CBRT:**

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Demand Unrestricted Account	65.788	3	160.475	257.862
Time Unrestricted Account	-	-	-	-
Time Restricted Account	-	-	-	-
Reserve Requirement	-	2.065.210	-	1.097.212
<b>Total</b>	<b>65.788</b>	<b>2.065.213</b>	<b>160.475</b>	<b>1.355.074</b>

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2005/1”, the Bank is required to maintain reserves in CBRT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and standard gold.

The reserve rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of 31 December 2012 (31 December 2011: 5% and 11% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 6% and 11% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2012 (31 December 2011: 6% and 11% for all foreign currency liabilities).

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

**1. Financial assets blocked as collateral or subject to repurchase agreements:**

The Bank has financial assets at fair value through profit or loss as collateral/blocked amounting to TL 185 as of 31 December 2012 (31 December 2011: None).

The Bank has no financial assets at fair value through profit or loss subject to repurchase agreement as of 31 December 2012 and 31 December 2011.

The Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 747.811 as of 31 December 2012 (31 December 2011: TL 188.296).

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

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Forward Transactions	1.315	30.528	13.644	3.031
Swap Transactions	5.864	84.968	117.483	22.877
Futures Transactions	-	2	-	311
Options	-	10.294	-	10.602
Other	-	-	-	-
<b>Total</b>	<b>7.179</b>	<b>125.792</b>	<b>131.127</b>	<b>36.821</b>

**c. Information on banks:**

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
<b>Banks</b>	<b>285.070</b>	<b>614.559</b>	<b>97.216</b>	<b>269.329</b>
Domestic	252.782	8	60.088	134.581
Foreign	32.288	614.551	37.128	134.748
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>285.070</b>	<b>614.559</b>	<b>97.216</b>	<b>269.329</b>

**2. Information on foreign banks account:**

	Unrestricted Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
European Union Countries	18.563	32.919	-	-
USA, Canada	547.384	45.214	-	-
OECD Countries (*)	553	684	-	-
Off-Shore Banking Regions	9	33	-	-
Other	797	1.250	79.533	91.776
<b>Total</b>	<b>567.306</b>	<b>80.100</b>	<b>79.533</b>	<b>91.776</b>

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

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

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

**1. Financial assets blocked as collateral or subject to repurchase agreements:**

The Bank has financial assets at fair value through profit or loss as collateral/blocked amount to TL 275.654 as of 31 December 2012 (31 December 2011: TL 1.763.915).

The Bank has no financial assets at fair value through profit or loss subject to repurchase agreement as of 31 December 2012(31 December 2011: TL 921.839).

The Bank has financial assets at fair value through profit or loss in unrestricted account amount to TL 2.739.876 as of 31 December 2012. (31 December 2011: TL 47.546).

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

	Current Period 31 December 2012	Prior Period 31 December 2011
<b>Debt Securities</b>	<b>3.016.359</b>	<b>2.769.032</b>
Quoted to Stock Exchange	3.016.359	2.769.032
Not Quoted	-	-
<b>Share Certificate</b>	<b>4.211</b>	<b>3.000</b>
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.211	3.000
<b>Impairment Provision (-)</b>	<b>829</b>	<b>35.732</b>
<b>Total</b>	<b>3.019.741</b>	<b>2.736.300</b>

(\*) Equity investment in Kredi Garanti Fonu is security representing a share in capital and classified in available for sale financial assets.

**e. Information related to loans:**

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	Cash	Non-cash	Cash	Non-cash
<b>Direct Loans Granted to Shareholders</b>	-	22.557	1.352	15.984
Corporate Shareholders	-	22.557	1.352	15.984
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	12.104	333.668	7.509	471.991
<b>Loans Granted to Employees</b>	32.714	-	30.587	-
<b>Total</b>	<b>44.818</b>	<b>356.225</b>	<b>39.448</b>	<b>487.975</b>

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

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring			
	Loans and Other Receivables	Agreement conditions modified	Other	Loans and Other	Agreement conditions	
				Receivables	modified	
		Payment Plan Extensions		Payment Plan Extensions	Other	
<b>Non-specialized Loans</b>	<b>14.098.787</b>	<b>447.938</b>	-	<b>641.735</b>	<b>60.843</b>	-
Commercial Loans	4.559.098	349.097	-	362.087	56.498	-
Export Loans	479.371	49.851	-	27.381	2.323	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	73.335	-	-	-	-	-
Consumer Loans	4.447.886	15.493	-	93.996	981	-
Credit Cards	3.977.474	931	-	64.073	86	-
Other (*)	561.623	32.566	-	94.198	955	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
	<b>14.098.787</b>	<b>447.938</b>	-	<b>641.735</b>	<b>60.843</b>	-

(\*) Consists of factoring receivables amounting to TL 92.463.

Number of Modifications Made to Extend Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
	Extended by 1 or 2 times	438.132
Extended by 3, 4 or 5 times	9.079	983
Extended by more than 5 times	727	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
	0 – 6 Months	100.941
6 – 12 Months	163.175	5.053
1 – 2 Years	103.552	6.116
2 – 5 Years	77.936	36.005
5 years or more	2.334	4.615

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Short-Term Loans and Other Receivables</b>	<b>7.330.626</b>	<b>264.116</b>	<b>301.606</b>	<b>14.108</b>
Non-Specialized Loans (*)	7.330.626	264.116	301.606	14.108
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>6.768.161</b>	<b>183.822</b>	<b>340.129</b>	<b>46.735</b>
Non-Specialized Loans	6.768.161	183.822	340.129	46.735
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(\*) Consists of factoring receivables amounting to TL 92.463.

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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:**

	<b>Short-term</b>	<b>Medium and Long-term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>76.576</b>	<b>4.214.378</b>	<b>4.290.954</b>
Mortgage Loans	967	1.816.521	1.817.488
Automotive Loans	131	32.279	32.410
Consumer Loans	75.478	2.365.578	2.441.056
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>-</b>	<b>25.351</b>	<b>25.351</b>
Mortgage Loans	-	24.336	24.336
Automotive Loans	-	-	-
Consumer Loans	-	1.015	1.015
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>3.985.504</b>	<b>-</b>	<b>3.985.504</b>
With Instalment	1.999.070	-	1.999.070
Without Instalment	1.986.434	-	1.986.434
<b>Individual Credit Cards-FC</b>	<b>7.531</b>	<b>-</b>	<b>7.531</b>
With Instalment	-	-	-
Without Instalment	7.531	-	7.531
<b>Personnel Loans-TL</b>	<b>1.342</b>	<b>20.678</b>	<b>22.020</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.342	20.678	22.020
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>10.664</b>	<b>-</b>	<b>10.664</b>
With Instalment	5.998	-	5.998
Without Instalment	4.666	-	4.666
<b>Personnel Credit Cards-FC</b>	<b>30</b>	<b>-</b>	<b>30</b>
With Instalment	-	-	-
Without Instalment	30	-	30
<b>Credit Deposit Account-TL (Real Person)</b>	<b>220.031</b>	<b>-</b>	<b>220.031</b>
<b>Credit Deposit Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>4.301.678</b>	<b>4.260.407</b>	<b>8.562.085</b>

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

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

	<b>Short-term</b>	<b>Medium and Long-term</b>	<b>Total</b>
<b>Commercial Instalment Loans-TL</b>	<b>66.771</b>	<b>647.473</b>	<b>714.244</b>
Mortgage Loans	127	9.333	9.460
Automotive Loans	617	29.701	30.318
Consumer Loans	66.027	608.439	674.466
Other	-	-	-
<b>Commercial Instalment Loans- Indexed to FC</b>	<b>6.019</b>	<b>207.432</b>	<b>213.451</b>
Mortgage Loans	-	957	957
Automotive Loans	190	7.750	7.940
Consumer Loans	5.829	198.725	204.554
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>38.516</b>	<b>-</b>	<b>38.516</b>
With Instalment	16.805	-	16.805
Without Instalment	21.711	-	21.711
<b>Corporate Credit Cards-FC</b>	<b>319</b>	<b>-</b>	<b>319</b>
With Instalment	-	-	-
Without Instalment	319	-	319
<b>Credited Deposit Account-TL (Legal Person)</b>	<b>114.417</b>	<b>-</b>	<b>114.417</b>
<b>Credited Deposit Account-FC (Legal person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>226.042</b>	<b>854.905</b>	<b>1.080.947</b>

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Public	-	-
Private	15.249.303	13.885.343
<b>Total</b>	<b>15.249.303</b>	<b>13.885.343</b>

(\*) Consist of factoring receivables amounting to TL 92.463 (31 December 2011: TL 222.971).

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Domestic Loans	15.132.945	13.637.038
Foreign Loans	116.358	248.305
<b>Total</b>	<b>15.249.303</b>	<b>13.885.343</b>

(\*) Consist of factoring receivables amounting to TL 92.463 (31 December 2011: TL 222.971).

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Direct Loans Granted to Investments in Associates and Subsidiaries	33	12
Indirect Loans Granted to Investments in Associates and Subsidiaries	-	-
<b>Total</b>	<b>33</b>	<b>12</b>

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**9. Specific provisions accounted for loans:**

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Loans and Receivables with Limited Collectability	20.548	18.998
Loans and Receivables with Doubtful Collectability	63.558	41.565
Uncollectible Loans and Receivables	398.557	376.148
<b>Total</b>	<b>482.663</b>	<b>436.711</b>

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

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

	<b>III. Group Loans and Other Receivables with Limited Collectability</b>	<b>IV. Group Loans and Other Receivables with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans and Other Receivables</b>
<b>Current Period: 31 December 2012</b>	<b>2.973</b>	<b>9.874</b>	<b>41.071</b>
<b>(Gross Amounts Before Specific Provisions)</b>			
Restructured Loans and Other Receivables	1.502	5.053	17.443
Rescheduled Loans and Other Receivables	1.471	4.821	23.628
<b>Prior Period: 31 December 2011</b>	<b>269</b>	<b>11.201</b>	<b>16.862</b>
<b>(Gross Amounts Before Specific Provisions)</b>			
Restructured Loans and Other Receivables	267	8.932	14.237
Rescheduled Loans and Other Receivables	2	2.269	2.625

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

	<b>III. Group Loans and Other Receivables with Limited Collectability</b>	<b>IV. Group Loans and Other Receivables with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans and Other Receivables</b>
<b>Prior Period End Balance: 31 December 2011</b>	<b>79.264</b>	<b>83.752</b>	<b>444.552</b>
Additions (+)	125.930	149.868	112.020
Transfers from Other Categories of Non-Performing Loans (+)	80	58.064	119.029
Transfers to Other Categories of Non-Performing Loans (-)	57.201	119.720	253
Collections (-)	29.458	15.146	56.953
Write-offs (-)	-	-	146.264
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	40.020
Credit Cards	-	-	106.244
Other	-	-	-
<b>Balance at the End of the Period: 31 December 2012</b>	<b>118.615</b>	<b>156.818</b>	<b>472.131</b>
Specific Provisions (-)	20.548	63.558	398.557
<b>Net Balance on Balance Sheet</b>	<b>98.067</b>	<b>93.260</b>	<b>73.574</b>

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period: 31 December 2012</b>			
Balance at the End of the Period	-	-	14.428
Specific Provisions (-)	-	-	14.428
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period: 31 December 2011</b>			
Balance at the End of the Period	-	33	14.427
Specific Provisions (-)	-	33	13.693
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>734</b>

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (Net): 31 December 2012</b>			
Loans granted to corporate entities and real persons (Gross)	98.067	93.260	73.574
Specific Provisions Amount (-)	118.615	156.818	460.388
Loans granted to corporate entities and real persons (Net)	20.548	63.558	386.814
Banks (Gross)	98.067	93.260	73.574
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2011</b>			
Loans granted to corporate entities and real persons (Gross)	60.266	42.187	68.404
Specific Provisions Amount (-)	79.264	83.752	432.809
Loans granted to corporate entities and real persons (Net)	18.998	41.565	364.405
Banks (Gross)	60.266	42.187	68.404
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

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

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

The general policy of the Bank related to the collection, however, the write-off policy is applied as exceptional.

**f. Held-to-maturity Investments:**

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

The Bank has no held to maturity investments as collateral/blocked and subject to repurchase agreements as of 31 December 2012 and 31 December 2011.

**2. Information on Held-to-maturity government debt securities:**

The Bank has no held to maturity investments as government debt securities as of 31 December 2012 and 31 December 2011.

**3. Information on Held-to-maturity investments:**

The Bank has no held to maturity investments as of 31 December 2012 and 31 December 2011.

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

The Bank has no movement of held to maturity investments as of 31 December 2012 and 31 December 2011.

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

The Bank has no investments in associates as of 31 December 2012 and 31 December 2011.

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

**1. Information on capital adequacy of major subsidiaries:**

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

	<b>HSBC Yatırım ve Menkul Değerler A.Ş.</b>
<b>Core Capital</b>	<b>83.907</b>
Paid-in Capital	7.000
Share Premium	-
Reserves	46.430
Current Period's Profit and Prior Periods' Profit	30.477
Current Period's Losses and Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	-
<b>Supplementary Capital</b>	<b>-</b>
<b>Deductions from Capital</b>	<b>-</b>
<b>Net Available Equity</b>	<b>83.907</b>

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

**2. Information on unconsolidated subsidiaries:**

**a) Unconsolidated subsidiaries:**

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

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

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit / Loss</b>	<b>Prior Period Profit / Loss (**)</b>	<b>Fair Value</b>
1	5.550	5.429	113	197	-	1.654	1.904	-
2	78	77	-	5	-	14	(1)	-

(\*) Prepared with unaudited financial statements of 31 December 2012.

(\*\*) The prior period balances present amounts of 31 December 2011.

**3. Information on consolidated subsidiaries:**

HSBC Yatırım was established as Demir Yatırım in 23 December 1996. The merger of the Demir Yatırım and HSBC Yatırım was determined and 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 modification of the new merged company to HSBC Yatırım Menkul Değerler A.Ş. was determined and merger of these two companies was accomplished as of 11 January 2002.

**a) Consolidated subsidiaries:**

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

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

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Marketable Securities Portfolio</b>	<b>Current Period Profit / Loss</b>	<b>Prior Period Profit / Loss (**)</b>	<b>Fair Value</b>
1	96.889	83.908	6	7.723	5.883	14.177	15.940	-

(\*) Prepared with unaudited financial statements of 31 December 2012.

(\*\*) The prior period balances present amounts of 31 December 2011.

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

**4. Movement schedule of consolidated subsidiaries:**

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Income	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(decrease) of valuation	-	-
<b>Balance at the End of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	<b>99.87</b>	<b>99,87</b>

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

<b>Subsidiaries</b>	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
<b>Other Financial Subsidiaries</b>	<b>34.753</b>	<b>34.753</b>

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

The Bank has no subsidiaries quoted on a stock exchange as of 31 December 2012 and 31 December 2011.

**i. Information on joint ventures:**

- The Bank has no joint ventures as of 31 December 2012 and 31 December 2011.
- The accounting method of joint ventures is not determined since The Bank has no subsidiaries quoted on a stock exchange as of 31 December 2012 and 31 December 2011.

**j. Information on leasing receivables (Net):**

The Bank has no leasing receivables as of 31 December 2012 and 31 December 2011.

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

The Bank has no hedging derivative financial assets as of 31 December 2012 and 31 December 2011.

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

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

	<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
<b>Prior Period End:</b>				
Cost	23.015	1.194	550.119	574.328
Accumulated Depreciation and Impairment (-)	12.444	934	432.324	445.702
<b>Net book value</b>	<b>10.571</b>	<b>260</b>	<b>117.795</b>	<b>128.626</b>
<b>Current Period End:</b>				
Net Book Value at the Beginning	10.571	260	117.795	128.626
Additions	12	-	68.035	68.047
Disposals (-) (net)	-	145	1.322	1.467
Impairment (-)	338	44	55.692	56.074
Depreciation (-)	23.133	695	700.934	724.762
Cost at Period End	12.888	601	572.141	585.630
Accumulated Depreciation at Period End (-)	<b>10.245</b>	<b>94</b>	<b>128.793</b>	<b>139.132</b>

**m. Information on intangible assets:**

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Gross book value	252.754	243.947
Accumulated depreciation(-)	160.193	154.235
<b>Net Book Value</b>	<b>92.561</b>	<b>89.712</b>

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

Opening balance	<b>89.712</b>	<b>94.984</b>
Additions	8.807	2.310
Disposals (-) (net)	-	-
Depreciation (-)	5.958	7.582
<b>Closing Net Book Value</b>	<b>92.561</b>	<b>89.712</b>

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

The Bank has no investment properties as of 31 December 2012 and 31 December 2011.

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

As of 31 December 2012 deferred tax asset of the Bank is TL 30.605 (31 December 2011: None). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

There are no temporary deductions which were not subject to deferred tax assets and accounted balance sheet.

There is no impairment provision for deferred tax.

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

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

As of 31 December 2012 property and equipment held for sale of the Bank is TL 5.129 (31 December 2011: TL 7.801).

	<b>Current Period 31 December 2011</b>	<b>Prior Period 31 December 2010</b>
<b>Prior Period End:</b>		
Cost	7.997	7.556
Accumulated Depreciation (-)	196	225
<b>Net Book Value</b>	<b>7.801</b>	<b>7.331</b>
<b>Current Period End</b>		
Net Book Value at the Beginning	7.801	7.331
Additions	3.249	9.172
Disposals (-) (net)	5.781	8.517
Depreciation (-)	140	185
Cost at Period End	5.294	7.997
Accumulated Depreciation at Period End (-)	165	196
<b>Closing Net Book Value</b>	<b>5.129</b>	<b>7.801</b>

**r. Information on other assets:**

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

2. Other assets of the balance sheet consist of debited suspense accounts amounting to TL 32.693 (31 December 2011 TL 301.078), prepaid expenses amounting to TL 49.614 (31 December 2011: TL 62.521), other rediscount income amounting to TL 7.865 (31 December 2011: TL 10.933), miscellaneous receivables amounting to TL 8.221 (31 December 2011: TL 14.573), and other assets amounting to TL 1.850 (31 December 2011: TL 5.363).

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

The Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables as of 31 December 2012 and 31 December 2011.

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

**a. Information on deposits**

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

There are no deposits with 7 days notification and accumulative deposits.

**1(i). Current Period - 31 December 2012:**

	<b>Demand</b>	<b>With 7 Days Maturity</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 Months -1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposit</b>	<b>Total</b>
Saving Deposits	519.262	-	268.276	3.391.026	1.050.735	289.932	38.101	-	5.557.332
Foreign Currency Deposits	1.453.949	-	1.085.173	2.652.520	324.338	174.354	68.289	-	5.758.623
Residents in Turkey	1.251.086	-	1.029.971	2.246.265	255.558	101.750	25.842	-	4.910.472
Residents Abroad	202.863	-	55.202	406.255	68.780	72.604	42.447	-	848.151
Public Sector Deposits	82.873	-	42	163	-	-	-	-	83.078
Commercial Deposits	460.831	-	1.410.364	187.567	2.059	2.764	3.700	-	2.067.285
Other Institutions Deposits	11.200	-	13.162	7.737	833	266	21	-	33.219
Gold Vault	466.959	-	-	-	-	-	-	-	466.959
Bank Deposits	47.603	-	177.471	-	2.017	8.405	4.419	-	239.915
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	64	-	177.257	-	2.017	8.405	4.419	-	192.162
Foreign Banks	47.539	-	214	-	-	-	-	-	47.753
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.042.677</b>	<b>-</b>	<b>2.954.488</b>	<b>6.239.013</b>	<b>1.379.982</b>	<b>475.721</b>	<b>114.530</b>	<b>-</b>	<b>14.206.411</b>

**1(ii). Prior Period - 31 December 2011:**

	<b>Demand</b>	<b>With 7 Days Maturity</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 Months -1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposit</b>	<b>Total</b>
Saving Deposits	437.609	-	230.524	3.552.853	906.433	135.144	53.095	-	5.315.658
Foreign Currency Deposits	1.272.687	-	881.857	1.976.294	243.713	207.846	129.316	-	4.711.713
Residents in Turkey	1.100.424	-	858.288	1.634.409	185.001	114.529	70.533	-	3.963.184
Residents Abroad	172.263	-	23.569	341.885	58.712	93.317	58.783	-	748.529
Public Sector Deposits	21.877	-	40	330	-	136	-	-	22.383
Commercial Deposits	447.304	-	1.282.759	380.415	157.918	21.880	1.824	-	2.292.100
Other Institutions Deposits	12.352	-	26.310	98.500	35.499	35.993	1	-	208.655
Gold Vault	320.869	-	-	-	-	-	-	-	320.869
Bank Deposits	154.294	-	191.710	-	-	10.535	18.864	-	375.403
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	112.883	-	190.548	-	-	10.535	18.864	-	332.830
Foreign Banks	41.411	-	1.162	-	-	-	-	-	42.573
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2.666.992</b>	<b>-</b>	<b>2.613.200</b>	<b>6.008.392</b>	<b>1.343.563</b>	<b>411.534</b>	<b>203.100</b>	<b>-</b>	<b>13.246.781</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:**

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period 31 December 2012	Prior Period 31 December 2011	Current Period 31 December 2012	Prior Period 31 December 2011
Saving Deposits	2.264.542	2.227.202	3.098.544	2.889.431
Foreign Currency Saving Deposits	836.678	777.308	2.820.507	2.201.175
Other Deposits in the Form of Saving Deposits	42.490	23.312	344.438	224.914
Foreign Branches' Deposits under Foreign Authorities' Insurance	173.781	172.814	228.434	192.922
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
<b>Total</b>	<b>3.317.491</b>	<b>3.200.636</b>	<b>6.491.923</b>	<b>5.508.442</b>

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

**2(iii). Saving deposits of real persons which are not under the guarantee of saving deposit insurance fund:**

	Current Period 31 December 2012	Prior Period 31 December 2011
Foreign Branches' Deposits and other accounts	228.434	192.922
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
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 in care	6.036	5.373
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

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

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Forward Transactions	-	13.790	10.044	15.141
Swap Transactions	75.453	86.433	41.968	40.528
Future Transactions	-	24	-	103
Options	-	10.868	-	10.275
Other	-	-	-	-
<b>Total</b>	<b>75.453</b>	<b>111.115</b>	<b>52.012</b>	<b>66.047</b>

**c. Information on repurchase agreements:**

The Bank has no repurchase agreements amounting to as of 31 December 2012 (31 December 2011: TL 889.994).

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

**d. Information on borrowings:**

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	9.998	2.734	10.631	6.537
From Foreign Banks, Institutions and Funds	2.087.830	3.597.009	1.703.097	3.750.071
<b>Total</b>	<b>2.097.828</b>	<b>3.599.743</b>	<b>1.713.728</b>	<b>3.756.608</b>

**2. Information on maturity structure of borrowings:**

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Short-term	1.411.611	3.126.066	847.789	3.057.575
Medium and Long-term	686.217	473.677	865.939	699.033
<b>Total</b>	<b>2.097.828</b>	<b>3.599.743</b>	<b>1.713.728</b>	<b>3.756.608</b>

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

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

**e. Information on other liabilities:**

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

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

**a) Information on financial leasing agreements:**

The Bank has no payable for financial leasing (31 December 2011: 1 TL).

**b) Information on financial leasing agreements:**

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

Leasing debts due to operational leasing transactions presented below:

	Current Period 31 December 2012	Prior Period 31 December 2011
Less Than 1 Year	64.846	68.712
Between 1-4 Years	134.485	134.034
More Than 4 Years	13.542	16.360
<b>Total</b>	<b>212.873</b>	<b>219.106</b>

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

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

The Bank has no derivative financial liabilities for hedging purposes as of 31 December 2012 and 31 December 2011.

**1. Negative differences on derivative financial liabilities for hedging purposes:**

None.

**h. Information on provisions:**

**1. Information on general provisions:**

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
<b>General Provisions</b>	<b>248.321</b>	<b>184.137</b>
Provisions for First Group Loans and Receivables	173.027	112.821
- Additional Provision for Loans and Receivables with Extended Maturities	22.540	35.661
Provisions for Second Group Loans and Receivables	15.920	10.529
- Additional Provision for Loans and Receivables with Extended Maturities	2.839	2.507
Provisions for Non-Cash Loans	23.584	15.738
Other	10.411	6.881

**2. Information on provisions related to foreign currency difference of foreign indexed loans:**

As of 31 December 2012, the provision related to foreign currency difference of foreign currency indexed loans, which amounts to TL 4.236 (31 December 2011: TL 3.048), which is offset with the balance of foreign currency indexed loans in these financial statements.

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

Provision for non-cash loans that are non-funded and non-transformed into cash as of 31 December 2012 is amounting to TL 249 (31 December 2011: TL 7.627).

**4. Information on other provisions:**

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

The Bank has no general provisions for possible risks as of 31 December 2012 and 31 December 2011.

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

Provision for accumulated credit card bonus amounting to TL 15.710 (31 December 2011: TL 14.344), provisions for checks under follow-up amounting to TL 5.413 (31 December 2011: TL 4.196), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 249 (31 December 2011: TL 7.627) and other provision amounting to TL 24.904 (31 December 2011: TL 12.653) are classified under other provisions.

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

**i. Explanations on tax liability:**

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

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

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Corporate Taxes Payable	19.737	-
Taxation on Marketable Securities	11.149	12.349
Property Tax	1.195	1.046
Banking Insurance Transaction Tax (BITT)	11.213	11.601
Foreign Exchange Transaction Tax	10	15
Value Added Tax Payable	1.618	1.379
Other (*)	12.798	9.506
<b>Total</b>	<b>57.720</b>	<b>35.896</b>

(\*) Consists of payroll tax amounting to TL 10.945 (31 December 2011: TL 7.758), self-employed income tax amounting to TL 46 (31 December 2011: TL 194), stamp tax amounting to TL 275 (31 December 2011: TL 514) and other taxes amounting to TL 1.532 (31 December 2011: TL 1.040) as of 31 December 2012.

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Social Security Premiums - Employee	3.072	2.844
Social Security Premiums - Employer	3.221	2.985
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	227	224
Unemployment Insurance - Employer	446	429
Other	-	-
<b>Total</b>	<b>6.966</b>	<b>6.482</b>

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

The Bank has no deferred tax liability as of 31 December 2012 (31 December 2011: 257 TL). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

**j. Information on liabilities for property and equipment held for sale purpose and held from terminated operations:**

The Bank has no liabilities for property and equipment held for sale purpose and held from terminated operations as of 31 December 2012 and 31 December 2011.

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

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

As of 29 December 2011, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275.000 (TL 491.398) with 10 years maturity and USD Libor + 5,25% interest rate in accordance with the permit from BRSA No.26895 dated 28 December 2011 and the decision taken in the Board of Directors No. 12969 dated 13 December 2011.

As of 28 December 2012, the Bank has obtained a subordinated loan from HSBC Finance amounting to USD 39.000 (TL 69.689) with 10 years maturity and USD Libor + 4,15% interest rate and EUR 120.000 (TL 282.777) with 10 years maturity and EURO Libor + 3,87% interest rate in accordance with the permit from BRSA No.2134 dated 24 January 2013 and the decision taken in the Board of Directors No. 13044 dated 24 December 2012.

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	844.110	-	517.816
Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>844.110</b>	<b>-</b>	<b>517.816</b>

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

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. The Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation as of 31 December 2012.

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

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

Registered share capital system is not applied.

	Current Period 31 December 2012	Prior Period 31 December 2011
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

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

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.

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

**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 acts 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 accounting standards changes.

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

The shares of the foreign shareholder are Group “A” and “B” shares and all members of the Board of Directors are selected from among the candidates to be suggested by the Group “A” share certificate holders.

**8. Information on marketable securities value increase fund:**

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	35.769	-	(37.857)	(600)
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>35.769</b>	<b>-</b>	<b>(37.857)</b>	<b>(600)</b>

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

The Bank has no revaluation value increase fund as of 31 December 2012 and 31 December 2011.

**10. Information on legal reserves:**

	Current Period 31 December 2012	Prior Period 31 December 2011
First Legal Reserve	130.467	116.522
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
<b>Total</b>	<b>175.911</b>	<b>161.966</b>

**11. Information on extraordinary reserves:**

	Current Period 31 December 2012	Prior Period 31 December 2011
Reserves Allocated per General Assembly Minutes	1.700.050	1.505.822
Undivided Profit	32.614	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
<b>Total</b>	<b>1.732.664</b>	<b>1.505.822</b>

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

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

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

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

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

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

The Bank has TL 17.263.645 (31 December 2011: TL 8.088.555) irrevocable commitments as of 31 December 2012.

**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”.

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

The Bank has letter of credit amounting to TL 829.298 (31 December 2011: TL 926.753), acceptances amounting to TL 694.336 (31 December 2011: TL 918.131) and commitments and contingencies due to letter of credit amounting to TL 642.956 (31 December 2011: TL 738.090) as of 31 December 2012. Also the Bank has other commitments and contingencies amounting to TL 365.103 (31 December 2011: TL 241.019) as of 31 December 2012.

**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 non-cash loans:**

	Current Period 31 December 2012	Prior Period 31 December 2011
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>69.085</b>	<b>1.978</b>
With Original Maturity of One Year or Less	69.085	1.978
With Original Maturity of More than One Year	-	-
<b>Other Non-Cash Loans</b>	<b>2.462.608</b>	<b>2.822.015</b>
<b>Total</b>	<b>2.531.693</b>	<b>2.823.993</b>

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

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

	Current Period				Prior Period			
	31 December 2012		31 December 2011		31 December 2011		31 December 2010	
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>901</b>	<b>0,26</b>	<b>11.344</b>	<b>0,52</b>	<b>642</b>	<b>0,21</b>	<b>9.821</b>	<b>0,39</b>
Farming and Raising livestock	239	0,07	11.227	0,51	470	0,15	9.555	0,38
Forestry	662	0,19	117	0,01	152	0,05	266	0,01
Fishing	-	-	-	-	20	0,01	-	-
<b>Manufacturing</b>	<b>150.862</b>	<b>43,56</b>	<b>1.069.730</b>	<b>48,95</b>	<b>134.101</b>	<b>42,79</b>	<b>1.203.028</b>	<b>47,91</b>
Mining	1.055	0,31	2.863	0,13	1.453	0,46	39.991	1,59
Production	148.143	42,77	975.171	44,62	131.355	41,92	1.150.194	45,81
Electric, Gas and Water	1.664	0,48	91.696	4,20	1.293	0,41	12.843	0,51
<b>Construction</b>	<b>13.672</b>	<b>3,95</b>	<b>226.912</b>	<b>10,38</b>	<b>13.324</b>	<b>4,25</b>	<b>179.187</b>	<b>7,16</b>
<b>Services</b>	<b>178.114</b>	<b>51,42</b>	<b>877.232</b>	<b>40,14</b>	<b>163.007</b>	<b>52,03</b>	<b>1.117.525</b>	<b>44,50</b>
Wholesale and Retail Trade	72.977	21,07	87.464	4,00	77.351	24,69	97.769	3,89
Hotel, Food and Beverage								
Services	949	0,27	605	0,03	5.540	1,77	569	0,02
Transportation and Telecommunication	16.513	4,77	23.443	1,07	13.981	4,46	16.543	0,66
Financial Institutions	66.353	19,16	662.138	30,30	56.467	18,02	962.927	38,35
Real Estate and Leasing Services	54	0,02	-	-	121	0,04	4	0,00
Self-employment Services	17.972	5,19	96.370	4,41	6.288	2,01	34.776	1,39
Education Services	297	0,09	64	0,00	199	0,06	68	0,00
Health and Social Services	2.999	0,87	7.148	0,33	3.060	0,98	4.869	0,19
<b>Other</b>	<b>2.813</b>	<b>0,81</b>	<b>113</b>	<b>0,01</b>	<b>2.275</b>	<b>0,72</b>	<b>1.083</b>	<b>0,04</b>
<b>Total</b>	<b>346.362</b>	<b>100,00</b>	<b>2.185.331</b>	<b>100,00</b>	<b>313.349</b>	<b>100,00</b>	<b>2.510.644</b>	<b>100,00</b>

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash loans</b>	<b>341.693</b>	<b>2.183.225</b>	<b>4.669</b>	<b>2.106</b>
Letters of Guarantee	340.866	482.366	4.669	1.397
Bank Acceptances	-	693.955	-	381
Letters of Credit	827	642.129	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	364.775	-	328

**b. Explanations on derivative transactions:**

The Bank has forward transactions amounting to TL 4.382.895 (31 December 2011: 3.493.413 TL), currency swap amounting to TL 20.559.709 (31 December 2011: TL 13.306.061), currency option amounting to TL 3.076.976 (31 December 2011: TL 1.536.400), interest rate option amounting to TL 593.340 (31 December 2011: TL 2.258.388), interest rate swap amounting to TL 6.312.752 (31 December 2011: TL 3.188.098). The Bank has no precious metal option as of 31 December 2012 (31 December 2011: None). The Bank has interest rate future amounting to TL 1.057.844 as of 31 December 2012 (31 December 2011: TL 1.716.384). Also the Bank has other derivatives amounting to TL 162.306 as of 31 December 2012 (31 December 2011:None). Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument and valued with their fair value by the Bank.

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

None.

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

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

For contingent assets, if the probability of condition is almost ultimate, this asset is recognised, if the probability is high, this asset is explained in the notes. There is no contingent asset that should be explained as of 31 December 2012.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 December 2012, the total amount of these lawsuits filed against the Bank is TL 11.107 (31 December 2011: TL 11.222). TL 1.739 (31 December 2011: 1.467 TL) has been set aside as provision for those with the probability of being concluded against the bank is higher than the probability of their concluding in its favour.

The Competition Board has initiated an investigation in accordance with Law No. 4054 on the Protection of Competition, with its decision dated November 2, 2011 and numbered 11-55/1438 – M, against 12 banks and 2 firms in the financial services industry, including the Bank to determine whether the 4th clause of the aforementioned Law was violated through agreements limiting competition. The investigation is still continuing and the Bank does not foresee any effects on the financial statements.

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

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

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

**a. Information on interest income:**

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Short-term Loans	1.008.947	51.941	804.286	46.276
Medium and Long-term Loans	659.022	97.812	487.960	72.039
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	23.625	-	38.759	-
	-	-	-	-
<b>Total</b>	<b>1.691.594</b>	<b>149.753</b>	<b>1.331.005</b>	<b>118.315</b>

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

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	59.712	484	28.280	328
From Foreign Banks	2.631	258	1.359	82
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>62.343</b>	<b>742</b>	<b>29.639</b>	<b>410</b>

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Financial assets held for trading	89.514	507	24.476	643
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	192.306	604	233.390	11.842
Investments held to maturity	-	-	-	-
<b>Total</b>	<b>281.820</b>	<b>1.111</b>	<b>257.866</b>	<b>12.485</b>

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

The Bank has no interest income received from investments in associates and subsidiaries as of 31 December 2012 and 31 December 2011.

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

**b. Information on interest expense:**

**1. Information on interest expense on borrowings (\*):**

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TP	YP	TP	YP
Banks	224.902	86.664	155.825	45.862
The CBRT	-	-	-	-
Domestic Banks	948	254	621	80
Foreign Banks	223.954	86.410	155.204	45.782
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>224.902</b>	<b>86.664</b>	<b>155.825</b>	<b>45.862</b>

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

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Interest Expenses Given to Subsidiaries and Associates	1.385	1.211

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

The Bank has no interest expense given on securities issued as of 31 December 2012 and 31 December 2011.

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

Current Period: 31 December 2012	Demand Deposit	Time Deposit					Total	Up to 1 Month
		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	-	5.204	463	-	346	-	-	6.013
Saving deposits	-	22.845	285.226	143.105	13.340	8.205	-	472.721
Public sector deposits	-	3	60	31	-	-	-	94
Commercial deposits	-	100.608	19.810	29.281	1.046	939	-	151.684
Other deposits	-	2.822	13.619	7.291	36	2	-	23.770
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>131.482</b>	<b>319.178</b>	<b>179.708</b>	<b>14.768</b>	<b>9.146</b>	-	<b>654.282</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	19.698	61.985	8.994	2.742	6.012	-	99.431
Interbank deposits	-	758	-	-	-	-	-	758
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>20.456</b>	<b>61.985</b>	<b>8.994</b>	<b>2.742</b>	<b>6.012</b>	-	<b>100.189</b>
<b>Grand Total</b>	-	<b>151.938</b>	<b>381.163</b>	<b>188.702</b>	<b>17.510</b>	<b>15.158</b>	-	<b>754.471</b>

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

Current Period: 31 December 2011	Demand Deposit	Time Deposit					Total	Up to 1 Month
		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	-	4.894	472	1.259	472	-	-	7.097
Saving deposits	-	37.268	276.804	61.184	7.083	5.550	-	387.889
Public sector deposits	-	53	146	27	9	-	-	235
Commercial deposits	-	91.457	59.827	6.633	3.986	467	-	162.370
Other deposits	-	828	6.403	2.413	82	1	-	9.727
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>134.500</b>	<b>343.652</b>	<b>71.516</b>	<b>11.632</b>	<b>6.018</b>	<b>-</b>	<b>567.318</b>
<b>Foreign Currency</b>								
Foreign currency deposits	11	12.687	43.395	5.236	2.192	7.766	-	71.287
Interbank deposits	-	2	-	-	-	-	-	2
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11</b>	<b>12.689</b>	<b>43.395</b>	<b>5.236</b>	<b>2.192</b>	<b>7.766</b>	<b>-</b>	<b>71.289</b>
<b>Grand Total</b>	<b>11</b>	<b>147.189</b>	<b>387.047</b>	<b>76.752</b>	<b>13.824</b>	<b>13.784</b>	<b>-</b>	<b>638.607</b>

**5. Information on interest expense given on repurchase agreement:**

The Bank has interest expense given on repurchase agreement amounting to TL 31.189 (31 December 2011: TL 33.095) as of 31 December 2012.

**6. Information on financial leasing expense:**

The Bank has no financial leasing expense as of 31 December 2012 and 31 December 2011.

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

The Bank has no interest expenses given on factoring payables as of 31 December 2012 and 31 December 2011.

**c. Explanations on dividend income:**

The share of the Bank from profit distribution of HSBC Yatırım is TL 7.415 as of 31 December 2012 (31 December 2011: TL 15.981).

	Current Period 31 December 2012	Prior Period 31 December 2011
Trading Financial Assets	-	-
Financial Assets at FV Through Profit or Loss	-	-
Available for-sale Financial Assets	-	-
Other	7.415	15.981
<b>Total</b>	<b>7.415</b>	<b>15.981</b>

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

**d. 1. Information on trading profit/loss (net):**

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
<b>Profit</b>	<b>11.714.950</b>	<b>16.269.694</b>
Income from Capital Market Transactions	57.776	58.017
From Derivative Financial Transactions	110.842	218.250
Foreign Exchange Gains	11.546.332	15.993.427
<b>Loss (-)</b>	<b>11.967.751</b>	<b>16.401.572</b>
Loss from Capital Market Transactions	16.998	61.134
From Derivative Financial Transactions	414.049	326.646
Foreign Exchange Loss	11.536.704	16.013.792
<b>Total (Net)</b>	<b>(252.801)</b>	<b>(131.878)</b>

**2. Information on profit/loss on derivative financial operations:**

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Effect of the change in exchange rates on profit/loss	(311.559)	(109.366)
Effect of the change in interest rates on profit/loss	8.352	970
<b>Total (Net)</b>	<b>(303.207)</b>	<b>(108.396)</b>

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

Other operating income consists of reverse of the previous year provision amounting to TL 16.055 (31 December 2011: TL 24.326), telecommunication income amounting to TL 3.728 (31 December 2011: TL 3.840), income from assets sale amounting to TL 27.130 (31 December 2011: TL 114.088) and other income amounting to TL 31.915 (31 December 2011: TL 29.447) as of 31 December 2012.

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Specific Provisions for Loans and Other Receivables	196.017	67.248
III. Group Loans and Receivables	10.001	262
IV. Group Loans and Receivables	21.461	307
V. Group Loans and Receivables	164.555	66.679
General Provision Expenses	64.184	81.189
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	719	1.866
Financial Assets at Fair Value Through Profit or Loss	11	288
Available-for-sale Financial Assets	708	1.578
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments:	-	-
Other	14.674	10.265
<b>Total</b>	<b>275.594</b>	<b>160.568</b>

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

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

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Personnel Expenses	501.845	445.491
Reserve for Employee Termination Benefits	12.425	10.739
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	56.074	65.842
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	5.958	7.582
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	140	185
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	436.757	388.312
Operational Leasing Expenses	135.084	126.808
Maintenance Expenses	19.114	20.620
Advertisement Expenses	42.545	32.397
Other Expenses	240.014	208.487
Loss on Sales of Assets	728	804
Other	150.602	133.659
<b>Total</b>	<b>1.164.529</b>	<b>1.052.614</b>

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

The Bank has operating income amounting to TL 1.679.660 (31 December 2011: TL 1.534.518) as of 31 December 2012. The amount of loans and other receivables is TL 275.594 TL (31 December 2011: TL 160.568), other operating expenses amount to TL 1.164.529 (31 December 2011: TL 1.052.614), profit before tax amounts to TL 239.537 (31 December 2011: TL 321.336).

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

The Bank has corporate tax provision expense amounting to TL 89.601 (31 December 2011: TL 61.930) and deferred tax income amounting to TL 30.862 (31 December 2011: TL 18.619) as of 31 December 2012.

The whole amount of deferred tax income, which is TL 30.862 (31 December 2011: TL 18.619), mentioned in the financial statements of the Bank in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

There is no explanation related to operating profit/loss after tax.

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

**k. Explanation on net profit and loss:**

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

Net interest income, which is TL 1.370.960 (31 December 2011: TL 1.075.373), and net wage and commission income, amounting to TL 475.258 (31 December 2011: TL 403.341), have an important role among the income items in the interim accounting period ending on 31 December 2011. The wage and commission income received from cash loans are indicated in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The biggest 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:**

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

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**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. Increases after the revaluation of available-for-sale investments:**

As of 31 December 2012, there is "securities increase fund" amounting to TL 35.769 (31 December 2011: TL 38.457 decrease). This amount consists of the interest income of the debt instruments, a type of marketable securities, which is calculated by using effective interest rate method and their fair value difference, the costs of share certificates and their fair value differences and the deferred tax effects of these transactions which cannot be related to profit or loss.

As of 31 December 2012, the increase of TL 74.226 (31 December 2011: TL 109.344 decrease) arising from re-measuring the investments available for sale at their fair value after netting the deferred tax effect, has been shown as a current period movement in the calculation of the securities value increase fund in the equities difference table.

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

The Bank does not make any reconciliation of the beginning and end of the year balances since there is no transaction related to cash flow hedge.

Since no transaction is performed for protection from cash flow risk, no profit or loss has been recorded in equities relating to derivative or non-derivative financial assets or liabilities determined as hedging instruments in protection from cash flow risk.

The Bank does not make any reconciliation of the beginning and end of the year balances since there is no change recognition of foreign exchange differences.

**b. Information on adjustments made for the application of Standard on Accounting for Financial Instruments in the current year:**

**1. Information on available-for-sale investments:**

In the accounting period ending 31 December 2012, profits amounting to TL 8.118 (31 December 2011: TL 15.866 ) arising from the revaluation of investments available for sale at their fair values has been transferred from equities to net profit/loss account since the investment available for sale was sold.

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

The Bank has no transaction related to cash flow hedges as of 31 December 2012 and 31 December 2011.

**c. Information on profit distribution:**

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

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

The Bank has no issuance of common stock as of 31 December 2012 and 31 December 2011.

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

As of 31 December 2012 and 31 December 2011, the adjustments made for previous periods do not have any effect on opening balance sheets of the Bank.

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

As of 31 December 2012 and 31 December 2011, the Bank does not have any offset transactions relating to previous year's losses.

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

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

Operating profit amounting to TL 760.755 (31 December 2011: TL 445.363) consists of interest income amounting to TL 2.521.212 (31 December 2011: TL 1.809.328), interest expense amounting to TL 1.086.263 (31 December 2011: TL 861.907), personnel expenses amounting to TL 511.365 (31 December 2011: TL 434.421) and net expense other than interest amounting to TL 162.829 (31 December 2011: TL 67.637).

Net increase in other liabilities amounting to TL 612.969 (31 December 2011: TL 1.004.933) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

Effect of change in exchange rate on cash and cash equivalents is calculated approximately TL 7.920 (31 December 2011: TL 34.119) as of 31 December 2012.

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

The Bank has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2012 and 31 December 2011.

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

The Bank has no cash flow related to disposals of associates, subsidiaries or other investments as of 31 December 2012 and 31 December 2011.

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

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

Cash and cash equivalents at the beginning of the period:

	<b>Current Period 31 December 2011</b>	<b>Prior Period 31 December 2010</b>
Cash	268.065	210.187
Interbank Money Market Placements	4.150.000	2.435.000
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	693.062	405.754
<b>Total Cash and Cash Equivalents</b>	<b>5.111.127</b>	<b>3.050.941</b>

Cash and cash equivalents at the end of period:

	<b>Current Period 31 December 2012</b>	<b>Prior Period 31 December 2011</b>
Cash	360.461	268.065
Interbank Money Market Placements	2.028.650	4.150.000
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	802.705	693.062
<b>Total Cash and Cash Equivalents</b>	<b>3.191.816</b>	<b>5.111.127</b>

**e. Additional information:**

None.

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

**Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

**1. Current Period - 31 December 2012:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Opening Balance	12	205	8.861	487.975	-	-
Closing Balance	33	204	12.104	356.225	15	-
Interest and Commissions Income	-	2	1.479	573	-	-

**2. Prior Period - 31 December 2011:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Opening Balance	11	201	4.836	308.871	13	3
Closing Balance	12	205	8.861	487.975	-	-
Interest and Commissions Income	-	2	3.403	71	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Deposit						
Opening Balance	18.461	20.653	112.325	26.369	3.788	6.893
Closing Balance	28.764	18.461	33.834	112.325	4.527	3.788
Interest expense on deposits	1.385	1.211	-	-	298	27

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	16.338.478	12.369.158	-	-
Closing Balance	-	-	30.887.791	16.338.478	-	-
Total Profit/Loss	-	-	(418.151)	161.685	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

As of 31 December 2012, payment is made to top executives of the Bank amounting to TL 40.008 (31 December 2011: TL 10.033).

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

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

	<b>Number</b>	<b>Number of Employees</b>			
Domestic Branch	334	6.107			
			<b>Country of Incorporation</b>		
Foreign Representation Office	-	-	-		
				<b>Total Assets</b>	<b>Statutory Share Capital</b>
Foreign branch	1	12	1-Girne	214.151	-
	1	10	2-Gazim Mağosa	62.711	-
	2	41	3-Lefkoşe	361.812	135.659
Off-shore Banking Region Branches					

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

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

None.

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

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

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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS**

None.

**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT**

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

As of 31 December 2012, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor’s Report dated 8 March 2013 is presented prior to the unconsolidated financial statements.

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

None.