

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

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
AS AT AND FOR THE THREE MONTH PERIOD
ENDED 31 MARCH 2013**



**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.**

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*Convenience translation of the Independent Auditors' Review Report Originally Prepared
and Issued in Turkish (See Section III Note I)*

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of HSBC Bank Anonim Şirketi;

We have reviewed the consolidated balance sheet of HSBC Bank Anonim Şirketi (the "Parent Bank") and its financial subsidiaries (collectively the "Group") as of 31 March 2013, the consolidated income statement, statement of cash flows and statement of changes in shareholders' equity for the three-month period then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility as independent auditors, is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the regulations related with the "Accounting and Recording Rules" and "Independent Auditing Standards" of the (Turkish) Banking Law No 5411. These regulations require that we plan and perform the review to obtain reasonable assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the personnel of the Bank and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, the consolidated financial position of HSBC Bank Anonim Şirketi as at 31 March 2013, and of the results of its consolidated operations and its consolidated cash flows for the three-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 and 38 of the Turkish Banking Law No 5411; and other regulations, communiqués and circular announced by the Banking Regulation and Supervision Board and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul
5 June 2013

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Partner

Additional paragraph for convenience translation to English:

As explained in Section 3.I, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



**CONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.
AS OF 31 MARCH 2013**

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

- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- LIMITED AUDITOR'S REPORT

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

Our subsidiaries, affiliates and jointly controlled partnership of which financial statements have been consolidated within the framework of this period's consolidated financial statements.

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

The Special Purpose Entity, HSBC Turkey DPR Finance, which is not subsidiary of the Bank is also consolidated as a result of the bank % 100 control authority.

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
Fax : (0212) 376 49 12

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2013

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

As of 31 March 2013, the Parent Bank's nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01. The share capital of the Bank has been fully paid and registered. All shares of the Bank are owned by HSBC Bank Plc that is located in England and established in accordance with British Law. As of 31 March 2013 there has been no changes regarding the Bank's capital structure and shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

Capital structure of the Parent Bank is comprising of the Group "A" and "B" shares. Board of Directors are chosen among the candidates nominated by group "A" shareholders.

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2013

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

III. EXPLANATION ON THE BOARD OF DIRECTORS, MEMBERS OF THE AUDIT COMMITTEE,
PRESIDENT AND EXECUTIVE VICE PRESIDENTS, SHARES OF THE BANK HELD BY THEM IF
ANY

<u>Title</u>	<u>Name</u>	<u>Title</u>	<u>Education</u>
Chairman of the Board:	Brian ROBERTSON(*)	Chairman	Undergraduate
Chairman Deputy of the Board:	Antonio Pedro Dos Santos SIMOES	Chairman Deputy	Graduate
Board of Directors:	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
CEO:	Martin SPURLING	CEO	Graduate
Head of Internal Audit:	Tolunay KANŞAY	Head of Internal Audit	Undergraduate
Chief Assistant General Manager:	Necdet Murat ŞARSEL	Credit and Risk	Graduate
Executive Vice Presidents:	Virma SÖKMEN	Corporate and Commercial Banking	Undergraduate
	Süleyman Selim KERVANCI	Global and Investment Banking	Graduate
	Taylan TURAN	Retail Banking	Graduate
	Ali Batu KARAALI	Treasury and Capital Markets	Graduate
	Neslihan ERKAZANCI	Financial Control	Undergraduate
	Ali Dündar PARLAR	Internal Systems and Regulations	Undergraduate
	Darren Wayne ROWBOTHAM	Technology and Service Groups	High School
	Şengül DEMİRCAN	Human Resources	Undergraduate
Audit Committee:	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
Statutory Auditors:	Hamit Sedat ERATALAR	Statutory Auditor	Undergraduate
	Zeki KURTÇU	Statutory Auditor	Undergraduate

(*) Brian Robertson has started his duty as chairman of the Board at 29 April 2013. His responsibilities have been carried out by Vice Chairman of Board of Directors Antonio Pedro Dos Santos Simoes as of reporting date.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2013**
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

Name/Commercial Title	Share Amounts (Nominal) (**)	Share Percentages	Paid-in Capital (Nominal) (**)	Unpaid Portion
HSBC 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. EXPLANATION ON THE GROUP’S SERVICE TYPE AND FIELDS OF OPERATION

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

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans to all kind of sectors,
- To perform discount and purchase activities,
- To perform capital and security market transactions, to establish and manage security investment funds in accordance with the relevant regulations,
- To invest in both local or foreign companies as founder partner or shareholder, to perform management and auditing process and to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable securities,
- To perform factoring and forfaiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

In addition to regular banking operations in accordance to the articles of association, the Group 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 March 2013, the Group has 332 branches dispersed throughout the country and 4 branches operating abroad (31 December 2012: 334 branches and 4 branches operating abroad).

As of 31 March 2013, the number of employees of the Group is 6.371 (31 December 2012: 6.233).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

Parent Company “the Bank” and HSBC Yatırım Menkul Değerler A.Ş. (“HSBC Yatırım”) that is owned by the Bank and HSBC Portföy Yönetimi A.Ş. (“HSBC Portföy”) that is the subsidiary of the HSBC Yatırım and HSBC Turkey DPR Limited that is founded to give financial services to the Bank and is not owned by the Bank, are taken into consolidation scope. However, the maturities of securitization loans are matured as of 30 September 2012, the Company was not operational as of the balance sheet date.

Parent Company “the Bank” and the companies that are consolidated are all named as “Group”.

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

HSBC BANK A.Ş. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2013

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

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

Due to differences between Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş and HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş are consolidated in the consolidated financial statements prepared in accordance with TAS based on on line-by-line method. The Bank's subsidiaries HSBC Yatırım ve Menkul Değerler A.Ş is included in the scope of consolidation by line-by-line method.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2013 AND 31 DECEMBER 2012
(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 (31/03/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	356.577	2.676.398	3.032.975	295.829	2.255.863	2.551.692
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	239.045	238.704	477.749	788.990	136.889	925.879
2.1 Trading Financial Assets		239.045	238.704	477.749	788.990	136.889	925.879
2.1.1 Government Debt Securities		182.313	39.625	221.938	781.811	11.097	792.908
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		10.302	199.079	209.381	7.179	125.792	132.971
2.1.4 Other Marketable Securities		46.430	-	46.430	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	1.199.663	556.020	1.755.683	302.979	614.559	917.538
IV. MONEY MARKETS		3.532.030	68.492	3.600.522	1.975.982	53.650	2.029.632
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	68.492	68.492	-	53.650	53.650
4.3 Receivables from Reverse Repurchase Agreements		3.532.030	-	3.532.030	1.975.982	-	1.975.982
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	3.257.231	-	3.257.231	3.019.741	-	3.019.741
5.1 Share Certificates		4.211	-	4.211	4.211	-	4.211
5.2 Government Debt Securities		3.253.020	-	3.253.020	3.015.530	-	3.015.530
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	13.367.456	2.756.920	16.124.376	12.989.472	2.435.183	15.424.655
6.1 Loans		13.093.926	2.756.920	15.850.846	12.724.571	2.435.183	15.159.754
6.1.1 Bank's Risk Group	(V-VII)	-	10.971	10.971	-	12.119	12.119
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		13.093.926	2.745.949	15.839.875	12.724.571	2.423.064	15.147.635
6.2 Loans Under Follow-Up		825.953	14.399	840.352	733.223	14.428	747.651
6.3 Specific Provisions (-)		552.423	14.399	566.822	468.322	14.428	482.750
VII. FACTORING RECEIVABLES		46.196	7.916	54.112	82.240	10.223	92.463
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(I-h)	270	-	270	270	-	270
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	135.344	-	135.344	139.137	-	139.137
XV. INTANGIBLE ASSETS (Net)	(I-m)	97.003	-	97.003	92.561	-	92.561
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		13.553	-	13.553	9.111	-	9.111
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		27.823	-	27.823	31.326	-	31.326
17.1 Current Tax Asset		-	-	-	-	-	-
17.2 Deferred Tax Asset	(I-o)	27.823	-	27.823	31.326	-	31.326
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	4.464	-	4.464	5.129	-	5.129
18.1 Held for sale Purposes		4.464	-	4.464	5.129	-	5.129
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	143.190	10.566	153.756	95.485	9.275	104.760
TOTAL ASSETS		22.406.292	6.315.016	28.721.308	19.819.141	5.515.642	25.334.783

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2013 AND 31 DECEMBER 2012
(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 (31/03/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS							
1.1 Deposits of Bank's Risk Group	(II-a)	7,845,699	5,849,638	13,695,337	7,868,387	6,313,236	14,181,623
1.2 Other	(VII)	2,465	27,799	30,264	40,313	2,024	42,337
II. TRADING DERIVATIVE FINANCIAL LIABILITIES							
III. BORROWINGS	(II-b)	43,529	166,706	210,235	75,453	111,115	186,568
IV. MONEY MARKETS							
4.1 Funds from Interbank Money Market							
4.2 Funds from Istanbul Stock Exchange Money Market							
4.3 Funds Provided Under Repurchase Agreements	(II-c)	1,486,218		1,486,218			
V. MARKETABLE SECURITIES ISSUED (Net)							
5.1 Bills							
5.2 Asset Backed Securities							
5.3 Bonds							
VI. FUNDS							
6.1 Borrower funds							
6.2 Other							
VII. MISCELLANEOUS PAYABLES							
VIII. OTHER LIABILITIES	(II-c)	489,821	7,335	497,156	524,708	8,274	532,982
IX. FACTORING PAYABLES		259,936	70,480	330,416	324,478	76,432	400,910
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)	14		14	207		207
10.1 Financial Lease Payables							
10.2 Operational Lease Payables							
10.3 Other							
10.4 Deferred Financial Lease Expenses (-)							
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)						
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge							
11.3 Foreign Net Investment Hedge							
XII. PROVISIONS	(II-h)	373,963	1,854	375,817	334,845	1,816	336,661
12.1 General Loan Loss Provision		275,406		275,406	248,321		248,321
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		30,926		30,926	27,894		27,894
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		67,631	1,854	69,485	58,630	1,816	60,446
XIII. TAX LIABILITY	(II-i)	67,403		67,403	66,030		66,030
13.1 Current Tax Liability		67,403		67,403	66,030		66,030
13.2 Deferred Tax Liability							
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(II-j)						
14.1 Held for Sale Purpose							
14.2 Related to Discontinued Operations							
XV. SUBORDINATED LOANS	(II-k)		858,476	858,476		844,110	844,110
XVI. SHAREHOLDERS' EQUITY	(II-l)	3,118,427		3,118,427	3,088,121		3,088,121
16.1 Paid-in Capital		652,290		652,290	652,290		652,290
16.2 Capital Reserves		290,582		290,582	308,462		308,462
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences		17,889		17,889	35,769		35,769
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 Asset Held for Sale and Related to Discontinued Operations							
16.2.10 Other capital reserves		272,693		272,693	272,693		272,693
16.3 Profit Reserves		2,127,369		2,127,369	1,950,969		1,950,969
16.3.1 Legal Reserves		201,433		201,433	197,558		197,558
16.3.2 Status Reserves							
16.3.3 Extraordinary Reserves		1,925,936		1,925,936	1,753,411		1,753,411
16.3.4 Other Profit Reserves							
16.4 Income or (Loss)		48,186		48,186	176,400		176,400
16.4.1 Prior Years' Income or (Loss)							
16.4.2 Current Year Income or (Loss)		48,186		48,186	176,400		176,400
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,376,253	12,345,055	28,721,308	14,380,057	10,954,726	25,334,783

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.I
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED OFF-BALANCE SHEET AS OF 31 MARCH 2013 AND 31 DECEMBER 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

II.	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current Period (31/03/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		52.572.203	47.459.901	100.032.104	41.302.618	35.397.175	76.699.793
I.	GUARANTEES AND WARRANTIES	(V-III-a-2,3)	308.643	2.310.492	2.619.135	346.182	2.185.307	2.531.489
I.1	Letters of Guarantee		308.357	436.378	744.735	345.355	483.739	829.094
I.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
I.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
I.1.3	Other Letters of Guarantee		308.357	436.378	744.735	345.355	483.739	829.094
I.2	Bank Acceptances		-	-	-	-	-	-
I.2.1	Import Letter of Acceptance		-	-	-	-	-	-
I.2.2	Other Bank Acceptances		-	-	-	-	-	-
I.3	Letters of Credit		286	822.345	822.631	827	642.129	642.956
I.3.1	Documentary Letters of Credit		170	672.249	672.419	827	428.622	429.449
I.3.2	Other Letters of Credit		116	150.096	150.212	-	213.507	213.507
I.4	Refinancing Given as Guarantee		-	-	-	-	-	-
I.5	Endorsements		-	-	-	-	-	-
I.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
I.5.2	Other Endorsements		-	-	-	-	-	-
I.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
I.7	Factoring Guarantees		-	-	-	-	-	-
I.8	Other Guarantees		-	361.081	361.081	-	353.859	353.859
I.9	Other Collaterals		-	14.586	14.586	-	11.244	11.244
II.	COMMITMENTS	(V-III-a-1)	33.788.874	8.293.063	42.081.937	30.582.603	7.439.879	38.022.482
II.1	Irrevocable Commitments		11.595.861	8.293.063	19.888.924	9.823.724	7.439.879	17.263.603
II.1.1	Asset Purchase and Sale Commitments		3.373.740	7.362.393	10.736.133	1.933.789	7.260.647	9.194.436
II.1.2	Deposit Purchase and Sales Commitments		-	930.597	930.597	-	178.690	178.690
II.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
II.1.4	Loan Granting Commitments		446.462	-	446.462	460.496	-	460.496
II.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
II.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
II.1.7	Commitments for Cheques		661.538	-	661.538	656.743	-	656.743
II.1.8	Tax and Fund Liabilities from Export Commitments		4.972	-	4.972	5.223	-	5.223
II.1.9	Commitments for Credit Card Limits		6.216.974	-	6.216.974	5.906.023	-	5.906.023
II.1.10	Commitments for Credit Cards and Banking Services Promotions		6.780	-	6.780	7.257	-	7.257
II.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	235	235
II.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	235	235
II.1.13	Other Irrevocable Commitments		885.395	73	885.468	854.193	72	854.265
II.2	Revocable Commitments		22.193.013	-	22.193.013	20.758.879	-	20.758.879
II.2.1	Revocable Loan Granting Commitments		22.193.013	-	22.193.013	20.758.879	-	20.758.879
II.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(V-III-b)	18.474.686	36.856.346	55.331.032	10.373.833	25.771.989	36.145.822
III.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
III.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
III.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
III.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
III.2	Trading Transactions		18.474.686	36.856.346	55.331.032	10.373.833	25.771.989	36.145.822
III.2.1	Forward Foreign Currency Buy/Sell Transactions		1.457.177	5.355.902	6.813.079	1.372.562	3.010.333	4.382.895
III.2.1.1	Forward Foreign Currency Transactions-Buy		837.360	2.565.248	3.402.608	858.980	1.339.794	2.198.774
III.2.1.2	Forward Foreign Currency Transactions-Sell		619.817	2.790.654	3.410.471	513.582	1.670.539	2.184.121
III.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		13.848.541	23.333.786	37.182.327	7.494.449	19.378.012	26.872.461
III.2.2.1	Foreign Currency Swap-Buy		4.392.167	11.398.619	15.790.786	1.865.766	8.438.557	10.304.323
III.2.2.2	Foreign Currency Swap-Sell		9.456.374	6.255.685	15.712.059	5.628.683	4.626.703	10.255.384
III.2.2.3	Interest Rate Swap-Buy		-	2.839.741	2.839.741	-	3.156.376	3.156.376
III.2.2.4	Interest Rate Swap-Sell		-	2.839.741	2.839.741	-	3.156.376	3.156.376
III.2.3	Foreign Currency, Interest rate and Securities Options		3.168.968	4.048.920	7.217.888	1.506.822	2.163.494	3.670.316
III.2.3.1	Foreign Currency Options-Buy		1.584.484	1.726.968	3.311.452	753.411	785.077	1.538.488
III.2.3.2	Foreign Currency Options-Sell		1.584.484	1.726.968	3.311.452	753.411	785.077	1.538.488
III.2.3.3	Interest Rate Options-Buy		-	297.492	297.492	-	296.670	296.670
III.2.3.4	Interest Rate Options-Sell		-	297.492	297.492	-	296.670	296.670
III.2.3.5	Securities Options-Buy		-	-	-	-	-	-
III.2.3.6	Securities Options-Sell		-	-	-	-	-	-
III.2.4	Foreign Currency Futures		-	-	-	-	-	-
III.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
III.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
III.2.5	Interest Rate Futures		-	3.914.302	3.914.302	-	1.057.844	1.057.844
III.2.5.1	Interest Rate Futures-Buy		-	1.957.151	1.957.151	-	528.922	528.922
III.2.5.2	Interest Rate Futures-Sell		-	1.957.151	1.957.151	-	528.922	528.922
III.2.6	Other		-	203.436	203.436	-	162.306	162.306
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		30.306.109	1.451.834	31.757.943	30.276.777	1.557.415	31.834.192
IV.	ITEMS HELD IN CUSTODY		26.714.527	1.422.989	28.137.516	26.629.554	1.527.205	28.156.759
IV.1	Customer Fund and Portfolio Balances		1.735.114	-	1.735.114	1.612.654	-	1.612.654
IV.2	Investment Securities Held in Custody		21.238.530	896.817	22.135.347	21.163.097	856.281	22.019.378
IV.3	Checks Received for Collection		2.032.027	182.540	2.214.567	2.139.631	215.749	2.355.380
IV.4	Commercial Notes Received for Collection		111.165	-	111.165	127.113	-	127.113
IV.5	Other Assets Received for Collection		-	12.647	12.647	-	4.758	4.758
IV.6	Assets Received for Public Offering		-	-	-	-	-	-
IV.7	Other Items Under Custody		1.597.691	330.985	1.928.676	1.587.059	450.417	2.037.476
IV.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		3.591.582	28.845	3.620.427	3.647.223	30.210	3.677.433
V.1	Marketable Securities		272.999	-	272.999	202.920	-	202.920
V.2	Guarantee Notes		138.783	28.845	167.628	140.569	30.210	170.779
V.3	Commodity		-	-	-	-	-	-
V.4	Warranty		-	-	-	-	-	-
V.5	Immovable		3.179.800	-	3.179.800	3.303.734	-	3.303.734
V.6	Other Pledged Items		-	-	-	-	-	-
V.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		82.878.312	48.911.735	131.790.047	71.579.395	36.954.590	108.533.985

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 3.1
HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2013 AND 31 MARCH 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

III.	INCOME STATEMENTS	Note (Section Five IV)	Current Period (01/01/2013 - 31/03/2013)	Prior Period (01/01/2012 - 31/03/2012)
	INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	(IV-a)	576.728	620.270
1.1	Interest on Loans	(IV-a-1)	453.070	439.831
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	(IV-a-2)	12.638	14.744
1.4	Interest Received from Money Market Transactions		11.041	93.547
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	89.718	64.563
1.5.1	Trading Financial Assets		8.200	19.049
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		81.518	45.514
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		10.261	7.585
II.	INTEREST EXPENSE (-)	(IV-b)	217.270	279.670
2.1	Interest on Deposits (-)	(IV-b-4)	141.455	195.692
2.2	Interest on Funds Borrowed (-)	(IV-b-1)	68.324	64.329
2.3	Interest Expense on Money Market Transactions (-)	(IV-b-5)	3.556	16.941
2.4	Interest on Securities Issued (-)	(IV-b-3)	-	-
2.5	Other Interest Expenses (-)		3.935	2.708
III.	NET INTEREST INCOME (I + II)		359.458	340.600
IV.	NET FEES AND COMMISSIONS INCOME		144.724	122.805
4.1	Fees and Commissions Received		157.807	137.427
4.1.1	Non-Cash Loans		5.534	5.271
4.1.2	Other		152.273	132.156
4.2	Fees and Commissions Paid (-)		13.083	14.622
4.2.1	Non-Cash Loans (-)		145	122
4.2.2	Other (-)		12.938	14.500
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(21.122)	(69.982)
6.1	Trading Gains/(Losses) on Securities		9.372	(1.428)
6.2	Derivative Financial Transactions Gains/(Losses)		(30.442)	(73.468)
6.3	Foreign Exchange Gains/(Losses)		(52)	4.914
VII.	OTHER OPERATING INCOME	(IV-e)	12.047	11.548
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		495.107	404.971
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	118.537	56.503
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	306.266	276.689
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		70.304	71.779
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIII.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XIV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		70.304	71.779
XV.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(22.118)	(16.665)
16.1	Current Tax Provision	(IV-i)	(18.614)	(35.001)
16.2	Deferred Tax Provision		(3.504)	18.336
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	48.186	55.114
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Resale		-	-
	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.2	Other Income From Discontinued Operations		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-Current Assets Held for Resale		-	-
	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.2	Other Expenses From Discontinued Operations		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current Tax Provision		-	-
21.2	Deferred Tax Provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)		48.186	55.114
23.1	Group's Profit/Loss		48.186	55.114
23.2	Minority Shares Profit/Loss		-	-
	Earnings/Losser Share		0,000739	0,000845

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CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2013 AND 31 MARCH 2012
 (Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		
INCOME AND EXPENSE ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY	Current Period (31/03/2013)	Prior Period (31/03/2012)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(23.887)	48.812
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-	-
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	4.777	(9.763)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(19.110)	39.049
XI. CURRENT YEAR PROFIT/LOSS	1.230	(11.043)
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	1.230	(11.043)
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	-	-
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(17.880)	28.006

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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HSBC BANK A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2013 AND 31 MARCH 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Foot)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Statutory Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operatic.	Minority Shares Except Total Equity	Minority Shares	Total Equity	
31 March 2012																				
I.	Balances at the Beginning of the Period	652,290	-	-	-	182,059	-	1,528,598	272,693	240,094	218	(38,457)	-	-	-	-	2,837,495	-	2,837,495	
II.	Corrections According to Turkish Accounting Standard No:8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balance (H4D)	652,290	-	-	-	182,059	-	1,528,598	272,693	240,094	218	(38,457)	-	-	-	-	2,837,495	-	2,837,495	
IV.	Changes in the Period																			
V.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Hedging Transactions Funds (Effective Parts)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Property and Equipment Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible Fixed Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Paid in-Capital Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss	-	-	-	-	15,409	-	224,695	-	55,114	-	-	-	-	-	-	55,114	-	55,114	
XX.	Profit Distribution	-	-	-	-	-	-	-	-	(240,094)	-	-	-	-	-	-	-	-	-	
20.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2	Transfers to Reserves	-	-	-	-	15,499	-	224,595	-	(240,094)	-	-	-	-	-	-	-	-	-	
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Balances at the End of the Period: (III+IV+V+...+XXII+XXIII)	652,290	-	-	-	197,558	-	1,753,193	272,693	55,114	218	(10,451)	-	-	-	-	2,920,615	-	2,920,615	

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

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VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (31/03/2013)	Prior Period (31/03/2012)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	401.304	335.456
1.1.1	Interest received	562.783	666.651
1.1.2	Interest paid	(157.915)	(243.923)
1.1.3	Dividend received	-	-
1.1.4	Fees and commissions received	157.429	137.426
1.1.5	Other income	(8.391)	(63.347)
1.1.6	Collections from previously written-off loans and other receivables	48.871	38.264
1.1.7	Payments to personnel and service suppliers	(115.226)	(92.803)
1.1.8	Taxes paid	(16.101)	(17.669)
1.1.9	Other	(70.146)	(89.143)
1.2	Changes in operating assets and liabilities	2.618.283	(1.183.125)
1.2.1	Net (decrease)/increase in trading securities	444.281	(740.040)
1.2.2	Net increase/(decrease) in fair value through profit/loss financial assets	-	-
1.2.3	Net increase/(decrease) in banks	164.150	(10.919)
1.2.4	Net increase/(decrease) in loans	(798.941)	(286.241)
1.2.5	Net increase/(decrease) in other assets	(342.909)	(82.709)
1.2.6	Net increase/(decrease) in bank deposits	(168.848)	(131.440)
1.2.7	Net (decrease)/increase in other deposits	(321.571)	1.043.595
1.2.8	Net (decrease)/increase in funds borrowed	2.457.457	(328.312)
1.2.9	Net increase/(decrease) in payables	-	-
1.2.10	Net (decrease)/increase in other liabilities	1.184.664	(647.059)
I.	Net cash provided from banking operations	3.019.587	(847.669)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities	(260.228)	770.227
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	(15.560)	(7.938)
2.4	Disposals of property and equipment	(1.642)	2.077
2.5	Cash paid for purchase of investments available-for-sale	(1.292.523)	(457.211)
2.6	Cash obtained from sale of investments available-for-sale	1.049.497	1.233.299
2.7	Cash paid for purchase of investment securities	-	-
2.8	Cash obtained from sale of investment securities	-	-
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities	-	(1)
3.1	Cash obtained from funds borrowed and securities issued	-	-
3.2	Cash used for repayment of funds borrowed and securities issued	-	-
3.3	Issued capital instruments	-	-
3.4	Dividends paid	-	-
3.5	Payments for finance leases	-	(1)
3.6	Other	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(7.923)	(2.722)
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	2.751.436	(80.165)
VI.	Cash and cash equivalents at beginning of the period	(VI) 3.203.288	5.111.127
VII.	Cash and cash equivalents at end of the period	(VI) 5.954.724	5.030.962

The accompanying explanations and notes set out on pages 14 to 75 form an integral part of these consolidated financial statements.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

Consolidated financial statements other than financial assets and liabilities that are presented with fair values, are prepared in TL and with cost value approach that have been adjusted according to inflation accounting until 31 December 2004.

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

The 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 position and performance of the Group.

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 the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

The main sources of the Group are customer deposits and borrowings from abroad. The Group investments at low risk and high yielding financial assets with collaterals. The Group’s liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Group has been established by diversifying fund resources and keeping sufficient cash and cash equivalents. Maturity structure and yield of liabilities and placements are considered according to market conditions and long term placements on invested in higher yielding financial assets.

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

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

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

These analyses, limit usages and controls are being discussed in monthly asset-liability committee meetings and decisions are being made in these meetings. The foreign exchange gains and losses from the foreign exchange transactions are being recorded at the date of transactions conducted. Foreign currency denominated monetary assets and liabilities are translated with the exchange rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses", except for foreign currency non-performing loans and other foreign currency denominated non monetary assets and liabilities.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Group has no investments in associates as of 31 March 2013.

HSBC Yatırım that is fully owned by the Bank, HSBC Portföy that is the subsidiary of HSBC Yatırım and HSBC Turkey DPR Limited Service that is founded to give financial services to the Bank and is not owned by the Bank are taken into consolidation scope in accordance with the procedures listed in the "Communiqué related to the Regulation on the Preparation of the Financial Statements of the Banks" and the "Turkish Accounting Standard for Consolidated and Separate Financial Statements" ("TAS 27") published in the Official Gazette No.26340 dated 8 November 2006. However, the maturities of securitization loans are matured as of 31 December 2012, the Company was not operational as of the balance sheet date.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Group conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Group conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are not considered as hedging instrument are classified as derivative instruments held for trading and recognised at fair value. The fair value of derivative financial instruments or determined taking into consideration the fair value of the market or calculated using the discounted cash flow model. 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 a result of the valuations, fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" account in the income statement. As of 31 March 2013 and 31 December 2012, the Group does not have any embedded derivatives. As of 31 March 2013 and 31 December 2012 the Group does not have any derivative financial instruments held for hedging.

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 discounts 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 COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

Financial assets at fair value through profit or loss consists of trading financial assets and financial assets at fair value through profit or loss. They are initially recognised at cost and subsequently re-measured at their fair value. While determining the fair value, the average price comprising in the active market is used and the gains and losses generated is recognized in the income statement. Derivative financial instruments are treated as trading financial assets unless they are designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in Note IV of Section Three.

b. Financial assets available-for-sale:

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

c. Loans and receivables:

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

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. As of 31 March 2013 and 31 December 2012, the Group has no investment securities held-to-maturity.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Group to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. The Group has no financial assets at fair value through profit or loss subject to repurchase agreements as of 31 December 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 Group has no securities lending transactions. The Group has government bonds amounting to TL 50.000 as of 31 March 2013 that the Group has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş (31 December 2012: TL 50.000).

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

As of 31 March 2013 and 31 December 2012, the Group has no discontinued operations. Property and equipment held-for-sale consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No.26333 and classified as assets held for sale.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVI. EXPLANATIONS ON CONTINGENT ASSETS

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Employee Rights Standard” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the 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 Group after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed. Dividends paid to non-resident corporations, which have a place of business in Turkey or are resident corporations, are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the corporate tax rate of the related years. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Companies file their tax returns until the 25th day of the following 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 Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these consolidated financial statements in accordance with “Income Taxes Standard” (“TAS 12”) and the related decrees of the BRSA concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets and liabilities are presented as net in the consolidated financial statements in accordance with TAS 12.

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the consolidated financial statements enclosed, foreign currency borrowings are translated according to the Group’s period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the consolidated financial statements. As of 31 March 2013 and 31 December 2012, the Group has no marketable securities and convertible bonds.

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 31 March 2013 and 31 December 2012, the Group has no issued share certificates.

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XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

As of 31 March 2013 and 31 December 2012, the Group has no government grants.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note X of Section Four.

XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXV. EARNINGS PER SHARE

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

	Current Period 31 March 2013	Prior Period 31 March 2012
Net Profit for the Period	48.186	55.114
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	0,000739	0,000845

(*)Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year consolidated financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 31 March 2013 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO

- a. As of 31 March 2013, the Group's and the Parent Bank's capital adequacy ratios are orderly 16,20 % (31 December 2012: 17,28 %) and 16,05 % (31 December 2012: 17,12 %). This rate is higher than the minimum rate required by the related regulation.

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

The method used for risk measurement in determining consolidated capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitisations" 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.

c. Information related to consolidated capital adequacy ratio:

**31 March 2013
Consolidated - Risk Weights**

	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Credit Risk Based Amount	6.543.060	-	1.433.528	2.880.450	6.333.254	9.291.695	1.200.580	1.320.665	-
Risk Classes									
Claims on sovereigns and Central Banks	5.908.346	-	-	-	-	81.844	-	-	-
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	244	-	1.431.268	314	-	1.906.837	788	-	-
Claims on corporates	192.767	-	-	-	-	6.508.426	-	-	-
Claims included in the regulatory retail portfolios	66.315	-	-	-	5.975.381	-	-	-	-
Claims secured by residential property	-	-	-	2.880.136	357.873	-	-	-	-
Past due loan	-	-	-	-	-	273.530	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.199.792	1.320.665	-
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	375.388	-	2.260	-	-	521.058	-	-	-

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**I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)
31 March 2013
The Parent’s Bank - Risk Weights**

	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Credit Risk Based Amount	6.543.060	1.433.528	2.880.450	6.326.712	9.318.402	1.200.580	1.320.665		
Risk Classes									
Claims on sovereigns and Central Banks	5.908.346	-	-	-	-	81.844	-	-	-
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	244	1.431.268	314	-	1.891.082	788	-	-	-
Claims on corporates	192.767	-	-	-	-	6.508.426	-	-	-
Claims included in the regulatory retail portfolios	66.315	-	-	-	5.968.839	-	-	-	-
Claims secured by residential property	-	-	-	2.880.136	357.873	-	-	-	-
Past due loan	-	-	-	-	-	273.530	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.199.792	1.320.665	-
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	375.388	-	2.260	-	-	563.520	-	-	-

**31 December 2012
Consolidate - Risk Weights**

	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Credit Risk Based Amount	5.836.925	252.133	3.367.558	5.858.123	7.562.783	1.492.911	1.404.697		
Risk Classes									
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	-	944.682	440	-	-	-
Claims on corporates	93.721	-	-	-	5.903.159	-	-	-	-
Claims included in the regulatory retail portfolios	77.000	-	-	-	5.840.774	-	-	-	-
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	-	-	-	-	338.878	-	-	-

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

	31 December 2012									
	The Parent's Bank - Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
Credit Risk Based Amount	5,836,925	=	252,133	3,367,558	5,855,455	7,574,496	1,492,911	1,404,697	=	=
Risk Classes										
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	=	=	=	=

d. Summary information related to consolidated capital adequacy ratio:

Consolidated	Cari Dönem	Prior Period
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.616.861	1.499.147
Capital obligation for market risk (II)	162.141	135.930
Capital obligation for operational risk (III)	229.154	222.723
Shareholders' Equity	4.066.858	4.013.293
Shareholders' Equity / ((I+II+III)*12.5*100)	16,20	17,28

The Parent's Bank	Cari Dönem	Prior Period
Capital to be employed for credit risk (Amount subject to credit risk * 0,08) (I)	1.618.605	1.499.924
Capital to be employed for market risk (II)	162.391	135.827
Capital to employed for operational risk (III)	225.666	219.436
Shareholders' Equity	4.026.631	3.970.567
Shareholders' Equity / ((I+II+III)*12.5*100)	16,05	17,12

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders’ equity items:

	Current Period 31 March 2013	Prior Period 31 December 2012
CORE CAPITAL		
Paid-in Capital	652.290	652.290
Nominal Capital	652.290	652.290
Capital Commitments (-)	-	-
Adjustment to Paid-in Capital	-	-
Share Cancellation Profit	-	-
Share Cancellation Profit	-	-
Legal Reserves	2.127.369	1.950.969
Adjustments to Legal Reserves	272.693	272.693
Profit	48.186	176.400
Net Current Period Profit	48.186	176.400
Prior Period Profit	-	-
Provision for Possible Losses up to 25% of Core Capital	-	-
Gain on sale of associates, subsidiaries and buildings	-	-
Primary Subordinated Loans	-	-
Loss that is not covered with reserves (-)	-	-
Net Current Period Loss	-	-
Prior Period Loss	-	-
Development cost of operating lease (-)	24.029	28.697
Intangible Assets (-)	97.003	92.561
Deferred-Asset for tax which exceeds 10% of core capital (-)	-	-
Excess Amount expressed in the Law (Article 56, 3 rd paragraph) (-)	-	-
Total Core Capital	2.979.506	2.931.094

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 31 March 2013	Prior Period 31 December 2012
SUPPLEMENTARY CAPITAL		
General provisions	275,406	248,321
45% of increase in revaluation fund of securities	-	-
45% of increase in revaluation fund of real estate	-	-
Bonus shares from associates, subsidiaries and joint ventures that is not recognized in profit	-	-
Amounts not included in core capital for primary subordinated loans	-	-
Secondary subordinated loans	804,614	818,413
45% of value increase fund of financial assets available for sale and associates and subsidiaries	8,050	16,096
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-	-
Total Supplementary Capital	1.088.070	1.082.830
CAPITAL	4.067.576	4.013.924
DEDUCTIONS FROM CAPITAL	718	631
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	-	-
Investment in Banks and Financial Institutions that are not Consolidated but Accounted under Equity Accounting	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	300	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	155	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	263	276
TOTAL SHAREHOLDERS' EQUITY	4.066.858	4.013.293

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

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

II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

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.

- b. 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.
- c. The Group provided a general provision amounting to TL 275.406 (31 December 2011: TL 248.321).

III. EXPLANATIONS ON CONSOLIDATED MARKET RISK

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

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

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

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.

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III. EXPLANATIONS ON CONSOLIDATED MARKET RISK (Continued)

b. Information on Consolidated Market Risk:

	31 March 2013	31 December 2012
	Tutar	Tutar
(I) Capital obligation for General Market Risk - Standard Method	57.278	60.277
(II) Capital obligation for Specific Risk - Standard Method	8.228	1.372
Capital obligation for specific risk in securitisation positions- Standard Method	-	-
(III) Capital obligation for Currency Risk - Standard Method	3.800	3.258
(IV) Capital obligation for Commodity Risk - Standard Method	-	-
(V) Capital obligation for Exchange Risk - Standard Method	-	-
(VI) Capital obligation for Market Risk Due to Options - Standard Method	92	43
(VII) Capital obligation for counterparty credit risk - Standard Method	92.743	70.980
(VIII) Total Capital obligation for Market Risk for Banks Applying Risk Measurement Model	-	-
(IX) Total Capital obligation for Market Risk (I+II+III+IV+V+VI)	162.141	135.930
(X) Amount Subject to Market Risk (12,5xVIII) or (12,5xVII)	2.026.763	1.699.125

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

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

d. Information related to counterparty credit risk:

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

IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK

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

The capital adequacy standard ratio calculation table has been initiated as of 30 June 2007 and the “Basic indicator method” is used in the operational risk calculation of the Bank. The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2012, 2011, and 2010 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. In the scope of “Capital adequacy ratio” stated in Note I of this section, amount subjected to operational risk is TL 2.864.426 represented risk weighted assets for operational risk and 8% of that amount is TL 229.154 represented related capital requirement.

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

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

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

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

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

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

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

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

Current Period - 31 March 2013	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	1,8105	2,3229
Before Balance Sheet Date		
28.03.2013	1,8105	2,3229
28.03.2013	1,8105	2,3229
27.03.2013	1,8220	2,3273
26.03.2013	1,8157	2,3353
22.03.2013	1,8167	2,3555

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

The Parent Bank’s simple arithmetic average foreign exchange rates for USD is TL 1,8091 (31 December 2012: TL 1,7877) and exchange rates for Euro TL 2,3443 (31 December 2012: TL 2,3440).

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

f. Information related to Group’s Currency Risk:

Current Period - 31 March 2013	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	999.839	1.098.417	578.142	2.676.398
Banks	207.212	306.879	41.929	556.020
Financial Assets at Fair Value through Profit or Loss (Net)	38.411	171.144	2.664	212.219
Interbank Money Market Placements	23.230	45.262	-	68.492
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans (*)	1.569.422	2.120.346	20.205	3.709.973
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	2.442	6.390	1.562	10.394
Total Assets	2.840.556	3.748.438	644.502	7.233.496
Liabilities				
Bank Deposits	9.079	335	59	9.473
Foreign Currency Deposits	1.575.493	3.199.821	1.064.851	5.840.165
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.805.042	4.443.999	1	6.249.042
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	641	5.207	1.506	7.354
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	65.866	137.781	15.757	219.404
Total Liabilities	3.456.121	7.787.143	1.082.174	12.325.438
Net on Balance Sheet Position	(615.565)	(4.038.705)	(437.672)	(5.091.942)
Net Off-Balance Sheet Position	616.553	4.018.035	438.725	5.073.313
Financial Derivative Assets	4.296.005	13.368.555	1.343.889	19.008.449
Financial Derivative Liabilities	3.679.452	9.350.520	905.164	13.935.136
Non-cash Loans	430.986	1.829.580	49.950	2.310.516
Prior Period - 31 December 2012				
Total Assets	2.237.004	3.499.710	521.770	6.258.484
Total Liabilities	3.072.212	6.760.111	1.012.321	10.844.644
Net on-Balance Sheet Position	(835.208)	(3.260.401)	(490.551)	(4.586.160)
Net off-Balance Sheet Position	835.058	3.232.675	486.882	4.554.615
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	1.641.941	99.336	2.185.307

(*) As of 31 March 2013, loans consists of foreign indexed loans amounting to TL 945.137 (31 December 2012: TL 871.137) and foreign factoring receivables amounting to TL 7.916 (31 December 2012: TL 10.223).

(**) As of 31 March 2013, other assets does not consist of prepaid expenses amounting to TL 172 (31 December 2012: TL 1.382).

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

Fair value of foreign currency buy transactions amounting to TL 26.485 (31 December 2012: TL 124.582) classified under derivative financial assets held for trading and fair value of currency sell transactions amounting to TL 19.636 (31 December 2012: TL 110.081) 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 March 2013 and 31 December 2012, 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:

	Current Period – 31 March 2013		Prior Period – 31 December 2012	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(4.224)	(4.224)	(2.773)	(2.773)
Euro	99	99	(15)	(15)
Other	105	105	(367)	(367)
Total	(4.020)	(4.020)	(3.155)	(3.155)

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

As of 31 March 2013 and 31 December 2012, as a result of 10 % appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

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

Current Period - 31 March 2013	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	3.032.975	3.032.975
Banks	1.606.217	6.307	4.155	-	-	139.004	1.755.683
Financial Assets at Fair Value Through Profit or Loss (Net)	85.641	175.602	170.467	41.998	4.041	-	477.749
Interbank Money Market Placements	3.600.522	-	-	-	-	-	3.600.522
Financial Assets Available-for-Sale (Net)	394.346	385.124	1.721.561	751.989	-	4.211	3.257.231
Loans (*)	5.807.576	1.434.575	3.810.726	3.664.035	1.188.046	273.530	16.178.488
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	418.660	418.660
Total Assets	11.494.302	2.001.608	5.706.909	4.458.022	1.192.087	3.868.380	28.721.308
Liabilities							
Bank Deposits	26.710	4.301	4.654	-	-	35.774	71.439
Other deposits	8.095.762	2.296.488	370.527	76.736	-	2.784.385	13.623.898
Funds from Interbank Money Market	-	1.486.218	-	-	-	-	1.486.218
Miscellaneous Payables	-	-	-	-	-	497.156	497.156
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	4.938.683	727.843	2.144.969	894.915	233.875	-	8.940.285
Other Liabilities (**)	67.223	58.854	71.428	469.726	5	3.435.076	4.102.312
Total Liabilities	13.128.378	4.573.704	2.591.578	1.441.377	233.880	6.752.391	28.721.308
Balance Sheet Long Position	43.970	5.512	3.115.331	3.016.645	958.208	-	7.139.666
Balance Sheet Short Position	(1.678.027)	(2.577.608)	-	-	-	(2.884.031)	(7.139.666)
Off Balance Sheet Long Position	828.847	1.279.949	-	-	-	-	2.108.796
Off Balance Sheet Short Position	-	-	(850.467)	(997.865)	(164.571)	-	(2.012.903)
Total Position	(805.210)	(1.292.147)	2.264.864	2.018.780	793.637	(2.884.031)	95.893

(*) Loans consist of factoring transactions amounting to TL 54.112.

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period - 31 December 2012	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	2,551.692	2,551.692
Banks	712.433	86.541	6.301	-	-	112.263	917.538
Financial Assets at Fair Value Through Profit or Loss (Net)	61.421	81.244	763.499	12.264	7.451	-	925.879
Interbank Money Market Placements	2,029.632	-	-	-	-	-	2,029.632
Financial Assets Available-for-Sale (Net)	502.514	1,879.427	633.589	-	-	4.211	3,019.741
Loans (*)	5,542.984	2,661.405	2,115.477	3,657.450	1,274.901	264.901	15,517.118
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	373.183	373.183
Total Assets	8,848,984	4,708,617	3,518,866	3,669,714	1,282,352	3,306,250	25,334,783
Liabilities							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8,492.253	1,945.398	495.181	13.802	-	2,995.074	13,941,708
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.981	532.981
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	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	-	3,891.933	4,078.498
Total Liabilities	11,076,848	2,541,506	3,539,695	498,023	211,120	7,467,591	25,334,783
Balance Sheet Long Position	-	2,167.111	-	3,171.691	1,071.232	-	6,410.034
Balance Sheet Short Position	(2,227,864)	-	(20,829)	-	-	(4,161,341)	(6,410,034)
Off Balance Sheet Long Position	294.839	1,378.091	-	-	-	-	1,672.930
Off Balance Sheet Short Position	-	-	(581,101)	(1,006,486)	-	-	(1,587,587)
Total Position	(1,933,025)	3,545,202	(601,930)	2,165,205	1,071,232	(4,161,341)	85,343

(*) Loans consist of factoring receivables amounting to TL 92,463.

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period - 31 March 2013				
	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	0,35	0,10	-	6,91
Financial Assets at Fair Value Through Profit or Loss (Net)	5,48	6,64	-	9,35
Interbank Money Market Placements	0,77	1,00	-	7,00
Financial Assets Available-for-Sale (Net)	-	-	-	8,79
Loans	5,12	5,07	-	11,81
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	0,15	-	-	5,41
Other Deposits	1,87	1,95	2,12	6,70
Funds From Interbank Money Market	-	-	-	5,07
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	0,36	0,44	-	5,03
Prior Period - 31 December 2012				
	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
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
Financial Assets Available-for-Sale (Net)	-	-	-	5,96
Loans	5,31	5,54	-	12,49
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	0,34	-	4,90
Other Deposits	2,02	2,34	2,26	7,40
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,66	1,79	-	8,82

VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

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

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

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

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

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

31 March 2013	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TRY	500	(534.532)	%(13,14)
2. EURO	(400)	555.386	%13,66
3. USD	200	14.111	%0,35
4. TRY	(200)	(2.567)	%(0,06)
5. EURO	200	1.551	%0,04
6. USD	(200)	225	%0,01
Total (of negative shocks)		(518.870)	%(12,76)
Total (of positive shocks)		553.043	%13,60

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

None.

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK

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

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

For various liquidity crisis scenarios, liquidity crisis management methods are prepared as ready to use.

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

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

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

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

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

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

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

Current Period - 31 March 2013	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank Banks	655.247	2.377.728	-	-	-	-	-	3.032.975
Financial Assets at Fair Value through Profit or Loss (Net)	139.004	1.606.217	6.307	4.155	-	-	-	1.755.683
Interbank Money Market Placements	-	83.902	160.541	141.517	54.880	36.909	-	477.749
Financial Assets Available-for-Sale (Net)	-	3.600.522	-	-	-	-	-	3.600.522
Loans (*)	-	-	677.909	904.787	1.443.112	227.212	4.211	3.257.231
Investments Held-to-Maturity (Net)	-	6.555.163	684.321	2.349.530	4.859.607	1.456.337	273.530	16.178.488
Other Assets (**)	-	17.731	-	13.217	25.968	-	361.744	418.660
Total Assets	794.251	14.241.263	1.529.078	3.413.206	6.383.567	1.720.458	639.485	28.721.308
Liabilities								
Bank Deposits	35.774	26.710	4.301	4.654	-	-	-	71.439
Other Deposits	2.784.385	8.095.762	2.296.488	370.527	76.736	-	-	13.623.898
Funds Borrowed	-	4.483.258	470.028	1.541.386	1.367.596	1.078.017	-	8.940.285
Funds from Interbank Money Market	-	1.486.218	-	-	-	-	-	1.486.218
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	309.354	95.518	76.944	14.667	-	673	497.156
Other Liabilities (***)	-	57.305	41.573	174.943	354.265	39.150	3.435.076	4.102.312
Total Liabilities	2.820.159	14.458.607	2.907.908	2.168.454	1.813.264	1.117.167	3.435.749	28.721.308
Net Liquidity Gap	(2.025.908)	(217.344)	(1.378.830)	1.244.752	4.570.303	603.291	(2.796.264)	-
Prior Period - 31 December 2011								
Total Assets	598.746	9.816.262	3.346.761	3.815.499	5.644.009	1.550.375	563.131	25.334.783
Total Liabilities	3.042.677	10.919.742	2.356.232	3.177.265	1.397.031	1.055.340	3.386.496	25.334.783
Net Liquidity Gap	(2.443.931)	(1.103.480)	990.529	638.234	4.246.978	495.035	(2.823.365)	-

(*) As of 31 March 2013, loans includes the factoring receivables amounting to TL 54.112 (31 December 2012: TL 92.463).

(**) 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.

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

f. Explanations on securitisation positions:

None.

g. Explanations on credit risk mitigation techniques:

1 Process of net-offs of balance sheet and off-balance sheet items and net-offs made through policies and Parent Bank’s net-off usage level:

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

2 Applications regarding valuation and management of collaterals:

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

3 Types of collaterals received:

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

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

4 Main guarantor and credit derivatives’ counter party and their credit valuableness:

None.

5 Information on credit mitigation in market or credit risk concentration:

None.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

6 Collaterals in terms of risk categories:

Risk Classifications- 31 March 2013	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5.993.472	-	-	-
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	3.513.489	-	-	-
Conditional and unconditional receivables from Corporates	8.931.598	198.545	-	-
Conditional and unconditional retail receivables	12.465.713	73.870	-	-
Conditional and unconditional receivables secured by Mortgages	1.906.125	2.882.493	-	-
Past due receivables	273.530	-	-	-
Receivables defined in high risk category by BRSA	2.520.457	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	898.706	-	-	-
Total	36.503.090	3.154.908	-	-

Risk Classifications- 31 December 2012	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5.177.518	-	-	-
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	1.941.617	-	-	-
Conditional and unconditional receivables from Corporates	7.324.745	104.198	-	-
Conditional and unconditional retail receivables	11.514.931	86.728	-	-
Conditional and unconditional receivables secured by Mortgages	3.132.785	3.029.819	-	-
Past due receivables	264.920	-	-	-
Receivables defined in high risk category by BRSA	2.897.168	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	881.026	-	-	-
Total	33.134.710	3.220.745	-	-

VII. EXPLANATIONS ON CONSOLIDATED LIQUIDTY RISK (Continued)

h. Risk management objectives and policies:

The principal aim of Risk Management Policy is that requirement and functional of Risk Management Policy are explained and applied effectively which are the establishment of a risk management in accordance with legal regulations and carrying out risk management activities in an integrated manner banking activities.

Risk Management is an integral part of banking activities. Risk Management Policy has determined responsibilities that are related to risks for HSBC employee and aimed to create awareness against the risks.

Risk Management Policy has aimed to identify activities related to risk management principles and procedures and organization within the Bank.

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

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

Board of Directors approve policy that related to risk management activities, examine implementation of it as periodically and take measures to set up and continue the establishment of a risk management system in accordance with the Bank’s regulations.

h. Risk management objectives and policies (Continued):

Market, Credit, Operational risks and related other all risks are evaluated by Risk Management Committee. The Committee makes the evaluation Capital Plan and Limits of Risk. The Committee determines policy that contains risk policy and guides the solution of problems. It evaluates current and potential risks according to environmental impact that changing rapidly.

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

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

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

None.

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X. EXPLANATIONS ON OPERATING SEGMENTS

The Group operates in retail banking, corporate and commercial banking, SME banking, private banking, financial services, investment banking, treasury and capital markets.

In the retail banking segment, the Group 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 Group 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 Group provides loan and investment services, commercial card, insurance products, cash and risk management services to its customers. Also the Group provides marketable securities transactions, gold and foreign exchange transactions, derivative transactions and money market transactions services to its customers.

There are Brokerage Authorization, Public Offerings Brokerage Authorization, Margin Trading, Short Selling, Lending of Marketable Securities Authorization, Portfolio Management Authorization, Repurchase and Reverse Repurchase Agreement Authorization, Investment Consultancy Authorization and Derivative Brokerage Authorization that have been obtained from CMB (“Capital Market Board”).

In respect to “Portfolio Management and Investment Consultancy Authorization” that have been obtained from CMB, HSBC Portföy manages the marketable security portfolios of the customers as deputy and performs the other operations that are permitted by CMB and the related legislation.

Informations on consolidated operating segments presented in the table below.

	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Current Period					
Operating Income (**)	287.852	123.430	83.825	-	495.107
Other (**)	-	-	-	-	-
Operating Income (**)	287.852	123.430	83.825	-	495.107
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost(**)	-	-	-	-	-
Operating Profit(**)	(28.268)	31.113	67.459	-	70.304
Profit before Tax(**)	(28.268)	31.113	67.459	-	70.304
Corporate Tax Provision(*)	-	-	-	(22.118)	(22.118)
Profit after Tax(**)	(28.268)	31.113	67.459	(22.118)	48.186
Non-Controlling Interest (**)	-	-	-	-	-
Net Profit for the Period(**)	(28.268)	31.113	67.459	(22.118)	48.186
Segment Assets	9.831.366	7.239.801	11.649.871	-	28.721.038
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	9.831.366	7.239.801	11.649.871	270	28.721.308
Segment Liabilities	14.891.093	3.792.106	10.037.839	-	28.721.038
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	14.891.093	3.792.106	10.037.839	-	28.721.308
Other Segment Items					
Capital Investment	-	-	-	-	-
Amortization	(10.197)	(2.795)	(830)	-	(13.822)
Impairment	-	-	(3.429)	-	(3.429)
Non-Cash Other Income-Expense	(121.084)	-	-	-	(121.084)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 31 March 2013

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate And Investment Banking	Treasury and Capital Markets	Other	Group's Total Activities
Prior Period - 31 December 2012					
Operating Income (**)	229.854	134.976	40.141	-	404.971
Other (**)	-	-	-	-	-
Operating Income (**)	229.854	134.976	40.141	-	404.971
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit (**)	(1.648)	48.314	25.113	-	71.779
Profit before Tax (**)	(1.648)	48.314	25.113	-	71.779
Corporate Tax Provision (*)	-	-	-	(16.665)	(16.665)
Profit after Tax (**)	(1.648)	48.314	25.113	(16.665)	55.114
Non-Controlling Interest (**)	-	-	-	-	-
Net Profit for the Period (**)	(1.648)	48.314	25.113	(16.665)	55.114
Segment Assets	9.746.480	6.702.495	8.885.538	-	25.334.513
Associates and Subsidiaries	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	9.746.480	6.702.495	8.885.538	270	25.334.783
Segment Liabilities	13.779.168	4.413.787	7.141.828	-	25.334.783
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	13.779.168	4.413.787	7.141.828	-	25.334.783
Other Segment Items	(163.635)	(3.563)	(613)	(633)	(168.444)
Capital Investment	-	-	-	-	-
Amortization	(11.934)	(3.563)	(482)	(633)	(16.612)
Impairment	-	-	(131)	-	(131)
Non-Cash Other Income-Expense	(151.701)	-	-	-	(151.701)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 31 March 2012.

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
 FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

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

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Cash/Foreign Currency	210.319	122.763	230.041	130.420
The CBRT	145.387	2.509.940	65.788	2.065.213
Other	871	43.695	-	60.230
Total	356.577	2.676.398	295.829	2.255.863

(*) As of 31 March 2013, the precious metal balances and Money in transit balances are amounting to TL 42.306 and TL 2.206 TL respectively (31 December 2012 Precious Metal: TL60.230, Money in transit: None).

2. Information related to the account of the CBRT:

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Unrestricted Demand Deposit	145.387	132.212	65.788	3
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	2.377.728	-	2.065.210
Total	145.387	2.509.940	65.788	2.065.213

3. Explanation on reserve requirements:

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "deposits" and are required to keep a deposit at the CBRT for their Turkish Lira and foreign currency liabilities.

As of 31 March 2013, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,5% (31 December 2012: %5 - %11) for TL deposits and other liabilities, and between 6% - 12,5% for FC deposits (31 December 2012: % 6 - %11).

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

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

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

The Group has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 35.836 (31 December 2012: TL 30.953) as of 31 March 2013.

The Group has no financial assets at fair value through profit or loss subject to repurchase agreement as of 31 March 2013 and 31 December 2012.

As of 31 March 2013, the Group has financial assets at fair value through profit or loss in unrestricted account amounting to TL 232.532 (31 December 2012: TL 761.955)

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

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	964	41.805	1.315	30.528
Swap Transactions	9.338	136.047	5.864	84.968
Futures Transactions	-	25	-	2
Options	-	21.202	-	10.294
Other	-	-	-	-
Total	10.302	199.079	7.179	125.792

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Banks	1.199.663	556.020	302.979	614.559
Domestic	1.174.135	332.015	270.691	8
Foreign	25.528	224.005	32.288	614.551
Foreign Head Office and Branches	-	-	-	-
Total	1.199.663	556.020	302.979	614.559

2. Information on foreign banks account:

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

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

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

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

As of 31 March 2013, the Group has financial assets available for sale given as collateral/blocked amount to TL 474.764 (31 December 2012: TL 275.654).

As of 31 March 2013, the Group has financial assets available for sale amounting to TL 1.509.098 subject to repurchase agreement (31 December 2012: None).

As of 31 March 2013, the Group has financial assets available for sale in unrestricted account amounting to TL 1.269.158 (31 December 2012: TL 2.739.876).

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

	Current Period 31 March 2013	Prior Period 31 December 2012
Debt Securities	3.256.302	3.016.359
Quoted to Stock Exchange	3.256.302	3.016.359
Not Quoted	-	-
Share Certificate	4.211	4.211
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.211	4.211
Impairment Provision (-)	3.282	829
Total	3.257.231	3.019.741

(*) The balance of Kredi Garanti Fonu is security representing a capital share and classified in financial assets available for sale.

e. Information related to loans:

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

	Current Period 31 March 2013		Prior Period 31 December 2012	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	303	115.719	-	22.557
Corporate Shareholders	303	115.719	-	22.557
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	10.656	329.682	12.104	333.668
Loans Granted to Employees	30.641	41	32.714	-
Total	41.600	445.442	44.818	356.225

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

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

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring			
	Loans and Other Receivables	Agreement Terms Modified	Loans and Other Receivables		Agreement Terms Modified	
			Payment Plan Extensions	Other	Payment Plan Extensions	Other
Non-specialised Loans	14.780.620	503.715	-	553.842	66.800	-
Commercial Loans	4.933.849	374.928	-	325.494	61.795	-
Export Loans	634.720	61.143	-	13.017	3.424	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	58.845	-	-	-	-	-
Consumer Loans	4.485.060	10.389	-	98.856	122	-
Credit Cards	4.078.595	11.150	-	95.018	1.114	-
Other (*)	589.551	46.105	-	21.457	345	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Non-specialized Loans	14.780.620	503.715	-	553.842	66.800	-

(*)Includes the factoring receivables amounting to TL 54.112.

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	500.906
Extended by 3, 4 or 5 times	2.445	995
Extended by more than 5 times	364	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
	0 – 6 Months	104.509
6 – 12 Months	182.228	6.951
1 – 2 Years	113.871	10.927
2 – 5 Years	97.566	36.751
5 years or more	5.541	8.825

3. Breakdown of loans according to their maturities:

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

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

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	80.227	4.245.461	4.325.688
Mortgage Loans	897	1.727.772	1.728.669
Automotive Loans	74	26.666	26.740
Consumer Loans	79.256	2.491.023	2.570.279
Other	-	-	-
Consumer Loans- Indexed to FC	-	20.307	20.307
Mortgage Loans	-	19.730	19.730
Automotive Loans	-	-	-
Consumer Loans	-	577	577
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.836.385	298.513	4.134.898
Installment	1.854.436	298.513	2.152.949
None Installment	1.981.949	-	1.981.949
Individual Credit Cards-FC	7.482	-	7.482
Installment	-	-	-
None Instalment	7.482	-	7.482
Personnel Loans-TL	1.388	19.873	21.261
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.388	19.873	21.261
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9.327	-	9.327
Installment	5.268	-	5.268
None Installment	4.059	-	4.059
Personnel Credit Cards-FC	53	-	53
With Instalment	-	-	-
Without Instalment	53	-	53
Overdraft Account-TL (Individual)	227.171	-	227.171
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	4.162.033	4.584.154	8.746.187

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

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	70.078	650.331	720.409
Mortgage Loans	91	7.837	7.928
Automotive Loans	342	27.277	27.619
Consumer Loans	69.645	615.217	684.862
Other	-	-	-
Commercial Installment Loans- Indexed to FC	5.879	206.170	212.049
Mortgage Loans	-	579	579
Automotive Loans	86	7.155	7.241
Consumer Loans	5.793	198.436	204.229
Other	-	-	-
Commercial Installment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	33.277	218	33.495
Installment	14.050	64	14.114
None Installment	19.227	154	19.381
Corporate Credit Cards-FC	622	-	622
With Installment	-	-	-
None Installment	622	-	622
Overdraft Account-TL (Commercial)	100.092	-	100.092
Overdraft Account-FC (Commercial)	-	-	-
Total	209.948	856.719	1.066.667

6. Loans according to types of borrowers:

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

7. Distribution of domestic and foreign loans:

	Current Period 31 March 2013	Prior Period 31 December 2012
Domestic Loans	15.548.798	15.135.859
Foreign Loans	356.160	116.358
Total (*)	15.904.958	15.252.217

(*) Includes the factoring receivables amounting to TL 54.112 (31 December 2012: TL 92.463).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 31 March 2013	Prior Period 31 December 2012
Direct Loans Granted to Associates and Subsidiaries	-	-
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	-	-

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9. Specific provisions for loans:

	Current Period 31 March 2013	Prior Period 31 December 2012
Loans and Receivables with Limited Collectability	22.646	20.548
Loans and Receivables with Doubtful Collectability	76.710	63.558
Uncollectible Loans and Receivables	467.466	398.644
Total	566.822	482.750

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 March 2013			
(Gross Amounts Before Specific Provisions)	1.749	6.295	15.454
Restructured Loans and Other Receivables	1.749	6.295	15.454
Rescheduled Loans and Other Receivables	-	-	-
Receivables	-	-	-
Prior Period: 31 December 2012			
(Gross Amounts Before Specific Provisions)	2.973	9.874	41.071
Restructured Loans and Other Receivables	1.502	5.053	17.443
Rescheduled Loans and Other Receivables	-	-	-
Receivables	1.471	4.821	23.628

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Balance at the end of the Prior Period: 31 December 2012			
	118.937	145.273	483.441
Additions (+)	120.942	2.705	18.058
Transfers from Other Categories of Non-Performing Loans (+)	568	93.033	58.427
Transfers to Other Categories of Non-Performing Loans (-)	90.353	60.396	1.279
Collections (-)	24.254	10.250	14.393
Write-offs (-)	-	-	107
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	59
Credit Cards	-	-	48
Other	-	-	-
Balance at the End of the Period: 31 March 2013	125.840	170.365	544.147
Specific Provisions (-)	22.646	76.710	467.466
Net Balance on Balance Sheet	103.194	93.655	76.681

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 March 2013			
Balance at the End of the Period	-	-	14.399
Specific Provisions (-)	-	-	14.399
Net Balance on Balance Sheet	-	-	-
Prior Period: 31 December 2012			
Balance at the End of the Period	-	-	14.428
Specific Provisions (-)	-	-	14.428
Net Balance on Balance Sheet	-	-	-

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net): 31 March 2013			
Loans granted to corporate entities and real persons (Gross)	103.194	93.655	76.681
Specific Provisions Amount (-)	22.646	76.710	455.723
Loans granted to corporate entities and real persons (Net)	103.194	93.655	76.681
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2012			
Loans granted to corporate entities and real persons (Gross)	98.389	81.715	84.797
Specific Provisions Amount (-)	118.937	145.273	471.698
Loans granted to corporate entities and real persons (Net)	20.548	63.558	386.901
Banks (Gross)	98.389	81.715	84.797
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	11.743
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/ or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without 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.

12. Information on the write-off policy of the Group:

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

f. Held-to-maturity Investments:

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

As of 31 March 2013 and 31 December 2012, the Group has no held to maturity investments as collateral/blocked and subject to repurchase agreements.

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

As of 31 March 2013 and 31 December 2012, the Group has no investments as government debt securities held to maturity.

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

As of 31 March 2013 and 31 December 2012, the Group has no investments held to maturity.

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

As of 31 March 2013 and 31 December 2012, the Group has no investments of held to maturity movement.

g. Information on investments in associates (Net):

The Group has no investments in associates as of 31 March 2013 and 31 December 2012.

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

h. Information on subsidiaries (Net):

1. Information on consolidated/subsidiaries:

a) Consolidated subsidiaries:

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit / Loss(**)	Fair Value
1	5.683	5.181	102	17	-	272	319	-
2	74	92	-	-	-	(18)	(4)	-

(*) Prepared with unaudited financial statements.

(**) Prior period amount is the amount as of 31 March 2012.

2. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	101.932	74.966	5	553	557	5.389	2.908	-

(*) Prepared with audited financial statements.

(**) Prior period amount is the amount as of 31 March 2012.

3. Movement schedule of the consolidated subsidiaries:

	Current Period 31 March 2013	Prior Period 31 December 2012
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period		
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation (*)	-	-
Revaluation Increase	-	-
Increase /decrease of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99,87	99,87

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

Subsidiaries	Current Period 31 March 2013	Prior Period 31 December 2012
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	34.753	34.753

5. Subsidiaries quoted on a stock exchange:

The Group has no subsidiaries quoted on a stock exchange as of 31 March 2013 and 31 December 2012.

i. Information on jointly controlled entities:

- The Group has no jointly controlled entities as of 31 March 2013 and 31 December 2012.
- As of 31 March 2013 and 31 December 2012, the accounting method of jointly controlled entities is not determined since the Group has no jointly controlled entities.

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

j. Information on leasing receivables (Net):

As of 31 March 2013 and 31 December 2012, the Group has no finance lease receivables.

k. Information on hedging derivative financial assets:

As of 31 March 2013 and 31 December 2012, the Group has no hedging derivative financial assets.

l. Explanations on property and equipment:

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

m. Information on intangible assets:

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

n. Information on the investment properties:

As of 31 March 2013 and 31 December 2012, the Group has no investment properties.

o. Information on deferred tax asset:

As of 31 March 2013 deferred tax asset of the Bank is TL 27.823 (31 December 2011: TL 31.326). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

There are no temporary differences which were not subject to deferred tax assets and do not recognised in balance sheet.

There is no impairment provision for deferred tax.

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

As of 31 March 2013 assets held for sale of the Group is TL 4.464 (31 December 2012: TL 5.129).

r. Information on other assets:

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

b. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 57.419 (31 December 2012 TL 32.693), the prepaid expenses amounting to 83.109 TL (31 December 2012: TL 51.954), other rediscount income amounting to TL 8.891 (31 December 2011: TL 7.865), miscellaneous receivables amounting to TL 2.323 (31 December 2012: TL 8.221), and other assets amounting to 2.014 TL (31 December 2012: TL 4.027).

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

As of 31 March 2013 and 31 December 2012, the Group has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

1(i). Current Period - 31 March 2013:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	568,382	-	371,851	3,839,572	675,032	295,869	49,163	-	5,799,869
Foreign Currency Deposits	1,225,004	-	1,193,731	2,361,459	303,409	193,380	134,783	-	5,411,766
Residents in Turkey	1,029,566	-	1,142,338	1,889,161	237,103	114,088	93,005	-	4,505,261
Residents Abroad	195,438	-	51,393	472,298	66,306	79,292	41,778	-	906,505
Public Sector Deposits	39,389	-	43	165	-	-	-	-	39,597
Commercial Deposits	483,193	-	1,309,213	67,112	19,737	2,077	2,046	-	1,883,378
Other Institutions Deposits	10,647	-	11,655	8,098	807	290	21	-	31,518
Precious Metal Deposit	457,770	-	-	-	-	-	-	-	457,770
Bank Deposits	35,774	-	26,709	500	-	8,456	-	-	71,439
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	369	-	13,562	-	-	8,456	-	-	22,387
Foreign Banks	35,405	-	13,147	500	-	-	-	-	49,052
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2,820,159	-	2,913,202	6,276,906	998,985	500,072	186,013	-	13,695,337

1(ii). Prior Period - 31 December 2012:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	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	-	1,385,576	187,567	2,059	2,764	3,700	-	2,042,497
Other Institutions Deposits	11,200	-	13,162	7,737	833	266	21	-	33,219
Precious Metal Deposit	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	-	-	-	-	-	-	-	-	-
Total	3,042,677	-	2,929,700	6,239,013	1,379,982	475,721	114,530	-	14,181,623

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2. Information on saving deposits insurance:

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

	Covered by Insurance		Exceeding Deposit Insurance Limit	
	Current Period 31 March 2013	Prior Period 31 December 2012	Current Period 31 March 2013	Prior Period 31 December 2012
Saving Deposits	3.220.280	2.264.542	2.398.244	3.098.544
Foreign Currency Saving Deposits	1.273.879	836.678	2.222.788	2.820.507
Other Deposits in the Form of Saving Deposits	90.279	42.490	302.695	344.438
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	168.381	173.781	222.114	228.434
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	4.752.819	3.317.491	5.145.841	6.491.923

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

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

	Current Period 31 March 2013	Prior Period 31 December 2012
Foreign Branches' Deposits and other accounts	222.114	228.434
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their worship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their worship	7.003	6.036
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 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	-	45.167	-	13.790
Swap Transactions	43.529	99.859	75.453	86.433
Future Transactions	-	7	-	24
Options	-	21.673	-	10.868
Other	-	-	-	-
Total	43.529	166.706	75.453	111.115

c. Information on repurchase agreements:

As of 31 March 2013, the Bank has repurchase agreements amounting to TL 1.486.218 (31 December 2012: TL None).

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d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	7.991	2.318	9.998	2.734
From Foreign Banks, Institutions and Funds	2.683.252	5.388.248	2.087.830	3.597.009
Total	2.691.243	5.390.566	2.097.828	3.599.743

2. Information on maturity structure of funds borrowed:

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Short-term	1.376.679	4.498.021	1.411.611	3.126.066
Medium and Long-term	1.314.564	892.545	686.217	473.677
Total	2.691.243	5.390.566	2.097.828	3.599.743

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

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

e. Information on other liabilities:

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

f. Information on leasing agreements:

a) Information on obligations under financial leases:

None (31 December 2012: None).

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b) **Information on operational lease:**

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

Leasing debts due to operational lease transactions presented below.

	Current Period 31 March 2013	Prior Period 31 December 2012
Less Than 1 Year	62.891	64.846
Between 1-4 Years	130.704	134.485
More Than 4 Years	12.010	13.542
Total	205.605	212.873

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

As of 31 March 2013 and 31 December 2012, the Group has no derivative financial liabilities for hedging purposes.

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

None.

h. **Information on provisions:**

1. **Information on general provisions:**

	Current Period 31 March 2013	Prior Period 31 December 2012
General Provisions	275.406	248.321
Provisions for First Group Loans and Receivables	193.487	173.027
- Additional Provision for Loans and Receivables with Extended Maturities	26.109	22.540
Provisions for Second Group Loans and Receivables	15.081	15.920
- Additional Provision for Loans and Receivables with Extended Maturities	3.401	2.839
Provisions for Non-Cash Loans	28.064	23.584
Other	9.264	10.411

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

As of 31 March 2013, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 3.735 (31 December 2012: TL 4.236), is offset with the balance of foreign currency indexed loans.

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

As of 31 March 2013, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 270 (31 December 2012: TL 249).

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4. Information on other provisions:

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

As of 31 March 2013 and 31 December 2012, the Group has no general provisions for possible risks.

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 15.591 (31 December 2012: TL 15.710), provisions for checks under follow-up amounting to TL 6.638 (31 December 2012: TL 5.413), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 270 (31 December 2012: TL 249) and other provision amounting to TL 46.986 (31 December 2012: TL 39.074) are classified under other provisions.

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 31 March 2013	Prior Period 31 December 2012
Corporate Taxes Payable	17.940	19.737
Taxation on Marketable Securities	8.857	11.149
Taxation on Real Estates Income	1.733	1.195
Banking Insurance Transaction Tax (BITT)	10.127	11.371
Foreign Exchange Transaction Tax	12	10
Value Added Tax Payable	2.627	1.684
Other (*)	17.699	13.533
Total	58.995	58.679

(*) Consists of payroll tax amounting to TL 15.825 (31 December 2012: TL 10.945), self-employed income tax amounting to TL 209 (31 December 2012: TL 46), stamp tax amounting to TL 615 (31 December 2012: TL 275) and other taxes amounting to TL 1.050 (31 December 2012: TL 2.267) as of 31 December 2012.

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1(ii). Information on premium payables:

	Current Period 31 March 2013	Prior Period 31 December 2012
Social Security Premiums – Employee Share	3.709	3.350
Social Security Premiums – Employer Share	3.883	3.321
Bank Social Aid Pension Fund Premium – Employee Share	-	-
Bank Social Aid Pension Fund Premium – Employer Share	-	-
Pension Fund Membership Fees and Provisions – Employee Share	-	-
Pension Fund Membership Fees and Provisions – Employer Share	-	-
Unemployment Insurance – Employee Share	271	234
Unemployment Insurance – Employer Share	545	446
Other	-	-
Total	8.408	7.351

2. Information on deferred tax liability:

As of 31 March 2013, the Group has no deferred tax liability (31 December 2012: 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 consolidated financial statements as net deferred tax assets

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

As of 31 March 2013 and 31 December 2012, the Group has no liabilities for property and equipment held for sale purpose and held from terminated operations.

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

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

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I. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period 31 March 2013	Prior Period 31 December 2012
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 31 March 2013, the Group has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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

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

Registered share capital system is not applied.

	Current Period 31 March 2013	Prior Period 31 December 2012
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

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

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

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

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

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

The Group has no capital commitments.

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

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

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

Capital structure of the Group consisting of group “A” and “B” shares are held by foreign shareholders. Board of Directors are chosen among the candidates nominated by group “A” share holders.

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8. Information on marketable securities value increase fund:

	Current Period 31 March 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	17.889	-	35.769	-
Foreign Currency Difference	-	-	-	-
Total	17.889	-	35.769	-

9. Information on revaluation value increase fund:

As of 31 March 2013 and 31 December 2012, the Group has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 31 March 2013	Prior Period 31 December 2012
First Legal Reserve	154.591	132.067
Second Legal Reserve	46.842	65.491
Legal Reserves according to Special Legislation	-	-
Total	201.433	197.558

11. Information on extraordinary reserves:

	Current Period 31 March 2013	Prior Period 31 December 2012
Reserves Allocated per General Assembly Minutes	1.860.708	1.720.797
Undivided Profit	65.228	32.614
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Total	1.925.936	1.753.411

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.

13. Informations on minority shares:

The Group has no minority shares as of 31 March 2013 and 31 December 2012.

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 31 March 2013, the Group has irrevocable commitments amounting to TL 19.888.924 (31 December 2012: TL 17.263.603).

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

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

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

The Group has letter of credit amounting to TL 744.735 (31 December 2012: TL 829.094), acceptances amounting to TL 676.102 (31 December 2012: TL 694.336) and commitments and contingencies due to letter of credit amounting to TL 822.631 (31 December 2012: TL 642.956) as of 31 March 2013. Also the Bank has other commitments and contingencies amounting to TL 375.667 (31 December 2012: TL 365.103) as of 31 March 2013.

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 31 March 2013	Prior Period 31 December 2012
Non-Cash Given For Cash Loan Risks	6.667	69.085
With Original Maturity of One Year or Less	6.667	69.085
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	2.612.468	2.462.404
Total	2.619.135	2.531.489

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

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

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

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

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

b. Explanations on derivative transactions:

The Bank has forward transactions amounting to TL 6.813.079 (31 December 2012: TL 4.382.895), currency swap amounting to TL 31.502.845 (31 December 2012: TL 20.559.709), currency option amounting to TL 6.622.904 (31 December 2012: TL 3.076.976), interest rate option amounting to TL 594.984 (31 December 2012: TL 593.340), interest rate swap amounting to TL 5.679.482 (31 December 2012: TL 6.312.752) The Bank has interest rate future amounting to TL 3.914.302 as of 31 December 2012 (31 December 2012: TL 1.057.844). Transactions to decrease foreign currency value and interest rate risk have been classified trading derivative financial instrument and valued with their fair value by the Group.

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

Contingent assets, are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 31 March 2013, there is no contingent asset to be disclosed.

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

The Group has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 March 2013, the total amount of these lawsuits filed against the Group is TL 25.733 (31 December 2012: TL 11.316). A provision of TL 1.889 (31 December 2012: 1.833 TL) has been made for those lawsuits as the probability of being concluded against the bank is higher than the probability of their concluding in its favor.

As a result of the investigation of the Competition Board, with the decision dated 2 November 2012 and no: 11-55/1438-M, about 12 banks including HSBC Bank A.Ş. and 2 firms operating on financial services whether they have violated against the Law on Protection of Competition No:4054’s restrictive agreements, concerted practices and association of undertakings related 4th clause, the Competition Board has imposed a administrative fine to the detriment of HSBC Bank A.Ş., under the judgements of Law No: 4054’s third paragraph of 16th article and “Fines to be Imposed by Regulations in the Act of Limiting Competition Agreements, Concerted Practices and Decisions and Abuse of Dominant Position”’s clause B of first paragraph of 5th article and second paragraph, clause of the third and first paragraphs of 7th article, amounting 14.875 TL corresponds to 0.6% of gross revenues arose at the end of fiscal year 2011 and determined by the Board.

This administrative penalty will be paid, within 30 days after notification of the reasoned decision according to the framework of No: 5326 Misdemeanour Law’s 17th Clause, as 75% of the total penalty amounting to TL 11.156. In this context, the Bank has made provision of TL 11.156 and presents this balance as “Other provisions” on balance sheet as of 31 March 2013 and 31 December 2012.

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

d. Explanations on fiduciary services rendered on behalf of third parties

The Group gets as an investment agent for the trading of marketable securities and provides custodian services on behalf of its customer.

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

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

	Current Period 31 March 2013		Prior Period 31 March 2012	
	TL	FC	TL	FC
Short-term Loans	239.589	9.653	249.275	14.553
Medium and Long-Term Loans	173.204	25.996	145.654	23.240
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	4.628	-	7.109	-
	-	-	-	-
Total	417.421	35.649	402.038	37.793

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

2. Information on interest income received from banks:

	Current Period 31 March 2013		Prior Period 31 March 2012	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	12.147	148	13.764	754
From Foreign Banks	260	83	212	14
Headquarters and Branches Abroad	-	-	-	-
Total	12.407	231	13.976	768

3. Information on interest income on marketable securities:

	Current Period 31 March 2013		Prior Period 31 March 2012	
	TL	FC	TL	FC
Financial Assets Held For Trading	8.082	118	16.246	635
Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available For Sale	81.518	-	47.135	547
Investments Held to Maturity	-	-	-	-
Total	89.600	118	63.381	1.182

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

As of 31 March 2013 and 31 March 2012, the Group has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 31 March 2013		Prior Period 31 March 2012	
	TL	FC	TL	FC
Banks	46.080	22.244	49.373	14.956
The CBRT	-	-	-	-
Domestic Banks	438	52	347	121
Foreign Banks	45.642	22.192	49.026	14.835
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	46.080	22.244	49.373	14.956

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

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

	Current Period 31 March 2013	Prior Period 31 December 2012
Interest Expenses Given to Subsidiaries and Associates	-	45

3. Information on interest expense given on securities issued:

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

4. Maturity structure of the interest expense on deposits:

Current Period: 31 March 2013	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	711	161	-	161	-	-	1.033
Saving deposits	-	4.841	64.523	14.357	5.325	1.925	-	90.971
Public sector deposits	-	1	2	-	-	-	-	3
Commercial deposits	-	24.039	1.942	275	4	78	-	26.338
Other Deposit	-	317	123	12	5	-	-	457
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	29.909	66.751	14.644	5.495	2.003	-	118.802
Foreign Currency								
Foreign currency deposits	-	4.765	14.002	2.125	641	966	-	22.499
Interbank Deposits	-	154	-	-	-	-	-	154
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	4.919	14.002	2.125	641	966	-	22.653
Grand Total	-	34.828	80.753	16.769	6.136	2.969	-	141.455

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 (Continued)

Current Period: 31 March 2012	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	170	851	-	532	-	-	1.553
Saving deposits	-	6.095	81.242	18.077	6.705	2.424	-	114.543
Public sector deposits	-	13	26	-	-	-	-	39
Commercial deposits	-	40.770	3.278	464	7	130	-	44.649
Other Deposit	-	7.391	2.868	280	117	-	-	10.656
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	54.439	88.265	18.821	7.361	2.554	-	171.440
Foreign Currency								
Foreign currency deposits	-	5.089	14.953	2.269	685	1.032	-	24.028
Interbank Deposits	-	224	-	-	-	-	-	224
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	5.313	14.953	2.269	685	1.032	-	24.252
Grand Total	-	59.752	103.218	21.090	8.046	3.586	-	195.692

5. Information on interest given on repurchase agreement:

The Group has interest given on repurchase agreement amounting to TL 3.556 (31 March 2012: TL 16.941) during the three month period ended on 31 March 2013.

6. Information on financial lease expense:

The Group has no financial leasing expense during the period ended on 31 March 2013 and 31 March 2012.

7. Information on interest expenses given on factoring payables:

The Group has no interest given on factoring payables as of 31 March 2013 and 31 March 2012.

c. Explanations on dividend income:

As of 31 March 2013 and 31 March 2012, the Group has no dividend income.

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

	Current Period 31 March 2013	Prior Period 31 March 2012
Profit	4.598.189	2.805.400
Income from Capital Market Transactions	9.845	22.240
Derivative Financial Transactions Income	41.816	112.229
Foreign Exchange Gains	4.546.528	2.670.931
Loss (-)	4.619.311	2.875.382
Capital Market Transactions Loss	473	23.668
Loss on Derivative Financial Transactions	72.258	185.697
Foreign Exchange Loss	4.546.580	2.666.017
Total (Net)	(21.122)	(69.982)

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

2. Information on derivative instruments gain/loss:

	Current Period 31 March 2013	Prior Period 31 March 2012
Effect of the change in exchange rates on profit/loss	(350)	23.312
Effect of the change in interest rates on profit/loss	(30.092)	(96.780)
Total (Net)	(30.442)	(73.468)

e. Information on other operating income:

Other operating income consists of reverse of the previous year provision amounting to TL 2.645 (31 March 2012: TL 693), telecommunication income amounting to TL 864 (31 March 2012: TL 1.055), income from assets sale amounting to TL 540 (31 March 2012: TL 618) and other income amounting to TL 7.998 (31 December 2011: TL 9.182) during the period ended 31 March 2013.

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

	Current Period 31 March 2013	Prior Period 31 March 2012
Specific Provisions for Loans and Other Receivables	84.315	39.469
III. Group Loans and Receivables	1.427	1.918
IV. Group Loans and Receivables	5.482	10.932
V. Group Loans and Receivables	77.406	26.619
General Provision Expenses	27.085	14.974
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	3.429	131
Financial Assets at Fair Value Through Profit or Loss	55	19
Available-for-sale Financial Assets	3.374	112
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Investments Held-to-maturity:	-	-
Other	3.708	1.929
Total	118.537	56.503

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

g. Information related to other operating expenses:

	Current Period 31 March 2013	Prior Period 31 March 2012
Personnel Expenses	142.527	119.765
Reserve for Employee Termination Benefits	2.231	1.859
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	12.694	14.584
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	1.101	1.984
Impairment Expenses on Equity Accounted Investees	-	-
Impairment Expenses on Assets Held for Sale	-	-
Depreciation Expenses on Assets Held for Sale	27	44
Impairment Expenses on Non-Current Assets Held for Sale and discontinued operations	-	-
Operational Lease Expenses	116.851	99.545
Maintenance Expenses	31.682	33.702
Advertisement Expenses	4.792	4.203
Other Expenses	11.688	9.335
Loss on Sales of Assets	68.689	52.305
Other	65	100
Total	306.266	276.689

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

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

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

As of 31 March 2013, the Group has corporate tax provision expense amounting to TL 18.614 (31 March 2012: TL 35.001) and deferred tax income amounting to TL 3.504 (31 March 2012: TL 18.336).

The total amount of deferred tax income, amounting to TL 3.504 (31 March 2012: TL 18.336) , stated in the financial statements of the Bank in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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, amounting to TL 359.458 (31 March 2012: TL 340.600), and net wage and commission income amounting to TL 144.724 (31 March 2012: TL 122.805) have an important role among the income items in the interim accounting period ending on 31 March 2013. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

2. The effect on the current period profit/loss of the changes in estimations related to financial statements made by the 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.

3. Profit or loss attributable to the non controlling interest:

None.

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

“Other fee and commissions” in the income statement, mainly consist of commissions received from credit card transactions and investment fund.

- V. **EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**
- a. **Information on the current year adjustments made in accordance with the requirements of the accounting Standard on Financial Instruments:**
1. **Increases after the revaluation of available-for-sale investments:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
2. **Information on increases in cash flow hedges:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- b. **Information on adjustments made for the application of Standard on Accounting for Financial Instruments in the current year:**
1. **Information on available-for-sale investments:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
2. **Information on cash flow hedges:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- c. **Information on dividend distribution:**
None.
- d. **Information on issuance of common stock:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- e. **Effects of the adjustments to prior periods on the opening balance sheets:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- f. **Offsetting prior period’s losses:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

- a. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- b. Information on cash flows arising from acquisition of associates, subsidiaries and other investments:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- c. Information on disposals of associates, subsidiaries or other investments:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- d. Information on cash and cash equivalents:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.
- e. Additional information:**
Not disclosed in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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

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

1. Current Period - 31 March 2013:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	12.104	356.225	15	-
Closing Balance	-	-	10.959	445.401	12	41
Interest and Commissions Income	-	-	6.768	219	-	-

2. Prior Period - 31 December 2012:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	8.861	487.975	-	-
Closing Balance	-	-	12.104	356.225	15	-
Interest and Commissions Income(*)	-	-	805	280	-	-

(*) The prior period balances present amounts of 31 March 2012.

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Deposit						
Opening Balance	3.808	2.461	33.834	112.325	4.695	3.788
Closing Balance	-	3.808	23.739	33.834	6.537	4.695
Interest expense on deposits(*)	-	45	-	-	-	88

(*) The prior period balances present amounts of 31 March 2012.

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	30.887.791	16.338.478	-	-
Closing Balance	-	-	44.638.999	30.887.791	-	-
Total Profit/Loss	-	-	(36.291)	(166.721)	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The prior period balances present amounts of 31 March 2012.

VII. EXPLANATIONS AND NOTES RELATED TO THE BANK'S RISK GROUP (Continued)

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

As of 31 March 2013, payment is made to top executives of the Bank amounting to TL 24.826 (31 March 2012: TL 15.221).

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

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

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

IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

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

None.

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

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 March 2013, consolidated financial statements and explanatory notes disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a Turkish member of KPMG International Cooperative, a Swiss entity) and review report dated 5 June 2013 is presented before to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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