

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

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REVIEW REPORT
AS AT AND FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2013**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

7 August 2013

This report consists of 1 page Independent Auditors' Review Report and 72 pages interim financial statements and related disclosures and footnotes.



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

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**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.I)**

INDEPENDENT AUDITORS' REVIEW REPORT

To the Board of Directors of HSBC Bank Anonim Şirketi

We have reviewed the unconsolidated balance sheet of HSBC Anonim Şirketi. (the "Bank") as of 30 June 2013, the unconsolidated statements of income, cash flows and changes in shareholders' equity for the six-month period then ended. These 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 unconsolidated financial statements do not present fairly, the financial position of HSBC Anonim Şirketi as at 30 June 2013, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the accounting principles and standards that are based on the current regulations described in Article 37 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
7 August 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 unconsolidated financial statements are not intended to present the financial position of the Bank and the results of its operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.



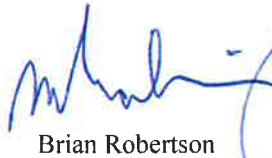
**UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S.
AS OF 30 JUNE 2012**

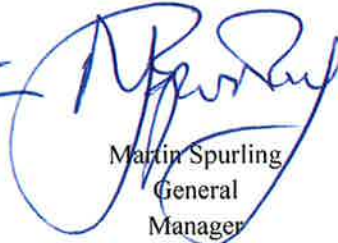
Address of Bank's headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli
34394, İstanbul
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Fax : (0212) 366 33 83
Web-site : www.hsbc.com.tr
Contact e-mail address : muhaberat@hsbc.com.tr

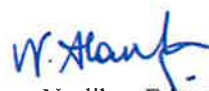
The unconsolidated interim financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

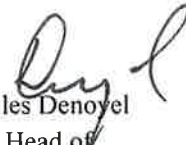
The unconsolidated financial reports and explanations and footnotes in this report are prepared in accordance with the Regulation on Bank Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards 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.


Brian Robertson
Chairman


Martin Spurling
General
Manager


Neslihan Erkazancı
Financial Reporting
Assistant General
Manager


Zeynep Bozkurt
Manager


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 : Zeynep Bozkurt/Manager
Tel : (0212) 376 43 08
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2013

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (the Bank) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. %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 BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THAT THE BANK BELONGS TO

As of 30 June 2013, the Bank’s nominal capital amounting to TL 652.290 is dividend to 65.229.000.000 shares with a nominal value of TL 0,01 TL. 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 30 June 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 Bank is comprising of the Group “A” and “B” shares. Board of Directors are chosen among the candidates nominated by group “A” shareholders.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 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	UnderGraduate
	Kevin Peter SAWLE	Member	Associate Degree
	Mark John THUNDERCLIFFE	Member	UnderGraduate
	Jonathan James CALLEDINE	Member	UnderGraduate
	Leyla ETKER	Member	Graduate
	Gilles DENOYEL	Member	Graduate
	Edward Michael FLANDERS	Member	UnderGraduate
CEO:	Martin SPURLING	CEO	UnderGraduate
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 KARAALİ	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	UnderGraduate
	Leyla ETKER	Member of the Audit Committee	Graduate

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

(*) Brian Robertson has started his duty as chairman of the Board at 29 April 2013

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TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2013

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

IV. EXPLANATIONS 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. SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

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

- To accept all kinds of deposits both in Turkish Lira and in foreign currency,
- To provide funds in Turkish Lira and foreign exchange, for own use or as an intermediary,
- To launch cash and non-cash loans to 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 to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable securities,
- To perform factoring and forfeiting activities,
- To establish social and cultural facilities or to help or participate facilities in the existing.

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, İsviçre Sigorta, Zurich Sigorta, Aviva Sigorta, Chartis Sigorta, Allianz Sigorta, Coface Sigorta, Mapfre Sigorta and Anadolu Hayat Emeklilik through its branches.

As of 30 June 2013, the Bank has 331 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 Bank is 6.327 (31 December 2012: 6.170).

VI. OTHER MATTERS

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

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

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

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

None.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2013

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2013 AND 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”.)**

I. BALANCE SHEET	ASSETS	Note (Section Five I)	Current Period (30/06/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
I. CASH BALANCES WITH CENTRAL BANK			618.463	2.762.998	3.381.461	295.829	2.255.863	2.551.692
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)		648.033	862.030	1.510.063	744.078	136.889	880.967
2.1 Trading Financial Assets			648.033	862.030	1.510.063	744.078	136.889	880.967
2.1.1 Government Debt Securities			614.328	4.141	618.469	736.899	11.097	747.996
2.1.2 Share Certificates			-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets			22.042	857.889	879.931	7.179	125.792	132.971
2.1.4 Other Marketable Securities			11.663	-	11.663	-	-	-
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)		1.998.497	52.132	2.050.629	285.070	614.559	899.629
IV. MONEY MARKETS			5.519.350	73.621	5.592.971	1.975.982	53.650	2.029.632
4.1 Interbank Money Market Placements			-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market			-	73.621	73.621	-	53.650	53.650
4.3 Receivables from Reverse Repurchase Agreements			5.519.350	-	5.519.350	1.975.982	-	1.975.982
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)		2.597.093	-	2.597.093	3.019.741	-	3.019.741
5.1 Share Certificates			4.211	-	4.211	4.211	-	4.211
5.2 Government Debt Securities			2.592.882	-	2.592.882	3.015.530	-	3.015.530
5.3 Other Marketable Securities			-	-	-	-	-	-
VI. LOANS	(I-e)		14.046.307	3.426.952	17.473.259	12.986.558	2.435.183	15.421.741
6.1 Loans			13.727.997	3.426.952	17.154.949	12.721.657	2.435.183	15.156.840
6.1.1 Bank's Risk Group	(VII)		1.222	16.191	17.413	25	12.127	12.152
6.1.2 Government Debt Securities			-	-	-	-	-	-
6.1.3 Other			13.726.775	3.410.761	17.137.536	12.721.632	2.423.056	15.144.688
6.2 Loans Under Follow-Up			951.448	14.088	965.536	733.136	14.428	747.564
6.3 Specific Provisions (-)			633.138	14.088	647.226	468.235	14.428	482.663
VII. FACTORING RECEIVABLES			97.721	9.382	107.103	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)		35.023	-	35.023	35.023	-	35.023
10.1 Unconsolidated Financial Subsidiaries			34.753	-	34.753	34.753	-	34.753
10.2 Unconsolidated Non-financial Subsidiaries			270	-	270	270	-	270
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)		127.461	-	127.461	139.132	-	139.132
XV. INTANGIBLE ASSETS (Net)	(I-m)		96.298	-	96.298	92.561	-	92.561
15.1 Goodwill			83.450	-	83.450	83.450	-	83.450
15.2 Other			12.848	-	12.848	9.111	-	9.111
XVI. INVESTMENT PROPERTY (Net)	(I-n)		-	-	-	-	-	-
XVII. TAX ASSET			20.758	-	20.758	30.605	-	30.605
17.1 Current Tax Asset			3.424	-	3.424	-	-	-
17.2 Deferred Tax Asset	(I-o)		17.334	-	17.334	30.605	-	30.605
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)		5.630	-	5.630	5.129	-	5.129
18.1 Held for sale Purposes			5.630	-	5.630	5.129	-	5.129
18.2 Related to Discontinued Operations			-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)		135.385	14.084	149.469	93.299	6.944	100.243
TOTAL ASSETS			25.946.019	7.201.199	33.147.218	19.785.247	5.513.311	25.298.558

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS AT 30 JUNE 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 (30/06/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
LIABILITIES								
I.	DEPOSITS	(II-a)	9.038.239	5.987.715	15.025.954	7.893.175	6.313.236	14.206.411
I.1	Deposits of Bank's risk group	(VII)	67.780	1.589	69.369	65.101	2.024	67.125
I.2	Other		8.970.459	5.986.126	14.956.585	7.828.074	6.311.212	14.139.286
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	7.307	805.151	812.458	75.453	111.115	186.568
III.	BORROWINGS	(II-d)	4.051.249	5.997.514	10.048.763	2.097.828	3.599.743	5.697.571
IV.	MONEY MARKETS		1.949.723	-	1.949.723	-	-	-
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)	1.949.723	-	1.949.723	-	-	-
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		537.499	7.021	544.520	524.541	8.274	532.815
VIII.	OTHER LIABILITIES	(II-e)	264.776	56.648	321.424	317.833	76.431	394.264
IX.	FACTORING PAYABLES		-	-	-	207	-	207
X.	FINANCIAL LEASE PAYABLES (Net)	(II-f)	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	(II-h)	418.247	1.781	420.028	319.985	1.816	321.801
12.1	General Loan Loss Provision		326.097	-	326.097	248.321	-	248.321
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		31.213	-	31.213	27.204	-	27.204
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		60.937	1.781	62.718	44.460	1.816	46.276
XIII.	TAX LIABILITY	(II-i)	36.532	-	36.532	64.686	-	64.686
13.1	Current Tax Liability		36.532	-	36.532	64.686	-	64.686
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)	-	934.670	934.670	-	844.110	844.110
XVI.	SHAREHOLDERS' EQUITY	(II-l)	3.053.146	-	3.053.146	3.050.125	-	3.050.125
16.1	Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		250.344	-	250.344	308.462	-	308.462
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(22.349)	-	(22.349)	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 property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		272.693	-	272.693	272.693	-	272.693
16.3	Profit Reserves		2.089.373	-	2.089.373	1.908.575	-	1.908.575
16.3.1	Legal Reserves		178.013	-	178.013	175.911	-	175.911
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		1.911.360	-	1.911.360	1.732.664	-	1.732.664
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Income or (Loss)		61.139	-	61.139	180.798	-	180.798
16.4.1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income or (Loss)		61.139	-	61.139	180.798	-	180.798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			19.356.718	13.790.500	33.147.218	14.343.833	10.954.725	25.298.558

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS AT 30 JUNE 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 (30/06/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		85,789,918	98,056,403	183,846,321	41,302,840	35,397,199	76,700,039
I. GUARANTEES AND WARRANTIES	(III-a-2,3)	325,190	2,579,612	2,904,802	346,362	2,185,331	2,531,693
1.1 Letters of Guarantee		325,026	608,373	933,399	345,535	483,763	829,298
1.1.1 Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		325,026	608,373	933,399	345,535	483,763	829,298
1.2 Bank Acceptances		-	716,069	716,069	-	694,336	694,336
1.2.1 Import Letter of Acceptance		-	716,069	716,069	-	693,800	693,800
1.2.2 Other Bank Acceptances		-	-	-	-	536	536
1.3 Letters of Credit		164	854,517	854,681	827	642,129	642,956
1.3.1 Documentary Letters of Credit		-	693,064	693,064	827	428,622	429,449
1.3.2 Other Letters of Credit		164	161,453	161,617	-	213,507	213,507
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	385,060	385,060	-	353,859	353,859
1.8 Other Guarantees		-	15,593	15,593	-	11,244	11,244
1.9 Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(III-a-1)	28,632,172	16,793,854	45,426,026	30,582,645	7,439,879	38,022,524
2.1 Irrevocable Commitments		20,949,278	16,793,854	37,743,132	9,823,766	7,439,879	17,263,645
2.1.1 Asset Purchase and Sale Commitments		12,393,201	16,782,936	29,176,137	1,933,789	7,260,647	9,194,436
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	178,690	178,690
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Loan Granting Commitments		420,491	-	420,491	460,496	-	460,496
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		658,973	-	658,973	656,743	-	656,743
2.1.8 Tax and Fund Liabilities from Export Commitments		4,972	-	4,972	5,223	-	5,223
2.1.9 Commitments for Credit Card Limits		6,541,624	-	6,541,624	5,906,065	-	5,906,065
2.1.10 Commitments for Credit Cards and Banking Services Promotions		7,557	-	7,557	7,257	-	7,257
2.1.11 Receivables From Short Sale Commitments of Marketable Securities		9,006	5,420	14,426	-	235	235
2.1.12 Payables for Short Sale Commitments of Marketable Securities		9,006	5,420	14,426	-	235	235
2.1.13 Other Irrevocable Commitments		904,448	78	904,526	854,193	72	854,265
2.2 Revocable Commitments		7,682,894	-	7,682,894	20,758,879	-	20,758,879
2.2.1 Revocable Loan Granting Commitments		7,682,894	-	7,682,894	20,758,879	-	20,758,879
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	56,832,556	78,682,937	135,515,493	10,373,833	25,771,989	36,145,822
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Transactions		56,832,556	78,682,937	135,515,493	10,373,833	25,771,989	36,145,822
3.2.1 Forward Foreign Currency Buy/Sell Transactions		3,353,322	5,920,261	9,273,583	1,372,562	3,010,333	4,382,895
3.2.1.1 Forward Foreign Currency Transactions-Buy		1,391,182	3,238,641	4,629,823	858,980	1,339,794	2,198,774
3.2.1.2 Forward Foreign Currency Transactions-Sell		1,962,140	2,681,620	4,643,760	513,582	1,670,539	2,184,121
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		48,306,034	59,819,240	108,125,274	7,494,449	19,378,012	26,872,461
3.2.2.1 Foreign Currency Swap-Buy		22,649,808	28,349,721	50,999,529	1,865,766	8,438,557	10,304,323
3.2.2.2 Foreign Currency Swap-Sell		25,656,226	25,225,533	50,881,759	5,628,683	4,626,703	10,255,386
3.2.2.3 Interest Rate Swap-Buy		-	3,121,993	3,121,993	-	3,156,376	3,156,376
3.2.2.4 Interest Rate Swap-Sell		-	3,121,993	3,121,993	-	3,156,376	3,156,376
3.2.3 Foreign Currency, Interest rate and Securities Options		5,173,200	6,341,224	11,514,424	1,506,822	2,163,494	3,670,316
3.2.3.1 Foreign Currency Options-Buy		2,586,600	2,883,844	5,470,444	753,411	785,077	1,538,488
3.2.3.2 Foreign Currency Options-Sell		2,586,600	2,883,844	5,470,444	753,411	785,077	1,538,488
3.2.3.3 Interest Rate Options-Buy		-	286,768	286,768	-	296,670	296,670
3.2.3.4 Interest Rate Options-Sell		-	286,768	286,768	-	296,670	296,670
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	6,464,570	6,464,570	-	1,057,844	1,057,844
3.2.5.1 Interest Rate Futures-Buy		-	3,232,285	3,232,285	-	528,922	528,922
3.2.5.2 Interest Rate Futures-Sell		-	3,232,285	3,232,285	-	528,922	528,922
3.2.6 Other		-	137,642	137,642	-	162,306	162,306
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		22,409,293	1,354,703	23,763,996	22,262,559	1,557,415	23,819,974
IV. ITEMS HELD IN CUSTODY		19,331,435	1,317,535	20,648,970	18,615,336	1,527,205	20,142,541
4.1 Customer Fund and Portfolio Balances		1,838,133	-	1,838,133	1,612,654	-	1,612,654
4.2 Investment Securities Held in Custody		13,950,270	817,053	14,767,323	13,457,834	856,281	14,314,115
4.3 Checks Received for Collection		2,080,033	2,290,129	2,139,631	215,749	2,355,380	-
4.4 Commercial Notes Received for Collection		105,051	-	105,051	127,113	-	127,113
4.5 Other Assets Received for Collection		-	15,221	15,221	-	4,758	4,758
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1,357,948	275,165	1,633,113	1,278,104	450,417	1,728,521
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		3,077,858	37,168	3,115,026	3,647,223	30,210	3,677,433
5.1 Marketable Securities		295,614	-	295,614	202,920	-	202,920
5.2 Guarantee Notes		120,155	37,168	157,323	140,569	30,210	170,779
5.3 Commodity		-	-	-	-	-	-
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		2,662,089	-	2,662,089	3,303,734	-	3,303,734
5.6 Other Pledged Items		-	-	-	-	-	-
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		108,199,211	99,411,106	207,610,317	63,565,399	36,954,614	100,520,013

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2013 AND 30 JUNE 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

III. STATEMENT OF INCOME					
INCOME AND EXPENSE ITEMS	Note (Section Five IV)	Current Period (01/01/2013 - 30/06/2013)	Prior Period (01/01/2012 - 30/06/2012)	Current Period (01/04/2013 - 30/06/2013)	Prior Period (01/04/2012 - 30/06/2012)
I. INTEREST INCOME	(IV-a)	1.135.788	1.262.481	559.846	636.315
1.1 Interest on Loans	(IV-a-1)	892.683	899.326	439.613	459.495
1.2 Interest Received from Reserve Requirements		-	-	-	-
1.3 Interest Received from Banks	(IV-a-2)	22.712	21.411	10.286	6.443
1.4 Interest Received from Money Market Transactions		55.059	208.518	44.018	106.991
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	144.637	117.751	55.476	55.356
1.5.1 Trading Financial Assets		12.991	29.584	5.348	12.703
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3 Available-for-sale Financial Assets		131.646	88.167	50.128	42.653
1.5.4 Held to Maturity Investments		-	-	-	-
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		20.697	15.475	10.453	8.030
II. INTEREST EXPENSE (-)	(IV-b)	438.640	565.509	221.029	277.256
2.1 Interest on Deposits (-)	(IV-b-4)	278.767	392.430	136.971	196.359
2.2 Interest on Funds Borrowed (-)	(IV-b-1)	145.695	147.058	77.371	74.525
2.3 Interest Expense on Money Market Transaction (-)	(IV-b-5)	9.924	23.131	6.368	6.190
2.4 Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2.5 Other Interest Expens (-)		4.254	2.890	319	182
III. NET INTEREST INCOME (I + II)		697.148	696.972	338.817	359.059
IV. NET FEES AND COMMISSIONS INCOME		273.598	234.205	142.019	120.126
4.1 Fees and Commissions Received		301.199	267.985	156.925	139.454
4.1.1 Non-cash Loans		9.296	9.091	3.762	3.820
4.1.2 Other		291.903	258.894	153.163	135.634
4.2 Fees and Commissions Paid (-)		27.601	33.780	14.906	19.328
4.2.1 Non-cash Loans (-)		284	240	139	118
4.2.2 Other (-)		27.317	33.540	14.767	19.210
V. DIVIDEND INCOME	(IV-c)	14.328	7.415	-	-
VI. TRADING INCOME/(LOSS) (Net)	(IV-d)	(24.988)	(145.567)	(3.864)	(75.750)
6.1 Trading Gains/(Losses) on Securities		8.727	12.129	(645)	13.557
6.2 Derivative Financial Transactions Gains/(Losses)		(31.701)	(164.094)	(1.259)	(90.626)
6.3 Foreign Exchange Gains/(Losses)		(2.014)	6.398	(1.960)	1.319
VII. OTHER OPERATING INCOME	(IV-e)	20.485	24.725	7.806	12.584
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		980.571	817.750	484.778	416.019
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	252.613	132.526	134.076	76.023
X. OTHER OPERATING EXPENSES (-)	(IV-g)	622.218	567.247	311.022	296.865
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		105.740	117.977	39.680	43.131
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		105.740	117.977	39.680	43.131
XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(44.601)	(33.258)	(24.510)	(18.031)
16.1 Current Tax Provision	(IV-i)	(31.331)	(52.845)	(14.316)	(19.200)
16.2 Deferred Tax Provision		(13.270)	19.587	(10.194)	1.169
XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		61.139	84.719	15.170	25.100
XVIII. INCOME FROM DISCONTINUED OPERATIONS	(IV-j)	-	-	-	-
18.1 Income from Non-current Assets Held for Resale		-	-	-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.3 Other Income From Discontinued Operations		-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1 Expenses for Non-current Assets Held for Resale		-	-	-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.3 Other Expenses From Discontinued Operations		-	-	-	-
XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1 Current tax provision		-	-	-	-
21.2 Deferred tax provision		-	-	-	-
XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII. NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	61.139	84.719	15.170	25.100
Earnings/ Loss per Share		0,000937	0,001299	0,000233	0,000385

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS
AT 30 JUNE 2013 AND 30 JUNE 2012

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY	Current Period (30/06/2013)	Prior Period (30/06/2012)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(73.160)	57.784
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	14.632	(11.557)
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(58.528)	46.227
XI. CURRENT YEAR PROFIT/LOSS	410	(8.118)
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	410	(8.118)
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)	(58.118)	38.109

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Note Section Five)	Paid-in Capital	Adjustment of Paid-in Capital	Share Premium	Share Capital Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Overall	Total Equity
I.	30 June 2012		652,290	-	-	-	161,966	-	1,505,822	272,693	240,787	-	(38,457)	-	-	-	-	2,795,101
II.	Balances at the Beginning of the Period																	
2.1	Corrections According to Turkish Accounting Standard No 8																	
2.2	Correction of Errors																	
2.2	Effects of the Changes in Accounting Policies																	
III.	Adjusted Balance (I-II)		652,290	-	-	-	161,966	-	1,505,822	272,693	240,787	-	(38,457)	-	-	-	-	2,795,101
IV.	Changes in the Period																	
IV.	Increase/Decrease due to the Merger																	
V.	Marketable Securities Valuation Differences												38,109					38,109
VI.	Hedging Transactions Funds (Effective Parts)																	
6.1	Cash Flow Hedge																	
6.2	Foreign Investment Hedge																	
VII.	Property and Equipment Revaluation Differences																	
VIII.	Intangible Fixed Assets Revaluation Differences																	
IX.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures																	
X.	Foreign Exchange Differences																	
XI.	Changes due to the Disposal of Assets																	
XII.	Changes due to the Reclassification of Assets																	
XIII.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity																	
XIV.	Capital Increase																	
14.1	Cash Increase																	
14.2	Internal Resources																	
XV.	Share Premium																	
XVI.	Share Cancellation Profits																	
XVII.	Paid-in-Capital Adjustment Difference																	
XVIII.	Other																	
XIX.	Current Year Income or Loss										84,719							84,719
XX.	Profit Distribution								226,842		(240,787)							
20.1	Dividend Paid																	
20.2	Transfers to Reserves								226,842		(240,787)							
20.3	Other																	
	Balances at the end of the period (III+IV+V+...+XXII+XXI)		652,290	-	-	-	175,911	-	1,732,664	272,693	84,719	-	(348)	-	-	-	-	2,917,929

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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

		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Concl. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
I.	Balances at the Beginning of the Period		652,290	-	-	-	175,911	-	1,732,664	272,693	180,798	-	35,769	-	-	-	-	3,050,125
	Changes in the Period																	
II.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(58,118)	-	-	-	-	(58,118)
IV.	Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	61,139	-	-	-	-	-	-	61,139
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	(180,798)	-	-	-	-	-	-	(180,798)
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (I+II+...+XVIII)		652,290	-	-	-	178,013	-	1,911,360	272,693	61,139	-	(22,349)	-	-	-	-	3,053,146

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**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (30/06/2013)	Prior Period (30/06/2012)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		387.725	519.634
1.1.1 Interest received		1.037.806	1.306.604
1.1.2 Interest paid		(408.190)	(545.253)
1.1.3 Dividend received		14.328	7.415
1.1.4 Fees and commissions received		301.199	267.985
1.1.5 Other income		(2.489)	(127.240)
1.1.6 Collections from previously written-off loans and other receivables		61.549	57.285
1.1.7 Payments to personnel and service suppliers		(271.847)	(243.872)
1.1.8 Taxes paid		(75.323)	(48.778)
1.1.9 Other		(269.308)	(154.512)
1.2 Changes in operating assets and liabilities		4.360.031	(192.365)
1.2.1 Net (decrease)/increase in trading securities		108.653	(478.730)
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		192.781	(24.777)
1.2.4 Net increase/(decrease) in loans		(2.238.924)	(1.356.892)
1.2.5 Net increase/(decrease) in other assets		(495.233)	(268.495)
1.2.6 Net increase/(decrease) in bank deposits		(27.993)	(77.986)
1.2.7 Net (decrease)/increase in other deposits		849.794	345.566
1.2.8 Net (decrease)/increase in funds borrowed		4.410.781	2.136.536
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		1.560.172	(467.587)
I. Net cash provided from banking operations		4.747.756	327.269
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		513.930	370.412
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)	(25.763)
2.4 Disposals of property and equipment		1.642	5.790
2.5 Cash paid for purchase of investments available-for-sale		(3.928.750)	(1.109.343)
2.6 Cash obtained from sale of investments available-for-sale		4.456.598	1.499.728
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		17.520	(1.660)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		5.279.206	696.022
VI. Cash and cash equivalents at beginning of the period	(VI)	3.191.816	5.111.127
VII. Cash and cash equivalents at end of the period	(VI)	8.471.022	5.807.149

The accompanying explanations and notes set out on pages 13 to 72 form an integral part of these financial statements.

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and 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 unconsolidated 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.

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

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

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

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will come into force as of 01 January 2015, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Bank.

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

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

c. Explanation for convenience translation into English:

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

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

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

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

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

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

III. INFORMATION ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 30 June 2013. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are “HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.” and “HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.”. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

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IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are not considered as hedging instrument are classified as derivative instruments or held for trading and recognised at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “financial assets at fair value through profit or loss” in “trading derivative financial assets” and if the fair value difference is negative, it is disclosed in “trading derivative financial liabilities”. As of 30 June 2013 and 31 December 2012, the Bank does not have any embedded derivatives. As of 30 June 2013 and 31 December 2012 the Bank 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 rediscounts of the non-performing loans and other receivables are reversed and recognised as interest income only when they are collected.

VI. EXPLANATIONS ON FEE AND COMMISSIONS INCOME AND EXPENSES

All fees and commission income/expenses are recognised on an accrual basis in accordance with the matching principle or “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 Bank categorizes its financial assets as “Fair value through profit/loss”, “Available-for-sale”, “Held-to-maturity” and “Loans and receivables”. Financial assets mentioned above are recognised at the transaction date. The appropriate classification of financial assets of the Bank is determined at the trade dates.

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

Financial assets at fair value through profit or loss 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 recognised 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.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Loans and receivables:

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

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

d. Investment securities held-to-maturity:

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding investment securities held-to-maturity is reported as interest income and impairment for these financial assets recognised in the income statement. 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 30 June 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 Bank 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 or group of financial asset are adversely affected by an event “loss event” incurred subsequent to recognition. In case the loans could not be collected; loans and other receivables are classified in order to provide specific and general provisions in accordance with the Communiqué on “ Regulation on the principles and Procedures Related to the Determination of the Loans and Other Receivables for which Provisions shall be 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 Bank has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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

Securities subject to repurchase agreements are classified as "Financial assets at fair value difference through profit or loss" and "Available-for-sale securities" in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. The Bank has no financial assets at fair value through profit or loss subject to repurchase agreements as of 30 June 2013 and 31 December 2012. Funds given against securities purchased under agreements to resell ("Reverse repos") are accounted under "Receivables from reverse repurchase agreements" in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Bank has no securities lending transactions. The Bank has government bonds amounting to TL 50.000 as of 30 June 2013 that the Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş (31 December 2012: TL 50.000).

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

As of 30 June 2013 and 31 December 2012, the Bank 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 Bank's intangible assets are composed of software, goodwill and establishment expenditures. Intangible assets are measured in accordance with "Intangible Assets Standard" ("TAS 38") at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical cost after the deduction of accumulated depreciation and the provision for value decreases. The depreciable amount of an intangible asset is allocated on a systematic basis over its useful life. The costs of the intangible assets purchased before 31 December 2004, end of the high inflation period is accepted as 31 December 2004, are subject to inflation indexation until 31 December 2004. Intangible assets purchased after 31 December 2004 are recognised with their acquisition cost in the financial statements.

The Bank purchased Benkar in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Bank on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 and, amortised with 10 % of amortization rate 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.

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XIII EXPLANATIONS ON PROPERTY AND EQUIPMENT (Continued)

The costs of the property and equipment purchased before 31 December 2004 or subject to inflation indexation until 31 December 2004. Property and equipment purchased after 31 December 2004 are recognised with their purchase cost in the financial statements. Property and equipment are amortised by using the straight line method based on their useful lives, such as buildings depreciated at rate 2%, transportation vehicles at rates 15% - 20%, furniture at rate 20%, 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 instalments to be paid for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Finance lease payables” in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are presented the income statement. The Bank does not provide finance lease services as a “Lessor”. Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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 Bank has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS

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

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 Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 3,50% (31 December 2012: 3%).

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XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

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

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

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

The tax applications for foreign branches:

TURKISH REPUBLIC OF NORTHERN CYPRUS

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

b. Deferred Tax Asset/Liability:

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the financial statements. The Bank has no marketable securities issued as of 30 June 2013 and 31 December 2012. As of 30 June 2013 and 31 December 2012, the Bank has no issued convertible bonds

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

As of 30 June 2013 and 31 December 2012, the Bank has no issued share certificates.

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 30 June 2013 and 31 December 2012, the Bank 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.

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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 30 June 2013	Prior Period 30 June 2012
Net Profit for the Period	61.139	84.719
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	0,000937	0,001299

(*) 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 no. 49 of the Banking Law No. 5411, Bank's senior management, and board members are deemed as related parties. Transactions with related parties are presented in Note VII of Section Five.

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures, to conform to changes in presentation in the 30 June 2013 and 31 December 2012 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

a. As of 30 June 2013, the Bank's capital adequacy ratio is 15,82 % (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 capital adequacy ratio:

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

c. Information related to capital adequacy ratio:

	30 June 2013									
	Risk Weights									
	% 0	% 10	% 20	% 50	%75	% 100	% 150	% 200	% 1250	
Credit Risk Based Amount	6.254.893	-	125.616	4.358.848	6.281.522	9.301.100	1.748.850	1.578.047	-	
Risk Classes										
Claims on sovereigns and Central Banks	5.507.443	-	-	-	-	84.272	-	-	-	
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	255	-	125.591	2.022.255	-	898.257	23.045	-	-	
Claims on corporate	208.992	-	-	-	-	7.767.363	-	-	-	
Claims included in the regulatory retail portfolios	71.329	-	-	-	5.765.507	-	-	-	-	
Claims secured by residential property	-	-	-	2.336.593	516.015	-	-	-	-	
Past due loan	-	-	-	-	-	318.310	-	-	-	
Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	
Securities collateralized by mortgages	-	-	-	-	-	-	1.725.805	1.578.047	-	
Securitization positions	-	-	-	-	-	-	-	-	-	
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	
Other receivables	466.874	-	25	-	-	232.898	-	-	-	

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	31 December 2012								
	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 corporate	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 unconsolidated capital adequacy ratio:

	Current Period 30 June 2013	Prior Period 31 December 2012
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.759.693	1.499.924
Capital obligation for market risk (II)	108.144	135.827
Capital obligation for operational risk (III)	222.947	219.436
Shareholders' Equity	4.135.175	3.970.567
Shareholders' Equity / ((I+II+III)*12,5*100)	15,82	17,12

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders’ equity items:

	Current Period 30 June 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 Premium	-	-
Share Cancellation Profit	-	-
Legal Reserves	2.089.373	1.908.575
Adjustments to Legal Reserves	272.693	272.693
Profit	61.139	180.798
Net Current Period Profit	61.139	180.798
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 (-)	21.386	28.691
Intangible Assets (-)	96.298	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	2.957.811	2.893.104

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period	Prior Period
	30 June 2013	31 December 2012
SUPPLEMENTARY CAPITAL		
General provisions	326.097	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	874.043	813.677
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(22.349)	16.096
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves) (*)	-	-
Total Supplementary Capital	1.177.791	1.078.094
CAPITAL	4.135.602	3.971.198
DEDUCTIONS FROM CAPITAL	427	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	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	250	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	153	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	24	276
TOTAL SHAREHOLDERS' EQUITY	4.135.175	3.970.567

(*) According to related regulation, if the items subject to the Marketable Securities Value Increase Fund have a negative balance, total amount and positive 45% of the balance is taken into consideration in supplementary capital calculation.

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”.

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II. EXPLANATIONS ON CREDIT RISK

- a. In credit risks there is no specific limitations for a specific geographical region. However, if there will be a risk which is effecting 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 Bank provided a general provision amounting to TL 326.097 (31 December 2012: TL 248.321).

III. EXPLANATION ON MARKET RISK

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

The Bank applies 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 are 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 analysis, 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 MARKET RISK (Continued)

b. Information on Market Risk:

	30 June 2013 Balance	31 December 2012 Balance
(I) Capital obligation for general market risk	39.233	60.374
(II) Capital obligation for specific risk	3.794	1.372
Capital obligation for specific risk in securitisation positions- Standard Method		
Capital obligation – Standard Method	-	-
(III) Capital obligation for currency risk	4.712	3.258
(IV) Capital obligation for stocks	-	-
(V) Capital obligation for clearing risk	-	-
(VI) Total capital obligation for market risk because of options	207	43
(VII) Capital obligation for counterparty credit risk - Standard Method	60.198	70.780
(VIII) Capital obligation for general market risk	-	-
(IX) Total capital obligation for market risk (I+II+III+IV+V+VI)	108.144	135.827
(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)	1.351.800	1.697.838

c. Average market risk table related to unconsolidated 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. Informations on counterparty risks:

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 OPERATIONAL RISK

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

The 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 2.786.833 represented risk weighted assets for operational risk and 8% of that amount is TL 222.947 represented related capital requirement

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V. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

c. Management policy for foreign currency risk:

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

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

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

Current Period - 30 June 2013	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	1,9355	2,5233
Before Balance Sheet Date		
28 June 2013	1,9355	2,5233
27 June 2013	1,9178	2,5023
26 June 2013	1,9360	2,5244
25 June 2013	1,9330	2,5324
24 June 2013	1,9485	2,5516

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

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

The Bank's simple arithmetic average foreign exchange rates for USD is TL 1,8133 (31 December 2012: TL 1,7877) and exchange rates for Euro TL 2,3802 (31 December 2012: TL 2,3440).

f. Information related to Bank's Currency Risk:

Current Period - 30 June 2013	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	998.828	1.325.794	438.376	2.762.998
Banks	17.359	12.943	21.830	52.132
Financial Assets at Fair Value through Profit or Loss (Net)	118.717	713.671	7.426	839.814
Interbank Money Market Placements	25.233	48.388	-	73.621
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	2.025.223	2.547.516	39.265	4.612.004
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	3.667	5.794	2.636	12.097
Total Assets	3.189.027	4.654.106	509.533	8.352.666
Liabilities				
Bank Deposits	15	142.472	17	142.504
Foreign Currency Deposits	1.574.301	3.341.213	929.697	5.845.211
Funds from Interbank Money Market	-	-	-	-
Borrowings	2.112.113	4.441.848	378.223	6.932.184
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	510	3.522	2.989	7.021
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	96.706	735.391	16.800	848.897
Total Liabilities	3.783.645	8.664.446	1.327.726	13.775.817
Net on Balance Sheet Position	(594.618)	(4.010.340)	(818.193)	(5.423.151)
Net Off-Balance Sheet Position				
Financial Derivative Assets	647.875	3.916.231	819.068	5.383.174
Financial Derivative Assets	4.931.928	36.391.408	2.031.488	43.354.824
Financial Derivative Liabilities	4.284.053	32.475.177	1.212.420	37.971.650
Non-cash Loans	444.161	2.077.523	57.928	2.579.612
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	1.641.965	99.336	2.185.331

(*) As of 30 June 2013, loans consists of foreign indexed loans amounting to TL 1.175.670 (31 December 2012: TL 871.137) and foreign factoring receivables amounting to TL 9.382 (31 December 2012: TL 10.223).

(**) As of 30 June 2013, other assets does not consist of prepaid expenses amounting to TL 1.987 (31 December 2012: TL 1.382).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

Fair value of foreign currency buy transactions amounting to TL 22.216 (31 December 2012: TL 124.582) classified under derivative financial assets held for trading and fair value of currency sell transactions amounting to TL 14.683 (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 30 June 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 – 30 June 2013		Prior Period – 31 December 2012	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	(9.411)	(9.411)	(2.778)	(2.778)
Euro	5.326	5.326	(15)	(15)
Other	88	88	(367)	(367)
Total	(3.997)	(3.997)	(3.160)	(3.160)

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

As of 30 June 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 INTEREST RATE RISK

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

Current Period - 30 June 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	-	-	-	-	-	3.381.461	3.381.461
Banks	1.893.234	58.406	4.046	-	-	94.943	2.050.629
Financial Assets at Fair Value Through Profit or Loss (Net)	266.059	630.599	564.230	24.924	12.588	11.663	1.510.063
Interbank Money Market Placements	5.592.971	-	-	-	-	-	5.592.971
Financial Assets Available-for-Sale (Net)	1.330.294	403.829	858.759	-	-	4.211	2.597.093
Loans (*)	6.376.027	1.653.483	4.186.534	3.800.257	1.245.751	318.310	17.580.362
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	434.639	434.639
Total Assets	15.458.585	2.746.317	5.613.569	3.825.181	1.258.339	4.245.227	33.147.218
Liabilities							
Bank Deposits	155.518	-	2.045	-	-	53.761	211.324
Other deposits	3.079.378	7.128.334	1.569.544	220.378	-	2.816.996	14.814.630
Funds from Interbank Money Market	-	1.949.723	-	-	-	-	1.949.723
Miscellaneous Payables	-	-	-	-	-	544.520	544.520
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	5.447.429	255.877	4.528.456	727.869	23.802	-	10.983.433
Other Liabilities (**)	343.081	138.451	302.622	440.049	8.943	3.410.442	4.643.588
Total Liabilities	9.025.406	9.472.385	6.402.667	1.388.296	32.745	6.825.719	33.147.218
Balance Sheet Long Position	6.433.179	-	-	2.436.885	1.225.594	-	10.095.658
Balance Sheet Short Position	-	(6.726.068)	(789.098)	-	-	(2.580.492)	(10.095.658)
Off Balance Sheet Long Position	102.205	1.037.641	-	-	-	-	1.139.846
Off Balance Sheet Short Position	-	-	(420.790)	(435.849)	(142.567)	-	(999.206)
Total Position	6.535.384	(5.688.427)	(1.209.888)	2.001.036	1.083.027	(2.580.492)	140.640

(*) Loans consist of factoring transactions amounting to TL 107.103.

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2012	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years Non Interest and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	2.551.692	2.551.692
Banks	694.524	86.541	6.301	-	-	112.263	899.629
Financial Assets at Fair Value Through Profit or Loss (Net)	61.421	49.880	750.057	12.158	7.451	-	880.967
Interbank Money Market Placements	2.029.632	-	-	-	-	-	2.029.632
Financial Assets Available-for-Sale (Net)	502.514	1.879.427	633.589	-	-	4.211	3.019.741
Loans (*)	5.540.070	2.661.405	2.115.477	3.657.450	1.274.901	264.901	15.514.204
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	402.693	402.693
Total Assets	8.828.161	4.677.253	3.505.424	3.669.608	1.282.352	3.335.760	25.298.558
Liabilities							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8.517.041	1.945.398	495.181	13.802	-	2.995.074	13.966.496
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.815	532.815
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
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	-	3.831.086	4.017.651
Total Liabilities	11.101.636	2.541.506	3.539.695	498.023	211.120	7.406.578	25.298.558
Balance Sheet Long Position	-	2.135.747	-	3.171.585	1.071.232	-	6.378.564
Balance Sheet Short Position	(2.273.475)	-	(34.271)	-	-	(4.070.818)	(6.378.564)
Off Balance Sheet Long Position	294.839	1.378.091	-	-	-	-	1.672.930
Off Balance Sheet Short Position	-	-	(581.101)	(1.006.486)	-	-	(1.587.587)
Total Position	(1.978.636)	3.513.838	(615.372)	2.165.099	1.071.232	(4.070.818)	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 INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period - 30 June 2013	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	-	-	6,08
Financial Assets at Fair Value Through Profit or Loss (Net)	5,85	7,11	-	7,41
Interbank Money Market Placements	1,25	1,45	-	6,29
Financial Assets Available-for-Sale (Net)	-	-	-	8,06
Loans	4,78	4,54	-	10,01
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	7,93
Other Deposits	1,76	1,77	1,96	6,34
Funds From Interbank Money Market	-	-	-	4,22
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,15	0,61	-	6,85
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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

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

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

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

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

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

30 June 2013	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(505.589)	(12,49) %
2. TL	(400)	524.929	13,21 %
3. EUR	200	20.843	0,24 %
4. EUR	(200)	(4.028)	(0,03) %
5. USD	200	2.896	1,73 %
6. USD	(200)	2.967	(2,05) %
Total (of negative shocks)		523.868	11,13 %
Total (of positive shocks)		(481.850)	(10,52) %

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.

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VII. EXPLANATIONS ON LIQUIDITY RISK

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

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

For various liquidity crisis scenarios, liquidity crisis management methods are 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 Bank is pricing its liabilities faster than its assets, the Bank is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed 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 Bank acts conservative on foreign currency liquidity management and in order to meet liquidity needs completely, maintains adequate reserves. When uncertainty in the markets increases the conservativeness level increases as well. For using in various crisis scenarios the Bank maintains its borrowing potential and examining its borrowing potential from both domestic and abroad financial institutions.

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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

Current Period - 30 June 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	853.988	2.527.473	-	-	-	-	-	3.381.461
Financial Assets at Fair Value through Profit or Loss (Net)	94.943	1.893.234	58.406	4.046	-	-	-	2.050.629
Interbank Money Market Placements	11.663	227.916	618.252	575.581	34.491	42.160	-	1.510.063
Financial Assets Available-for-Sale (Net)	-	5.592.971	-	-	-	-	-	5.592.971
Loans (*)	-	383.845	44.257	1.374.714	695.433	94.633	4.211	2.597.093
Investments Held-to-maturity (Net)	-	5.513.859	2.177.744	2.945.306	5.071.295	1.553.848	318.310	17.580.362
Other Assets (**)	-	-	-	-	-	-	-	-
Other Assets (**)	-	22.605	-	17.077	25.004	-	369.953	434.639
Total Assets	960.594	16.161.903	2.898.659	4.916.724	5.826.223	1.690.641	692.474	33.147.218
Liabilities								
Bank Deposits	53.761	155.518	-	2.045	-	-	-	211.324
Other Deposits	2.816.996	3.079.378	7.128.334	1.569.544	220.378	-	-	14.814.630
Funds Borrowed	-	4.972.011	10.902	2.598.766	2.467.084	934.670	-	10.983.433
Funds from Interbank Money Market Issued Marketable Securities (Net)	-	1.949.723	-	-	-	-	-	1.949.723
Miscellaneous Payables	-	357.256	100.739	75.683	10.842	-	-	544.520
Other Liabilities (***)	-	341.808	137.286	399.584	343.394	11.060	3.410.456	4.643.588
Total Liabilities	2.870.757	10.855.694	7.377.261	4.645.622	3.041.698	945.730	3.410.456	33.147.218
Net Liquidity Gap	(1.910.163)	5.306.209	(4.478.602)	271.102	2.784.525	744.911	(2.717.982)	-
Prior Period - 31 December 2012								
Total Assets	598.746	9.795.439	3.315.397	3.802.057	5.643.903	1.550.375	592.641	25.298.558
Total Liabilities	3.042.677	10.944.364	2.356.232	3.177.265	1.397.031	1.055.340	3.325.649	25.298.558
Net Liquidity Gap	(2.443.931)	(1.148.925)	959.165	624.792	4.246.872	495.035	(2.733.008)	-

(*) As of 30 June 2013, loans includes the factoring receivables amounting to TL 107.103 (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.

f. Explanations on securitization positions:

None.

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

g. Explanations on credit risk mitigation techniques:

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

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

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

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

Risk Classifications- 30 June 2013	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5.591.715	-	-	-
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	3.291.177	-	-	-
Conditional and unconditional receivables from Corporates	8.074.757	259.673	-	-
Conditional and unconditional retail receivables	12.554.132	35.390	-	-
Conditional and unconditional receivables secured by Mortgages	3.671.573	2.334.337	-	-
Past due receivables	318.310	-	-	-
Receivables defined in high risk category by BRSA	3.303.852	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	699.797	-	-	-
Total	37.505.313	2.629.400	-	-

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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	5.177.517	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.098.600	-	-	-
Conditional and unconditional receivables from Corporates	7.893.602	104.198	-	-
Conditional and unconditional retail receivables	11.662.583	86.728	-	-
Conditional and unconditional receivables secured by Mortgages	3.132.785	3.029.819	-	-
Past due receivables	264.785	-	-	-
Receivables defined in high risk category by BRSA	2.897.181	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	880.894	-	-	-
Total	33.007.947	3.220.745	-	-

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VII. EXPLANATIONS ON LIQUIDITY 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.

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 ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

None.

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X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period					
Operating Income	559.367	246.059	175.145	-	980.571
Other	-	-	-	-	-
Operating Income	559.367	246.059	175.145	-	980.571
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(88.693)	51.380	143.053	-	105.740
Profit before Tax	(88.693)	51.380	143.053	-	105.740
Corporate Tax Provision (*)	-	-	-	(44.601)	(44.601)
Profit after Tax	(88.693)	51.380	143.053	(44.601)	61.139
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(88.693)	51.380	143.053	(44.601)	61.139
Segment Assets	10.087.378	8.300.216	14.724.601	-	33.112.195
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	10.087.378	8.300.216	14.759.354	270	33.147.218
Segment Liabilities	15.603.437	4.331.766	13.212.015	-	33.147.218
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	15.603.437	4.331.766	13.212.015	-	33.147.218
Other Segment Items	(21.594)	(4.451)	(4.469)	-	(30.514)
Capital Investment	-	-	-	-	-
Amortization	(21.594)	(4.451)	(845)	-	(26.890)
Impairment	-	-	(3.624)	-	(3.624)
Non-Cash Other Income-Expense	30.611	-	-	-	30.611
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Prior Period					
Operating Income (**)	476.379	256.836	84.535	-	817.750
Other (**)	-	-	-	-	-
Operating Income (**)	476.379	256.836	84.535	-	817.750
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit (**)	(17.142)	81.509	53.610	-	117.977
Profit before Tax (**)	(17.142)	81.509	53.610	-	117.977
Corporate Tax Provision (*) (**)	-	-	-	(33.258)	(33.258)
Profit after Tax (**)	(17.142)	81.509	53.610	(33.258)	84.719
Non-Controlling Interest (**)	-	-	-	-	-
Net Profit for the Period (**)	(17.142)	81.509	53.610	(33.258)	84.719
Segment Assets	9.675.503	6.702.495	8.885.537	-	25.263.535
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	9.675.503	6.702.495	8.920.290	270	25.298.558
Segment Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Other Segment Items (**)	(91.831)	6.163	836	-	(84.832)
Capital Investment	-	-	-	-	-
Amortization	(25.821)	(6.163)	(841)	-	(32.825)
Impairment	(81)	-	(5)	-	(86)
Non-Cash Other Income-Expense	(117.571)	-	-	-	(117.571)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are the amounts for the three month period ended 30 June 2012.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED
FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

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

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Cash/Foreign Currency	231.394	217.150	230.041	130.420
The CBRT	387.069	2.527.493	65.788	2.065.213
Other (*)	-	18.355	-	60.230
Total	618.463	2.762.998	295.829	2.255.863

(*) As of 30 June 2013, account of precious metal and money in transit are amounting to TL 18.330, TL 25, respectively (31 December 2012: Precious metal TL 60.230, Money in transit: None, respectively).

2. Information related to balances with the CBRT:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Unrestricted Demand Deposit	387.069	20	65.788	3
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	2.527.473	-	2.065.210-
Total	387.069	2.527.493	65.788	2.065.213

3. Explanation on reserve deposits:

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, USD and/or Euro and standard gold.

As of 30 June 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% - 13% for FC deposits (31 December 2012: 6% - 11%).

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

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

As of 30 June 2013, the Bank has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 183 (31 December 2012: TL 185).

As of 30 June 2013 the Bank has no financial assets at fair value through profit or loss subject to repurchase agreement (31 December 2012: None).

As of 30 June 2013, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 629.949 (31 December 2012: TL 747.811).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	2.866	98.216	1.315	30.528
Swap Transactions	19.176	691.791	5.864	84.968
Futures Transactions	-	20	-	2
Options	-	67.862	-	10.294
Other	-	-	-	-
Total	22.042	857.889	7.179	125.792

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Banks	1.998.497	52.132	285.070	614.559
Domestic	1.947.864	162	252.782	8
Foreign	50.633	51.970	32.288	614.551
Foreign Head Office and Branches	-	-	-	-
Total	1.998.497	52.132	285.070	614.559

2. Information on foreign banks balances:

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

As of 30 June 2013, the Bank has financial assets available for sale given as collateral/blocked amount to TL 608.642 (31 December 2012: TL 275.654).

As of 30 June 2013 the Bank has financial assets available for sale amounting to TL 1.487.093 subject to repurchase agreement (31 December 2012: None).

As of 30 June 2013 the Bank has financial assets available for sale in unrestricted account amounting to TL 497.147 (31 December 2012: TL 2.739.876).

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

	Current Period 30 June 2013	Prior Period 31 December 2012
Debt Securities	2.617.278	3.016.359
Quoted to Stock Exchange	2.617.278	3.016.359
Not Quoted	-	-
Share Certificate	4.211	4.211
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.211	4.211
Impairment Provision (-)	24.396	829
Total	2.597.093	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 30 June 2013		Prior Period 31 December 2012	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	324	166.671	-	22.557
Corporate Shareholders	324	166.671	-	22.557
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	17.076	325.778	12.104	333.668
Loans Granted to Employees	32.911	62	32.714	-
Total	50.311	492.511	44.818	356.225

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I. EXPLANATIONS AND NOTES RELATED TO 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	Other	Loans and Other Receivables	Agreement Terms Modified	Other
Non-specialised Loans	15.857.064	743.874	-	612.029	49.085	-
Commercial Loans	5.316.965	599.880	-	303.157	46.764	-
Export Loans	885.490	63.455	-	17.509	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	89.091	-	-	-	-	-
Consumer Loans	4.603.849	13.434	-	108.067	196	-
Credit Cards	4.276.868	11.539	-	158.401	1.527	-
Other (*)	684.801	55.566	-	24.895	598	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
	15.857.064	743.874	-	612.029	49.085	-

(*) Includes the factoring receivables amounting to TL 107.103.

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	688.050
Extended by 3, 4 or 5 times	55.824	167
Extended by more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
	0 – 6 Months	149.730
6 – 12 Months	227.388	8.251
1 – 2 Years	206.821	6.391
2 – 5 Years	154.072	28.014
5 years or more	5.863	4.525

3. Breakdown of loans according to their maturities:

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	69.003	4.394.214	4.463.217
Mortgage Loans	991	1.764.812	1.765.803
Automotive Loans	103	20.755	20.858
Consumer Loans	67.909	2.608.647	2.676.556
Other	-	-	-
Consumer Loans- Indexed to FC	-	17.233	17.233
Mortgage Loans	-	16.847	16.847
Automotive Loans	-	-	-
Consumer Loans	-	386	386
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	4.028.354	367.468	4.395.822
Installment	1.969.147	367.468	2.336.615
Non Installment	2.059.207	-	2.059.207
Individual Credit Cards-FC	7.623	-	7.623
Installment	-	-	-
Non Installment	7.623	-	7.623
Personnel Loans-TL	1.997	21.157	23.154
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.997	21.157	23.154
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	9.727	-	9.727
Installment	5.466	-	5.466
Non Installment	4.261	-	4.261
Personnel Credit Cards-FC	30	-	30
Installment	-	-	-
Non Instalment	30	-	30
Overdraft Account-TL (Individual)	221.942	-	221.942
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	4.338.676	4.800.072	9.138.748

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	60.977	646.752	707.729
Mortgage Loans	103	6.628	6.731
Automotive Loans	248	26.888	27.136
Consumer Loans	60.626	613.236	673.862
Other	-	-	-
Commercial Installment Loans- Indexed to FC	8.174	234.982	243.156
Mortgage Loans	-	457	457
Automotive Loans	-	6.485	6.485
Consumer Loans	8.174	228.040	236.214
Other	-	-	-
Commercial Installment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	34.417	65	34.482
Installment	12.375	65	12.440
Non Installment	22.042	-	22.042
Corporate Credit Cards-FC	651	-	651
Instalment	-	-	-
Non Installment	651	-	651
Overdraft Account-TL (Commercial)	86.872	-	86.872
Overdraft Account-FC (Commercial)	-	-	-
Total	191.091	881.799	1.072.890

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. Domestic and foreign loans:

	Current Period 30 June 2013	Prior Period 31 December 2012
Domestic Loans	16.925.439	15.132.945
Foreign Loans	336.613	116.358
Total	17.262.052	15.249.303

(*) Includes the factoring receivables amounting to TL 107.103 (31 December 2012: TL 92.463).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 30 June 2013	Prior Period 31 December 2012
Direct Loans Granted to Associates and Subsidiaries	8	33
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	8	33

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 30 June 2013	Prior Period 31 December 2012
Loans and Receivables with Limited Collectability	28.061	20.548
Loans and Receivables with Doubtful Collectability	90.483	63.558
Uncollectible Loans and Receivables	528.682	398.557
Total	647.226	482.663

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: 30 June 2013			
(Gross Amounts Before Specific Provisions)	923	7.783	14.136
Restructured Loans and Other Receivables	923	7.783	14.136
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2012	2.973	9.874	41.071
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.502	5.053	17.443
Rescheduled Loans and Other 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
Prior Period Balances at the End of the 31 December 2012	118.937	145.273	483.441
Additions (+)	160.837	100.190	18.492
Transfers from Other Categories of Non-Performing Loans (+)	477	101.163	138.962
Transfers to Other Categories of Non-Performing Loans (-)	104.894	134.966	720
Collections (-)	13.822	16.033	31.320
Write-offs (-)	-	-	481
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	187
Other	-	-	294
Balance at the End of the Period: 30 June 2013	161.535	195.627	608.374
Specific Provisions (-)	28.061	90.483	528.682
Net Balance on Balance Sheet	133.474	105.144	79.692

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	III. Group 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: 30 June 2013			
Balance at the End of the Period	-	-	14.088
Specific Provisions (-)	-	-	14.088
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): 30 June 2013			
Loans granted to corporate entities and real persons (Gross)	161.535	195.627	596.631
Specific Provisions Amount (-)	28.061	90.483	516.939
Loans granted to corporate entities and real persons (Net)	133.474	105.144	67.949
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)	118.937	145.273	471.611
Specific Provisions Amount (-)	20.548	63.558	386.814
Loans granted to corporate entities and real persons (Net)	98.389	81.715	84.797
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

11. Explanations 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 Bank:

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

f. Investments Held-to-maturity:

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

As of 30 June 2013 and 31 December 2012, the Bank has no investment held to maturity given as collateral/blocked and subject to repurchase agreements.

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

As of 30 June 2013 and 31 December 2012 the Bank has no investments as government debt securities held to maturity

3. Information on investments held-to-maturity:

As of 30 June 2013 and 31 December 2012, the Group has no investments held to maturity.

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

As of 30 June 2013 and 31 December 2012, the Group has no investments of held to maturity movement.

g. Information on investments in associates (Net):

The Bank has no investments in associates as of 30 June 2013 and 31 December 2012.

h. Information on subsidiaries (Net):

1. Information on unconsolidated/subsidiaries:

a) Unconsolidated 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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1	6.234	5.830	100	51	-	731	727	-
2	70	68	-	-	-	(9)	(8)	-

(*) Prepared with the unaudited financial statements as of 30 June 2013.

(**) The prior period balances represent the amounts as of 30 June 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 and the merger of these two companies was accomplished as of 11 January 2002.

a) Consolidated subsidiaries:

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

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	101.932	74.966	5	553	557	5.389	2.908	-

(*) Prepared with the unaudited financial statements as of 31 March 2013.

(**) The prior period balances represents the amounts as of 31 March 2012.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Movement schedule of the consolidated subsidiaries:

	Current Period 30 June 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 30 June 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 Bank has no subsidiaries quoted on a stock exchange as of 30 June 2013 and 31 December 2012.

i. Information on jointly controlled entities:

- The Bank has no jointly controlled entities as of 30 June 2013 and 31 December 2012.
- As of 30 June 2013 and 31 December 2012, the accounting method is not determined since the Bank has no jointly controlled entities.

j. Information on finance lease(Net):

As of 30 June 2013 and 31 December 2012, the Bank has no finance lease.

k. Explanations on hedging derivative financial assets:

As of 30 June 2013 and 31 December 2012, the Bank has no hedging derivative financial assets.

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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. Explanations 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. Explanations on the investment properties:

As of 30 June 2013 and 31 December 2012, the Bank has no investment properties.

o. Explanations on deferred tax asset:

As of 30 June 2013 deferred tax asset of the Bank is TL 17.334 (31 December 2012: TL 30.605). 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 recognized in balance sheet.

There is no impairment provision for deferred tax.

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

As of 30 June 2013, assets held for sale of the Bank is TL 5.630 (31 December 2012: TL 5.129).

r. Information on other assets:

1. There is no further explanations of the Bank related to prepaid expenses, tax and other operations.
2. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 64.691 (31 December 2012: TL 32.693), the prepaid expenses amounting to TL 69.309 (31 December 2012: TL 49.614), other rediscount income amounting to TL 10.838 (31 December 2012: TL 7.865), miscellaneous receivables amounting to TL 2.778 (31 December 2012: TL 8.221), and other assets amounting to TL 1.853 (31 December 2012: TL 1.850).

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

As of 30 June 2013 and 31 December 2012, the Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables.

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II. EXPLANATIONS AND NOTES RELATED TO THE 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 - 30 June 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	623.293	-	438.717	4.534.845	782.059	267.408	59.014	-	6.705.336
Foreign Currency Deposits	1.265.540	-	1.183.450	2.335.179	316.003	199.682	160.672	-	5.460.526
Residents in Turkey	1.062.866	-	1.154.636	1.891.692	253.614	101.438	113.074	-	4.577.320
Residents Abroad	202.674	-	28.814	443.487	62.389	98.244	47.598	-	883.206
Public Sector Deposits	39.074	-	44	167	-	-	-	-	39.285
Commercial Deposits	492.906	-	1.383.004	218.948	17.298	6.741	3.763	-	2.122.660
Other Institutions Deposits	11.498	-	1.961	81.242	1.490	5.939	8	-	102.138
Precious Metal Deposit	384.685	-	-	-	-	-	-	-	384.685
Bank Deposits	53.761	-	155.518	-	-	2.045	-	-	211.324
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	50	-	144.649	-	-	2.045	-	-	146.744
Foreign Banks	53.711	-	10.869	-	-	-	-	-	64.580
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2.870.757	-	3.162.694	7.170.381	1.116.850	481.815	223.457	-	15.025.954

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	-	1.410.364	187.567	2.059	2.764	3.700	-	2.067.285
Other Institutions Deposits	11.200	-	13.162	7.737	833	266	21	-	33.219
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	-	2.954.488	6.239.013	1.379.982	475.721	114.530	-	14.206.411

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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 Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period 30 June 2013	Prior Period 31 December 2012	Current Period 30 June 2013	Prior Period 31 December 2012
Saving Deposits (*)	3.401.309	2.264.542	3.017.965	3.098.544
Foreign Currency Saving Deposits	1.213.898	836.678	2.225.366	2.820.507
Other Deposits in the Form of Saving Deposits	86.145	42.490	236.460	344.438
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	176.555	173.781	221.387	228.434
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-

(*) To be applicable for deposits held by domestic branches, the amount of the deposit insurance limit was increased from TL 50.000 (exact value) to TL 100.000 (exact value) by decision published in the Official Gazette No. 28560 dated 15 February 2013

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

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

	Current Period 30 June 2013	Prior Period 31 December 2012
Foreign Branches' Deposits and other accounts	221.387	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	6.978	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	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	-	89.598	-	13.790
Swap Transactions	7.307	647.352	75.453	86.433
Future Transactions	-	167	-	24
Options	-	68.034	-	10.868
Other	-	-	-	-
Total	7.307	805.151	75.453	111.115

c. Information on repurchase agreements:

As of 30 June 2013, the Bank has repurchase agreements amounting to TL 1.949.723 (31 December 2012: None).

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

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	4.296	2.295	9.998	2.734
Foreign Banks, Institutions and Funds	4.046.953	5.995.219	2.087.830	3.597.009
Total	4.051.249	5.997.514	2.097.828	3.599.743

2. Information on maturity structure of funds borrowed:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Short-term	2.197.051	4.081.978	1.411.611	3.126.066
Medium and Long-term	1.854.198	1.915.536	686.217	473.677
Total	4.051.249	5.997.514	2.097.828	3.599.743

3. Further explanations 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 Bank do not exceed 10% of the total liabilities.

f. Information on financial leasing agreements:

a) Information on obligations under financial leases:

None (31 December 2012: None).

b) Explanations on financial lease:

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

Leasing debts due to operational lease transactions presented below:

	Current Period 30 June 2013	Prior Period 31 December 2012
Less Than 1 Year	56.388	64.846
Between 1-4 Years	112.996	134.485
More Than 4 Years	11.349	13.542
Total	180.733	212.873

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g. Information on derivative financial liabilities for hedging purposes:

As of 30 June 2013 and 31 December 2012, the Bank has no derivative financial liabilities for hedging purposes.

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

None.

h. Explanations on provisions:

1. Information on general provisions:

	Current Period 30 June 2013	Prior Period 31 December 2012
General Provisions	326.097	248.321
Provisions for First Group Loans and Receivables	211.193	173.027
- Additional Provision for Loans and Receivables with Extended Maturities	37.438	22.540
Provisions for Second Group Loans and Receivables	15.667	15.920
- Additional Provision for Loans and Receivables with Extended Maturities	3.451	2.839
Provisions for Non-Cash Loans	47.207	23.584
Other	11.141	10.411

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

As of 30 June 2013, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 164.891 (31 December 2012: TL 4.236), is offset with the balance of foreign currency indexed loans.

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

As of 30 June 2013, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 1.473 (31 December 2012: TL 249).

4. Information on other provisions:

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

As of 30 June 2013 and 31 December 2012, the Bank 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 15.412 (31 December 2012: TL 15.710), provisions for checks under follow-up amounting to TL 5.451 (31 December 2012: TL 5.413), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 1.473 (31 December 2012: TL 249), provision for Competition Board penalty amounting to TL 11.156 (31 December 2012: None), provision for litigation and claims amounting to TL 1.996 (31 December 2012: TL1.739) and other provision amounting to TL 27.230 (31 December 2012: TL 23.165) are classified under other provisions.

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

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 30 June 2013	Prior Period 31 December 2012
Corporate Taxes Payable	-	19.737
Taxation on Marketable Securities	8.826	11.149
Capital Gains Tax on Property	1.086	1.195
Banking Insurance Transaction Tax (BITT)	10.064	11.213
Foreign Exchange Transaction Tax	14	10
Value Added Tax Payable	1.115	1.618
Other (*)	8.046	12.798
Total	29.151	57.720

(*) Consists of payroll tax amounting to TL 6.586 (31 December 2012: TL 10.945), self-employed income tax amounting to TL 13 (31 December 2012: TL 46), stamp tax amounting to TL 268 (31 December 2012: TL 275) and other taxes amounting to TL 1.179 (31 December 2012: TL 1.532) as of 30 June 2013.

1(ii). Information on premium payables:

	Current Period 30 June 2013	Prior Period 31 December 2012
Social Security Premiums – Share	3.254	3.072
Social Security Premiums – Share	3.416	3.221
Bank Social Aid Pension Fund Premium – Share	-	-
Bank Social Aid Pension Fund Premium – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Unemployment Insurance – Share	239	227
Unemployment Insurance – Share	472	446
Other	-	-
Total	7.381	6.966

2. Information on deferred tax liability:

As of 30 June 2013, the Bank 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 financial statements as net deferred tax assets.

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

As of 30 June 2013 and 31 December 2012, the Bank has no liabilities for asset held for sale and related to discontinued operations.

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

k. Explanations on the number, maturity, interest rate, borrower 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".

l. Information on shareholder's equity:

1. Presentation of paid-in capital:

	Current Period 30 June 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 30 June 2013, the Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation.

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

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

Registered share capital system is not applied.

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

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

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

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

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

The Bank has no capital commitments.

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

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

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

All shares of the Bank consisting of Group "A" and "B" are held by foreign shareholder and all members of the Board of Directors are selected from among the candidates to be suggested by the Group "A" share certificate holders.

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

8. Information on marketable securities value increase fund:

	Current Period 30 June 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	(22.349)	-	35.769	-
Translation Difference	-	-	-	-
Total	(22.349)	-	35.769	-

9. Information on revaluation value increase fund:

As of 30 June 2013 and 31 December 2012, the Bank has no revaluation value increase fund.

10. Information on legal reserves:

	Current Period 30 June 2013	Prior Period 31 December 2012
First Legal Reserve	132.569	130.467
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
Total	178.013	175.911

11. Information on extraordinary reserves:

	Current Period 30 June 2013	Prior Period 31 December 2012
Reserves Allocated per General Assembly Minutes	1.846.132	1.700.050
Retained Earnings	65.228	32.614
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.911.360	1.732.664

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

All shares of the Bank are held by HSBC Bank Plc, a bank established according to the laws of the United Kingdom, whose headquarters is located in the United Kingdom.

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 30 June 2013, the Bank has amounting to irrevocable commitments TL 37.743.132 (31 December 2012: TL 17.263.645).

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

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

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

The Bank has letter of credit amounting to TL 933.399 (31 December 2012: TL 829.298), acceptances amounting to TL 716.069 (31 December 2012: TL 694.336) and commitments and contingencies due to letter of credit amounting to TL 854.681 (31 December 2012: TL 642.956) as of 30 June 2013. Also the Bank has other commitments and contingencies amounting to TL 400.653 (31 December 2012: TL 365.103) as of 30 June 2013.

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

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

3. Explanations on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 June 2013	Prior Period 31 December 2012
Non-Cash Loans Given for Cash Loan Risks	7.127	69.085
With Original Maturity of One Year or Less	7.127	69.085
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	2.897.675	2.462.608
Total	2.904.802	2.531.693

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

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

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 9.273.583 (31 December 2012: 4.382.895 TL), currency swap amounting to TL 101.881.288 (31 December 2012: TL 20.559.709), currency option amounting to TL 10.940.888 (31 December 2012: TL 3.076.976), interest rate option amounting to TL 573.536 (31 December 2012: TL 593.340), interest rate swap amounting to TL 6.243.986 (31 December 2012: TL 6.312.752). As of 30 June 2013, the Bank has interest rate future amounting to TL 6.464.570 (31 December 2012: TL 1.057.844). Also Bank has other derivative financial instruments amounting to TL 137.642 as of 30 June 2013 (31 December 2012: 162.306). Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument and valued with their fair value by the Bank.

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

Contingent assets, are recognised if the probability of occurrence is almost virtually certain, whereas they are disclosed in the notes, if the probability of occurrence is probable. As of 30 June 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 Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 June 2013, the total amount of these lawsuits filed against the Bank is TL 24.056 (31 December 2012: TL 11.107). A provision of TL 1.996 (31 December 2012: 1.739 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.

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

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

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

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

a. Information on interest income:

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

	Current Period 30 June 2013		Prior Period 30 June 2012	
	TL	FC	TL	FC
Short-term Loans	446.304	19.984	504.948	27.883
Medium and Long-Term Loans	359.933	56.331	307.149	46.604
Interest on Loans Under Follow-Up	9.998	133	12.742	-
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
Total	816.235	76.448	824.839	74.487

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

2. Information on interest income received from banks:

	Current Period 30 June 2013		Prior Period 30 June 2012	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	20.912	1.068	17.582	2.258
From Foreign Banks	603	129	1.537	34
Headquarters and Branches Abroad	-	-	-	-
Total	21.515	1.197	19.119	2.292

3. Information on interest income on marketable securities:

	Current Period 30 June 2013		Prior Period 30 June 2012	
	TL	FC	TL	FC
Financial Assets Held For Trading	12.695	296	28.962	622
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	131.646	-	87.620	547
Investments Held to Maturity	-	-	-	-
Total	144.341	296	116.582	1.169

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

As of 30 June 2013 and 30 June 2012, the Bank has no interest income received from investments in associates and subsidiaries.

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

b. Information on interest expense:

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

	Current Period 30 June 2013		Prior Period 30 June 2012	
	TP	YP	TP	YP
Banks	95.617	50.078	101.495	45.563
The CBRT	-	-	-	-
Domestic Banks	552	68	929	201
Foreign Banks	95.065	50.010	100.566	45.362
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	95.617	50.078	101.495	45.563

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

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

	Current Period 30 June 2013	Prior Period 30 June 2012
Interest Expenses Given to Subsidiaries and Associates	536	786

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: 30 June 2013	Demand Deposit	Time Deposit					Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	-	1.696	-	-	264	-	-	1.960
Saving deposits	-	10.972	130.234	26.748	9.276	3.787	-	181.017
Public sector deposits	-	1	5	-	-	-	-	6
Commercial deposits	-	46.692	3.394	631	153	128	-	50.998
Other deposits	-	534	731	26	9	-	-	1.300
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	59.895	134.364	27.405	9.702	3.915	-	235.281
Foreign Currency								
Foreign currency deposits	-	8.723	26.614	3.944	1.374	2.477	-	43.132
Interbank deposits	-	354	-	-	-	-	-	354
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	9.077	26.614	3.944	1.374	2.477	-	43.486
Grand Total	-	68.972	160.978	31.349	11.076	6.392	-	278.767

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

Current Period: 30 June 2012	Demand Deposit	Time Deposit					More Than 1 year	Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
Turkish Lira									
Interbank deposits	-	2.578	172	-	344	-	-	3.094	
Saving deposits	-	10.479	140.056	71.345	5.057	4.266	-	231.203	
Public sector deposits	-	2	50	30	-	-	-	82	
Commercial deposits	-	46.762	13.506	27.090	804	466	-	88.628	
Other deposits	-	1.166	10.977	7.558	11	-	-	19.712	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total		60.987	164.761	106.023	6.216	4.732	-	342.719	
Foreign Currency									
Foreign currency deposits	-	9.374	30.162	4.780	1.415	3.465	-	49.196	
Interbank deposits	-	515	-	-	-	-	-	515	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total		9.889	30.162	4.780	1.415	3.465	-	49.711	
Grand Total		70.876	194.923	110.803	7.631	8.197	-	392.430	

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 9.924 (30 June 2012: TL 23.131) during the period ended on 30 June 2013.

6. Information on finance lease expense:

The Bank has no finance lease expense during the six month period ended on 30 June 2013 and 30 June 2012.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables during the six month period ended on 30 June 2013 and 30 June 2012.

c. Explanations on dividend income:

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 14.328 during the period ended on 30 June 2013 (30 June 2012: TL 7.415).

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

d. 1. Explanations on trading income/loss (Net):

	Current Period 30 June 2013	Prior Period 30 June 2012
Profit	15.510.845	5.327.497
Capital Market Transactions Income	14.119	29.103
Gain on Derivative Financial Transactions	431.089	204.657
Foreign Exchange Gains	15.065.637	5.093.737
Loss (-)	15.535.833	5.473.064
Capital Market Transactions Loss	5.392	16.974
Loss on Derivative Financial Transactions	462.790	368.751
Foreign Exchange Loss	15.067.651	5.087.339
Total (Net)	(24.988)	(145.567)

2. Explanations on derivative instruments gain/loss:

	Current Period 30 June 2013	Prior Period 30 June 2012
Effect of the change in exchange rates on profit/loss	79.991	(125.721)
Effect of the change in interest rates on profit/loss	(111.692)	(38.373)
Total (Net)	(31.701)	(164.094)

e. Explanations on other operating income:

Other operating income consists of reverse of the previous year provision amounting to TL 5.428 (30 June 2012: TL 4.854), provision for telecommunication expense amounting to TL1.724 (30 June 2012: TL : 2.048), gain on sale assets amounting to TL 737 (30 June 2012: TL 1.569) and other income amounting to TL 12.596 (30 June 2012: TL 16.254) as of 30 June 2013.

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

	Current Period 30 June 2013	Prior Period 30 June 2012
Specific Provisions for Loans and Other Receivables	165.579	78.349
III. Group Loans and Receivables	7.559	9.383
IV. Group Loans and Receivables	27.158	21.557
V. Group Loans and Receivables	130.862	47.409
General Provision Expenses	77.776	50.541
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	3.624	5
Financial Assets at Fair Value Through Profit or Loss	264	5
Available-for-sale Financial Assets	3.360	-
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	5.634	3.631
Total	252.613	132.526

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

g. Information related to other operating expenses:

	Current Period 30 June 2013	Prior Period 30 June 2012
Personnel Expenses	283.116	243.817
Reserve for Employee Termination Benefits	3.565	5.792
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	24.422	28.859
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	2.410	3.885
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	58	81
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	220.421	211.996
Operational Lease Expenses	63.160	66.987
Maintenance Expenses	11.302	8.359
Advertisement Expenses	26.587	25.240
Other Expenses	119.372	111.410
Loss on Sales of Assets	169	568
Other	88.057	72.249
Total	622.218	567.247

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. Explanation on tax provision for continuing and discontinued operations:

As of 30 June 2013, the Bank has corporate tax provision expense amounting to TL 31.331 (30 June 2012: TL 52.845) and deferred tax income amounting to TL 13.270 (30 June 2012: TL 19.587).

The total amount of deferred tax income, amounting to TL 13.270 (30 June 2012: TL 19.587) , 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 profit/loss for the period for continued and discontinued operations:

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

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

k. Explanations on net profit and loss:

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

Net interest income, amounting to TL 697.148 (30 June 2012: TL 696.972), and net wage and commission income amounting to TL 273.598 (30 June 2012: TL 234.205) have an important role among the income items in the interim accounting period ending on 30 June 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.

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 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”.

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

c. Explanations on dividend distribution:

None.

d. Explanations 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 THE STATEMENT OF CASH FLOWS

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

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

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

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

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

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

d. Information on cash and cash equivalents:

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

e. Additional information:

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 - 30 June 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	33	204	12.104	356.225	15	-
Closing Balance	8	322	17.400	492.449	5	-
Interest and Commissions Income	-	1	261	250	-	-

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	12	205	8.861	487.975	-	-
Closing Balance	33	204	12.104	356.225	15	-
Interest and Commissions Income(*)	-	1	1.121	393	-	-

(*) The prior period balances present amounts of 30 June 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 Individuals and Legal Entities in the Risk Group	
	Current Period 30 June 2013	Prior Period 31 December 2012	Current Period 30 June 2013	Prior Period 31 December 2012	Current Period 30 June 2013	Prior Period 31 December 2012
Deposit						
Opening Balance	28.764	18.461	33.834	112.325	4.527	3.788
Closing Balance	19.444	28.764	45.376	33.834	4.549	4.527
Interest expense on deposits (*)	536	786	-	-	-	96

(*) The prior period balances present amounts of 30 June 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 30 June 2013	Prior Period 31 December 2012	Current Period 30 June 2013	Prior Period 31 December 2012	Current Period 30 June 2013	Prior Period 31 December 2012
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	30.949.573	16.338.478	-	-
Closing Balance	-	-	134.931.936	30.949.573	-	-
Total Profit/Loss(*)	-	-	(67.898)	231.607	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The prior period balances present amounts of 30 June 2012.

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

As of 30 June 2013, payment is made to top executives of the Bank amounting to TL 32.487 (30 June 2012: TL 21.040).

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 JUNE 2013 AND 30 JUNE 2012**

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

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

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

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

IX. EXPLANATIONS AND NOTES RELATED TO THE SUBSEQUENT EVENTS

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

None.

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

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

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 JUNE 2013 AND 30 JUNE 2012**

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

SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE BANK’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REVIEW REPORT

As of 30 June 2013, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and review report dated 7 August 2013 is presented before to the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.