

**(CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH, SEE NOTE 3.I)**

**HSBC BANK A.Ş.**

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

Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik  
Anonim Şirketi

7 November 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 REVIEW REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH (SEE NOTE 3.1)**

**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 at 30 September 2013, the unconsolidated statements of income, cash flows and changes in shareholders' equity for the nine-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 September 2013, and of the results of its operations and its cash flows for the nine-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 November 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 3.1, 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.

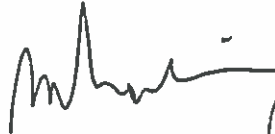
## UNCONSOLIDATED FINANCIAL REPORT OF HSBC BANK A.S. AS OF 30 SEPTEMBER 2013

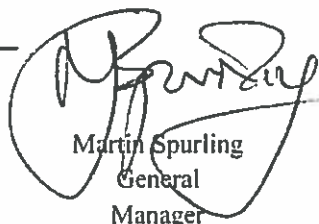
Address of Bank's headquarters : Büyükdere Caddesi No 128 Esentepe, Şişli  
34394, İstanbul  
Telephone : (0212) 376 40 00  
Fax : (0212) 366 33 83  
Web-site : www.hsbc.com.tr  
Contact e-mail address : muhaberat@hsbc.com.tr


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 Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and annexes interpretations thereof and are denominated as **TL thousand** unless otherwise specified, are held to subject to independent limited review and are presented enclosed.


  
Brian Robertson  
Chairman

  
Martin Spurling  
General  
Manager

  
Neslihan Erkazancı  
Financial Reporting  
Assistant General  
Manager

  
Yerihozan Kılı  
Senior 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 Terzioğlu/Manager  
Tel : (0212) 376 4308  
Fax : (0212) 376 4912

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

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**

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

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**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (the Bank) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. %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 September 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 September 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  
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**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 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>
<b>Chairman of the Board:</b>	Brian ROBERTSON	Chairman	Undergraduate
<b>Chairman Deputy of the Board:</b>	Antonio Pedro Dos Santos SIMOES	Chairman Deputy	Graduate
<b>Board of Directors:</b>	Martin SPURLING	Member and CEO	UnderGraduate
	Kevin Peter SAWLE	Member	Associate Degree
	Mark John THUNDERCLIFFE	Member	UnderGraduate
	Jonathan James CALLADINE	Member	UnderGraduate
	Leyla ETKER	Member	Graduate
	Gilles Paul Marie DENOYEL	Member	Graduate
	Edward Michael FLANDERS	Member	UnderGraduate
<b>CEO:</b>	Martin SPURLING	CEO	UnderGraduate
<b>Head of Internal Audit:</b>	Tolunay KANŞAY	Head of Internal Audit	Undergraduate
<b>Chief Assistant General Manager:</b>	Necdet Murat ŞARSEL	Credit and Risk	Graduate
<b>Executive Vice Presidents:</b>	Necdet Murat ŞARSEL	Credit and Risk	Graduate
	Virma SÖKMEN	Corporate and	Undergraduate
	Süleyman Selim KERVANCI	Commercial Banking	Graduate
	Taylan TURAN	Global and Investment	Graduate
	Ali Batu KARAALİ	Banking	Graduate
	Neslihan ERKAZANCI	Retail Banking	Undergraduate
	Ali Dündar PARLAR	Treasury and Capital	Undergraduate
	Darren Wayne ROWBOTHAM	Markets	High School
	Şengül DEMİRCAN	Financial Control	Undergraduate
		Internal Systems and	
		Regulations	Undergraduate
		Technology and Service	
		Groups	
		Human Resources	Undergraduate
<b>Audit Committee:</b>	Gilles Paul Marie DENOYEL	Head of the Audit	Graduate
	Mark John THUNDERCLIFFE	Committee	Graduate
	Leyla ETKER	Member of the Audit	UnderGraduate
		Committee	UnderGraduate
		Member of the Audit	UnderGraduate
		Committee	Graduate

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

**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 SEPTEMBER 2013**

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

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

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

(\*) HSBC Bank Plc is wholly owned by HSBC Holdings Plc and HSBC Holdings Plc is indirect shareholder of the Bank with 99,99% share.  
(\*\*) The amounts are expressed in full TL.

**V. 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, Zurich Sigorta, Aviva Sigorta, Allianz Sigorta, Coface Sigorta, Ergo Sigorta, Allianz Hayat Emeklilik, AIG Sigorta, Euler Hermes and Anadolu Hayat Emeklilik through its branches.

As of 30 September 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 30 September 2013, the number of employees of the Bank is 6.325 (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 EXPLANATION ABOUT INSTITUTIONS SUBJECT TO FULL CONSOLIDATION METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS**

Due to differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the non-financial associates, HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. 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  
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**HSBC BANK A.Ş.**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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**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 SEPTEMBER 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 (30/09/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH BALANCES WITH CENTRAL BANK</b>	<b>(I-a)</b>	<b>309.066</b>	<b>3.230.221</b>	<b>3.539.287</b>	<b>295.829</b>	<b>2.255.863</b>	<b>2.551.692</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)</b>	<b>(I-b)</b>	<b>556.234</b>	<b>1.185.586</b>	<b>1.741.820</b>	<b>744.078</b>	<b>136.889</b>	<b>880.967</b>
2.1	Trading Financial Assets		556.234	1.185.586	1.741.820	744.078	136.889	880.967
2.1.1	Government Debt Securities		518.276	9.400	527.676	736.899	11.097	747.996
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		27.860	1.176.186	1.204.046	7.179	125.792	132.971
2.1.4	Other Marketable Securities		10.098	-	10.098	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>(I-c)</b>	<b>536.083</b>	<b>1.650.504</b>	<b>2.186.587</b>	<b>285.070</b>	<b>614.559</b>	<b>899.629</b>
<b>IV.</b>	<b>MONEY MARKETS</b>		<b>5.331.670</b>	<b>118.640</b>	<b>5.450.310</b>	<b>1.975.982</b>	<b>53.650</b>	<b>2.029.632</b>
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	118.640	118.640	-	53.650	53.650
4.3	Receivables from Reverse Repurchase Agreements		5.331.670	-	5.331.670	1.975.982	-	1.975.982
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>(I-d)</b>	<b>3.282.311</b>	<b>-</b>	<b>3.282.311</b>	<b>3.019.741</b>	<b>-</b>	<b>3.019.741</b>
5.1	Share Certificates		4.225	-	4.225	4.211	-	4.211
5.2	Government Debt Securities		3.278.086	-	3.278.086	3.015.530	-	3.015.530
5.3	Other Marketable Securities		-	-	-	-	-	-
<b>VI.</b>	<b>LOANS</b>	<b>(I-e)</b>	<b>14.662.779</b>	<b>4.027.712</b>	<b>18.690.491</b>	<b>12.986.558</b>	<b>2.435.183</b>	<b>15.421.741</b>
6.1	Loans		14.323.857	4.027.712	18.351.569	12.721.657	2.435.183	15.156.840
6.1.1	Bank's Risk Group	<b>(VII)</b>	125	8.057	8.182	25	12.127	12.152
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		14.323.732	4.019.655	18.343.387	12.721.632	2.423.056	15.144.688
6.2	Loans Under Follow-Up		1.062.290	14.088	1.076.378	733.136	14.428	747.564
6.3	Specific Provisions (-)		723.368	14.088	737.456	468.235	14.428	482.663
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>151.556</b>	<b>6.684</b>	<b>158.240</b>	<b>82.240</b>	<b>10.223</b>	<b>92.463</b>
<b>VIII.</b>	<b>INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>	<b>(I-f)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Government Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(I-g)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
<b>X.</b>	<b>SUBSIDIARIES (Net)</b>	<b>(I-h)</b>	<b>35.023</b>	<b>-</b>	<b>35.023</b>	<b>35.023</b>	<b>-</b>	<b>35.023</b>
10.1	Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
10.2	Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	<b>(I-i)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Accounted Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>FINANCIAL LEASE RECEIVABLES (Net)</b>	<b>(I-j)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operating Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	<b>(I-k)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>(I-l)</b>	<b>123.936</b>	<b>-</b>	<b>123.936</b>	<b>139.132</b>	<b>-</b>	<b>139.132</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>(I-m)</b>	<b>95.831</b>	<b>-</b>	<b>95.831</b>	<b>92.561</b>	<b>-</b>	<b>92.561</b>
15.1	Goodwill		83.450	-	83.450	83.450	-	83.450
15.2	Other		12.381	-	12.381	9.111	-	9.111
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>(I-n)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>TAX ASSET</b>		<b>22.599</b>	<b>-</b>	<b>22.599</b>	<b>30.605</b>	<b>-</b>	<b>30.605</b>
17.1	Current Tax Asset		13.474	-	13.474	-	-	-
17.2	Deferred Tax Asset	<b>(I-o)</b>	9.125	-	9.125	30.605	-	30.605
<b>XVIII.</b>	<b>ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>(I-p)</b>	<b>3.930</b>	<b>-</b>	<b>3.930</b>	<b>5.129</b>	<b>-</b>	<b>5.129</b>
18.1	Held for sale Purposes		3.930	-	3.930	5.129	-	5.129
18.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>(I-r)</b>	<b>106.161</b>	<b>60.194</b>	<b>166.355</b>	<b>93.299</b>	<b>6.944</b>	<b>100.243</b>
	<b>TOTAL ASSETS</b>		<b>25.217.179</b>	<b>10.279.541</b>	<b>35.496.720</b>	<b>19.785.247</b>	<b>5.513.311</b>	<b>25.298.558</b>

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 BALANCE SHEET AS AT 30 SEPTEMBER 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 (30/09/2013)			Prior Period (31/12/2012)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES					
<b>I. DEPOSITS</b>	(II-a)	10.122.122	7.210.479	17.332.601	7.893.175	6.313.236	14.206.411
1.1 Deposits of Bank's risk group	(VII)	48.869	1.132	50.001	65.101	2.024	67.125
1.2 Other		10.073.253	7.209.347	17.282.600	7.828.074	6.311.212	14.139.286
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-b)	13.539	937.758	951.297	75.453	111.115	186.568
<b>III. BORROWINGS</b>	(II-d)	3.024.429	6.997.846	10.022.275	2.097.828	3.599.743	5.697.571
<b>IV. MONEY MARKETS</b>		1.601.967		1.601.967			
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)	1.601.967		1.601.967			
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>							
5.1 Bills							
5.2 Asset Backed Securities							
5.3 Bonds							
<b>VI. FUNDS</b>							
6.1 Borrower funds							
6.2 Other							
<b>VII. MISCELLANEOUS PAYABLES</b>		546.394	7.192	553.586	524.541	8.274	532.815
<b>VIII. OTHER LIABILITIES</b>	(II-e)	450.214	57.328	507.542	317.833	76.431	394.264
<b>IX. FACTORING PAYABLES</b>		35		35	207		207
<b>X. FINANCIAL LEASE PAYABLES (Net)</b>	(II-f)						
10.1 Financial Lease Payables							
10.2 Operational Lease Payables							
10.3 Other							
10.4 Deferred Financial Lease Expenses (-)							
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(II-g)						
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge							
11.3 Foreign Net Investment Hedge							
<b>XII. PROVISIONS</b>	(II-h)	416.851	2.016	418.867	319.985	1.816	321.801
12.1 General Loan Loss Provision		334.440		334.440	248.321		248.321
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		29.267		29.267	27.204		27.204
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		53.144	2.016	55.160	44.460	1.816	46.276
<b>XIII. TAX LIABILITY</b>	(II-i)	41.645		41.645	64.686		64.686
13.1 Current Tax Liability		41.645		41.645	64.686		64.686
13.2 Deferred Tax Liability							
<b>XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS</b>	(II-j)						
14.1 Held for sale purpose							
14.2 Related to discontinued operations							
<b>XV. SUBORDINATED LOANS</b>	(II-k)		1.005.401	1.005.401		844.110	844.110
<b>XVI. SHAREHOLDERS' EQUITY</b>	(II-l)	3.061.504		3.061.504	3.050.125		3.050.125
16.1 Paid-in Capital		652.290		652.290	652.290		652.290
16.2 Capital Reserves		248.354		248.354	308.462		308.462
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences							
16.2.4 Property and Equipment Revaluation Differences		(24.339)		(24.339)	35.769		35.769
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)		71.487		71.487	180.798		180.798
16.4.1 Prior Years' Income or (Loss)							
16.4.2 Current Year Income or (Loss)		71.487		71.487	180.798		180.798
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>19.278.700</b>	<b>16.218.020</b>	<b>35.496.720</b>	<b>14.343.833</b>	<b>10.954.725</b>	<b>25.298.558</b>

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 SEPTEMBER 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 (30/09/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>91.455.241</b>	<b>77.585.779</b>	<b>169.041.020</b>	<b>41.302.840</b>	<b>35.397.199</b>	<b>76.700.039</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(III-a-2,3)</b>	<b>357.568</b>	<b>3.085.263</b>	<b>3.442.831</b>	<b>346.362</b>	<b>2.185.331</b>	<b>2.531.693</b>
1.1	Letters of Guarantee		355.868	659.251	1.015.119	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		355.868	659.251	1.015.119	345.535	483.763	829.298
1.2	Bank Acceptances		-	1.053.511	1.053.511	-	694.336	694.336
1.2.1	Import Letter of Acceptance		-	1.048.844	1.048.844	-	693.800	693.800
1.2.2	Other Bank Acceptances		-	4.667	4.667	-	536	536
1.3	Letters of Credit		1.700	861.305	863.005	827	642.129	642.956
1.3.1	Documentary Letters of Credit		-	619.437	619.437	827	428.622	429.449
1.3.2	Other Letters of Credit		1.700	241.868	243.568	-	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		-	-	-	-	-	-
1.8	Other Guarantees		-	498.430	498.430	-	353.859	353.859
1.9	Other Collaterals		-	12.766	12.766	-	11.244	11.244
<b>II.</b>	<b>COMMITMENTS</b>	<b>(III-a-1)</b>	<b>42.767.966</b>	<b>8.846.362</b>	<b>51.614.328</b>	<b>30.582.645</b>	<b>7.439.879</b>	<b>38.022.524</b>
2.1	Irrevocable Commitments		12.716.262	8.846.362	21.562.624	9.823.766	7.439.879	17.263.645
2.1.1	Asset Purchase and Sale Commitments		4.191.451	8.332.743	12.524.194	1.933.789	7.260.647	9.194.436
2.1.2	Deposit Purchase and Sales Commitments		-	513.375	513.375	-	178.690	178.690
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		287.134	-	287.134	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		629.401	-	629.401	656.743	-	656.743
2.1.8	Tax and Fund Liabilities from Export Commitments		3.911	-	3.911	5.223	-	5.223
2.1.9	Commitments for Credit Card Limits		6.687.193	-	6.687.193	5.906.065	-	5.906.065
2.1.10	Commitments for Credit Cards and Banking Services Promotions		7.997	-	7.997	7.257	-	7.257
2.1.11	Receivables From Short Sale Commitments of Marketable Securities		20.601	81	20.682	-	235	235
2.1.12	Payables for Short Sale Commitments of Marketable Securities		20.601	81	20.682	-	235	235
2.1.13	Other Irrevocable Commitments		867.973	82	868.055	854.193	72	854.265
2.2	Revocable Commitments		30.051.704	-	30.051.704	20.758.879	-	20.758.879
2.2.1	Revocable Loan Granting Commitments		30.051.704	-	30.051.704	20.758.879	-	20.758.879
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(III-b)</b>	<b>48.329.707</b>	<b>65.654.154</b>	<b>113.983.861</b>	<b>10.373.833</b>	<b>25.771.989</b>	<b>36.145.822</b>
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		48.329.707	65.654.154	113.983.861	10.373.833	25.771.989	36.145.822
3.2.1	Forward Foreign Currency Buy/Sell Transactions		3.794.447	6.296.445	10.090.892	1.372.562	3.010.333	4.382.895
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.940.966	3.117.124	5.058.090	858.980	1.339.794	2.198.774
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.853.481	3.179.321	5.032.802	513.582	1.670.539	2.184.121
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		38.996.460	51.503.651	90.500.111	7.494.449	19.378.012	26.872.461
3.2.2.1	Foreign Currency Swap-Buy		17.587.444	24.501.624	42.089.068	1.865.766	8.438.557	10.304.323
3.2.2.2	Foreign Currency Swap-Sell		21.409.016	20.420.459	41.829.475	5.628.683	4.626.703	10.255.386
3.2.2.3	Interest Rate Swap-Buy		-	3.290.784	3.290.784	-	3.156.376	3.156.376
3.2.2.4	Interest Rate Swap-Sell		-	3.290.784	3.290.784	-	3.156.376	3.156.376
3.2.3	Foreign Currency, Interest rate and Securities Options		5.538.800	6.587.196	12.125.996	1.506.822	2.163.494	3.670.316
3.2.3.1	Foreign Currency Options-Buy		2.769.400	3.162.038	5.931.438	753.411	785.077	1.538.488
3.2.3.2	Foreign Currency Options-Sell		2.769.400	3.162.038	5.931.438	753.411	785.077	1.538.488
3.2.3.3	Interest Rate Options-Buy		-	131.560	131.560	-	296.670	296.670
3.2.3.4	Interest Rate Options-Sell		-	131.560	131.560	-	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		-	1.063.274	1.063.274	-	1.057.844	1.057.844
3.2.5.1	Interest Rate Futures-Buy		-	531.637	531.637	-	528.922	528.922
3.2.5.2	Interest Rate Futures-Sell		-	531.637	531.637	-	528.922	528.922
3.2.6	Other		-	203.588	203.588	-	162.306	162.306
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>49.443.172</b>	<b>84.319.145</b>	<b>133.762.317</b>	<b>71.387.370</b>	<b>115.953.879</b>	<b>187.341.249</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>15.528.930</b>	<b>1.428.039</b>	<b>16.956.969</b>	<b>18.615.336</b>	<b>1.527.205</b>	<b>20.142.541</b>
4.1	Customer Fund and Portfolio Balances		1.465.424	-	1.465.424	1.612.654	-	1.612.654
4.2	Investment Securities Held in Custody		10.493.182	922.943	11.416.125	13.457.834	856.281	14.314.115
4.3	Checks Received for Collection		2.123.451	234.540	2.357.991	2.139.631	215.749	2.355.380
4.4	Commercial Notes Received for Collection		83.056	-	83.056	127.113	-	127.113
4.5	Other Assets Received for Collection		-	6.414	6.414	-	4.758	4.758
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.363.817	264.142	1.627.959	1.278.104	450.417	1.728.521
4.8	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>3.057.059</b>	<b>37.380</b>	<b>3.094.439</b>	<b>3.647.223</b>	<b>30.210</b>	<b>3.677.433</b>
5.1	Marketable Securities		321.752	-	321.752	202.920	-	202.920
5.2	Guarantee Notes		100.173	37.380	137.553	140.569	30.210	170.779
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		2.635.134	-	2.635.134	3.303.734	-	3.303.734
5.6	Other Pledged Items		-	-	-	-	-	-
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>30.857.183</b>	<b>82.853.726</b>	<b>113.710.909</b>	<b>49.124.811</b>	<b>114.396.464</b>	<b>163.521.275</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>			<b>140.898.413</b>	<b>161.904.924</b>	<b>302.803.337</b>	<b>112.690.210</b>	<b>151.351.078</b>	<b>264.041.288</b>

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 SEPTEMBER 2013 AND 30 SEPTEMBER 2012**

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

<b>III. STATEMENT OF INCOME</b>					
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>Current Period (01/01/2013 - 30/09/2013)</b>	<b>Prior Period (01/01/2012 - 30/09/2012)</b>	<b>Current Period (01/07/2013 - 30/09/2013)</b>	<b>Prior Period (01/07/2012 - 30/09/2012)</b>
<b>I. INTEREST INCOME</b>	<b>(IV-a)</b>	<b>1.678.381</b>	<b>1.908.384</b>	<b>542.593</b>	<b>645.903</b>
1.1 Interest on Loans	(IV-a-1)	1.332.487	1.377.072	439.804	477.746
1.2 Interest Received from Reserve Requirements		-	-	-	-
1.3 Interest Received from Banks	(IV-a-2)	36.679	54.148	13.967	32.737
1.4 Interest Received from Money Market Transactions		80.489	261.023	25.430	52.505
1.5 Interest Received from Marketable Securities Portfolio	(IV-a-3)	196.826	191.844	52.189	74.093
1.5.1 Trading Financial Assets		25.518	53.663	12.527	24.079
1.5.2 Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3 Available-for-sale Financial Assets		171.308	138.181	39.662	50.014
1.5.4 Held to Maturity Investments		-	-	-	-
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		31.900	24.297	11.203	8.822
<b>II. INTEREST EXPENSE (-)</b>	<b>(IV-b)</b>	<b>678.867</b>	<b>874.107</b>	<b>240.227</b>	<b>308.598</b>
2.1 Interest on Deposits (-)	(IV-b-4)	439.997	584.743	161.230	192.313
2.2 Interest on Funds Borrowed (-)	(IV-b-1)	214.719	257.221	69.024	110.163
2.3 Interest Expense on Money Market Transaction (-)	(IV-b-5)	19.838	28.965	9.914	5.834
2.4 Interest on Securities Issued (-)	(IV-b-3)	-	-	-	-
2.5 Other Interest Expens (-)		4.313	3.178	59	288
<b>III. NET INTEREST INCOME (I + II)</b>		<b>999.514</b>	<b>1.034.277</b>	<b>302.366</b>	<b>337.305</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>427.029</b>	<b>347.674</b>	<b>153.431</b>	<b>113.469</b>
4.1 Fees and Commissions Received		468.444	385.449	167.245	117.464
4.1.1 Non-cash Loans		14.841	13.530	5.545	4.439
4.1.2 Other		453.603	371.919	161.700	113.025
4.2 Fees and Commissions Paid (-)		41.415	37.775	13.814	3.995
4.2.1 Non-cash Loans (-)		433	371	149	131
4.2.2 Other (-)		40.982	37.404	13.665	3.864
<b>V. DIVIDEND INCOME</b>	<b>(IV-c)</b>	<b>14.343</b>	<b>7.415</b>	<b>15</b>	<b>-</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>(IV-d)</b>	<b>(49.739)</b>	<b>(200.985)</b>	<b>(24.751)</b>	<b>(55.418)</b>
6.1 Trading Gains/(Losses) on Securities		6.661	29.244	(2.066)	17.115
6.2 Derivative Financial Transactions Gains/(Losses)		(58.016)	(234.633)	(26.315)	(70.539)
6.3 Foreign Exchange Gains/(Losses)		1.616	4.404	3.630	(1.994)
<b>VII. OTHER OPERATING INCOME</b>	<b>(IV-e)</b>	<b>26.970</b>	<b>41.397</b>	<b>6.485</b>	<b>16.672</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>1.418.117</b>	<b>1.229.778</b>	<b>437.546</b>	<b>412.028</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(IV-f)</b>	<b>356.215</b>	<b>212.345</b>	<b>103.602</b>	<b>79.819</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(IV-g)</b>	<b>943.217</b>	<b>841.279</b>	<b>320.999</b>	<b>274.032</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>118.685</b>	<b>176.154</b>	<b>12.945</b>	<b>58.177</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-	-	-
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-	-	-
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)</b>		<b>118.685</b>	<b>176.154</b>	<b>12.945</b>	<b>58.177</b>
<b>XVI. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(IV-h)</b>	<b>(47.198)</b>	<b>(45.335)</b>	<b>(2.597)</b>	<b>(12.077)</b>
16.1 Current Tax Provision	(IV-i)	(25.719)	(76.275)	5.612	(23.430)
16.2 Deferred Tax Provision		(21.479)	30.940	(8.209)	11.353
<b>XVII. NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>71.487</b>	<b>130.819</b>	<b>10.348</b>	<b>46.100</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(IV-j)</b>	-	-	-	-
18.1 Income from Non-current Assets Held for Resale		-	-	-	-
18.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.3 Other Income From Discontinued Operations		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1 Expenses for Non-current Assets Held for Resale		-	-	-	-
19.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.3 Other Expenses From Discontinued Operations		-	-	-	-
<b>XX. PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-	-	-
<b>XXI. PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)</b>		-	-	-	-
21.1 Current tax provision		-	-	-	-
21.2 Deferred tax provision		-	-	-	-
<b>XXII. NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSSES (XVII+XXII)</b>	<b>(IV-k)</b>	<b>71.487</b>	<b>130.819</b>	<b>10.348</b>	<b>46.100</b>
Earnings/ Loss per Share		0,00110	0,00201	0,00016	0,00071

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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IN TURKISH, SEE IN NOTE 3.1**

**HSBC BANK A.Ş.**

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

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

<b>IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>		
<b>PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY</b>	<b>Current Period (30/09/2013)</b>	<b>Prior Period (30/09/2012)</b>
<b>I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>(75.135)</b>	<b>72.901</b>
<b>II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS</b>	-	-
<b>IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES</b>	<b>15.027</b>	<b>(14.580)</b>
<b>X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)</b>	<b>(60.108)</b>	<b>58.321</b>
<b>XI. CURRENT YEAR PROFIT/LOSS</b>	<b>71.487</b>	<b>130.819</b>
11.1 Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(12.005)	(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	83.492	138.937
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)</b>	<b>11.379</b>	<b>189.140</b>

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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2012  
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)**

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
30 September 2012	Note Section Five	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Dis. Operat.	Total Equity
<b>I. Balances at the Beginning of the Period</b>		652.290	-	-	-	161.966	-	1.505.822	272.693	240.787	-	(38.457)	-	-	-	-	2.795.101
<b>II. Corrections According to Turkiye Accounting Standard No 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Balance (I+II)</b>		652.290	-	-	-	161.966	-	1.505.822	272.693	240.787	-	(38.457)	-	-	-	-	2.795.101
Changes in the Period																	
<b>IV. Increase/Decrease due to the Merger</b>																	
<b>V. Marketable Securities Valuation Differences</b>												58.321					58.321
<b>VI. Hedging Transactions Funds (Effective Parts)</b>																	
6.1 Cash Flow Hedge																	
6.2 Foreign Investment Hedge																	
<b>VII. Property and Equipment Revaluation Differences</b>																	
<b>VIII. Intangible Fixed Assets Revaluation Differences</b>																	
<b>IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures</b>																	
<b>X. Foreign Exchange Differences</b>																	
<b>XI. Changes due to the Disposal of Assets</b>																	
<b>XII. Changes due to the Reclassification of Assets</b>																	
<b>XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity</b>																	
<b>XIV. Capital Increase</b>																	
14.1 Cash Increase																	
14.2 Internal Resources																	
<b>XV. Share Premium</b>																	
<b>XVI. Share Cancellation Profits</b>																	
<b>XVII. Paid in-Capital Adjustment Difference</b>																	
<b>XVIII. Other</b>																	
<b>XIX. Current Year Income or Loss</b>										130.819							130.819
<b>XX. Profit Distribution</b>						13.945		226.842		(240.787)							
20.1 Dividend Paid																	
20.2 Transfers to Reserves						13.945		226.842		(240.787)							
20.3 Other																	
<b>Balance at the end of the period (III+IV+V+.....+XXII+XXI)</b>		652.290	-	-	-	175.911	-	1.732.664	272.693	130.819	-	19.864	-	-	-	-	2.984.241

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 CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 30 SEPTEMBER 2013**

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

<b>V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																		
30 September 2013		Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. 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
II.	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(60.108)	-	-	-	-	(60.108)
V.	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		-	-	-	-	-	-	-	-	71.487	-	-	-	-	-	-	71.487
XVIII.	Profit Distribution		-	-	-	-	-	-	-	-	(180.798)	-	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	2.102	-	178.696	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	-	2.102	-	178.696	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances at the end of the period (I+II+ .....+ XVIII)</b>			<b>652.290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178.013</b>	<b>-</b>	<b>1.911.360</b>	<b>272.693</b>	<b>71.487</b>	<b>-</b>	<b>(24.339)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.061.504</b>

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**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 SEPTEMBER 2013 AND 30 SEPTEMBER 2012**

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

<b>VI. STATEMENT OF CASH FLOWS</b>			
	<b>Note (Section Five VI)</b>	<b>Current Period (30/09/2013)</b>	<b>Prior Period (30/09/2012)</b>
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		<b>430.397</b>	<b>598.867</b>
1.1.1 Interest received		1.635.509	1.943.837
1.1.2 Interest paid		(604.675)	(775.621)
1.1.3 Dividend received		14.343	7.415
1.1.4 Fees and commissions received		468.444	385.449
1.1.5 Other income		26.970	41.397
1.1.6 Collections from previously written-off loans and other receivables		78.753	85.445
1.1.7 Payments to personnel and service suppliers		(430.088)	(370.731)
1.1.8 Taxes paid		(58.488)	(67.660)
1.1.9 Other		(700.371)	(650.664)
1.2 Changes in operating assets and liabilities		<b>4.868.985</b>	<b>(3.060.697)</b>
1.2.1 Net (decrease)/increase in trading securities		298.604	(1.825.016)
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		135.933	(12.618)
1.2.4 Net increase/(decrease) in loans		(3.549.881)	(1.761.007)
1.2.5 Net increase/(decrease) in other assets		(970.448)	(763.686)
1.2.6 Net increase/(decrease) in bank deposits		118.530	(42)
1.2.7 Net (decrease)/increase in other deposits		3.007.843	224.149
1.2.8 Net (decrease)/increase in funds borrowed		4.413.032	624.657
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		1.415.372	452.866
<b>I. Net cash provided from banking operations</b>		<b>5.299.382</b>	<b>(2.461.830)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(378.169)</b>	<b>302.491</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries (Business Partnerships)		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships)		-	-
2.3 Purchases of property and equipment		(30.635)	(138)
2.4 Disposals of property and equipment		10.856	7.512
2.5 Cash paid for purchase of investments available-for-sale		(6.841.203)	(1.738.288)
2.6 Cash obtained from sale of investments available-for-sale		6.482.813	2.027.914
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	5.491
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		-	<b>1</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	1
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(88)</b>	<b>1.936</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>4.921.125</b>	<b>(2.157.402)</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>3.191.816</b>	<b>5.111.127</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>8.112.941</b>	<b>2.953.725</b>

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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IN TURKISH, SEE NOTE 3.I**

**HSBC BANK A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and 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 complying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**

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

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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 equivalences.

The Bank applies sophisticated methods of the Group in daily market risk managing and control activities. In measuring the market risk and determining limits, 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. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”, except for foreign currency non-performing loans and other foreign currency denominated non-monetary assets and liabilities.

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

The Bank has no investments in associates as of 30 September 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 September 2013 and 31 December 2012, the Bank does not have any embedded derivatives. As of 30 September 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.

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

**d. Investment securities held-to-maturity:**

Investment securities held-to-maturity are financial assets that are not classified under loans and receivables and have fixed maturities and fixed or pre-determined payments where management has the intent and ability to hold the financial assets until maturity. Investment securities held-to-maturity are initially 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 September 2013 and 31 December 2012, the Bank 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. As of 30 September 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 September 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 September 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, 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 September 2013 and 31 December 2012. As of 30 September 2013 and 31 December 2012, the Bank has no issued convertible bonds.

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

As of 30 September 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 September 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.

	<b>Current Period 30 September 2013</b>	<b>Prior Period 30 September 2012</b>
Net Profit for the Period	71.487	130.819
Number of Shares	65.229.000.000	65.229.000.000
<b>Earnings per Share (*)</b>	<b>0,00110</b>	<b>0,00201</b>

(\*) 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 September 2013 and 31 December 2012 financials.

**XXIX. OTHER MATTERS**

None.

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**SECTION FOUR**

**EXPLANATIONS RELATED TO FINANCIAL POSITION**

**I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO**

a. As of 30 September 2013, the Bank’s capital adequacy ratio is 14,97 % (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 Securitisations” published in the Official Gazette dated 28 June 2012 numbered 28337 and the “Communiqué on Equities of Banks” published on 1 November 2006 in the Official Gazette numbered 26333. Standard method is used for the calculation of market risk and basic indicator method is used for the calculation of operational risk.

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

	30 September 2013								
	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
<b>Credit Risk Based Amount</b>	<b>7.126.195</b>	<b>-</b>	<b>1.234.711</b>	<b>3.864.579</b>	<b>6.512.554</b>	<b>10.185.050</b>	<b>1.846.470</b>	<b>1.731.111</b>	<b>-</b>
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	6.347.638	-	-	-	-	100.465	-	-	-
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	263	-	1.234.711	1.582.177	-	782.381	32.535	-	-
Claims on corporate	240.358	-	-	-	-	8.820.982	-	-	-
Claims included in the regulatory retail portfolios	67.916	-	-	-	5.979.046	-	-	-	-
Claims secured by residential property	-	-	-	2.282.402	533.508	-	-	-	-
Past due loan	-	-	-	-	-	254.956	83.966	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.729.969	1.731.111	-
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	470.020	-	-	-	-	226.266	-	-	-

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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%
<b>Credit Risk Based Amount</b>	<b>5.836.925</b>	-	<b>252.133</b>	<b>3.367.558</b>	<b>5.855.455</b>	<b>7.574.496</b>	<b>1.492.911</b>	<b>1.404.697</b>	-
<b>Risk Classes</b>									
Claims on sovereigns and Central Banks	5.146.527	-	-	-	-	30.990	-	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	252.133	361.485	-	926.883	440	-	-
Claims on 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 September 2013	Prior Period 31 December 2012
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.878.450	1.499.924
Capital obligation for market risk (II)	155.799	135.827
Capital obligation for operational risk (III)	222.947	219.436
<b>Shareholders' Equity</b>	<b>4.223.793</b>	<b>3.970.567</b>
<b>Shareholders' Equity / ((I+II+III)*12,5*100)</b>	<b>14,97</b>	<b>17,12</b>

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

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
<b>CORE CAPITAL</b>		
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	71.487	180.798
Net Current Period Profit	71.487	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 (-)	18.702	28.691
Intangible Assets (-)	95.831	92.561
Deferred-Asset for tax which exceeds 10% of core capital (-)	-	-
Excess Amount expressed in the Law ( Article 56, 3 <sup>rd</sup> paragraph) (-)	-	-
<b>Total Core Capital</b>	<b>2.971.310</b>	<b>2.893.104</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2013</b>	<b>31 December 2012</b>
<b>SUPPLEMENTARY CAPITAL</b>		
General provisions	334.440	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	942.598	813.677
45% of value increase fund of financial assets available for sale and associates and subsidiaries	(24.339)	16.096
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves) (*)	-	-
<b>Total Supplementary Capital</b>	<b>1.252.699</b>	<b>1.078.094</b>
<b>CAPITAL</b>	<b>4.224.009</b>	<b>3.971.198</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>216</b>	<b>631</b>
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	57	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	151	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	8	276
<b>TOTAL SHAREHOLDERS’ EQUITY</b>	<b>4.223.793</b>	<b>3.970.567</b>

(\*) 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 334.440 (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:**

	<b>30 September 2013</b>	<b>31 December 2012</b>
	<b>Balance</b>	<b>Balance</b>
(I) Capital obligation for general market risk	27.603	60.374
(II) Capital obligation for specific risk	3.318	1.372
Capital obligation for specific risk in securitisation positions- Standard Method		
Capital obligation – Standard Method	-	-
(III) Capital obligation for currency risk	68.401	3.258
(IV) Capital obligation for stocks	-	-
(V) Capital obligation for clearing risk	-	-
(VI) Total capital obligation for market risk because of options	137	43
(VII) Capital obligation for counterparty credit risk - Standard Method	56.340	70.780
(VIII) Capital obligation for general market risk	-	-
(IX) Total capital obligation for market risk (I+II+III+IV+V+VI)	155.799	135.827
<b>(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)</b>	<b>1.947.488</b>	<b>1.697.838</b>

**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:

<b>Current Period - 30 September 2013</b>	<b>USD (\$)</b>	<b>Euro (€)</b>
<b>Balance Sheet Date</b>		
Bank Evaluation Rate	2,0292	2,7466
27 September 2013	2,0310	2,7520
26 September 2013	2,0129	2,7174
25 September 2013	2,0018	2,7028
24 September 2013	2,0010	2,6985
23 September 2013	1,9840	2,6799

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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:**

As of September 2013, the Bank's simple arithmetic average foreign exchange rates for USD is TL 2,0197 (December 2012: TL 1,7877) and exchange rates for Euro TL 2,6973 (December 2012: TL 2,3440).

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

<b>Current Period - 30 September 2013</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Assets</b>				
Cash Equivalents and Central Bank Banks	1.134.362	1.486.207	609.652	3.230.221
Financial Assets at Fair Value through Profit or Loss (Net)	258.730	906.616	20.240	1.185.586
Interbank Money Market Placements	57.725	60.915	-	118.640
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	2.626.615	2.939.548	47.192	5.613.355
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	6.072	49.568	2.226	57.866
<b>Total Assets</b>	<b>4.118.452</b>	<b>7.029.055</b>	<b>708.665</b>	<b>11.856.172</b>
<b>Liabilities</b>				
Bank Deposits	8.243	192.801	11	201.055
Foreign Currency Deposits	1.792.863	4.266.717	949.844	7.009.424
Funds from Interbank Money Market Borrowings	2.491.899	5.074.342	437.006	8.003.247
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	485	6.399	308	7.192
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	180.424	793.320	23.358	997.102
<b>Total Liabilities</b>	<b>4.473.914</b>	<b>10.333.579</b>	<b>1.410.527</b>	<b>16.218.020</b>
<b>Net on Balance Sheet Position</b>	<b>(355.462)</b>	<b>(3.304.524)</b>	<b>(701.862)</b>	<b>(4.361.848)</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	5.046.347	27.933.004	1.635.956	34.615.307
Financial Derivative Liabilities	4.611.164	24.405.989	926.783	29.943.936
Non-cash Loans	431.190	2.586.501	67.572	3.085.263
<b>Prior Period - 31 December 2012</b>				
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
<b>Net on-Balance Sheet Position</b>	<b>(835.208)</b>	<b>(3.260.401)</b>	<b>(490.551)</b>	<b>(4.586.160)</b>
<b>Net off-Balance Sheet Position</b>	<b>835.058</b>	<b>3.232.675</b>	<b>486.882</b>	<b>4.554.615</b>
Financial Derivative Assets	4.153.073	9.313.327	973.287	14.439.687
Financial Derivative Liabilities	3.318.015	6.080.652	486.405	9.885.072
Non-cash Loans	444.030	1.641.965	99.336	2.185.331

(\*) As of 30 September 2013, loans consists of foreign indexed loans amounting to TL 1.578.959 (31 December 2012: TL 871.137) and foreign factoring receivables amounting to TL 6.684 (31 December 2012: TL 10.223).

(\*\*) As of 30 September 2013, other assets does not consist of prepaid expenses amounting to TL 2.328 (31 December 2012: TL 1.382).

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

As of 30 September 2013 and 31 December 2012, if bank's foreign currency position had depreciated by 10% against TL with all other variables held constant, the expected changes in profit before tax and equity mainly as a result of foreign exchange losses are disclosed as following:

	Current Period – 30 September 2013		Prior Period – 31 December 2012	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	22.249	22.249	(2.778)	(2.778)
Euro	7.972	7.972	(15)	(15)
Other	731	731	(367)	(367)
<b>Total</b>	<b>30.952</b>	<b>30.952</b>	<b>(3.160)</b>	<b>(3.160)</b>

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

As of 30 September 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:**

<b>Current Period - 30 September 2013</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents and Central Bank	-	-	-	-	-	3.539.287	3.539.287
Banks	1.210.845	788.945	78.277	-	-	108.520	2.186.587
Financial Assets at Fair Value Through Profit or Loss (Net)	381.829	852.344	461.026	26.381	10.142	10.098	1.741.820
Interbank Money Market Placements	5.450.310	-	-	-	-	-	5.450.310
Financial Assets Available-for-Sale (Net)	1.515.018	266.409	1.496.659	-	-	4.225	3.282.311
Loans (*)	6.852.472	1.753.577	4.652.219	3.930.016	1.321.553	338.894	18.848.731
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	447.674	447.674
<b>Total Assets</b>	<b>15.410.474</b>	<b>3.661.275</b>	<b>6.688.181</b>	<b>3.956.397</b>	<b>1.331.695</b>	<b>4.448.698</b>	<b>35.496.720</b>
<b>Liabilities</b>							
Bank Deposits	327.944	-	4.085	-	-	25.690	357.719
Other deposits	3.114.759	9.200.391	1.198.456	198.471	-	3.262.805	16.974.882
Funds from Interbank Money Market	-	1.601.967	-	-	-	-	1.601.967
Miscellaneous Payables	-	-	-	-	-	553.586	553.586
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	3.376.462	2.243.538	3.631.481	1.737.704	38.491	-	11.027.676
Other Liabilities (**)	270.681	278.496	378.934	626.610	958	3.425.211	4.980.890
<b>Total Liabilities</b>	<b>7.089.846</b>	<b>13.324.392</b>	<b>5.212.956</b>	<b>2.562.785</b>	<b>39.449</b>	<b>7.267.292</b>	<b>35.496.720</b>
Balance Sheet Long Position	8.320.628	-	1.475.225	1.393.612	1.292.246	-	12.481.711
Balance Sheet Short Position	-	(9.663.117)	-	-	-	(2.818.594)	(12.481.711)
Off Balance Sheet Long Position	184.993	-	-	139.539	-	-	324.532
Off Balance Sheet Short Position	-	(21.810)	(195.538)	-	(16.254)	-	(233.602)
<b>Total Position</b>	<b>8.505.621</b>	<b>(9.684.927)</b>	<b>1.279.687</b>	<b>1.533.151</b>	<b>1.275.992</b>	<b>(2.818.594)</b>	<b>90.930</b>

(\*) Loans consist of factoring transactions amounting to TL 158.240.

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

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

<b>Prior Period - 31 December 2012</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash Equivalents and Central Bank	-	-	-	-	-	2.551.692	2.551.692
Banks	694.524	86.541	6.301	-	-	112.263	899.629
Financial Assets at Fair Value Through Profit or Loss (Net)	61.421	49.880	750.057	12.158	7.451	-	880.967
Interbank Money Market Placements	2.029.632	-	-	-	-	-	2.029.632
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
<b>Total Assets</b>	<b>8.828.161</b>	<b>4.677.253</b>	<b>3.505.424</b>	<b>3.669.608</b>	<b>1.282.352</b>	<b>3.335.760</b>	<b>25.298.558</b>
<b>Liabilities</b>							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8.517.041	1.945.398	495.181	13.802	-	2.995.074	13.966.496
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.815	532.815
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
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
<b>Total Liabilities</b>	<b>11.101.636</b>	<b>2.541.506</b>	<b>3.539.695</b>	<b>498.023</b>	<b>211.120</b>	<b>7.406.578</b>	<b>25.298.558</b>
Balance Sheet Long Position	-	2.135.747	-	3.171.585	1.071.232	-	6.378.564
Balance Sheet Short Position	(2.273.475)	-	(34.271)	-	-	(4.070.818)	(6.378.564)
Off Balance Sheet Long Position	294.839	1.378.091	-	-	-	-	1.672.930
Off Balance Sheet Short Position	-	-	(581.101)	(1.006.486)	-	-	(1.587.587)
<b>Total Position</b>	<b>(1.978.636)</b>	<b>3.513.838</b>	<b>(615.372)</b>	<b>2.165.099</b>	<b>1.071.232</b>	<b>(4.070.818)</b>	<b>85.343</b>

(\*) 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:**

<b>Current Period - 30 September 2013</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,92	-	7,00
Financial Assets at Fair Value Through Profit or Loss (Net)	5,38	5,89	-	7,15
Interbank Money Market Placements	1,40	1,55	-	7,60
Financial Assets Available-for-Sale (Net)	-	-	-	8,08
Loans	4,57	4,30	-	12,09
Investments Held-to-Maturity (Net)	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	0,20	0,68	-	8,11
Other Deposits	1,75	2,21	2,12	8,13
Funds From Interbank Money Market	-	-	-	4,93
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,22	0,56	2,00	7,73
<b>Prior Period - 31 December 2012</b>	<b>Euro</b>	<b>US Dollar</b>	<b>Yen</b>	<b>TL</b>
<b>Assets</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,14	-	7,00
Financial Assets at Fair Value Through Profit or Loss (Net)	5,60	7,85	-	6,17
Interbank Money Market Placements	-	1,00	-	6,09
Financial Assets Available-for-Sale (Net)	-	-	-	5,96
Loans	5,31	5,54	-	12,49
Investments Held-to-Maturity (Net)	-	-	-	-
<b>Liabilities</b>				
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**

<b>30 September 2013</b>	<b>Shocks Applied (+/- x basis point)</b>	<b>Gains / Losses</b>	<b>Gains / Equity - Losses / Equity</b>
Type of Currency			
1. TL	500	(467.361)	(11,06) %
2. TL	(400)	479.077	11,34%
3. EUR	200	18.287	0,43%
4. EUR	(200)	(3.487)	(0,08) %
5. USD	200	(9.320)	(0,22) %
6. USD	(200)	8.206	0,19%
<b>Total (of negative shocks)</b>		<b>483.796</b>	<b>11,45%</b>
<b>Total (of positive shocks)</b>		<b>(458.394)</b>	<b>(10,85) %</b>

**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 LIQUIDTY 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:**

<b>Current Period - 30 September 2013</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 12 Months</b>	<b>1 - 5 Years</b>	<b>5 Years and Over</b>	<b>Unallocated (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash Equivalents and Central Bank	499.432	3.039.855	-	-	-	-	-	3.539.287
Banks	108.520	1.210.845	788.945	78.277	-	-	-	2.186.587
Financial Assets at Fair Value through Profit or Loss (Net)	10.098	354.921	427.908	447.021	402.981	98.891	-	1.741.820
Interbank Money Market Placements	-	5.450.310	-	-	-	-	-	5.450.310
Financial Assets Available-for-Sale (Net)	-	1.203.110	164.985	1.387.440	522.493	58	4.225	3.282.311
Loans (*)	-	5.793.455	2.122.629	3.711.284	5.070.283	1.812.186	338.894	18.848.731
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	3.680	-	10.256	34.936	-	398.802	447.674
<b>Total Assets</b>	<b>618.050</b>	<b>17.056.176</b>	<b>3.504.467</b>	<b>5.634.278</b>	<b>6.030.693</b>	<b>1.911.135</b>	<b>741.921</b>	<b>35.496.720</b>
<b>Liabilities</b>								
Bank Deposits	25.690	327.944	-	4.085	-	-	-	357.719
Other Deposits	3.262.805	3.114.759	9.200.391	1.198.456	198.471	-	-	16.974.882
Funds Borrowed	-	4.025.065	693.580	2.688.146	2.615.398	1.005.487	-	11.027.676
Funds from Interbank Money Market	-	1.601.967	-	-	-	-	-	1.601.967
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	368.935	96.917	81.473	6.261	-	-	553.586
Other Liabilities (***)	-	268.303	277.709	466.673	531.019	11.975	3.425.211	4.980.890
<b>Total Liabilities</b>	<b>3.288.495</b>	<b>9.706.973</b>	<b>10.268.597</b>	<b>4.438.833</b>	<b>3.351.149</b>	<b>1.017.462</b>	<b>3.425.211</b>	<b>35.496.720</b>
<b>Net Liquidity Gap</b>	<b>(2.670.445)</b>	<b>7.349.203</b>	<b>(6.764.130)</b>	<b>1.195.445</b>	<b>2.679.544</b>	<b>893.673</b>	<b>(2.683.290)</b>	<b>-</b>
<b>Prior Period - 31 December 2012</b>								
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
<b>Net Liquidity Gap</b>	<b>(2.443.931)</b>	<b>(1.148.925)</b>	<b>959.165</b>	<b>624.792</b>	<b>4.246.872</b>	<b>495.035</b>	<b>(2.733.008)</b>	<b>-</b>

(\*) As of 30 September 2013, loans includes the factoring receivables amounting to TL 158.240 (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.

<b>Risk Classifications- 30 September 2013</b>	<b>Balance</b>	<b>Financial Guaranties</b>	<b>Other/Physical Guaranties</b>	<b>Guaranties And Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	6.448.103	-	-	-
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	3.928.159	-	-	-
Conditional and unconditional receivables from Corporates	10.357.862	245.275	-	-
Conditional and unconditional retail receivables	12.903.609	75.947	-	-
Conditional and unconditional receivables secured by Mortgages	3.298.586	2.281.296	-	-
Past due receivables	338.922	-	-	-
Receivables defined in high risk category by BRSA	3.461.080	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	696.286	-	-	-
<b>Total</b>	<b>41.432.607</b>	<b>2.602.518</b>	-	-

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

<b>Risk Classifications- 31 December 2012</b>	<b>Balance</b>	<b>Financial Guaranties</b>	<b>Other/Physical Guaranties</b>	<b>Guaranties And Credit Derivatives</b>
Conditional and unconditional receivables from central governments or central banks	5.177.517	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1.098.600	-	-	-
Conditional and unconditional receivables from Corporates	7.893.602	104.198	-	-
Conditional and unconditional retail receivables	11.662.583	86.728	-	-
Conditional and unconditional receivables secured by Mortgages	3.132.785	3.029.819	-	-
Past due receivables	264.785	-	-	-
Receivables defined in high risk category by BRSA	2.897.181	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	880.894	-	-	-
<b>Total</b>	<b>33.007.947</b>	<b>3.220.745</b>	<b>-</b>	<b>-</b>

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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.

	<b>Retail Banking</b>	<b>Corporate and Investment Banking</b>	<b>Treasury and Capital Markets</b>	<b>Other</b>	<b>Bank's Total Activities</b>
<b>Current Period</b>					
Operating Income	837.602	357.777	222.738	-	1.418.117
Other	-	-	-	-	-
<b>Operating Income</b>	<b>837.602</b>	<b>357.777</b>	<b>222.738</b>	<b>-</b>	<b>1.418.117</b>
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(125.487)	80.845	163.327	-	118.685
<b>Profit before Tax</b>	<b>(125.487)</b>	<b>80.845</b>	<b>163.327</b>	<b>-</b>	<b>118.685</b>
Corporate Tax Provision (*)	-	-	-	(47.198)	(47.198)
<b>Profit after Tax</b>	<b>(125.487)</b>	<b>80.845</b>	<b>163.327</b>	<b>(47.198)</b>	<b>71.487</b>
Non-Controlling Interest	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>(125.487)</b>	<b>80.845</b>	<b>163.327</b>	<b>(47.198)</b>	<b>71.487</b>
Segment Assets	10.340.502	10.223.715	14.897.480	-	35.461.697
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>10.340.502</b>	<b>10.223.715</b>	<b>14.932.233</b>	<b>270</b>	<b>35.496.720</b>
Segment Liabilities	16.081.408	7.135.776	12.279.536	-	35.496.720
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>16.081.408</b>	<b>7.135.776</b>	<b>12.279.536</b>	<b>-</b>	<b>35.496.720</b>
<b>Other Segment Items</b>	<b>196.236</b>	<b>(4.451)</b>	<b>(5.303)</b>	<b>-</b>	<b>186.482</b>
Capital Investment	-	-	-	-	-
Amortization	(32.239)	(5.873)	(959)	-	(39.071)
Impairment	-	-	(4.458)	-	(4.458)
Non-Cash Other Income-Expense(**)	235.307	-	-	-	235.307

(\*) Corporate tax provision is not distributed.

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

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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
<b>Prior Period</b>					
Operating Income (**)	720.514	386.616	122.648	-	1.229.778
Other (**)	-	-	-	-	-
<b>Operating Income (**)</b>	<b>720.514</b>	<b>386.616</b>	<b>122.648</b>	<b>-</b>	<b>1.229.778</b>
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit (**)	(32.504)	129.615	79.043	-	176.154
<b>Profit before Tax (**)</b>	<b>(32.504)</b>	<b>129.615</b>	<b>79.043</b>	<b>-</b>	<b>176.154</b>
Corporate Tax Provision (*) (**)	-	-	-	(45.335)	(45.335)
<b>Profit after Tax (**)</b>	<b>(32.504)</b>	<b>129.615</b>	<b>79.043</b>	<b>(45.335)</b>	<b>130.819</b>
Non-Controlling Interest (**)	-	-	-	-	-
<b>Net Profit for the Period (**)</b>	<b>(32.504)</b>	<b>129.615</b>	<b>79.043</b>	<b>(45.335)</b>	<b>130.819</b>
Segment Assets	9.675.503	6.702.495	8.885.537	-	25.263.535
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
<b>Total Assets</b>	<b>9.675.503</b>	<b>6.702.495</b>	<b>8.920.290</b>	<b>270</b>	<b>25.298.558</b>
Segment Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Undistributed Liabilities	-	-	-	-	-
<b>Total Liabilities</b>	<b>13.742.944</b>	<b>4.413.787</b>	<b>7.141.827</b>	<b>-</b>	<b>25.298.558</b>
<b>Other Segment Items (**)</b>	<b>(295.351)</b>	<b>(3.563)</b>	<b>(1.040)</b>	<b>-</b>	<b>(299.954)</b>
Capital Investment	-	-	-	-	-
Amortization	(43.727)	(3.563)	(482)	-	(47.772)
Impairment	-	-	(558)	-	(558)
Non-Cash Other Income-Expense(***)	(251.624)	-	-	-	(251.624)

(\*) Corporate tax provision is not distributed.

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

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

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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 September 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Cash/Foreign Currency	279.000	175.857	230.041	130.420
The CBRT	30.066	3.039.201	65.788	2.065.213
Other (*)	-	15.163	-	60.230
<b>Total</b>	<b>309.066</b>	<b>3.230.221</b>	<b>295.829</b>	<b>2.255.863</b>

(\*) As of 30 September 2013, account of Precious Metal is amounting to TL 15.163, there is no Money in Transit, 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 September 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Unrestricted Demand Deposit	29.383	29	65.788	3
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	683	3.039.172	-	2.065.210
<b>Total</b>	<b>30.066</b>	<b>3.039.201</b>	<b>65.788</b>	<b>2.065.213</b>

**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 September 2013, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (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 September 2013, the Bank has financial assets at fair value through profit or loss given as collateral/blocked amounting to TL 182 (31 December 2012: TL 185).

As of 30 September 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 September 2013, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 537.592 (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:**

	<b>Current Period 30 September 2013</b>		<b>Prior Period 31 December 2012</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	4.807	178.990	1.315	30.528
Swap Transactions	23.053	891.259	5.864	84.968
Futures Transactions	-	46	-	2
Options	-	105.891	-	10.294
Other	-	-	-	-
<b>Total</b>	<b>27.860</b>	<b>1.176.186</b>	<b>7.179</b>	<b>125.792</b>

**c. Information on banks:**

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

	<b>Current Period 30 September 2013</b>		<b>Prior Period 31 December 2012</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Banks</b>	<b>536.083</b>	<b>1.650.504</b>	<b>285.070</b>	<b>614.559</b>
Domestic	504.640	1.366.383	252.782	8
Foreign	31.443	284.121	32.288	614.551
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>536.083</b>	<b>1.650.504</b>	<b>285.070</b>	<b>614.559</b>

**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 September 2013, the Bank has financial assets available for sale given as collateral/blocked amount to TL 400.510 (31 December 2012: TL 275.654).

As of 30 September 2013 the Bank has financial assets available for sale amounting to TL 1.623.629 subject to repurchase agreement (31 December 2012: None).

As of 30 September 2013 the Bank has financial assets available for sale in unrestricted account amounting to TL 1.253.947 (31 December 2012: TL 2.739.876).

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
<b>Debt Securities</b>	<b>3.302.293</b>	<b>3.016.359</b>
Quoted to Stock Exchange	3.302.293	3.016.359
Not Quoted	-	-
<b>Share Certificate</b>	<b>4.225</b>	<b>4.211</b>
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.211
<b>Impairment Provision (-)</b>	<b>24.207</b>	<b>829</b>
<b>Total</b>	<b>3.282.311</b>	<b>3.019.741</b>

(\*) The balance of Kredi Garanti Fonu and Borsa İstanbul 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:**

	<b>Current Period 30 September 2013</b>		<b>Prior Period 31 December 2012</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
<b>Direct Loans Granted to Shareholders</b>	<b>77</b>	<b>183.362</b>	<b>-</b>	<b>22.557</b>
Corporate Shareholders	77	183.362	-	22.557
Real Person Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>7.980</b>	<b>429.232</b>	<b>12.104</b>	<b>333.668</b>
<b>Loans Granted to Employees</b>	<b>33.537</b>	<b>-</b>	<b>32.714</b>	<b>-</b>
<b>Total</b>	<b>41.594</b>	<b>612.594</b>	<b>44.818</b>	<b>356.225</b>



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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
<b>Non-specialised Loans</b>	<b>17.128.352</b>	<b>834.839</b>	-	<b>483.803</b>	<b>62.815</b>	-
Commercial Loans	5.777.067	666.397	-	214.757	56.807	-
Export Loans	1.156.151	62.321	-	5.555	3.729	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	134.759	-	-	-	-	-
Consumer Loans	4.735.128	17.613	-	100.917	300	-
Credit Cards	4.585.721	11.873	-	151.728	1.615	-
Other (*)	739.526	76.635	-	10.846	364	-
<b>Specialised Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
	<b>17.128.352</b>	<b>834.839</b>	-	<b>483.803</b>	<b>62.815</b>	-

(\*) Includes the factoring receivables amounting to TL 158.240.

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	794.852
Extended by 3, 4 or 5 times	39.987	1.936
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	110.131
6 – 12 Months	265.511	32.232
1 – 2 Years	183.339	3.159
2 – 5 Years	158.809	21.633
5 years or more	117.049	3.003

**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:**

	<b>Short-term</b>	<b>Medium and Long-term</b>	<b>Total</b>
<b>Consumer Loans-TL</b>	<b>61.647</b>	<b>4.522.442</b>	<b>4.584.089</b>
Mortgage Loans	815	1.758.317	1.759.132
Automotive Loans	-	16.567	16.567
Consumer Loans	60.832	2.747.558	2.808.390
Other	-	-	-
<b>Consumer Loans- Indexed to FC</b>	<b>22</b>	<b>20.443</b>	<b>20.465</b>
Mortgage Loans	-	15.449	15.449
Automotive Loans	-	17	17
Consumer Loans	22	4.977	4.999
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>4.293.954</b>	<b>399.639</b>	<b>4.693.593</b>
Installment	2.173.249	399.639	2.572.888
Non Installment	2.120.705	-	2.120.705
<b>Individual Credit Cards-FC</b>	<b>8.178</b>	<b>-</b>	<b>8.178</b>
Installment	-	-	-
Non Installment	8.178	-	8.178
<b>Personnel Loans-TL</b>	<b>1.270</b>	<b>21.578</b>	<b>22.848</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.270	21.578	22.848
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>10.643</b>	<b>-</b>	<b>10.643</b>
Installment	5.930	-	5.930
Non Installment	4.713	-	4.713
<b>Personnel Credit Cards-FC</b>	<b>46</b>	<b>-</b>	<b>46</b>
Installment	-	-	-
Non Instalment	46	-	46
<b>Overdraft Account-TL (Individual)</b>	<b>226.556</b>	<b>-</b>	<b>226.556</b>
<b>Overdraft Account-FC (Individual)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Consumer Loans</b>	<b>4.602.316</b>	<b>4.964.102</b>	<b>9.566.418</b>

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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
<b>Commercial Installment Loans-TL</b>	<b>53.176</b>	<b>573.264</b>	<b>626.440</b>
Mortgage Loans	13	5.882	5.895
Automotive Loans	169	22.514	22.683
Consumer Loans	52.994	544.868	597.862
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>14.119</b>	<b>331.902</b>	<b>346.021</b>
Mortgage Loans	-	339	339
Automotive Loans	-	7.362	7.362
Consumer Loans	14.119	324.201	338.320
Other	-	-	-
<b>Commercial Installment Loans-FC</b>	<b>-</b>	<b>13.235</b>	<b>13.235</b>
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	13.235	13.235
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>37.725</b>	<b>60</b>	<b>37.785</b>
Installment	15.714	60	15.774
Non Installment	22.011	-	22.011
<b>Corporate Credit Cards-FC</b>	<b>692</b>	<b>-</b>	<b>692</b>
Instalment	-	-	-
Non Installment	692	-	692
<b>Overdraft Account-TL (Commercial)</b>	<b>93.771</b>	<b>-</b>	<b>93.771</b>
<b>Overdraft Account-FC (Commercial)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>199.483</b>	<b>918.461</b>	<b>1.117.944</b>

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

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

**7. Domestic and foreign loans:**

	Current Period 30 September 2013	Prior Period 31 December 2012
Domestic Loans	18.125.369	15.132.945
Foreign Loans	384.440	116.358
<b>Total</b>	<b>18.509.809</b>	<b>15.249.303</b>

(\*) Includes the factoring receivables amounting to TL 158.240 (31 December 2012: TL 92.463).

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

	Current Period 30 September 2013	Prior Period 31 December 2012
Direct Loans Granted to Associates and Subsidiaries	29	33
Indirect Loans Granted to Associates and Subsidiaries	-	-
<b>Total</b>	<b>29</b>	<b>33</b>

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 30 September 2013	Prior Period 31 December 2012
Loans and Receivables with Limited Collectability	26.011	20.548
Loans and Receivables with Doubtful Collectability	105.684	63.558
Uncollectible Loans and Receivables	605.761	398.557
<b>Total</b>	<b>737.456</b>	<b>482.663</b>

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
<b>Current Period: 30 September 2013</b>			
<b>(Gross Amounts Before Specific Provisions)</b>	<b>12.319</b>	<b>6.159</b>	<b>15.379</b>
Restructured Loans and Other Receivables	12.319	6.159	15.379
Rescheduled Loans and Other Receivables	-	-	-
<b>Prior Period: 31 December 2012</b>			
<b>(Gross Amounts Before Specific Provisions)</b>	<b>2.973</b>	<b>9.874</b>	<b>41.071</b>
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
<b>Prior Period Balances at the End of the 31 December 2012</b>	<b>118.937</b>	<b>145.273</b>	<b>483.441</b>
Additions (+)	302.981	101.057	26.749
Transfers from Other Categories of Non-Performing Loans (+)	1.043	241.386	227.056
Transfers to Other Categories of Non-Performing Loans (-)	246.135	221.308	2.042
Collections (-)	25.198	29.053	47.725
Write-offs (-)	-	-	84
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	31
Other	-	-	53
<b>Balance at the End of the Period: 30 September 2013</b>	<b>151.628</b>	<b>237.355</b>	<b>687.395</b>
Specific Provisions (-)	26.011	105.684	605.761
<b>Net Balance on Balance Sheet</b>	<b>125.617</b>	<b>131.671</b>	<b>81.634</b>

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other</b>	<b>Loans and Other</b>	<b>Uncollectible</b>
	<b>Receivables with</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Other</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Receivables</b>
<b>Current Period: 30 September 2013</b>			
Balance at the End of the Period	-	-	14.088
Specific Provisions (-)	-	-	14.088
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period: 31 December 2012</b>			
Balance at the End of the Period	-	-	14.428
Specific Provisions (-)	-	-	14.428
<b>Net Balance on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and Other</b>	<b>Loans and Other</b>	<b>Uncollectible</b>
	<b>Receivables with</b>	<b>Receivables with</b>	<b>Loans and</b>
	<b>Limited</b>	<b>Doubtful</b>	<b>Other</b>
	<b>Collectability</b>	<b>Collectability</b>	<b>Receivables</b>
<b>Current Period (Net): 30 September 2013</b>			
Loans granted to corporate entities and real persons (Gross)	125.617	131.671	81.634
Specific Provisions Amount (-)	151.628	237.355	675.652
Loans granted to corporate entities and real persons (Net)	26.011	105.684	594.018
Banks (Gross)	125.617	131.671	81.634
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	11.743
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
<b>Prior Period (Net): 31 December 2012</b>			
Loans granted to corporate entities and real persons (Gross)	98.389	81.715	84.797
Specific Provisions Amount (-)	118.937	145.273	471.611
Loans granted to corporate entities and real persons (Net)	20.548	63.558	386.814
Banks (Gross)	98.389	81.715	84.797
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	11.743
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

For uncollectible loans, primarily, a reach for an agreement with the company and third parties (natural and/ or legal) having guarantees subject to the risk is being sought and actions either aimed at liquidation of collateral in the loan risk warranty or aimed at proceedings without 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 September 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 September 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 September 2013 and 31 December 2012, the Bank has no investments held to maturity.

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

As of 30 September 2013 and 31 December 2012, the Bank 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 September 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.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	100,00	0,00
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	6.409	6.182	90	82	-	1.084	1.126	-
2	64	63	-	-	-	(14)	(11)	-

(\*) Prepared with the audited financial statements as of 30 September 2013.

(\*\*) The prior period balances represent the amounts as of 30 September 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 HSBC Yatırım ve Menkul Değerler A.Ş.	Esentepe Mahallesi Büyükdere Caddesi No:128 Şişli 34394, İSTANBUL	99,87	0,13

**b) Main financial figures of 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	92.980	80.009	5	899	780	10.433	6.516	-

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

(\*\*) The prior period balances represents the amounts as of 30 June 2012.

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

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
<b>Balance at the Beginning of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(decrease) of valuation	-	-
<b>Balance at the End of the Period</b>	<b>34.753</b>	<b>34.753</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of the Period (%)</b>	<b>99,87</b>	<b>99,87</b>

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

<b>Subsidiaries</b>	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
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 September 2013 and 31 December 2012.

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

- The Bank has no jointly controlled entities as of 30 September 2013 and 31 December 2012.
- As of 30 September 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 September 2013 and 31 December 2012, the Bank has no finance lease.

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

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



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

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

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

**m. Information on intangible assets:**

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

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

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

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

As of 30 September 2013 deferred tax asset of the Bank is TL 9.125 (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. Information on assets held for sale and assets related to discontinued operations:**

As of 30 September 2013, assets held for sale of the Bank is TL 3.930 (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 38.089 (31 December 2012: TL 32.693), the prepaid expenses amounting to TL 66.589 (31 December 2012: TL 49.614), other rediscount income amounting to TL 9.750 (31 December 2012: TL 7.865), miscellaneous receivables amounting to TL 49.923 (31 December 2012: TL 8.221), and other assets amounting to TL 2.004 (31 December 2012: TL 1.850).

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

As of 30 September 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 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 September 2013:**

	<b>Demand</b>	<b>With 7 Days Maturity</b>	<b>Up to 1 Month</b>	<b>1 - 3 Months</b>	<b>3 - 6 Months</b>	<b>6 Months -1 Year</b>	<b>1 Year and Over</b>	<b>Cumulative Deposit</b>	<b>Total</b>
Saving Deposits	627.789	-	467.647	4.978.955	253.393	224.243	48.042	-	6.600.069
Foreign Currency Deposits	1.466.072	-	1.298.907	3.386.281	162.974	177.446	153.239	-	6.644.919
Residents in Turkey	1.225.605	-	1.219.009	2.865.915	120.679	84.068	114.265	-	5.629.541
Residents Abroad	240.467	-	79.898	520.366	42.295	93.378	38.974	-	1.015.378
Public Sector Deposits	373.251	-	44	23	-	-	-	-	373.318
Commercial Deposits	426.161	-	1.427.922	961.708	27.738	17.357	871	-	2.861.757
Other Institutions Deposits	12.677	-	16.881	93.959	6.597	174	26	-	130.314
Precious Metal Deposit	356.855	-	-	2.975	2.882	1.793	-	-	364.505
Bank Deposits	25.690	-	330.022	-	-	2.007	-	-	357.719
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	41	-	318.116	-	-	2.007	-	-	320.164
Foreign Banks	25.649	-	11.906	-	-	-	-	-	37.555
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3.288.495</b>	<b>-</b>	<b>3.541.423</b>	<b>9.423.901</b>	<b>453.584</b>	<b>423.020</b>	<b>202.178</b>	<b>-</b>	<b>17.332.601</b>

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

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

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

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

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Saving Deposits (*)	3.502.336	2.264.542	2.908.035	3.098.544
Foreign Currency Saving Deposits	1.279.975	836.678	2.580.609	2.820.507
Other Deposits in the Form of Saving Deposits	85.069	42.490	219.328	344.438
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	189.971	173.781	228.078	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	Prior Period
	30 September 2013	31 December 2012
Foreign Branches' Deposits and other accounts	228.078	228.434
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
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 wordship	6.365	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		Prior Period	
	30 September 2013		31 December 2012	
	TL	FC	TL	FC
Forward Transactions	-	135.907	-	13.790
Swap Transactions	13.539	695.309	75.453	86.433
Future Transactions	-	17	-	24
Options	-	106.525	-	10.868
Other	-	-	-	-
<b>Total</b>	<b>13.539</b>	<b>937.758</b>	<b>75.453</b>	<b>111.115</b>

**c. Information on repurchase agreements:**

As of 30 September 2013, the Bank has repurchase agreements amounting to TL 1.601.967 (31 December 2012: None).

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

**d. Information on funds borrowed:**

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

	Current Period 30 September 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	7.524	2.660	9.998	2.734
Foreign Banks, Institutions and Funds	3.016.905	6.995.186	2.087.830	3.597.009
<b>Total</b>	<b>3.024.429</b>	<b>6.997.846</b>	<b>2.097.828</b>	<b>3.599.743</b>

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

	Current Period 30 September 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Short-term	1.134.769	4.636.165	1.411.611	3.126.066
Medium and Long-term	1.889.660	2.361.681	686.217	473.677
<b>Total</b>	<b>3.024.429</b>	<b>6.997.846</b>	<b>2.097.828</b>	<b>3.599.743</b>

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

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

**e. Information on other liabilities:**

Other liabilities of the 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) Information 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	Prior Period
	30 September 2013	31 December 2012
Less Than 1 Year	57.953	64.846
Between 1-4 Years	116.715	134.485
More Than 4 Years	11.771	13.542
<b>Total</b>	<b>186.439</b>	<b>212.873</b>

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

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

As of 30 September 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. Information on provisions:**

**1. Information on general provisions:**

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
<b>General Provisions</b>	<b>334.440</b>	<b>248.321</b>
Provisions for First Group Loans and Receivables	221.376	173.027
- Additional Provision for Loans and Receivables with Extended Maturities	42.481	22.540
Provisions for Second Group Loans and Receivables	11.836	15.920
- Additional Provision for Loans and Receivables with Extended Maturities	3.882	2.839
Provisions for Non-Cash Loans	48.055	23.584
Other	6.810	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 September 2013, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 756 (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 September 2013, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 2.258 (31 December 2012: TL 249).

**4. Information on other provisions:**

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

As of 30 September 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 14.039 (31 December 2012: TL 15.710), provisions for checks under follow-up amounting to TL 7.962 (31 December 2012: TL 5.413), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 2.258 (31 December 2012: TL 249), and other provision amounting to TL 30.901 (31 December 2012: TL 24.904) are classified under other provisions.

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

**i. Explanations on tax liability:**

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

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

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2013</b>	<b>31 December 2012</b>
Corporate Taxes Payable	-	19.737
Taxation on Marketable Securities	10.834	11.149
Capital Gains Tax on Property	1.106	1.195
Banking Insurance Transaction Tax (BITT)	11.373	11.213
Foreign Exchange Transaction Tax	17	10
Value Added Tax Payable	972	1.618
Other (*)	9.461	12.798
<b>Total</b>	<b>33.763</b>	<b>57.720</b>

(\*) As of 30 September 2013, consists of payroll tax amounting to TL 8.011 (31 December 2012: TL 10.945), self-employed income tax amounting to TL 210 (31 December 2012: TL 46), stamp tax amounting to TL 288 (31 December 2012: TL 275) and other taxes amounting to TL 952 (31 December 2012: TL 1.532).

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

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2013</b>	<b>31 December 2012</b>
Social Security Premiums – Share	3.458	3.072
Social Security Premiums – Share	3.703	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	243	227
Unemployment Insurance – Share	478	446
Other	-	-
<b>Total</b>	<b>7.882</b>	<b>6.966</b>

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

As of 30 September 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 September 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 TO 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:**

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. As of 30 September 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. 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 LIABILITIES (Continued)**

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

	Current Period 30 September 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	(24.339)	-	35.769	-
Translation Difference	-	-	-	-
<b>Total</b>	<b>(24.339)</b>	<b>-</b>	<b>35.769</b>	<b>-</b>

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

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

**10. Information on legal reserves:**

	Current Period 30 September 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	-	-
<b>Total</b>	<b>178.013</b>	<b>175.911</b>

**11. Information on extraordinary reserves:**

	Current Period 30 September 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	-	-
<b>Total</b>	<b>1.911.360</b>	<b>1.732.664</b>

**12. Information 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 September 2013, the Bank has amounting to irrevocable commitments TL 21.562.624 (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:**

As of 30 September 2013, the Bank has letter of credit amounting to TL 1.015.119 (31 December 2012: TL 829.298), acceptances amounting to TL 1.053.511 (31 December 2012: TL 694.336) and commitments and contingencies due to letter of credit amounting to TL 863.005 (31 December 2012: TL 642.956) as of 30 September 2013. Also the Bank has other commitments and contingencies amounting to TL 511.196 (31 December 2012: TL 365.103).

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

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

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

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 31 December 2012</b>
<b>Non-Cash Loans Given for Cash Loan Risks</b>	<b>6.539</b>	<b>69.085</b>
With Original Maturity of One Year or Less	6.539	69.085
With Original Maturity of More than One Year	-	-
<b>Other Non-Cash Loans</b>	<b>3.436.292</b>	<b>2.462.608</b>
<b>Total</b>	<b>3.442.831</b>	<b>2.531.693</b>

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

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

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:**

As of 30 September 2013, the Bank has forward transactions amounting to TL 10.090.892 (31 December 2012: 4.382.895 TL), currency swap amounting to TL 83.918.543 (31 December 2012: TL 20.559.709 TL), currency option amounting to TL 11.862.876 (31 December 2012: TL 3.076.976), interest rate option amounting to TL 263.120 (31 December 2012: TL 593.340), interest rate swap amounting to TL 6.581.568 (31 December 2012: TL 6.312.752). As of 30 September 2013, the Bank has interest rate future amounting to TL 1.063.274 (31 December 2012: TL 1.057.844). Also Bank has other derivative financial instruments amounting to TL 203.588 as of 30 September 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 September 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 September 2013, the total amount of these lawsuits filed against the Bank is TL 12.445 (31 December 2012: TL 11.107). A provision of TL 1.952 (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 2011 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 4<sup>th</sup> 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 16<sup>th</sup> 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 5<sup>th</sup> article and second paragraph, clause of the third and first paragraphs of 7<sup>th</sup> 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. Subsequently payment of administrative fines imposed by the Competition Authority, the Bank has decided to file a lawsuit against Ankara Administrative Court for the cancellation of the Court’s decision.

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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 TO INCOME STATEMENT**

**a. Information on interest income:**

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

	Current Period 30 September 2013		Prior Period 30 September 2012	
	TL	FC	TL	FC
Short-term Loans	639.176	32.219	765.696	41.147
Medium and Long-Term Loans	556.861	90.306	480.263	71.684
Interest on Loans Under Follow-Up	13.791	134	18.282	-
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>1.209.828</b>	<b>122.659</b>	<b>1.264.241</b>	<b>112.831</b>

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

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

	Current Period 30 September 2013		Prior Period 30 September 2012	
	TL	FC	TL	FC
From the CBRT		-	-	258
From Domestic Banks	31.072	4.410	51.894	339
From Foreign Banks	858	339	1.498	159
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>31.930</b>	<b>4.749</b>	<b>53.392</b>	<b>756</b>

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

	Current Period 30 September 2013		Prior Period 30 September 2012	
	TL	FC	TL	FC
Financial Assets Held For Trading	25.200	318	53.217	446
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	171.308	-	137.577	604
Investments Held to Maturity	-	-	-	-
<b>Total</b>	<b>196.508</b>	<b>318</b>	<b>190.794</b>	<b>1.050</b>

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

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

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

**b. Information on interest expense:**

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

	Current Period 30 September 2013		Prior Period 30 September 2012	
	TP	YP	TP	YP
Banks	133.379	81.340	186.080	71.141
The CBRT	-	-	-	-
Domestic Banks	642	82	825	246
Foreign Banks	132.737	81.258	185.255	70.895
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>133.379</b>	<b>81.340</b>	<b>186.080</b>	<b>71.141</b>

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

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

	Current Period 30 September 2013	Prior Period 30 September 2012
Interest Expenses Given to Subsidiaries and Associates	908	1.019

**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 September 2013	Time Deposit						Total	Up to 1 Month
	Demand Deposit	Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	3.176	-	-	100	-	-	3.276
Saving deposits	-	18.243	216.181	36.994	13.056	5.323	-	289.797
Public sector deposits	-	2	8	-	-	-	-	10
Commercial deposits	-	69.476	9.205	1.327	461	205	-	80.674
Other deposits	-	635	1.795	41	10	-	-	2.481
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>91.532</b>	<b>227.189</b>	<b>38.362</b>	<b>13.627</b>	<b>5.528</b>	-	<b>376.238</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	11.788	39.782	5.831	2.028	4.000	-	63.429
Interbank deposits	-	326	-	-	-	-	-	326
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	2	1	1	-	-	4
<b>Total</b>	-	<b>12.114</b>	<b>39.784</b>	<b>5.832</b>	<b>2.029</b>	<b>4.000</b>	-	<b>63.759</b>
<b>Grand Total</b>	-	<b>103.646</b>	<b>266.973</b>	<b>44.194</b>	<b>15.656</b>	<b>9.528</b>	-	<b>439.997</b>

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

Current Period: 30 September 2012	Demand Deposit	Time Deposit					Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
<b>Turkish Lira</b>								
Interbank deposits	-	3.744	108	-	646	-	-	4.498
Saving deposits	-	16.298	217.018	113.677	8.197	6.244	-	361.434
Public sector deposits	-	2	57	31	-	-	-	90
Commercial deposits	-	72.930	17.577	28.473	924	725	-	120.629
Other deposits	-	2.382	13.131	7.274	25	1	-	22.813
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>95.356</b>	<b>247.891</b>	<b>149.455</b>	<b>9.792</b>	<b>6.970</b>	-	<b>509.464</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	14.014	46.670	6.989	2.082	4.846	-	74.601
Interbank deposits	-	678	-	-	-	-	-	678
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>14.692</b>	<b>46.670</b>	<b>6.989</b>	<b>2.082</b>	<b>4.846</b>	-	<b>75.279</b>
<b>Grand Total</b>	-	<b>110.048</b>	<b>294.561</b>	<b>156.444</b>	<b>11.874</b>	<b>11.816</b>	-	<b>584.743</b>

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

The Bank has interest given on repurchase agreement amounting to TL 19.838 (30 September 2012: TL 28.965) during the nine month period ended on 30 September 2013.

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

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

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

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

**c. Explanations on dividend income:**

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 14.343 during the period ended on 30 September 2013 (30 September 2012: TL 7.415).

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

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 30 September 2012</b>
<b>Profit</b>	<b>30.957.693</b>	<b>7.626.647</b>
Capital Market Transactions Income	40.886	46.892
Gain on Derivative Financial Transactions	647.713	293.607
Foreign Exchange Gains	30.269.094	7.286.148
<b>Loss (-)</b>	<b>31.007.432</b>	<b>7.827.632</b>
Capital Market Transactions Loss	34.225	17.648
Loss on Derivative Financial Transactions	705.729	528.240
Foreign Exchange Loss	30.267.478	7.281.744
<b>Total (Net)</b>	<b>(49.739)</b>	<b>(200.985)</b>

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 30 September 2012</b>
Effect of the change in exchange rates on profit/loss	105.642	(180.132)
Effect of the change in interest rates on profit/loss	(163.658)	(54.501)
<b>Total (Net)</b>	<b>(58.016)</b>	<b>(234.633)</b>

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

As of 30 September 2013, other operating income consists of reverse of the previous year provision amounting to TL 4.593 (30 September 2012: TL 14.159), provision for telecommunication expense amounting to TL 2.504 (30 September 2012: TL : 2.902), gain on sale of assets amounting to TL 1.867 (30 September 2012: TL 1.917) and other income amounting to TL 18.006 (30 September 2012: TL 22.419).

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 30 September 2012</b>
Specific Provisions for Loans and Other Receivables	255.890	146.991
III. Group Loans and Receivables	5.502	11.939
IV. Group Loans and Receivables	42.319	30.948
V. Group Loans and Receivables	208.069	104.104
General Provision Expenses	86.119	54.242
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	4.458	558
Financial Assets at Fair Value Through Profit or Loss	1.495	175
Available-for-sale Financial Assets	2.963	383
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	9.748	10.554
<b>Total</b>	<b>356.215</b>	<b>212.345</b>

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

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

	<b>Current Period 30 September 2013</b>	<b>Prior Period 30 September 2012</b>
Personnel Expenses	432.716	361.321
Reserve for Employee Termination Benefits	6.130	9.455
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	35.223	42.580
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	3.762	5.081
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	86	111
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	321.656	316.364
Operational Lease Expenses	95.595	100.555
Maintenance Expenses	18.848	13.121
Advertisement Expenses	37.335	32.766
Other Expenses	169.878	169.922
Loss on Sales of Assets	245	713
Other	143.399	105.654
<b>Total</b>	<b>943.217</b>	<b>841.279</b>

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

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

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

As of 30 September 2013, the Bank has corporate tax provision expense amounting to TL 25.719 (30 September 2012: TL 76.275) and deferred tax income amounting to TL 21.479 (30 September 2012: TL 30.940).

The total amount of deferred tax income, amounting to TL 21.479 (30 September 2012: TL 30.940), 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 TO THE INCOME STATEMENT (Continued)**

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

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

Net interest income, amounting to TL 999.514 (30 September 2012: TL 1.034.277), and net wage and commission income amounting to TL 427.029 (30 September 2012: TL 347.674) have an important role among the income items in the interim accounting period ending on 30 September 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. Information on dividend distribution:**

None.

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

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

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

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

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

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

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

**a. Explanations about other cash 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 September 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	29	315	8.057	612.594	96	53
Interest and Commissions Income	-	2	387	1.109	-	-

**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(*)	-	2	1.268	573	-	-

(\*) The prior period balances present amounts of 30 September 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Deposit						
Opening Balance	28.764	18.461	33.834	112.325	4.527	3.788
Closing Balance	26.572	28.764	18.574	33.834	4.855	4.527
Interest expense on deposits (*)	908	1.019	-	-	-	298

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

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2013	31 December 2012	30 September 2013	31 December 2012	30 September 2013	31 December 2012
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	30.949.573	16.338.478	-	-
Closing Balance	-	-	100.840.530	30.887.161	-	-
Total Profit/Loss(*)	-	-	(6.112)	(428.450)	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

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

As of 30 September 2013, payment is made to top executives of the Bank amounting to TL 42.722 (30 September 2012: TL 29.633).

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**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**

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

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

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

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

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

**1. Transactions that have not been finalized and their effect on the 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.**  
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2013**  
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**SECTION SIX**

**OTHER EXPLANATIONS**

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

None.

**SECTION SEVEN**

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

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

As of 30 September 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 November 2013 is presented before to the unconsolidated financial statements.

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

None.