

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
AND REVIEW REPORT
AT 30 SEPTEMBER 2012,
SEE NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH REVIEW REPORT
AT 30 SEPTEMBER 2012**



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

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

We have reviewed the accompanying unconsolidated balance sheet of HSBC Bank A.Ş. ("the Bank") at 30 September 2012 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the 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 Uniform Chart of Accounts of banks, accounting standards and the independent audit principles in conformity with Banking Law No. 5411. Those principles require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries concerning the Bank's personnel and analytical procedures applied to financial data and thus provides 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 give a true and fair view of the financial position of HSBC Bank A.Ş. at 30 September 2012 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411 and other regulations, interpretations and circulars published by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Additional paragraph for convenience translation:

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Haluk Yalçın, SMMM

Istanbul, 14 November 2012



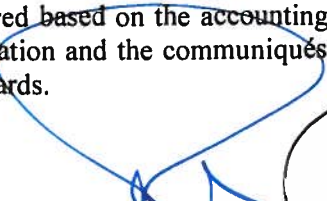
**UNCONSOLIDATED FINANCIAL STATEMENTS OF HSBC BANK A.S. AND
AUDIT REPORT AS AT 30 SEPTEMBER 2012**

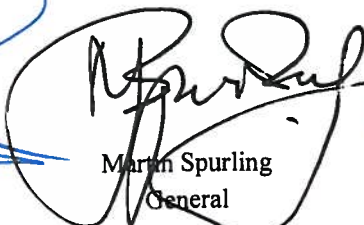
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The interim financial report includes the following sections in accordance with "The Financial Statements and Related Explanation and Footnotes that will be made Publicly Available" as sanctioned by the Banking Regulation and Supervision Agency:


- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- EXPLANATIONS ON LIMITED REVIEW REPORT


The accompanying reviewed unconsolidated financial statements and notes to these financial statements are expressed, unless otherwise stated, in thousand of Turkish Lira ("TL"), have been prepared based on the accounting books of the Bank in accordance with the Accounting Application Regulation and the communiqués on Turkish Accounting Standards and Turkish Financial Reporting Standards.



Peter William Boyles
Chairman


Martin Spurling
General
Manager


Neslihan Erkazancı
Assistant
General Manager


Burçin Ozan
Group Head


Gilles Denoyel
Head of
Audit Comitee


Leyla Etker
Member of
Audit Comitee

Information about the responsible personnel whom questions may be asked:

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HSBC Bank A.Ş.

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TURKISH, SEE IN NOTE I OF SECTION THREE**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

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

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

(*) Edward Michael Flanders has been appointed as a Member of Board of Directors with Extraordinary General Meeting as of 18 September 2012.

(**) Tolunay Kaşay has been appointed as a Director of Internal Audit with Board Resolution No. 13038 and dated 6 November 2012.

There is no owned shares of the above individuals.

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

IV. INFORMATION ON QUALIFIED SHAREHOLDERS

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

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

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

V. SUMMARY INFORMATION ON THE BANK’S ACTIVITIES AND SERVICES

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

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

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

As of 30 September 2012, the Bank has 327 branches dispersed throughout the country and 4 branches operating abroad (31 December 2011: 326 branches and 4 branches operating abroad).

As of 30 September 2012, the Bank employed 5.994 (31 December 2011: 6.155).

VI. OTHER MATTERS

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

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

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

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

None.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheets - Assets**
- I. Balance Sheets - Liabilities and Equity**
- II. Statements of Off-Balance Sheet Commitments**
- III. Income Statements**
- IV. Statements of Income and Expense Items Accounted 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 I OF SECTION THREE**

HSBC BANK A.Ş.

**UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five I)	Current Period (30/09/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	218.305	1.973.705	2.192.010	332.912	1.466.657	1.799.569
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	2.125.181	80.081	2.205.262	302.009	54.235	356.244
2.1 Trading Financial Assets		2.125.181	80.081	2.205.262	302.009	54.235	356.244
2.1.1 Government Debt Securities		2.027.525	8.980	2.036.505	165.958	17.414	183.372
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		97.656	71.101	168.757	131.127	36.821	167.948
2.1.4 Other Marketable Securities		-	-	-	4.924	-	4.924
2.2 Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
III. BANKS	(I-c)	763.571	237.644	1.001.215	97.216	269.329	366.545
IV. MONEY MARKETS		1.703.879	35.946	1.739.825	4.152.681	-	4.152.681
4.1 Interbank Money Market Placements		-	35.946	35.946	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		1.703.879	-	1.703.879	4.152.681	-	4.152.681
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	2.463.814	-	2.463.814	2.257.545	478.755	2.736.300
5.1 Share Certificates		4.000	-	4.000	3.000	-	3.000
5.2 Government Debt Securities		2.459.814	-	2.459.814	2.254.545	478.755	2.733.300
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	12.870.886	2.574.031	15.444.917	11.070.338	2.762.891	13.833.229
6.1 Loans		12.653.126	2.574.031	15.227.157	10.900.215	2.762.157	13.662.372
6.1.1 Bank's risk group	(VII)	25	7.781	7.806	12	8.861	8.873
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		12.653.101	2.566.250	15.219.351	10.900.203	2.753.296	13.653.499
6.2 Loans under Follow-up		784.594	14.453	799.047	593.108	14.460	607.568
6.3 Specific Provisions (-)		566.834	14.453	581.287	422.985	13.726	436.711
VII. FACTORING RECEIVABLES		105.862	13.159	119.021	205.080	17.891	222.971
VIII. HELD-TO-MATURITY SECURITIES (Net)	(I-f)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(I-g)	-	-	-	-	-	-
9.1 Consolidated Based on Equity Method		-	-	-	-	-	-
9.2 Unconsolidated		-	-	-	-	-	-
9.2.1 Financial Investments in Associates		-	-	-	-	-	-
9.2.2 Non-financial Investments in Associates		-	-	-	-	-	-
X. SUBSIDIARIES (Net)	(I-h)	35.023	-	35.023	35.023	-	35.023
10.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	116.427	-	116.427	128.622	4	128.626
XV. INTANGIBLE ASSETS (Net)	(I-m)	90.122	-	90.122	89.712	-	89.712
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		6.672	-	6.672	6.262	-	6.262
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		30.683	-	30.683	8.772	-	8.772
17.1 Current Tax Asset		-	-	-	8.772	-	8.772
17.2 Deferred Tax Asset		30.683	-	30.683	-	-	-
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	4.550	-	4.550	7.801	-	7.801
18.1 Held for sale Purposes		4.550	-	4.550	7.801	-	7.801
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	339.892	14.127	354.019	385.857	8.611	394.468
TOTAL ASSETS		20.868.195	4.928.693	25.796.888	19.073.568	5.058.373	24.131.941

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (30/09/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(II-a)	7.856.626	5.619.136	13.475.762	8.084.617	5.162.164	13.246.781
1.1 Deposits of Bank's risk group	(VII)	49.330	1.621	50.951	132.543	2.031	134.574
1.2 Other		7.807.296	5.617.515	13.424.811	7.952.074	5.160.133	13.112.207
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	142.153	56.571	198.724	52.012	66.047	118.059
III. BORROWINGS	(II-d)	2.143.339	4.046.323	6.189.662	1.713.728	3.756.608	5.470.336
IV. MONEY MARKETS		835.646		835.646	889.994		889.994
4.1 Funds from Interbank Money Market							
4.2 Funds from Istanbul Stock Exchange Money Market							
4.3 Funds Provided Under Repurchase Agreements	(II-c)	835.646		835.646	889.994		889.994
V. MARKETABLE SECURITIES ISSUED (Net)							
5.1 Bills							
5.2 Asset Backed Securities							
5.3 Bonds							
VI. FUNDS							
6.1 Borrower funds							
6.2 Other							
VII. MISCELLANEOUS PAYABLES		696.440	228.675	925.115	473.102	7.589	480.691
VIII. OTHER LIABILITIES	(II-e)	226.854	72.641	299.495	223.841	100.634	324.475
IX. FACTORING PAYABLES		156		156	29		29
X. FINANCIAL LEASE PAYABLES (Net)	(II-f)					1	1
10.1 Financial Lease Payables						1	1
10.2 Operational Lease Payables							
10.3 Other							
10.4 Deferred Financial Lease Expenses (-)							
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(II-g)						
11.1 Fair Value Hedge							
11.2 Cash Flow Hedge							
11.3 Foreign Net Investment Hedge							
XII. PROVISIONS	(II-h)	304.685	1.396	306.081	244.426	1.597	246.023
12.1 General Loan Loss Provision		238.379		238.379	184.137		184.137
12.2 Restructuring Provisions							
12.3 Reserve for Employee Rights		26.081		26.081	23.066		23.066
12.4 Insurance Technical Provisions (Net)							
12.5 Other Provisions		40.225	1.396	41.621	37.223	1.597	38.820
XIII. TAX LIABILITY	(II-i)	64.906		64.906	42.635		42.635
13.1 Current Tax Liability		64.906		64.906	42.378		42.378
13.2 Deferred Tax Liability					257		257
XIV. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(II-j)						
14.1 Held for sale purpose							
14.2 Related to discontinued operations							
XV. SUBORDINATED LOANS	(II-k)		517.100	517.100		517.816	517.816
XVI. SHAREHOLDERS' EQUITY	(II-l)	2.984.241		2.984.241	2.795.701	(600)	2.795.101
16.1 Paid-in Capital		652.290		652.290	652.290		652.290
16.2 Capital Reserves		292.557		292.557	234.836	(600)	234.236
16.2.1 Share Premium							
16.2.2 Share Cancellation Profits							
16.2.3 Marketable Securities Valuation Differences		19.864		19.864	(37.857)	(600)	(38.457)
16.2.4 Property and Equipment Revaluation Differences							
16.2.5 Intangible Assets Revaluation Differences							
16.2.6 Revaluation differences of investment property							
16.2.7 Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (business partners)							
16.2.8 Hedging funds (Effective portion)							
16.2.9 Value increase in property and equipment held for sale and related to discontinued operations							
16.2.10 Other capital reserves		272.693		272.693	272.693		272.693
16.3 Profit Reserves		1.908.575		1.908.575	1.667.788		1.667.788
16.3.1 Legal Reserves		175.911		175.911	161.966		161.966
16.3.2 Status Reserves							
16.3.3 Extraordinary Reserves		1.732.664		1.732.664	1.505.822		1.505.822
16.3.4 Other Profit Reserves							
16.4 Income or (Loss)		130.819		130.819	240.787		240.787
16.4.1 Prior Years' Income or (Loss)							
16.4.2 Current Year Income or (Loss)		130.819		130.819	240.787		240.787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15.255.046	10.541.842	25.796.888	14.520.085	9.611.856	24.131.941

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 30 SEPTEMBER 2012 AND 31 DECEMBER 2011**

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

II. OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (30/09/2012)			Prior Period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		45.011.668	38.135.391	83.147.059	41.490.230	22.296.410	63.786.640
I.	GUARANTEES AND WARRANTIES	(III-a-2,3)	347.390	2.130.620	2.478.010	313.349	2.510.644	2.823.993
1.1	Letters of Guarantee		346.732	573.855	920.587	313.124	613.629	926.753
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		346.732	573.855	920.587	313.124	613.629	926.753
1.2	Bank Acceptances		-	780.164	780.164	225	917.906	918.131
1.2.1	Import Letter of Acceptance		-	778.530	778.530	225	917.906	918.131
1.2.2	Other Bank Acceptances		-	1.634	1.634	-	-	-
1.3	Letters of Credit		658	468.319	468.977	-	738.090	738.090
1.3.1	Documentary Letters of Credit		658	295.878	296.536	-	592.881	592.881
1.3.2	Other Letters of Credit		-	172.441	172.441	-	145.209	145.209
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	302.651	302.651	-	239.041	239.041
1.9	Other Collaterals		-	5.631	5.631	-	1.978	1.978
II.	COMMITMENTS	(III-a-1)	30.228.498	9.012.092	39.240.590	35.084.130	379.773	35.463.903
2.1	Irrevocable Commitments		11.001.043	9.012.092	20.013.135	7.708.782	379.773	8.088.555
2.1.1	Asset Purchase and Sale Commitments		3.112.270	9.012.020	12.124.290	71.490	379.692	451.182
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	5	5
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	1.000	-	1.000
2.1.4	Loan Granting Commitments		496.937	-	496.937	514.845	-	514.845
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		692.434	-	692.434	604.511	-	604.511
2.1.8	Tax and Fund Liabilities from Export Commitments		4.489	-	4.489	4.778	-	4.778
2.1.9	Commitments for Credit Card Limits		5.845.809	-	5.845.809	5.440.276	-	5.440.276
2.1.10	Commitments for credit cards and banking services promotions		7.049	-	7.049	5.925	-	5.925
2.1.11	Receivables from short sale commitments of marketable securities		-	-	-	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		842.055	72	842.127	1.065.957	76	1.066.033
2.2	Revocable Commitments		19.227.455	-	19.227.455	27.375.348	-	27.375.348
2.2.1	Revocable Loan Granting Commitments		19.227.455	-	19.227.455	27.375.348	-	27.375.348
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	14.435.780	26.992.679	41.428.459	6.092.751	19.405.993	25.498.744
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		14.435.780	26.992.679	41.428.459	6.092.751	19.405.993	25.498.744
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.111.233	2.276.591	3.387.824	1.249.556	2.243.857	3.493.413
3.2.1.1	Forward Foreign Currency Transactions-Buy		803.218	904.211	1.707.429	762.560	983.517	1.746.077
3.2.1.2	Forward Foreign Currency Transactions-Sell		308.015	1.372.380	1.680.395	486.996	1.260.340	1.747.336
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		11.152.181	21.202.016	32.354.197	4.318.178	12.175.981	16.494.159
3.2.2.1	Foreign Currency Swap-Buy		3.196.270	9.843.740	13.040.010	418.486	6.289.376	6.707.862
3.2.2.2	Foreign Currency Swap-Sell		7.955.911	5.066.008	13.021.919	3.899.692	2.698.507	6.598.199
3.2.2.3	Interest Rate Swap-Buy		-	3.146.134	3.146.134	-	1.594.049	1.594.049
3.2.2.4	Interest Rate Swap-Sell		-	3.146.134	3.146.134	-	1.594.049	1.594.049
3.2.3	Foreign Currency, Interest rate and Securities Options		2.172.366	3.348.330	5.520.696	525.017	3.269.771	3.794.788
3.2.3.1	Foreign Currency Options-Buy		1.086.183	1.347.665	2.433.848	230.530	535.268	765.798
3.2.3.2	Foreign Currency Options-Sell		1.086.183	1.347.665	2.433.848	294.487	476.115	770.602
3.2.3.3	Interest Rate Options-Buy		-	326.500	326.500	-	1.129.194	1.129.194
3.2.3.4	Interest Rate Options-Sell		-	326.500	326.500	-	1.129.194	1.129.194
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	1.716.384	1.716.384
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	767.856	767.856
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	948.528	948.528
3.2.6	Other		-	165.742	165.742	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		20.547.840	1.548.847	22.096.687	16.022.249	1.737.253	17.759.502
IV.	ITEMS HELD IN CUSTODY		16.486.727	1.516.575	18.003.302	11.963.478	1.604.608	13.568.086
4.1	Customer Fund and Portfolio Balances		1.460.733	-	1.460.733	1.626.037	-	1.626.037
4.2	Investment Securities Held in Custody		11.424.858	761.745	12.186.603	6.593.079	816.616	7.409.695
4.3	Checks Received for Collection		2.163.304	286.872	2.450.176	2.536.972	293.114	2.830.086
4.4	Commercial Notes Received for Collection		154.349	-	154.349	183.385	-	183.385
4.5	Other Assets Received for Collection		85	13.990	14.075	-	10.907	10.907
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.283.398	453.968	1.737.366	1.024.005	483.971	1.507.976
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		4.061.113	32.272	4.093.385	4.058.771	132.645	4.191.416
5.1	Marketable Securities		352.580	-	352.580	7.835	-	7.835
5.2	Guarantee Notes		147.977	32.272	180.249	179.868	132.645	312.513
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		3.560.556	-	3.560.556	3.871.068	-	3.871.068
5.6	Other Pledged Items		-	-	-	-	-	-
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)			65.559.508	39.684.238	105.243.746	57.512.479	24.033.663	81.546.142

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 2012 AND 30 SEPTEMBER 2011**

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

III. STATEMENT OF INCOME						
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period (01/01/2012 - 30/09/2012)	Prior Period (01/01/2011 - 30/09/2011)	Current Period (01/07/2012 - 30/09/2012)	Prior Period (01/07/2011 - 30/09/2011)
I.	INTEREST INCOME	(IV-a)	1.908.384	1.381.317	645.903	491.387
1.1	Interest on Loans	(IV-a-1)	1.377.072	1.035.148	477.746	380.076
1.2	Interest Received from Reserve Requirements		-	-	-	-
1.3	Interest Received from Banks	(IV-a-2)	54.148	22.451	32.737	6.325
1.4	Interest Received from Money Market Transactions		261.023	102.367	52.505	31.921
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	191.844	200.871	74.093	66.340
1.5.1	Trading Financial Assets		53.663	16.826	24.079	555
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-	-	-
1.5.3	Available-for-sale Financial Assets		138.181	184.045	50.014	65.785
1.5.4	Held to Maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		24.297	20.480	8.822	6.725
II.	INTEREST EXPENSE	(IV-b)	874.107	608.277	308.598	231.843
2.1	Interest on Deposits	(IV-b-4)	584.743	442.273	192.313	182.007
2.2	Interest on Funds Borrowed	(IV-b-1)	257.221	146.605	110.163	43.471
2.3	Interest Expense on Money Market Transactions	(IV-b-5)	28.965	14.982	5.834	6.155
2.4	Interest on Securities Issued	(IV-b-3)	-	-	-	-
2.5	Other Interest Expenses		3.178	4.417	288	210
III.	NET INTEREST INCOME (I + II)		1.034.277	773.040	337.305	259.544
IV.	NET FEES AND COMMISSIONS INCOME		347.674	297.573	113.469	102.280
4.1	Fees and Commissions Received		385.449	345.195	117.464	118.810
4.1.1	Non-cash Loans		13.530	5.137	4.439	1.741
4.1.2	Other		371.919	340.058	113.025	117.069
4.2	Fees and Commissions Paid		37.775	47.622	3.995	16.530
4.2.1	Non-cash Loans		371	296	131	95
4.2.2	Other		37.404	47.326	3.864	16.435
V.	DIVIDEND INCOME	(IV-c)	7.415	15.981	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(200.985)	(109.016)	(55.418)	(48.501)
6.1	Trading Gains/(Losses) on Securities		29.244	12.030	17.115	10.733
6.2	Derivative Financial Transactions Gains/(Losses)		(234.633)	(105.267)	(70.539)	(8.939)
6.3	Foreign Exchange Gains/(Losses)		4.404	(15.779)	(1.994)	(50.295)
VII.	OTHER OPERATING INCOME	(IV-e)	41.397	164.150	16.672	128.466
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.229.778	1.141.728	412.028	441.789
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	212.345	106.679	79.819	57.208
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	841.279	772.757	274.032	266.024
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		176.154	262.292	58.177	118.557
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		176.154	262.292	58.177	118.557
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(45.335)	(61.283)	(12.077)	(29.086)
16.1	Current Tax Provision	(IV-i)	(76.275)	(51.608)	(23.430)	(24.155)
16.2	Deferred Tax Provision		30.940	(9.675)	11.353	(4.931)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		130.819	201.009	46.100	89.471
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(IV-j)	-	-	-	-
18.1	Income from Non-current Assets Held for Resale		-	-	-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
18.3	Other Income From Discontinued Operations		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-	-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-
19.3	Other Expenses From Discontinued Operations		-	-	-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	130.819	201.009	46.100	89.471
	Earnings/ Loss per Share		0,00201	0,00308	0,00071	0,00137

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY AT
30 SEPTEMBER 2012 AND 30 SEPTEMBER 2011**

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (30/09/2012)	Prior Period (30/09/2011)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	83.049	(67.775)
II. PROPERTY AND EQUIPMENT REVALUATION DIFFERENCES	-	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-	-
IV. CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. PROFIT OR LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective part of the fair value differences)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ADJUSTMENT OF ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY ACCORDING TO TAS	-	-
IX. DEFERRED TAX RELATED TO VALUATION DIFFERENCES	(16.610)	13.555
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	66.439	(54.220)
XI. CURRENT YEAR PROFIT/LOSS	(8.118)	463
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	(8.118)	463
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	-	-
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	58.321	(53.757)

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 2011

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																		
30 September 2011	Note Section (Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserve	Statutory Reserves	Extraordinary Reserves	Other Reserve	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat	Minority Shares	Total Equity
I. Period Opening Balance		652.290	-	-	-	149.450	-	1.312.011	272.693	242.738	-	70.887	-	-	-	-	-	2.700.069
II. Changes in Accounting Policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		652.290	-	-	-	149.450	-	1.312.011	272.693	242.738	-	70.887	-	-	-	-	-	2.700.069
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(53.757)	-	-	-	-	-	(53.757)
VI. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Property and Equipment Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible Fixed Assets Revaluation Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Paid in-capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	201.009	-	-	-	-	-	-	-	201.009
XX. Profit Distribution		-	-	-	-	12.516	-	193.811	-	(242.738)	-	-	-	-	-	-	-	(36.411)
20.1 Dividend Paid		-	-	-	-	-	-	-	-	(36.411)	-	-	-	-	-	-	-	(36.411)
20.2 Transfers to Reserves		-	-	-	-	12.516	-	193.811	-	(206.327)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V+.....+XXII+XXI)		652.290	-	-	-	161.966	-	1.505.822	272.693	201.009	-	17.130	-	-	-	-	-	2.810.910

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 30 SEPTEMBER 2012

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY																	
30 September 2012	Note (Section Five)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserve	Statutory Reserves	Extraordinary Reserves	Other Reserve	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Sec. 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. Prior Period End Balance		652.290	-	-	-	161.966	-	1.505.822	272.693	240.787	-	(38.457)	-	-	-	-	2.795.101
Changes in the Period																	
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	58.321	-	-	-	-	58.321
IV. Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. 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		-	-	-	-	-	-	-	-	130.819	-	-	-	-	-	-	130.819
XVIII. Profit Distribution		-	-	-	-	13.945	-	226.842	-	(240.787)	-	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	13.945	-	226.842	-	(240.787)	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+ ...+ XVIII)		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 70 form an integral part of these financial statements.

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

UNCONSOLIDATED STATEMENT OF CASH FLOWS AT 30 SEPTEMBER 2012 AND 30 SEPTEMBER 2011

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

VI. STATEMENT OF CASH FLOW			
	Note (Section Five VI)	Current Period (30/09/2012)	Prior Period (30/09/2011)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		608.724	884.658
1.1.1 Interest received		1.943.837	1.230.909
1.1.2 Interest paid		(775.621)	(574.731)
1.1.3 Dividend received		7.415	15.981
1.1.4 Fees and commissions received		385.449	348.661
1.1.5 Other income		(163.993)	86.767
1.1.6 Collections from previously written-off loans and other receivables		85.445	164.455
1.1.7 Payments to personnel and service suppliers		(370.731)	(309.873)
1.1.8 Taxes paid		(67.660)	(34.727)
1.1.9 Other		(435.417)	(42.784)
1.2 Changes in operating assets and liabilities		(3.060.697)	(931.175)
1.2.1 Net decrease/(increase) in trading securities		(1.825.016)	(91.720)
1.2.2 Net (increase)/decrease in fair value through profit/loss financial assets		-	-
1.2.3 Net (increase)/decrease in banks		(12.618)	36.287
1.2.4 Net (increase)/decrease in loans		(1.761.007)	(3.827.839)
1.2.5 Net (increase)/decrease in other assets		(763.686)	(260.877)
1.2.6 Net increase/(decrease) in bank deposits		(42)	(68.834)
1.2.7 Net (decrease)/increase in other deposits		224.149	3.440.450
1.2.8 Net (decrease)/increase in funds borrowed		624.657	(366.891)
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		452.866	208.249
I. Net cash provided from banking operations		(2.451.973)	(46.517)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		302.491	(736.773)
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		(138)	(17.157)
2.4 Disposals of property and equipment		7.512	9.459
2.5 Cash paid for purchase of investments available-for-sale		(1.738.288)	(1.301.880)
2.6 Cash obtained from sale of investments available-for-sale		2.027.914	574.500
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		5.491	(1.695)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		1	(36.411)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	(36.411)
3.5 Payments for finance leases		1	-
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(7.921)	(26.301)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		(2.157.402)	(846.002)
VI. Cash and cash equivalents at beginning of the period	(VI)	5.111.127	3.050.941
VII. Cash and cash equivalents at end of the period	(VI)	2.953.725	2.204.939

The accompanying explanations and notes set out on pages 13 to 70 form an integral part of these financial statements.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

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

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

b. Explanation for convenience translation into English:

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

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

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

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

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

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

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

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 are to be prepared for the possible risks and to make quick decisions regarding the targeted profitability.

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

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 30 September 2012. Investments in subsidiaries are accounted in accordance with the “Turkish Accounting Standard on Financial Instruments: Recognition and Measurement” (“TAS 39”) in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are “HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş.” and “HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.”. HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Bank conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Bank conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are not considered as hedging instrument are classified as derivative instruments or held for trading and recognised at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “financial assets at fair value through profit or loss” in “trading derivative financial assets” and if the fair value difference is negative, it is disclosed in “trading derivative financial liabilities”. As of 30 September 2012 and 31 December 2011, the Bank does not have any embedded derivatives. As of 30 September 2012 and 31 December 2011 the Bank does not have any derivative financial instruments held for hedging.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

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

VI. EXPLANATIONS ON FEE AND COMMISSIONS INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

b. Financial assets available-for-sale:

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

c. Loans and Receivables:

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

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2012

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

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

d. Held-to-Maturity Financial Assets:

Held-to-maturity financial assets are financial assets that are not classified under loans and receivables and which have fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost, and subsequently carried at amortized cost using the effective interest rate method; interest earned whilst holding held-to-maturity securities is reported as interest income and impairment for these financial assets recognised at income statement. There are no financial assets that were previously classified as held-to-maturity but cannot be subject to this classification for two years due to the contradiction of classification principles. There are no held-to-maturity financial assets as of 30 September 2012 and 31 December 2011.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

In each balance sheet date, the Bank assesses if there is an objective indication of the impairment of financial assets or financial asset groups. If such indications exist, the Bank will determine the amount of impairment. A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. In case the loans could not be collected; loans and other receivables are classified in order to provide specific and general provisions in accordance with the Communiqué on “Methods and Principles on Determining the Nature of Loans, Other Receivables, and Allocation of Provisions” published in the Official Gazette No. 26333 dated 1 November 2006 and these provisions are changed against the income for the year.

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

Securities subject to repurchase agreements are classified as “Financial assets at fair value difference through profit or loss” and “Available-for-sale securities” in the balance sheet according to the investment purposes and measured according to the portfolio of the Bank to which they belong. The interest expense rediscount for funds obtained under repurchase agreement which is calculated with the effective interest rate method are recognised in the income statement. The Bank has no financial assets at fair value through profit or loss subject to repurchase agreements as of 30 September 2012 and 31 December 2011. Funds given against securities purchased under agreements to resell (“Reverse repos”) are accounted under “Receivables from reverse repurchase agreements” in the balance sheet. The difference between the purchase and resell price determined by these repurchase agreements is accrued evenly over the life of repurchase agreements using the effective interest rate method. The Bank has no securities lending transactions. The Bank has government bonds amounting to TL 50.000 as of 30 September 2012 that the Bank has given as guarantees to Istanbul Stock Exchange Bond Market on behalf of its subsidiary, HSBC Yatırım Menkul Değerler A.Ş (31 December 2011: TL 67.752).

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

The Bank has no discontinued operations as of 30 September 2012 and 31 December 2011. Property and equipment held-for-resale purpose consist of tangible assets that were acquired due to nonperforming receivables, and are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated 1 November 2006, No.26333 and classified as assets held for sale.

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

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

XVI. EXPLANATIONS ON CONTINGENT ASSETS

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor 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 4,15%.

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 nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

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

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

The tax applications for foreign branches;

TURKISH REPUBLIC OF NORTHERN CYPRUS

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

b. Deferred Tax Asset/Liability:

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

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

The funds borrowed are recorded at their purchase costs and discounted by using the effective interest rate method. In the financial statements enclosed, foreign currency borrowings are translated according to the Bank’s period end counter buying exchange rate. Interest expenses of the current period regarding the borrowing amounts are recognised in the financial statements. The Bank has no marketable securities issued as of 30 September 2012 and 31 December 2011. The Bank has no issued convertible bonds as of 30 September 2012 and 31 December 2011.

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XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

The Bank has no issued share certificates as of 30 September 2012 and 31 December 2011.

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

The Bank has no government grants as of 30 September 2012 and 31 December 2011.

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note X of Section Four.

XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

XXV. EARNINGS PER SHARE

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

	Current Period	Prior Period
	30 September 2012	30 September 2011
Net Profit for the Period	130.819	201.009
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	0,00201	0,00308

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

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XXVII. RELATED PARTIES

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

XXVIII. RECLASSIFICATIONS

There are no adjustments to the prior year financial statements other than reclassifications which have been made on comparative figures as of 31 December 2011, to conform to changes in presentation in the 30 September 2012 financials.

XXIX. OTHER MATTERS

As of 30 September 2012, TL 64.398 (31 December 2011: TL 40.013) of pre-paid taxes accounted under in “Current Tax Assets” are netted off with “Current Tax Liabilities”.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

a. As of 30 September 2012, the Bank’s capital adequacy ratio is 15,96 %. This rate is above the minimum rate specified by the related regulation.

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

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks ", “Communiqué on Credit Risk Mitigation Techniques”, “Communiqué on Calculation of Risk Weighted Amounts for 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 2012								
	Risk Weights								
	% 0	% 10	% 20	% 50	%75	% 100	% 150	% 200	% 1250
Credit Risk Based Amount	4.160.910	-	2.083.685	2.894.444	6.508.717	8.372.516	823.915	1.128.601	-
Risk classifications									
Claims on sovereigns and Central Banks	1.843.125	-	-	-	-	-	-	-	-
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	243	-	7.091	-	-	416.924	-	-	-
Claims on corporates	163.622	-	1.767.191	867.167	-	6.192.310	-	-	-
Claims included in the regulatory retail portfolios	76.330	-	-	432.946	5.915.979	-	-	-	-
Claims secured by residential property	-	-	-	1.593.520	-	-	-	-	-
Past due loans	-	-	-	-	-	217.760	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	823.415	1.128.601	-
Secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	308.687	811	-	858.418	500	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	2.077.590	-	716	-	-	687.104	-	-	-

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

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

d. Summary information related to unconsolidated capital adequacy ratio:

Capital to be employed for credit risk (Amount subject to credit risk * 0,08) (I)	1.488.887
Capital to be employed for market risk (II)	72.522
Capital to employed for operational risk (III)	219.436
Shareholders’ Equity	3.553.876
Shareholders’ Equity / ((I+II+III)*12.5*100)	15,96

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

e. Information about shareholders’ equity items:

	Current Period 30 September 2012
CORE CAPITAL	
Paid-in Capital	652.290
Nominal Capital	652.290
Capital Commitments (-)	-
Adjustment to Paid-in Capital	-
Share Premium	-
Share repeal	-
Legal Reserves	1.908.575
Adjustments to Legal Reserves	272.693
Profit	130.819
Net Current Period Profit	130.819
Prior Period Profit	-
Provision for Possible Losses up to 25% of Core Capital	-
Profit on sale of associates, subsidiaries and buildings	-
Primary Subordinated Loans ⁽¹⁾	-
Loss that is not covered with reserves (-)	-
Net Current Period Loss	-
Prior Period Loss	-
Development cost of operating lease (-)	26.192
Intangible Assets (-)	90.122
Deferred-Asset for tax which exceeds 10% of core capital (-)	-
<u>Excess Amount expressed in the Law (Article 56, 3rd paragraph) (-)</u>	<u>-</u>
Total Core Capital	2.848.063

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 30 September 2012
SUPPLEMENTARY CAPITAL	
General Reserves	238.379
45% of increase in revaluation fund of movables	-
45% of increase in revaluation fund of fixed assets	-
Free shares from investment and associates, subsidiaries and joint ventures that is not recognized in profit	-
Primary subordinated loans which are ignored in the calculation of core capital	-
Secondary subordinated loans	459.119
45% of value increase fund of financial assets available for sale and associates and subsidiaries	8.939
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal reserves)	-
Total Supplementary Capital	706.437
CAPITAL	3.554.500
DEDUCTIONS FROM CAPITAL	624
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	188
Loans extended being noncompliant with articles 50 and 51 of the Law	159
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	-
Securitisation positions that is deducted -preferably- from the shareholders' equity	277
TOTAL SHAREHOLDERS' EQUITY	3.553.876

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

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

Not prepared 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 238.379 (31 December 2011: TL 184.137).

III. EXPLANATIONS ON MARKET RISK

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

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

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

Beside controlling market risk, in regard to monitoring and managing the market risk, product and portfolio based yield curve scenarios, stress scenarios, liquidity, gap and volatility analysis are conducted. Through these analysis, it is aimed to be prepared and making fast decisions in regard to the targeted profitability and potential risks.

Conducted analysis, limit usage and controls are discussed and necessary decisions are made in the weekly Asset-Liability Committee meetings.

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III. EXPLANATIONS ON MARKET RISK (Continued)

b. Information on Market Risk:

	30 September 2012 Balance
(I) Capital to be employed for general market risk	55.485
(II) Capital to be employed for specific risk	543
Capital to be employed for specific risk in securitisation positions- Standard Method	-
(III) Capital to be employed for currency risk	7.817
(IV) Capital to be employed for stocks	-
(V) Capital to be employed for clearing risk	-
(VI) Total capital to be employed for market risk because of options	51
(VII) Capital to be employed for counterparty credit risk - Standard Method	8.626
(VIII) Capital to be employed for general market risk	-
(IX) Total capital to be employed for market risk (I+II+III+IV+V+VI)	72.522
(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)	906.525

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

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

Not prepared 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 prepared 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 2011, 2010, and 2009 in accordance to the “Regulation Regarding Measurement and Evaluation of the Bank’s Capital Adequacy Ratio” published in the Official Gazette No.28337 dated 28 June 2012. In the scope of “Capital adequacy ratio” stated in Note I of this section, amount subjected to operational risk is TL 2.742.956 represented risk weighted assets for operational risk and 8% of that amount is TL 219.436 represented related capital requirement.

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V. EXPLANATIONS ON CURRENCY RISK

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

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

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

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

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

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

Current Period - 30 September 2012	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	1,79600	2,31693
Before Balance Sheet Date		
1. Day Bid Rate	1,79600	2,31693
2. Day Bid Rate	1,79600	2,31693
3. Day Bid Rate	1,79000	2,30454
4. Day Bid Rate	1,79430	2,30603
5. Day Bid Rate	1,79050	2,31807
Prior Period - 31 December 2011	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	1,88200	2,43427
Before Balance Sheet Date		
1. Day Bid Rate	1,88200	2,43427
2. Day Bid Rate	1,91850	2,47640
3. Day Bid Rate	1,90725	2,47638
4. Day Bid Rate	1,89650	2,47958
5. Day Bid Rate	1,89650	2,47958

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

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

The Bank’s simple arithmetic average foreign exchange rates for US Dollar is TL 1,80188 (31 December 2011: TL 1,86732) exchange rates for Euro is TL 2,31832 (31 December 2011: TL 2,46126).

- f. Information related to Bank’s Currency Risk:**

Current Period-30 September 2012	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	1.124.403	428.981	420.321	1.973.705
Banks	43.122	166.884	27.638	237.644
Financial Assets at Fair Value through Profit or Loss (Net)	12.503	21.511	598	34.612
Interbank Money Market Placements	-	35.946	-	35.946
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans (*)	1.324.997	2.167.032	32.681	3.524.710
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	2.273	6.877	1.646	10.796
Total assets	2.507.298	2.827.231	482.884	5.817.413
Liabilities				
Bank Deposits	39.779	117.117	46	156.942
Foreign Currency Deposits	1.591.021	3.099.206	771.967	5.462.194
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.531.832	3.030.189	1.402	4.563.423
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	31.104	191.156	6.415	228.675
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	33.048	51.250	7.702	92.000
Total Liabilities	3.226.784	6.488.918	787.532	10.503.234
Net on Balance Sheet Position	(719.486)	(3.661.687)	(304.648)	(4.685.821)
Net Off-Balance Sheet Position				
Financial Derivative Assets	3.334.252	11.758.665	1.500.017	16.592.934
Financial Derivative Liabilities	2.558.711	8.188.679	1.185.406	11.932.796
Non-cash Loans	329.862	1.697.673	103.085	2.130.620
Prior Period - 31 December 2011				
Total Assets	1.314.118	4.593.992	304.890	6.213.000
Total Liabilities	2.636.474	6.016.553	902.016	9.555.043
Net on-Balance Sheet Position	(1.322.356)	(1.422.561)	(597.126)	(3.342.043)
Net off-Balance Sheet Position	1.396.503	1.384.180	592.516	3.373.199
Financial Derivative Assets	2.167.832	4.935.618	704.711	7.808.161
Financial Derivative Liabilities	771.329	3.551.438	112.195	4.434.962
Non-cash Loans	280.604	2.152.222	77.818	2.510.644

(*) Loans consists of foreign indexed loans amounting to TL 937.520 TL (31 December 2011: 1.181.045) and foreign factoring receivables amounting to TL 13.159 (31 December 2011: 17.891) as of 30 September 2012.

(**) Shareholder’s Equity dose not consist of valuation differences of securities TL 3.331 (31 December 2011: 1.615) as of 30 September 2012.

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

Fair value of foreign currency buy transactions amounting to TL 45.469 (31 December 2011: TL 24.799) classified under derivative financial assets held for trading and fair value of currency sell transactions amounting to TL 38.608 (31 December 2011: TL 57.413) classified under derivative financial liabilities held for trading are not included on balance sheet position since notional amount of these transactions are included in off balance sheet positions.

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

	Current Period – 30 September 2012		Prior Period– 31 December 2011	
	Income Statement	Equity (*)	Income Statement	Equity (*)
US Dollar	(9.168)	(9.168)	(3.778)	(3.838)
Euro	5.606	5.606	7.415	7.415
Other	995	995	(461)	(461)
Total	(2.567)	(2.567)	3.176	3.116

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

As of 30 September 2012 and 31 December 2011, as a result of 10 % appreciation of TL currency against other foreign currencies with all other variables held constant, the changes in the assets and liabilities have occurred in accordance with the table above but effects will be reverse.

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VI. EXPLANATIONS ON INTEREST RATE RISK

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

Current Period – 30 September 2012	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years and Over	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	2.192.010	2.192.010
Banks	785.121	36.554	44.377	-	-	135.163	1.001.215
Financial Assets at Fair Value Through Profit or Loss (Net)	74.747	878.178	958.290	269.333	24.714	-	2.205.262
Interbank Money Market Placements	1.739.825	-	-	-	-	-	1.739.825
Available-for-sale Financial Assets (Net)	324.792	441.193	1.693.829	-	-	4.000	2.463.814
Loans (*)	5.177.110	1.454.901	3.888.755	3.560.062	1.265.350	217.760	15.563.938
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	630.824	630.824
Total Assets	8.101.595	2.810.826	6.585.251	3.829.395	1.290.064	3.179.757	25.796.888
Liabilities							
Bank Deposits	225.972	-	10.258	4.304	-	133.992	374.526
Other deposits	7.391.063	3.055.249	261.597	820	-	2.392.507	13.101.236
Funds from Interbank Money Market	835.646	-	-	-	-	-	835.646
Miscellaneous Payables	-	-	-	-	-	925.115	925.115
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Borrowings	2.742.027	1.344.595	2.415.780	1.304	203.056	-	6.706.762
Other Liabilities (**)	97.603	51.931	40.750	7.954	487	3.654.878	3.853.603
Total Liabilities	11.292.311	4.451.775	2.728.385	14.382	203.543	7.106.492	25.796.888
Balance Sheet Long Position	-	-	3.856.866	3.815.013	1.086.521	-	8.758.400
Balance Sheet Short Position	(3.196.716)	(1.640.949)	-	-	-	(3.926.735)	(8.758.400)
Off Balance Sheet Long Position	302.456	875.445	-	156.163	-	-	1.334.064
Off Balance Sheet Short Position	-	-	(1.288.943)	-	-	-	(1.288.943)
Total Position	(2.888.260)	(765.504)	2.567.923	3.971.176	1.086.521	(3.926.735)	45.121

(*) Loans consist of factoring transactions amounting to TL 119.021.

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2011	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	1.799.569	1.799.569
Banks	195.108	-	-	-	-	171.437	366.545
Financial Assets at Fair Value Through Profit or Loss (Net)	112.982	53.464	97.679	79.735	12.384	-	356.244
Interbank Money Market Placements	4.152.681	-	-	-	-	-	4.152.681
Available-for-sale Financial Assets (Net)	970.633	942.626	816.146	3.895	-	3.000	2.736.300
Loans (*)	3.865.867	1.663.136	4.335.153	3.132.260	888.927	170.857	14.056.200
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	664.402	664.402
Total Assets	9.297.271	2.659.226	5.248.978	3.215.890	901.311	2.809.265	24.131.941
Liabilities							
Bank Deposits	191.710	6.315	23.084	-	-	154.294	375.403
Other deposits	7.255.581	2.617.087	479.979	6.033	-	2.512.698	12.871.378
Funds from Interbank Money Market	889.994	-	-	-	-	-	889.994
Miscellaneous Payables	-	-	-	-	-	480.691	480.691
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Borrowings	3.268.592	757.578	1.750.353	510	211.119	-	5.988.152
Other Liabilities (**)	54.738	15.643	44.028	3.650	-	3.408.264	3.526.323
Total Liabilities	11.660.615	3.396.623	2.297.444	10.193	211.119	6.555.947	24.131.941
Balance Sheet Long Position	-	-	2.951.534	3.205.697	690.192	-	6.847.423
Balance Sheet Short Position	(2.363.344)	(737.397)	-	-	-	(3.746.682)	(6.847.423)
Off Balance Sheet Long Position	-	321.623	-	53.589	318.434	-	693.646
Off Balance Sheet Short Position	(113.771)	-	(656.947)	-	-	-	(770.718)
Total Position	(2.477.115)	(415.774)	2.294.587	3.259.286	1.008.626	(3.746.682)	(77.072)

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

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

b. Effective average interest rates for monetary financial instruments:

Current Period - 30 September 2012	Euro	US Dollar	Yen	TL
Assets				
	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,12	-	7,61
Financial Assets at Fair Value Through Profit or Loss (Net)	4,99	5,28	-	6,64
Interbank Money Market Placements	-	1,00	-	8,81
Available-for-Sale Financial Assets (Net)	-	-	-	7,09
Loans	5,43	5,41	6,47	12,57
Held-to-Maturity Investments (Net)	-	-	-	-
Liabilities				
Bank Deposits	0,23	0,78	-	6,31
Other Deposits	2,23	2,63	2,17	8,61
Funds From Interbank Money Market	-	-	-	5,75
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Borrowings	1,47	0,97	-	10,72

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

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 behavioral 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 behavioral 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.

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

30 September 2012	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity points
Type of Currency			
1. TL	500	(444.056)	% (12,49)
2. TL	(400)	469.506	%13,21
3. EUR	200	8.527	%0,24
4. EUR	(200)	(1.156)	% (0,03)
5. USD	200	61.508	%1,73
6. USD	(200)	(73.000)	% (2,05)
Total (of negative shocks)		(374.020)	% (10,52)
Total (of positive shocks)		395.351	%11,12

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

d. Position risk of equity securities in banking book:

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

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

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

None.

VII. EXPLANATIONS ON LIQUIDITY RISK

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

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

For various liquidity crisis scenarios, liquidity crisis management methods are standed by.

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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.

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

Current Period - 30 September 2012	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years Unallocated and Over	(*)	Total
Assets								
Cash Equivalents and Central Bank Banks	386.155 135.163	1.805.855 785.121	- 36.554	- 44.377	- -	- -	- -	2.192.010 1.001.215
Financial Assets at Fair Value through Profit or Loss (Net)	-	78.118	864.833	958.384	273.478	30.449	-	2.205.262
Interbank Money Market Placements	-	1.739.825	-	-	-	-	-	1.739.825
Available-for-sale Financial Assets (Net)	-	-	114.246	1.049.228	1.231.779	64.561	4.000	2.463.814
Loans (*)	-	4.570.108	2.183.024	2.528.209	4.682.752	1.382.085	217.760	15.563.938
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	222.732	64.398	247	30.897	-	312.550	630.824
Total Assets	521.318	9.201.759	3.263.055	4.580.445	6.218.906	1.477.095	534.310	25.796.888
Liabilities								
Bank Deposits	133.992	225.972	-	10.258	4.304	-	-	374.526
Other Deposits	2.392.507	7.391.063	3.055.249	261.597	820	-	-	13.101.236
Borrowings	-	1.986.759	600.240	1.808.947	1.613.688	697.128	-	6.706.762
Funds from Interbank Money Market	-	835.646	-	-	-	-	-	835.646
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	639.488	136.505	134.378	14.744	-	-	925.115
Other Liabilities (***)	-	118.696	35.132	152.949	292.644	5.481	3.248.701	3.853.603
Total Liabilities	2.526.499	11.197.624	3.827.126	2.368.129	1.926.200	702.609	3.248.701	25.796.888
Net Liquidity Gap	(2.005.181)	(1.995.865)	(564.071)	2.212.316	4.292.706	774.486	(2.714.391)	-
Prior Period - 31 December 2011								
Total Assets	876.794	10.017.416	2.759.621	3.454.235	5.387.584	1.136.324	499.967	24.131.941
Total Liabilities	2.666.992	11.088.880	2.880.988	2.165.731	1.593.220	733.826	3.002.304	24.131.941
Net Liquidity Gap	(1.790.198)	(1.071.464)	(121.367)	1.288.504	3.794.364	402.498	(2.502.337)	-

(*) Loans consist of factoring receivables amounting to TL 119.021 TL (31 December 2011: 222.971 TL) as 30 September 2012

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

(***) Shareholders’ Equity is presented under “Other Liabilities” item in the “Unallocated” column.

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

f. Explanations on securitization positions:

None.

g. Explanations on credit risk mitigation techniques:

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

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

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

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

Risk Classifications	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	1.843.125	-	-	-
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	670.708	-	-	-
Conditional and unconditional receivables from Corporates	20.655.130	1.030.789	-	-
Conditional and unconditional retail receivables	12.552.400	509.276	-	-
Conditional and unconditional receivables secured by Mortgages	1.594.890	1.593.520	-	-
Past due receivables	799.047	-	-	-
Receivables defined in high risk category by BRSA	1.952.016	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisations positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	1.175.822	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	2.765.410	-	-	-
Total	44.008.548	3.133.585	-	-

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

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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 prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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

None.

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X. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period – 30 September 2012					
Operating Income	720.514	386.616	122.648	-	1.229.778
Other	-	-	-	-	-
Operating Income	720.514	386.616	122.648	-	1.229.778
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(32.504)	129.615	79.043	-	176.154
Profit before Tax	(32.504)	129.615	79.043	-	176.154
Corporate Tax Provision (*)	-	-	-	(45.335)	(45.335)
Profit after Tax	(32.504)	129.615	79.043	(45.335)	130.819
Minority Interest	-	-	-	-	-
Net Profit for the Period	(32.504)	129.615	79.043	(45.335)	130.819
Segment Assets	9.453.979	7.241.443	9.066.443	-	25.761.865
Investments in Associates	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	9.453.979	7.241.443	9.101.196	270	25.796.888
Segment Liabilities	13.778.504	3.833.732	8.184.652	-	25.796.888
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	13.778.504	3.833.732	8.184.652	-	25.796.888
Other Segment Items	(295.351)	(3.563)	(1.040)	-	(299.954)
Capital Investment	-	-	-	-	-
Amortization	(43.727)	(3.563)	(482)	-	(47.772)
Impairment	-	-	(558)	-	(558)
Non-cash Other Income-Expense	(251.624)	-	-	-	(251.624)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

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X. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Prior Period - 31 December 2011					
Operating Income (**)	679.323	325.401	137.004	-	1.141.728
Other (**)	-	-	-	-	-
Operating Income (**)	679.323	325.401	137.004	-	1.141.728
Segment Net Profit (**)	-	-	-	-	-
Undistributed Cost (**)	-	-	-	-	-
Operating Profit (**)	41.951	135.272	85.069	-	262.292
Profit before Tax (**)	41.951	135.272	85.069	-	262.292
Corporate Tax Provision (*) (**)	-	-	-	(61.283)	(61.283)
Profit after Tax (**)	41.951	135.272	85.069	(61.283)	201.009
Minority Interest (**)	-	-	-	-	-
Net Profit for the Period (**)	41.951	135.272	85.069	(61.283)	201.009
Segment Assets	7.334.236	7.935.392	8.827.290	-	24.096.918
Investments in Associates	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	7.334.236	7.935.392	8.862.043	270	24.131.941
Segment Liabilities	12.357.494	4.484.348	7.290.099	-	24.131.941
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	12.357.494	4.484.348	7.290.099	-	24.131.941
Other Segment Items (**)	28.929	(13.733)	(8.092)	-	7.104
Capital Investment	-	-	-	-	-
Amortization	(40.392)	(13.733)	(1.739)	-	(55.864)
Impairment	(488)	-	(6.353)	-	(6.841)
Non-cash Other Income-Expense	69.809	-	-	-	69.809
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

(**) Items of income and expense are expressed amounts of 30 September 2011.

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SECTION FIVE

**INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED
FINANCIAL STATEMENTS**

I. EXPLANATIONS AND NOTES TO THE ASSETS

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

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

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Cash/Foreign Currency	181.037	105.509	172.437	95.618
The CBRT	37.268	1.805.857	160.475	1.355.074
Other	-	62.339	-	15.965
Total	218.305	1.973.705	332.912	1.466.657

(*) Account of precious metal amounting to TL 62,338 (31 December 2011: 15,953 TL) as of 30 September 2012.

2. Information related to the account of the CBRT:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Demand Unrestricted Account	37.268	1	160.475	257.862
Time Unrestricted Account	-	-	-	-
Time Restricted Account	-	-	-	-
Reserve Requirement	-	1.805.856	-	1.097.212
Total	37.268	1.805.857	160.475	1.355.074

3. Explanation on reserve requirements:

Banks that are performing their operations in Turkey are subject to the Central Bank of the Republic of Turkey’s Communiqué numbered 2005/1 “Required Reserves” and have to establish required reserve in the CBRT for its Turkish Lira and foreign currency liabilities according to ratios that are given below.

3(i). For Turkish Lira liabilities:

- For demand deposits, notice deposits and private current account 11%,
- For time deposit accounts up to 1-month maturity (including 1-month) 11%,
- For time deposit accounts up to 3-months maturity (including 3-months) 11%,
- For time deposit accounts up to 6-months maturity (including 6-months) 8%,
- For time deposit accounts up to 1-year 6%,
- For time deposit/participation accounts with 1-year and longer maturity 5%,
- For liabilities other than deposits up to 1-year 11%, up to 3-years 8%, longer than 3-years 5%.

3(ii). For foreign currency liabilities:

- For demand deposits, notice deposits, foreign currency private current accounts, foreign currency deposits up to 1-month, up to 3-months, up to 6-months and up to 1-year 11%,
- For foreign currency/participation foreign currency accounts with 1-year and longer 9%,
- For foreign currency other liabilities up to 1-year (including 1-year) 11%,
- For foreign currency other liabilities up to 3-years (including 3-years) 9%,
- For foreign currency other liabilities with longer than 3-years 6%.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

The Bank has no financial assets at fair value through profit or loss as collateral/blocked as of 30 September 2012 and 31 December 2011.

The Bank has financial assets at fair value through profit or loss subject to repurchase agreement amounting to TL 860.288 as of 31 September 2012 (31 December 2011: None).

The Bank has financial assets at fair value through profit or loss in unrestricted account amounting to TL 1.176.217 as of 30 September 2012 (31 December 2011: TL 188.296).

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

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Forward Transactions	25.938	10.937	13.644	3.031
Swap Transactions	71.718	43.245	117.483	22.877
Futures Transactions	-	-	-	311
Options	-	16.919	-	10.602
Other	-	-	-	-
Total	97.656	71.101	131.127	36.821

I.Information on banks:

1. Information on banks and other financial institutions:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Banks	763.571	237.644	97.216	269.329
Domestic	740.211	5	60.088	134.581
Foreign	23.360	237.639	37.128	134.748
Foreign Head Office and Branches	-	-	-	-
Total	763.571	237.644	97.216	269.329

2. Information on foreign banks account:

Presentation of this disclosure is not required in interim review report.

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

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

The Bank has financial assets at fair value through profit or loss as collateral/blocked amounting to TL 2.459.814 as of 30 September 2012 (31 December 2011: TL 1.763.915) .

The Bank has no financial assets at fair value through profit or loss subject to repurchase agreement as of 30 September 2012 (31 December 2011: TL 921.839) .

The Bank has no financial assets at fair value through profit or loss in unrestricted account as of 30 September 2012 (31 December 2011: TL 47.546) .

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

	Current Period 30 September 2012	Prior Period 31 December 2011
Debt Securities	2.460.464	2.769.032
Quoted to Stock Exchange	2.460.464	2.769.032
Not Quoted	-	-
Share Certificate	4.000	3.000
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.000	3.000
Impairment Provision (-)	650	35.732
Total	2.463.814	2.736.300

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

2. Information related to loans:

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

	Current Period 30 September 2012		Prior Period 31 December 2011	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	-	22.383	1.352	15.984
Corporate Shareholders	-	22.383	1.352	15.984
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	7.768	491.032	7.509	471.991
Loans Granted to Employees	31.442	-	30.587	-
Total	39.210	513.415	39.448	487.975

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I. EXPLANATIONS AND NOTES TO THE 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 conditions modified	Loans and Other Receivables	Agreement conditions modified	Payment Plan Extentions	Other
Non-specialized Loans	14.275.206	451.389	-	583.396	36.187	-
Discount And Purchase Notes	4.920.192	396.467	-	391.859	34.772	-
Export Loans	589.794	39.578	-	14.161	-	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	112.796	-	-	-	-	-
International Loans	4.327.628	14.299	-	94.979	1.171	-
Consumer Loans (Including Overdraft Loans)	3.647.855	-	-	57.717	-	-
Credit Cards	676.941	1.045	-	24.680	244	-
Precious Metals Loans	-	-	-	-	-	-
Other (*)	-	-	-	-	-	-
Specialized Loans	14.275.206	451.389	-	583.396	36.187	-

(*) Consist of factoring receivables amounting to TL 119.021.

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	416.530	36.187
Extended by 3, 4 or 5 times	29.927	-
Extended by more than 5 times	4.932	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0 – 6 Months	86.918	-
6 – 12 Months	177.736	532
1 – 2 Years	134.260	4.720
2 – 5 Years	48.898	27.891
5 years or more	3.577	3.044

3. Breakdown of loans according to their maturities:

Not prepared 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 TO THE ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	74.882	4.100.089	4.174.971
Mortgage Loans	956	1.796.050	1.797.006
Automotive Loans	351	36.561	36.912
Consumer Loans	73.575	2.267.478	2.341.053
Other	-	-	-
Consumer Loans- Indexed to FC	-	29.242	29.242
Mortgage Loans	-	27.844	27.844
Automotive Loans	-	-	-
Consumer Loans	-	1.398	1.398
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.645.363	-	3.645.363
With Installment	1.785.614	-	1.785.614
Without Installment	1.859.749	-	1.859.749
Individual Credit Cards-FC	7.332	-	7.332
With Installment	-	-	-
Without Installment	7.332	-	7.332
Personnel Loans-TL	1.235	20.253	21.488
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.235	20.253	21.488
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9.893	-	9.893
With Installment	5.543	-	5.543
Without Installment	4.350	-	4.350
Personnel Credit Cards-FC	61	-	61
With Installment	-	-	-
Without Installment	61	-	61
Credit Deposit Account-TL (Real Person)	212.376	-	212.376
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	3.951.142	4.149.584	8.100.726

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	79.160	700.897	780.057
Mortgage Loans	-	10.111	10.111
Automotive Loans	1.601	34.784	36.385
Consumer Loans	77.550	656.002	733.552
Other	9	-	9
Commercial Installment Loans- Indexed to FC	4.918	214.239	219.157
Mortgage Loans	-	1.742	1.742
Automotive Loans	394	6.529	6.923
Consumer Loans	4.524	205.968	210.492
Other	-	-	-
Commercial Installment Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	42.534	-	42.534
With Installment	18.797	-	18.797
Without Installment	23.737	-	23.737
Corporate Credit Cards-FC	389	-	389
With Installment	-	-	-
Without Installment	389	-	389
Credited Deposit Account-TL (Legal Person)	123.702	-	123.702
Credited Deposit Account-FC (Legal person)	-	-	-
Total	250.703	915.136	1.165.839

6. Loans according to types of borrowers:

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

7. Distribution of domestic and foreign loans:

	Current Period 30 September 2012	Prior Period 31 December 2011
Domestic Loans	15.003.859	13.637.038
Foreign Loans	342.319	248.305
Total	15.346.178	13.885.343

(*) Consists of factoring receivables amounting to TL 119.021 (31 December 2011: TL 222.971).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 30 September 2012	Prior Period 31 December 2011
Direct Loans Granted to Investments in Associates and Subsidiaries	29	12
Indirect Loans Granted to Investments in Associates and Subsidiaries	-	-
Total	29	12

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

9. Specific provisions accounted for loans:

	Current Period 30 September 2012	Prior Period 31 December 2011
Loans and Receivables with Limited Collectability	22.940	18.998
Loans and Receivables with Doubtful Collectability	73.089	41.565
Uncollectible Loans and Receivables	485.258	376.148
Total	581.287	436.711

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 30 September 2012	1.546	7.085	25.220
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.544	4.954	18.085
Rescheduled Loans and Other Receivables	2	2.131	7.135
Prior Period: 31 December 2011	269	11.201	16.862
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	267	8.932	14.237
Rescheduled Loans and Other Receivables	2	2.269	2.625

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period End Balance: 31 December 2011	79.264	83.752	444.552
Additions (+)	107.065	125.360	46.608
Transfers from Other Categories of Non-Performing Loans (+)	160	70.963	122.245
Transfers to Other Categories of Non-Performing Loans (-)	64.101	128.703	564
Collections (-)	21.694	12.543	51.208
Write-offs (-) (*)	-	-	2.109
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	1.011
Credit Cards	-	-	1.098
Other	-	-	-
Balance at the End of the Period: 30 September 2012	100.694	138.829	559.524
Specific Provisions (-)	22.940	73.089	485.258
Net Balance on Balance Sheet	77.754	65.740	74.266

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period: 30 September 2012			
Balance at the End of the Period	-	-	14.453
Specific Provisions (-)	-	-	14.453
Net Balance on Balance Sheet	-	-	-
Prior Period: 31 December 2011			
Balance at the End of the Period	-	33	14.427
Specific Provisions (-)	-	33	13.693
Net Balance on Balance Sheet	-	-	734

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net): 30 September 2012			
Loans granted to corporate entities and real persons (Gross)	100.694	138.829	547.781
Specific Provisions Amount(-)	22.940	73.089	473.515
Loans granted to corporate entities and real persons (Net)	77.754	65.740	74.266
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2011	60.266	42.187	68.404
Loans granted to corporate entities and real persons (Gross)	79.264	83.752	432.809
Specific Provisions Amount(-)	18.998	41.565	364.405
Loans granted to corporate entities and real persons (Net)	60.266	42.187	68.404
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-

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

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

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

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

f. Held-to-maturity Investments:

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

The Bank has no held to maturity investments as collateral/blocked and subject to repurchase agreements as of 30 September 2012 and 31 December 2011.

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

The Bank has no held to maturity investments as government debt securities as of 30 September 2012 and and 31 December 2011.

3. Information on Held-to-maturity Investments:

The Bank has no held to maturity investments as of 30 September 2012 and 31 December 2011.

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

The Bank has no movement of held to maturity investments as of 30 September 2012 and 31 December 2011.

g. Information on investments in associates (Net):

The Bank has no investments in associates as of 30 September 2012 and 31 December 2011.

h. Information on subsidiaries (Net):

1. Information on unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

Ünvanı	Address (City / Country)	Bank's share percentage - If different voting group share percentage (%)	Bank's risk 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	-
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 TO THE ASSETS (Continued)

b) Main financial figures of 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	4.890	4.901	122	180	-	1.126	1.509	-
2	81	81	-	4		(11)	4	-

(*) Prepared with unaudited financial statements of 30 September 2012.

(**) The prior period balances present amounts of 30 September 2011

2. Information on consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Prior Period Profit / Loss (**)	Fair Value	Total Assets
1	92.134	79.987	16	25.002	4.751	10.256	12.320	-

(*) Prepared with unaudited financial statements of 30 September 2012.

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

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

3. Movement schedule of consolidated subsidiaries::

	Current Period 30 September 2012	Prior Period 31 December 2011
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Income	-	-
Sales/Liquidation (*)	-	-
Revaluation Increase	-	-
Increase /decrease of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99,87	99,87

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

Subsidiaries	Current Period 30 September 2012	Prior Period 31 December 2011
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 2012 and 31 December 2011.

i. Information on joint ventures:

- The Bank has no joint ventures as of 30 September 2012 and 31 December 2011.
- The accounting method of joint ventures is not determined since The Bank has no subsidiaries quoted on a stock exchange as of 30 September 2012 and 31 December 2011.

j. Information on leasing receivables (Net):

The Bank has no leasing receivables as of 30 September 2012 and 31 December 2011.

k. Information on hedging derivative financial assets:

The Bank has no hedging derivative financial assets as of 30 September 2012 and 31 December 2011.

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

l. Explanations on property and equipment:

Not prepared 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 prepared 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:

The Bank has no investment properties as of 30 September 2012 and 31 December 2011.

o. Information on deferred tax asset:

As of 30 September 2012 deferred tax asset of the Bank is TL 30.683(31 December 2011: None). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

There is no impairment provision for deferred tax.

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

As of 30 September 2012 property and equipment held for sale of the Bank is TL 4.550 (31 December 2011: TL 7.801).

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 debited suspense accounts amounting to TL 271.484 (31 December TL 301.078), prepaid expenses amounting to TL 64.531 (31 December 2011: TL 62.521), other rediscount income amounting to TL 7.935 (31 December 2011: TL 10.933), miscellaneous receivables amounting to TL 8.357 (31 December 2011: TL 14.573), and other assets amounting to TL 1.712 (31 December 2011: TL 5.363).

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

The Bank has no receivables from forward sale of the assets classified in the miscellaneous receivables as of 30 September 2012 and 31 December 2011.

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES

a. Information on deposits:

1. Information on maturity structure of the deposits:

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

1(i). Current Period - 30 September 2012:

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	490.340	-	258.981	3.384.955	1.437.310	188.168	37.146	-	5.796.900
Foreign Currency Deposits	1.243.409	-	977.695	2.488.744	250.097	182.386	67.753	-	5.210.084
Residents in Turkey	1.036.354	-	948.019	2.111.862	186.964	101.340	22.704	-	4.407.243
Residents Abroad	207.055	-	29.676	376.882	63.133	81.046	45.049	-	802.841
Public Sector Deposits	43.629	-	42	160	-	-	-	-	43.831
Commercial Deposits	348.094	-	1.172.451	141.402	62.854	4.430	1.578	-	1.730.809
Other Institutions Deposits	14.925	-	8.493	35.492	1.176	7.403	13	-	67.502
Gold Vault	252.110	-	-	-	-	-	-	-	252.110
Bank Deposits	133.992	-	223.966	2.006	-	14.562	-	-	374.526
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	99.309	-	220.501	2.006	-	14.562	-	-	336.378
Foreign Banks	34.683	-	3.465	-	-	-	-	-	38.148
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2.526.499	-	2.641.628	6.052.759	1.751.437	396.949	106.490	-	13.475.762

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

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

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

2. Information on saving deposits insurance:

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

	Under the Guarantee of Deposit Insurance		Exceeding the Limit of Deposit Insurance	
	Current Period 30 September 2012	Prior Period 31 December 2011	Current Period 30 September 2012	Prior Period 31 December 2011
Saving Deposits	2.336.398	2.227.202	3.262.508	2.889.431
Foreign Currency Saving Deposits	848.467	777.308	2.896.607	2.201.175
Other Deposits in the Form of Saving Deposits	19.286	23.312	148.812	224.914
Foreign Branches' Deposits under Foreign Authorities' Insurance	174.210	172.814	231.934	192.922
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-	-	-
Total	3.378.361	3.200.636	6.539.861	5.508.442

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

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

	Current Period 30 September 2012	Prior Period 31 December 2011
Foreign Branches' Deposits and other accounts	231.934	192.922
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	6.335	5.373
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Forward Transactions	12.254	9.641	10.044	15.141
Swap Transactions	129.899	29.635	41.968	40.528
Future Transactions	-	-	-	103
Options	-	17.295	-	10.275
Other	-	-	-	-
Total	142.153	56.571	52.012	66.047

c. Information on repurchase agreements:

The Bank has repurchase agreements amounting to TL 835.646 as of 30 September 2012 (31 December 2011: TL 889.994).

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES (Continued)

d. Information on borrowings:

1. Information on banks and other financial institutions:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Bank and Institutions	12.336	3.921	10.631	6.537
From Foreign Banks, Institutions and Funds	2.131.003	4.042.402	1.703.097	3.750.071
Total	2.143.339	4.046.323	1.713.728	3.756.608

2. Information on maturity structure of borrowings:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Short-term	794.644	3.578.280	847.789	3.057.575
Medium and Long-term	1.348.695	468.043	865.939	699.033
Total	2.143.339	4.046.323	1.713.728	3.756.608

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

Not prepared 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 financial leasing agreements:

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

b) Information on financial leasing agreements:

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

	Current Period	Prior Period
	30 September 2012	31 December 2011
Less Than 1 Year	70.083	68.712
Between 1-4 Years	141.176	134.034
More Than 4 Years	17.028	16.360
Total	228.287	219.106

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

g. Information on derivative financial liabilities for hedging purposes:

The Bank has no derivative financial liabilities for hedging purposes as of 30 September 2012 and 31 December 2011.

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

None.

h. Information on provisions:

1. Information on general provisions:

	Current Period 30 September 2012	Prior Period 31 December 2011
General Provisions	238.379	184.137
Provisions for First Group Loans and Receivables	161.659	112.821
- Additional Provision for Loans and Receivables with Extended Maturities	23.247	35.661
Provisions for Second Group Loans and Receivables	14.982	10.529
- Additional Provision for Loans and Receivables with Extended Maturities	1.867	2.507
Provisions for Non-Cash Loans	26.442	15.738
Other	10.182	6.881

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

As of 30 September 2012, the provision related to foreign currency difference of foreign currency indexed loans, which amounts to TL 7.784 (31 December 2011: TL 3.048), which is offset with the balance of foreign currency indexed loans in these financial statements.

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

Provision for non-cash loans that are non-funded and non-transformed into cash as of 30 September 2012 is amounting to TL 16.401 (31 December 2011: TL 7.627).

4. Information on other provisions:

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

The Bank has no general provisions for possible risks as of 30 September 2012 and 31 December 2011.

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

Provision for accumulated credit card bonus amounting to TL 15.393 (31 December 2011: TL 14.344), provisions for checks under follow-up amounting to TL 4.805 (31 December 2011: TL 4.196), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 16.401 (31 December 2011: TL 7.627) and other provision amounting to TL 5.022 (31 December 2011: TL 12.653) are classified under other provisions.

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period	Prior Period
	30 September 2012	31 December 2011
Corporate Taxes Payable	25.451	-
Taxation on Marketable Securities	12.200	12.349
Property Tax	1.081	1.046
Banking Insurance Transaction Tax (BITT)	10.322	11.601
Foreign Exchange Transaction Tax	12	15
Value Added Tax Payable	906	1.379
Other (*)	8.246	9.506
Total	58.218	35.896

(*) Consists of payroll tax amounting to TL 6.765 (31 December 2011: TL 7.758), self-employed income tax amounting to TL 25 (31 December 2011: TL 194), stamp tax amounting to TL 224 (31 December 2011: TL 514) and other taxes amounting to TL 1.232 (31 December 2011: TL 1.040) as of 30 September 2012.

1(ii). Information on premium payables

	Current Period	Prior Period
	30 September 2012	31 December 2011
Social Security Premiums - Employee	2.948	2.844
Social Security Premiums - Employer	3.093	2.985
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	218	224
Unemployment Insurance - Employer	429	429
Other	-	-
Total	6.688	6.482

2. Information on deferred tax liability:

The Bank has no deferred tax liability as of 30 September 2012 (31 December 2011: 257 TL). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

The Bank has no liabilities for property and equipment held for sale purpose and held from terminated operations as of 30 September 2012 and 31 December 2011.

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

Not prepared 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 AND NOTES TO LIABILITIES (Continued)

I. Information on shareholder’s equity:

1. Presentation of paid-in capital:

	Current Period 30 September 2012	Prior Period 31 December 2011
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

Amount of paid-in capital has presented in notional amount. The Bank has TL 272.693 capital reserve due to adjustment of the paid-in capital for inflation as of 30 September 2012.

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

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

Registered share capital system is not applied.

	Current Period 30 September 2012	Prior Period 31 December 2011
Common Stock Provision	-	-
Preferred Stock Provision	652.290	652.290

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

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

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

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

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

The Bank has no capital commitments.

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

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

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

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

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES (Continued)

b. Information on marketable securities value increase fund:

	Current Period 30 September 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	19.864	-	(37.857)	(600)
Foreign Currency Difference	-	-	-	-
Total	19.864	-	(37.857)	(600)

c. Information on revaluation value increase fund:

The Bank has no revaluation value increase fund as of 30 September 2012 and 31 December 2011.

d. Information on legal reserves:

	Current Period 30 September 2012	Prior Period 31 December 2011
First Legal Reserve	130.467	116.522
Second Legal Reserve	45.444	45.444
Legal Reserves according to Special Legislation	-	-
Total	175.911	161.966

e. Information on extraordinary reserves:

	Current Period 30 September 2012	Prior Period 31 December 2011
Reserves Allocated per General Assembly Minutes	1.700.049	1.505.822
Undivided Profit	32.615	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Total	1.732.664	1.505.822

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

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

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

The Bank has TL 20.013.135 (31 December 2011: TL 8.088.555) irrevocable commitments as of 30 September 2012.

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

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

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

The Bank has letter of credit amounting to TL 920.587 (31 December 2011: TL 926.753), acceptances amounting to TL 780.164 (31 December 2011: TL 918.131) and commitments and contingencies due to letter of credit amounting to TL 468.977 (31 December 2011: TL 738.090) as of 30 September 2012. Also the Bank has other commitments and contingencies amounting to TL 308.282 (31 December 2011: TL 241.019) as of 30 September 2012.

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 30 September 2012	Prior Period 31 December 2011
Non-Cash Loans for Providing Cash Loans	944	1.978
With Original Maturity of One Year or Less	944	1.978
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	2.477.066	2.822.015
Total	2.478.010	2.823.993

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

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

b. Explanations on derivative transactions:

The Bank has forward transactions amounting to TL 3.387.824 (31 December 2011: 3.493.413 TL), currency swap amounting to TL 26.061.929 (31 December 2011: TL 13.306.061), currency option amounting to TL 4.867.696 (31 December 2011: TL 1.536.400), interest rate option amounting to TL 653.000 (31 December 2011: TL 2.258.388), interest rate swap amounting to TL 6.292.268 (31 December 2011: TL 3.188.098), precious metal option amounting to TL 165.742 TL (31 December 2011: None). The Bank has not any interest rate future as of 30 September 2012 (31 December 2011: TL 1.716.384). 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.

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

c. Explanations on contingent assets and liabilities:

For contingent assets, if the probability of condition is almost ultimate, this asset is recognised, if the probability is high, this asset is explained in the notes. There is no contingent asset that should be explained as of 30 September 2012.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 30 September 2012, the total amount of these lawsuits filed against the Bank is TL 12.347 (31 December 2011: TL 11.222). TL 2.015 (31 December 2011: 1.467 TL) has been set aside as provision for those with the probability of being concluded against the bank is higher than the probability of their concluding in its favor.

d. Explanations on services in the name of others:

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

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IV. EXPLANATIONS AND NOTES TO THE INCOME STATEMENT

a. Information on interest income:

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

	Current Period 30 September 2012		Prior Period 30 September 2011	
	TL	FC	TL	FC
Short-term Loans	765.696	41.147	568.394	31.099
Medium and Long-term Loans	480.263	71.684	354.996	49.123
Interest on Loans Under Follow-Up	18.282	-	31.536	-
Premiums Received from the Resource Utilization Support Fund	-	-	-	-
Total	1.264.241	112.831	954.926	80.222

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

2. Information on interest income on banks:

	Current Period 30 September 2012		Prior Period 30 September 2011	
	TL	FC	TL	FC
From the CBRT	-	258	-	-
From Domestic Banks	51.894	339	21.199	202
From Foreign Banks	1.498	159	986	64
Headquarters and Branches Abroad	-	-	-	-
Total	53.392	756	22.185	266

3. Information on interest income on marketable securities:

	Current Period 30 September 2012		Prior Period 30 September 2011	
	TL	FC	TL	FC
Financial assets held for trading	53.217	446	551	16.275
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	137.577	604	175.088	8.957
Investments held to maturity	-	-	-	-
Total	190.794	1.050	175.639	25.232

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

The Bank has no interest income received from investments in associates and subsidiaries as of 30 September 2012 and 30 September 2011.

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III. EXPLANATIONS AND NOTES TO THE INCOME STATEMENT (Continued)

b. Information on interest expense:

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

	Current Period 30 September 2012		Prior Period 30 September 2011	
	TL	FC	TL	FC
Banks	165.027	71.141	114.952	31.653
The CBRT	-	-	-	-
Domestic Banks	825	246	541	78
Foreign Banks	164.202	70.895	114.411	31.575
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	165.027	71.141	114.952	31.653

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

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

	Current Period 30 September 2012	Prior Period 30 September 2011
Interest Expenses Given to Subsidiaries and Associates	1.019	847

3. Information on interest expense given on securities issued:

Not prepared 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 2012	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira								
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	-	-	-	-	-	-	-	-
Total	-	95.356	247.891	149.455	9.792	6.970	-	509.464
Foreign Currency								
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	-	-	-	-	-	-	-	-
Total	-	14.692	46.670	6.989	2.082	4.846	-	75.279
Grand Total	-	110.048	294.561	156.444	11.874	11.816	-	584.743

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

Prior Period: 30 September 2011	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira								
Interbank deposits	-	2.813	117	352	940	352	-	4.574
Saving deposits	-	28.668	194.841	39.170	4.836	3.458	-	270.973
Public sector deposits	-	10	138	27	7	-	-	182
Commercial deposits	-	62.095	45.475	4.469	2.416	402	-	114.857
Other deposits	-	321	3.202	527	75	1	-	4.126
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	93.907	243.773	44.545	8.274	4.213	-	394.712
Foreign Currency								
Foreign currency deposits	8	8.323	28.937	2.997	1.481	5.815	-	47.561
Interbank deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	8	8.323	28.937	2.997	1.481	5.815	-	47.561
Grand Total	8	102.230	272.710	47.542	9.755	10.028	-	442.273

5. Information on interest expense given on repurchase agreement:

The Bank has interest expense given on repurchase agreement amounting to TL 28.965 (30 September 2011: TL 14.982) as of 30 September 2012.

6. Information on financial leasing expense:

The Bank has no financial leasing expense as of 30 September 2012 and 30 September 2011.

7. Information on interest expenses given on factoring payables:

The Bank has no interest expenses given on factoring payables as of 30 September 2012 and 30 September 2011.

c. Explanations on dividend income:

The share of the Bank from profit distribution of HSBC Yatırım is TL 7.415 (30 September 2011: 15.981 TL) as of 30 September 2012.

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

	Current Period 30 September 2012	Prior Period 30 September 2011
Profit	7.626.647	13.276.950
Income from Capital Market Transactions	46.892	30.113
From Derivative Financial Transactions	293.607	165.177
Foreign Exchange Gains	7.286.148	13.081.660
Loss (-)	7.827.632	13.385.966
Loss from Capital Market Transactions	17.648	18.083
From Derivative Financial Transactions	528.240	270.444
Foreign Exchange Loss	7.281.744	13.097.439
Total (Net)	(200.985)	(109.016)

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

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

	Current Period 30 September 2012	Prior Period 30 September 2011
Effect of the change in exchange rates on profit/loss	(242.719)	(105.896)
Effect of the change in interest rates on profit/loss	8.086	629
Total (Net)	(234.633)	(105.267)

e. Information on other operating income:

Other operating income consists of reverse of the previous year provision amounting to TL 14.159 (30 September 2011: TL 22.576), telecommunication income amounting to TL 2.902 (30 September 2011: TL 2.829), income from assets sale amounting to TL 1.917 (30 September 2011: TL 115.346), other income amounting to TL 22.419 (30 September 2011: 23.399) as of 30 September 2012.

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

	Current Period 30 September 2012	Prior Period 30 September 2011
Specific Provisions for Loans and Other Receivables	146.991	37.072
III. Group Loans and Receivables	11.939	3.634
IV. Group Loans and Receivables	30.948	534
V. Group Loans and Receivables	104.104	32.904
General Provision Expenses	54.242	56.144
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	558	7.071
Financial Assets at Fair Value Through Profit or Loss	175	93
Available-for-sale Financial Assets	383	6.978
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-maturity Investments:	-	-
Other	10.554	6.392
Total	212.345	106.679

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

g. Information related to other operating expenses:

	Current Period 30 September 2012	Prior Period 30 September 2011
Personnel Expenses	361.321	334.613
Reserve for Employee Termination Benefits	9.455	8.608
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	42.580	50.011
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	5.081	5.712
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	111	141
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	316.364	287.955
Operational Leasing Expenses	100.555	93.014
Maintenance Expenses	13.121	14.356
Advertisement Expenses	32.766	27.221
Other Expenses	169.922	153.364
Loss on Sales of Assets	713	445
Other	105.654	85.272
Total	841.279	772.757

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

Not prepared 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:

The Bank has corporate tax provision expense amounting to TL 76.275 (30 September 2011: TL 51.608) and deferred tax expense amounting to TL 30.940 (30 September 2011: TL 9.675) as of 30 September 2012.

The whole amount of deferred tax income, which is TL 30.940 (30 September 2011: TL 9.675), mentioned in the financial statements of the Bank in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

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

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

k. Explanation on net profit and loss:

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

Net interest income, which is TL 1.034.277 (30 September 2011: TL 773.040), and net wage and commission income, amounting to TL 347.674 (30 September 2011: TL 297.573), have an important role among the income items in the interim accounting period ending on 30 September 2012. The wage and commission income received from cash loans are indicated in the net interest income. Considering the distribution in interest income, the most important sources of the Bank’s interest income are the interests received from loans, securities and interbank money market. The biggest portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

2. Any changes in estimations that might have a material effect on current and subsequent period results:

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

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

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

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V. EXPLANATIONS AND NOTES TO THE 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 prepared 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 prepared 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 prepared 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 prepared 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 profit distribution:

None.

d. Information on issuance of common stock:

Not prepared 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 prepared 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 prepared 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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VI. EXPLANATIONS AND NOTES TO THE STATEMENT OF CASH FLOWS

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

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

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

Not prepared 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 prepared 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 prepared 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 prepared 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 related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

1. Current Period - 30 September 2012:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	12	205	8.861	487.975	-	-
Closing Balance	29	203	7.768	513.415	9	-
Interest and Commissions Income (*)	-	2	1.268	573	-	-

2. Prior Period - 31 December 2011:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	11	201	4.836	308.871	13	3
Closing Balance	12	205	8.861	487.975	-	-
Interest and Commissions Income (*)	-	1	1.284	14	-	-

(*)The prior period balances present amounts of 30 September 2011.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2012	30 September 2011	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Deposit						
Opening Balance	18.461	20.653	112.325	26.369	3.788	6.893
Closing Balance	18.775	18.461	27.649	112.325	4.527	3.788
Interest expense of deposit (*)	1.019	847	-	-	298	27

(*) The prior period balances present amounts of 30 September 2011.

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	30 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	16.338.478	12.369.158	-	-
Closing Balance	-	-	39.154.514	16.338.478	-	-
Total Profit/Loss (*)	-	-	(402.109)	115.368	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

(*) The prior period balances present amounts of 30 September 2011.

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

As of 30 September 2012, payment is made to top executives of the Bank amounting to TL 29.633 TL (31 September 2011: TL 13.005).

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

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

Not prepared 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.

3. Executive vice presidents:

Edward Michael Flanders has been appointed as a Member of Board of Directors with Extraordinary General Meeting as of 18 September 2012.

4. Director of Internal Audit:

Tolunay Kanşay has been appointed as a Director of Internal Audit with Board Resolution No. 13038 and dated 6 November 2012.

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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 2012, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor’s Review Report dated 14 November 2012 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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