

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

HSBC BANK A.Ş.

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



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

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

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

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

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

Disclosure for the Responsibility of the Authorised Audit Firm:

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



Independent Auditor's Opinion:

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of HSBC Bank A.Ş. and its consolidated subsidiaries as of 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles and standards set out by regulations in conformity with articles 37 and 38 of Banking Law No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with articles 37 and 38 of Banking Law No. 5411, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Haluk Yalçın, SMMM
Partner

Istanbul, 27 March 2013



**HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATES CONSOLIDATED
FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2012**

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

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

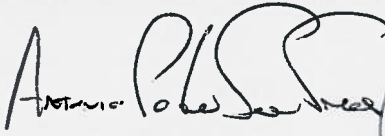
- GENERAL INFORMATION ABOUT PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT

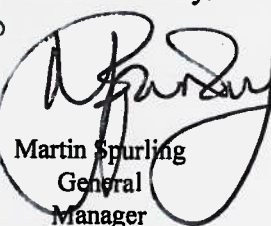
Consolidated financial reports and explanations and footnotes in this report are prepared in accordance with the Regulation on Banks' Accounting Applications and Principles and Procedures Concerning the Preservation of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and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


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


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

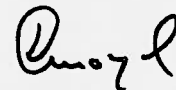
The Special Purpose Entity, HSBC Turkey DPR Finance, which is not subsidiary of the Bank is also consolidated as a result of the bank % 100 control authority.



Antonio Pedro Dos Santos Simoes
Deputy Chairman


Martin Spurling
General Manager


Neslihan Erkazancı
Financial Reporting Assistant General Manager


Burçin Ozan
Group Head


Gilles Denoyel
Head of Audit Comitee


Leyla Etker
Member of Audit Comitee

Information about the responsible personnel whom questions may be asked:

Name-Surname/Title : Burçin Ozan/Group Head
Tel : (0212) 376 41 86
Fax : (0212) 376 49 12

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**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

It has been approved by the decision of the Council of Ministers dated 27 June 1990 and numbered 90/644 that HSBC Bank A.Ş. (the Bank) was established to conduct banking activities and the articles of association published in the Official Gazette No. 2611 dated 18 September 1990. The bank is a foreign-capitalized bank which has been registered in accordance with the Law on Encouraging Foreign Investments numbered 6224. %100 of the shares of the Bank is owned by HSBC Bank Plc which is a bank established in England. In 20 September 2001 the ‘Share Sales Agreement’ regarding the sale of all shares of Demirbank T.A.Ş. which was under 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. 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 PARENT BANK’S CAPITAL STRUCTURE, SHAREHOLDERS OF THE BANK WHO ARE IN CHARGE OF THE MANAGEMENT AND/OR AUDITING OF THE BANK DIRECTLY OR INDIRECTLY, CHANGES IN THESE MATTERS (IF ANY) AND THE GROUP THE BANK BELONGS TO

As of 31 December 2012, the Parent Bank’s nominal capital is TL 652.290 dividend in to 65.229.000.000 each with a nominal value of TL 0,01. 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 31 December 2012 there has been no changes regarding the Banks capital structure, shareholders of the Bank who are in charge of the management or auditing of the Bank directly or indirectly.

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

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Education</u>
Chairman:	Brian ROBERTSON(*)	Chairman	High School
Chairman Deputy:	Antonio Pedro Dos Santos SIMONES	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 David SPURLING	CEO	Graduate
Director of Internal Audit:	Tolunay KANŞAY	Head of Internal Audit	Graduate
Chief Assistant General Manager:	Needet 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 Dünder 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

(*) Brian Robertson has been assigned as Chairman of the Board as of 24 December 2012 but has not started his duty as of report date. Responsibilities of the position have been carried out by Deputy Chairman Antonio Pedro Dos Santos Simoes currently.

There is no owned shares of the above individuals.

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CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
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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. EXPLANATION ON THE GROUP’S SERVICE TYPE AND FIELDS OF OPERATION

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

- To accept all kinds of deposits both in Turkish 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 and to purchase equities, bonds and other securities,
- To act as an intermediary in issue of the bonds and other marketable securities,
- To perform factoring and forfaiting activities,
- To establish social and cultural facilities or to help or participate facilities which already exist.

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

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

As of 31 December 2012, the Group employed 6.233 (31 December 2011: 6.214).

VI. OTHER MATTERS

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

VII. INFORMATION OF INSTITUTIONS IN CONSOLIDATION SCOPE

Parent Company “the Bank” and HSBC Yatırım Menkul Değerler A.Ş. (“HSBC Yatırım”) that is owned by the Bank and HSBC Portföy Yönetimi A.Ş. (“HSBC Portföy”) that is the subsidiary of the HSBC Yatırım and HSBC Turkey DPR Limited that is founded to give financial services to the Bank and is not owned by the Bank, are taken into consolidation scope. However, the maturities of securitization loans are matured as of 31 December 2012, the Company was not operational as of the balance sheet date.

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

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

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

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

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

None.

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**HSBC BANK A.Ş.
CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012
(STATEMENT OF FINANCIAL POSITION)**

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

SECTION TWO

CONSOLIDATED 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 Profit and Loss Items Accounted Under Shareholders’ Equity**
- V. Statements of Changes in Shareholders’ Equity**
- VI. Statements of Cash Flow**
- VII. Statements of Profit Distribution**

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**HSBC BANK A.Ş.
CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011
(STATEMENT OF FINANCIAL POSITION)**

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

I. BALANCE SHEET	Note (Section Five 1)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		ASSETS					
I. CASH BALANCES WITH CENTRAL BANK	(I-a)	295.829	2.255.863	2.551.692	332.912	1.466.657	1.799.569
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(I-b)	788.990	136.889	925.879	363.861	54.235	418.096
2.1 Trading Financial Assets		788.990	136.889	925.879	363.861	54.235	418.096
2.1.1 Government Debt Securities		781.811	11.097	792.908	215.499	17.414	232.913
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		7.179	125.792	132.971	131.127	36.821	167.948
2.1.4 Other Marketable Securities		-	-	-	17.235	-	17.235
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)	302.979	614.559	917.538	97.216	269.329	366.545
IV. MONEY MARKETS		1.975.982	53.650	2.029.632	4.152.681	-	4.152.681
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	53.650	53.650	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		1.975.982	-	1.975.982	4.152.681	-	4.152.681
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(I-d)	3.019.741	-	3.019.741	2.257.545	478.755	2.736.300
5.1 Share Certificates		4.211	-	4.211	3.000	-	3.000
5.2 Government Debt Securities		3.015.530	-	3.015.530	2.254.545	478.755	2.733.300
5.3 Other Marketable Securities		-	-	-	-	-	-
VI. LOANS	(I-e)	12.989.472	2.435.183	15.424.655	11.072.409	2.762.891	13.835.300
6.1 Loans		12.724.571	2.435.183	15.159.754	10.902.286	2.762.157	13.664.443
6.1.1 Bank's risk group	(VII)	-	12.119	12.119	-	8.861	8.861
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		12.724.571	2.423.064	15.147.635	10.902.286	2.753.296	13.655.582
6.2 Loans under Follow-up		733.223	14.428	747.651	593.195	14.460	607.655
6.3 Specific Provisions (-)		468.322	14.428	482.750	423.072	13.726	436.798
		82.240	10.223	92.463	205.080	17.891	222.971
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
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)	270	-	270	270	-	270
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270
XI. JOINT VENTURES (Net)	(I-i)	-	-	-	-	-	-
11.1 Accounted Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
XII. FINANCIAL LEASE RECEIVABLES (Net)	(I-j)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operating Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(I-k)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(I-l)	139.137	-	139.137	128.630	4	128.634
XV. INTANGIBLE ASSETS (Net)	(I-m)	92.561	-	92.561	89.734	-	89.734
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450
15.2 Other		9.111	-	9.111	6.284	-	6.284
XVI. INVESTMENT PROPERTY (Net)	(I-n)	-	-	-	-	-	-
XVII. TAX ASSET		31.326	-	31.326	9.126	-	9.126
17.1 Current Tax Asset		-	-	-	8.772	-	8.772
17.2 Deferred Tax Asset	(I-o)	31.326	-	31.326	354	-	354
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(I-p)	5.129	-	5.129	7.801	-	7.801
18.1 Held for sale Purposes		5.129	-	5.129	7.801	-	7.801
18.2 Related to Discontinued Operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(I-r)	95.485	9.275	104.760	387.097	11.399	398.496
TOTAL ASSETS		19.819.141	5.515.642	25.334.783	19.104.362	5.061.161	24.165.523

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

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

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

I. BALANCE SHEET	Note (Section Five II)	Current Period (31/12/2012)			Prior Period (31/12/2011)		
		TL	FC	Total	TL	FC	Total
		LIABILITIES AND EQUITY					
I. DEPOSITS	(II-a)	7.868.387	6.313.236	14.181.623	8.068.618	5.162.164	13.230.782
1.1 Deposits of Bank's risk group	(VII)	40.313	2.024	42.337	116.543	2.031	118.574
1.2 Other		7.828.074	6.311.212	14.139.286	7.952.075	5.160.133	13.112.208
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(II-b)	75.453	111.115	186.568	52.012	66.047	118.059
III. BORROWINGS	(II-d)	2.097.828	3.599.743	5.697.571	1.713.728	3.756.608	5.470.336
IV. MONEY MARKETS		-	-	-	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)	-	-	-	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		524.708	8.274	532.982	473.090	7.589	480.679
VIII. OTHER LIABILITIES	(II-e)	324.478	76.432	400.910	227.881	100.634	328.515
IX. FACTORING PAYABLES		207	-	207	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)	334.845	1.816	336.661	246.323	1.597	247.920
12.1 General Loan Loss Provision		248.321	-	248.321	184.137	-	184.137
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		27.894	-	27.894	23.645	-	23.645
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		58.630	1.816	60.446	38.541	1.597	40.138
XIII. TAX LIABILITY	(II-i)	66.030	-	66.030	43.897	-	43.897
13.1 Current Tax Liability		66.030	-	66.030	43.640	-	43.640
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)	-	844.110	844.110	-	517.816	517.816
XVI. SHAREHOLDERS' EQUITY	(II-l)	3.088.121	-	3.088.121	2.838.095	(600)	2.837.495
16.1 Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2 Capital Reserves		308.462	-	308.462	234.836	(600)	234.236
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Differences		35.769	-	35.769	(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		1.950.969	-	1.950.969	1.710.657	-	1.710.657
16.3.1 Legal Reserves		197.558	-	197.558	182.059	-	182.059
16.3.2 Status Reserves		-	-	-	-	-	-
16.3.3 Extraordinary Reserves		1.753.411	-	1.753.411	1.528.598	-	1.528.598
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Income or (Loss)		176.400	-	176.400	240.312	-	240.312
16.4.1 Prior Years' Income or (Loss)		-	-	-	218	-	218
16.4.2 Current Year Income or (Loss)		176.400	-	176.400	240.094	-	240.094
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14.380.057	10.954.726	25.334.783	14.553.667	9.611.856	24.165.523

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
CONSOLIDATED OFF-BALANCE SHEET AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011
(STATEMENT OF FINANCIAL POSITION)**

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

II.	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	Current period (31/12/2012)			Prior period (31/12/2011)		
			TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		41.302.618	35.397.175	76.699.793	41.489.931	22.296.386	63.786.317
I.	GUARANTEES AND WARRANTIES	(III-a-2,3)	346.182	2.185.307	2.531.489	313.168	2.510.620	2.823.788
1.1	Letters of Guarantee		345.355	483.739	829.094	312.943	613.605	926.548
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		345.355	483.739	829.094	312.943	613.605	926.548
1.2	Bank Acceptances		-	694.336	694.336	225	917.906	918.131
1.2.1	Import Letter of Acceptance		-	693.800	693.800	225	917.906	918.131
1.2.2	Other Bank Acceptances		-	536	536	-	-	-
1.3	Letters of Credit		827	642.129	642.956	-	738.090	738.090
1.3.1	Documentary Letters of Credit		827	428.622	429.449	-	592.881	592.881
1.3.2	Other Letters of Credit		-	213.507	213.507	-	145.209	145.209
1.4	Refinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	353.859	353.859	-	239.041	239.041
1.9	Other Collaterals		-	11.244	11.244	-	1.978	1.978
II.	COMMITMENTS	(III-a-1)	30.582.603	7.439.879	38.022.482	35.084.012	379.773	35.463.785
2.1	Irrevocable Commitments		9.823.724	7.439.879	17.263.603	7.708.664	379.773	8.088.437
2.1.1	Asset Purchase and Sale Commitments		1.933.789	7.260.647	9.194.436	71.490	379.692	451.182
2.1.2	Deposit Purchase and Sales Commitments		-	178.690	178.690	-	5	5
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	1.000	-	1.000
2.1.4	Loan Granting Commitments		460.496	-	460.496	514.845	-	514.845
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		656.743	-	656.743	604.506	-	604.506
2.1.8	Tax and Fund Liabilities from Export Commitments		5.223	-	5.223	4.778	-	4.778
2.1.9	Commitments for Credit Card Limits		5.906.023	-	5.906.023	5.440.163	-	5.440.163
2.1.10	Commitments for credit cards and banking services promotions		7.257	-	7.257	5.925	-	5.925
2.1.11	Receivables from short sale commitments of marketable securities		-	235	235	-	-	-
2.1.12	Payables for short sale commitments of marketable securities		-	235	235	-	-	-
2.1.13	Other irrevocable commitments		854.193	72	854.265	1.065.957	76	1.066.033
2.2	Revocable Commitments		20.758.879	-	20.758.879	27.375.348	-	27.375.348
2.2.1	Revocable Loan Granting Commitments		20.758.879	-	20.758.879	27.375.348	-	27.375.348
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(III-b)	10.373.833	25.771.989	36.145.822	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		10.373.833	25.771.989	36.145.822	6.092.751	19.405.993	25.498.744
3.2.1	Forward Foreign Currency Buy/Sell Transactions		1.372.562	3.010.333	4.382.895	1.249.556	2.243.857	3.493.413
3.2.1.1	Forward Foreign Currency Transactions-Buy		858.980	1.339.794	2.198.774	762.560	983.517	1.746.077
3.2.1.2	Forward Foreign Currency Transactions-Sell		513.582	1.670.539	2.184.121	486.996	1.260.340	1.747.336
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		7.494.449	19.378.012	26.872.461	4.318.178	12.175.981	16.494.159
3.2.2.1	Foreign Currency Swap-Buy		1.865.766	8.438.557	10.304.323	418.486	6.289.376	6.707.862
3.2.2.2	Foreign Currency Swap-Sell		5.628.683	4.626.703	10.255.386	3.899.692	2.698.507	6.598.199
3.2.2.3	Interest Rate Swap-Buy		-	3.156.376	3.156.376	-	1.594.049	1.594.049
3.2.2.4	Interest Rate Swap-Sell		-	3.156.376	3.156.376	-	1.594.049	1.594.049
3.2.3	Foreign Currency, Interest rate and Securities Options		1.506.822	2.163.494	3.670.316	525.017	3.269.771	3.794.788
3.2.3.1	Foreign Currency Options-Buy		753.411	785.077	1.538.488	230.530	535.268	765.798
3.2.3.2	Foreign Currency Options-Sell		753.411	785.077	1.538.488	294.487	476.115	770.602
3.2.3.3	Interest Rate Options-Buy		-	296.670	296.670	-	1.129.194	1.129.194
3.2.3.4	Interest Rate Options-Sell		-	296.670	296.670	-	1.129.194	1.129.194
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	1.057.844	1.057.844	-	1.716.384	1.716.384
3.2.5.1	Interest Rate Futures-Buy		-	528.922	528.922	-	767.856	767.856
3.2.5.2	Interest Rate Futures-Sell		-	528.922	528.922	-	948.528	948.528
3.2.6	Other		-	162.306	162.306	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		30.276.777	1.557.415	31.834.192	23.058.899	1.737.253	24.796.152
IV.	ITEMS HELD IN CUSTODY		26.629.554	1.527.205	28.156.759	19.000.128	1.604.608	20.604.736
4.1	Customer Fund and Portfolio Balances		1.612.654	-	1.612.654	1.626.037	-	1.626.037
4.2	Investment Securities Held in Custody		21.163.097	856.281	22.019.378	13.015.952	816.616	13.832.568
4.3	Checks Received for Collection		2.139.631	215.749	2.355.380	2.536.972	293.114	2.830.086
4.4	Commercial Notes Received for Collection		127.113	-	127.113	183.385	-	183.385
4.5	Other Assets Received for Collection		-	4.758	4.758	-	10.907	10.907
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.587.059	450.417	2.037.476	1.637.782	483.971	2.121.753
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		3.647.223	30.210	3.677.433	4.058.771	132.645	4.191.416
5.1	Marketable Securities		202.920	-	202.920	7.835	-	7.835
5.2	Guarantee Notes		140.569	30.210	170.779	179.868	132.645	312.513
5.3	Commodity		-	-	-	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		3.303.734	-	3.303.734	3.871.068	-	3.871.068
5.6	Other Pledged Items		-	-	-	-	-	-
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		71.579.395	36.954.590	108.533.985	64.548.830	24.033.639	88.582.469

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statement.

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

**HSBC BANK A.Ş.
CONSOLIDATED INCOME STATEMENTS FOR PERIOD ENDED
AS OF 31 DECEMBER 2012 AND 31 DECEMBER 2011**

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

III.	INCOME STATEMENTS	Note (Section Five IV)	Current Period (01/01/2012 - 31/12/2012)	Prior Period (01/01/2011 - 31/12/2011)
	INCOME AND EXPENSE ITEMS			
I.	INTEREST INCOME	(IV-a)	2.480.023	1.955.349
1.1	Interest on Loans	(IV-a-1)	1.841.794	1.449.320
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	(IV-a-2)	63.640	30.049
1.4	Interest Received from Money Market Transactions		251.260	176.669
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	289.283	273.276
1.5.1	Trading Financial Assets		96.373	28.044
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		192.910	245.232
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		34.046	26.035
II.	INTEREST EXPENSE	(IV-b)	1.100.607	876.103
2.1	Interest on Deposits	(IV-b-4)	753.184	637.512
2.2	Interest on Funds Borrowed	(IV-b-1)	311.566	200.909
2.3	Interest Expense on Money Market Transactions	(IV-b-5)	31.189	33.095
2.4	Interest on Securities Issued	(IV-b-3)	-	925
2.5	Other Interest Expenses		4.668	3.662
III.	NET INTEREST INCOME (I + II)		1.379.416	1.079.246
IV.	NET FEES AND COMMISSIONS INCOME		508.915	435.687
4.1	Fees and Commissions Received		562.164	504.236
4.1.1	Non-cash Loans		18.884	11.420
4.1.2	Other		543.280	492.816
4.2	Fees and Commissions Paid		53.249	68.549
4.2.1	Non-cash Loans		519	404
4.2.2	Other		52.730	68.145
V.	DIVIDEND INCOME	(IV-c)	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(252.983)	(131.530)
6.1	Trading Gains/(Losses) on Securities		40.778	(3.117)
6.2	Derivative Financial Transactions Gains/(Losses)		(303.207)	(108.396)
6.3	Foreign Exchange Gains/(Losses)		9.446	(20.017)
VII.	OTHER OPERATING INCOME	(IV-e)	76.203	170.096
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.711.551	1.553.499
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	275.594	160.568
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	1.197.695	1.068.092
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		238.262	324.839
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIII.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XIV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)	(IV-h)	238.262	324.839
XV.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-i)	(61.862)	(84.745)
16.1	Current Tax Provision		(93.091)	(65.906)
16.2	Deferred Tax Provision		31.229	(18.839)
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(IV-j)	176.400	240.094
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-current Assets Held for Resale		-	-
	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.2	Other Income From Discontinued Operations		-	-
18.3	Other Expenses From Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-
	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.2	Other Expenses From Discontinued Operations		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	176.400	240.094
23.1	Group's Profit/Loss		176.400	240.094
23.2	Minority Shares Profit/Loss		-	-
	Earnings/Losser per Share		0,002704	0,003681

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

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

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	Current Period (31/12/2012)	Prior Period (31/12/2012)
I. ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	82.635	(152.546)
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	(16.527)	27.336
X. NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	66.108	(125.210)
XI. CURRENT YEAR PROFIT/LOSS	8.118	15.866
11.1 Net change in fair value of marketable securities (transfer to profit-loss)	8.118	15.866
11.2 Reclassification of cash flow hedge transactions and presentation of the related under income statement	-	-
11.3 Reclassification of foreign net investment hedge transactions and presentation of the related part under income statement	-	-
11.4 Other	-	-
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	74.226	(109.344)

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

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V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 December 2011	Note (Section Five)	Paid-in Capital	Adjustmen- t to Paid-in Capital	Share Premium	Share Cancel- Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity
I. Period Opening Balance		652.290				166.966		1.339.541	272.693	240.561	218	70.887					2.743.156		2.743.156
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				166.966		1.339.541	272.693	240.561	218	70.887					2.743.156		2.743.156
Changes in the Period																			
IV. Increase/Decrease due to the Merger																			
V. Marketable Securities Valuation Differences												(109.344)					(109.344)		(109.344)
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										240.094							240.094		240.094
XX. Profit Distribution						15.093		189.057		(240.561)							(36.411)		(36.411)
20.1 Dividend Paid										(36.411)							(36.411)		(36.411)
20.2 Transfers to Reserves						15.093		189.057		(204.150)									
20.3 Other																			
Closing Balance (III+IV+V+.....+XXII+XXI)		652.290				182.059		1.528.598	272.693	240.094	218	(38.457)					2.837.495		2.837.495

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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V. STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

31 December 2012		Note (Section Five)	Paid-in Capital	Adjustmen- t to Paid-in Capital	Share Premium	Share Cancel. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/ (Loss)	Marketable Sec. Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operate.	Minority Shares Except Total Equity	Minority Shares	Total Equity
I.	Prior Period End Balance		652.290			182.059			1.528.598	272.693	240.094	218	(38.457)					2.837.495		2.837.495
II.	Changes in the Period																			
III.	Increase/Decrease due to the Merger												74.226					74.226		74.226
IV.	Marketable Securities Valuation Differences																			
4.1	Hedging Transactions Funds (Effective Parts)																			
4.2	Cash Flow Hedge																			
	Valuation Differences due to Revaluation of Property and Equipment																			
V.	Valuation Differences due to Revaluation of Intangible Assets																			
VI.	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures																			
VII.	Foreign Exchange Differences																			
VIII.	Changes due to the Disposal of Assets																			
IX.	Changes due to the Reclassification of Assets																			
X.	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity																			
XI.	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								218			(218)								
XVII.	Current Year Income or Loss										176.400							176.400		176.400
XVIII.	Profit Distribution					15.499			224.595		(240.094)									
18.1	Dividend Paid					15.499			224.595		(240.094)									
18.2	Transfers to Reserves																			
18.3	Other																			
	Period End Balance (I+II+ ...+ XVIII)		652.290			197.558			1.753.411	272.693	176.400		35.769					3.088.121		3.088.121

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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

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

VI. STATEMENT OF CASH FLOW			
	Note (Section Five VI)	Current Period (31/12/2012)	Prior Period (31/12/2011)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		742.977	453.555
1.1.1 Interest received		2.528.381	1.837.792
1.1.2 Interest paid		(1.084.976)	(886.423)
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		562.164	507.701
1.1.5 Other income		(188.227)	58.586
1.1.6 Collections from previously written-off loans and other receivables		101.557	194.845
1.1.7 Payments to personnel and service suppliers		(539.273)	(444.278)
1.1.8 Taxes paid		(181.789)	(75.477)
1.1.9 Other		(454.860)	(739.191)
1.2 Changes in operating assets and liabilities		(2.277.630)	1.443.393
1.2.1 Net (decrease)/increase in trading securities		(533.345)	89.170
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		(63.478)	(34.338)
1.2.4 Net increase/(decrease) in loans		(1.827.634)	(4.334.122)
1.2.5 Net increase/(decrease) in other assets		(849.203)	(540.445)
1.2.6 Net increase/(decrease) in bank deposits		(134.899)	(93.354)
1.2.7 Net (decrease)/increase in other deposits		1.094.065	2.611.231
1.2.8 Net (decrease)/increase in funds borrowed		528.887	2.224.333
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		(492.023)	1.520.918
I. Net cash provided from banking operations		(1.534.653)	1.896.948
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		(358.828)	388.403
2.1 Cash paid for acquisition of investments, associates and subsidiaries (Business Partnerships)		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries (Business Partnerships)		-	-
2.3 Purchases of property and equipment		(76.854)	(38.534)
2.4 Disposals of property and equipment		1.467	10.424
2.5 Cash paid for purchase of investments available-for-sale		(2.359.108)	(1.072.641)
2.6 Cash obtained from sale of investments available-for -sale		2.075.667	1.489.154
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		(1)	(191.046)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	(154.635)
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		(7.920)	(34.119)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		(1.901.402)	2.060.186
VI. Cash and cash equivalents at beginning of the period	(IV)	5.111.127	3.050.941
VII. Cash and cash equivalents at end of the period	(IV)	3.209.725	5.111.127

The accompanying explanations and notes set out on pages 15 to 92 form an integral part of these financial statements.

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**CONSOLIDATED PROFIT APPROPRIATION STATEMENT AT 31 DECEMBER 2012
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

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

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

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

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

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

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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 consolidated 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.

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

The preparation of consolidated 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 Group.

b. Explanation for convenience translation into English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated 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 consolidated financial statements are determined and applied in accordance with the reporting standards. These accounting policies and valuation principles are explained in explanations on accounting policies section.

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

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

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

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

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

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

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

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

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

In order to reduce the foreign exchange position risk the Group conducts currency forward purchase and sale transaction agreements, currency swap purchase and sale transaction agreements and option purchase and sale agreements. In order to reduce the interest risk, the Group conducts interest futures, interest swaps and forward interest rate agreements. According to TAS 39 the transactions which are not considered as hedging instrument are classified as derivative instruments held for trading and recognised at fair value. The fair value of derivative financial instruments or determined taking into consideration the fair value of the market or calculated using the discounted cash flow model. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "financial assets at fair value through profit or loss" in "trading derivative financial assets" and if the fair value difference is negative, it is disclosed in "trading derivative financial liabilities". As a result of the valuations, fair value changes are recorded under "Derivative Financial Transactions Gains/(Losses)" account in the income statement. As of 31 December 2012 and 31 December 2011, the Group does not have any embedded derivatives. As of 31 December 2012 and 31 December 2011 the Group does not have any derivative financial instruments held for hedging.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

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

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VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

Financial assets at fair value through profit or loss consists of trading financial assets and financial assets at fair value through profit or loss 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 Group by providing money, services or goods to borrowers are categorized as loans and receivables. Loans and receivables originated by the Group are recognised at the amortised cost value calculated using the effective interest rate method.

For loans in which making risk assessment for the loans and receivables on the basis of consumer and portfolio is non-performing loan, Group provides specific provisions not less than the determined minimum rates according to the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Group's 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 Group provides general loan loss provisions for the loans and receivables which are defined in the same communiqué. The interests and accruals of the non-performing loans are derecognised from the financial statement and provision expense is deducted from the net income of the year. Releases of current period provisions are made by the reversal of the amount from the "Provision for Impairment of Loans and Other Receivables" account.

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

d. Held-to-Maturity Financial Assets:

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

In each balance sheet date, the Group assesses if there is an objective indication of the impairment of financial assets or financial asset groups. If such indications exist, the Group 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 Group has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis.

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

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

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

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

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

The Group'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 Group purchased Benkar in the year 2002. The useful life of the goodwill arising out of the merger of Benkar with the Group on 26 December 2002 is determined as 10 years. Therefore, it is amortised until the end of October 2006 and, amortised with 10% of amortization rate 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 Group 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 Group has a present legal or constructive obligation as a result of past events and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Group, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

XVI. EXPLANATIONS ON CONTINGENT ASSETS

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the 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 Group has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with “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 Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labor Law. The Group provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Group arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 3%.

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

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

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

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

The tax applications for foreign branches;

TURKISH REPUBLIC OF NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period.

Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next twelve years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

b. Deferred Tax Asset/Liability:

The Group calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these 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. Group has filled out the related form and presented it to the tax office.

XIX. EXPLANATIONS ON BORROWING

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

XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

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XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note X of Section Four.

XXIV. PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

XXV. EARNINGS PER SHARE

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

	Current Period	Prior Period
	31 December 2012	31 December 2011
Net Profit for the Period	176.400	240.094
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	0,002704	0,003681

(*)Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

XXVII. RELATED PARTIES

Parties stated in the article 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 31 December 2012 financials.

XXIX. OTHER MATTERS

None.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO

a. As of 31 December 2012, the Group's and the Parent Bank's capital adequacy ratios are orderly 17,28% and 17,12%. This rate is above the minimum rate specified by the related regulation.

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

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

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

c. Information related to consolidated capital adequacy ratio:

	31 December 2012									
	Consolidated Risk Weights									
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
Credit Risk Based Amount	5.836.925	-	252.133	3.367.558	5.858.123	7.562.783	1.492.911	1.404.697	-	-
Risk Classes										
Claims on sovereigns and Central Banks	5.146.527	-	-	-	-	30.990	-	-	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	252.133	361.485	-	944.682	440	-	-	-
Claims on corporates	93.721	-	-	-	-	5.903.159	-	-	-	-
Claims included in the regulatory retail portfolios	77.000	-	-	-	5.840.774	-	-	-	-	-
Claims secured by residential property	12.282	-	-	3.006.073	17.349	80.173	-	-	-	-
Past due loan	-	-	-	-	-	264.901	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.492.471	1.404.697	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-
Other receivables	507.395	-	-	-	-	338.878	-	-	-	-

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

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

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

(*) 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. Summary information related to consolidated and unconsolidated capital adequacy ratio:

	Current Period 31 December 2012 Consolidated	Current Period 31 December 2012 The Parent Bank
Capital to be employed for credit risk (Amount subject to credit risk * 0,08) (I)	1.499.147	1.499.924
Capital to be employed for market risk (II)	135.930	135.827
Capital to employed for operational risk (III)	222.723	219.436
Shareholders’ Equity	4.013.293	3.970.567
Shareholders’ Equity / ((I+II+III)*12,5*100)	17,28	17,12

(*) 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.

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I. EXPLANATIONS ON CONSOLIDATED CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders’ equity items:

	Current Period 31 December 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	1.950.969
Adjustments to Legal Reserves	272.693
Profit	176.400
Net Current Period Profit	176.400
Prior Period Profit	-
Provision for Possible Losses up to 25% of Core Capital	-
Profit on sale of associates, subsidiaries and buildings	-
Primary Subordinated Loans	-
Loss that is not covered with reserves (-)	-
Net Current Period Loss	-
Prior Period Loss	-
Leasehold Improvements (-)	28.697
Intangible Assets (-)	92.561
Deferred-Asset for tax which exceeds 10% of core capital (-)	-
Excess Amount expressed in the Law (Article 56, 3 rd paragraph) (-)	-
Total Core Capital	2.931.094

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 31 December 2012
SUPPLEMENTARY CAPITAL	
General Reserves	248.321
45% of increase in revaluation fund of movables	-
45% of the Immovable Revaluation Fund	-
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	818.413
45% of value increase fund of financial assets available for sale and associates and subsidiaries	16.096
Inflation Adjustment to Capital Reserve, Profit Reserve and Prior Years' Income or Loss (Except Inflation Adjustment to Legal Reserves, Status Reserves and Extraordinary Reserves)	-
Total Supplementary Capital	1.082.830
CAPITAL	4.013.924
DEDUCTIONS FROM CAPITAL	631
Shares in Unconsolidated Banks and Financial Institutions	-
The Secondary Subordinated Loans Extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and the Debt Instruments That Have Primary or Secondary Subordinated Loan Nature Purchased from Them	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	198
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-
Other	276
TOTAL SHAREHOLDERS' EQUITY	4.013.293

(*) 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:

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

With this evaluation process, on a prospective basis ensuring the continuity of the legal minimum limits of capital, keeping capital adequately to support the Bank's targeted risk profile and ensuring the maintenance of capital adequately as well as the process of compliance with laws and regulations.

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

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

In credit risk, there are no specific limitations for a specific geographical region. However, if there will be a risk which is affecting a specific region then the necessary limitation shall be applied and the necessary action shall be taken in order to 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.

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

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

The Group is not exposed to significant credit risk as an active participant in the international banking market when evaluated with the financial activities of the other financial institutions.

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

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

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

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

Corporate and Commercial Loan Portfolio Rating System:

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

10 basic customer risk rating ranges are as follows:

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

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

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

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

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

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

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

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

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

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

CRR 10.0 - Loss - Collection is not expected.

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

Risk Classifications	Current Period Risk Amount	Average Risk Amount
Claims on sovereigns and Central Banks	5.177.517	3.510.321
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	1.558.740	1.598.663
Claims on corporate	5.996.880	7.057.350
Claims included in the regulatory retail portfolios	5.917.774	6.014.078
Claims secured by residential property	3.115.877	3.245.804
Past due loan	264.901	241.331
Higher risk categories decided by the Board	2.897.168	2.424.592
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	846.273	1.774.939
Total	25.775.130	25.867.078

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

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

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

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

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

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

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

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

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

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

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

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

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

- f. The proportion of the Group's top 100 cash loan balances in total cash loans: 18% (31 December 2011: 19%).**

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

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

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

	Risk Categories (***)																Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
31 December 2012																	
Domestic	5.146.527	-	-	-	-	420.742	5.909.307	5.813.151	3.070.715	259.668	2.897.107	-	-	-	-	846.273	24.363.490
European Union Countries	-	-	-	-	-	714.988	9.711	5.630	10.337	1.940	-	-	-	-	-	-	742.606
OECD Countries (*)	-	-	-	-	-	41.830	853	955	2.096	103	-	-	-	-	-	-	45.837
Off – shore Countries	-	-	-	-	-	45.626	-	153	619	-	-	-	-	-	-	-	46.398
USA, Canada	-	-	-	-	-	45.137	8.963	505	1.611	21	-	-	-	-	-	-	56.237
Other Countries	30.990	-	-	-	-	290.147	68.046	97.380	30.499	3.169	61	-	-	-	-	-	520.292
Subsidiaries and Joint venture	-	-	-	-	-	270	-	-	-	-	-	-	-	-	-	-	270
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5.177.517	-	-	-	-	1.558.740	5.996.880	5.917.774	3.115.877	264.901	2.897.168	-	-	-	-	846.273	25.775.130

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

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

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

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties:

Sectors/Counterparties	Risk Categories (*)																TP	YP	Toplam	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16				
Agricultural	-	-	-	-	-	-	66.903	100.340	44.296	2.258	-	-	-	-	-	-	169.229	44.568	213.797	
Farming and raising livestock	-	-	-	-	-	-	57.679	7.953	14.464	1.669	-	-	-	-	-	-	46.976	34.789	81.765	
Forestry	-	-	-	-	-	-	8.996	4.030	5.365	558	-	-	-	-	-	-	15.641	3.308	18.949	
Fishing	-	-	-	-	-	-	228	88.357	24.467	31	-	-	-	-	-	-	106.612	6.471	113.083	
Industry	-	-	-	-	-	-	3.859.897	195.555	683.353	59.448	-	-	-	-	-	-	2.232.420	2.565.833	4.798.253	
Mining	-	-	-	-	-	-	50.752	3.848	15.867	567	-	-	-	-	-	-	38.987	32.047	71.034	
Production	-	-	-	-	-	-	3.646.789	190.939	665.919	58.881	-	-	-	-	-	-	2.180.086	2.382.442	4.562.528	
Electricity, Gas, Water	-	-	-	-	-	-	162.356	768	1.567	-	-	-	-	-	-	-	13.347	151.344	164.691	
Construction	-	-	-	-	-	-	497.493	77.379	144.223	11.337	-	-	-	-	-	-	286.744	443.688	730.432	
Services	2.161.987	-	-	-	-	1.558.740	1.527.878	196.838	499.351	19.888	-	-	-	-	-	-	2.108.717	3.855.965	5.964.682	
Wholesale and retail trade	-	-	-	-	-	-	1.079.609	103.425	216.925	14.014	-	-	-	-	-	-	1.087.739	326.234	1.413.973	
Hotel and beverage service	-	-	-	-	-	-	45.560	12.905	109.191	955	-	-	-	-	-	-	67.231	101.380	168.611	
Transportation and telecommunication	-	-	-	-	-	-	130.976	24.143	28.172	2.654	-	-	-	-	-	-	137.709	48.236	185.945	
Financial Institutions	2.161.987	-	-	-	-	1.558.740	37.701	2.863	93.741	55	-	-	-	-	-	-	609.998	3.245.089	3.855.087	
Real estate and lending service	-	-	-	-	-	-	322	409	2.695	-	-	-	-	-	-	-	3.279	147	3.426	
Self employment service	-	-	-	-	-	-	167.743	28.030	25.783	874	-	-	-	-	-	-	109.786	112.644	222.430	
Education Service	-	-	-	-	-	-	2.113	2.317	4.360	13	-	-	-	-	-	-	8.385	418	8.803	
Health and financial service	-	-	-	-	-	-	63.854	22.746	18.484	1.323	-	-	-	-	-	-	84.590	21.817	106.407	
Other	3.015.530	-	-	-	-	-	44.709	5.347.662	1.744.654	171.970	2.897.168	-	-	-	-	-	846.273	13.876.113	191.853	14.067.966
TOTAL	5.177.517	-	-	-	-	1.558.740	5.996.880	5.917.774	3.115.877	264.901	2.897.168	-	-	-	-	-	846.273	18.673.223	7.101.907	25.775.130

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

- 1 Conditional and unconditional receivables from central governments and Central Banks
- 2 Conditional and unconditional receivables from regional or local governments
- 3 Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
- 4 Conditional and unconditional receivables from multilateral development banks
- 5 Conditional and unconditional receivables from international organizations
- 6 Conditional and unconditional receivables from banks and brokerage houses
- 7 Conditional and unconditional receivables from corporates
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- 9 Conditional and unconditional receivables secured by mortgages
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- 11 Receivables defined under high risk category by BRSA
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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

j. Term distribution of risks with term structure:

Risk Categories	Time to Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over
Claims on sovereigns and Central Banks	65.792	3.290.728	18.092	873.552	898.367
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	908.587	239.558	52.390	141.226	96.683
Claims on corporates	981.588	950.765	1.079.171	1.321.849	1.483.111
Claims included in the regulatory retail portfolios	2.528.631	519.536	555.255	331.091	577.690
Claims secured by residential property	34.798	102.075	152.047	144.962	2.651.123
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	816.343	2.080.826
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	9.211	-	-	-	-
TOTAL	4.528.607	5.102.662	1.856.955	3.629.023	7.787.800

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

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

Rating Scores;

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

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

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

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

1. Risk Amounts according to Risk Weights:

	Risk Weights									Deducted From Equity
	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
1. Amount Before Credit Risk Mitigation	5.653.923	-	252.133	361.485	7.990.152	8.619.851	1.492.911	1.404.697	-	121.883
2. Amount After Credit Risk Mitigation	5.836.925	-	252.133	3.367.558	5.858.123	7.562.783	1.492.911	1.404.697	-	121.883

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

	Trading Financial Assets (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Current Period-31 December 2012				
Moody's Rating	-	-	-	-
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	-	-	-	-
Ba2	792.908	3.015.530	-	3.808.438
Ba3	-	-	-	-
Total	792.908	3.015.530	-	3.808.438
Prior Period - 31 December 2011				
Moody's Rating	-	-	-	-
Aaa	-	-	-	-
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	-	-	-	-
Ba2	232.913	2.733.300	-	2.966.213
Ba3	4.924	-	-	4.924
Total	237.837	2.733.300	-	2.971.137

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

Miscellaneous Information regarding Important Sectors or Counterparty Type

	Credits			
	Impaired credits	Past due credits	Value adjustments	Provisions
Agricultural	9.169	6.439	74	6.913
Farming and raising livestock	8.147	5.465	55	6.478
Forestry	989	609	12	433
Fishing	33	365	7	2
Industry	127.037	155.806	3.919	67.648
Mining	2.686	9.388	296	2.123
Production	124.294	146.393	3.623	65.468
Electricity, Gas, Water	57	25	-	57
Construction	22.963	100.268	2.091	11.631
Services	79.410	55.618	1.268	59.616
Wholesale and retail trade	47.684	45.767	1.045	33.787
Hotel and beverage service	2.437	1.187	50	1.491
Transportation and telecommunication	8.359	1.611	32	5.758
Financial Institutions	11.992	3.450	69	11.938
Real estate and lending service	94	-	-	94
Self employment service	5.502	-	-	4.628
Education Service	365	1.817	36	265
Health and financial service	2.977	1.786	36	1.655
Other	509.543	374.559	8.380	337.191
Total	748.122	692.690	15.732	482.999

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

	Opening Balance	Provisions provided during the period	Provision Reversals	Other Adjustments (*)	Closing Balance
Specific Provisions	444.425	240.319	55.481	146.264	482.999
General Provisions	184.137	67.627	3.442	-	248.321

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

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II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK (Continued)

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

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2012	84.866	113.728	238.204	436.798
Transferred during the period	67.998	48.641	123.431	240.070
Collection during the period	7.015	17.197	23.642	47.854
Write-off/sold	-	40.019	106.245	146.264
31 December 2012	145.849	105.153	231.748	482.750

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2011	226.851	161.524	320.864	709.239
Transferred during the period	10.254	19.772	76.312	106.338
Collection during the period	5.349	14.709	29.608	49.666
Write-off/sold	146.890	52.859	129.364	329.113
31 December 2011	84.866	113.728	238.204	436.798

r. Information on types of loans and provisions:

	Commercial Loans	Consumer Loan	Credit Cards	Total
Current Period - 31 December 2012				
Standard loans	6.104.941	4.466.293	3.978.405	14.549.639
Close monitoring loans	543.442	94.977	64.159	702.578
Loans under follow-up	238.668	181.424	327.559	747.651
The specific provision (-)	145.849	105.153	231.748	482.750
Total	6.741.202	4.637.541	4.138.375	15.517.118

	Commercial Loans	Consumer Loan	Credit Cards	Total
Prior Period- 31 December 2011				
Standard loans	7.237.385	3.298.775	2.845.017	13.381.177
Close monitoring loans	378.317	74.415	53.505	506.237
Loans under follow-up	164.234	167.658	275.763	607.655
The specific provision (-)	84.866	113.728	238.204	436.798
Total	7.695.070	3.427.120	2.936.081	14.058.271

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

	Current Period 31 December 2012 Collateral Value	Prior Period 31 December 2011 Collateral Value
Mortgages	254.998	294.452
Pledged Vehicle	29.842	18.431
Cheques and Notes	2.608	2.844
Cash	162	120
Common Stock	-	10.235
Total	287.610	326.082

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III. EXPLANATIONS ON CONSOLIDATED MARKET RISK

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

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

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

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

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

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

Information on Consolidated Market Risk:

	31 December 2012 Balance
(I) Capital to be Employed for General Market Risk - Standard Method	60.277
(II) Capital to be Employed for Specific Risk - Standard Method	1.372
Required Capital Requirement for securitization of the position of specific risk - Standard Method	-
(III) Capital to be Employed for Currency Risk - Standard Method	3.258
(IV) Capital to be Employed for Commodity Risk - Standard Method	-
(V) Capital to be Employed for Exchange Risk - Standard Method	-
(VI) Capital to be Employed for Market Risk Due to Options - Standard Method	43
(VII) Capital requirement for counterparty credit risk - Standard Method	70.980
(VIII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model	-
(IX) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)	135.930
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	1.699.125

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

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

	Current period 31 December 2012		
	Average	Maximum	Minimum
Interest Rate Risk	60.297	60.317	60.277
Share Certificates Risk	958	1.372	543
Currency Risk	5.538	7.817	3.258
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	47	51	43
Counterparty Credit Risk	39.803	70.980	8.626
Total Amount Subject to Risk	106.642	140.537	72.747

b. Information related to counterparty credit risk:

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

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

Quantitative information on Counterparty Risk:

	Amount
Interest Rate Based Contracts	316.624
Foreign Currency Based Contracts	2.040.787
Commodity Based Contracts	812
Stock-Based Contracts	-
Other	-
Positive Fair Value Gross Amount	132.971
Benefits of Offsetting	-
Offsetting Current Risk Amount	-
Retained Guarantee	-
Net Positions on derivatives	2.491.194

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

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IV. EXPLANATIONS ON CONSOLIDATED OPERATIONAL RISK

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

The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2009, 2010, and 2011 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.

	31.12.2009	31.12.2010	31.12.2011	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.603.325	1.420.147	1.430.990	1.484.821	15	222.723
Value at Operational Risk (Total*12,5)						2.784.039

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK

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

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

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

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

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

The Group, 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 Group for the last five business days prior to the financial statement date:**

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

Current Period - 31 December 2012	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	1,7869	2,3565
Before Balance Sheet Date		
1. Day Bid Rate	1,7868	2,3639
2. Day Bid Rate	1,7898	2,3751
3. Day Bid Rate	1,7986	2,3775
4. Day Bid Rate	1,7986	2,3775
5. Day Bid Rate	1,7986	2,3775
Prior Period - 31 December 2011	USD (\$)	EUR (€)
Balance Sheet Date		
Bank Evaluation Rate	1,8820	2,4343
Before Balance Sheet Date		
1. Day Bid Rate	1,9185	2,4764
2. Day Bid Rate	1,9073	2,4764
3. Day Bid Rate	1,8965	2,4796
4. Day Bid Rate	1,8965	2,4796
5. Day Bid Rate	1,8965	2,4796

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

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

- f. Information related to Group's Currency Risk: (Thousand TL)**

Current Period - 31 December 2012	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	777.532	1.004.952	473.379	2.255.863
Banks	28.933	557.496	28.130	614.559
Financial Assets at Fair Value through Profit or Loss (Net)	3.917	8.390	-	12.307
Interbank Money Market Placements	-	53.650	-	53.650
Available-for-sale Financial Assets (Net)	-	-	-	-
Loans (*)	1.425.060	1.872.156	19.327	3.316.543
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	1.562	3.066	934	5.562
Total Assets	2.237.004	3.499.710	521.770	6.258.484
Liabilities				
Bank Deposits	5	87.596	53	87.654
Foreign Currency Deposits	1.587.968	3.637.978	999.636	6.225.582
Funds from Interbank Money Market	-	-	-	-
Borrowings	1.472.622	2.971.230	1	4.443.853
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.696	6.352	226	8.274
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	9.921	56.956	12.405	79.282
Total Liabilities	3.072.212	6.760.112	1.012.321	10.844.645
Net on Balance Sheet Position	(835.208)	(3.260.402)	(490.551)	(4.586.161)
Net Off-Balance Sheet Position				
Financial Derivative Assets	4.153.073	9.313.327	973.287	14.439.687
Financial Derivative Liabilities	3.318.015	6.080.652	486.405	9.885.072
Non-cash Loans	444.030	1.641.941	99.336	2.185.307
Prior Period - 31 December 2011				
Total Assets	1.314.118	4.596.784	299.032	6.215.792
Total Liabilities	2.636.474	6.016.553	878.470	9.555.043
Net on-Balance Sheet Position	(1.322.356)	(1.419.769)	(579.438)	(3.339.251)
Net off-Balance Sheet Position	1.396.503	1.384.180	574.716	3.373.199
Financial Derivative Assets	2.167.832	4.935.618	686.911	7.808.161
Financial Derivative Liabilities	771.329	3.551.438	112.195	4.434.962
Non-cash Loans	280.604	2.152.198	40.546	2.510.620

(*) Loans consists of foreign indexed loans amounting to TL 871.137 (31 December 2011: TL 1.181.045) and foreign factoring receivables amounting to TL 10.223 (31 December 2011: TL 17.891) as of 31 December 2012.

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

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V. EXPLANATIONS ON CONSOLIDATED CURRENCY RISK (Continued)

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

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

	Current Period – 31 December 2012		Prior Period – 31 December 2011	
	Income Statement	Equity (*)	Income Statement	Equity (*)
US Dollar	(2.773)	(2.773)	(3.499)	(3.559)
Euro	(15)	(15)	7.415	7.415
Other	(367)	(367)	(461)	(461)
Total	(3.155)	(3.155)	3.455	3.395

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

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK

There is an interest sensitivity gap at the balance sheet of Bank in the short-term due to structural risk of the banking sector that is obligation to the funding of long-term assets with short-term deposits. Derivative financial instruments are used against the risk of possible interest risk of interest rate sensitive asset and liabilities. Interest futures and swap operations are performed to reduce the balance sheet and off-balance sheet interest rate risk.

The Group managed interest rate and prepayment risk of mortgages and other long term loans with derivative financial instruments efficiently taking into consideration cost-benefit analysis and reduced the risk against to the fluctuations in global and local markets.

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

Current Period - 31 December 2012	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	2.551.692	2.551.692
Banks	712.433	86.541	6.301	-	-	112.263	917.538
Financial Assets at Fair Value Through Profit or Loss (Net)	61.421	81.244	763.499	12.264	7.451	-	925.879
Interbank Money Market Placements	2.029.632	-	-	-	-	-	2.029.632
Available-for-sale Financial Assets (Net)	502.514	1.879.427	633.589	-	-	4.211	3.019.741
Loans (*)	5.542.984	2.661.405	2.115.477	3.657.450	1.274.901	264.901	15.517.118
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	373.183	373.183
Total Assets	8.848.984	4.708.617	3.518.866	3.669.714	1.282.352	3.306.250	25.334.783
Liabilities							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8.492.253	1.945.398	495.181	13.802	-	2.995.074	13.941.708
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.981	532.981
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Borrowings	2.356.507	515.684	2.982.273	476.097	211.120	-	6.541.681
Other Liabilities (**)	50.607	80.424	51.820	3.714	-	3.891.933	4.078.498
Total Liabilities	11.076.848	2.541.506	3.539.695	498.023	211.120	7.467.591	25.334.783
Balance Sheet Long Position	-	2.167.111	-	3.171.691	1.071.232	-	6.410.034
Balance Sheet Short Position	(2.227.864)	-	(20.829)	-	-	(4.161.341)	(6.410.034)
Off Balance Sheet Long Position	-	-	264.679	-	-	-	264.679
Off Balance Sheet Short Position	-	-	-	(264.679)	-	-	(264.679)
Total Position	(2.227.864)	2.167.111	243.850	2.907.012	1.071.232	(4.161.341)	-

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

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

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VI. EXPLANATIONS ON CONSOLIDATED 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)	117.946	58.069	127.085	90.300	12.384	12.312	418.096
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 (*)	3.867.938	1.663.136	4.335.153	3.132.260	888.927	170.857	14.058.271
Held-to-maturity Investments (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	634.061	634.061
Total Assets	9.304.306	2.663.831	5.278.384	3.226.455	901.311	2.791.236	24.165.523
Liabilities							
Bank Deposits	191.710	6.315	23.084	-	-	154.294	375.403
Other deposits	7.239.582	2.617.087	479.979	6.033	-	2.512.698	12.855.379
Funds from Interbank Money Market	889.994	-	-	-	-	-	889.994
Miscellaneous Payables	-	-	-	-	-	480.679	480.679
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	-	3.457.857	3.575.916
Total Liabilities	11.644.616	3.396.623	2.297.444	10.193	211.119	6.605.528	24.165.523
Balance Sheet Long Position	-	-	2.980.940	3.216.262	690.192	-	6.887.394
Balance Sheet Short Position	(2.340.310)	(732.792)	-	-	-	(3.814.292)	(6.887.394)
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	(2.454.081)	(411.169)	2.323.993	3.269.851	1.008.626	(3.814.292)	(77.072)

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

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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period - 31 December 2012	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,14	-	7,00
Financial Assets at Fair Value Through Profit or Loss (Net)	5,60	7,85	-	6,17
Interbank Money Market Placements	-	1,00	-	6,09
Available-for-Sale Financial Assets (Net)	-	-	-	5,96
Loans	5,31	5,54	-	12,49
Held-to-Maturity Investments (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	0,34	-	4,90
Other Deposits	2,02	2,34	2,26	7,40
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Borrowings	1,66	1,79	-	8,82
Prior Period - 31 December 2011	Euro	US Dollar	Yen	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	-	10,63
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

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VI. EXPLANATIONS ON CONSOLIDATED INTEREST RATE RISK (Continued)

c. Interest rate risk on banking book:

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

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

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

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

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

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

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

(*) 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, information of prior period that have not presented for 1 year as coming into force date of regulation.

d. Position risk of equity securities in banking book:

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

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

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

None.

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK

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

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

For various liquidity crisis scenarios, liquidity crisis management methods are stand 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 Group is pricing its liabilities faster than its assets, the Group is positively affected from the decreases in the general rate of interests and negatively affected from increases in the general rate of interests. These effects are managed in determined limits.

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

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

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

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

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

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

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

Current Period - 31 December 2012	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated (*)	Total
Assets								
Cash Equivalents and Central Bank Banks	486.483	2.065.209	-	-	-	-	-	2.551.692
Financial Assets at Fair Value through Profit or Loss (Net)	112.263	712.433	86.541	6.301	-	-	-	917.538
Interbank Money Market Placements	-	21.881	73.682	785.018	33.393	11.905	-	925.879
Available-for-sale Financial Assets (Net)	-	2.029.632	-	-	-	-	-	2.029.632
Loans (*)	-	-	1.225.519	891.644	827.313	71.054	4.211	3.019.741
Held-to-maturity Investments (Net)	-	4.987.107	1.913.011	2.132.211	4.752.472	1.467.416	264.901	15.517.118
Other Assets (**)	-	-	-	-	-	-	-	-
Other Assets (**)	-	-	48.008	325	30.831	-	294.019	373.183
Total Assets	598.746	9.816.262	3.346.761	3.815.499	5.644.009	1.550.375	563.131	25.334.783
Liabilities								
Bank Deposits	47.603	177.481	-	10.421	4.410	-	-	239.915
Other Deposits	2.995.074	8.513.919	1.923.732	495.181	13.802	-	-	13.941.708
Borrowings	-	1.901.082	257.869	2.378.690	948.778	1.055.262	-	6.541.681
Funds from Interbank Money Market	-	-	-	-	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	282.110	115.023	121.971	13.877	-	-	532.981
Other Liabilities (***)	-	45.150	59.608	171.002	416.164	78	3.386.496	4.078.498
Total Liabilities	3.042.677	10.919.742	2.356.232	3.177.265	1.397.031	1.055.340	3.386.496	25.334.783
Net Liquidity Gap	(2.443.931)	(1.103.480)	990.529	638.234	4.246.978	495.035	(2.823.365)	-
Prior Period - 31 December 2011								
Total Assets	889.106	10.024.451	2.764.226	3.483.641	5.398.149	1.136.324	469.626	24.165.523
Total Liabilities	2.666.992	11.072.871	2.880.988	2.683.545	1.593.220	216.010	3.051.897	24.165.523
Net Liquidity Gap	(1.777.886)	(1.048.420)	(116.762)	800.096	3.804.929	920.314	(2.582.271)	-

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

Current Period - 31 December 2012	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Bank Deposits	225.099	8.636	6.593	-	-	240.328
Other Deposits	11.502.432	1.938.073	508.654	14.596	-	13.963.755
Payables to Money Market	-	-	-	-	-	-
Borrowings	2.536.852	92.315	2.123.394	1.281.343	1.232.563	7.266.467
Total	14.264.383	2.039.024	2.638.641	1.295.939	1.232.563	21.470.550
Prior Period - 31 December 2011						
Bank Deposits	346.020	6.411	23.976	-	-	376.407
Other Deposits	10.311.654	2.102.689	495.045	6.392	-	12.915.780
Payables to Money Market	890.292	-	-	-	-	890.292
Borrowings	2.492.514	284.603	2.211.681	1.022.046	651.410	6.662.254
Total	14.040.480	2.393.703	2.730.702	1.028.438	651.410	20.844.733

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

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

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

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VII. EXPLANATIONS ON CONSOLIDATED LIQUIDITY RISK (Continued)

g. Explanations on securitisation positions:

None.

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

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

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

VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES

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

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

b. Explanations on valuation and management of collaterals:

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

c. Received main collateral types:

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

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

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VIII. EXPLANATIONS ON CREDIT RISK MITIGATION TECHNIQUES (Continued)

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

None.

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

None.

f. Collaterals based on risk classifications:

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

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

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

IX. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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IX. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Carrying Value		Fair Value	
	Current Period 31 December 2012	Prior Period 31 December 2011	Current Period 31 December 2012	Prior Period 31 December 2011
Financial Assets	21.484.029	21.142.941	22.441.056	22.015.119
Interbank Money Market Placements	2.029.632	4.152.681	2.029.632	4.154.005
Banks	917.538	366.545	917.388	366.564
Financial Assets Available-for-Sale (Net)	3.019.741	2.736.300	3.019.741	2.736.300
Investments Held-to-Maturity (Net)	-	-	-	-
Loans (*)	15.517.118	13.887.415	16.474.295	14.758.250
Financial Liabilities	21.256.285	19.699.613	21.391.772	20.109.741
Bank Deposits	239.915	375.403	239.915	375.361
Other Deposits	13.941.708	12.855.379	13.998.101	12.870.680
Borrowing	6.541.681	5.988.152	6.620.775	6.383.021
Securities Issued	-	-	-	-
Miscellaneous Payables	532.981	480.679	532.981	480.679

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

b. Explanations on fair value hierarchy:

Aforesaid classifications related to fair values are determined as follows;

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

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

Current Period - 31 December 2012	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	793.011	132.868	-	925.879
- Government debt securities	792.908	-	-	792.908
- Share certificates	-	-	-	-
- Trading derivative financial assets	103	132.868	-	132.971
- Other securities	-	-	-	-
Available for Sale Financial Assets	3.015.530	-	-	3.015.530
- Government debt securities	3.015.530	-	-	3.015.530
- Other marketable securities (**)	-	-	-	-
Total Assets	3.808.541	132.868	-	3.941.409
Trading Derivative Financial Liabilities	211	186.357	-	186.568
Total Liabilities	211	186.357	-	186.568

Prior Period - 31 December 2011	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	237.945	167.840	-	405.785
- Government debt securities	232.913	-	-	232.913
- Share certificates	-	-	-	-
- Trading derivative financial assets	108	167.840	-	167.948
- Other securities (*)	4.924	-	-	4.924
Available for Sale Financial Assets	2.733.300	-	-	2.733.300
- Government debt securities	2.733.300	-	-	2.733.300
- Other marketable securities (**)	-	-	-	-
Total Assets	2.971.245	167.840	-	3.139.085
Trading Derivative Financial Liabilities	-	118.059	-	118.059
Total Liabilities	-	118.059	-	118.059

(*) Since the balance that is in fair value through profit and loss in consolidated financial statements consists of investments funds, it is not presented in the table above amounting to TL 12.311.

(**) Equity investment in Kredi Garanti Fonu classified under available for sale financial assets is carried at cost and is not shown in the table above.

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

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

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

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

The Group has no fiduciary transactions.

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XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

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

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

Informations on consolidated operating segments presented in the table below.

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Current Period – 31 December 2012					
Operating Income	1.031.405	510.953	169.193	-	1.711.551
Other	-	-	-	-	-
Operating Income	1.031.405	510.953	169.193	-	1.711.551
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(23.319)	151.447	110.134	-	238.262
Profit before Tax	(23.319)	151.447	110.134	-	238.262
Corporate Tax Provision (*)	-	-	-	(61.862)	(61.862)
Profit after Tax	(23.319)	151.447	110.134	(61.862)	176.400
Minority Interest	-	-	-	-	-
Net Profit for the Period	(23.319)	151.447	110.134	(61.862)	176.400
Segment Assets	9.746.480	6.702.495	8.885.538	-	25.334.513
Investments in Associates	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	9.746.480	6.702.495	8.885.538	270	25.334.783
Segment Liabilities	13.779.168	4.413.787	7.141.828	-	25.334.783
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	13.779.168	4.413.787	7.141.828	-	25.334.783
Other Segment Items	(309.962)	(13.131)	(2.911)	-	(326.004)
Capital Investment	-	-	-	-	-
Amortization	(46.854)	(13.131)	(2.192)	-	(62.177)
Impairment	-	-	(719)	-	(719)
Non-cash Other Income-Expense	(251.623)	-	-	-	(251.623)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

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XII. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank’s Total Activities
Prior Period – 31 December 2011					
Operating Income	884.319	518.204	150.976	-	1.553.499
Other	-	-	-	-	-
Operating Income	884.319	518.204	150.976	-	1.553.499
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	16.088	199.624	109.127	-	324.839
Profit before Tax	16.088	199.624	109.127	-	324.839
Corporate Tax Provision (*)	-	-	-	(84.745)	(84.745)
Profit after Tax	16.088	199.624	109.127	(84.745)	240.094
Minority Interest	-	-	-	-	-
Net Profit for the Period	16.088	199.624	109.127	(84.745)	240.094
Segment Assets	7.402.571	7.935.392	8.827.290	-	24.165.253
Investments in Associates	-	-	-	270	270
Undistributed Assets	-	-	-	-	-
Total Assets	7.402.571	7.935.392	8.827.290	270	24.165.523
Segment Liabilities	12.391.076	4.484.348	7.290.099	-	24.165.523
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	12.391.076	4.484.348	7.290.099	-	24.165.523
Other Segment Items	(66.971)	(17.951)	(2.444)	342	(87.024)
Capital Investment	-	-	-	-	-
Amortization	(53.267)	(17.951)	(2.444)	-	(73.662)
Impairment	-	-	-	342	342
Non-cash Other Income-Expense	(13.704)	-	-	-	(13.704)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

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SECTION FIVE

**EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED
FINANCIAL STATEMENTS**

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Cash/Foreign Currency	230.041	130.420	172.437	111.571
The CBRT	65.788	2.065.213	160.475	1.355.074
Other	-	60.230	-	12
Total	295.829	2.255.863	332.912	1.466.657

2. Information related to the account of the CBRT:

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

3. Explanation on reserve requirements:

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

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

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

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

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

The Group has financial assets at fair value through profit or loss as collateral/blocked amounting to TL 30.953 (31 December 2011: TL 37.674) as of 31 December 2012.

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

The Group has financial assets at fair value through profit or loss in unrestricted account amounting to TL 761.955 as of 31 December 2012 (31 December 2011: TL 212.474).

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

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

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Banks	302.979	614.559	97.216	269.329
Domestic	270.691	8	60.088	134.581
Foreign	32.288	614.551	37.128	134.748
Foreign Head Office and Branches	-	-	-	-
Total	302.979	614.559	97.216	269.329

2. Information on foreign banks account:

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

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

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

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

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

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

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

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

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

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

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

e. Information related to loans:

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

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

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

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

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Agreement conditions modified	Other	Loans and Other Receivables	Agreement conditions modified	Other
Non-specialized Loans	14.101.701	447.938	-	641.735	60.843	-
Commercial Loans	4.559.098	349.097	-	362.087	56.498	-
Export Loans	479.371	49.851	-	27.381	2.323	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	73.335	-	-	-	-	-
Consumer Loans	4.450.800	15.493	-	93.996	981	-
Credit Cards	3.977.474	931	-	64.073	86	-
Other (*)	561.623	32.566	-	94.198	955	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Non-specialized Loans	14.101.701	447.938	-	641.735	60.843	-

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

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

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

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

3. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Other Receivables under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-Term Loans and Other Receivables	7.333.540	264.116	301.606	14.108
Non-Specialized Loans (*)	7.333.540	264.116	301.606	14.108
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	6.768.161	183.822	340.129	46.735
Non-Specialized Loans	6.768.161	183.822	340.129	46.735
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

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

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

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	79.490	4.214.378	4.293.868
Mortgage Loans	967	1.816.521	1.817.488
Automotive Loans	131	32.279	32.410
Consumer Loans	75.478	2.365.578	2.441.056
Other	2.914	-	2.914
Consumer Loans- Indexed to FC	-	25.351	25.351
Mortgage Loans	-	24.336	24.336
Automotive Loans	-	-	-
Consumer Loans	-	1.015	1.015
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	3.985.504	-	3.985.504
With Instalment	1.999.070	-	1.999.070
Without Instalment	1.986.434	-	1.986.434
Individual Credit Cards-FC	7.531	-	7.531
With Instalment	-	-	-
Without Instalment	7.531	-	7.531
Personnel Loans-TL	1.342	20.678	22.020
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.342	20.678	22.020
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	10.664	-	10.664
With Instalment	5.998	-	5.998
Without Instalment	4.666	-	4.666
Personnel Credit Cards-FC	30	-	30
With Instalment	-	-	-
Without Instalment	30	-	30
Credit Deposit Account-TL (Real Person)	220.031	-	220.031
Credit Deposit Account-FC (Real Person)	-	-	-
Total Consumer Loans	4.304.592	4.260.407	8.564.999

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

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

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

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Public	-	-
Private	15.252.217	13.887.414
Total	15.252.217	13.887.414

(*) Consist of factoring receivables amounting to TL 92.463.

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Domestic Loans	15.135.859	13.639.109
Foreign Loans	116.358	248.305
Total	15.252.217	13.887.414

(*) Consist of factoring receivables amounting to TL 92.463.

8. Loans granted to investments in associates and subsidiaries:

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

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9. Specific provisions accounted for loans:

	Current Period 31 December 2012	Prior Period 31 December 2011
Loans and Receivables with Limited Collectability	20.548	18.998
Loans and Receivables with Doubtful Collectability	63.558	41.565
Uncollectible Loans and Receivables	398.644	376.235
Total	482.750	436.798

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: 31 December 2012	2.973	9.874	41.071
(Gross Amounts Before Specific Provisions)			
Restructured Loans and Other Receivables	1.502	5.053	17.443
Rescheduled Loans and Other Receivables	1.471	4.821	23.628
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	444.639
Additions (+)	125.930	149.868	112.020
Transfers from Other Categories of Non-Performing Loans (+)	80	58.064	119.029
Transfers to Other Categories of Non-Performing Loans (-)	57.201	119.720	253
Collections (-)	29.458	15.146	56.953
Write-offs (-)	-	-	146.264
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	40.020
Credit Cards	-	-	106.244
Other	-	-	-
Balance at the End of the Period: 31 December 2012	118.615	156.818	472.218
Specific Provisions (-)	20.548	63.558	398.644
Net Balance on Balance Sheet	98.067	93.260	73.574

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2012			
Balance at the End of the Period	-	-	14.428
Specific Provisions (-)	-	-	14.428
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 Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period (Net): 31 December 2012			
Loans granted to corporate entities and real persons (Gross)	118.615	156.818	460.475
Specific Provisions Amount (-)	20.548	63.558	386.901
Loans granted to corporate entities and real persons (Net)	98.067	93.260	73.574
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			
Loans granted to corporate entities and real persons (Gross)	79.264	83.752	432.896
Specific Provisions Amount (-)	18.998	41.565	364.492
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 RELATED THE CONSOLIDATED ASSETS (Continued)

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

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

In December 2012, individually qualified TL 146.264 which has been followed-up in the legal follow-up account, has been sold to Girişim Varlık Yönetim A.Ş.

f. Held-to-maturity Investments:

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

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

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

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

3. Information on Held-to-maturity investments:

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

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

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

g. Information on investments in associates (Net):

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

h. Information on subsidiaries (Net):

1. Information on capital adequacy of major subsidiaries:

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

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

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

2. Information on unconsolidated subsidiaries:

a) Unconsolidated subsidiaries:

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

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

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

(*) Prepared with unaudited financial statements.

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

3. Information on consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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 below table (*):

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

(*) Prepared with audited financial statements.

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

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

4. Movement schedule of consolidated subsidiaries:

	Current Period 31 December 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

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

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

6. Subsidiaries quoted on a stock exchange:

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

i. Information on joint ventures:

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

j. Information on leasing receivables (Net):

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

k. Information on hedging derivative financial assets:

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

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

l. Explanations on property and equipment:

	Land and Buildings	Vehicles	Other Tangible Fixed Assets	Total
Prior Period End:				
Cost	23.015	1.194	550.299	574.613
Accumulated Depreciation and Impairment (-)	12.444	934	432.496	445.979
Net book value	10.571	260	117.803	128.634
Current Period End:				
Net Book Value at the Beginning	10.571	260	117.803	128.634
Additions	12	-	68.035	68.047
Disposals (-) (net)	-	122	1.345	1.467
Depreciation (-)	338	44	55.697	56.079
Cost at Period End	23.133	695	701.136	724.964
Accumulated Depreciation at Period End (-)	12.888	601	572.338	585.827
Closing net book value	10.245	94	128.798	139.137

m. Information on intangible assets:

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Gross book value	252.754	245.604
Accumulated depreciation(-)	160.193	155.870
Net Book Value	92.561	89.734

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Opening balance	89.734	95.046
Additions	8.785	2.318
Disposals (-) (net)	-	-
Depreciation (-)	5.958	7.630
Closing Net Book Value	92.561	89.734

n. Information on the investment properties:

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

o. Information on deferred tax asset:

As of 31 December 2012 deferred tax asset of the Bank is TL 31.326 (31 December 2011: TL 354). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

There is no impairment provision for deferred tax.

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

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

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

Prior Period End:	Current Period 31 December 2012	Prior Period 31 December 2011
Cost	7.997	7.556
Accumulated Depreciation (-)	196	225
Net Book Value	7.801	7.331
Current Period End		
Net Book Value at the Beginning	7.801	7.331
Additions	3.249	9.172
Disposals (-) (net)	5.781	8.517
Depreciation (-)	140	185
Cost at Period End	5.294	7.997
Accumulated Depreciation at Period End (-)	165	196
Closing Net Book Value	5.129	7.801

r. Information on other assets:

- a. There is no further explanations of the Group related to prepaid expenses, tax and other operations.
- b. Other assets of the balance sheet consist of debited suspense accounts amounting to TL 32.693 (31 December 2011 TL 301.078), prepaid expenses amounting to TL 51.954 (31 December 2011: TL 65.309), other rediscount income amounting to TL 7.865 (31 December 2011: TL 10.123), miscellaneous receivables amounting to TL 8.221 (31 December 2011: TL 14.573), and other assets amounting to TL 4.027 (31 December 2011: TL 7.413).

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

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

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II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

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

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	519.262	-	268.276	3.391.026	1.050.735	289.932	38.101	-	5.557.332
Foreign Currency Deposits	1.453.949	-	1.085.173	2.652.520	324.338	174.354	68.289	-	5.758.623
Residents in Turkey	1.251.086	-	1.029.971	2.246.265	255.558	101.750	25.842	-	4.910.472
Residents Abroad	202.863	-	55.202	406.255	68.780	72.604	42.447	-	848.151
Public Sector Deposits	82.873	-	42	163	-	-	-	-	83.078
Commercial Deposits	460.831	-	1.385.576	187.567	2.059	2.764	3.700	-	2.042.497
Other Institutions Deposits	11.200	-	13.162	7.737	833	266	21	-	33.219
Gold Vault	466.959	-	-	-	-	-	-	-	466.959
Bank Deposits	47.603	-	177.471	-	2.017	8.405	4.419	-	239.915
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	64	-	177.257	-	2.017	8.405	4.419	-	192.162
Foreign Banks	47.539	-	214	-	-	-	-	-	47.753
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.042.677	-	2.929.700	6.239.013	1.379.982	475.721	114.530	-	14.181.623

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	-	1.266.760	380.415	157.918	21.880	1.824	-	2.276.101
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	-	2.597.201	6.008.392	1.343.563	411.534	203.100	-	13.230.782

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

2. Information on saving deposits insurance:

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

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

2(ii). Since the head office of the Parent 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 31 December 2012	Prior Period 31 December 2011
Foreign Branches' Deposits and other accounts	228.434	192.922
Saving Deposits and Other Accounts of Controlling Shareholders and Deposits of their Mother, Father, Spouse, Children in care	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children in care	6.036	5.373
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26.09.2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities Solely	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

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

c. Information on repurchase agreements:

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

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d. Information on borrowings:

1. Information on banks and other financial institutions:

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

2. Information on maturity structure of borrowings:

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

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

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

e. Information on other liabilities:

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

f. Information on leasing agreements:

a) Information on financial leasing agreements:

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

b) Information on operational leasing agreements:

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

Leasing debts due to operational leasing transactions presented below.

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

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g. Information on derivative financial liabilities for hedging purposes:

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

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

None.

h. Information on provisions:

1. Information on general provisions:

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

2. Information on provisions related to employee benefits:

Provision for retirement pay is amounting to TL 21.746 (31 December 2011: TL 17.150) and provision for accumulated leave is amounting to TL 6.088 (31 December 2011: 6.495) as of 31 December 2012.

The fundamental assumption, for each year of service, the retirement pay ceiling will increase in line with inflation each year. Thus, applied discount rate represents real rate which has been purged from expected inflation effects. Bank's retirement pay liability is calculated from TL 3.125,00(full TL amount) (1 January 2012:2.805,00 TL (full TL amount)) that have been effective as of 1 January 2012, because reirement pay ceiling is determined every six months.

	Current Period 31 December 2012	Prior Period 31 December 2011
Prior Period End Balance	17.150	15.536
Provision during the year	12.449	10.939
Paid during the year (-)	7.853	9.325
Current Period End Balance	21.746	17.150

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

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

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

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

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5. Information on other provisions:

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

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

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

Provision for accumulated credit card bonus amounting to TL 15.710 (31 December 2011: TL 14.344), provisions for checks under follow-up amounting to TL 5.413 (31 December 2011: TL 4.196), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 249 (31 December 2011: TL 7.627) and other provision amounting to TL 39.074 (31 December 2011: TL 13.971) are classified under other provisions.

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

This administrative penalty, within 30 days after notification of the reasoned decision and within the framework of No: 5326 Misdemeanour Law’s 17th Clause, shall be paid in three-quarters of a rate, as TL 11.156. In this context, the Bank has made provision TL 11.156 as a rate of three-quarters of amount and has been presented as “Other provisions” on balance sheet.

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 31 December 2012	Prior Period 31 December 2011
Corporate Taxes Payable	19.737	695
Taxation on Marketable Securities	11.149	12.349
Property Tax	1.195	1.046
Banking Insurance Transaction Tax (BITT)	11.371	11.716
Foreign Exchange Transaction Tax	10	15
Value Added Tax Payable	1.684	1.428
Other (*)	13.533	9.898
Total	58.679	37.147

(*) Consists of payroll tax amounting to TL 10.945 (31 December 2011: TL 7.758), self-employed income tax amounting to TL 46 (31 December 2011: TL 194), stamp tax amounting to TL 275 (31 December 2011: TL 514) and other taxes amounting to TL 2.267 (31 December 2011: TL 1.040) as of 31 December 2012.

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

1(ii). Information on premium payables:

	Current Period 31 December 2012	Prior Period 31 December 2011
Social Security Premiums - Employee	3.350	3.023
Social Security Premiums - Employer	3.321	3.068
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	234	230
Unemployment Insurance - Employer	446	429
Other	-	-
Total	7.351	6.750

2. Information on deferred tax liability:

Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

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

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

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

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

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

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

I. Information on shareholder’s equity:

1. Presentation of paid-in capital:

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

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

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

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

Registered share capital system is not applied.

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

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

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

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

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

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

The Group has no capital commitments.

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

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

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

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

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

8. Information on marketable securities value increase fund:

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

9. Information on revaluation value increase fund:

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

10. Information on legal reserves:

	Current Period 31 December 2012	Prior Period 31 December 2011
First Legal Reserve	132.067	118.122
Second Legal Reserve	65.491	63.937
Legal Reserves according to Special Legislation	-	-
Total	197.558	182.059

11. Information on extraordinary reserves:

	Current Period 31 December 2012	Prior Period 31 December 2011
Reserves Allocated per General Assembly Minutes	1.720.797	1.528.598
Undivided Profit	32.614	-
Accumulated Loss	-	-
Foreign Currency Share Capital Exchange Difference	-	-
Total	1.753.411	1.528.598

12. Informations on minority shares:

The Group has no minority shares as of 31 December 2012 and 31 December 2011.

13. 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 RELATED TO THE CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

The Group has TL 17.263.603 (31 December 2011: TL 8.088.437) irrevocable commitments as of 31 December 2012.

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

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

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

The Group has letter of credit amounting to TL 829.094 (31 December 2011: TL 926.548), acceptances amounting to TL 694.336 (31 December 2011: TL 918.131) and commitments and contingencies due to letter of credit amounting to TL 642.956 (31 December 2011: TL 738.090) as of 31 December 2012. Also the Bank has other commitments and contingencies amounting to TL 365.103 (31 December 2011: TL 241.019) as of 31 December 2012.

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 31 December 2012	Prior Period 31 December 2011
Non-Cash Loans for Providing Cash Loans	69.085	1.978
With Original Maturity of One Year or Less	69.085	1.978
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	2.462.404	2.821.810
Total	2.531.489	2.823.788

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

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

	Current Period 31 December 2012				Prior Period 31 December 2011			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	901	0,26	11.344	0,52	642	0,21	9.821	0,39
Farming and Raising livestock	239	0,07	11.227	0,51	470	0,15	9.555	0,38
Forestry	662	0,19	117	0,01	152	0,05	266	0,01
Fishing	-	-	-	-	20	0,01	-	-
Manufacturing	150.862	43,58	1.069.729	48,95	134.101	42,81	1.203.028	47,91
Mining	1.055	0,3	2.863	0,13	1.453	0,46	39.991	1,59
Production	148.143	42,79	975.171	44,62	131.355	41,94	1.150.194	45,81
Electric, Gas and Water	1.664	0,48	91.695	4,20	1.293	0,41	12.843	0,51
Construction	13.672	3,95	226.912	10,38	13.324	4,26	179.187	7,16
Services	177.933	51,4	877.208	40,14	162.826	51,99	1.117.501	44,50
Wholesale and Retail Trade	72.977	21,08	87.464	4,00	77.351	24,70	97.769	3,89
Hotel, Food and Beverage Services	949	0,27	605	0,03	5.540	1,77	569	0,02
Transportation and Telecommunication	16.513	4,77	23.443	1,07	13.981	4,46	16.543	0,66
Financial Institutions	66.173	19,12	662.114	30,30	56.286	17,97	962.903	38,35
Real Estate and Leasing Services	54	0,02	-	-	121	0,04	4	0,00
Self-employment Services	17.972	5,19	96.370	4,41	6.288	2,01	34.776	1,39
Education Services	297	0,09	64	0,00	199	0,06	68	0,00
Health and Social Services	2.998	0,87	7.148	0,33	3.060	0,98	4.869	0,19
Other	2.814	0,81	114	0,01	2.275	0,73	1.083	0,04
Total	346.182	100,00	2.185.307	100,00	313.168	100,00	2.510.620	100,00

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

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash loans	341.513	2.183.201	4.669	2.106
Letters of Guarantee	340.686	482.342	4.669	1.397
Bank Acceptances	-	693.955	-	381
Letters of Credit	827	642.129	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	364.775	-	328

b. Explanations on derivative transactions:

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

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

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

None.

d. Explanations on contingent assets and liabilities:

For contingent assets, if the probability of condition is almost ultimate, this asset is recognised, if the probability is high, this asset is explained in the notes. There is no contingent asset that should be explained as of 31 December 2012 and 31 December 2011.

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

The Bank has certain contingent liabilities relating to various lawsuits due to the transactions it performed in the scope of banking operations. As of 31 December 2012, the total amount of these lawsuits filed against the Bank is TL 11.316 (31 December 2011: TL 7.856). TL 1.833 (31 December 2011: 1.095 TL) has been set aside as provision for those with the probability of being concluded against the bank is higher than the probability of their concluding in its favour.

e. Explanations on services in the name of others:

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

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IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

a. Information on interest income:

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Short-term Loans	1.009.394	51.941	804.286	46.276
Medium and Long-term Loans	659.022	97.812	487.960	72.039
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	23.625	-	38.759	-
	-	-	-	-
Total	1.692.041	149.753	1.331.005	118.315

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

2. Information on interest income on banks:

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	60.267	484	28.280	328
From Foreign Banks	2.631	258	1.359	82
Headquarters and Branches Abroad	-	-	-	-
Total	62.898	742	29.639	410

3. Information on interest income on marketable securities:

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Financial assets held for trading	95.866	507	27.401	643
Financial assets where fair value change is reflected to income statement	-	-	-	-
Financial assets available for sale	192.306	604	233.390	11.842
Investments held to maturity	-	-	-	-
Total	288.172	1.111	260.791	12.485

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

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

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

b. Information on interest expense:

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

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Banks	224.902	86.664	155.825	45.084
The CBRT	-	-	-	-
Domestic Banks	948	254	621	80
Foreign Banks	223.954	86.410	155.204	45.004
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	224.902	86.664	155.825	45.084

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

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Interest Expenses Given to Subsidiaries and Associates	98	49

3. Information on interest expense given on securities issued:

	Current Period 31 December 2012		Prior Period 31 December 2011	
	TL	FC	TL	FC
Interest Expenses Given to Securities Issued	-	-	-	-

4. Maturity structure of the interest expense on deposits:

Current Period: 31 December 2012	Demand Deposit	Time Deposit					Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year	
Turkish Lira							
Interbank deposits	-	5.204	463	-	346	-	6.013
Saving deposits	-	22.845	285.226	143.105	13.340	8.205	472.721
Public sector deposits	-	3	60	31	-	-	94
Commercial deposits	-	99.321	19.810	29.281	1.046	939	150.397
Other deposits	-	2.822	13.619	7.291	36	2	23.770
Total	-	130.195	319.178	179.708	14.768	9.146	652.995
Foreign Currency							
Foreign currency deposits	-	19.698	61.985	8.994	2.742	6.012	99.431
Interbank deposits	-	758	-	-	-	-	758
Precious metal deposits	-	-	-	-	-	-	-
Total	-	20.456	61.985	8.994	2.742	6.012	100.189
Grand Total	-	150.651	381.163	188.702	17.510	15.158	753.184

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Current Period: 31 December 2011	Demand Deposit	Time Deposit					More Than 1 year	Total
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year			
Turkish Lira								
Interbank deposits	-	4.894	472	1.259	472	-	7.097	
Saving deposits	-	37.268	276.804	61.184	7.083	5.550	387.889	
Public sector deposits	-	53	146	27	9	-	235	
Commercial deposits	-	90.362	59.827	6.633	3.986	467	161.275	
Other deposits	-	828	6.403	2.413	82	1	9.727	
Total	-	133.405	343.652	71.516	11.632	6.018	566.223	
Foreign Currency								
Foreign currency deposits	11	12.687	43.395	5.236	2.192	7.766	71.287	
Interbank deposits	-	2	-	-	-	-	2	
Precious metal deposits	-	-	-	-	-	-	-	
Total	11	12.689	43.395	5.236	2.192	7.766	71.289	
Grand Total	11	146.094	387.047	76.752	13.824	13.784	637.512	

5. Information on interest expense given on repurchase agreement:

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

6. Information on financial leasing expense:

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

7. Information on interest expenses given on factoring payables:

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

c. Explanations on dividend income:

The Group has no dividend income as of 31 December 2012 and 31 December 2011.

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

	Current Period 31 December 2012	Prior Period 31 December 2011
Profit	11.714.971	16.270.062
Income from Capital Market Transactions	57.776	58.017
From Derivative Financial Transactions	110.842	218.250
Foreign Exchange Gains	11.546.353	15.993.795
Loss (-)	11.967.954	16.401.592
Loss from Capital Market Transactions	16.998	61.134
From Derivative Financial Transactions	414.049	326.646
Foreign Exchange Loss	11.536.907	16.013.812
Total (Net)	(252.983)	(131.530)

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**IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT
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2. Information on profit/loss on derivative financial operations:

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

e. Information on other operating income:

Other operating income consists of reverse of the previous year provision amounting to TL 16.055 (31 December 2011: TL 24.326), telecommunication income amounting to TL 3.728 (31 December 2011: TL 3.840), income from assets sale amounting to TL 27.130 (31 December 2011: TL 114.088) and other income amounting to TL 29.290 (31 December 2011: TL 27.842) as of 31 December 2012.

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

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

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g. Information related to other operating expenses:

	Current Period 31 December 2012	Prior Period 31 December 2011
Personnel Expenses	517.519	455.148
Reserve for Employee Termination Benefits	12.707	10.939
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	56.079	65.847
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	5.958	7.630
Impairment Expenses of Equity Participations for Which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Resale	-	-
Depreciation Expenses of Assets Held for Resale	140	185
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	436.847	388.479
Operational Leasing Expenses	135.084	126.820
Maintenance Expenses	19.203	20.768
Advertisement Expenses	42.546	32.404
Other Expenses	240.014	208.487
Loss on Sales of Assets	728	804
Other	167.717	139.060
Total	1.197.695	1.068.092

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

The Bank has operating income amounting to TL 1.711.551 (31 December 2011: TL 1.553.499) as of 31 December 2012. The amount of provisions for losses for loans and other receivables is TL 275.594 TL (31 December 2011: TL 160.568), other operating expenses amount to TL 1.197.695 (31 December 2011: TL 1.068.092), profit before tax amounts to TL 238.262 (31 December 2011: TL 324.839).

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

The Bank has corporate tax provision expense amounting to TL 93.091 (31 December 2011: TL 65.906) and deferred tax income amounting to TL 31.229 (31 December 2011: None) as of 31 December 2012.

The whole amount of deferred tax income, which is TL 31.229 (31 December 2011: TL 18.839) , 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 RELATED TO THE CONSOLIDATED INCOME STATEMENT
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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 1.379.416 (31 December 2011: TL 1.079.246), and net wage and commission income, amounting to TL 508.915 (31 December 2011: TL 435.687), have an important role among the income items in the interim accounting period ending on 31 December 2011. The wage and commission income received from cash loans are indicated in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The biggest portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

2. The effect on the current period profit/loss of the changes in estimations related to financial statements made by the Bank, explanation if any effect of these changes in the subsequent periods:

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

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

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

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V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

a. Information on the current year adjustments made in accordance with the requirements of the accounting Standard on Financial Instruments:

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

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

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

2. Information on increases in cash flow hedges:

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

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

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

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

1. Information on available-for-sale investments:

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

2. Information on cash flow hedges:

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

c. Information on profit distribution:

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

d. Information on issuance of common stock:

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

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

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

f. Offsetting prior period's losses:

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

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

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

Operating profit amounting to TL 742.977 (31 December 2011: TL 453.555) consists of interest income amounting to TL 2.528.381 (31 December 2011: TL 1.837.792), interest expense amounting to TL 1.084.976 (31 December 2011: TL 886.423), personnel expenses amounting to TL 539.273 (31 December 2011: TL 444.278) and net expense other than interest amounting to TL 161.155 (31 December 2011: TL 53.536).

Net increase in other liabilities amounting to TL 492.023 (31 December 2011: TL 1.520.898) consists mainly of changes in miscellaneous payables, subordinated debts, other liabilities and taxes and other duties payable.

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

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

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

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

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

d. Information on cash and cash equivalents:

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

Cash and cash equivalents at the beginning of the period:

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

Cash and cash equivalents at the end of period:

	Current Period 31 December 2012	Prior Period 31 December 2011
Cash	360.461	268.065
Interbank Money Market Placements	2.028.650	4.150.000
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	820.614	693.062
Total Cash and Cash Equivalents	3.209.725	5.111.127

e. Additional information:

None.

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HSBC BANK A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2012

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

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

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

1. Current Period - 31 December 2012:

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

2. Prior Period - 31 December 2011:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	4.836	308.614	13	3
Closing Balance	-	-	8.861	487.975	-	-
Interest and Commissions Income	-	-	3.403	71	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Deposit						
Opening Balance	2.461	1.788	112.325	26.369	3.788	6.893
Closing Balance	3.808	2.461	33.834	112.325	4.695	3.788
Interest expense on deposits	98	116	-	-	298	27

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	16.338.478	12.369.158	-	-
Closing Balance	-	-	30.887.791	16.338.478	-	-
Total Profit/Loss	-	-	(469.539)	161.685	-	-
Transactions for Hedging Purposes						
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

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

As of 31 December 2012, payment is made to top executives of the Bank amounting to TL 43.774 (31 December 2011: TL 11.093).

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HSBC BANK A.Ş.

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

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

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

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IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

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

None.

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

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

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SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE GROUP'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

As of 31 December 2012, consolidated financial statements and explanatory notes of the Group disclosed herein were audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and Independent Auditor's Report dated 27 March 2013 is presented prior to the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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