



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

HSBC BANK A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2013**

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

10 March 2014

*This report consists of 1 page Independent Auditors'
Report and 92 pages unconsolidated financial
statements and related disclosures and footnotes.*



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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of HSBC Bank Anonim Şirketi

We have audited the unconsolidated balance sheet of HSBC Bank Anonim Şirketi ("the Bank") as of 31 December 2013 and the unconsolidated income statement, statement of cash flows, statement of changes in shareholders' equity for the year then ended and a summary of significant accounting policies and 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 financial statements; and for adopting sound 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, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Disclosure for the Responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette no.26333 dated 1 November 2006 and international standards on auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from 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 the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting 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 unconsolidated financial statements present fairly, in all material respects, the financial position of HSBC Bank Anonim Şirketi as of 31 December 2013 and the result of its operations and cash flows for the year then ended in accordance with the accounting principles and standards as per the existing regulations described in Article 37 of (Turkish) Banking Law No 5411 and other regulations, circular and communiqués published by the Banking Regulation and Supervision Board, and the statements made by the Banking Regulation and Supervision Agency on accounting and financial reporting principles.

Istanbul,
10 March 2014

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Murat Alsan
Partner

Additional paragraph for convenience translation to English

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



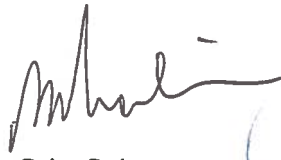
**HSBC BANK A.Ş. AND ITS FINANCIAL AFFILIATES UNCONSOLIDATED FINANCIAL
REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2013**

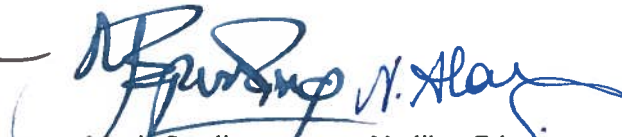
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34394, İstanbul
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Web-site : www.hsbc.com.tr
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The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial 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 THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- INFORMATION RELATED TO FINANCIAL POSITION
- INFORMATION AND DISCLOSURES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- INDEPENDENT AUDITOR'S REPORT


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

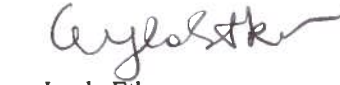

Brian Robertson
Chairman


Martin Spurling
General
Manager


Neslihan Erkazancı
Financial Reporting
Assistant General
Manager


Yeterhan Kılı
Senior Manager


Gilles Denoyel
Head of
Audit Committee


Leyla Etiker
Member of
Audit Committee

Information about the responsible personnel whom questions may be asked

Name-Surname/Title : Zeynep Bozkurt Terzioğlu/Manager
Tel : (0212) 376 41 86
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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
TURKISH, SEE IN NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN
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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

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

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

(*)As of 24 December 2012 Brian Robertson was appointed to Chairman of the Board, and has taken up his duty as of 29 April 2013. Until this date the responsibilities were performed by Chairman Deputy Antonio Pedro Dos Santos SIMOES.

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

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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

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

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

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

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

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

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

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

In addition to regular banking operations in accordance to the articles of association, the Bank also provides insurance intermediary services as an agency of Axa Sigorta, 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 2013, the Bank has 311 branches dispersed throughout the country and 4 branches operating abroad (31 December 2012: 334 branches and 4 branches operating abroad).

As of 31 December 2013, the number of employees of the Bank is 6.148 (31 December 2012: 6.170).

VI. OTHER MATTERS

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

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

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

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

None.

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HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

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

I. BALANCE SHEET	ASSETS	Note (Section Five I)	Current Period (31/12/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
			I. CASH BALANCES WITH CENTRAL BANK	(V-I-a)	294.916	3.404.357	3.699.273	295.829
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or (LOSS) (Net)	(V-I-b)	585.284	1.349.134	1.934.418	744.078	136.889	880.967	
2.1 Trading Financial Assets		585.284	1.349.134	1.934.418	744.078	136.889	880.967	
2.1.1 Government Debt Securities		507.921	9.222	517.143	736.899	11.097	747.996	
2.1.2 Share Certificates		-	-	-	-	-	-	
2.1.3 Trading Derivative Financial Assets		67.050	1.339.912	1.406.962	7.179	125.792	132.971	
2.1.4 Other Marketable Securities		10.313	-	10.313	-	-	-	
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	(V-I-c)	502.208	1.155.361	1.657.569	285.070	614.559	899.629	
IV. MONEY MARKETS		6.660.942	126.315	6.787.257	1.975.982	53.650	2.029.632	
4.1 Interbank Money Market Placements		-	-	-	-	-	-	
4.2 Receivables from Istanbul Stock Exchange Money Market		-	126.315	126.315	-	53.650	53.650	
4.3 Receivables from Reverse Repurchase Agreements		6.660.942	-	6.660.942	1.975.982	-	1.975.982	
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(V-I-d)	2.249.331	-	2.249.331	3.019.741	-	3.019.741	
5.1 Share Certificates		4.225	-	4.225	4.211	-	4.211	
5.2 Government Debt Securities		2.245.106	-	2.245.106	3.015.530	-	3.015.530	
5.3 Other Marketable Securities		-	-	-	-	-	-	
VI. LOANS	(V-I-e)	14.677.457	4.418.822	19.096.279	12.986.558	2.435.183	15.421.741	
6.1 Loans		14.325.588	4.418.822	18.744.410	12.721.657	2.435.183	15.156.840	
6.1.1 Bank's Risk Group	(V-VII)	2.612	11.929	14.541	25	12.127	12.152	
6.1.2 Government Debt Securities		-	-	-	-	-	-	
6.1.3 Other		14.322.976	4.406.893	18.729.869	12.721.632	2.423.056	15.144.688	
6.2 Loans Under Follow-Up		1.192.249	14.088	1.206.337	733.136	14.428	747.564	
6.3 Specific Provisions (-)		840.380	14.088	854.468	468.235	14.428	482.663	
VII. FACTORING RECEIVABLES		46.347	8.752	55.099	82.240	10.223	92.463	
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(V-I-f)	-	-	-	-	-	-	
8.1 Government Debt Securities		-	-	-	-	-	-	
8.2 Other Marketable Securities		-	-	-	-	-	-	
IX. INVESTMENTS IN ASSOCIATES (Net)	(V-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)	(V-I-h)	35.023	-	35.023	35.023	-	35.023	
10.1 Unconsolidated Financial Subsidiaries		34.753	-	34.753	34.753	-	34.753	
10.2 Unconsolidated Non-financial Subsidiaries		270	-	270	270	-	270	
XI. JOINT VENTURES (Net)	(V-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)	(V-I-j)	-	-	-	-	-	-	
12.1 Financial Lease Receivables		-	-	-	-	-	-	
12.2 Operating Lease Receivables		-	-	-	-	-	-	
12.3 Other		-	-	-	-	-	-	
12.4 Unearned Income (-)		-	-	-	-	-	-	
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(V-I-k)	-	-	-	-	-	-	
13.1 Fair Value Hedge		-	-	-	-	-	-	
13.2 Cash Flow Hedge		-	-	-	-	-	-	
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-	
XIV. PROPERTY AND EQUIPMENT (Net)	(V-I-l)	130.076	-	130.076	139.132	-	139.132	
XV. INTANGIBLE ASSETS (Net)	(V-I-m)	105.022	-	105.022	92.561	-	92.561	
15.1 Goodwill		83.450	-	83.450	83.450	-	83.450	
15.2 Other		21.572	-	21.572	9.111	-	9.111	
XVI. INVESTMENT PROPERTY (Net)	(V-I-n)	-	-	-	-	-	-	
XVII. TAX ASSET		45.773	-	45.773	30.605	-	30.605	
17.1 Current Tax Asset		46	-	46	-	-	-	
17.2 Deferred Tax Asset	(V-I-o)	45.727	-	45.727	30.605	-	30.605	
XVIII. ASSETS HELD FOR RESALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(V-I-p)	4.394	-	4.394	5.129	-	5.129	
18.1 Held for sale Purposes		4.394	-	4.394	5.129	-	5.129	
18.2 Related to Discontinued Operations		-	-	-	-	-	-	
XIX. OTHER ASSETS	(V-I-r)	195.432	233.692	429.124	93.299	6.944	100.243	
TOTAL ASSETS		25.532.205	10.696.433	36.228.638	19.785.247	5.513.311	25.298.558	

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

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

I. BALANCE SHEET		Note (Section Five II)	Current Period (31/12/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
LIABILITIES								
I.	DEPOSITS	(V-II-a)	10.331.638	7.276.794	17.608.432	7.893.175	6.313.236	14.206.411
1.1	Deposits of Bank's risk group	(V-VII)	83.859	278	84.137	65.101	2.024	67.125
1.2	Other		10.247.779	7.276.516	17.524.295	7.828.074	6.311.212	14.139.286
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(V-II-b)	15.903	1.292.473	1.308.376	75.453	111.115	186.568
III.	BORROWINGS	(V-II-d)	2.879.677	6.775.237	9.654.914	2.097.828	3.599.743	5.697.571
IV.	MONEY MARKETS		2.025.576	-	2.025.576	-	-	-
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements	(V-II-c)	2.025.576	-	2.025.576	-	-	-
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		528.110	7.935	536.045	524.541	8.274	532.815
VIII.	OTHER LIABILITIES	(V-II-e)	511.877	45.040	556.917	317.833	76.431	394.264
IX.	FACTORING PAYABLES		-	-	-	207	-	207
X.	FINANCIAL LEASE PAYABLES (Net)	(V-II-f)	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(V-II-g)	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	(V-II-h)	449.858	2.306	452.164	319.985	1.816	321.801
12.1	General Loan Loss Provision		347.299	-	347.299	248.321	-	248.321
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		30.885	-	30.885	27.204	-	27.204
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		71.674	2.306	73.980	44.460	1.816	46.276
XIII.	TAX LIABILITY	(V-II-i)	44.006	-	44.006	64.686	-	64.686
13.1	Current Tax Liability		44.006	-	44.006	64.686	-	64.686
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS	(V-II-j)	-	-	-	-	-	-
14.1	Held for sale purpose		-	-	-	-	-	-
14.2	Related to discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	(V-II-k)	-	1.027.349	1.027.349	-	844.110	844.110
XVI.	SHAREHOLDERS' EQUITY	(V-II-l)	3.014.859	-	3.014.859	3.050.125	-	3.050.125
16.1	Paid-in Capital		652.290	-	652.290	652.290	-	652.290
16.2	Capital Reserves		245.180	-	245.180	308.462	-	308.462
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Differences		(27.513)	-	(27.513)	35.769	-	35.769
16.2.4	Property and Equipment Revaluation Differences		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Differences		-	-	-	-	-	-
16.2.6	Revaluation differences of investment property		-	-	-	-	-	-
16.2.7	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures (business partners)		-	-	-	-	-	-
16.2.8	Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9	Value increase in property and equipment held for sale and related to discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		272.693	-	272.693	272.693	-	272.693
16.3	Profit Reserves		2.087.605	-	2.087.605	1.908.575	-	1.908.575
16.3.1	Legal Reserves		178.013	-	178.013	175.911	-	175.911
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		1.911.360	-	1.911.360	1.732.664	-	1.732.664
16.3.4	Other Profit Reserves		(1.768)	-	(1.768)	-	-	-
16.4	Income or (Loss)		29.784	-	29.784	180.798	-	180.798
16.4.1	Prior Years' Income or (Loss)		-	-	-	-	-	-
16.4.2	Current Year Income or (Loss)		29.784	-	29.784	180.798	-	180.798
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			19.801.504	16.427.134	36.228.638	14.343.833	10.954.725	25.298.558

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS AT 31 DECEMBER 2013 AND 31 DECEMBER 2012**

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

II. OFF-BALANCE SHEET COMMITMENTS		Note (Section Five III)	Current Period (31/12/2013)			Prior Period (31/12/2012)		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		53.034.610	77.007.722	130.042.332	41.302.840	35.397.199	76.700.039
I.	GUARANTEES AND WARRANTIES	(V-III-a-2,3)	425.174	3.220.896	3.646.070	346.362	2.185.331	2.531.693
1.1	Letters of Guarantee		423.474	716.764	1.140.238	345.535	483.763	829.298
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		423.474	716.764	1.140.238	345.535	483.763	829.298
1.2	Bank Acceptances		-	1.212.692	1.212.692	-	694.336	694.336
1.2.1	Import Letter of Acceptance		-	1.206.906	1.206.906	-	693.800	693.800
1.2.2	Other Bank Acceptances		-	5.786	5.786	-	536	536
1.3	Letters of Credit		1.700	773.310	775.010	827	642.129	642.956
1.3.1	Documentary Letters of Credit		-	545.307	545.307	827	428.622	429.449
1.3.2	Other Letters of Credit		1.700	228.003	229.703	-	213.507	213.507
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	510.061	510.061	-	353.859	353.859
1.9	Other Collaterals		-	8.069	8.069	-	11.244	11.244
II.	COMMITMENTS	(V-III-a-1)	14.138.233	9.379.324	23.517.557	30.582.645	7.439.879	38.022.524
2.1	Irrevocable Commitments		14.138.233	9.379.324	23.517.557	9.823.766	7.439.879	17.263.645
2.1.1	Asset Purchase and Sale Commitments		5.868.259	8.886.247	14.754.506	1.933.789	7.260.647	9.194.436
2.1.2	Deposit Purchase and Sales Commitments		-	492.890	492.890	-	178.690	178.690
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Loan Granting Commitments		296.202	-	296.202	460.496	-	460.496
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		609.967	-	609.967	656.743	-	656.743
2.1.8	Tax and Fund Liabilities from Export Commitments		3.931	-	3.931	5.223	-	5.223
2.1.9	Commitments for Credit Card Limits		6.469.537	-	6.469.537	5.906.065	-	5.906.065
2.1.10	Commitments for Credit Cards and Banking Services Promotions		15.465	-	15.465	7.257	-	7.257
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		874.872	187	875.059	854.193	72	854.265
2.2	Revocable Commitments		-	-	-	20.758.879	-	20.758.879
2.2.1	Revocable Loan Granting Commitments		-	-	-	20.758.879	-	20.758.879
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(V-III-b)	38.471.203	64.407.502	102.878.705	10.373.833	25.771.989	36.145.822
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Transactions		38.471.203	64.407.502	102.878.705	10.373.833	25.771.989	36.145.822
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2.638.403	5.311.616	7.950.019	1.372.562	3.010.333	4.382.895
3.2.1.1	Forward Foreign Currency Transactions-Buy		1.048.572	2.957.750	4.006.322	858.980	1.339.794	2.198.774
3.2.1.2	Forward Foreign Currency Transactions-Sell		1.589.831	2.353.866	3.943.697	513.582	1.670.539	2.184.121
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		32.483.040	46.972.346	79.455.386	7.494.449	19.378.012	26.872.461
3.2.2.1	Foreign Currency Swap-Buy		14.666.978	21.348.422	36.015.400	1.865.766	8.438.557	10.304.323
3.2.2.2	Foreign Currency Swap-Sell		17.816.062	18.160.268	35.976.330	5.628.683	4.626.703	10.255.386
3.2.2.3	Interest Rate Swap-Buy		-	3.731.828	3.731.828	-	3.156.376	3.156.376
3.2.2.4	Interest Rate Swap-Sell		-	3.731.828	3.731.828	-	3.156.376	3.156.376
3.2.3	Foreign Currency, Interest rate and Securities Options		3.349.760	4.974.580	8.324.340	1.506.822	2.163.494	3.670.316
3.2.3.1	Foreign Currency Options-Buy		1.674.880	2.487.290	4.162.170	753.411	785.077	1.538.488
3.2.3.2	Foreign Currency Options-Sell		1.674.880	2.487.290	4.162.170	753.411	785.077	1.538.488
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	296.670	296.670
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	296.670	296.670
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	6.853.314	6.853.314	-	1.057.844	1.057.844
3.2.5.1	Interest Rate Futures-Buy		-	3.426.657	3.426.657	-	528.922	528.922
3.2.5.2	Interest Rate Futures-Sell		-	3.426.657	3.426.657	-	528.922	528.922
3.2.6	Other		-	295.646	295.646	-	162.306	162.306
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		47.450.381	69.795.710	117.246.091	74.002.073	121.358.368	195.360.441
IV.	ITEMS HELD IN CUSTODY		16.477.369	1.527.811	18.005.180	18.615.336	1.527.205	20.142.541
4.1	Customer Fund and Portfolio Balances		1.402.913	-	1.402.913	1.612.654	-	1.612.654
4.2	Investment Securities Held in Custody		11.593.752	1.039.432	12.633.184	13.457.834	856.281	14.314.115
4.3	Checks Received for Collection		2.148.173	257.636	2.405.809	2.139.631	215.749	2.355.380
4.4	Commercial Notes Received for Collection		67.060	-	67.060	127.113	-	127.113
4.5	Other Assets Received for Collection		-	6.673	6.673	-	4.758	4.758
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		1.265.471	224.070	1.489.541	1.278.104	450.417	1.728.521
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		14.064.235	11.687.638	25.751.873	6.261.926	5.434.699	11.696.625
5.1	Marketable Securities		2.131.837	13.661	2.145.498	202.920	-	202.920
5.2	Guarantee Notes		722.091	1.739.020	2.461.111	140.569	30.210	170.779
5.3	Commodity		1.340	4.703	6.043	-	-	-
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		8.530.128	3.151.276	11.681.404	3.303.734	-	3.303.734
5.6	Other Pledged Items		2.678.839	6.778.978	9.457.817	2.614.703	5.404.489	8.019.192
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		16.908.777	56.580.261	73.489.038	49.124.811	114.396.464	163.521.275
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		100.484.991	146.803.432	247.288.423	115.304.913	156.755.567	272.060.480

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

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

III. STATEMENT OF INCOME				
INCOME AND EXPENSE ITEMS		Note (Section Five IV)	Current Period (01/01/2013 - 31/12/2013)	Prior Period (01/01/2012 - 31/12/2012)
I.	INTEREST INCOME	(IV-a)	2.263.956	2.472.854
1.1	Interest on Loans	(IV-a-1)	1.778.471	1.841.347
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks	(IV-a-2)	50.509	63.085
1.4	Interest Received from Money Market Transactions		144.922	251.260
1.5	Interest Received from Marketable Securities Portfolio	(IV-a-3)	246.443	282.931
1.5.1	Trading Financial Assets		31.004	90.021
1.5.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
1.5.3	Available-for-sale Financial Assets		215.439	192.910
1.5.4	Held to Maturity Investments		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		43.611	34.231
II.	INTEREST EXPENSE (-)	(IV-b)	965.509	1.101.894
2.1	Interest on Deposits (-)	(IV-b-4)	636.394	754.471
2.2	Interest on Funds Borrowed (-)	(IV-b-1)	292.967	311.566
2.3	Interest Expense on Money Market Transaction (-)	(IV-b-5)	31.393	31.189
2.4	Interest on Securities Issued (-)	(IV-b-3)	-	-
2.5	Other Interest Expens (-)		4.755	4.668
III.	NET INTEREST INCOME (I + II)		1.298.447	1.370.960
IV.	NET FEES AND COMMISSIONS INCOME		576.859	475.258
4.1	Fees and Commissions Received		631.857	527.559
4.1.1	Non-cash Loans		19.082	18.884
4.1.2	Other		612.775	508.675
4.2	Fees and Commissions Paid (-)		54.998	52.301
4.2.1	Non-cash Loans (-)		580	519
4.2.2	Other (-)		54.418	51.782
V.	DIVIDEND INCOME	(IV-c)	18.854	7.415
VI.	TRADING INCOME/(LOSS) (Net)	(IV-d)	(86.780)	(252.801)
6.1	Trading Gains/(Losses) on Securities		3.220	40.778
6.2	Derivative Financial Transactions Gains/(Losses)		(67.272)	(303.207)
6.3	Foreign Exchange Gains/(Losses)		(22.728)	9.628
VII.	OTHER OPERATING INCOME	(IV-e)	49.510	78.828
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		1.856.890	1.679.660
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-f)	502.211	275.594
X.	OTHER OPERATING EXPENSES (-)	(IV-g)	1.288.865	1.164.529
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		65.814	239.537
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+XII+XIII+XIV)		65.814	239.537
XVI.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(IV-h)	(36.030)	(58.739)
16.1	Current Tax Provision	(IV-i)	(50.710)	(89.601)
16.2	Deferred Tax Provision		14.680	30.862
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)		29.784	180.798
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(IV-j)	-	-
18.1	Income from Non-current Assets Held for Resale		-	-
18.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
18.3	Other Income From Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expenses for Non-current Assets Held for Resale		-	-
19.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
19.3	Other Expenses From Discontinued Operations		-	-
XX.	PROFIT /LOSSES BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	PROVISION FOR INCOME TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(IV-k)	29.784	180.798
	Earnings/ Loss per Share		0,000457	0,002772

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

HSBC BANK A.Ş.

UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSES RECOGNISED UNDER SHAREHOLDERS' EQUITY AS
AT 31 DECEMBER 2013 AND 31 DECEMBER 2012

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

IV. STATEMENT OF PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY		Current Period (31/12/2013)	Prior Period (31/12/2012)
PROFIT AND LOSS ITEMS RECOGNISED UNDER SHAREHOLDERS' EQUITY			
I.	ADDITIONS TO THE MARKETABLE VALUATION DIFFERENCES FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(79.103)	92.783
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	15.821	(18.557)
X.	NET PROFIT OR LOSS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(63.282)	74.226
XI.	CURRENT YEAR PROFIT/LOSS	29.784	180.798
11.1	Net change in Fair Value of Marketable Securities (Transfer to Profit-Loss)	(17.134)	(8.118)
11.2	Reclassification of Cash Flow Hedge Transactions and Presentation of the Related Under Income Statement	-	-
11.3	Reclassification of Foreign Net Investment Hedge Transactions and Presentation of the Related Part Under Income Statement	-	-
11.4	Other	46.918	188.916
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(33.498)	255.024

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Note Section (Iv)	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Share Cancell. Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
L	31 December 2012		652,290	-	-	-	161,966	-	1,505,822	272,693	240,787	-	(38,457)	-	-	-	-	2,795,101
III	Balances at the Beginning of the Period																	
III	Corrections According to Turkish Accounting Standard No 8																	
2.1	Correction of Errors																	
2.2	Effects of the Changes in Accounting Policies																	
III	Adjusted Balance (I+II)		652,290	-	-	-	161,966	-	1,505,822	272,693	240,787	-	(38,457)	-	-	-	-	2,795,101
IV	Changes in the Period																	
V	Increase/Decrease due to the Merger																	
V	Marketable Securities Valuation Differences																	
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										180,798							180,798
XX	Profit Distribution								226,842		(240,787)							
20.1	Dividend Paid						13,945											
20.2	Transfers to Reserves						13,945		226,842		(240,787)							
20.3	Other																	
	Balances at the end of the period (III+IV+V+...+XXIII+XXIV)		652,290	-	-	-	175,911	-	1,732,664	272,693	180,798	-	35,769	-	-	-	-	3,080,125

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE IN NOTE 3.1

HSBC BANK A.S.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 31 DECEMBER 2013
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																		
	31 December 2013	Note (Section Five)	Paid-in Capital	Adjustment in Paid-in Capital	Share Premium	Share Cancel Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Rev. Diff. in Tangible and Intang. Assets	Bonus Shares from Investments	Hedging Funds	Rev. Diff. in Tangible Held for Sale/Disc. Operat.	Total Equity
L	Balances at the Beginning of the Period		652,290	-	-	-	175,911	-	1,732,664	272,693	180,798	-	35,769	-	-	-	-	3,050,125
	Changes in the Period																	
II	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III	Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(63,282)	-	-	-	-	(63,282)
IV	Hedging Transactions Funds (Effective Parts)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	Valuation Differences due to Revaluation of Property and Equipment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Valuation Differences due to Revaluation of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Bonus Shares from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Foreign Exchange Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X	Changes due to the Reclassification of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Effect of the Changes in Investment in Associates' Equity to the Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV	Paid in-Capital Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII	Current Year Income or Loss		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII	Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	2,102	-	178,696	-	(180,798)	-	-	-	-	-	-	-
18.2	Transfers to Reserves		-	-	-	-	2,102	-	178,696	-	(180,798)	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at the end of the period (I+II+III+...+XVII+XVIII)		652,290	-	-	-	178,013	-	1,911,360	270,925	29,784	-	(27,513)	-	-	-	-	3,014,859

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

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

**HSBC BANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2013 AND 31 DECEMBER 2012
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)**

VI. STATEMENT OF CASH FLOWS			
	Note (Section Five VI)	Current Period (31/12/2013)	Prior Period (31/12/2012)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		434.030	760.755
1.1.1 Interest received		2.159.864	2.521.212
1.1.2 Interest paid		(987.749)	(1.086.263)
1.1.3 Dividend received		18.854	7.415
1.1.4 Fees and commissions received		631.857	527.559
1.1.5 Other income		49.510	(183.601)
1.1.6 Collections from previously written-off loans and other receivables		142.602	101.557
1.1.7 Payments to personnel and service suppliers		(588.068)	(511.365)
1.1.8 Taxes paid		(98.956)	(178.666)
1.1.9 Other		(893.884)	(437.093)
1.2 Changes in operating assets and liabilities		4.532.965	(2.313.317)
1.2.1 Net (decrease)/increase in trading securities		298.863	(515.308)
1.2.2 Net increase/(decrease) in fair value through profit/loss financial assets		-	-
1.2.3 Net increase/(decrease) in banks		139.934	(47.523)
1.2.4 Net increase/(decrease) in loans		(3.966.346)	(1.798.738)
1.2.5 Net increase/(decrease) in other assets		(1.453.288)	(835.622)
1.2.6 Net increase/(decrease) in bank deposits		432.452	(134.899)
1.2.7 Net (decrease)/increase in other deposits		2.972.113	1.102.855
1.2.8 Net (decrease)/increase in funds borrowed		4.161.310	528.887
1.2.9 Net increase/(decrease) in payables		-	-
1.2.10 Net (decrease)/increase in other liabilities		1.947.927	(612.969)
I. Net cash provided from banking operations		4.966.995	(1.552.562)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		626.669	(358.828)
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		(48.857)	(76.854)
2.4 Disposals of property and equipment		12.748	1.467
2.5 Cash paid for purchase of investments available-for-sale		(7.850.492)	(2.359.108)
2.6 Cash obtained from sale of investments available-for-sale		8.532.356	2.075.667
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	-
2.9 Other		(19.086)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		-	(1)
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	(1)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		90.051	(7.920)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		5.683.715	(1.919.311)
VI. Cash and cash equivalents at beginning of the period	(VI)	3.191.816	5.111.127
VII. Cash and cash equivalents at end of the period	(VI)	8.875.531	3.191.816

The accompanying explanations and notes set out on pages 14 to 92 form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE 3.I

HSBC BANK A.Ş.

UNCONSOLIDATED PROFIT DISTRIBUTION STATEMENT AT 31 DECEMBER 2013 AND 31
DECEMBER 2012

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

VII. PROFIT DISTRIBUTION STATEMENT	Current Period (31/12/2013) (*)	Prior Period (31/12/2012) (**)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1. Current Year Income	65.814	239.537
1.2. Taxes And Duties Payable (-)	(36.030)	(58.739)
1.2.1 Corporate Tax (Income tax)	(50.710)	(89.601)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	14.680	30.862
A. NET INCOME FOR THE YEAR (1.1-1.2)	29.784	180.798
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	1.944	2.102
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))](****)	13.160	178.696
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	-	178.696
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	0,000457	0,002772
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 2013.

(**) The profit distribution table belongs to prior period becomes definite with the decision of Ordinary General Assembly after the publishing of 31 December 2012 financial statement dated to 28 March 2013 and rearranged in this direction.

(***) As of 31 December 2013, the deferred tax asset of current period amounting to TL 14.680 is not subject to profit distribution.

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

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

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

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

The amendments of TAS and TFRS, except TFRS 9 Financial Instruments will come into force as of 01 January 2016, which have been effective as of reporting date have no impact on the accounting policies, financial position and performance of the Bank.

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

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

c. Explanation for convenience translation into English:

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

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

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

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

The main sources of the Bank are customer deposits and borrowings from abroad. The Bank conducts its investments at low risk and high yielding financial assets with collaterals. The Bank's liquidity structure covers the financing of all liabilities at due date. This liquidity structure of the Bank has been established by diversifying fund resources and keeping sufficient cash and cash equivalences.

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

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

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

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The Bank has no investments in associates as of 31 December 2013. Investments in subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Financial Instruments: Recognition and Measurement" ("TAS 39") in the unconsolidated financial statements. Investments in subsidiaries that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost less provision for impairment. Non-financial subsidiaries of the Bank are "HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş." and "HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş.". HSBC Ödeme Sistemleri ve Bilgisayar Teknolojileri Basın Yayın ve Müşteri Hizmetleri A.Ş. was established on 10 December 1999 to provide VIP services either for its clients or the clients of the legal entities, and in this respect, to provide transfer, hospitality, pass port, catering, housing, parking, private waiting room and transportation services in railroad, land, sea, airport passenger lounges either to its clients or all real or legal persons. HSBC İnternet ve Telekomünikasyon Hizmetleri A.Ş. was established on 13 January 2005 in order to provide information and telecommunication services.

IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE 3.I**

HSBC BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2013

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

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognised on an accrual basis using the effective interest rate method.

VI. EXPLANATIONS ON FEE AND COMMISSIONS INCOME AND EXPENSES

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

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

b. Financial assets available-for-sale:

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

c. Loans and receivables:

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

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

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VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

d. Investment securities held-to-maturity:

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

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

IX. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

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

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

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

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XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

XIII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

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XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

XVI. EXPLANATIONS ON CONTINGENT ASSETS

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

XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

Obligations related to employment termination and vacation rights are accounted for in accordance with "Employee Rights Standard" ("TAS 19") and are classified under "Reserve for Employee Rights" account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Bank provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Bank arising from the retirement of employees and reflects this provision amount in the financial statements. For employee termination benefit provision calculation, future liability amounts are calculated and yearly discount rate is 4,18 % (31 December 2012: 3 %).

As of 31 December 2013, actuarial difference amounted to TL 1.768 (31 December 2012: None) is recognized under prior years' income in the financial statements.

All actuarial gains and losses is recognized under equity in accordance with revised IAS 19.

XVIII. EXPLANATIONS ON TAXATION

a. Current Tax:

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

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

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

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XVIII. EXPLANATIONS ON TAXATION (Continued)

The tax applications for foreign branches:

Turkish Republic of Northern Cyprus

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

b. Deferred Tax Asset/Liability:

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

c. Transfer Pricing:

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

XIX. EXPLANATIONS ON BORROWING

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

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XX. EXPLANATIONS ON ISSUANCE OF SHARE CERTIFICATES

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

XXI. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXII. EXPLANATIONS ON GOVERNMENT GRANTS

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

XXIII. EXPLANATIONS ON OPERATING SEGMENTS

Segment reporting is presented in Note XII of Section Four.

XXIV. PROFIT RESERVES AND PROFIT DISTRIBUTION

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

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

XXV. EARNINGS PER SHARE

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

	Current Period	Prior Period
	31 December 2013	31 December 2012
Net Profit for the Period	29.784	180.798
Number of Shares	65.229.000.000	65.229.000.000
Earnings per Share (*)	0,000457	0,002772

(*) Amounts are expressed in full TL.

XXVI. CASH AND CASH EQUIVALENTS

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

XXVII. RELATED PARTIES

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

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XXVIII. RECLASSIFICATIONS

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

XXIX. OTHER MATTERS

None.

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SECTION FOUR

EXPLANATIONS RELATED TO FINANCIAL POSITION

I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

a. As of 31 December 2013, the Bank's capital adequacy ratio is 14,92 % (31 December 2012: 17,12 %). This rate is higher than the minimum rate required by the related regulation.

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

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

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 capital adequacy ratio:

	31 December 2013								
	Risk Weights								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	6.358.555	-	950.371	3.477.785	5.883.598	12.068.009	1.119.870	2.109.883	60.113
Risk Classes									
Claims on sovereigns and Central Banks	5.561.087	-	-	-	-	-	109.479	-	-
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	-	-	950.348	1.685.901	-	194.943	1.414	-	-
Claims on corporate	249.563	-	-	-	-	10.171.927	-	-	-
Claims included in the regulatory retail portfolios	40.117	-	-	-	5.883.598	1.217.410	-	-	-
Claims secured by residential property	-	-	-	1.786.684	-	-	-	-	-
Past due loan	150	-	-	5.200	-	273.818	75.020	-	-
Higher risk categories decided by the Board	45.557	-	-	-	-	-	933.957	2.109.883	60.113
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	462.081	-	23	-	-	209.911	-	-	-

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	31 December 2012								
	Risk Weights								
	0%	10%	%20%	50%	75%	100%	150%	200%	250%
Credit Risk Based Amount	5.836.925	-	252.133	3.367.558	5.855.455	7.574.496	1.492.911	1.404.697	-
Risk Classes									
Claims on sovereigns and Central Banks	5.146.527	-	-	-	-	30.990	-	-	-
Claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-	-	-	-
Claims on banks and intermediary institutions	-	-	252.133	361.485	-	926.883	440	-	-
Claims on corporate	93.721	-	-	-	-	5.903.159	-	-	-
Claims included in the regulatory retail portfolios	77.000	-	-	-	5.838.106	-	-	-	-
Claims secured by residential property	12.282	-	-	3.006.073	17.349	80.173	-	-	-
Past due loan	-	-	-	-	-	264.901	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-	1.492.471	1.404.697	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-
Other receivables	507.395	-	-	-	-	368.390	-	-	-

d. Summary information related to unconsolidated capital adequacy ratio:

	Current Period 31 December 2013	Prior Period 31 December 2012
Capital obligation for credit risk (Amount subject to credit risk * 0,08) (I)	1.956.762	1.499.924
Capital obligation for market risk (II)	90.220	135.827
Capital obligation for operational risk (III)	222.947	219.436
Shareholders' Equity	4.232.559	3.970.567
Shareholders' Equity / ((I+II+III)*12,5*100)	14,92	17,12

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

e. Information about shareholders' equity items:

	Current Period 31 December 2013	Prior Period 31 December 2012
CORE CAPITAL		
Paid-in Capital	652.290	652.290
Nominal Capital	652.290	652.290
Capital Commitments (-)	-	-
Adjustment to Paid-in Capital	-	-
Share Premium	-	-
Share Cancellation Profit	-	-
Legal Reserves	2.087.605	1.908.575
Adjustments to Legal Reserves	272.693	272.693
Profit	29.784	180.798
Net Current Period Profit	29.784	180.798
Prior Period Profit	-	-
Provision for Possible Losses up to 25% of Core Capital	-	-
Gain on sale of associates, subsidiaries and buildings	-	-
Primary Subordinated Loans	-	-
Loss that is not covered with reserves (-)	-	-
Net Current Period Loss	-	-
Prior Period Loss	-	-
Development cost of operating lease (-)	18.380	28.691
Intangible Assets (-)	105.022	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	2.918.970	2.893.104

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I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO (Continued)

	Current Period 31 December 2013	Prior Period 31 December 2012
SUPPLEMENTARY CAPITAL		
General provisions	347.299	248.321
45% of increase in revaluation fund of securities	-	-
45% of increase in revaluation fund of real estate	-	-
Bonus shares from associates, subsidiaries and joint ventures that is not recognized in profit	-	-
Amounts not included in core capital for primary subordinated loans	-	-
Secondary subordinated loans	994.057	813.677
Value increase fund of financial assets available for sale and associates and subsidiaries	(27.513)	16.096
Adjustment to paid-in capital, profit reserves and previous years losses (except adjustment to legal reserves)	-	-
Total Supplementary Capital	1.313.843	1.078.094
CAPITAL	4.232.813	3.971.198
DEDUCTIONS FROM CAPITAL	254	631
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-	-
Loans extended being noncompliant with articles 50 and 51 of the Law	99	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	149	157
Securitisation positions that is deducted -preferably- from the shareholders' equity	-	-
Other	6	276
TOTAL SHAREHOLDERS' EQUITY	4.232.559	3.970.567

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 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.

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.

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 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 on 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 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	5.670.566	5.377.931
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	2.832.606	3.072.459
Claims on corporate	10.421.490	8.565.100
Claims included in the regulatory retail portfolios	7.141.125	6.508.096
Claims secured by residential property	1.786.684	2.383.622
Past due loan	354.188	312.473
Higher risk categories decided by the Board	3.149.510	2.916.597
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	672.015	876.673
Total	32.028.184	30.012.951

- 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:

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.

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

As of 31 December 2013, the Bank has TL 173 (31 December 2012: TL 532) 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 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Letter of Guarantee	-	-	65	-
Prefinancing Loans	-	-	-	-
Commercial Letter of Credit	-	-	-	-
Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Bad Check Payments	173	-	465	-
Other Liabilities	-	-	2	-
Total	173	-	532	-

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II. EXPLANATIONS ON 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 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 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 Bank's top 100 cash loan balances in total cash loans: 20 % (31 December 2012: 18 %).**

The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans: 82 % (31 December 2012: 77 %)

The proportion of the Bank's cash and non-cash loan balances with the first 100 customers comprises of total cash loans and non-cash loans: 29 % (31 December 2012: 22 %)

- g. The Bank provided a general provision for credit risk: TL 347.299 (31 December 2012: TL 248.321).**

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II. EXPLANATIONS ON 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:

Current Year	Risk Categories (***)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
31 December 2013																	
Domestic	5,561,088	-	-	-	-	1,941,049	10,206,004	7,138,635	1,769,678	340,237	3,149,510	-	-	-	-	672,015	30,778,216
European Union Countries	-	-	-	-	-	255,890	56,158	-	-	-	-	-	-	-	-	-	312,048
OECD Countries (*)	-	-	-	-	-	55,982	-	-	-	-	-	-	-	-	-	-	55,982
Off - shore Countries	-	-	-	-	-	9,803	-	-	-	-	-	-	-	-	-	-	9,803
USA, Canada	-	-	-	-	-	48,083	10,744	-	-	-	-	-	-	-	-	-	58,827
Other Countries	109,478	-	-	-	-	486,776	148,584	2,490	17,006	13,951	-	-	-	-	-	-	778,285
Subsidiaries and Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	35,023	-	-	-	-	-	-	-	-	-	35,023
TOTAL	5,670,566	-	-	-	-	2,832,606	10,421,490	7,141,125	1,786,684	354,188	3,149,510	-	-	-	-	672,015	32,028,184

(*) 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 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 (Continued) :

Prior Year	Risk Categories (***)																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
31 December 2012																	
Domestic	5,146,527	-	-	-	-	368,190	5,909,307	5,810,483	3,070,715	259,668	2,897,107	-	-	-	-	875,785	24,337,782
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35,023
Undistributed Assets / Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	5,177,517	-	-	-	-	1,540,941	5,996,880	5,915,106	3,115,877	264,901	2,897,168	-	-	-	-	875,785	25,784,175

(*) 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 CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties:

Sectors/Counterparties	Current Year																Total	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		
Agricultural	-	-	-	-	-	-	120.659	14.552	2.982	-	-	-	-	-	-	16.254	121.961	138.215
Farming and raising livestock	-	-	-	-	-	-	82.363	9.193	2.414	-	-	-	-	-	-	10.312	83.680	93.992
Forestry	-	-	-	-	-	-	36.713	3.245	361	-	-	-	-	-	-	4.315	36.004	40.319
Fishing	-	-	-	-	-	-	1.583	2.114	207	-	-	-	-	-	-	1.627	2.277	3.904
Industry	-	-	-	-	-	-	7.251.946	346.970	473.005	118.888	-	-	-	-	-	2.212.296	6.003.635	8.215.931
Mining	-	-	-	-	-	-	56.946	5.236	3.027	-	-	-	-	-	-	14.008	51.253	65.261
Production	-	-	-	-	-	-	7.068.284	340.495	469.946	118.888	-	-	-	-	-	2.197.137	5.825.546	8.022.683
Electricity, Gas, Water	-	-	-	-	-	-	1.239	1.239	32	-	-	-	-	-	-	1.151	126.836	127.987
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	5.670.566	-	-	-	-	2.832.606	2.512.368	135.046	79.773	19.583	962	-	-	-	4.002.440	7.248.464	11.250.904	
Wholesale and retail trade	-	-	-	-	-	-	1.278.239	108.978	38.735	274	867	-	-	-	806.990	620.103	1.427.093	
Hotel and beverage service	-	-	-	-	-	-	109.029	1.523	18.936	192	-	-	-	-	8.145	121.535	129.680	
Transportation and telecommunication	-	-	-	-	-	-	165.218	13.668	4.035	5.166	42	-	-	-	46.385	141.744	188.129	
Financial Institutions	5.670.566	-	-	-	-	2.832.606	260.222	-	-	13.951	-	-	-	-	3.002.952	5.774.393	8.777.345	
Real estate and lending service	-	-	-	-	-	-	312.100	974	1.439	-	-	-	-	-	7.595	306.918	314.513	
Self employment service	-	-	-	-	-	-	375.285	9.890	16.392	-	53	-	-	-	128.817	272.803	401.620	
Education Service	-	-	-	-	-	-	434	-	-	-	-	-	-	-	391	-	434	
Health and financial service	-	-	-	-	-	-	11.841	13	236	-	-	-	-	-	1.165	10.925	12.090	
Other	-	-	-	-	-	-	536.517	6.644.557	1.230.924	215.717	3.123.404	-	-	-	672.015	11.770.671	12.423.134	
TOTAL	5.670.566	-	-	-	-	2.832.606	10.421.490	7.141.125	1.786.684	354.188	3.149.510	-	-	-	672.015	18.001.661	14.026.523	32.028.184

(*) 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
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II. EXPLANATIONS ON CREDIT RISK (Continued)

i. Risk Profile according to sectors and counterparties (Continued) :

Sectors/Counterparties	Prior Year										Risk Categories (*)						Total	
	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	-	-	-	-	1.540.941	1.527.878	196.838	499.351	19.888	-	-	-	-	-	2.090.918	3.855.965	5.946.883
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	-	-	-	-	1.540.941	37.701	2.863	93.741	55	-	-	-	-	-	592.199	3.245.089	3.837.288
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	5.344.994	1.744.654	171.970	2.897.168	-	-	-	-	13.902.957	191.853	14.094.810
TOTAL	5.177.517	-	-	-	1.540.941	5.996.880	5.915.106	3.115.877	264.901	2.897.168	-	-	-	-	-	875.785	18.682.268	25.784.175

(*) 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 CREDIT RISK (Continued)

j. Term distribution of risks with term structure:

Risk Categories	Time to Maturity					Unallocated
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	
Claims on regional governments or local authorities	3.595.694	863.549	699.022	41.575	470.726	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	2.214.060	320.868	104.412	26.894	166.372	-
Claims on corporate	1.312.992	1.466.274	1.907.560	2.762.726	2.971.938	-
Claims included in the regulatory retail portfolios	2.849.240	299.222	1.446.749	439.286	2.106.628	-
Claims secured by residential property	32.687	79.639	109.650	93.544	1.471.164	-
Past due loan	-	-	-	-	-	354.188
Higher risk categories decided by the Board	-	-	-	459.731	2.689.779	-
Securities collateralized by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Other receivables	636.992	-	-	-	-	35.023
TOTAL	10.641.665	3.029.552	4.267.393	3.823.756	9.876.607	389.211

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;

2. Receivables from Central Governments or Central Banks
 3. 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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II. EXPLANATIONS ON CREDIT RISK (Continued)

Credit Quality Degrees	Moody's Risk Rating	Risk Categories		
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses	
			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%

i. Risk Amounts according to Risk Weights:

	Risk Weights										Deducted from Equity
	0%	10%	20%	50%	75%	100%	150%	200%	250%	1250%	
1. Amount Before Credit Risk Mitigation	6 023.168	-	950.371	3 477.785	5 923.715	12 317.579	1 135.300	2 140.153	60.113	-	123.656
2. Amount After Credit Risk Mitigation	6 358.555	-	950.371	3 477.785	5 883.598	12 068.009	1 119.870	2 109.883	60.113	-	123.656

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

Current Period 31 December 2013	Trading Financial Assets (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	517.143	2.245.106	-	2.762.249
Ba2	-	-	-	-
Total	517.143	2.245.106	-	2.762.249
Prior Period 31 December 2012	Trading Financial Assets (Net)	Available for Sale Financial Assets (Net)	Held to Maturity Securities (Net)	Total
Moody's Rating				
A1, A2, A3	-	-	-	-
Baa1, Baa2, Baa3	-	-	-	-
Ba1	747.996	3.015.530	-	3.763.526
Ba2	-	-	-	-
Total	747.996	3.015.530	-	3.763.526

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II EXPLANATIONS ON 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	29.135	11.298	210	26.008
Farming and raising livestock	27.264	10.032	178	24.642
Forestry	1.856	1.239	31	1.362
Fishing	15	27	1	4
Industry	148.789	245.543	5.909	84.174
Mining	2.744	6.062	137	2.510
Production	145.821	239.247	5.767	81.458
Electricity, Gas, Water	224	234	5	206
Construction	20.759	21.189	439	13.469
Services	113.741	187.403	4.239	79.705
Wholesale and retail trade	69.162	164.802	3.725	49.197
Hotel and beverage service	3.284	8.055	201	2.080
Transportation and telecommunication	17.313	9.546	208	7.734
Financial Institutions	12.026	283	6	12.026
Real estate and lending service	103	419	8	103
Self employment service	9.002	-	-	6.583
Education Service	287	608	12	228
Health and financial service	2.564	3.690	79	1.754
Other	895.794	169.591	6.645	654.238
Total	1.208.218	635.024	17.442	857.594

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
Special Provisions	482.912	396.744	22.062	-	857.594
General Provisions	248.321	98.978	-	-	347.299

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II EXPLANATIONS ON CREDIT RISK (Continued)

r. The movement of specific provision of the Bank's loan and other receivables:

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2013	145.849	105.066	231.748	482.663
Transferred during the period	58.229	102.865	233.015	394.109
Collection during the period	3.788	4.493	13.781	22.062
Write-off/sold	211	-	31	242
31 December 2013	200.079	203.438	450.951	854.468

	Commercial Loans	Consumer Loan	Credit Cards	Total
1 January 2012	84.866	113.641	238.204	436.711
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	105.066	231.748	482.663

s. Information on types of loans and provisions:

	Commercial Loans	Consumer Loan	Credit Cards	Total
Current Period - 31 December 2013				
Standard loans	9.070.289	4.809.384	4.284.812	18.164.485
Close monitoring loans	367.608	101.091	166.325	635.024
Loans under follow-up	310.380	299.605	596.352	1.206.337
The specific provision (-)	200.079	203.438	450.951	854.468
Total	9.548.198	5.006.642	4.596.538	19.151.378

	Commercial Loans	Consumer Loan	Credit Cards	Total
Prior Period- 31 December 2012				
Standard loans	6.104.941	4.463.379	3.978.405	14.546.725
Close monitoring loans	543.442	94.977	64.159	702.578
Loans under follow-up	238.668	181.337	327.559	747.564
The specific provision (-)	145.849	105.066	231.748	482.663
Total	6.741.202	4.634.627	4.138.375	15.514.204

t. Information on collaterals for non-performing loans of the Bank:

	Current Period 31 December 2013 Collateral Value	Prior Period 31 December 2012 Collateral Value
Mortgages	316.704	254.998
Pledged Vehicle	21.349	29.842
Cheques and Notes	983	2.608
Cash	271	162
Total	339.307	287.610

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III. EXPLANATION ON MARKET RISK

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

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

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

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

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 Market Risk:

	31 December 2013	31 December 2012
	Amount	Amount
(I) Capital obligation for general market risk	28.494	60.374
(II) Capital obligation for specific risk	4.194	1.372
Capital obligation for specific risk in securitisation positions- Standard Method		
Capital obligation – Standard Method		
(III) Capital obligation for currency risk	5.348	3.258
(IV) Capital obligation for stocks	-	-
(V) Capital obligation for clearing risk	-	-
(VI) Total capital obligation for market risk because of options	85	43
(VII) Capital obligation for counterparty credit risk - Standard Method	52.099	70.780
(VIII) Capital obligation for general market risk	-	-
(IX) Total capital obligation for market risk (I+II+III+IV+V+VI)	90.220	135.827
(X) Amount subject to market risk (12,5 x VIII) or (12,5 x IX)	1.127.750	1.697.838

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III. EXPLANATION ON MARKET RISK (Continued)

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

	Current Period 31 Aralık 2013			Prior Period 31 Aralık 2012		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	40.313	63.361	25.362	51.566	60.374	45.736
Share Certificates Risk	3.175	5.482	1.488	1.251	1.737	543
Currency Risk	18.009	68.401	2.887	4.878	7.817	2.481
Commodity Risk	-	-	-	-	-	-
Settlement Risk	-	-	-	-	-	-
Option Risk	132	207	67	43	51	32
Counterparty Credit Risk	54.152	98.086	12.292	21.126	70.780	8.482
Total Amount Subject to Risk	115.781	162.391	74.619	78.864	135.827	59.910

b .Informations on counterparty risks:

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	3.560.971
Foreign Currency Based Contracts	45.959.309
Commodity Based Contracts	-
Stock-Based Contracts	-
Other	-
Positive Fair Value Gross Amount	1.268.560
Benefits of Offsetting	-
Offsetting Current Risk Amount	1.805.071
Retained Guarantee	-
Net Positions on derivatives	1.805.071

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IV. EXPLANATIONS ON OPERATIONAL RISK

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

The capital adequacy standard ratio calculation table has been initiated as of 30 June 2007 and the "Basic indicator method" is used in the operational risk calculation of the Bank. The amount subject to the operational risk is calculated through the use of the gross income of the Bank in 2012, 2011, and 2010 in accordance to the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published in the Official Gazette No.28337 dated 28 June 2012.

	31.12.2010	31.12.2011	31.12.2012	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.400.454	1.412.009	1.646.469	1.486.311	15	222.947
Value at Operational Risk (Total*12,5)						2.786.838

	31.12.2009	31.12.2010	31.12.2011	Total/No. of Years of Positive Gross	Rate (%)	Total
Gross Income	1.576.266	1.400.454	1.412.009	1.462.910	15	219.436
Value at Operational Risk (Total*12,5)						2.742.956

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V. EXPLANATIONS ON CURRENCY RISK

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

The Bank is acting extremely careful management of foreign currency and usually regulates the currency risk with being attentive not to take open position. The Bank is acting in accordance with legal restrictions and the limits determined by the Board of Directors on the regulation of foreign currency positions.

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

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

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

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

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

Current Period – 31 December 2013	USD (\$)	Euro (€)
Balance Sheet Date		
Bank Evaluation Rate	2,1430	2,9513
Before Balance Sheet Date		
1. Day Bid Rate	2,1225	2,9279
2. Day Bid Rate	2,1540	2,9724
3. Day Bid Rate	2,0803	2,8463
4. Day Bid Rate	2,0803	2,8463
5. Day Bid Rate	2,0803	2,8463
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

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

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

As of December 2013, the Bank's simple arithmetic average foreign exchange rates for USD is 2,0659 TL (December 2012: TL 1,7877) and exchange rates for Euro 2,8312 TL (December 2012: TL 2,3440).

f. Information related to Bank's Currency Risk:

Current Period – 31 December 2013	EURO	USD	Other FC	Total
Assets				
Cash Equivalents and Central Bank	1.235.498	1.610.798	558.061	3.404.357
Banks	38.668	1.089.797	26.896	1.155.361
Financial Assets at Fair Value through Profit or Loss (Net)	201.571	1.123.941	23.622	1.349.134
Interbank Money Market Placements	62.003	64.312	-	126.315
Financial Assets Available-for-Sale (Net)	-	-	-	-
Loans (*)	2.890.596	3.215.976	49.044	6.155.616
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Investments Held-to-Maturity (Net)	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets (Net)	-	-	-	-
Intangible Assets (Net)	-	-	-	-
Other Assets (**)	5.759	226.113	712	232.584
Total Assets	4.434.095	7.330.937	658.335	12.423.367
Liabilities				
Bank Deposits	4	193.422	25	193.451
Foreign Currency Deposits	2.024.534	4.022.694	1.036.115	7.083.343
Funds from Interbank Money Market	-	-	-	-
Borrowings	2.676.931	4.669.708	455.947	7.802.586
Issued Marketable Securities (Net)	-	-	-	-
Miscellaneous Payables	1.091	5.319	1.525	7.935
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	220.346	1.084.731	34.742	1.339.819
Total Liabilities	4.922.906	9.975.874	1.528.354	16.427.134
Net on Balance Sheet Position	(488.811)	(2.644.937)	(870.019)	(4.003.767)
Net Off-Balance Sheet Position				
Financial Derivative Assets	4.560.759	24.745.972	1.764.437	31.071.168
Financial Derivative Liabilities	4.097.242	22.073.520	886.205	27.056.967
Non-cash Loans	390.831	2.763.226	66.839	3.220.896
Prior Period - 31 December 2012				
Total Assets	2.237.004	3.499.710	521.770	6.258.484
Total Liabilities	3.072.212	6.760.111	1.012.321	10.844.644
Net on-Balance Sheet Position	(835.208)	(3.260.401)	(490.551)	(4.586.160)
Net off-Balance Sheet Position	835.058	3.232.675	486.882	4.554.615
Financial Derivative Assets	4.153.073	9.313.327	973.287	14.439.687
Financial Derivative Liabilities	3.318.015	6.080.652	486.405	9.885.072
Non-cash Loans	444.030	1.641.965	99.336	2.185.331

(*) As of 31 December 2013, loans consists of foreign indexed loans amounting to TL 1.728.042 (31 December 2012: TL 871.137) and foreign factoring receivables amounting to TL 8.752 (31 December 2012: TL 10.223).

(**) As of 31 December 2013, other assets does not consist of prepaid expenses amounting to TL 1.108 (31 December 2012: TL 1.382).

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V. EXPLANATIONS ON CURRENCY RISK (Continued)

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

	Current Period – 31 December 2013		Prior Period – 31 December 2012	
	Income Statement	Equity (*)	Income Statement	Equity (*)
USD	2.752	2.752	(2.778)	(2.778)
Euro	(2.529)	(2.529)	(15)	(15)
Other	821	821	(367)	(367)
Total	1.044	1.044	(3.160)	(3.160)

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

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

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VI. EXPLANATIONS ON INTEREST RATE RISK

There is an interest sensitivity gap at the balance sheet of the Bank in 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 Bank managed interest rate and prepayment risks 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 2013	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank	-	-	-	-	-	3.699.273	3.699.273
Banks	438.749	1.035.753	22.644	-	-	160.423	1.657.569
Financial Assets at Fair Value Through Profit or Loss (Net)	718.431	508.480	647.910	38.756	10.528	10.313	1.934.418
Interbank Money Market Placements	6.787.257	-	-	-	-	-	6.787.257
Financial Assets Available-for-Sale (Net)	463.858	1.024.165	757.083	-	-	4.225	2.249.331
Loans (*)	6.581.481	3.777.988	3.080.286	4.042.951	1.316.803	351.869	19.151.378
Investments Held-to-Maturity (Net)	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	749.412	749.412
Total Assets	14.989.776	6.346.386	4.507.923	4.081.707	1.327.331	4.975.515	36.228.638
Liabilities							
Bank Deposits	594.337	2.111	6.125	-	-	69.282	671.855
Other deposits	11.201.423	2.096.684	448.296	18.971	-	3.171.203	16.936.577
Funds from Interbank Money Market	2.025.576	-	-	-	-	-	2.025.576
Miscellaneous Payables	-	-	-	-	-	536.045	536.045
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.504.877	2.296.600	1.957.786	1.868.170	2.054.830	-	10.682.263
Other Liabilities (**)	288.617	495.664	492.859	701.751	4.388	3.393.043	5.376.322
Total Liabilities	16.614.830	4.891.059	2.905.066	2.588.892	2.059.218	7.169.573	36.228.638
Balance Sheet Long Position	-	1.455.327	1.602.857	1.492.815	-	-	4.550.999
Balance Sheet Short Position	(1.625.054)	-	-	-	(731.887)	(2.194.058)	(4.550.999)
Off Balance Sheet Long Position	108.797	-	-	497	-	-	109.294
Off Balance Sheet Short Position	-	(135.942)	(122.029)	-	-	-	(257.971)
Total Position	(1.516.257)	1.319.385	1.480.828	1.493.312	(731.887)	(2.194.058)	(148.677)

(*) Includes the factoring receivables amounting to TL 55.099.

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

Prior Period - 31 December 2012	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Non Interest Bearing	Total
Assets							
Cash Equivalents and Central Bank Banks	-	-	-	-	-	2.551.692	2.551.692
Financial Assets at Fair Value Through Profit or Loss (Net)	694.524	86.541	6.301	-	-	112.263	899.629
Interbank Money Market Placements	61.421	49.880	750.057	12.158	7.451	-	880.967
Financial Assets Available-for-Sale (Net)	2.029.632	-	-	-	-	-	2.029.632
Loans (*)	502.514	1.879.427	633.589	-	-	4.211	3.019.741
Investments Held-to-Maturity (Net)	5.540.070	2.661.405	2.115.477	3.657.450	1.274.901	264.901	15.514.204
Other Assets	-	-	-	-	-	402.693	402.693
Total Assets	8.828.161	4.677.253	3.505.424	3.669.608	1.282.352	3.335.760	25.298.558
Liabilities							
Bank Deposits	177.481	-	10.421	4.410	-	47.603	239.915
Other deposits	8.517.041	1.945.398	495.181	13.802	-	2.995.074	13.966.496
Funds from Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	532.815	532.815
Issued Marketable Securities (Net)	-	-	-	-	-	-	-
Funds Borrowed	2.356.507	515.684	2.982.273	476.097	211.120	-	6.541.681
Other Liabilities (**)	50.607	80.424	51.820	3.714	-	3.831.086	4.017.651
Total Liabilities	11.101.636	2.541.506	3.539.695	498.023	211.120	7.406.578	25.298.558
Balance Sheet Long Position	-	2.135.747	-	3.171.585	1.071.232	-	6.378.564
Balance Sheet Short Position	(2.273.475)	-	(34.271)	-	-	(4.070.818)	(6.378.564)
Off Balance Sheet Long Position	-	-	264.679	-	-	-	264.679
Off Balance Sheet Short Position	-	-	-	(264.679)	-	-	(264.679)
Total Position	(2.273.475)	2.135.747	230.408	2.906.906	1.071.232	(4.070.818)	-

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

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

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

b. Effective average interest rates for monetary financial instruments:

Current Period – 31 December 2013	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	1,20	-	7,64
Financial Assets at Fair Value Through Profit or Loss (Net)	5,83	7,58	-	7,42
Interbank Money Market Placements	1,40	1,55	-	7,75
Financial Assets Available-for-Sale (Net)	-	-	-	8,29
Loans	4,52	3,85	-	11,65
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	0,37	-	8,27
Other Deposits	1,57	1,84	1,94	8,12
Funds From Interbank Money Market	-	-	-	4,29
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,24	0,61	2,00	8,49
Prior Period - 31 December 2012	Euro	US Dollar	Yen	TL
Assets	%	%	%	%
Cash Equivalents and Central Bank	-	-	-	-
Banks	-	0,14	-	7,00
Financial Assets at Fair Value Through Profit or Loss (Net)	5,60	7,85	-	6,17
Interbank Money Market Placements	-	1,00	-	6,09
Financial Assets Available-for-Sale (Net)	-	-	-	5,96
Loans	5,31	5,54	-	12,49
Investments Held-to-Maturity (Net)	-	-	-	-
Liabilities				
Bank Deposits	-	0,34	-	4,90
Other Deposits	2,02	2,34	2,26	7,4
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Issued Marketable Securities (Net)	-	-	-	-
Funds Borrowed	1,66	1,79	-	8,82

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.

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VI. EXPLANATIONS ON INTEREST RATE RISK (Continued)

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

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

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

31 December 2013	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(414.036)	(9,78)%
2. TL	(400)	427.651	10,10%
3. EUR	200	18.440	0,44%
4. EUR	(200)	(3.419)	(0,08)%
5. USD	200	(700)	(0,02)%
6. USD	(200)	6.984	0,17%
Total (of negative shocks)		431.216	10,19%
Total (of positive shocks)		(396.296)	(9,36)%

31 December 2012	Shocks Applied (+/- x basis point)	Gains / Losses	Gains / Equity - Losses / Equity
Type of Currency			
1. TL	500	(444.056)	(11,18)%
2. EUR	200	8.527	0,21%
3. USD	200	61.508	1,55%
4. TL	(400)	469.506	11,82%
5. EUR	(200)	(1.156)	(0,03)%
6. USD	(200)	(73.000)	(1,84)%
Total (of negative shocks)		395.350	9,95%
Total (of positive shocks)		(374.021)	(9,42)%

d. Position risk of equity securities in banking book:

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

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

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

None.

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VII. EXPLANATIONS ON LIQUIDTY RISK

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

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

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

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

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

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

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

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 2013 and 2012 are presented below:

Foreign Currency Current Period - 31 December 2013	I. Maturity Tranche	II. Maturity Tranche
Average	127,81	113,48
Maximum	208,93	140,71
Minimum	93,55	92,61
Total Current Period - 31 December 2013	I. Maturity Tranche	II. Maturity Tranche
Average	125,03	114,51
Maximum	150,63	122,72
Minimum	113,86	108,25
Foreign Currency Prior 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 Prior 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

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

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

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

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

Current Period – 31 December 2013	Demand	Up to 1 Month	1 - 3 Months	3 - 12 Months	1 - 5 Years	5 Years and Over	Unallocated	Total
Assets								
Cash Equivalents and Central Bank	450.782	3.248.491	-	-	-	-	-	3.699.273
Banks	160.423	438.749	1.035.753	22.644	-	-	-	1.657.569
Financial Assets at Fair Value through Profit or Loss (Net)	10.313	611.537	371.507	548.291	269.368	123.402	-	1.934.418
Interbank Money Market Placements	-	6.787.257	-	-	-	-	-	6.787.257
Financial Assets Available-for-Sale (Net)	-	180.355	863.549	730.475	470.670	57	4.225	2.249.331
Loans (*)	-	5.626.184	2.304.139	3.790.887	5.265.181	1.813.118	351.869	19.151.378
Investments Held-to-maturity (Net)	-	-	-	-	-	-	-	-
Other Assets (**)	-	89.116	-	16.365	27.152	-	616.779	749.412
Total Assets	621.518	16.981.689	4.574.948	5.108.662	6.032.371	1.936.577	972.873	36.228.638
Liabilities								
Bank Deposits	69.282	594.337	2.111	6.125	-	-	-	671.855
Other Deposits	3.171.203	11.201.423	2.096.684	448.296	18.971	-	-	16.936.577
Funds Borrowed	-	3.153.480	746.642	3.009.082	2.745.864	1.027.195	-	10.682.263
Funds from Interbank Money Market	-	2.025.576	-	-	-	-	-	2.025.576
Issued Marketable Securities (Net)	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	359.112	97.248	78.689	996	-	-	536.045
Other Liabilities (***)	-	288.617	495.664	586.094	606.355	6.549	3.393.043	5.376.322
Total Liabilities	3.240.485	17.622.545	3.438.349	4.128.286	3.372.186	1.033.744	3.393.043	36.228.638
Net Liquidity Gap	(2.618.967)	(640.856)	1.136.599	980.376	2.660.185	902.833	(2.420.170)	-
Prior Period - 31 December 2012								
Total Assets	598.746	9.795.439	3.315.397	3.802.057	5.643.903	1.550.375	592.641	25.298.558
Total Liabilities	3.042.677	10.944.364	2.356.232	3.177.265	1.397.031	1.055.340	3.325.649	25.298.558
Net Liquidity Gap	(2.443.931)	(1.148.925)	959.165	624.792	4.246.872	495.035	(2.733.008)	-

(*) As of 31 December 2013, loans includes the factoring receivables amounting to TL 55.099 (31 December 2012: TL 92.463).

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

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

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

Current Period - 31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Bank Deposits	663.712	2.129	6.378	-	-	672.219
Other Deposits	14.398.350	2.100.517	467.492	20.076	-	16.986.435
Payables to Money Market	2.025.908	-	-	-	-	2.025.908
Borrowings	3.537.604	-	2.019.760	4.375.658	1.530.067	11.463.089
Total	20.625.574	2.102.646	2.493.630	4.395.734	1.530.067	31.147.651
Prior Period - 31 December 2012						
Bank Deposits	225.099	8.636	6.593	-	-	240.328
Other Deposits	11.527.220	1.938.073	508.654	14.596	-	13.988.543
Payables to Money Market	-	-	-	-	-	-
Borrowings	2.536.852	92.315	2.123.394	1.281.343	1.232.563	7.266.467
Total	14.289.171	2.039.024	2.638.641	1.295.939	1.232.563	21.495.338

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VII. EXPLANATIONS ON LIQUIDITY RISK (Continued)

g. Explanations on securitisation positions:

None.

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

Current Period - 31 December 2013	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Derivatives held for trading						
Foreign exchange derivatives:						
- Inflow	3.487.114	12.110.140	24.380.649	3.733.460	472.529	44.183.892
- Outflow	3.456.431	11.837.618	24.753.535	3.668.644	365.969	44.082.197
Interest rate derivatives:						
- Inflow	-	2.518.025	951.412	1.998.134	1.690.914	7.158.485
- Outflow	-	2.518.025	951.412	1.998.134	1.690.914	7.158.485
Total Inflow	3.487.114	14.628.165	25.332.061	5.731.594	2.163.443	51.342.377
Total Outflow	3.456.431	14.355.643	25.704.947	5.666.778	2.056.883	51.240.682

Prior Period - 31 December 2012	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and Over	Total
Derivatives held for trading						
Foreign exchange derivatives:						
- Inflow	2.148.120	2.892.334	6.654.841	1.443.012	903.278	14.041.585
- Outflow	2.149.813	2.898.180	6.667.165	1.430.881	831.956	13.977.995
Interest rate derivatives:						
- Inflow	-	-	1.044.179	2.145.210	792.579	3.981.968
- Outflow	-	-	727.700	2.461.689	792.579	3.981.968
Total Inflow	2.148.120	2.892.334	7.699.020	3.588.222	1.695.857	18.023.553
Total Outflow	2.149.813	2.898.180	7.394.865	3.892.570	1.624.535	17.959.963

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 worthiness:

None.

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

None.

f. Collaterals based on risk classifications:

Risk Classifications- 31 December 2013	Balance	Financial Guaranties	Other/Physical Guaranties	Guaranties And Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	5 671 300	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	3 171 335	-	-	-
Conditional and unconditional receivables from Corporates	11 403 379	264 372	-	-
Conditional and unconditional retail receivables	13 174 990	48 466	-	-
Conditional and unconditional receivables secured by Mortgages	1 820 378	-	-	-
Past due receivables	354 188	150	-	-
Receivables defined in high risk category by BRSA	3 149 526	45 557	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Other receivables	672 016	-	-	-
Total	39.417.112	358.545	-	-

(*) 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.

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IX. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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 systmetical 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 2013	Prior Period 31 December 2012	Current Period 31 December 2013	Prior Period 31 December 2012
Financial Assets	29.845.535	21.463.206	30.521.189	22.401.571
Interbank Money Market Placements	6.787.257	2.029.632	6.787.257	2.029.632
Banks	1.657.569	899.629	1.655.761	880.817
Financial Assets Available-for-Sale (Net)	2.249.331	3.019.741	2.249.331	3.019.741
Investments Held-to-Maturity (Net)	-	-	-	-
Loans (*)	19.151.378	15.514.204	19.828.840	16.471.381
Financial Liabilities	28.826.740	21.280.907	29.559.909	21.366.818
Bank Deposits	671.856	239.915	671.856	239.915
Other Deposits	16.936.576	13.966.496	16.988.584	13.973.313
Borrowing	10.682.263	6.541.681	11.363.424	6.620.775
Securities Issued	-	-	-	-
Miscellaneous Payables	536.045	532.815	536.045	532.815

(*) Includes the factoring receivables amounting to TL 55.099 (31 December 2012: TL 92.463).

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 2013				
	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	517.159	1.406.946	-	1.924.105
- Government debt securities	517.143	-	-	517.143
- Share certificates	-	-	-	-
- Trading derivative financial assets	16	1.406.946	-	1.406.962
- Other securities	-	-	-	-
Available for Sale Financial Assets	2.245.106	-	-	2.245.106
- Government debt securities	2.245.106	-	-	2.245.106
- Other marketable securities (*)	-	-	-	-
Total Assets	2.762.265	1.406.946	-	4.169.211
Trading Derivative Financial Liabilities	20	1.308.356	-	1.308.376
Total Liabilities	20	1.308.356	-	1.308.376
Prior Period - 31 December 2012				
	1st Level	2nd Level	3rd Level	Total
Financial Assets at Fair Value Through Profit or Loss	748.099	132.868	-	880.967
- Government debt securities	747.996	-	-	747.996
- 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	3.763.629	132.868	-	3.896.497
Trading Derivative Financial Liabilities	211	186.357	-	186.568
Total Liabilities	211	186.357	-	186.568

(*) Due to the fact that the amounts of fund certificates that were recognized under financial assets at fair value through profit or loss and Kredi Garanti Fonu that is recognized under the financial assets available-for-sale are classified with their acquisition cost, they are not included in the table below.

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

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

The Bank 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 Bank:

The Bank has no fiduciary transactions.

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XII. EXPLANATIONS ON OPERATING SEGMENTS

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

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

	Retail Banking	Corporate and Investment Banking	Treasury and Capital Markets	Other	Bank's Total Activities
Current Period					
Operating Income	1.102.603	473.263	281.024	-	1.856.890
Other	-	-	-	-	-
Operating Income	1.102.603	473.263	281.024	-	1.856.890
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(291.021)	36.524	320.311	-	65.814
Profit before Tax	(291.021)	36.524	320.311	-	65.814
Corporate Tax Provision (*)	-	-	-	(36.030)	(36.030)
Profit after Tax	(291.021)	36.524	320.311	(36.030)	29.784
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(291.021)	36.524	320.311	(36.030)	29.784
Segment Assets	10.306.985	10.944.349	14.942.281	-	36.193.615
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	10.306.985	10.944.349	14.977.034	270	36.228.638
Segment Liabilities	16.723.922	6.566.962	12.937.754	-	36.228.638
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	16.723.922	6.566.962	12.937.754	-	36.228.638
Other Segment Items	134.002	(7.673)	(5.410)	-	120.919
Capital Investment	-	-	-	-	-
Amortization	(42.101)	(7.673)	(2.124)	-	(51.898)
Impairment	-	-	(3.286)	-	(3.286)
Non-Cash Other Income-Expense	176.103	-	-	-	176.103
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					
Operating Income	999.514	510.953	169.193	-	1.679.660
Other	-	-	-	-	-
Operating Income	999.514	510.953	169.193	-	1.679.660
Segment Net Profit	-	-	-	-	-
Undistributed Cost	-	-	-	-	-
Operating Profit	(22.043)	151.447	110.133	-	239.537
Profit before Tax	(22.043)	151.447	110.133	-	239.537
Corporate Tax Provision (*)	-	-	-	(58.739)	(58.739)
Profit after Tax	(22.043)	151.447	110.133	(58.739)	180.798
Non-Controlling Interest	-	-	-	-	-
Net Profit for the Period	(22.043)	151.447	110.133	(58.739)	180.798
Segment Assets	9.675.503	6.702.495	8.885.537	-	25.263.535
Associates and Subsidiaries	-	-	34.753	270	35.023
Undistributed Assets	-	-	-	-	-
Total Assets	9.675.503	6.702.495	8.920.290	270	25.298.558
Segment Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Undistributed Liabilities	-	-	-	-	-
Total Liabilities	13.742.944	4.413.787	7.141.827	-	25.298.558
Other Segment Items (**)	(311.435)	(13.131)	(2.911)	-	(327.477)
Capital Investment	-	-	-	-	-
Amortization	(46.849)	(13.131)	(2.192)	-	(62.172)
Impairment	-	-	(719)	-	(719)
Non-Cash Other Income-Expense	(264.586)	-	-	-	(264.586)
Restructuring Costs	-	-	-	-	-

(*) Corporate tax provision is not distributed.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED
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I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

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

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Cash/Foreign Currency	227.581	142.946	230.041	130.420
The CBRT	67.313	3.248.491	65.788	2.065.213
Other (*)	22	12.920	-	60.230
Total	294.916	3.404.357	295.829	2.255.863

(*) As of 31 December 2013, account of Precious Metal is amounting to TL 12.920 (31 December 2012: TL 60.230)

2. Information related to balances with the CBRT:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Unrestricted Demand Deposit	67.313	-	65.788	3
Unrestricted Time Deposit	-	-	-	-
Restricted Time Account	-	-	-	-
Reserve Requirement	-	3.248.491	-	2.065.210
Total	67.313	3.248.491	65.788	2.065.213

The banks operating in Turkey are subject to the Central Bank of the Republic of Turkey's Communiqué numbered 2005/1 "deposits" and are required to keep a deposit at the CBRT for their Turkish Lira, USD and/or Euro and standard gold.

As of 31 December 2013, the reserve deposit rates vary according to their maturity structure; the reserve deposit rates are realized between 5% - 11,50% (31 December 2012: 5% - 11%), for TL deposits and other liabilities, and between 6% - 13% for FC deposits (31 December 2012: 6% - 11%).

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

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

As of 31 December 2013, the Bank has no financial assets at fair value through profit or loss given as collateral/blocked (31 December 2012: TL 185).

As of 31 December 2013, the Bank has financial assets at fair value through profit or loss subject to repurchase agreement amounting to TL 392.839 (31 December 2012: None).

As of 31 December 2013, the Bank has financial assets at fair value through profit or loss in unrestricted account amounting TL 134.617 (31 December 2012: TL 747.811).

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	6.610	194.630	1.315	30.528
Swap Transactions	60.440	1.037.613	5.864	84.968
Futures Transactions	-	16	-	2
Options	-	107.653	-	10.294
Other	-	-	-	-
Total	67.050	1.339.912	7.179	125.792

c. Information on banks:

1. Information on banks and other financial institutions:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Banks				
Domestic	461.344	1.035.814	252.782	8
Foreign	40.864	119.547	32.288	614.551
Foreign Head Office and Branches	-	-	-	-
Total	502.208	1.155.361	285.070	614.559

2. Information on foreign banks balances:

	Unrestricted Amount		Restricted Amount	
	Current Period 31 December 2013	Prior Period 31 December 2012	Current Period 31 December 2013	Prior Period 31 December 2012
European Union Countries	22.865	18.563	-	-
USA, Canada	36.912	547.384	-	-
OECD Countries (*)	392	553	-	-
Off-Shore Banking Regions	331	9	-	-
Other	560	797	99.351	79.533
Total	61.060	567.306	99.351	79.533

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

As of 31 December 2013, the Bank has financial assets available for sale given as collateral/blocked amounting to TL 501.618 (31 December 2012: TL 275.654).

As of 31 December 2013 the Bank has financial assets available for sale subject to repurchase agreement amounting to TL 1.659.680 (31 December 2012: None).

As of 31 December 2013 the Bank has no financial assets available for sale in unrestricted account accounting to TL 88.033 (31 December 2012: TL 2.739.876).

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Debt Securities	2.268.948	3.016.359
Quoted to Stock Exchange	2.268.948	3.016.359
Not Quoted	-	-
Share Certificate	4.225	4.211
Quoted to Stock Exchange	-	-
Not Quoted (*)	4.225	4.211
Impairment Provision (-)	23.842	829
Total	2.249.331	3.019.741

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

e. Information related to loans:

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

	Current Period 31 December 2013		Prior Period 31 December 2012	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	2.532	199.765	-	22.557
Corporate Shareholders	2.532	199.765	-	22.557
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	11.984	460.588	12.104	333.668
Loans Granted to Employees	31.931	-	32.714	-
Total	46.447	660.353	44.818	356.225

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables	Agreement Terms Modified	Other	Loans and Other Receivables	Agreement Terms Modified	Other
Non-specialised Loans	17.432.981	731.503	-	546.178	88.847	-
Commercial Loans	6.387.524	631.911	-	260.317	47.153	-
Export Loans	1.123.961	34.973	-	44.218	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	139.137	-	-	-	-	-
Consumer Loans	4.787.874	21.510	-	61.260	39.831	-
Credit Cards	4.270.909	13.903	-	164.469	1.857	-
Other (*)	723.576	29.206	-	15.914	6	-
Specialised Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
	17.432.981	731.503	-	546.178	88.847	-

(*) Includes the factoring receivables amounting to TL 55.099.

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	703.039
Extended by 3, 4 or 5 times	28.464	2.304
Extended by more than 5 times	-	-

Extended period of time	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
	0 – 6 Months	91.886
6 – 12 Months	278.485	6.561
1 – 2 Years	193.674	55.652
2 – 5 Years	151.230	18.376
5 years or more	16.228	2.830

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I. EXPLANATIONS AND NOTES RELATED TO 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	8.674.733	370.371	335.086	11.990
Non-Specialized Loans (*)	8.674.733	370.371	335.086	11.990
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	8.758.248	361.132	211.092	76.857
Non-Specialized Loans	8.758.248	361.132	211.092	76.857
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

(*) Includes the factoring receivables amounting to TL 55.099.

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	67.848	4.571.634	4.639.482
Mortgage Loans	553	1.714.923	1.715.476
Automotive Loans	-	13.403	13.403
Consumer Loans	67.295	2.843.308	2.910.603
Other	-	-	-
Consumer Loans- Indexed to FC	-	12.613	12.613
Mortgage Loans	-	12.543	12.543
Automotive Loans	-	-	-
Consumer Loans	-	70	70
Other	-	-	-
Consumer Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	4.049.205	350.137	4.399.342
Installment	1.970.615	350.137	2.320.752
Non Installment	2.078.590	-	2.078.590
Individual Credit Cards-FC	8.052	-	8.052
Installment	-	-	-
Non Installment	8.052	-	8.052
Personnel Loans-TL	1.243	20.924	22.167
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1.243	20.924	22.167
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	9.739	-	9.739
Installment	5.373	-	5.373
Non Installment	4.366	-	4.366
Personnel Credit Cards-FC	25	-	25
Installment	-	-	-
Non Instalment	25	-	25
Overdraft Account-TL (Individual)	236.213	-	236.213
Overdraft Account-FC (Individual)	-	-	-
Total Consumer Loans	4.372.325	4.955.308	9.327.633

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Short-term	Medium and Long-term	Total
Commercial Installment Loans-TL	36.338	650.363	686.701
Mortgage Loans	-	6.754	6.754
Automotive Loans	201	20.759	20.960
Consumer Loans	36.137	622.850	658.987
Other	-	-	-
Commercial Installment Loans- Indexed to FC	12.385	321.949	334.334
Mortgage Loans	-	17.042	17.042
Automotive Loans	-	6.666	6.666
Consumer Loans	12.385	298.241	310.626
Other	-	-	-
Commercial Installment Loans-FC	14.307	-	14.307
Mortgage Loans	-	-	-
Automotive loans	-	-	-
Consumer Loans	14.307	-	14.307
Other	-	-	-
Corporate Credit Cards-TL	33.112	48	33.160
Installment	14.246	48	14.294
Non Installment	18.866	-	18.866
Corporate Credit Cards-FC	820	-	820
Instalment	-	-	-
Non Installment	820	-	820
Overdraft Account-TL (Commercial)	86.195	-	86.195
Overdraft Account-FC (Commercial)	-	-	-
Total	183.157	972.360	1.155.517

6. Loans according to types of borrowers:

	Current Period 31 December 2013	Prior Period 31 December 2012
Public	-	-
Private	18.799.509	15.249.303
Total	18.799.509	15.249.303

(*) Includes the factoring receivables amounting to TL 55.099 (31 December 2012: TL 92.463).

7. Domestic and foreign loans:

	Current Period 31 December 2013	Prior Period 31 December 2012
Domestic Loans	18.403.993	15.132.945
Foreign Loans	395.516	116.358
Total	18.799.509	15.249.303

(*) Includes the factoring receivables amounting to TL 55.099 (31 December 2012: TL 92.463).

8. Loans granted to investments in associates and subsidiaries:

	Current Period 31 December 2013	Prior Period 31 December 2012
Direct Loans Granted to Associates and Subsidiaries	55	33
Indirect Loans Granted to Associates and Subsidiaries	-	-
Total	55	33

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

9. Specific provisions for loans:

	Current Period 31 December 2013	Prior Period 31 December 2012
Loans and Receivables with Limited Collectability	26.964	20.548
Loans and Receivables with Doubtful Collectability	110.370	63.558
Uncollectible Loans and Receivables	717.134	398.557
Total	854.468	482.663

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

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period: 31 December 2013			
(Gross Amounts Before Specific Provisions)	7.130	7.644	17.910
Restructured Loans and Other Receivables	7.130	7.644	17.910
Rescheduled Loans and Other Receivables	-	-	-
Prior Period: 31 December 2012			
(Gross Amounts Before Specific Provisions)	2.973	9.874	41.071
Restructured Loans and Other Receivables	1.502	5.053	17.443
Rescheduled Loans and Other Receivables	1.471	4.821	23.628

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Prior Period Balances at the End of the 31 December 2012	118.937	145.273	483.354
Additions (+)	445.642	102.139	53.836
Transfers from Other Categories of Non-Performing Loans (+)	1.701	374.290	332.039
Transfers to Other Categories of Non-Performing Loans (-)	380.668	324.858	2.504
Collections (-)	34.327	42.253	66.022
Write-offs (-)	-	-	242
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	31
Other	-	-	211
Balance at the End of the Period: 31 December 2013	151.285	254.591	800.461
Specific Provisions (-)	26.964	110.370	717.134
Net Balance on Balance Sheet	124.321	144.221	83.327

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Other	Loans and Other	Uncollectible
	Receivables with	Receivables with	Loans and
	Limited	Doubtful	Other
	Collectability	Collectability	Receivables
Current Period (Net): 31 December 2013			
Loans granted to corporate entities and real persons (Gross)	151.285	254.591	788.718
Specific Provisions Amount (-)	26.964	110.370	705.391
Loans granted to corporate entities and real persons (Net)	124.321	144.221	83.327
Banks (Gross)	-	-	11.743
Specific Provisions Amount (-)	-	-	11.743
Banks (Net)	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
Other Loans and Advances (Net)	-	-	-
Prior Period (Net): 31 December 2012			
Loans granted to corporate entities and real persons (Gross)	118.615	156.818	460.388
Specific Provisions Amount (-)	20.548	63.558	386.814
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)	-	-	-

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 RELATED TO ASSETS (Continued)

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

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

f. Investments Held-to-maturity:

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

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

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

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

3. Information on investments held-to-maturity:

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

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

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

g. Information on investments in associates (Net):

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

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	87.311
Paid-in Capital	7.000
Share Premium	-
Reserves	48.203
Current Period's Profit and Prior Periods' Profit	32.108
Current Period's Losses and Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	-
Supplementary Capital	-
Deductions from Capital	-
Net Available Equity	87.311

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I. EXPLANATIONS AND NOTES RELATED TO 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 the subsidiaries, in the order of the above table (*):

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1 6.609	6.418	81	121	-	1.320	1.084	-
2 59	58	-	-	-	(19)	(14)	-

(*) Prepared with the audited financial statements as of 31 December 2013.

(**) The prior period balances represent the amounts as of 31 December 2012.

3. Information on the consolidated subsidiaries:

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

a) Consolidated subsidiaries:

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

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

Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss (**)	Fair Value
1 104.227	87.311	5	2.083	2.227	17.790	14.177	-

(*) Prepared with the audited financial statements as of 31 December 2013.

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

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I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

4. Movement schedule of the consolidated subsidiaries:

	Current Period 31 December 2013	Prior Period 31 December 2012
Balance at the Beginning of the Period	34.753	34.753
Movements During the Period	-	-
Purchases	-	-
Bonus Shares and Contributions to Capital	-	-
Dividends From Current Year Profit	-	-
Sales/Liquidation	-	-
Revaluation Increase	-	-
Increase/(decrease) of valuation	-	-
Balance at the End of the Period	34.753	34.753
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	99.87	99.87

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

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

6. Subsidiaries quoted on a stock exchange:

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

i. Information on jointly controlled entities:

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

j. Information on finance lease(Net):

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

k. Information on hedging derivative financial assets:

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

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

1. Explanations on property and equipment:

	Land and Buildings	Vehicles	Other Tangible Fixed Assets	Total
Prior Period End:				
Cost	23.133	695	700.934	724.762
Accumulated Depreciation and Impairment (-)	12.888	601	572.141	585.630
Net book value	10.245	94	128.793	139.132
Current Period End:				
Net Book Value at the Beginning	10.245	94	128.793	139.132
Additions	-	-	48.857	48.857
Disposals (-) (net)	332	14	12.402	12.748
Impairment (-)	329	14	44.822	45.165
Depreciation (-)	22.801	681	737.389	760.871
Cost at Period End	13.217	615	616.963	630.795
Accumulated Depreciation at Period End (-)	9.584	66	120.426	130.076

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 2013	Prior Period 31 December 2012
Gross book value	271.640	252.754
Accumulated depreciation(-)	166.618	160.193
Net Book Value	105.022	92.561

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

	2013	2012
Opening balance	92.561	89.712
Additions	19.086	8.807
Disposals (-) (net)	-	-
Depreciation (-)	6.625	5.958
Closing Net Book Value	105.022	92.561

n. Information on the investment properties:

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

o. Information on deferred tax asset:

As of 31 December 2013 deferred tax asset of the Bank is TL 45.727 (31 December 2012: TL 30.605). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

There is no impairment provision for deferred tax.

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I. EXPLANATIONS AND NOTES TO THE ASSETS (Continued)

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

As of 31 December 2013, assets held for sale of the Bank is TL 4.394 (31 December 2012: TL 5.129).

	Current Period 31 December 2013	Prior Period 31 December 2012
Prior Period End:		
Cost	5.294	7.997
Accumulated Depreciation (-)	165	196
Net Book Value	5.129	7.801
Current Period End		
Net Book Value at the Beginning	5.129	7.801
Additions	5.147	3.249
Disposals (-) (net)	5.812	5.781
Depreciation (-)	109	140
Cost at Period End	4.629	5.294
Accumulated Depreciation at Period End (-)	235	165
Closing Net Book Value	4.394	5.129

r. Information on other assets:

1. There is no further explanations of the Bank related to prepaid expenses, tax and other operations.
2. Other assets of the balance sheet consist of the debited suspense accounts amounting to TL 120.311 (31 December 2012: TL 32.693), the prepaid expenses amounting to TL 63.194 (31 December 2012: TL 49.614), other rediscount income amounting to TL 21.729 (31 December 2012: TL 7.865), miscellaneous receivables amounting to TL 223.108 (31 December 2012: TL 8.221), and other assets amounting to TL 782 (31 December 2012: TL 1.850).

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

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

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES

a. Information on deposits

1. Information on maturity structure of the deposits:

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

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

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	606.109	-	1.312.181	4.562.799	363.814	137.308	77.930	-	7.060.141
Foreign Currency Deposits	1.536.074	-	1.662.428	2.806.446	327.557	105.074	233.004	-	6.670.583
Residents in Turkey	1.296.344	-	1.562.464	2.304.453	227.925	48.986	144.342	-	5.584.514
Residents Abroad	239.730	-	99.964	501.993	99.632	56.088	88.662	-	1.086.069
Public Sector Deposits	96.604	-	44	-	-	-	-	-	96.648
Commercial Deposits	538.847	-	1.698.101	386.923	10.725	16.669	3.155	-	2.654.420
Other Institutions Deposits	10.618	-	16.631	10.877	146	131	3.622	-	42.025
Precious Metal Deposit	382.951	-	-	22.819	4.091	2.899	-	-	412.760
Bank Deposits	69.282	-	594.337	2.111	2.035	4.090	-	-	671.855
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	543	-	587.961	2.111	2.035	4.090	-	-	596.740
Foreign Banks	68.739	-	6.376	-	-	-	-	-	75.115
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.240.485	-	5.283.722	7.791.975	708.368	266.171	317.711	-	17.608.432

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

	Demand	With 7 Days Maturity	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 Months -1 Year	1 Year and Over	Cumulative Deposit	Total
Saving Deposits	519.262	-	268.276	3.391.026	1.050.735	289.932	38.101	-	5.557.332
Foreign Currency Deposits	1.453.949	-	1.085.173	2.652.520	324.338	174.354	68.289	-	5.758.623
Residents in Turkey	1.251.086	-	1.029.971	2.246.265	255.558	101.750	25.842	-	4.910.472
Residents Abroad	202.863	-	55.202	406.255	68.780	72.604	42.447	-	848.151
Public Sector Deposits	82.873	-	42	163	-	-	-	-	83.078
Commercial Deposits	460.831	-	1.410.364	187.567	2.059	2.764	3.700	-	2.067.285
Other Institutions Deposits	11.200	-	13.162	7.737	833	266	21	-	33.219
Precious Metal Deposit	466.959	-	-	-	-	-	-	-	466.959
Bank Deposits	47.603	-	177.471	-	2.017	8.405	4.419	-	239.915
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	64	-	177.257	-	2.017	8.405	4.419	-	192.162
Foreign Banks	47.539	-	214	-	-	-	-	-	47.753
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3.042.677	-	2.954.488	6.239.013	1.379.982	475.721	114.530	-	14.206.411

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

2. Information on saving deposits insurance:

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

	Covered by Deposit Insurance Fund		Exceeding Deposit Insurance Limit	
	Current Period 31 December 2013	Prior Period 31 December 2012	Current Period 31 December 2013	Prior Period 31 December 2012
Saving Deposits	3.906.478	2.264.542	2.958.546	3.098.544
Foreign Currency Saving Deposits	1.308.845	836.678	2.613.550	2.820.507
Other Deposits in the Form of Saving Deposits	87.189	42.490	270.009	344.438
Foreign Branches' Deposits under Foreign Authorities' Insurance Coverage	207.860	173.781	225.306	228.434
Off-Shore Banking Regions' Deposits under Foreign Authorities' Insurance Coverage	-	-	-	-
Total	5.510.372	3.317.491	6.067.411	6.491.923

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

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Foreign Branches' Deposits and other accounts	225.306	228.434
Saving Deposits and Other Accounts of Major Shareholders and Deposits of their Mother, Father, Spouse, Children under their wordship	-	-
Saving Deposits and Other Accounts of President and Members of Board of Directors, CEO and Vice Presidents and Deposits of their Mother, Father, Spouse, Children under their wordship	6.503	6.036
Saving Deposits and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in Article 282 of Turkish Criminal Law No:5237 dated 26/09/2004	-	-
Saving Deposits in Deposit Bank Which Established in Turkey in Order to Engage in Off-shore Banking Activities	-	-

b. Information on trading derivative financial liabilities:

Table of negative differences for trading derivative financial liabilities:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Forward Transactions	-	110.518	-	13.790
Swap Transactions	15.903	1.073.901	75.453	86.433
Future Transactions	-	20	-	24
Options	-	108.034	-	10.868
Other	-	-	-	-
Total	15.903	1.292.473	75.453	111.115

c. Information on repurchase agreements:

As of 31 December 2013, the Bank has repurchase agreements amounting to TL 2.025.576 (31 December 2012: None).

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II. EXPLANATIONS AND NOTES TO THE LIABILITIES (Continued)

d. Information on funds borrowed:

1. Information on banks and other financial institutions:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
Domestic Bank and Institutions	11.950	2.160	9.998	2.734
Foreign Banks, Institutions and Funds	2.867.727	6.773.077	2.087.830	3.597.009
Total	2.879.677	6.775.237	2.097.828	3.599.743

2. Information on maturity structure of funds borrowed:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Short-term	1.051.729	4.033.348	1.411.611	3.126.066
Medium and Long-term	1.827.948	2.741.889	686.217	473.677
Total	2.879.677	6.775.237	2.097.828	3.599.743

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

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

e. Information on other liabilities:

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

f. Information on financial leasing agreements:

a) Information on obligations under financial leases:

None (31 December 2012: None).

b) Information on financial lease:

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

Leasing debts due to operational lease transactions presented below:

	Current Period 31 December 2013	Prior Period 31 December 2012
Less Than 1 Year	68.694	64.846
Between 1-4 Years	131.350	134.485
More Than 4 Years	14.415	13.542
Total	214.459	212.873

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

g. Information on derivative financial liabilities for hedging purposes:

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

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

None.

h. Information on provisions:

1. Information on general provisions:

	Current Period 31 December 2013	Prior Period 31 December 2012
General Provisions	347.299	248.321
Provisions for First Group Loans and Receivables	258.374	173.027
- Additional Provision for Loans and Receivables with Extended Maturities	27.798	22.540
Provisions for Second Group Loans and Receivables	18.616	15.920
- Additional Provision for Loans and Receivables with Extended Maturities	2.581	2.839
Provisions for Non-Cash Loans	37.958	23.584
Other	1.972	10.411

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

As of 31 December 2013, the provision related to foreign currency difference on the principles of foreign currency indexed loans, amounting to TL 42.839 (31 December 2012: TL 4.236), is offset with the balance of foreign currency indexed loans.

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

As of 31 December 2013, provision for non-cash loans that are non-funded and non-transformed into cash is amounting to TL 3.126 (31 December 2012: TL 249).

4. Information on other provisions:

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

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

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

Provision for accumulated credit card bonus amounting to TL 16.408 (31 December 2012: TL 15.710), provisions for checks under follow-up amounting to TL 3.203 (31 December 2012: TL 5.413), specific provision for non-cash loans that are non-funded and non-transformed into cash amounting to TL 3.126 (31 December 2012: TL 249), provision for overdraft checks that are submitted in time TL 26.036 (31 December 2012: 19.964) and other provision amounting to TL 25.207 (31 December 2012: TL 24.904) are classified under other provisions.

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

i. Explanations on tax liability:

1. Explanations on current tax liability:

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

1(i). Information on taxes payable:

	Current Period 31 December 2013	Prior Period 31 December 2012
Corporate Taxes Payable	-	19.737
Taxation on Marketable Securities	12.354	11.149
Capital Gains Tax on Property	1.115	1.195
Banking Insurance Transaction Tax (BITT)	12.459	11.213
Foreign Exchange Transaction Tax	14	10
Value Added Tax Payable	951	1.618
Other (*)	9.473	12.798
Total	36.366	57.720

(*) As of 31 December 2013, consists of payroll tax amounting to TL 8.582 (31 December 2012: TL 10.945), self-employed income tax amounting to TL 8 (31 December 2012: TL 46), stamp tax amounting to TL 295 (31 December 2012: TL 275) and other taxes amounting to TL 588 (31 December 2012: TL 1.532).

1(ii). Information on premium payables:

	Current Period 31 December 2013	Prior Period 31 December 2012
Social Security Premiums – Share	3.367	3.072
Social Security Premiums – Share	3.594	3.221
Bank Social Aid Pension Fund Premium – Share	-	-
Bank Social Aid Pension Fund Premium – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Pension Fund Membership Fees and Provisions – Share	-	-
Unemployment Insurance – Share	225	227
Unemployment Insurance – Share	454	446
Other	-	-
Total	7.640	6.966

2. Information on deferred tax liability:

As of 31 December 2013, the Bank has no deferred tax liability (31 December 2012: None). Amount of deferred tax which is calculated on the temporary differences arising between applicable accounting policies and valuation principles and tax legislation, has been accounted in the financial statements as net deferred tax assets.

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

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

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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

As of 29 December 2011, the Bank has obtained a subordinated loan from HSBC Holdings Plc amounting to USD 275.000 (TL 589.325) 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 83.577) with 10 years maturity and USD Libor + 4,15% interest rate and EUR 120.000 (TL 354.161) 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 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	1.027.349	-	844.110
Other Foreign Institutions	-	-	-	-
Total	-	1.027.349	-	844.110

i. Information on shareholder's equity:

1. Presentation of paid-in capital:

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

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

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

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

Registered share capital system is not applied.

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

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

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

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

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

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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

The Bank has no capital commitments.

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

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

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

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

8. Information on marketable securities value increase fund:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Jointly Controlled Entities	-	-	-	-
Valuation Difference	(27.513)	-	35.769	-
Translation Difference	-	-	-	-
Total	(27.513)	-	35.769	-

9. Information on revaluation value increase fund:

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

10. Information on legal reserves:

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

11. Information on extraordinary reserves:

	Current Period 31 December 2013	Prior Period 31 December 2012
Reserves Allocated per General Assembly Minutes	1.846.131	1.700.050
Retained Earnings	65.229	32.614
Accumulated Loss	-	-
Translation Difference	-	-
Total	1.911.360	1.732.664

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II. EXPLANATIONS AND NOTES TO LIABILITIES (Continued)

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

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

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

a. Explanations on off-balance sheet commitments:

1. Type and amount of irrevocable commitments:

As of 31 December 2013, the Bank has amounting to irrevocable commitments TL 23.517.557 (31 December 2012: TL 17.263.645).

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

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

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

As of 31 December 2013, the Bank has letter of credit amounting to TL 1.140.238 (31 December 2012: TL 829.298), acceptances amounting to TL 1.212.692 (31 December 2012: TL 694.336) and commitments and contingencies due to letter of credit amounting to TL 775.010 (31 December 2012: TL 642.956) as of 31 December 2013. Also the Bank has other commitments and contingencies amounting to TL 516.366 (31 December 2012: TL 365.103).

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

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

3. Information on the non-cash loans:

3 (i). Total non-cash loans:

	Current Period 31 December 2013	Prior Period 31 December 2012
Non-Cash Loans Given for Cash Loan Risks	3.383	69.085
With Original Maturity of One Year or Less	3.383	69.085
With Original Maturity of More than One Year	-	-
Other Non-Cash Loans	3.642.687	2.462.608
Total	3.646.070	2.531.693

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

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

	Current Period 31 December 2013				Prior Period 31 December 2012			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	271	0,06	31.703	0,98	901	0,26	11.344	0,52
Farming and Raising livestock	165	0,04	31.562	0,98	239	0,07	11.227	0,51
Forestry	106	0,02	141	-	662	0,19	117	0,01
Fishing	-	-	-	-	-	-	-	-
Manufacturing	195.586	46,00	1.626.645	50,51	150.862	43,56	1.069.730	48,95
Mining	650	0,15	10.222	0,32	1.055	0,31	2.863	0,13
Production	193.860	45,60	1.598.167	49,62	148.143	42,77	975.171	44,62
Electric, Gas and Water	1.076	0,25	18.256	0,57	1.664	0,48	91.696	4,20
Construction	12.433	2,92	270.484	8,40	13.672	3,95	226.912	10,38
Services	214.563	50,47	1.292.064	40,11	178.114	51,42	877.232	40,14
Wholesale and Retail Trade	79.925	18,81	89.868	2,79	72.977	21,07	87.464	4,00
Hotel, Food and Beverage								
Services	1.117	0,26	625	0,02	949	0,27	605	0,03
Transportation and Telecommunication	12.872	3,03	70.867	2,20	16.513	4,77	23.443	1,07
Financial Institutions	100.225	23,57	933.261	28,97	66.353	19,16	662.138	30,30
Real Estate and Leasing Services	59	0,01	-	-	54	0,02	-	-
Self-employment Services	19.215	4,52	188.314	5,85	17.972	5,19	96.370	4,41
Education Services	155	0,04	78	-	297	0,08	64	0,00
Health and Social Services	995	0,23	9.051	0,28	2.999	0,86	7.148	0,33
Other	2.321	0,55	-	-	2.813	0,81	113	0,01
Total	425.174	100,00	3.220.896	100,00	346.362	100,00	2.185.331	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	419.982	3.213.557	5.192	7.339
Letters of Guarantee	418.282	715.302	5.192	1.462
Bank Acceptances	-	1.209.617	-	3.075
Letters of Credit	1.700	770.791	-	2.519
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	517.847	-	283

b. Explanations on derivative transactions:

As of 31 December 2013, the Bank has forward transactions amounting to TL 7.950.019 (31 December 2012: 4.382.895 TL), currency swap amounting to TL 71.991.730 (31 December 2012: TL 20.559.709 TL), currency option amounting to TL 8.324.340 (31 December 2012: TL 3.670.316), precious metal option amounting to TL 295.646 (31 December 2012: TL 162.306), interest rate swap amounting to TL 7.463.656 (31 December 2012: TL 6.312.752). As of 31 December 2013 the Bank has no interest rate option (31 December 2012: TL 593.340), As of 31 December 2013, the Bank has interest rate future amounting to TL 6.853.314 (31 December 2012: TL 1.057.844). Transactions to decrease foreign currency and interest rate risk have been classified trading derivative financial instrument and valued with their fair value by the Bank.

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

None.

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

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

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 2013.

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 2013, the total amount of these lawsuits filed against the Bank is TL 14.861 (31 December 2012: TL 11.107). TL 2.536 (31 December 2012: TL 1.739) 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 Bank gives buy and sell marketable securities and custodian services in the name of others.

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT

a. Information on interest income:

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

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Short-term Loans	834.163	45.772	1.008.947	51.941
Medium and Long-Term Loans	754.862	125.345	659.022	97.812
Interest on Loans Under Follow-Up Premiums Received from the Resource Utilization Support Fund	18.196	133	23.625	-
	-	-	-	-
Total	1.607.221	171.250	1.691.594	149.753

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

2. Information on interest income received from banks:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	40.989	7.457	59.712	484
From Foreign Banks	1.584	479	2.631	258
Headquarters and Branches Abroad	-	-	-	-
Total	42.573	7.936	62.343	742

3. Information on interest income on marketable securities:

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TL	FC	TL	FC
Financial Assets Held For Trading	30.580	424	89.514	507
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Financial Assets Available for Sale	215.439	-	192.306	604
Investments Held to Maturity	-	-	-	-
Total	246.019	424	281.820	1.111

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

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

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

b. Information on interest expense:

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

	Current Period 31 December 2013		Prior Period 31 December 2012	
	TP	YP	TP	YP
Banks	178.905	114.062	224.902	86.664
The CBRT	-	-	-	-
Domestic Banks	611	88	948	254
Foreign Banks	178.294	113.974	223.954	86.410
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	178.905	114.062	224.902	86.664

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

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Interest Expenses Given to Subsidiaries and Associates	1.337	1.385

3. Information on interest expense given on securities issued:

The Bank has no interest expense given on securities issued as of 31 December 2013 and 31 December 2012.

4. Maturity structure of the interest expense on deposits:

Current Period: 31 December 2013	Demand Deposit	Time Deposit					Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year	More Than 1 year		
Turkish Lira								
Interbank deposits	15	4.856	24	-	73	-	-	4.968
Saving deposits	-	37.768	316.474	43.935	16.336	6.682	-	421.195
Public sector deposits	-	2	9	-	-	-	-	11
Commercial deposits	-	96.707	19.461	1.797	686	365	-	119.016
Other deposits	-	872	2.640	46	13	2	-	3.573
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	15	140.205	338.608	45.778	17.108	7.049	-	548.763
Foreign Currency								
Foreign currency deposits	-	16.107	55.143	7.613	2.562	5.388	-	86.813
Interbank deposits	-	756	-	-	-	-	-	756
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	58	-	2	1	1	-	-	62
Total	58	16.863	55.145	7.614	2.563	5.388	-	87.631
Grand Total	73	157.068	393.753	53.392	19.671	12.437	-	636.394

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Current Period: 31 December 2012	Demand Deposit	Time Deposit					More Than 1 year	Total	Up to 1 Month
		Up to 1 Month	Up to 3 Month	Up to 6 Month	Up to 1 Year				
Turkish Lira									
Interbank deposits	-	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	-	100.608	19.810	29.281	1.046	939	-	151.684	
Other deposits	-	2.822	13.619	7.291	36	2	-	23.770	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Total	-	131.482	319.178	179.708	14.768	9.146	-	654.282	
Foreign Currency									
Foreign currency deposits	-	19.698	61.985	8.994	2.742	6.012	-	99.431	
Interbank deposits	-	758	-	-	-	-	-	758	
Deposits with 7 days notification	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	-	20.456	61.985	8.994	2.742	6.012	-	100.189	
Grand Total	-	151.938	381.163	188.702	17.510	15.158	-	754.471	

5. Information on interest given on repurchase agreement:

The Bank has interest given on repurchase agreement amounting to TL 31.393 (31 December 2012: TL 31.189) for the year ended at 31 December 2013.

6. Information on finance lease expense:

The Bank has no finance lease expense for the year ended at 31 December 2013 and 31 December 2012.

7. Information on interest given on factoring payables:

The Bank has no interest given on factoring payables for the year ended at 31 December 2013 and 31 December 2012.

c. Explanations on dividend income:

The share of the Bank in the dividend distribution of HSBC Yatırım is TL 14.328 (31 December 2012: TL 7.415) and HSBC Ödeme Sistemleri is 4.511 (31 December 2012: None); bonus issue of Borsa İstanbul is 15 (31 December 2012: None) during the period ended on 31 December 2013

	Current Period 31 December 2013	Prior Period 31 December 2012
Trading Financial Assets	-	-
Financial Assets at FV Through Profit or Loss	-	-
Available for-sale Financial Assets	-	-
Other	18.854	7.415
Total	18.854	7.415

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

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Profit	42.796.400	11.714.950
Capital Market Transactions Income	49.740	57.776
Gain on Derivative Financial Transactions	836.133	110.842
Foreign Exchange Gains	41.910.527	11.546.332
Loss (-)	42.883.180	11.967.751
Capital Market Transactions Loss	46.520	16.998
Loss on Derivative Financial Transactions	903.405	414.049
Foreign Exchange Loss	41.933.255	11.536.704
Total (Net)	(86.780)	(252.801)

2. Information on derivative instruments gain/loss:

	Current Period 31 December 2013	Prior Period 31 December 2012
Effect of the change in exchange rates on profit/loss	18.430	(311.559)
Effect of the change in interest rates on profit/loss	(85.702)	8.352
Total (Net)	(67.272)	(303.207)

e. Information on other operating income:

As of 31 December 2013, other operating income consists of reverse of the previous year provision amounting to TL 13.686 (31 December 2012: TL 16.055), provision for telecommunication expense amounting to TL 3.224 (31 December 2012: TL : 3.728), gain on sale of assets amounting to TL 4.317 (31 December 2012: TL 27.130) and other income amounting to TL 28.283 (31 December 2012: TL 31.915).

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

	Current Period 31 December 2013	Prior Period 31 December 2012
Specific Provisions for Loans and Other Receivables	376.988	196.017
III. Group Loans and Receivables	6.492	10.001
IV. Group Loans and Receivables	46.935	21.461
V. Group Loans and Receivables	323.561	164.555
General Provision Expenses	98.978	64.184
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	3.280	719
Financial Assets at Fair Value Through Profit or Loss	92	11
Available-for-sale Financial Assets	3.188	708
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Jointly Controlled Entities (Joint Ventures)	-	-
Investments Held-to-maturity:	-	-
Other	22.965	14.674
Total	502.211	275.594

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IV. EXPLANATIONS AND NOTES TO INCOME STATEMENT (Continued)

g. Information related to other operating expenses:

	Current Period 31 December 2013	Prior Period 31 December 2012
Personnel Expenses	589.191	501.845
Reserve for Employee Termination Benefits	12.527	12.425
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Property and Equipment	-	-
Depreciation Expenses of Property and Equipment	45.165	56.074
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expenses	-	-
Amortization Expenses of Intangible Assets	6.625	5.958
Impairment Expenses on Equity Accounted	-	-
Impairment Expenses on Assets Held for Sale Investees	-	-
Depreciation Expenses on Assets Held for Sale	109	140
Impairment Expenses on Non-Current Assets Held for Sale and Discontinued Operations	6	-
Other Operating Expenses	449.874	436.757
Operational Lease Expenses	131.433	135.084
Maintenance Expenses	29.830	19.114
Advertisement Expenses	56.777	42.545
Other Expenses	231.834	240.014
Loss on Sales of Assets	642	728
Other	184.726	150.602
Total	1.288.865	1.164.529

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

The Bank has operating income amounting to TL 1.856.890 (31 December 2012: TL 1.679.660) as of 31 December 2013. The amount of loans and other receivables is TL 502.211 (31 December 2012: TL 275.594), other operating expenses amount to TL 1.288.865 (31 December 2012: TL 1.164.529), profit before tax amounts to TL 65.814 (31 December 2012: TL 239.537).

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

As of 31 December 2013, the Bank has corporate tax provision expense amounting to TL 50.710 (31 December 2012: TL 89.601) and deferred tax income amounting to TL 14.680 (31 December 2012: TL 30.862).

The total amount of deferred tax income, amounting to TL 14.680 (31 December 2012: TL 30.862), stated in the financial statements of the Bank in the current period consists of the temporary differences calculated over the timing differences between the accounting policies applied and valuation principles and the tax legislation.

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

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

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

k. Explanation on net profit and loss:

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

Net interest income, amounting to TL 1.298.447 (31 December 2012: TL 1.370.960), and net wage and commission income amounting to TL 576.859 (31 December 2012: TL 475.258) have an important role among the income items in the interim accounting period ending on 31 December 2013. The wage and commission income received from cash loans are presented in the net interest income. Considering the distribution in interest income, the most important sources of the Bank's interest income are the interests received from loans, securities and interbank money market. The main portion of the interest expenses consists of the interests paid for deposits and loans received. The most important portion of the commission income consists of the commissions received from credit card transactions and other banking transactions.

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

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

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

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

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

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

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

As of 31 December 2013, there is "securities decrease fund" amounting to TL 27.513 (31 December 2012: TL 35.769 increase). 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 2013, the decrease of TL 63.282 (31 December 2012: TL 74.226 increase) 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 2013, profits amounting to TL 17.134 (31 December 2012: TL 8.118) 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 Bank has no transaction related to cash flow hedges as of 31 December 2013 and 31 December 2012

c. Information on dividend distribution:

None.

d. Information on issuance of common stock:

None.

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

None.

f. Offsetting prior period's losses:

None.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

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

Operating profit amounting to TL 1.112.762 (31 December 2012: TL 760.755) consists of interest income amounting to TL 2.159.864 (31 December 2012: TL 2.521.212), interest expense amounting to TL 987.749 (31 December 2012: TL 1.086.263), personnel expenses amounting to TL 588.068 (31 December 2012: TL 511.365) and net expense other than interest amounting to TL 528.715 (31 December 2012: TL 162.829).

Net increase in other liabilities amounting to TL 1.947.927 (31 December 2012: TL 612.969) 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 90.051 (31 December 2012: TL 7.920) as of 31 December 2013.

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

The Bank has no cash flow arising from acquisition of associates, subsidiaries and other investments as of 31 December 2013 and 31 December 2012.

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

The Bank has no disposal of associates, subsidiaries and other investments as of 31. December 2013 and 31 December 2012.

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 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	802.705	693.062
Total Cash and Cash Equivalents	3.191.816	5.111.127

Cash and cash equivalents at the end of period:

	Current Period 31 December 2013	Prior Period 31 December 2012
Cash	383.469	360.461
Interbank Money Market Placements	6.787.257	2.028.650
Marketable Securities (Net)	-	-
CBRT, Banks and Other Financial Institutions	1.704.805	802.705
Total Cash and Cash Equivalents	8.875.531	3.191.816

e. Additional information:

None.

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

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

1. Current Period – 31 December 2013:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	33	204	12.104	356.225	15	-
Closing Balance	55	319	14.460	660.353	26	53
Interest and Commissions Income	-	2	836	859	-	-

2. Prior Period - 31 December 2012:

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	12	205	8.861	487.975	-	-
Closing Balance	33	204	12.104	356.225	15	-
Interest and Commissions Income	-	2	1.479	573	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deposit						
Opening Balance	28.764	18.461	33.834	112.325	4.527	3.788
Closing Balance	33.046	28.764	50.715	33.834	376	4.527
Interest expense on deposits	1.337	1.385	-	-	311	298

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

Risk Group of the Bank	Subsidiaries, Associates and Jointly Controlled Entities (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Individuals and Legal Entities in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
The Fair Value Differences Through Profit and Loss						
Opening Balance	-	-	30.887.791	16.338.478	-	-
Closing Balance	-	-	88.076.697	30.887.791	-	-
Total Profit/Loss	-	-	(16.838)	(418.151)	-	-
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 2013, payment is made to top executives of the Bank amounting to TL 53.449 (31 December 2012: TL 40.008).

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

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

	Number	Number of Employees			
Domestic Branch	311	6.082			
			Country of Incorporation		
Foreign Representation Office	-	-			
				Total Assets	Statutory Share Capital
Foreign branch	1	13	1-Girne	238.730	-
	1	9	2-Gazi Mağosa	70.407	-
	2	44	3-Lefkoşe	396.998	135.659
Off-shore Banking Region Branches					

IX. EXPLANATIONS AND NOTES TO THE SUBSEQUENT EVENTS

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

None.

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

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

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SECTION SIX

OTHER EXPLANATIONS

I. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REVIEW REPORT

The unconsolidated financial statements for the year ended 31 December 2013 were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Independent Auditors' Report dated 11 March 2014 is presented in the introduction of this report.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.