ANNUAL REPORT 2013

GarantiBank International N.V.

CONTENTS

23 YEARS OF SUSTAINABLE VALUE CREATION

OUR VISION

OUR VISION IS TO BE THE BEST BANK IN OUR NICHE MARKETS.

OUR MISSION

OUR MISSION IS TO SUSTAIN SOLID VALUE CREATION FOR OUR CLIENTS, EMPLOYEES, SHAREHOLDERS AND SOCIETY BY PURSUING PRUDENT STRATEGIES WITH ORGANISATIONAL AGILITY AND OPERATIONAL EXCELLENCE, AS A RELIABLE NICHE FINANCIAL SERVICES PROVIDER.

CHAIRMAN'S STATEMENT

IN 2013, GBI'S OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS AMOUNTED TO EUR 91.6 MILLION, WHICH IS 10 PERCENT HIGHER THAN IN 2012.

GarantiBank International N.V. (GBI) successfully completed the 2013 financial year with outstanding performance. In spite of various challenges due to regulatory environment and volatile market conditions, GBI was able to produce very strong results.

In 2013, our operating result before tax and value adjustments amounted to EUR 91.6 million, which is 10 percent higher than in 2012. Consequently, our net profit increased by eight percent compared to last year to EUR 58.5 million. The main contributor to this result was the net interest income which includes gains on loans and securities. The size of our balance sheet also grew by two percent to EUR 4,666 million.

As a specialized player in low-risk niche market segments, we continued to pursue steady performance in all of our core commercial activities with a view to create value for our stakeholders.

The good performance of GBI Trade Finance Division continued in 2013 amid the high competition in trade finance markets. Our volumes increased by more than 16 percent showing GBI's growing support to finance trade. Our expertise and relationship driven offerings are harnessed and delivered in such a unique "global boutique" style that our clientele instantly experience the benefits of our agility and seamless execution.

GBI Private Banking Division recorded a steady performance in 2013 owing to its solid risk management practices and well-established client relationships. We maintained our strong market position through our technical expertise diversified into developed and emerging markets, while serving our clients in a prudent and reliable way. Strong Garanti brand recognition added to the competitive advantages of GBI in the process of new customer acquisitions.

In 2013, GBI further strengthened its market position in Islamic finance and extended its customer base. Strong results were achieved through our sound relationship network of corporate clients and participation banks as well as conventional banks that seek Islamic finance solutions for their customers. GBI has been selective in shipping finance, focusing on clients with financial strength and prudent risk management. Our project finance and corporate finance activities continued to contribute to GBI's revenues with new structured solutions and products. 2013 was a year of change and re-positioning for GBI Cash Management Department, which brought significant efficiency increases and revenue growth.

GBI PERFORMED IN AN EXEMPLARY MANNER WITH UTMOST INTEGRITY AND RESPONSIBILITY TO REACH AN OUTSTANDING FINANCIAL PERFORMANCE.

Risk management has been one of the key factors in the progressive restoral of public confidence in the financial sector after the recent financial crisis. Banks and regulators alike have applied considerable efforts towards strengthening and aligning risk management practices throughout the industry. Europe is moving steadily towards a Banking Union, with the Single Supervisory Mechanism and the Bank Recovery and Resolution Plan being the first significant steps towards ensuring banks remain resolvable. Also, following the Dodd-Frank Act in USA, the European Market Infrastructure Regulation (EMIR) governing the over-the-counter (OTC) derivative practices is being implemented in Europe with potential consequences for the rest of the global OTC market. GBI has maintained a clear and proactive risk management strategy in this crystallizing regulatory environment, and has taken all necessary steps for a smooth transition to meeting all new requirements and industry standards

Despite the gradual revival of international trade and Turkey's obtaining an investment grade rating status in 2013, GBI has maintained a cautious lending policy and kept a focus on prudent risk management. As a result, the Bank's overall asset quality remains high with a Non-Performing Loans (NPL) ratio of 2.63 percent, despite an increase from 1.98 percent at year-end 2012 mostly due to the turmoil in Ukraine. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio calculated as per the Capital Requirements Directive (CRD) has once again increased this year from 19.30 percent to 19.40 percent. GBI is also well-positioned for the upcoming regulations on the composition of own funds as it maintains a Tier 1 ratio of 18.40 percent. The liquidity buffer is composed of placements to Central Banks and investments in high quality liquid assets. The well-balanced maturity profile and high level of stable funding together with the diversified funding base provide a strong foundation for meeting the new liquidity requirements.

I am proud to say that GBI performed in an exemplary manner with utmost integrity and responsibility to reach an outstanding financial performance. On behalf of the Supervisory Board, I would like to express my sincere thanks to the GBI team for their diligence and successful performance which added value to GBI's stakeholders during the past year. I also thank our shareholder for its continued support to GBI.

Amsterdam, 27 March 2014

S. Sözen (Chairman of the Supervisory Board)

AGILITY

WE ARE FAST MOVING, FLEXIBLE AND ROBUST, CAPABLE OF RAPID RESPONSE TO UNEXPECTED CHALLENGES, CLIENT NEEDS, EVENTS, AND OPPORTUNITIES.

REPORT OF THE SUPERVISORY BOARD

GBI'S SUPERVISORY BOARD HAS VOTED TO ADOPT THE MANAGING BOARD'S PROPOSAL TO TRANSFER THE NET PROFIT OF 2013 (EUR 58.5 MILLION) TO THE OTHER RESERVES RATHER THAN PAYING A DIVIDEND.

ANNUAL ACCOUNTS

The annual accounts were drawn up by the Managing Board and audited by KPMG Accountants N.V. who issued an unqualified opinion dated 27 March 2014. In compliance with the provisions of the Articles of Association of GarantiBank International N.V., the Supervisory Board has examined the external auditor's reports and the financial statements of the year 2013. The Supervisory Board advises and proposes that the Shareholder adopts the 2013 annual accounts at the Annual General Meeting of Shareholders on 11 April 2014.

The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharges the members of the Managing and Supervisory Boards for their respective management and supervision during the financial year 2013.

FINANCIAL STATEMENTS AND PROPOSED DIVIDEND

This annual report includes the financial statements as drawn up by the Managing Board. In accordance with Article 27, paragraph 4 of the Articles of Association, these accounts were audited by an independent auditor (KPMG Accountants N.V.) and, in accordance with Article 29, they will be adopted at the Annual General Meeting of Shareholders on 11 April 2014. The Supervisory Board has voted to adopt the Managing Board's proposal to transfer the net profit of 2013 (EUR 58.5 million) to the other reserves rather than paying a dividend.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of six members whose combined experience and technical knowledge are suitable for the international and specialized nature of GBI's businesses from commercial, economic, financial and risk management viewpoints. The full profile of the Supervisory Board can be found in the 'Charter Governing the Supervisory Board', which is published on GBI's websites (www.garantibank.nl and www.garantibank.eu).

In 2013 the Supervisory Board is composed of the following members:

Name	Year of Birth	Position	Membership since	End of term
S. Sözen	1946	Chairman	1998	2016
F. Şahenk	1964	Member	2002	2015
M. Galatas	1962	Member	2012	2016
R. van der Linden	1943	Member	2012	2016
B. Meesters	1954	Member	2012	2016
W. Cramer*	1961	Member	2013	2015

*Mr. Cramer joined the Supervisory Board on 7 March 2013

In the Annual General Meeting of Shareholders of 11 April 2014, the Shareholder will adopt the proposal of the Supervisory Board to amend the rotation period of the members of the Supervisory Board as mentioned in the articles of association from 3 to 4 years. Since the new expiry term for all existing board members will be 2016, Messrs. Şahenk and Cramer have voluntarily suggested that the expiry date of 2015 will apply for them.

In the extraordinary Meeting of Shareholders of 21 February 2013, the Shareholder accepted the proposal of the Supervisory Board to nominate Mr. W. Cramer as member of the Supervisory Board. Mr. Cramer is a well-known banker with many years of domestic and international banking experience and has held executive positions at different banks in the Netherlands and abroad. GBI welcomes Mr. Cramer as a member of the Supervisory Board and is looking forward to an inspiring cooperation.

The composition of the Supervisory Board is in line with DNB regulation that 50 percent of the members must be independent, i.e. not related to GBI's shareholders. The Bank met this requirement by the appointment of Mr. W.F.C. Cramer in March 2013.

COMPOSITION OF THE MANAGING BOARD

The Managing Board is composed of the following members:

Name	Year of Birth	Position	Membership since
B. Ateş	1963	Chief Executive Officer	2000
M.P. Padberg	1954	Managing Director	1993

REPORT OF THE SUPERVISORY BOARD

GBI gives equal opportunity and consideration to the eligible candidates in the process of appointments to all levels of the Bank's management, committees and boards. In 2013, the Supervisory Board and the Managing Board were composed of only male members. The Management Team, however, included female directors. As the Managing Board is composed of two members who have competently and effectively managed the Bank for more than 14 years, changing the Managing Board structure to meet a regulatory target of 30 percent female members is currently not feasible. When a Supervisory Board member is due to resign by rotation or when the Shareholder deems it necessary to appoint a new member to the Supervisory Board, the Supervisory Board has taken and will continue to take nominations of female candidates into consideration to gradually reach the regulatory target of 30 percent female members.

SUPERVISORY BOARD MEETINGS

The Supervisory Board met on 5 occasions in the reporting period and all members of the Supervisory Board participated regularly. The Managing Board was present in all meetings. In each Supervisory Board meeting the current business developments and performance were discussed thoroughly and considerable time was devoted to talk about the Bank's strategy, the current and future economic challenges, the Euro, unstable southern Eurozone countries, increased scrutiny by the supervisory authorities, increased international and national regulations, continuous focus on a prudent and risk aware credit management and the relationships with our clients. The 2014 budget was discussed in detail and ultimately approved in the last meeting of the Supervisory Board on 21 November 2013.

The 2012 annual figures were discussed in presence of the external auditor in the Supervisory Board meeting of 20 March 2013 including all the related reports and the management letter. The members of the subcommittees have updated the Board in its meetings on the issues discussed such as Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan, Supervisory Review and Evaluation Process (SREP), important audit findings, audit charter and audit plan and have asked the Board's approval on the implementation/ratification of these policies/plans/bylaws. The Executive Director Risk Management, Control and Reporting attended all meetings and presented financial and risk management issues. The Executive Director Credits presented the Credits part of the agenda and Head of Legal and Compliance presented Legal and Compliance issues in all meetings. In addition to the regular meetings, the Supervisory Board met once in the absence of the Managing Board. During the year, the Chairman of the Supervisory Board was in close contact with the Chief Executive Officer

SUPERVISORY BOARD SUBCOMMITTEE MEETINGS

While retaining overall responsibility, the Supervisory Board assigns certain tasks to three permanent committees: the Audit and Compliance Committee, the Risk Committee (in which also credit risk issues are discussed) and the Remuneration Committee. Due to the new composition of the Board, the composition of the committees has been changed.

WHILE RETAINING OVERALL RESPONSIBILITY, THE SUPERVISORY BOARD ASSIGNS CERTAIN TASKS TO THREE PERMANENT COMMITTEES: THE AUDIT AND COMPLIANCE COMMITTEE, THE RISK COMMITTEE AND THE REMUNERATION COMMITTEE.

AUDIT AND COMPLIANCE COMMITTEE

Members: Mr. M. Galatas and Mr. B. Meesters

In 2013, the Audit and Compliance Committee of the Supervisory Board met three times. The Audit and Compliance Committee advises the Supervisory Board on its responsibilities and prepares issues for decision in the Supervisory Board by presenting proposals and recommendations, at the initiative of the Managing Board and/or Supervisory Board or otherwise, in the following areas:

a. financial reporting processes, financial risk management and control systems and auditing processes, the process by which GarantiBank monitors compliance with legislation and regulations, the role and functioning of the internal audit department, the policy of GarantiBank on tax planning, the funding of GarantiBank, the applications of information and communication technology and the relations with the external auditor;

b. the GarantiBank Code of Conduct, compliance, including the Regulation on Whistleblowers and internal governance and the role and functioning of the compliance department; and

c. corporate governance;

d. ensuring that the internal audit function is able to discharge its responsibilities in an independent manner;

e. reviewing and approving the audit plan, its scope, and the budget of the internal audit function;

f. reviewing key internal and external audit reports and ensuring that senior management is taking necessary and timely corrective actions to address control weaknesses, compliance issues with policies, laws and regulations and other concerns identified and reported by the internal audit function;

g. assessing the effectiveness of internal control, partly on the basis of regular progress reports from Internal Audit and the relevant reports of the external auditor.

REPORT OF THE SUPERVISORY BOARD

RISK COMMITTEE

Members: Mr. M. Galatas and Mr. W. Cramer

The Risk Committee of the Supervisory Board met three times in 2013. The Risk Committee reviews and supervises the organization, design and functioning of GarantiBank's entire risk management system, including procedures, rules and policies.

The Risk Committee advises the Supervisory Board on its responsibilities relating to supervision of GBI's risk policy, appetite and profile, and prepares issues for decision in the Supervisory Board in these areas by presenting proposals and recommendations, at the initiative of the Managing Board and/or Supervisory Board or otherwise, on all material risk types, including market, credit and operational risks.

REMUNERATION COMMITTEE

Members: Mr. F. Şahenk and Mr. S. Sözen

The Remuneration Committee of the Supervisory Board met two times in 2013. In the first meeting, personnel issues of the past year such as turn-over, new recruits and promotions have been discussed. Some salary increases, variable allowances and promotions have been discussed and approved. Also in the first meeting the 2013 personnel budget has been reviewed especially the salaries, pension plans and training budget. In the second meeting of the Remuneration Committee, the adjusted Remuneration Policy has been discussed in detail. Management was of the opinion that the existing remuneration policy needed a check-up by an external party specialized in human resources. The Remuneration Committee proposed the Shareholder to approve the adjusted remuneration policy in the Annual General Meeting of Shareholders of 11 April 2013 which the Shareholder did. In both meetings, the developments on the collective labour agreement have been discussed in detail.

DUTCH BANKING CODE

On 9 September 2009, the Dutch Banking Association issued the Banking Code. The Banking Code, which became effective on 1 January 2010, lays out the principles by which Dutch banks should conduct themselves in terms of corporate governance, risk management, audit and remuneration. The Banking Code applies to all activities in the Netherlands performed by banks that have a banking license granted under the Financial Supervision Act. The Banking Code uses the 'comply or explain' principle, which means that banks in principle shall apply the principles of the Banking Code and explain deviations. GBI acts in accordance with the 'comply or explain' principle of the Dutch Banking Code. GBI has implemented the principles of the Dutch Banking Code to the extent it fits the special and international characteristics and activities of the Bank and explains any non-compliance.

GOVERNANCE

Effective corporate governance in accordance with high international standards is fundamental to our existence. The Supervisory Board will ensure a responsible, value-driven management and control of GBI through strong corporate governance, which has four key-elements: good relations with stakeholders, effective cooperation between Managing and Supervisory Board, a sound remuneration policy for all staff and a transparent reporting system. The amended Charter Governing the Supervisory Board that has been approved in the meeting of the Supervisory Board of 19 September 2013 contains all the 'Supervisory

THE MEMBERS OF GBI'S MANAGING BOARD HAVE SIGNED THE MORAL AND ETHICAL CONDUCT DECLARATION IN OCTOBER 2010. BY THIS DECLARATION THE MEMBERS DECLARE TO PERFORM THEIR DUTIES AS A BANKER WITH INTEGRITY AND CARE AND THEY WILL GIVE IMPORTANCE TO THE CUSTOMERS' INTERESTS.

Board principles' of the Dutch Banking Code. The content of this charter is taken from the articles of association, the Dutch Corporate Governance Code, the Dutch Civil Code and, as said, from the Dutch Banking Code. The charter is about the responsibilities and integrity of the board, the approval of decisions of the Managing Board and about the composition and structure of the Supervisory Board (such as (re) appointment, rotation plan, retirement, meeting schedule, adoption of resolutions, conflict of interests, permanent education). The charter describes the different committees of the board, the co-operation with the Managing Board and includes a Supervisory Board profile. Also the individual personal details of each board member are described. GBI meets the requirement that at least half of the Board is composed of independent members.

The governance of the Managing Board is in compliance with the 'Executive Board principles' of the Dutch Banking Code. The Managing Board consists of two persons and during the year both members attended external meetings/seminars and followed external trainings to maintain and improve their banking and managerial expertise (principle 3.1.5 of the Dutch Banking Code).

MORAL AND ETHICAL CONDUCT DECLARATION

The members of the Managing Board have signed the moral and ethical conduct declaration in October 2010 (principle 3.2.3 of the Dutch Banking Code). By this declaration the members declare to perform their duties as a banker with integrity and care and they will give importance to the customers' interests. The moral and ethical conduct declaration is published on GBI's website (www.garantibank.eu).

PERMANENT EDUCATION

As part of the permanent education program, GBI organizes a yearly training for both the Managing and Supervisory Boards, as required by the Banking Code. Each year a subject will be touched upon in the form of a workshop/training. In 2013 a workshop was held presented by an external party on the implementation of the Capital Requirements Directive IV (CRDIV) and the consequences for GBI. The global regulation of all legal requirements, Basel III implementation in the EU, CRDIV/CRR implementation issues and capital adequacy ratios under CRDIV were some of the important issues highlighted.

REPORT OF THE SUPERVISORY BOARD

RISK MANAGEMENT

As a financial institution, GBI is exposed to a variety of risks. To ensure measured risk taking, GBI has integrated risk management in its daily activities and strategic planning. The Risk Management Department assists the Bank in defining its risk appetite, risk strategy and policies and provides an overview, supervision and support function through the Bank on risk-related issues.

Risk Management is a constant topic in the meetings of the Supervisory Board and in the meetings of the Supervisory Board's Risk Committee. The risk appetite of the Bank is discussed yearly and approved in the first meeting of the Supervisory Board in 2013. Any material change in the risk appetite during the year will be discussed and approved by the Supervisory Board (principle 4.1 of the Dutch Banking Code). GBI has established a Risk Management Committee which supervises the Risk Management Department. The Committee consists of members of the Managing Board, the Executive Director Credits and the Executive Director Risk Management Control & Reporting and for each decision quorum is required (principles 3.1.7 and 3.1.8 of the Dutch Banking Code).

The 'risk management principles' of the Dutch Banking Code are met adequately. Detailed disclosures on the risk management practices of the Bank can be found in the 'Report on Capital Adequacy and Risk Management' which is published on GBI's website.

PRODUCT APPROVAL PROCESS

The Product Approval Process (PAP) has been documented in a procedure which has been approved by the Managing Board. The PAP covers the process starting from the first ideas for a new product until the moment of introduction. Products, services or statements that will go through the product approval process shall not be introduced to the market or distributed to various channels without prior careful examination of the risks for the Bank as well as for the client and without approval of the New Product Development Committee (NPDC) (principle 4.5 of the Dutch Banking Code). This committee, which consists of various executive directors, is the ultimate body to approve or disapprove the introduction of a new product/service.

AUDIT

GBI meets all 'audit principles' as mentioned in the Dutch Banking Code. An independent Audit Department reporting directly to the Managing Board and the Audit and Compliance Committee of the Supervisory Board, was already in place. The Manager of the Audit Department is always present in the meetings of the Audit and Compliance Committee. Also, the external auditor participates in parts of the Audit and Compliance Committee meetings. Principle 5.6 of the Dutch Banking Code refers to the tri-partite meeting between the Dutch Central Bank, the external auditor and GBI. In 2013, two tri-partite meetings have been organized to improve the communication and information sharing amongst these parties. In the meeting which was held close to the fiscal year-end, the key areas for the management of the Bank, Internal Audit, DNB and the external auditor were discussed in a forward looking manner. After the finalization of the audit on the financial statements, another meeting will be held to focus on the external audit findings and to hear the point of view and attention points of DNB.

TO ENSURE MEASURED RISK TAKING, GBI HAS INTEGRATED RISK MANAGEMENT IN ITS DAILY ACTIVITIES AND STRATEGIC PLANNING.

REMUNERATION

GBI has implemented a meticulous, restrained and long-term remuneration policy in line with its strategy and risk appetite. The policy focuses on ensuring sound and effective risk management through 1) a stringent governance structure for setting goals and communicating these goals to the employees; 2) including both financial and non-financial goals in performance and result assessments and 3) making fixed salaries the main remuneration component. The policy reflects GBI's objectives for good corporate governance and meets the requirements as laid down in DNB's Guidelines on Controlled Remuneration Policy and the Dutch Banking Code, except for one item which has been neutralized by applying the proportionality principle. GBI will not meet the requirement in the guidelines to include a share based component in the variable compensation, because employees and management of GBI are not rewarded with shares (options) in the share capital of the parent company which is in line with parent company policy. GBI is not a listed company. Once a year, the Remuneration Committee monitors compliance with the remuneration policy. The Remuneration Committee submits any policy adjustments to the Annual General Meeting of Shareholders for renewed approval. A description of the composition, duties and authority of the Remuneration Committee is defined in the remuneration policy.

GBI once again had a strong performance in the year under review, following more than two decades of success as can be read in this annual report. The Supervisory Board would like to thank the members of the Managing Board and all staff for their hard work and commitment to the Bank. The employees of GBI have served the interests of the customers, the shareholder and other stakeholders with great enthusiasm, devotion and professionalism and without losing their risk awareness.

Amsterdam, 27 March 2014

Board of Supervisory Directors
Mr. S. Sözen (Chairman)
Mr. F. Şahenk
Mr. M.P. Galatas Sanchez-Harguindey
Mr. P.R.H.M. van der Linden
Mr. B.J.M.A. Meesters
Mr. W.F.C. Cramer

INTEGRITY

ABOVE ALL, INTEGRITY IS OUR NON-NEGOTIABLE BEHAVIOUR. WE ALWAYS ACT WITH INTEGRITY, ADHERE TO THE HIGHEST ETHICAL PRINCIPLES IN OUR CONDUCT OF BUSINESS AND NEVER TOLERATE ANY BEHAVIOUR THAT COULD ENDANGER THIS FUNDAMENTAL VALUE.

REPORT OF THE MANAGING BOARD

CAREFULLY INTERPRETING MARKET DYNAMICS, GBI CONTINUED TO EMPLOY ITS RISK MANAGEMENT PRACTICES IN BALANCE SHEET MANAGEMENT, ACHIEVING ITS OBJECTIVES IN 2013.

KEY FIGURES

in thousands of EUR	2013	2012	2011	2010	2009
TOTAL ASSETS	4,665,917	4,575,269	4,175,415	3,549,322	3,669,137
BANKS (ASSETS)	912,734	919,449	948,042	1,109,343	719,880
LOANS AND ADVANCES	2,313,097	2,325,995	1,854,225	1,408,250	1,593,198
BANKS (LIABILITIES)	737,262	654,056	781,381	596,972	608,327
FUNDS ENTRUSTED	3,303,065	3,360,469	2,744,420	2,469,198	2,583,660
SUBORDINATED LIABILITIES	30,000	30,000	46,408	45,690	53,749
SHAREHOLDERS' EQUITY (INCLUDING RESULT AFTER TAX)	488,925	430,446	376,196	327,050	277,746
OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS	91,555	83,108	64,174	80,318	63,483
RESULT AFTER TAX AND VALUE ADJUSTMENTS	58,479	54,250	51,230	49,705	27,881
FOREIGN BRANCHES AND REPRESENTATIVE OFFICES	4	4	4	4	5
CAPITAL ADEQUACY RATIO %	19.40	19.30	19.06	16.03	13.78
COST TO INCOME RATIO %*	29	31	34	29	38
RETURN ON AVERAGE EQUITY %**	13.59	14.42	15.71	17.91	11.10
RETURN ON AVERAGE ASSETS %	1.27	1.24	1.33	1.38	0.76
TOTAL AVERAGE NUMBER OF EMPLOYEES***	225	218	209	413	847

* Cost to income ratio is calculated using total expenses and total income. Value adjustments to tangible fixed assets and value adjustments to receivables are excluded

** Return on average equity is calculated using average shareholders' equity excluding result after tax

*** 2009 and 2010 includes GBI's former Romania branch which was sold in 2010

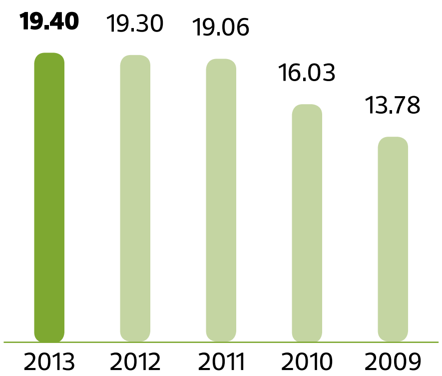
Please note that 2009 – 2012 key figures have been updated to include the impact of the change in the accounting policies for the measurement of the Other securities portfolio.

19.40%
CAPITAL ADEQUACY RATIO INCREASED TO 19.40 PERCENT.

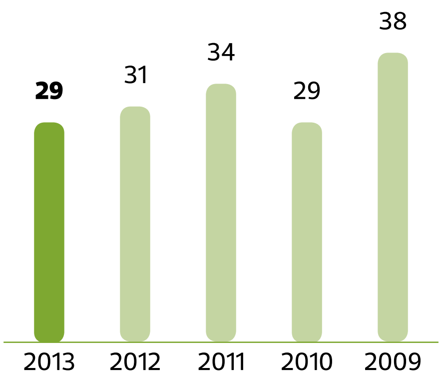
29%
COST TO INCOME RATIO REMAINED LOW AT 29 PERCENT.

13.59%
RETURN ON AVERAGE EQUITY STOOD AT 13.59 PERCENT.

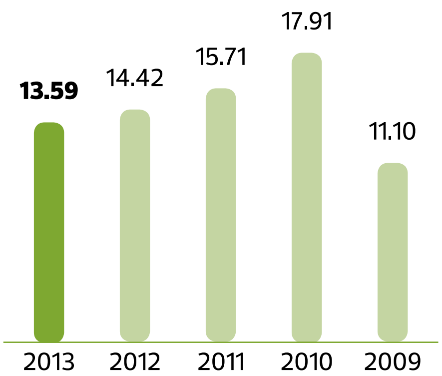
CAPITAL ADEQUACY RATIO (%)



COST TO INCOME RATIO (%)



RETURN ON AVERAGE EQUITY (%)



CREDIT RATINGS

MOODY'S	
BANK DEPOSITS	Baa2/P-2
BANK FINANCIAL STRENGTH	C-
BASELINE CREDIT ASSESSMENT	Baa2

ECONOMIC OUTLOOK

IN 2013, THE GLOBAL ECONOMY RECORDED BELOW TREND GROWTH AT AN ESTIMATED RATE OF 2.8 PERCENT, WHILE THE US AND EUROZONE GROWTH RATES WERE AROUND 1.9 PERCENT AND -0.3 PERCENT RESPECTIVELY.

2013 started on a very positive tone. However, it did not last; volatility and risk aversion sharply increased after May. The mere talk of reduction in asset purchases by the US Federal Reserve (the Fed) started a major sell-off in financial assets as the global markets continued to be dominated by major central bank actions.

In 2013, the global economy recorded below trend growth at an estimated rate of 2.8 percent, while the US and Eurozone growth rates were around 1.9 percent and -0.3 percent respectively. The US clearly outperformed rest of the advanced economies owing to its faster crisis resolution and use of new technologies in energy sector. As emerging markets started to suffer from reduced growth and various structural problems, developed markets looked more attractive. Emerging Markets (EM) are estimated to have recorded a growth rate of 4.7 percent and the developed markets' growth rate was around 1.1 percent. Concerns about the Chinese economy kept the markets on alert while the new Chinese administration embarked upon the implementation of a more consumption-driven growth model. Yet, China is expected to grow by 7.5 percent.

In the second half of the year, the US economic data releases were mostly strong and reflected a significantly improved outlook for the economy. Consumer confidence continued to rise as the unemployment rate fell to 6.8 percent in December, the lowest level since the crisis. The Fed maintained the federal funds rate in the range of zero to 0.25 percent with a forward guidance of a warrant for exceptionally low rates at least through late 2015, in an effort to provide continued support for the nascent recovery. In December, the Fed finally started tapering of its monthly bond purchases by USD 10 billion and announced that further tapering would depend on key macroeconomic data indicators of the US.

The Eurozone finally returned to a growth path, having gone through the longest recession on record. Growth was back, but fragile. Problems still persisted, with unemployment figures particularly bleak, averaging 12 percent, affecting especially Spain and Greece. The European Central Bank (the ECB) decided to cut its policy rate twice in May and November to 0.25 percent from 0.75 percent. 2013 Eurozone annual growth is estimated at a mere 0.2 percent with an annual inflation rate hovering below 1 percent. The risk of deflation was clearly occupying the minds of policy makers.

The German federal election brought a surprisingly clear victory for the incumbent conservative government. Germany continued to be the driving force in Europe, while economic divergence between core and periphery countries remained intact.

WITH A HEAVY ELECTION SCHEDULE IN THE EM UNIVERSE, RISING POLITICAL RISKS PUT PRESSURE ON THE ECONOMIC OUTLOOK.

In the Netherlands, growth figures continued to disappoint throughout the year. In 2013, the Dutch economy shrank by 1.2 percent. The fiscal deficit (Budget) is expected to remain at 3.3 percent of GDP in 2013 and 2014. International competitiveness remained strong and the Netherlands had a positive external balance, with a trade surplus of about 7.4 percent of GDP in 2013. In November, Standard&Poor's cut the sovereign rating of the Netherlands to AA+ from AAA reflecting the deteriorating economic conditions.

Raising bond yields in the US and Europe led EM currencies into a sharp decline as of May. Those EM countries that relied on imported capital to finance spending felt the pressure the most. Since 2010, capital flows into the EM space had hit US$ 1 trillion a year, inflating asset prices and consequently increasing some countries' vulnerability. Nevertheless, flexible exchange rate regimes provided a mechanism for easier adjustment of the economy without automatically triggering a crisis. Since 1997, most EM countries have stockpiled foreign currency reserves to reach a total reserve amount of US$ 7.5 trillion as of March 2013.

With a heavy election schedule in the EM universe, rising political risks put pressure on the economic outlook. CIS and Middle East regions were further affected by geopolitical tensions. Growth prospects of the EM deteriorated while the Chinese economy has been facing problems in credit and real estate sectors.

Turkey remained one of the most sensitive countries to capital outflows given its large and chronic current account deficit and external funding requirement. It is largely driven by low and falling saving rates and over-consumption instead of investment. In spite of a worsening political and macroeconomic background, particularly in the second half of the year, growth is still expected to be around 3.5 percent in 2013. The current account deficit remained elevated at 7.2 percent of GDP. Fiscal performance was held up well with a budget deficit of 1.2 percent of the GDP. Consumer price inflation went up due to pressures coming from currency depreciation as well as the loose monetary policy framework of the Turkish Central Bank to end the year at 7.4 percent.

2014 will be a challenging year for most emerging markets with country-specific structural issues and increased political risks, against a backdrop of the Fed's exit policies from excessive monetary easing. Developed market economies are likely to show broadening divergence among them as Europe and Japan significantly lag behind the US in terms of growth. In reflection of the economic outlooks of the Eurozone and Japan, the ECB and the Central Bank of Japan are likely to continue with additional monetary easing. Major central bank actions will continue to be the main driver of both emerging and developing financial markets.

FINANCIAL ANALYSIS

THE MAIN CONTRIBUTOR TO GBI'S GROWTH IN THE 2013 OPERATING RESULT WAS NET INTEREST INCOME, WHICH INCLUDES GAINS ON LOANS AND SECURITIES, WHEREAS NET COMMISSION INCOME DECREASED.

In 2013, the operating result before tax and value adjustments amounted to EUR 91.6 million, which is 10 percent higher than in 2012 (EUR 83.1 million). Net result after tax stood at EUR 58.5 million, which is an increase of almost eight percent compared to 2012 (EUR 54.3 million).

The main contributor to the growth in the 2013 operating result was net interest income, which includes gains on loans and securities, whereas net commission income decreased. The result on financial transactions showed a slight decrease. The increase in total income was partially offset by an increase in value adjustments to receivables.

The net interest income increased by EUR 12.0 million. Results on sales of interest-bearing securities from the Investment and Other securities portfolios amounted to EUR 37.6 million which is EUR 21.4 million higher than in 2012 (EUR 16.2 million). This was partially offset by a decreased interest margin in 2013 compared to 2012, while average assets were at similar levels as in 2012. The decrease in the interest margins was mostly due to a further improvement in the economic performance of the markets in which GBI operates and an increased share of low yielding liquid assets.

Net commission income amounted to EUR 42.0 million which is six percent or EUR 2.9 million lower than the 2012 figure. This decrease is attributable to the Bank's trade finance activities (EUR 2.6 million) and structured finance activities (EUR 1.0 million) resulting from lower volumes throughout 2013 compared to 2012. Securities brokerage commissions increased by EUR 1.3 million.

Result on financial transactions decreased from EUR 9.9 million in 2012 to EUR 8.7 million in 2013, a decrease of EUR 1.2 million. This is mainly derived from foreign exchange dealing (EUR 1.2 million) and other results on financial transactions (EUR 1.6 million), while securities trading result increased by EUR 1.4 million.

Total administrative expenses amounted to EUR 36.4 million which is EUR 0.3 million lower than in 2012.

Value adjustments to receivables increased from EUR 9.3 million in 2012 to EUR 15.4 million in 2013, which mainly relates to provisions recorded for loans to customers due to the situation in Ukraine and in the steel industry.

THE SIZE OF GBI'S BALANCE SHEET INCREASED BY TWO PERCENT OR EUR 91 MILLION TO EUR 4,666 MILLION.

The size of the balance sheet increased by two percent or EUR 91 million to EUR 4,666 million. This increase relates to the asset items interest-bearing securities (EUR 64 million) and prepayments and accrued income (EUR 95 million), whereas the asset items cash (EUR 51 million), banks (EUR 7 million) and loans and advances (EUR 13 million) decreased. The increase in the asset item prepayments and accrued income mostly relates to an increase in the book value of derivatives resulting from exchange rate movements. On the liability side of the balance sheet the increase is mainly attributable to the items banks (EUR 83 million) and accruals and deferred income (EUR 9 million), whereas the item funds entrusted (EUR 57 million) decreased.

The contingent liabilities showed a decrease of EUR 89 million, which is attributable to guarantees (EUR 15 million), irrevocable letters of credit (EUR 56 million) and other commitments (EUR 18 million).

OUTLOOK 2014

We remain conservative in our 2014 projections reflecting additional regulatory restrictions at national and European level and the challenging global economic landscape. We will be closely monitoring the developments in emerging markets, particularly in Turkey and the CIS region.

It will be a year of prudent balance sheet management rather than focussing on growth. The loan portfolio is expected to remain at similar levels to 2013 while we intend to increase our high-grade European sovereign bond portfolio. On the liability side, we aim to increase the share of wholesale financing in our funding composition. We will continue to grow our volumes in commission generating services such as trade finance, cash management and private banking. Accordingly, our headcount will remain at similar levels to 2013.

Throughout 2014, we will aim to sustain solid value creation for our stakeholders in a responsible manner. We will reap the benefits of our well-established infrastructure in terms of business policy and procedures, IT systems, risk management framework and solid audit culture in the process of pursuing our prudent strategy.

BUSINESS DEVELOPMENTS

THE COMPETITIVE ADVANTAGE OF GBI LIES IN ITS FRANCHISE VALUE DRIVEN BY COMMODITIES EXPERTISE, REGIONAL EXPERTISE, RISK MANAGEMENT EXPERTISE AND ITS WELL-ESTABLISHED RELATIONSHIPS WITH THE TRADE FINANCE MARKET ACTORS.

TRADE FINANCE

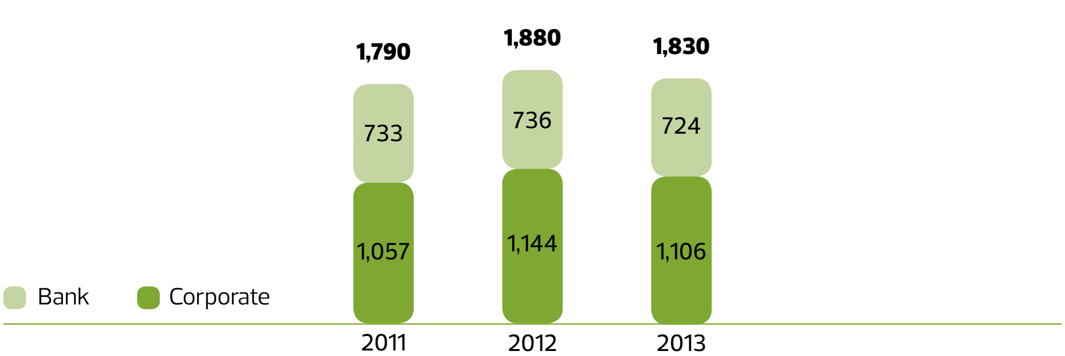
GBI's Trade Finance Division functions as a "global boutique" facilitating and supporting trade flows around the world. Our trade financing solutions reflect our organizational agility and operational excellence. Other financial institutions in developed and emerging markets, physical commodity traders, importers, exporters, producers and other service providers engaged in international trade form a substantial part of our client base.

The competitive advantage of GBI lies in its franchise value driven by commodities expertise, regional expertise, risk management expertise and its well-established relationships with the trade finance market actors. Our expertise and relationship driven offerings are harnessed and delivered in such a unique "global boutique" style that our clientele instantly experience the benefits of our agility and seamless execution. By placing our clientele at the center of value creation, GBI stays resilient during market downturns while maintaining valued relationships and adding new ones. And during growth episodes, we benefit commercially as we quickly respond to the market requirements and add value to the various parties of international trade.

In 2013, the global exports volume growth slowed down to 2.3 percent from 2012's 3.1 percent and, under such macro climate, China has become the largest merchandise trader nation overtaking the US for the first time. While soft commodity prices generally registered a decline and ferrous metals displayed a flat pattern with demand as a bottleneck, oil and derivatives demonstrated some volatility.

As was foreseen last year, 2013 was a year of increased competition in trade finance markets resulting in some squeeze in margins.

CHART-1: TOTAL TF ASSETS BY RISK COUNTERPARTY EUR MILLION



WITH REGARD TO THE TRADE FINANCE ASSETS THERE HAS BEEN A VOLUME INCREASE OF 16 PERCENT IN 2013, POINTING OUT GBI'S GROWING SUPPORT TO FINANCE TRADE.

The combination of on- and off-balance sheet assets managed under GBI Trade Finance as shown on Chart-1, declined by less than three percent for the year under review. The relative weights of risk-counterparty clusters, namely Banks and Corporates, in our total trade finance assets remained practically the same as the previous year-end. With regard to the trade finance assets there has been a volume increase of 16 percent in 2013, pointing out GBI's growing support to finance trade.

At GBI, the trade finance universe includes three segments: Trade Banking (TB), Structured Trade Finance (STF), and Trade & Commodity Finance (T&CF). Clients and counterparties of TB are financial institutions and TB extends support to local and global banks in syndicated loans and bilateral trade related facilities. Furthermore, TB is also responsible for risk distribution to various counterparties. STF is purely corporate risk driven through syndicated lending products and its relationship coverage spans financial institutions and corporates engaged in international trade. At T&CF, the clients are generally merchants with strong international trade-flows. Through this window, GBI classically offers self-liquidating, short-term, and uncommitted transactional lending backed by trade receivables and underlying merchandise.

CHART-2: TOTAL TF ASSETS BY BUSINESS SEGMENTS

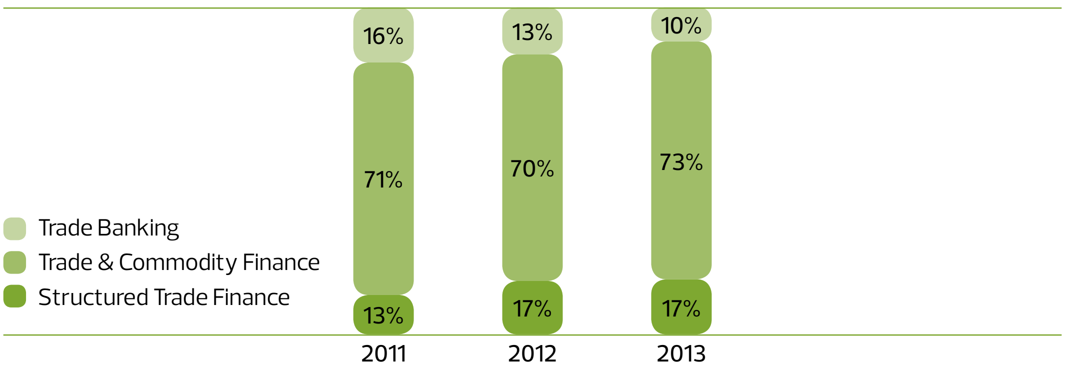


Chart-2 illustrates the end of year allocation of our trade finance assets to business segments. Trade Banking segment's relative weight was further reduced as the yields on that business segment have become relatively unattractive. Whereas, both the yields and the risk profiles in the Trade & Commodity Finance business segment remained attractive throughout the year under review, resulting in a higher allocation on that front. By all measures, T&CF is the backbone of GBI trade financing and we are indeed appreciative to our valued clientele in this segment for choosing our offerings.

BUSINESS DEVELOPMENTS

GBI'S TRADE FINANCE REVENUES FOR THE YEAR 2013 WERE HIGHER THAN THOSE OF 2011 BUT LOWER THAN LAST YEAR.

CHART-3: CORPORATE LENDING BY COMMODITIES

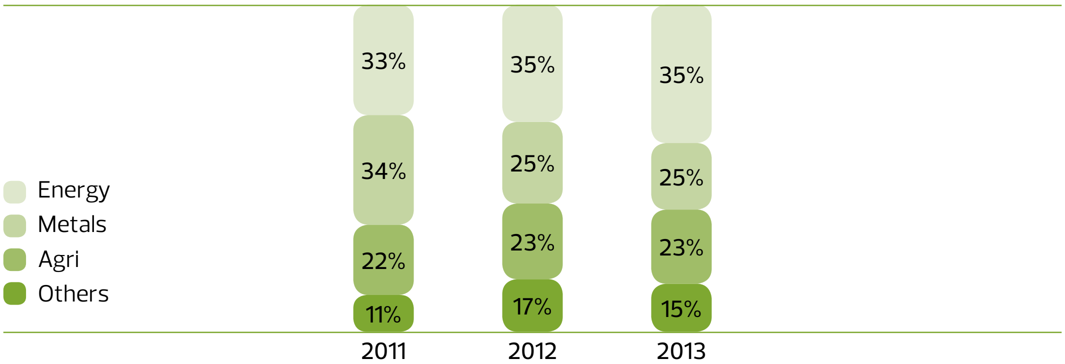


Chart-3 pictures corporate lending by main commodity clusters. Clearly, energy related commodities' relative share demonstrates a visible growth. In this cluster, GBI supports international trade flows related to steam and coking coal, oil derivatives, natural gas, crude oil and petrochemicals. The growth in energy commodities has been mainly driven by our organizational agility and expanding client base requiring trade financing of petrochemicals, crude oil and oil derivatives where door-to-door transaction maturities are generally less than 90 days and executions are generally under uncommitted lines. While agri-commodities maintained their relative weight, metals, which include mostly steel and steel making raw materials, further softened parallel to the weaknesses on the demand side during the year under review.

As a consequence of the factors outlined above, GBI's Trade Finance revenues for the year 2013 were higher than those of 2011 but lower than last year.

We foresee that the competition among the lenders in providing trade financing to sophisticated borrowers will at least remain the same, if not, will get tougher in 2014. Whereas, turbulences in some emerging markets might offer rewards for agile lenders with top level risk management expertise and with well-established client relationships. With our crises-tested, growth-proven, resilient and rewarding "global boutique" approach, GBI shall continue serving to its valued clientele with passion and modesty. Pledging ourselves to provide continuing liquidity and expertise for trade financing, we are committed to deliver best value-adding solutions and constructive risk mitigation techniques to our present and future relationships with high ethical standards.

IN PRIVATE BANKING, GBI HAS A HOLISTIC AND DYNAMIC PRODUCT AND MARKET COVERAGE, CONSTANTLY UPDATED IN LINE WITH CHANGING CLIENT PREFERENCES AND MARKET DEVELOPMENTS.

PRIVATE BANKING

GBI's Private Banking Division provides specialized financial intermediary services to international high net worth clientele.

Services are delivered in brokerage and advisory forms, further tailored to each client's requirements and preferences. We offer a platform that enables our clients to have access to a broad range of financial markets around the world.

Our brokerage services are for those who seek prompt market access through direct execution of orders, in a fast and accurate manner. Our advisory services are designed for clients who would like to receive guidance in their investment processes. We provide tailored and portfolio based advice, investment and risk management ideas aiming to assist our clients in their wealth conservation as well as prudent and steady growth of their portfolios.

We have a holistic and dynamic product and market coverage, constantly updated in line with changing client preferences and market developments. We develop customized product solutions owing to our technical know-how and organizational agility. We differentiate ourselves through high expertise and coherence of the team, quality of investment advisory and fast, accurate execution in a broad array of products.

We serve individual and institutional high net-worth clients, located in various countries, who are active investors in emerging as well as developed markets. Pursuing a client centric approach, we strive to build long term relationships with our clients based on open communication, trust and reliability. Our core values guide us in our conduct of business, client selection processes and establishing long-term client relationships.

We aim to build such relationships with our clients that offer genuine human and cultural understanding. Our services are streamlined to meet each client's needs, identified by designated relationship managers through direct and regular communication with the clients. Our business model prioritizes our clients while our team works closely with them to develop tailor-made solutions that meet their evolving needs. Owing to this approach, we maximize client satisfaction and loyalty.

GBI'S TREASURY DIVISION FOCUSES ON BALANCE SHEET RISK MANAGEMENT AND FLOW DRIVEN TRADING ACTIVITIES.

In 2013, similar to previous year, the wealth management sector encountered various challenges raging from additional regulatory requirements to increased competition which put further pressure on cost structures and revenue margins. Another headwind was the adverse market developments, particularly in emerging markets while developed markets continued to stabilize after the debt crisis.

GBI Private Banking recorded a steady performance in 2013 owing to its solid risk management practices and well-established client relationships. We maintained our strong market position through our technical expertise diversified into developed and emerging markets, while serving our clients in a prudent and reliable way. Strong Garanti brand recognition added to the competitive advantages of GBI in the process of new customer acquisitions.

In 2014, we aim to deliver revenue and asset growth in a prudent and sustainable manner, focusing on providing value to our clients and all stakeholders.

TREASURY

GBI's Treasury Division focuses on balance sheet risk management and flow driven trading activities. It consists of two departments; Asset and Liability Management, and Trading which carry out these functions.

Asset and liability management is the prime responsibility of GBI Treasury. The division reports regularly to the Asset & Liability Committee (ALCO) on market movements and trends, and makes proposals as to hedging strategies. ALCO evaluates on VAR, duration, gap, sensitivity and scenario analysis reports, which are prepared by the Risk Management Department in its decision making process. GBI Treasury executes ALCO's decisions in a timely and effective manner.

GBI pursues a prudent strategy which involves maintaining a solid balance sheet structure and active monitoring and hedging of liquidity, interest rate and foreign exchange risks. This approach enables the Bank to cope with adverse market movements and to maintain its strong performance against various market conditions.

FOCUSING ON CLIENT DRIVEN BUSINESS WITH VERY LIMITED PROPRIETARY TRADING ACTIVITY, GBI'S TREASURY MADE A SIGNIFICANT CONTRIBUTION TO THE BANK'S NET INCOME IN 2013.

GBI Treasury is responsible for carrying out Internal Transfer Pricing (ITP) which is a mechanism that aims to implement ALCO's strategic priorities. Taking into consideration forecasted and current market outlook, liquidity constraints and cost of funds, GBI Treasury proposes ITP rates to ALCO. The purpose is to ensure efficient use of the Bank's resources and enhance prudent liquidity management. Business lines are guided, through ITP, to choose assets that bring in the highest returns on equity within the risk appetite framework defined by the Supervisory Board.

Trading Department focuses on commercial flows instead of proprietary trading activities. The department competitively serves its internal clients, being GBI's business lines, and external clients which are other financial institutions. Owing to its highly professional team, technical expertise and broad network of international counterparties, the department achieves strong commercial transaction volumes with solid risk management. GBI Treasury acts as a market-maker, providing liquidity in Turkish government and corporate bonds as well as a number of other fixed income instruments.

Focusing on client driven business with very limited proprietary trading activity, Treasury made a significant contribution to the Bank's net income. Furthermore, cross-selling revenues went up, owing to its proactive cooperation with all commercial departments regarding hedging and investment strategies in Foreign Exchange, Foreign Exchange Derivatives and Fixed Income products. GBI Treasury provides timely market feedbacks, trade and risk mitigation ideas to Private Banking Division in a broader range of markets and products in order to enhance flow trading volumes in a prudent manner.

GBI Treasury continued to organize training sessions on treasury products with the aim of improving the level of technical knowledge of the other business lines and support departments with a view to enhance cross-selling and to contribute to support and control functions.

GBI Treasury further engaged in asset generation in fixed income markets to utilize excess liquidity of the Bank in liquid instruments. It actively monitored and proposed limits for sovereign and corporate fixed income instruments in the Bank's selected core markets to ALCO and the Credit Committee. Upon establishment of market and credit limits, GBI Treasury took part in primary and secondary markets to realize the purchases. The fixed income portfolio was managed very closely aiming to optimize yields and mitigate risks.

In 2014, Treasury will continue pursuing its prudent risk management and revenue generating strategy to add value to the Bank's stakeholders.

BUSINESS DEVELOPMENTS

IN 2013, GBI FINANCIAL INSTITUTIONS FULLY ACCOMMODATED THE DYNAMIC REQUIREMENTS OF THE BUSINESS LINES VIA A BROAD NETWORK OF CORRESPONDENTS WHILE GUIDING THE BANK'S COMMERCIAL UNITS TO CONCENTRATE THEIR BUSINESS TO CORE RELATIONSHIP BANKS.

FINANCIAL INSTITUTIONS

GBI's Financial Institutions Division pursues a strategy of building long-term key relationships with strong, reliable banks with an aim to facilitate and enhance GBI's transactional banking activities as well as to improve and diversify the Bank's wholesale funding capacity.

In 2013, GBI Financial Institutions fully accommodated the dynamic requirements of the business lines via a broad network of correspondents while guiding the Bank's commercial units to concentrate their business to core relationship banks in order to generate sufficient reciprocity for their support. In addition to ensuring adequate credit lines for a wide variety of transactions, this effort enabled GBI to achieve its targeted level of wholesale funding through bank-to-bank loan facilities and its successfully renewed yearly syndication. The amount of the deal was increased by 27 percent to EUR 280 million with the participation of 22 banks from 10 countries.

Being an important component of its relationship management function, GBI Financial Institutions maintained close communication with the existing and potential counterparties, the rating agencies as well as other external bodies, and provided them with up-to-date information about GBI's performance and significant developments in the Bank.

In addition to its usual public and investor relations activities including the production of GBI's annual reports and counterparty/client presentations, GBI Financial Institutions also initiated new projects such as the upgrade of the Bank's intranet and corporate identity.

In line with the increasing importance of compliance globally, particularly concerning commercial banks, GBI Financial Institutions further focused on KYC (Know Your Customer) requirements and regulatory audits strictly following the related guidelines and procedures, properly performing the necessary customer due diligence for all correspondent banks and supervising the related departments within the Bank.

In 2014, GBI Financial Institutions will continue offering timely support and guidance internally while further strengthening GBI's relations and cooperation with core counterparties and other financial institutions worldwide.

ISLAMIC FINANCE HAS BECOME AN IMPORTANT NICHE SECTOR WITH A HIGH GROWTH POTENTIAL FOR MANY INVESTORS.

STRUCTURED FINANCE

GBI's Structured Finance Division adds value in terms of revenues and market recognition in the activities of Islamic Finance, Shipping Finance, Project/Corporate Finance and Cash Management, while providing excellent services to its clients.

ISLAMIC FINANCE

In 2013, GBI further strengthened its market position in Islamic Finance and extended its customer base, adhering to our prudent risk policy amid increased economic and political risks, and tough competition. Strong results were achieved through our sound relationship network of corporate clients and participation banks as well as conventional banks that seek Islamic finance solutions for their customers.

Islamic finance has become an important niche sector with a high growth potential for many investors. The industry extended its markets through new sukuk issuances and strengthening of the legal and regulatory framework. Islamic finance assets are estimated to total approximately USD 1.8 trillion globally as of year-end 2013 and expected to reach USD 2.6 trillion by 2017. Although Islamic finance represents a small proportion of the global finance market (estimated at 1-5 percent), the industry has been showing 15-20 percent growth in the recent years. While Islamic banking is expanding globally, the Middle East remains the industry's major hub. The largest market is Saudi Arabia, followed by Malaysia and UAE. Although the Islamic finance market prospects look bright, the industry is exposed to risks coming from the general economic turmoil and the volatility of key commodity markets.

The global sukuk market is expected to continue its growth trend in the coming years with the dominating role of the Middle East and Malaysian markets and fuelled by growing interest from new markets including Turkey, the refinancing need of existing issuers and the increasing number of governments and corporates opting to issue international sukuk. Strong demand for Islamic bonds amid the limited supply has been pushing sukuk yields down to conventional benchmarks. Western investors have strong interest in Islamic assets as well and already make up about 70-80 percent of sukuk buyers issued in the Middle East. The United Kingdom, being the European hub of Islamic finance, recently announced the intention to issue a GBP 200 million sovereign sukuk in 2014.

BUSINESS DEVELOPMENTS

GIVEN THE RECENT POSITIVE DEVELOPMENTS IN THE TURKISH ISLAMIC BANKING INDUSTRY, GBI INTENDS TO GAIN MOMENTUM AND TAKE ADVANTAGE OF THE EXPECTED CHANGES IN 2014 TO FURTHER STRENGTHEN ITS MARKET SHARE IN ISLAMIC FINANCE.

Islamic banking in Turkey is going through large scale transformation as banks extend their product range and new players are expected to enter the market. The government also actively promotes Islamic finance with the recent Islamic banking regulation changes for strengthening commercial and economic ties with the Gulf region and diversifying the investor base. Following the debut issuances of sovereign international (USD 1.5 billion) and domestic (TRY 1.6 billion) sukuk in 2012, the Turkish government returned to the market in early October 2013 with a USD 1.25 billion sukuk, which was 7 times oversubscribed. The sovereign issuances opened a way to participation banks, which closed a few remarkable sukuk deals in 2013 as well, and helped diversify their assets and risk profile. These steps stimulate the Turkish sukuk market and broaden funding opportunities for Turkey through extended access to Islamic investors from the Middle East and Southeast Asia, as growth in Europe and the US has slowed down. Bank issuances will likely be followed by the Turkish corporate sector, especially in the form of TRY denominated sukuk in the domestic market since most investors require investment grade rating for investing in international issuances.

With an increased interest from foreign investors and expected new players in the Turkish participation banking sector, the banks will be urged to introduce new Islamic finance products in order to meet new market requirements. This is expected to result in healthier competition, a wider product range and higher customer satisfaction in the sector. On the other hand, the recent tax legislation amendments significantly decreased short-term financing opportunities for foreign lenders, which pushed investors to shift to long-term asset creation.

Murabaha and tawarruq are still dominating products as they can be virtually used within the existing legal, tax and regulatory framework of the countries which are in the phase of developing their Islamic finance environment. Also, the industry players are encouraged to shift from traditional debt based Islamic financing structures to equity based risk-sharing arrangements. With an increasing demand and expansion of Islamic finance products to the new markets, the global alignment in legal, tax and regulatory framework interpretation and standardization will still be the main challenge for the Islamic finance industry, especially in light of the global banking regulation deficiencies revealed after the crisis.

Given the recent positive developments in the Turkish Islamic banking industry, GBI intends to gain momentum and take advantage of the expected changes in 2014 to further strengthen its market share in Islamic finance and build a firm base for facing the new challenges.

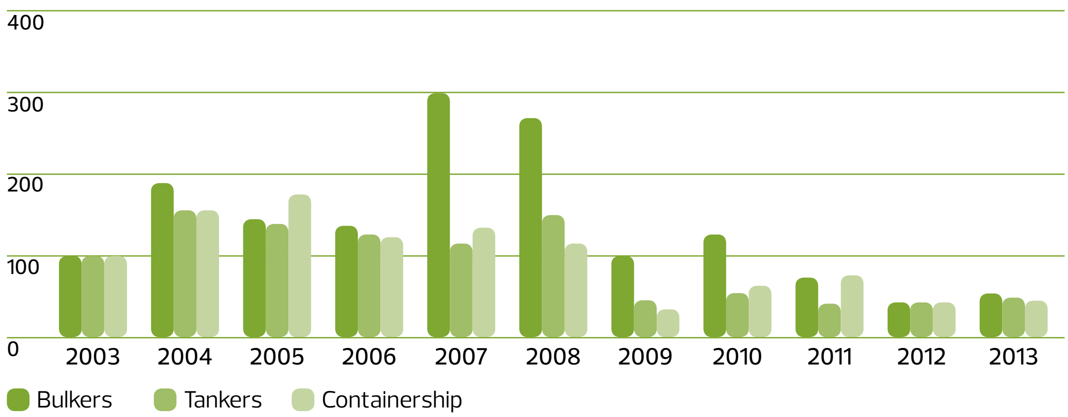
IN 2013, GBI HAS BEEN SELECTIVE IN SHIPPING FINANCE, FOCUSING ON CLIENTS WITH FINANCIAL STRENGTH AND PRUDENT RISK MANAGEMENT.

SHIPPING FINANCE

In 2013, GBI has been selective in shipping finance, focusing on clients with financial strength and prudent risk management. New deals, closed both on tanker and bulker segments, reached 18 percent of the existing total exposure.

Since 2009, the shipping market has been facing headwinds while poor freight demand caused charter fares to collapse. Main merchant shipping markets (bulkers, tankers and container ships) suffered from deteriorating conditions due to divergence between strong growth in fleet capacity and the demand lagging behind. As of 2013, the industry started to perform better and the ClarkSea index (covering earnings of bulk-carriers, tankers, container-ships and gas-carriers) ended the year with an increase of 79 percent compared to 2012. However, earnings were uneven with high volatility, going up by 66 percent after October. The increase in earnings, on average for the year, might have been yet insufficient to compensate operating costs.

EARNING TRENDS (2003=100)



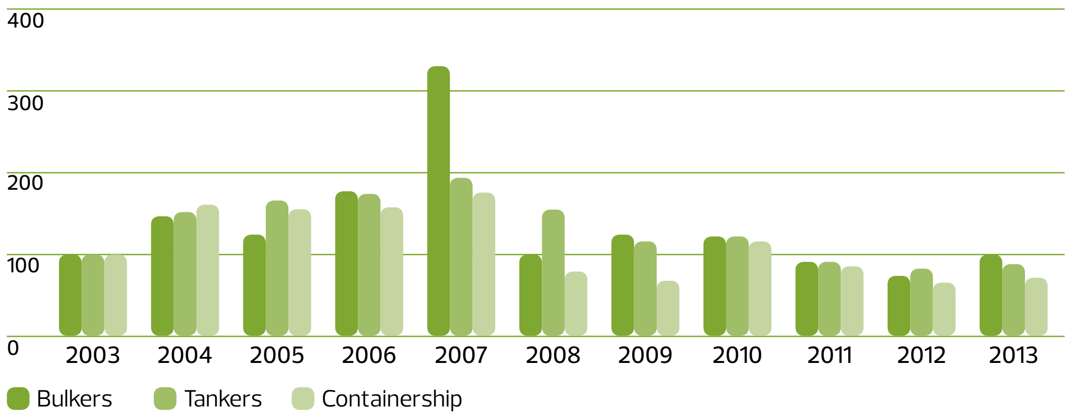
Source: Clarksons Shipping Intelligence Network

BUSINESS DEVELOPMENTS

SEABORNE TRADE, THE ULTIMATE DRIVER OF THE SHIPPING CYCLE, GREW BY A HEALTHY 3.8 PERCENT, CLOSE TO SHIPPING'S 50-YEAR AVERAGE.

The fundamentals are edging in the right direction but the market is not any closer to a convincing recovery than it was a year ago. Seaborne trade, the ultimate driver of the shipping cycle, grew by a healthy 3.8 percent, close to shipping's 50-year average. Meanwhile, the tanker and bulk-carrier fleet grew by 4.3 percent, a great improvement compared to the last 4 years (8.4 percent in 2009; 10.7 percent in 2010; 10.4 percent in 2011 and 7.3 percent in 2012) and roughly in line with bulk demand. So, although the fundamental supply-demand imbalance stopped growing in 2013, there is still no sign of a significant reduction. Total new orders rose from 54 million deadweight tonnage (dwt) in 2012 to 140 million dwt in 2013 (doubling for tankers and trebling for bulkers) and asset prices edged up.

ASSET VALUES 5 YRS OLD SHIPS (2003=100)



Source: Clarksons Shipping Intelligence Network

2014 will again be a challenging year for the shipping industry although a modest improvement is anticipated. GBI's Shipping Finance Department will continue pursuing a firm strategy to further reinforce its shipping portfolio.

GBI'S CASH MANAGEMENT DEPARTMENT PROVIDES WORLDWIDE PAYMENT SERVICES TO ITS INSTITUTIONAL AND INDIVIDUAL CLIENTS.

PROJECT FINANCE/CORPORATE FINANCE

In 2013, GBI's Project Finance/Corporate Finance Department offered tailor-made solutions and products to its clientele. Focusing on top-tier clients, our corporate loan portfolio grew by more than 20 percent, thanks to contribution of new products such as receivable/vendor financing. The volume increased significantly under the receivable financing structure as a result of acquisition of new clients, mainly composed of blue-chip multinational companies. The corporate loan portfolio was expanded by exposure to banks through tailor-made, secured type products. Participations to project finance deals in the transportation sector, on a selective basis, remained a valuable niche of GBI in 2013. Bilateral and club loan type lending activity strengthened the Bank's credit portfolio with high-rated companies and provided diversification with various cross-sale opportunities including cash as well as non-cash products.

In 2014, we will continue to pursue a prudent strategy to further improve our product solutions in project finance and corporate finance markets, and expand our presence in our target countries.

CASH MANAGEMENT

GBI's Cash Management Department provides worldwide payment services to its institutional and individual clients along with sophisticated and tailor-made commercial banking products. Our comprehensive service offering includes; payments and cash management solutions, flexible financing solutions, and deposit and currency exchange solutions with professional investment advisory services.

2013 was a year of change and re-positioning for GBI Cash Management which positively affected our year-end results. Efficiency increase and new customer acquisitions, with the help of strong Garanti brand recognition, added to our competitive advantages.

In 2013, the total commission revenue rose by 23 percent supported by higher account opening and maintenance fee collection. Total incoming and outgoing transactions rose by 43 percent, coming from 38,000 bulk customer payment transactions, which led to an increase of 14 percent in our total payment commissions.

In addition, GBI Cash Management made an increased contribution to the Bank's foreign exchange revenues. In line with our strategy, we promoted cross-selling and client referral activities with the other GBI business lines. The collaboration with Financial Institutions department on bulk customer payments produced effective results which enabled us to provide competitive pricing to our customers and helped to increase the reciprocal business for GBI's main correspondents.

DIRECT BANKING CHANNELS, NAMELY CALL CENTRE AND INTERNET BANKING, GIVE GBI RETAIL BANKING THE OPPORTUNITY TO OFFER CUSTOMERS FAST AND RELIABLE SERVICES, IN A COST EFFICIENT MANNER.

In 2013, we continued to invest in our professional advisory capacities, IT platform and Single Euro Payments Area (SEPA) to enhance our high quality and timely service structure. In addition, we kept improving our internal processes and put high emphasis on risk management and compliance directives in line with the fast changing regulatory environment.

Although we expect a challenging market environment in 2014, GBI Cash Management will target further revenue and volume growth in a sustainable manner.

RETAIL BANKING

GBI's Retail Banking Division aims customer satisfaction through a wide spectrum of innovative saving products and complimentary services with a view to contribute to a healthy diversification of the Bank's funding sources. We are active in the Netherlands as well as Germany through our retail branch in Dusseldorf.

Direct banking channels, namely call centre and internet banking, give GBI Retail Banking the opportunity to offer customers fast and reliable services, in a cost efficient manner. A highly dedicated team, simplified processes, a transparent business model and efficient use of technology are the key components of GBI's high service quality in the retail banking segment.

2013 has been a challenging year for retail banking in many aspects. On the commercial side, the Dutch and German savings markets remained highly competitive. Despite the high competition, we managed to maintain our customer portfolio owing to our strong market position. In line with the market trend, we steadily reduced our offered rates for savings products throughout the year. However, our customer-oriented and quality-focused service approach was appreciated by our savings customers.

On the infrastructure and process development side, we enhanced our customer communication with a multifunctional newsletter system. Our call centre system was replaced which enabled us to use new functionalities in customer contact by phone. A new account and deposit product in USD currency are offered to the savings market. We adjusted our domestic payment system to be SEPA compliant and replaced the customers' counter-account numbers with IBAN in line with new SEPA regulations. As a result of combined efforts, we achieved a smooth transition and were able to start processing SEPA payments before the regulatory deadline.

In 2014, GBI Retail Banking will continue providing excellent services aiming to maintain customer loyalty and satisfaction by leveraging the recent technology investments and increased efficiency of our internal processes.

RISK MANAGEMENT

IN 2013, GBI HAS MAINTAINED A CAUTIOUS LENDING POLICY AND KEPT A FOCUS ON PRUDENT CAPITAL MANAGEMENT. FURTHERMORE, GBI HAS CONTINUED TO MAINTAIN A STRONG LIQUIDITY BUFFER AND SOLVENCY LEVEL.

Risk management has been one of the key factors in the progressive restoral of public confidence in the financial sector after the recent financial crisis. Banks and regulators alike have applied considerable efforts toward strengthening and aligning risk management practices throughout the industry. The Capital Requirements Regulation and Directive (CRR and CRD IV), drafted in 2011 based on the Basel III Capital and Liquidity Framework, were finally approved by the European Parliament in June 2013 to take effect throughout the European Union as of 1st January 2014. The accompanying technical standards will be intermittently published by the European Banking Authority in the next few years up to 2018, i.e. during the 'transition period' before capital and liquidity requirements are fully in place.

Europe is also moving steadily towards a Banking Union, with the Single Supervisory Mechanism and the Bank Recovery and Resolution Plan being the first significant steps toward ensuring banks remain resolvable. And lastly, following the Dodd-Frank Act in USA, the European Market Infrastructure Regulation (EMIR) governing the over-the-counter derivative practices is being implemented in Europe with potential consequences for the rest of the global OTC market. GBI has maintained a clear and proactive risk management strategy in this crystallizing regulatory environment, and is well positioned for a smooth transition to meeting all new requirements and industry standards.

Despite the gradual revival of international trade and Turkey's acquisition of an investment grade rating status in 2013, GBI has maintained a cautious lending policy and kept a focus on prudent capital management. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio calculated as per the Capital Requirements Directive (CRD) has once again increased this year from 19.30 percent to 19.40 percent. GBI is also well-positioned for the upcoming regulations on the composition of own funds as it maintains a Tier 1 ratio of 18.40 percent. The liquidity buffer is composed of placements to Central Banks and investments in high quality liquid assets. The well-balanced maturity profile and high level of stable funding together with the diversified funding base provide a strong foundation for meeting the new liquidity requirements under CRR.

RISK MANAGEMENT

GBI HAS ESTABLISHED A GOVERNANCE STRUCTURE BASED ON THE SEGREGATION OF DUTIES PRINCIPLE WITH A VIEW TO SOUND AND CONTROLLED BUSINESS OPERATIONS.

OVERVIEW ON THE GOVERNANCE AROUND THE RISKS

GBI has established a governance structure based on the segregation of duties principle with a view to sound and controlled business operations. Risk management is structured at various levels within the organization. These levels are composed of committees at the Supervisory Board Level, committees at the Bank level and in the form of dedicated departments with specific mandates for risk management and control.

The Supervisory Board bears the overall responsibility for approving the risk appetite of GBI. The Risk Committee of the Supervisory Board (RCSB) advises the Supervisory Board on the risk appetite and ensures that effective risk management is conducted by the Bank in line with the appetite setting. The Audit & Compliance Committee of the Supervisory Board (A&CCSB) is the ultimate authority related with the independent function of audit, compliance related risks and the statutory financial reporting process. The Risk Management Committee (RMC), chaired by the CEO, is responsible at the bank level for the coordination and monitoring of risk management activities, and reports directly to the RCSB. Other risk committees are established at bank level to manage more specifically the key banking risks; the Credit Committee for credit risk, the Asset & Liability Committee (ALCO) for market, interest rate and liquidity risks, and the Compliance Committee for compliance risks. The New Product Development Committee is responsible for the assessment and the introduction of a new product/service.

The Credit Division is a separate risk control function, independent of any commercial activities, ensuring the proper functioning of the credit processes of the Bank.

The Risk Management Department (RMD) of GBI is an independent risk monitoring function, which also does not have any involvement in commercial activities. RMD develops and implements risk policies, procedures, methodologies and risk management infrastructures that are consistent with the regulatory requirements, best market practices and the needs of business lines. Risks are continuously measured and reported comprehensively to the related committees, who monitor them in relation to the limits established as per the risk appetite of the Bank.

The Internal Control Unit (ICU), under RMD, is involved in the monitoring and reporting of operational risks and establishing preventive control processes.

THE RISK APPETITE STATEMENT IS A KEY COMPONENT OF GBI'S RISK MANAGEMENT FRAMEWORK AND BUSINESS PLANNING CYCLE.

Legal & Compliance Department is also organized as an independent function, reporting directly to the Managing Board, Compliance Committee and A&CCSB. The Legal function advises on relevant legal issues within the Bank while the Compliance function interprets compliance-related rules, laws and regulations into internal compliance obligations and policies.

The Internal Audit Department (IAD) is responsible for the monitoring of the proper functioning of the governance framework around risks through regular audits, and providing reports to the Managing Board and A&CCSB.

RISK APPETITE

The Risk Appetite Statement is a key component of GBI's risk management framework and business planning cycle, since the Bank believes that the consideration of risk is essential in the development of the strategy. The Risk Appetite Statement defines the Bank's tolerance for specific risk types, and translates these into risk limits. In determining the appetite, the Supervisory Board seeks a balanced combination of risk and return across all risk types, and as such reviews it at least on an annual basis. All limits subject to the appetite are monitored by the Supervisory Board at each meeting.

GBI has always maintained an adequate level of solvency owing to its committed shareholder and risk-averse strategies. The Bank aims to hold a strong capital base with a high Tier 1 component. In terms of liquidity risk, the Bank applies limits which ensure a comfortable level of liquidity under both normal and stressed business conditions and in both short and long time horizons. Finally, in all risk types the Bank has zero tolerance for non-compliance with regulations and strictly refrains from taking any risk that may harm GBI's reputation.

GBI USES THE MARKET PRACTICE VAR METHODOLOGY AS A RISK MEASURE FOR THE MARKET RISK ON THE TRADING BOOK.

MARKET RISK

GOVERNANCE

GBI assumes limited market risk in trading activities by taking positions in debt securities, foreign exchange and commodities as well as in derivatives. The Bank has historically been conservative in running the trading book. The Bank enters into derivative transactions by client orders and to hedge foreign exchange and interest rate risks. Hence the main strategy is to keep the end of day trading positions at low levels.

ALCO bears the overall responsibility for market risk and sets the limits on a product and desk level based on the Bank's risk appetite, and the Treasury Department actively manages market risk within these limits. Middle Office and ICU, both established as independent control bodies, monitor and follow up all trading transactions and positions on an ongoing basis, as per the notional position, stop-loss and Value at Risk (VaR) limits set by ALCO. Single transaction and price tolerance limits have also been established in order to minimize the operational risks involved in the trading processes. RMD monitors market risk through regulatory and economic capital models and reports to ALCO and RCSB.

APPROACH

GBI uses the market practice VaR methodology as a risk measure for the market risk on the trading book. VaR quantifies the maximum loss that could occur in 1 day, due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, etc.), with a confidence level of 99.9 percent. VaR is supplemented by stress tests to determine the effects of potentially extreme market developments on the value of market-sensitive exposures. Stress tests have the added advantage of out-of-model analyses of the trading book. Hypothetical or historical scenarios are chosen and applied to the Bank's position regularly. These scenarios are reviewed periodically by RMD and updated when necessary.

INTEREST RATE RISK ON THE BANKING BOOK (IRRBB)

GOVERNANCE

Interest rate risk is defined as the risk of loss in earnings or in the economic value of banking book items as a consequence of movements in interest rates. ALCO sets the interest rate management policy in line with the Bank's risk appetite set by the Supervisory Board. GBI's asset and liability structure creates a certain exposure to IRRBB, however business units are prevented from running structural interest mismatch positions by the use of a well-defined fund transfer pricing (FTP) process. Hence all structural interest rate risks are managed centrally by the Treasury Department in line with the policy set by ALCO.

THE MAIN OBJECTIVE OF GBI'S LIQUIDITY RISK POLICY IS TO MAINTAIN SUFFICIENT LIQUIDITY IN ORDER TO ENSURE SAFE BANKING OPERATIONS AND A SOUND FINANCIAL CONDITION.

APPROACH

GBI uses duration, gap and sensitivity analyses for the quantification of interest rate risk. Sensitivity analyses are based on both economic value and earnings perspectives. Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation approach and user defined yield curve twist scenarios. The outcomes of these analyses are discussed at ALCO and are used effectively in decision making processes for hedging and pricing. GBI has a low duration structure both in assets and liabilities and has a very limited duration gap. The Bank's sensitivity to interest rate shocks is limited. The net change in economic value of equity under regulatory interest rate shock scenario is closely monitored and lies considerably below the regulatory maximum of 20 percent.

LIQUIDITY RISK

GOVERNANCE

The main objective of GBI's liquidity risk policy is to maintain sufficient liquidity in order to ensure safe banking operations and a sound financial condition, in normal and stressed financial environments and a stable long term liquidity profile. To meet this objective, GBI performed an extensive Internal Liquidity Adequacy Assessment Process (ILAAP) in 2013 where all qualitative and quantitative aspects of liquidity risk management at the Bank were reviewed against regulatory requirements and the best market practices. An ILAAP Framework was established, which compiled the existing governance of liquidity risk, and formalized the liquidity risk appetite. The Framework was approved by the RCSB, which bears the overall responsibility at the Board level for monitoring Bank's compliance with the risk appetite and ensuring that effective risk management is conducted by the Bank.

The ILAAP Framework also laid out the Bank's funding strategy, which is determined in line with the risk appetite. The strategy is reviewed through the budget process while setting the funding plan, another component of the annual ILAAP. The Supervisory Board then monitors whether the Bank remains in line with the strategy and the plan.

At the bank level, ALCO monitors liquidity risk, implements the appropriate policies defined by the ILAAP Framework, makes pricing decisions through the Internal Transfer Pricing (ITP) process and directs the Bank's overall liquidity strategy. In case of a liquidity squeeze or an emergency situation, GBI has a detailed contingency funding plan, as part of her Recovery Plan, in place to enable the Bank to govern the crisis management.

GBI AIMS FOR A WELL-DIVERSIFIED FUNDING MIX IN TERMS OF INSTRUMENT TYPES, FUND PROVIDERS, GEOGRAPHIC MARKETS AND CURRENCIES.

ALCO has delegated day-to-day liquidity management to the Treasury Department, which is responsible for managing the overall liquidity risk position of the Bank, and the intraday liquidity as per the principles of intraday liquidity management, established in the ILAAP Framework. The Treasury Department manages all cash flows along with expected changes in business related funding requirements. The Treasury Operations Department performs the role of collateral management and executes the settlements of all transactions.

RMD performs the liquidity risk assessment and analyses, develops the required methodologies and conducts regular stress tests to ensure the Bank operates with sufficient liquidity. RMD also reports comprehensively on liquidity risk directly to ALCO, Supervisory Board and the RCSB.

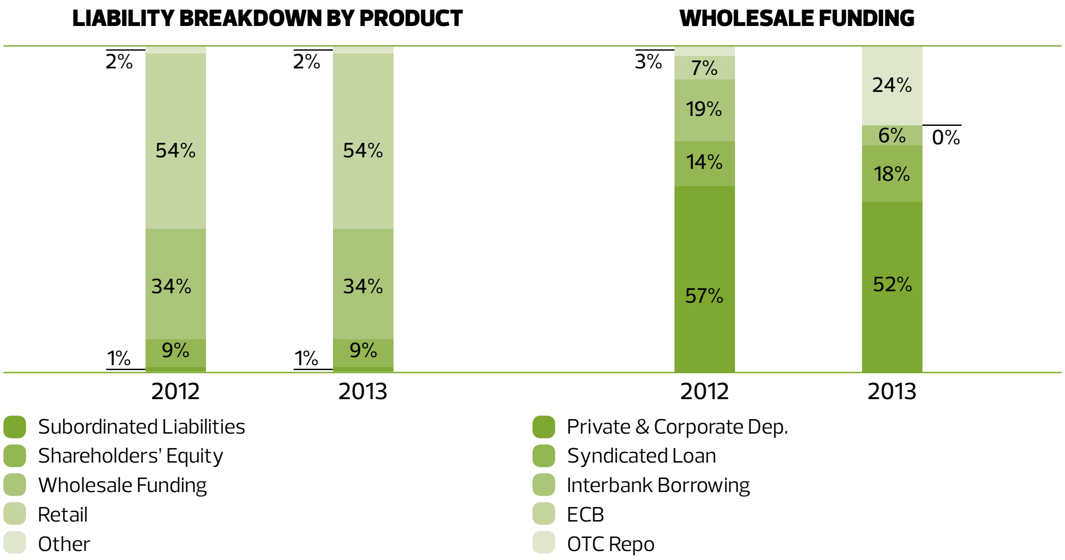
APPROACH

GBI aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up. The non-financial counterparties, with which the Bank has established long lasting relationships through offering various financial services, constitute the major part of the wholesale funding. Behavioural analyses of retail deposits held at the Bank show low mortality ratios, even during times of stress in the financial industry, and indicate the resilience of this funding base. Similarly deposits of non-financial counterparties exhibit a high proportion of wholesale funds, which are held at the Bank over long periods of time and contribute to the stability of the Bank's unsecured funding.

The Bank also makes use of secured funding sources from time to time in order to increase the diversity of resources. The Bank primarily aims for a stable funding profile and conducts business activities that are characterised by short term lending, rather than assuming short term mismatches. This strategy enables the quick accumulation of a liquidity buffer in stressed financial environments, and the equally efficient build-up of short term assets once the stress is past. The Bank also places its excess liquidity to central banks or governments in Europe and to a very limited number of selected creditworthy counterparties.

Compliance with regulatory requirements related to liquidity risk is an integral part of the liquidity risk management of GBI. As such, the Bank ensures that it is in line with all regulations in place in its jurisdiction, and compliance with future regulations is part of its ongoing strategy and planning. In this context, the Bank monitors and reports the DNB Liquidity Stress Test as per the Supervisory Regulation on Liquidity (Regeling liquiditeit Wft), as well as the liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as per Basel III and its implementation in the incumbent Capital Requirements Regulation (CRR).

GBI FREQUENTLY MONITORS LIQUIDITY RISK THROUGH VARIOUS REPORTS INCLUDING CONTRACTUAL MATURITY GAP ANALYSES, SUPPLEMENTED BY STRESS TESTS DESIGNED BASED ON DIFFERENT SCENARIOS.



GBI frequently monitors liquidity risk through various reports including contractual maturity gap analyses, supplemented by stress tests designed based on different scenarios. These analyses allow the Bank to assess the impacts of diverse shocks on its liquidity position. Shock factors are based on bank-specific or market-specific liquidity squeezes. Shocks are applied to all on- and off-balance sheet items including the derivatives in order to estimate the cash flows under different stress scenarios. Guidelines set by the Basel Committee on Banking Supervision (BCBS) on the management of liquidity risk have already been incorporated within the scope of the liquidity stress testing framework. By using the regulatory and internally developed stress tests, the Bank aims to hold a sufficient liquidity buffer in order to meet any sudden liquidity needs in times of stress. GBI's buffer is composed of high quality liquid assets including cash held at central banks and creditworthy financial counterparties, as well as freely available central bank eligible or investment grade marketable securities.

As a result of the 2013 ILAAP, GBI concluded that the Bank's liquidity risk management adequately meets its abovementioned policy objective. The qualitative aspects of liquidity risk management were aligned with relevant best practices, and the quantitative coverage of liquidity risk was ensured with various early warning indicators, stress tests and limits. The Bank is committed to reviewing the ILAAP at least annually, in light of structural changes in the Bank's liquidity profile and further developments in the regulatory landscape.

RISK MANAGEMENT

GBI IS MAINLY INVOLVED IN LOW DEFAULT PORTFOLIOS SUCH AS SOVEREIGNS, BANKS, LARGE CORPORATE COMPANIES AND TRADE FINANCE ACTIVITIES.

CREDIT RISK

GOVERNANCE

The Credit Committee at GBI is responsible for the control of all the credit and concentration risks arising from the banking book and the trading book in line with the risk appetite of the Bank. GBI is mainly involved in low default portfolios such as sovereigns, banks, large corporate companies and trade finance activities. A primary element of the credit approval process is a detailed credit risk assessment of every exposure associated with an obligor. This assessment considers both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure. The business lines, the Corporate Credit Department and the Credit FI&Sovereign Department perform credit assessments for all exposures.

The Credit Committee assigns the exposure limit based on these assessments together with the internal rating of the customer.

RMD is responsible for developing and maintaining all models related to credit risk measurement, as well as monitoring the portfolio credit risk through the regulatory capital and economic capital models. RMD reports on its activities to the RMC and the Supervisory Board on a continuous basis.

APPROACH

Being a Foundation Internal Rating Based (F-IRB) Bank for calculating the required regulatory capital, GBI uses a series of credit-risk measurement models. The Bank has dedicated internal rating models for all asset classes for evaluating the creditworthiness of each individual counterparty. The rating models are integrated in the credit granting and monitoring processes. These models are reviewed internally and validated by a third party on an annual basis. The granular 22-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults, is used for all internal ratings and thus enables the Bank to make comparisons between obligors in different asset classes.

In addition to capturing quantitative and qualitative factors related to obligors, the internal rating models also take into account all elements of country risk, including transfer and convertibility risk, at various levels. Firstly, the inherent risk of the countries in which GBI operates is taken into account through the calibration of the rating models. Secondly, systemic risk factors are taken into account by using separate country factors within the rating models. Finally, the rating of the counterparty is capped according to the rating of the sovereign of the counterparty's country.

GBI FOLLOWS THE FINANCIAL INSTITUTIONS RISK ANALYSIS METHOD (FIRM) FOR ITS OPERATIONAL RISK.

As part of its Internal Capital Adequacy Assessment Process (ICAAP), GBI makes use of internal economic capital models in order to assess the adequacy of the regulatory capital, which is calculated using the internal ratings, as well as to determine the additional capital requirement for concentration risk. The economic capital model quantifies concentration risk based on concentrations in single name obligors, countries and industries. To ensure a robust credit risk management approach, the Bank also applies stress tests. This enables the assessment of the adequacy of the current capital buffer under severe conditions. The Capital Planning process in ICAAP also incorporates a stress scenario in addition to the baseline scenario to project the development of capital adequacy over the medium term. All modelling and risk drivers of credit risk management are reviewed periodically and refined if necessary depending on the changes in the economic environment and business structure of the Bank.

OPERATIONAL RISK

GOVERNANCE

The Bank has embedded the 3 Lines of Defence model in its day-to-day activities, with the first line being the business as the experts in their field, controlling functions (ICU, Credit Division, Information Security Department, Legal and Compliance Department) as the second line responsible for creating and implementing the relevant monitoring tools, in addition to challenging and advising the business, and finally IAD acting as the third line by performing independent audits throughout the year. The operational risk framework of GBI is based on the principle that the senior management, in addition to the Managing Board and Supervisory Board, is actively involved in risk management, and that the risk management system is independent, sound and implemented with integrity.

APPROACH

GBI uses policies and procedures to set the rules, and event management to collect data on events that are not in compliance with these rules. The Bank's internal control framework consists of daily controls performed by business lines and by control functions, to ensure that the activities of the Bank are in compliance with the internal policies and that corrections are done in a timely manner on a consolidated basis. Findings of ICU are presented to ALCO, RMC and RCSB periodically.

GBI follows the Financial Institutions Risk Analysis Method (FIRM) for its operational risk. FIRM questionnaires are also used during the ICAAP via a simple scoring methodology. The answers to the questions are translated into scores in a similar manner to that explained in the FIRM manual. The score outcomes are reviewed in order to make the necessary decisions (if any) to take mitigating action and/or allocate additional capital.

GBI IS COMMITTED TO SAFEGUARDING ITS REPUTATION AS A RELIABLE, PROFESSIONAL AND TRUSTWORTHY PROVIDER OF FINANCIAL SERVICES.

IT risk assessments are performed by an independent external party based on the international Control Objectives for Information and Related Technology (COBIT) and national FIRM standards. The implementation of an Information Security Management System in accordance with internationally recognized standards (ISO 27001) was a key objective in 2013 to demonstrate our commitment to Information Security. This involved the systematic examination of the Bank's information security risks; the identification of threats and vulnerabilities to our information assets and assessment of associated risk exposures to these assets; the implementation of a comprehensive suite of security controls to reduce or mitigate identified information security risks; conducting information security awareness training for all employees; the establishment of information security and information technology policies to manage potential exposures and a robust management process to ensure controls continue to meet the Bank's information security needs; and lastly, centralizing, standardizing and automating identity management services to reduce risk, cost and improve operational efficiency.

LEGAL, INTEGRITY AND REPUTATIONAL RISK

GBI is committed to safeguarding its reputation as a reliable, professional and trustworthy provider of financial services. Integrity is a core value of GBI, which is embedded in the Bank's organization and implemented through a number of policies and procedures which cultivate a proper understanding of and effective compliance with internal and external legal and regulatory requirements and standard practices. All legal issues are handled by the Legal and Compliance Department. For each line of business, the Bank has established standardized legal documentation and procedures to ensure that GBI's rights and obligations are clearly documented and legally enforceable.

OTHER RISKS

GBI has limited or no exposure to residual risk, pension risk, settlement risk, underwriting risk and securitization risk. These risks are monitored in regular audit activities and assessments within the scope of ICAAP. Strategic risk is taken into account in the capital planning process in order to account for the possible increase in the capital or liquidity requirement based on the business and funding models that are pursued by the Bank.

CAPITAL MANAGEMENT

As a demonstration of the importance GBI places on measuring and managing both regulatory capital and economic capital, the Bank uses several models that are advanced market practices. Indeed, GBI is one of the few banks in the Netherlands that uses the F-IRB approach for calculating regulatory capital, having

GBI HAS TAKEN PART IN BASEL III MONITORING EXERCISES SINCE 2011, SUPERVISED BY DNB AND THE BASEL COMMITTEE, AND THE BANK HAS PREPARED A MIGRATION PLAN TO OUTLINE THE PROJECTED TRANSITION TOWARDS BASEL III.

received the approval from DNB as of 1 January 2008. The Bank uses the Standardized Measurement Approach for market risk and the Basic Indicator Approach for operational risk. Concentration risk, interest rate risk and other Pillar II risks are also taken into account in the regulatory capital calculation within the context of ICAAP.

In terms of capital management, Risk-Based Performance Measurement is an important element in evaluating the risk and the capital allocated to each business unit. Return on Risk Adjusted Capital (RORAC) is used as a uniform measure for monitoring the economic value added based on the pre-set risk appetite. RORAC figures are monitored on a regular basis in order to optimise capital allocation.

BASEL III/CRR – CRD IV

GBI has taken part in Basel III Monitoring Exercises since 2011, supervised by DNB and the Basel Committee, and the Bank has prepared a migration plan to outline the projected transition towards Basel III.

The results of the monitoring exercises indicate that GBI is well-placed for the regulatory changes, as the Bank already meets the capital (minimum Core Equity Tier 1, Tier 1, Total Capital and Leverage ratios) and liquidity (minimum LCR and NSFR) requirements. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is limited for GBI since the Bank has a high common equity component and no hybrid capital products. GBI comfortably meets the leverage ratio requirement, as determined in the monitoring exercises. Finally, the Bank maintains a high liquidity buffer and, given its strong retail funding base, the Bank expects to continue meeting both liquidity requirements.

In this context, the Bank has also prepared for the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV), to be effective in the European Union as of 1st January 2014. GBI is positioned to be fully in line with the applicable capital and liquidity requirements under CRD IV and CRR, as for the Basel III requirements. Related new reporting requirements are being incorporated into the Bank's information systems to meet the first reporting dates in 2014.

More information on the risk management practices at GBI and the risk profile of the Bank can be found in the 'Report on Capital Adequacy and Risk Management', which is published on GBI's website.

Amsterdam, 27 March 2014
Managing Board:
Mr. B. Ateş
Mr. M.P. Padberg

PRUDENCE

WE PURSUE COMMERCIAL INTERESTS WITH HIGH ACCOUNTABILITY, UTMOST CARE OF OUR CLIENTS AND STRONG RISK MANAGEMENT.

FINANCIAL STATEMENTS

CONTENTS

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

FURTHER DISCLOSURES

BALANCE SHEET AS AT 31 DECEMBER 2013

(before profit appropriation)

		2013		2012*	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Assets					
Cash	*4*		**488,696**		539,754
Banks	*5*		**912,734**		919,449
Loans and advances	*6*		**2,313,097**		2,325,995
Interest-bearing securities	*7*		**707,418**		643,436
Participating interests	*8*		**250**		250
Property and equipment	*9*		**22,914**		19,910
Other assets	*10*		**8,897**		9,925
Prepayments and accrued income	*11*		**211,911**		116,550
Total assets			**4,665,917**		4,575,269
Liabilities					
Banks	*12*		**737,262**		654,056
Funds entrusted	*13*		**3,303,065**		3,360,469
Other liabilities	*14*		**6,060**		7,888
Accruals and deferred income	*15*		**100,416**		91,500
Provisions	*16*		**189**		910
			4,146,992		4,114,823
Subordinated liabilities	*17*		**30,000**		30,000
Paid-in and called-up capital		**136,836**		136,836	
Other reserves		**293,610**		239,360	
Net profit		**58,479**		54,250	
Shareholders' equity	*18*		**488,925**		430,446
Total liabilities and shareholders' equity			**4,665,917**		4,575,269
Off-balance sheet liabilities	*19*		**385,014**		473,903

* Adjusted for reasons of comparison

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2013

		2013		2012*	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income	*20*	**188,725**		209,696	
Interest expense	*21*	**110,092**		143,113	
Net interest			**78,633**		66,583
Commission income	*22*	**44,288**		46,794	
Commission expense	*23*	**2,314**		1,970	
Net commission	*24*		**41,974**		44,824
Result on financial transactions	*25*		**8,685**		9,863
Total income			**129,292**		121,270
Administrative expenses:	*27*				
– Staff costs		**28,040**		27,692	
– Other administrative expenses		**8,372**		9,046	
			36,412		36,738
Depreciation	*28*		**1,325**		1,424
Value adjustments to tangible fixed assets	*29*		**–**		1,766
Value adjustments to receivables	*30*		**15,364**		9,252
Total expenses			**53,101**		49,180
Operating result before tax			**76,191**		72,090
Tax on result on ordinary activities	*31*		**17,712**		17,840
Net result after tax			**58,479**		54,250

* Adjusted for reasons of comparison

CASH FLOW STATEMENT FOR THE YEAR 2013

	2013 EUR 1,000	2012* EUR 1,000
Net cash flow from operational activities		
Net profit	**58,479**	54,250
Adjustments for depreciation	**1,325**	1,424
Adjustments for value adjustments to tangible fixed assets	**–**	1,766
Adjustments for value adjustments to receivables	**15,426**	9,375
Adjustments for exchange rate differences on investment portfolio	**6,196**	8,566
Adjustments for amortization of premiums and discounts on investment portfolio	**115**	984
Adjustments for provisions relating to deferred tax	**(721)**	101
Net cash flow from operating profit	**80,820**	76,466
Changes in:		
– Due from banks, excluding due from banks demand and value adjustments to receivables	**(70,254)**	(2,839)
– Loans and advances, excluding value adjustments to receivables	**(2,528)**	(481,145)
– Trading portfolio	**457**	(457)
– Other securities portfolio	**(573,567)**	5,686
– Other assets	**1,028**	1,796
– Prepayments and accrued income	**(95,361)**	17,587
– Due to banks, excluding due to banks on demand	**208,259**	(252,520)
– Funds entrusted	**(57,404)**	602,762
– Other liabilities	**(1,828)**	(966)
– Accruals and deferred income	**8,916**	(129,458)
	(501,462)	(163,088)
Net cash flow from investment activities		
Investments in:		
– Property and equipment	**(4,329)**	(1,376)
– Investment portfolio, excluding value adjustments to receivables	**–**	(469,984)
Divestments in:		
– Investment portfolio due to sales, excluding value adjustments to receivables	**460,592**	397,876
– Investment portfolio due to redemptions, excluding value adjustments to receivables	**42,225**	41,822
	498,488	(31,662)
Net cash flow from financing activities		
Subordinated liabilities	**–**	(3,121)
Net cash flow	**(2,974)**	(197,871)

CASH FLOW STATEMENT FOR THE YEAR 2013

	2013	2012*
	EUR 1,000	EUR 1,000
Cash and cash equivalents as at 1 January	**514,206**	712,077
Cash and cash equivalents as at 31 December	**511,232**	514,206
Net cash flow	**(2,974)**	(197,871)

Specification of cash and cash equivalents as at 31 December

	2013	2012
	EUR 1,000	EUR 1,000
Cash	**488,696**	539,754
Due to/from banks on demand	**22,536**	(25,548)
	511,232	514,206

* Adjusted for reasons of comparison

NOTES TO THE 2013 FINANCIAL STATEMENTS

1 Overview of GarantiBank International N.V.

General

GarantiBank International N.V. (hereafter: 'GBI or 'the Bank') has its statutory seat in Amsterdam, The Netherlands.

The financial information of GBI is included in the financial statements of Türkiye Garanti Bankasi A.Ş., incorporated in Turkey. GBI works in close cooperation with its 100 percent shareholder Türkiye Garanti Bankasi A.Ş.

GBI is mainly active in international trade finance and corporate lending, as well as in retail banking, treasury and private banking.

Basis of presentation

The financial statements are compiled in conformity with the provisions governing the financial statements as included in Part 9, Book 2 of the Netherlands Civil Code, as well as the Guidelines of the Council for Annual Reporting (Raad voor de Jaarverslaggeving - RJ), including the specific guidelines for Banks included in RJ 600 and the formats prescribed for the balance sheet and profit and loss account of banks under the Financial Statements Formats Decree.

All amounts are stated in thousands of euros, unless otherwise indicated.

Going concern

These financial statements have been prepared on the basis of the going concern assumption.

Principles for consolidation

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which GBI has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if GBI has control in any other manner. Subsidiaries are fully consolidated from the date on which control is transferred to GBI. They are de-consolidated from the date control ceases.

For the year 2013 there were no subsidiaries that meet the abovementioned requirements for consolidation. The participating interests are not consolidated, but are included at their net asset value because they are not material to the balance sheet and profit and loss account of the Bank.

2 Changes in accounting policies

The accounting policies applied in these financial statements are consistent with those used for the 2012 financial statements except for the following change in accounting policies:

Interest-bearing securities

As of 1 January 2012, the Dutch Financial Reporting Standard governing the accounting for financial instruments (RJ 290) changed, with regards to the measurement of interest bearing financial instruments. As of this date, RJ 290 provides the option to value interest-bearing securities that are not part of the Investment portfolio or the Trading portfolio at amortized cost. Following this change in the Financial Reporting Standards, management of GBI decided to change the measurement of its Other securities portfolio (previously referred to as the available-for-sale portfolio) from fair value to amortised cost, starting from 1 January 2013 onwards.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Until 31 December 2012 GBI recorded its Other securities portfolio at fair value, with fair value changes recorded in the revaluation reserve, whereas any decrease in fair value below amortised cost was charged to the profit and loss account. The aforementioned change in accounting policies therefore makes GBI's profit and loss account and equity less volatile with respect to fair value movements of its Other securities portfolio.

As a result of this accounting policies change, the 2012 comparative figures have been adjusted as follows: shareholders' equity as of 1 January 2012 increased by EUR 315 thousand and net profit of 2012 decreased by EUR 315 thousand. Because all securities included the Other securities portfolio as of 1 January 2012 were sold during 2012, there was no impact on shareholders' equity as of 31 December 2012.

3 Significant accounting policies

General

Assets and liabilities are stated at nominal value, unless otherwise stated below.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

The figures for 2012 have been reclassified to conform to current year's presentation. An amount of EUR 8,408 thousand relating to unamortized premiums/discounts on interest-bearing securities in the Investment portfolio have been reclassified from prepayments and accrued income to interest-bearing securities.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Foreign currencies

Assets and liabilities denominated in foreign currencies are converted at the spot rate as at balance sheet date.

Foreign exchange rate differences are recorded in the profit and loss account as 'Result on financial transactions', with the exception of exchange differences resulting from the conversion of capital investments in participating interests and related hedging transactions. These are accounted for in shareholders' equity together with the results from related hedging instruments, after allowing for taxation.

Transactions and the resulting income and expenses denominated in foreign currencies are converted at the exchange rate applicable on transaction date. The resulting exchange rate effects are accounted for as 'Result on financial transactions' in the profit and loss account.

Results from participating interests denominated in foreign currencies are translated at the rates prevailing at the end of the month in which the results are realized. The difference resulting from the translation at the rates prevailing at the end of months instead of the rate at balance sheet date is accounted for in shareholders' equity.

Financial instruments

Financial instruments include investments in loans and other financing commitments, shares and bonds, other receivables, cash items and other payables. These financial statements contain the following financial instruments: loans and advances to banks/customers, interest-bearing securities, financial instruments held for trading (financial assets and liabilities), equity instruments, receivables, payables, other financial liabilities and derivatives.

Financial instruments are initially recognized at fair value. The basis for subsequent measurement of the various types of financial instruments is included in the following paragraphs.

Loans and advances to banks/customers

Loans and advances to banks/customers are valued at amortized cost, after deduction of specific provisions for doubtful debts.

The additions to or releases from the specific provisions for doubtful debts are recognized in 'Value adjustments to receivables' in the profit and loss account.

Results from the sale of loans and advances to banks/customers are recorded in the profit and loss account as 'Result on financial transactions'.

Investment-, Trading- and Other securities portfolio

The Investment portfolio included in the financial statement caption 'Interest-bearing securities' comprises all investments, which are intended to be held on a permanent basis or to maturity.

The Trading portfolio included in the financial statement caption 'Interest-bearing securities' and 'Shares' consists of investments which are intended to be used to gain transaction results on a short-term basis.

The Other securities portfolio included in the financial statement caption 'Interest-bearing securities' and 'Shares' comprises all investments which are neither intended to be held on a permanent basis or to maturity, nor intended to be used to gain transaction results on a short-term basis.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Interest-bearing securities belonging to the Investment portfolio are measured at amortized cost. The difference between redemption value and acquisition price is deferred and is amortized over the remaining life of the relevant securities.

Interest-bearing securities included in the Trading portfolio are recorded at fair value. Profits or losses from revaluation or trading of these securities are taken to the profit and loss account as 'Result on financial transactions'.

Interest-bearing securities belonging to the Other securities portfolio are measured at amortized cost. The difference between redemption value and acquisition price is deferred and is amortized over the remaining life of the relevant securities.

Derivatives

Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices.

Foreign exchange contracts

For derivative contracts concluded to mitigate currency risk GBI applies costprice hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own currency positions are recognized in accordance with the accounting principles applicable to these positions, i.e. derivatives are measured at spot rate. The forward points on currency swaps are amortized to the profit and loss account on a linear basis over the duration of the currency derivative. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account using the lower of cost or fair value when valuing the derivative.

Currency contracts not concluded to mitigate currency risk are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

Interest rate contracts

For derivative contracts concluded to mitigate interest rate risk GBI applies cost price hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own interest rate exposure are recorded at cost and the accrued interest on these instruments are recognized under 'Interest income' and/or 'Interest expense'. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account using the lower of cost or fair value when valuing the derivative.

Interest rate contracts not concluded to mitigate interest rate risk are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

Other contracts

Other derivatives are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loans and advances to banks/customers, investment securities and other securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances to banks/customers, investment securities or other securities. Interest on the impaired asset continues to be recognised, unless the collection of the interest is doubtful. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial fixed assets

Participating interests

Participating interests refer to the investments in financial assets with which GBI has a long-lasting relationship for the benefit of her own activities.

Participating interests in which GBI has a significant influence on the commercial and financial policy are not consolidated, but included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

Property and equipment

The accounting principles for tangible fixed assets are as follows:

Land and buildings

Premises are recorded at fair value. Changes in fair value are accounted for in the revaluation reserve, taking into account deferred tax liabilities. The fair value is determined periodically by an independent external party.

If the fair value is lower than the cost price, the difference is taken to the profit and loss account under the item value adjustments to tangible fixed assets. Properties not in use and land are not depreciated.

Depreciation periods applied are as follows:

- Properties : 50 years.
- Improvement of properties : 50 years.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Other fixed assets

These are stated at acquisition price less straight-line depreciation on the basis of estimated economic useful lives.

Depreciation periods applied are as follows:

- Renovation of properties	10 to 15 years.
- Furniture and equipment	5 to 10 years.
- Intangibles	2 to 10 years.

Intangibles include development costs, which are capitalised insofar as incurred in respect of potentially profitable projects and are stated at cost. These costs mainly comprise the cost of direct labour; upon termination of the development phase, the capitalised costs are written down over their expected useful life. Depreciation takes place on a straight-line basis.

Disposal of fixed assets

Fixed assets available for sale are stated at the lower of their carrying amount and net realisable value.

Provisions

General

Provisions are carried on the balance sheet to cover obligations and losses at the balance sheet date for which the amounts are uncertain as at the balance sheet date but which can be reliably estimated and for which cash outflow is likely.

Deferred tax

Deferred tax is recorded using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets are accounted for only if it is probable that they will be realized.

Income

All income items are attributed to the period in which they arise or in which the service was provided.

Interest income and interest expenses are recognized in the year to which they relate. Accrued interest on derivative instruments used to hedge GBI's own positions, is recognized in 'Interest income' and/or 'Interest expense'. Commission income and commission expense are recognized in the year to which they relate.

Interest and commission income from impaired financial assets are not stated as income if the collection of the interest and commission is doubtful.

Positive results on the sale of interest-bearing securities belonging to the Investment portfolio or Other securities portfolio are directly recognized in interest income. If, on balance, losses on the sale of interest-bearing securities belonging to the Investment portfolio or Other securities portfolio would arise, the surplus losses are charged directly to 'Interest expense'.

Operating expenses

Expenses are allocated to the period in which they arise.

NOTES TO THE 2013 FINANCIAL STATEMENTS

Corporate income tax

In determining the effective tax rate, all permanent and timing differences between pre-tax profit and the taxable amount in accordance with tax legislation, are taken into account.

Income tax in the profit and loss account for the year comprises of current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Cash flow statement

The cash flow statement details the source of cash and cash equivalents which became available during the year and the use of the funds over the course of the year. The cash flow statement has been prepared using the indirect method. The cash flows are classified into cash flows from operational activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks.

Movements in loans, total customer accounts and interbank deposits are included in the cash flow from operational activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests and property & equipment. The issuance of shares and the borrowing and repayment of long-term funds are treated as financing activities.

The cash flow statement has been drawn up using the same accounting principles as applied to the balance sheet and profit and loss account.

Determination of fair value

A number of accounting policies and disclosures in the financial statements require the determination of fair value for financial assets and liabilities. For measurement and disclosure purposes, fair value is determined on the basis of the following methods.

Financial assets

The fair value of listed financial assets is determined on the basis of the listed market price as at the balance sheet date. For financial assets which are not listed, but for which a liquid market exists, observable market prices are used. For financial assets where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculations. Valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Derivatives

The fair value of derivatives is determined on the basis of generally accepted valuation models such as discounted cash flow calculations or option pricing models. Valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
4 Cash	**488,696**	539,754

This item includes all legal tender, as well as demand deposits held at the central bank and retail clearing services in countries in which GBI's head office and its branch are located.

	2013	2012
5 Banks	**912,734**	919,449

This item comprises all loans and advances to banks falling under regulatory supervision and insofar as not embodied in the form of debt securities (including fixed-income securities). This item also includes money market placements to financial institutions that have been pledged as collateral (see note 32).

There are no provisions related to this item.

	2013	2012
6 Loans and advances	**2,313,097**	2,325,995

These include all loans and advances, excluding those to banks and those embodied in debt securities (including fixed-income securities).

This amount is shown net of provisions amounting to EUR 45.3 million (2012: EUR 31.5 million).

The changes in the provisions were as follows:

	2013	2012
Position as at 1 January	**31,542**	25,544
Additions	**20,809**	10,785
Write-offs	**(437)**	(2,659)
Releases	**(5,383)**	(1,410)
Exchange rate differences	**(1,199)**	(718)
Position as at 31 December	**45,332**	31,542

	2013	2012
7 Interest-bearing securities	**707,418**	643,436

Included under this item are debt securities with a fixed or floating interest rate.

The breakdown by issuer is as follows:

	2013	2012
Issued by public bodies and national governments	**188,680**	169,177
Issued by others	**518,738**	474,259
	707,418	643,436

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012

Of the interest-bearing securities held as at 31 December 2013 EUR 35.3 million will mature in 2014, EUR 6.0 million is unlisted (31 December 2012: EUR 14.1 million), EUR 14.3 million has been issued by a group company (31 December 2012: EUR 10.4 million).

This item includes interest-bearing securities that have been pledged as collateral (see note 32).

The breakdown by portfolio is as follows:	**2013**	2012
– Investment portfolio	**133,851**	642,979
– Trading portfolio	**–**	457
– Other securities portfolio	**573,567**	–
	707,418	643,436

The changes in the Investment portfolio are as follows:

	2013	2012
Balance sheet value as at 1 January	**642,979**	622,242
Purchases	**–**	469,984
Sales	**(460,740)**	(397,876)
Redemptions	**(42,075)**	(41,821)
Amortized premiums and discounts	**(115)**	(984)
Exchange rate differences	**(6,198)**	(8,566)
Balance sheet value as at 31 December	**133,851**	642,979

As at 31 December 2013 the purchase price of the Investment portfolio was EUR 1.7 million above the redemption value (31 December 2012: EUR 9.8 million).
As at 31 December 2013 the difference between the redemption value and the market value of the interest-bearing securities in the Investment portfolio amounts to EUR 5.4 million negative (31 December 2012: EUR 44.7 million positive).

The changes in the Other securities portfolio are as follows:

	2013	2012
Balance sheet value as at 1 January	**–**	5,686
Purchases	**767,682**	–
Sales	**(147,651)**	(5,684)
Redemptions	**(30,412)**	–
Amortized premiums and discounts	**(1,274)**	1
Exchange rate differences	**(14,778)**	(3)
Balance sheet value as at 31 December	**573,567**	–

NOTES TO THE 2013 FINANCIAL STATEMENTS

		2013	2012

As at 31 December the purchase price of the Other securities portfolio was EUR 12.0 million above the redemption value (31 December 2012: nil).
As at 31 December 2013 the difference between the redemption value and the market value of the interest-bearing securities in the Other securities portfolio amounts to EUR 13.6 million negative (31 December 2012: nil).

	2013	2012
8 Participating interests	**250**	250

This item comprises the following equity participations:
- 100 percent Golden Clover Stichting Custody, Amsterdam, a custodian company.
- 100 percent United Custodian, Amsterdam, a custodian company.
- 100 percent Stichting Safekeeping, Amsterdam, the owner of the shares of Safekeeping Custody Company B.V., a custodian company.

The sole objective of the custodian companies is to hold, for the benefit of customers of GBI, rights with respect to securities, and to execute agreements and perform or bring about the performance of all other acts conducive to the foregoing. Securities kept in custody amount to EUR 319.2 million as at 31 December 2013 (31 December 2012: EUR 147.5 million).

	2013	2012
9 Property and equipment	**22,914**	19,910

The changes in this balance sheet item are as follows:

	Land and buildings	**Other fixed assets**	**Total**
Balance sheet value as at 1 January 2013	**16,941**	**2,969**	**19,910**
Investments	**115**	**4,214**	**4,329**
Depreciation	**(359)**	**(966)**	**(1,325)**
Balance sheet value as at 31 December 2013	**16,697**	**6,217**	**22,914**
Accumulated depreciation	**4,049**	**4,675**	**8,723**

The building where the Bank's Head Office is located was appraised in November 2013.

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
10 Other assets	**8,897**	9,925

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet asset item. This concerns, for example, balances of payment transactions still to be settled.

As at 31 December 2013 it primarily consists of a receivable of EUR 8.6 million (31 December 2012: EUR 9.8 million) with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank. This receivable is recorded at its notional amount and netted with the provision of EUR 2.2 million (31 December 2012: EUR 2.9 million) for the amount not expected to be recovered.

11 Prepayments and accrued income	**211,911**	116,550

As at 31 December 2013 this item includes prepaid expenses, as well as accrued income, such as accrued interest and commission amounting to EUR 23.0 million (31 December 2012: EUR 37.8 million). It also includes the valuation of derivative contracts amounting to EUR 189.7 million (31 December 2012: EUR 76.2 million).

12 Banks	**737,262**	654,056

This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates. As at 31 December 2013 this includes a syndicated loan amounting to EUR 277.1 million (31 December 2012: EUR 220.0 million) and repurchase agreements amounting to EUR 362.9 million (31 December 2012: EUR 150.7 million) (see note 32).

13 Funds entrusted	**3,303,065**	3,360,469

Included under this item are all non-subordinated debts, insofar as these are not amounts owed to banks or embodied in debt certificates.

This item can be specified as follows:

- Savings accounts	**2,594,943**	2,610,826
- Other funds entrusted	**708,122**	749,643
	3,303,065	3,360,469

As at 31 December 2013 the funds entrusted with a remaining maturity of more than one year amounted to EUR 500.8 million (31 December 2012: EUR 547.6 million) with an average interest rate of 3.17 percent (31 December 2012: 3.43 percent).

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
14 Other liabilities	**6,060**	7,888

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified under any other balance sheet liability item. As at 31 December 2013 it also includes the current tax position amounting to EUR 1.1 million (31 December 2012: EUR 4.3 million).

15 Accruals and deferred income	**100,416**	91,500

As at 31 December 2013 this item includes prepayments received in respect of profits attributable to subsequent periods and amounts still to be paid, such as accrued interest amounting to EUR 38.1 million (31 December 2012: EUR 52.9 million). It also includes valuation of derivative contracts amounting to EUR 50.4 million (31 December 2012: 18.0 million).

16 Provisions	**189**	910

This item relates to deferred tax liabilities. The changes were as follows:

Position as at 1 January	**910**	809
Releases	**(716)**	–
To/from current tax position	**(5)**	101
Position as at 31 December	**189**	910

Please see note 31 for further details.

17 Subordinated liabilities	**30,000**	30,000

As at 31 December 2013 this item contains a subordinated loan of EUR 30.0 million received from GBI's shareholder Türkiye Garanti Bankasi A.Ş. (31 December 2012: EUR 30.0 million). The subordinated loan is subordinate to the other current and future liabilities of GBI. It was granted in 2011 and has a yearly interest payment at a fixed rate of 5.95 percent. The original maturity of the loan is 10 years.

In the 2013 the interest expense in respect of the subordinated loan amounted to EUR 1.9 million (2012: EUR 1.9 million).

18 Shareholders' equity	**488,925**	430,446
Paid-in and called-up capital	**136,836**	136,836

The authorized share capital amounts to EUR 500 million and is subdivided into 500,000 shares with a nominal value of EUR 1,000 each, of which 136,836 shares have been issued and fully paid-in.

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
Other reserves	**293,610**	239,045
Position as at 1 January	**239,360**	185,423
Appropriation profit previous year	**54,250**	53,937
Position as at 31 December	**293,610**	239,360
Net profit	**58,479**	54,250
The changes in this item were as follows:		
Position as at 1 January	**54,250**	53,622
Change in accounting policies	**–**	315
Position after change in accounting policies	**54,250**	53,937
Profit appropriation	**(54,250)**	(53,937)
Result after tax	**58,479**	54,250
Position as at 31 December	**58,479**	54,250

19 Off-balance sheet liabilities

	2013	2012
19 Off-balance sheet liabilities	**385,014**	473,903

This includes all liabilities arising from transactions in which GBI has guaranteed the commitments of third parties.

	2013	2012
The off-balance sheet liabilities can be broken down into liabilities in respect of:		
– Guarantees	**41,077**	55,745
– Irrevocable letters of credit	**256,719**	312,559
– Other commitments	**87,218**	105,599
	385,014	473,903

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
20 Interest income	**188,725**	209,696

This includes income arising from the lending of funds and related transactions and the interest-related result of derivatives as well as commissions and other income, which have an interest characteristic.

This item comprises interest and similar income from:		
- banks	**28,654**	35,354
- loans and advances	**93,885**	125,966
- debt securities including fixed-income securities	**66,186**	48,376
	188,725	209,696

The increase in interest income from debt securities is due to the positive results on sales from the Investment and Other securities portfolio of EUR 37.6 million (2012: EUR 16.2 million).

21 Interest expense	**110,092**	143,113

This item includes the costs arising from the borrowing of funds and the interest-related result of derivatives as well as other charges, which have an interest characteristic.

22 Commission income	**44,288**	46,794

This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have an interest characteristic. This relates primarily to trade finance activities.

23 Commission expense	**2,314**	1,970

This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the characteristics of interest.

24 Net commission	**41,974**	44,824

Net commission comprises:		
- Trade finance	**32,237**	34,829
- Structured Finance	**7,733**	8,698
- Security brokerage	**1,656**	359
- Payment services	**766**	742
- Private banking services	**275**	187
- Other	**(693)**	9
	41,974	44,824

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
25 Result on financial transactions	**8,685**	9,863

This item covers unrealized and realized profits and losses belonging to the Trading portfolio and currency differences and price/rate differences arising from dealing in other financial instruments. The impact of ineffectiveness of hedging derivatives is EUR 169 thousand (2012: nil).

This item comprises:

	2013	2012
– Securities trading	**2,771**	1,406
– Foreign exchange dealing	**4,642**	5,802
– Forfaiting	**395**	211
– Other	**877**	2,444
	8,685	9,863*

* Breakdown adjusted for reasons of comparison

	2013	2012
26 Segmentation of income	**241,698**	266,353

The total of interest income, income from participating interests, commission income and result on financial transactions can be broken down into the following geographical areas based on customer domicile:

	2013	2012
– The Netherlands	**12,075**	13,290
– Turkey	**113,869**	136,916
– CIS countries	**33,356**	25,341
– Rest of Europe	**57,623**	56,171
– Rest of the world	**24,775**	34,635
	241,698	266,353*

* Breakdown adjusted for reasons of comparison

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
27 Staff costs and other administrative expenses	**36,412**	36,738
This includes:		
– Staff costs	**28,040**	27,692
– Other administrative expenses	**8,372**	9,046
	36,412	36,738

The staff costs comprise:

– Wages and salaries	**22,388**	21,322
– Pension costs	**2,979**	2,875
– Other social costs	**1,145**	1,998
– Other staff costs	**1,528**	1,497
	28,040	27,692

Pension plans have been established for the employees in the Netherlands and the majority of staff employed outside the Netherlands in accordance with the regulations and practices of the relevant countries. Third parties, mostly insurance companies, administer and execute these plans.

The nature and substance of the plans are decisive for their treatment in the financial statements. Contributions to the pension schemes are charged directly to the profit and loss account in the year to which they relate. A pension provision needs to be included in the balance sheet for pension premiums payable and possible additional obligations to the pension plan or employees outstanding as per the balance sheet date. As of the end of 2013, no premiums payable and possible additional obligations were outstanding.

The average number of full-time equivalent employees was 225 (2012: 218), which can be split as follows:

– Netherlands	**187**	181
– Other	**38**	37
	225	218

NOTES TO THE 2013 FINANCIAL STATEMENTS

Other administrative expenses include expenses related to services provided by KPMG Accountants N.V. (external auditor of GBI) and other members of the international KPMG network.

The breakdown, in which the expenses have been allocated to the relevant period, is as follows:

		2013			2012	
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
Audit of the financial statements	**210**	**32**	**242**	152	34	186
Audit related services	**156**	**10**	**166**	170	10	180
Fiscal advice	–	**35**	**35**	–	33	33
Other non-audit expenses	–	**9**	**9**	–	21	21
	366	**86**	**452**	322	98	420

	2013	2012
28 Depreciation	**1,325**	1,424

For a breakdown of this item, please see the overview of changes in property and equipment in note 9.

29 Value adjustments to tangible fixed assets	**–**	1,766
30 Value adjustments to receivables	**15,364**	9,252

This item relates to provisions for loans and advances to customers and can be broken down as follows:

– Additions	**20,809**	10,785
– Releases	**(5,383)**	(1,410)
– Repayments after write-off	**(62)**	(123)
	15,364	9,252

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
31 Tax on result on ordinary activities	**17,712**	17,840

The corporate income tax has been calculated using the nominal tax rate of 25 percent over the Dutch taxable income and the local applicable tax rate for taxable income in Germany (30 percent). The overall effective tax rate in 2013 was 23.2 percent (2012 24.8 percent).

Dutch tax rate	**25.0%**	25.0%
Effect of deviating tax rates in foreign jurisdictions	**–**	0.1%
Effect of release from current tax reservation previous year(s)	**(1.8%)**	(0.3%)
Effective tax rate on operating income	**23.2%**	24.8%

The 2013 taxes amounted to EUR 17,712 thousand (2012: EUR 17,840 thousand) including a release from the current tax liability amounting to EUR 1.4 million following the receipt of the final 2010 corporate tax assessment.

The deferred tax liabilities relate to tax liabilities that will arise in the future resulting from the difference between the book value of specific assets and liabilities and their valuation for tax purposes.

The sources of deferred tax liabilities can be specified as follows:

Foreign branches	–	716
Buildings	**189**	194
	189	910

NOTES TO THE 2013 FINANCIAL STATEMENTS

FURTHER DISCLOSURES

32 Pledged assets

EUR 425.9 million (31 December 2012: EUR 157.6 million) of 'Interest-bearing securities' and EUR 6.0 million (31 December 2012: nil) of the asset item 'Banks' has been pledged as collateral for EUR 362.9 million (31 December 2012: EUR 150.7 million) of funding included under the liability item 'Banks'. Furthermore EUR 11.6 million (31 December 2012: EUR 3.4 million) of placements included under 'Banks' has been pledged as collateral for derivative trades. These assets are consequently not freely available.

33 Risk management

33.1 Credit risk

Credit risk encompasses all forms of exposure where counterparties may default on their obligations to GBI in relation to lending, hedging, settlement and other financial activities.

Concentrations of credit risks, including country and industry risks, indicate the relative sensitivity of GBI's performance to developments affecting a particular geographical region or industry.

33.1.a Breakdown by geographical regions

The geographical breakdown of assets and off-balance sheet liabilities is based on customer domicile as follows:

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2013:				
– The Netherlands	**4,994**	**158,603**	**72,036**	**65,730**
– Turkey	**563,063**	**996,773**	**392,610**	**111,579**
– CIS countries	**171,931**	**136,447**	**152,367**	**3,300**
– Rest of Europe	**150,151**	**749,566**	**90,405**	**103,030**
– Rest of the world	**22,595**	**317,040**	**–**	**101,375**
	912,734	**2,358,429**	**707,418**	**385,014**
– Provisions	**–**	**(45,332)**	**–**	**–**
	912,734	**2,313,097**	**707,418**	**385,014**
As at 31 December 2012:				
– The Netherlands	5,042	132,248	43,615	86,397
– Turkey	590,316	1,261,683	293,937	119,679
– CIS countries	172,089	104,594	184,752	2,344
– Rest of Europe	127,736	538,980	120,562	132,479
– Rest of the world	24,266	320,032	570	133,004
	919,449	2,357,537	643,436 *	473,903
– Provisions	–	(31,542)	–	–
	919,449	2,325,995	643,436	473,903

* Breakdown adjusted for reasons of comparison

NOTES TO THE 2013 FINANCIAL STATEMENTS

33.1.b Breakdown by collateral

The loans and advances can be broken down by collateral as follows:

	2013	2012
Substitution collateral (bank guarantees)	**166,248**	50,824
Financial collateral (securities and cash)	**104,264**	254,628
Other collateral and unsecured*	**2,087,917**	2,052,085
	2,358,429	2,357,537
Provisions	**(45,332)**	(31,542)
	2,313,097	2,325,995

* Other collateral consists of co-debtorship, pledge on goods and receivables, mortgages, etc.

The collateral value of securities is calculated by applying the relevant currency, maturity and volatility haircuts to the fair value. The value of other collateral (bank guarantees, cash) is calculated by applying the relevant currency and maturity haircuts to the cost value.

33.1.c Breakdown by sector and industry

The loans and advances can be broken down by sector and industry as follows:

	2013	2012
Agriculture	**153,364**	167,942
Basic materials	**420,778**	438,868
Chemicals	**195,701**	198,918
Construction	**33,199**	103,135
Consumer products	**90,767**	58,349
Financial services	**599,139**	633,673
Food, beverages & tobacco	**91,861**	31,694
Leisure and tourism	**4,846**	8,137
Media	**–**	1,749
Oil & gas	**283,484**	196,662
Private individuals	**12,072**	10,449
Public sector	**–**	505
Retail	**16,226**	12,129
Services	**2,973**	4,701
Telecom	**112,193**	164,698
Transport & logistics	**243,368**	257,439
Utilities	**25,447**	23,305
Other	**73,011**	45,184
	2,358,429	2,357,537
Provisions	**(45,332)**	(31,542)
	2,313,097	2,325,995

NOTES TO THE 2013 FINANCIAL STATEMENTS

33.1.d Non-performing loans and NPL ratio

A loan is recognized as non-performing if there is objective evidence of impairment. This evidence could arise from, but is not limited to, the following events:

- It is probable that the borrower will enter bankruptcy or other financial reorganization.
- The debtor has payment defaults against third parties; customers, banks, employees, etc.
- The debtor has been in arrears for at least 90 days with regard to repayment of principal and/or interest.
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.
- A breach of contract, such as a default or delinquency in interest or principal payments
- Significant financial difficulty of the issuer or obligor.
- The disappearance of an active market for that financial asset because of financial difficulties.

The NPL ratio is calculated as follows:

	2013	2012
Banks	**912,734**	919,449
Loans and advances	**2,313,097**	2,325,995
Provisions	**45,332**	31,542
Gross loans	**3,271,163**	3,276,986
Non-performing loans (after deduction of financial collateral)	**85,899**	64,742
NPL ratio	**2.63%**	1.98%

33.1.e Derivatives

Derivatives are financial instruments taking the form of contracts whose value depends on one or more underlying assets, reference prices or indices. Examples of derivatives are forward exchange contracts, swaps, options and forward rate agreements. Transactions in derivatives are contracted by GBI to hedge interest rate risks and foreign exchange risks on GBI's own positions and to hedge positions following from derivatives transactions with clients. GBI applies cost price hedge accounting for its hedging derivatives. For the hedge relationships that were ineffective the negative impact was recognized in the profit and loss account under Result on financial transactions (see note 25).

Derivatives transactions with professional market participants are subject to the Credit Support Annex (CSA) of the International Swaps and Derivatives Association (ISDA) derivatives agreements. Therefore the Bank could be in a position to provide or require additional collateral as a result of fluctuations in the market value of derivatives. The amount of collateral provided under these agreements is disclosed under note 32 (Pledged assets). For derivatives transactions with clients the Bank is not obliged to provide collateral, but it is entitled to receive collateral from clients, hence there is no potential liquidity risk for the Bank.

The degree to which GBI is active in the respective markets or market segments is shown in the following analysis by means of notional amounts. However, the notional amounts give no indication of the size of the cash flows and the market risk or credit risk attached to derivatives transactions.

NOTES TO THE 2013 FINANCIAL STATEMENTS

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The positive replacement value is the loss that would arise if a counterparty were to default. However this exposure is to a large extent mitigated by the fact that collateral was received based on the CSA of the ISDA derivatives agreements. In calculating the positive replacement value shown in the following table, netting agreements have been taken into consideration.

		Notional amounts <= 1 year EUR 1,000	Notional amounts >1<= 5 years EUR 1,000	Total EUR 1,000	Positive replacement value EUR 1,000
As at 31 December 2013:					
Interest rate contracts					
OTC	Swaps	**126,018**	**314,784**	**440,802**	**844**
Currency contracts					
OTC	Swaps	**4,333,771**	**–**	**4,333,771**	**166,224**
	Forwards	**146,129**	**2,980**	**149,109**	**2,046**
	Options	**415,858**	**–**	**415,858**	**15,122**
Other contracts					
OTC	Swaps	**–**	**72,585**	**72,585**	**1,197**
	Options	**61**	**–**	**61**	**8**
		5,021,837	**390,349**	**5,412,186**	**185,441**
As at 31 December 2012:					
Interest rate contracts					
OTC	Swaps	106,109	221,267	327,376	–
Currency contracts					
OTC	Swaps	4,251,042	–	4,251,042	68,065
	Forwards	300,298	332	300,630	1,162
	Options	1,153,432	–	1,153,432	5,266
Other contracts					
OTC	Options	6,511	–	6,511	518
		5,817,392	221,599	6,038,991	75,011

In the capital adequacy calculations according to the Basel II Capital Accord, the Bank applies the Current Exposure Method to determine the unweighted credit equivalent of the derivatives by taking a percentage of the relevant notional amounts, depending on the nature and original term of the contract, in addition to the positive replacement values. The analysis below shows the resulting credit equivalent, which is then weighted for the counterparty risk (mainly banks).

NOTES TO THE 2013 FINANCIAL STATEMENTS

The figures include the impact of collateral on risk exposure and capital adequacy.

	As at 31 December 2013		As at 31 December 2012	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
	Unweighted*	**Weighted****	Unweighted*	Weighted**
Interest rate contracts	**2,418**	**735**	1,106	175
OTC currency contracts	**237,256**	**72,950**	131,558	20,392
Other contracts	**81**	**18**	908	584
	239,755	**73,703**	133,572	21,151

* Exposure value before deduction of collateral

** Risk weighted exposure value after deduction of collateral

33.2 Market risk

Market risk arises from fluctuations in interest rates, foreign currency exchange rates and security prices. It is GBI's policy to avoid exposure to significant open positions in interest and foreign currency risk.

33.2.a Currency risk

The total equivalent of on-balance assets in foreign currencies is EUR 3,022 million, while the total equivalent of on-balance liabilities in foreign currencies is EUR 1,165 million. The currency position is reduced through derivative instruments.

	As at 31 December 2013				As at 31 December 2012			
Currency	**Gross long position EUR 1,000**	**Gross short position EUR 1,000**	**Net long position EUR 1,000**	**Net short position EUR 1,000**	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000
USD	**3,650,825**	**3,649,755**	**1,070**	**–**	3,742,333	3,739,569	2,764	–
TRY	**986,637**	**986,527**	**110**	**–**	1,386,921	1,387,575	–	654
GBP	**290,004**	**290,006**	**–**	**2**	297,483	297,488	–	5
CHF	**58,404**	**58,469**	**–**	**65**	43,621	43,661	–	40
ZAR	**38,468**	**38,517**	**–**	**49**	35,299	35,294	5	–
RON	**34,912**	**34,775**	**137**	**–**	75	–	75	–
JPY	**29,770**	**29,773**	**–**	**3**	10,667	11,448	–	781
AUD	**13,925**	**13,920**	**5**	**–**	59,732	59,773	–	41
SEK	**11,320**	**11,322**	**–**	**2**	134	121	13	–
RUB	**11,052**	**11,017**	**35**	**–**	1,844	1,667	177	–
CAD	**9,334**	**9,294**	**40**	**–**	9,894	9,894	–	–
Other	**23,059**	**23,019**	**65**	**25**	23,702	23,697	48	43

NOTES TO THE 2013 FINANCIAL STATEMENTS

33.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2013, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable EUR 1,000	< = 3 months EUR 1,000	> 3 months < = 1 year EUR 1,000	> 1 year < = 5 years EUR 1,000	> 5 years EUR 1,000	Total EUR 1,000
Assets	**7,786**	**2,547,063**	**891,546**	**639,332**	**545,578**	**4,631,305**
Liabilities	**(102,866)**	**(2,604,516)**	**(623,618)**	**(541,675)**	**(40,661)**	**(3,913,336)**
Derivatives	**–**	**341,000**	**170,657**	**(400,169)**	**–**	**111,488**
Net interest position 31 December 2013	**(95,080)**	**283,547**	**438,585**	**(302,512)**	**504,917**	**829,457**
Net interest position 31 December 2012	(35,520)	444,447	57,202	(37,048)	207,286	636,367

The calculation of the sensitivity analysis as at 31 December 2013 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the yield curves for all currencies, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 17,367 thousand (31 December 2012: EUR 15,715 thousand decrease).

NOTES TO THE 2013 FINANCIAL STATEMENTS

33.3 Liquidity risk

The following table provides a maturity analysis of assets and liabilities according to their contractual remaining maturity:

	On demand EUR 1,000	<= 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Assets							
Cash	488,696	–	–	–	–	–	488,696
Banks	28,111	336,035	516,415	32,173	–	–	912,734
Loans and advances	261,420	1,040,007	439,740	594,790	22,472	(45,332)	2,313,097
Interest-bearing securities	–	9,389	25,905	202,007	470,117	–	707,418
Participating interests	250	–	–	–	–	–	250
Property and equipment	–	–	–	–	22,914	–	22,914
Other assets	307	–	–	–	8,590	–	8,897
Prepayments and accrued income	211,911	–	–	–	–	–	211,911
Total assets 31 December 2013	990,695	1,385,431	982,060	828,970	524,093	(45,332)	4,665,917
Liabilities							
Banks	5,575	415,977	315,710	–	–	–	737,262
Funds entrusted *	1,573,765	630,415	598,058	499,483	1,344	–	3,303,065
Savings accounts	*1,220,622*	*384,950*	*533,600*	*454,427*	*1,344*	–	*2,594,943*
Other funds entrusted	*353,143*	*245,465*	*64,458*	*45,056*	–	–	*708,122*
Other liabilities	6,060	–	–	–	–	–	6,060
Accruals and deferred income	100,416	–	–	–	–	–	100,416
Provisions	–	–	–	–	189	–	189
Subordinated liabilities	–	–	–	–	30,000	–	30,000
Total liabilities	1,685,816	1,046,392	913,768	499,483	31,533	–	4,176,992
Shareholders' equity	–	–	–	–	488,925	–	488,925
Total liabilities and shareholders' equity 31 December 2013	1,685,816	1,046,392	913,768	499,483	520,458	–	4,665,917
Net liquidity 31 December 2013	(695,121)	339,039	68,292	329,487	3,635	(45,332)	–

NOTES TO THE 2013 FINANCIAL STATEMENTS

	On demand EUR 1,000	<= 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Total assets 31 December 2012**	**982,549**	**1,421,593**	**1,114,780**	**846,187**	**241,702**	**(31,542)**	**4,575,269**
Total liabilities and shareholders' equity 31 December 2012	**1,569,610**	**980,439**	**916,312**	**645,781**	**463,127**	**–**	**4,575,269**
Net liquidity 31 December 2012	**(587,061)**	**441,154**	**198,468**	**200,406**	**(221,425)**	**(31,542)**	**–**

* This includes on demand retail funding which has on average a longer-term characteristic.

** Adjusted for reasons of comparison

33.4 Capital adequacy

The standards applied by the Dutch Central Bank (DNB) for the principal capital ratios are based on the capital adequacy guidelines of the European Union and the Basel Committee for Banking Supervision.

In accordance with the Basel II Capital Accord, the Bank is using the Foundation Internal Rating Based (F-IRB) approach to calculate the regulatory capital ratios.

These ratios compare GBI's total capital and Tier 1 capital with the required pillar I capital for credit risk (based on the total of risk-weighted assets and off-balance sheet items), the market risk associated with the trading portfolios and the operational risk.

The following table analyzes actual capital in accordance with international BIS requirements:

	2013	2012
Total Risk Weighted Assets	**2,620,875**	2,333,388
The required pillar I capital can be broken down as follows:		
Credit risk	**194,702**	172,276
Market risk	**118**	320
Operational risk	**14,850**	14,075
Total required pillar I capital	**209,670**	186,671

NOTES TO THE 2013 FINANCIAL STATEMENTS

	2013	2012
The actual capital can be broken down as follows:		
Tier 1 capital	**482,166**	425,346
Tier 2 capital	**26,330**	24,900
Total capital	**508,496**	450,246
BIS ratio	**19.40%**	19.30%
Tier 1 ratio	**18.40%**	18.23%

34 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

These financial instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks and other short-term assets and liabilities which are of a contractual nature. The carrying amount of these particular assets and liabilities approximates their fair value, which is mainly due to their short average tenor.

As at 31 December 2013 the fair value of the interest-bearing securities in the Investment portfolio amounts to EUR 126.6 million (31 December 2012: EUR 679.2 million), whereas the book value amounts to EUR 133.8 million (31 December 2012: EUR 643.0 million). As at 31 December the fair value of the interest-bearing securities in the Other securities portfolio amounts to EUR 549.7 million (31 December 2012: nil), whereas the book value amounts to EUR 573.6 million (31 December 2012: nil).

The fair value of non-hedging derivatives as at 31 December 2013 amounts to EUR 0.7 million (2012: EUR 0.0 million).

The fair value of hedging derivatives as at 31 December 2013 amounts to EUR 130.9 million positive on a net basis (2012: EUR 46.9 million negative). The book value of these derivatives is EUR 138.6 million positive (2012: EUR 58.2 million negative).

NOTES TO THE 2013 FINANCIAL STATEMENTS

The fair value of the derivatives can be broken down as follows:

	Notional amount	Book value	Fair value	PL impact hedge ineffectiveness
	EUR 1,000	EUR 1, 000	EUR 1,000	EUR 1,000
As at 31 December 2013:				
Hedging derivatives:				
Interest rate contracts	**440,802**	**(1,073)**	**(4,625)**	**–**
Currency contracts	**4,443,626**	**139,665**	**135,490**	**(169)**
Total hedging derivatives	**4,884,428**	**138,592**	**130,865**	**(169)**
Non-hedging derivatives:				
Currency contracts	**878,834**	**188**	**188**	**–**
Other contracts	**73,440**	**557**	**557**	**–**
Total non-hedging derivatives	**952,274**	**745**	**745**	**–**
Total derivatives as at 31 December 2013	**5,836,702**	**139,337**	**131,610**	**(169)**
As at 31 December 2012:				
Hedging derivatives:				
Interest rate contracts	327,376	(1,931)	(10,806)	–
Currency contracts	4,551,672	60,082	57,699	–
Total hedging derivatives	4,879,048	58,151	46,893	–
Non-hedging derivatives:				
Currency contracts	3,043,898	17	17	–
Other contracts	14,537	–	–	–
Total non-hedging derivatives	3,058,435	17	17	–
Total derivatives as at 31 December 2012	7,937,483	58,168	46,910	–

NOTES TO THE 2013 FINANCIAL STATEMENTS

35 Group related balances

Group related balances include the balances with the 100 percent shareholder Türkiye Garanti Bankasi A.Ş. (GBI's parent company), its major shareholders Doğuş Holding A.Ş. and Banco Bilbao Vizcaya Argentaria S.A. (who together have a controlling interest in Türkiye Garanti Bankasi A.Ş.), all its subsidiaries and the Supervisory and Managing Board of Directors of GBI. During the course of the business, GBI has made placements with, granted loans to and also received deposits from these parties at commercial terms.

35.1 Outstanding balances

GBI has the following outstanding group related balances:

	Parent company	Other	Total
	EUR 1,000	EUR 1,000	EUR 1,000
As at 31 December 2013:			
Assets			
Banks	22,968	142,570	165,538
Loans and advances	–	88,663	88,663
Interest-bearing securities	14,294	–	14,294
Total assets	**37,262**	**231,233**	**268,495**
Liabilities			
Banks	3,446	22,432	25,878
Funds entrusted	–	1,502	1,502
Subordinated liabilities	30,000	–	30,000
Total liabilities	**33,446**	**23,934**	**57,380**
As at 31 December 2012:			
Assets			
Banks	47,391	36,167	83,558
Loans and advances	–	159,865	159,865
Interest-bearing securities	10,356*	–	10,356
Total assets	57,747	196,032	253,779
Liabilities			
Banks	3,711	1,907	5,618
Funds entrusted	–	3,268	3,268
Subordinated liabilities	30,000	–	30,000
Total liabilities	33,711	5,175	38,886

* Adjusted for reasons of comparison

NOTES TO THE 2013 FINANCIAL STATEMENTS

36 Remuneration of Managing Board Directors and Supervisory Board Directors

In accordance with the Articles of Association, the remuneration of the members of the Managing Board is subject for approval by the shareholder at the Annual General Shareholders' Meeting.

The remuneration policy for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 11 April 2014. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mindset and background.

Therefore, the remuneration policy for the Managing Board is composed to combine short-term operational performance with long-term objectives of the Bank.

The remuneration of current and former members of the Managing Board amounted to EUR 2,401,862 in 2013 (2012: EUR 2,628,704). In addition to this remuneration, the Bank booked a crisis charge of EUR 255,683 (2012: 322,961).

The remuneration of current and former members of the Supervisory Board amounted to EUR 158,813 in 2013 (2012: EUR 55,893).

Amsterdam, 27 March 2014

Board of Managing Directors:
Mr. B. Ateş
Mr. M.P. Padberg

Board of Supervisory Directors:
Mr. S. Sözen (Chairman)
Mr. F. Şahenk
Mr. M.P. Galatas Sanchez-Harguindey
Mr. P.R.H.M. van der Linden
Mr. B.J.M.A. Meesters
Mr. W.F.C. Cramer

OTHER INFORMATION

Profit appropriation

In the Annual General Shareholders' Meeting, it will be proposed to add the net profit of 2013 (EUR 58,479,000) to the other reserves.

The profit appropriation has been proposed in conformity with article 31 of the Articles of Association, which states:

Article 31

1- The profits shall be at the disposal of the general meeting.
2- Dividends may be paid only up to an amount which does not exceed the amount of the distributable part of the net assets.
3- Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
4- The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
5- The general meeting may, subject to due observance of the provision of paragraph 2, resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.

Subsequent events

There have been no significant events between the end of the year 2013 and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.

Independent auditor's report

The independent auditor's report is set forth on the following pages.

INDEPENDENT AUDITOR'S REPORT

To: The Shareholder of GarantiBank International N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 as included on page 50 to page 83, which are part of the Annual Report of GarantiBank International N.V., Amsterdam, and comprise the balance sheet as at 31 December 2013, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Managing Board's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Report of the Managing Board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Managing Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GarantiBank International N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Report of the Managing Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 27 March 2014

KPMG Accountants N.V.

N.C. Paping RA

SUPERVISORY BOARD AND MANAGING BOARD

Supervisory Board

Mr. S. Sözen (Chairman)

Chairman of GBI Supervisory Board since 2006. Vice-Chairman of Türkiye Garanti Bankası Supervisory Board.

Mr. F. Şahenk (Member)

Presently Chairman of Türkiye Garanti Bankası.

Mr. M.P. Galatas Sanchez-Harguindey (Member)

Board Member of Türkiye Garanti Bankası and General Manager of BBVA Turkey.

Mr. P.R.H.M. van der Linden (Member)

Member of the Dutch Parliament between 1977 and 1998. Currently member of the Dutch Senate. Held Chairman positions at the Dutch Senate and European Council's European People's Party and Parliamentary Assembly.

Mr. B.J.M.A. Meesters (Member)

Dutch qualified lawyer and off-counsel to Allen & Overy Amsterdam. Member of the board of the theatre company Orkater.

Mr. W.F.C. Cramer (Member)

Member of the Supervisory Board of Unicef the Netherlands. Member of the Supervisory Board of StaalBankiers. Vice-Chairman of Exact Holding N.V. and Treasurer of the Liszt Concours foundation. Former Chairman of Friesland Bank and previously held senior positions at Rabobank in the Netherlands and abroad.

Managing Board

Mr. B. Ateş

CEO, since 24 March 2000.

Mr. M.P. Padberg

Managing Director, since 1 January 1993.

SENIOR MANAGEMENT

Trade Finance
Mr. C.O. Draman
Executive Director

Treasury, Private Banking, Financial Institutions
Ms. Ö. Etker – Simons
Executive Director

Structured Finance, Retail Banking
Mr. E. Zeyneloğlu
Executive Director

Operations, Information & Communication Technology, Information Security
Mr. G. Salman
Executive Director

Credits
Mr. S. Kanan
Executive Director

Risk Management, Control & Reporting
Mr. M.Ö. Şişman
Executive Director

Legal & Compliance
Ms. M. Köprülü
Head of Legal & Compliance

Internal Audit Services
Mr. T. Aksoy
Manager

Human Resources
Ms. M.S. van Tilburg – van Alfen
Manager

Germany Branch
Mr. F. Birincioğlu
Executive Director

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