GarantiBank International N.V.

Half Year Report 2013

Contents

Interim Financial Statements
as of and for the six month period ended 30 June 2013

Balance sheet as at 30 June 2013

(before profit appropriation)

	30 June 2013		31 December 2012*	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Assets				
Cash		**335,901**		539,754
Banks		**1,057,553**		919,449
Loans and advances		**2,388,989**		2,325,995
Interest-bearing securities		**477,047**		643,436
Participating interests		**250**		250
Property and equipment		**20,918**		19,910
Other assets		**8,832**		9,925
Prepayments and accrued income		**102,464**		116,550
Total assets		**4,391,954**		4,575,269
Liabilities				
Banks		**410,995**		654,056
Funds entrusted		**3,355,670**		3,377,879
Other liabilities		**10,044**		7,888
Accruals and deferred income		**101,470**		74,090
Provisions		**194**		910
		3,878,373		4,114,823
Subordinated liabilities		**30,000**		30,000
Paid-in and called-up capital	**136,836**		136,836	
Other reserves	**293,610**		239,360	
Net profit	**53,135**		54,250	
Shareholders' equity		**483,581**		430,446
Total liabilities and shareholders' equity		**4,391,954**		4,575,269
Off-balance sheet liabilities		**614,877**		473,903

* Adjusted for reasons of comparison

Profit and loss account for the 6 month period ended 30 June 2013

	First Half Year 2013		First Half Year 2012*	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income	**115,019**		102,323	
Interest expense	**56,633**		68,063	
Net interest		**58,386**		34,260
Commission income	**22,535**		23,486	
Commission expense	**1,112**		964	
Net commission		**21,423**		22,522
Result on financial transactions		**3,904**		5,701
Total income		**83,713**		62,483
Administrative expenses:				
• Staff costs	**13,437**		12,526	
• Other administrative expenses	**4,990**		5,439	
		18,427		17,965
Depreciation		**715**		733
Value adjustments to receivables		**(4,410)**		(640)
Total expenses		**14,732**		18,058
Operating result before tax		**68,981**		44,425
Tax on result on ordinary activities		**15,846**		11,114
Net result after tax		**53,135**		33,311

* Adjusted for reasons of comparison

Statement of changes in Shareholder's equity as at 30 June 2013

EUR 1,000	Paid-in and called-up capital	Other reserves	Revaluation reserves	Net profit	Shareholders' equity
Position as at 31 December 2012	**136,836**	**239,045**	**-**	**54,565**	**430,446**
Change in accounting policies	**-**	**315**	**-**	**(315)**	**-**
Position as at 1 January 2013	**136,836**	**239,360**	**-**	**54,250**	**430,446**
Appropriation of profit previous year	**-**	**54,250**	**-**	**(54,250)**	**-**
Result after tax	**-**	**-**	**-**	**53,135**	**53,135**
Position as at 30 June 2013	**136,836**	**293,610**	**-**	**53,135**	**483,581**
Position as at 31 December 2011	136,836	185,423	1	53,622	375,882
Change in accounting policies	-	-	(1)	315	314
Position as at 1 January 2012	136,836	185,423	-	53,937	376,196
Appropriation of profit previous year	-	53,937	-	(53,937)	-
Result after tax	-	-	-	33,311	33,311
Position as at 30 June 2012	136,836	239,360	-	33,311	409,507

Cash flow statement for the period ended 30 June 2013

	First Half Year 2013 EUR 1,000	First Half Year 2012 EUR 1,000
Net cash flow from operational activities		
Net profit	**53,135**	33,311
Adjustments for depreciation	**715**	733
Adjustments for value adjustments to receivables	**(4,371)**	(548)
Adjustments for exchange rate differences on investment portfolio	**(820)**	(8,845)
Adjustments for provisions relating to deferred tax	**(716)**	106
Net cash flow from operating profit	**47,943**	24,757
Changes in:		
• Due from banks, excluding due from banks demand and value adjustments to receivables	**(176,865)**	(217,209)
• Loans and advances, excluding value adjustments to receivables	**(58,623)**	(449,802)
• Other securities portfolio	**(314,752)**	5,606
• Trading portfolio	**457**	–
• Other assets	**1,093**	2,283
• Prepayments and accrued income	**14,086**	54,795
• Due to banks, excluding due to banks on demand	**(125,220)**	(280,486)
• Funds entrusted	**(22,209)**	483,061
• Other liabilities	**2,156**	1,665
• Accruals and deferred income	**27,380**	(14,419)
	(604,554)	(389,749)
Net cash flow from investment activities		
Investments in:		
• Property and equipment	**(1,723)**	(594)
• Investment portfolio, excluding value adjustments to receivables	**–**	(182,596)
Divestments in:		
• Property and equipment	**–**	–
• Participating interests	**–**	–
• Investment portfolio due to sales, excluding value adjustments to receivables	**448,286**	190,361
• Investment portfolio due to redemptions, excluding value adjustments to receivables	**33,218**	22,328
	479,781	29,499
Net cash flow from financing activities		
Subordinated liabilities	**–**	(2,786)
Net cash flow	**(124,773)**	(363,036)

	30 June 2013	30 June 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 30 June	**389,433**	349,041
Net cash flow	**(124,773)**	(363,036)

Specification of cash and cash equivalents

	30 June 2013	30 June 2012
	EUR 1,000	EUR 1,000
Cash	**335,901**	327,718
Due to/from banks on demand	**53,532**	21,323
	389,433	349,041

Selected notes to the interim 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 preparation

The half-year figures have been prepared on the same basis as the 2012 financial statements and in conformity with Financial Reporting Standard 394 governing interim financial reporting of the Council for Annual Reporting (Raad voor de Jaarverslaggeving - RJ). The 2012 full year financial statements of GBI are compiled in conformity with the provisions as included in Part 9, Book 2 of the Netherlands Civil Code, as well as the Guidelines of the Council for Annual Reporting. This half-year report does not contain all the information and disclosures required for the full-year financial statements and should therefore be read in conjunction with the annual financial statements of GBI as at 31 December 2012.

All amounts are stated in thousands of euro’s, unless otherwise indicated.

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, and which form an economic unity with the group as a whole are consolidated. This is the case if more than half of the shareholder’s 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 2012 and for the six-month period ended 30 June 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. Change in accounting policies

The accounting policies applied in these interim 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.

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: Other reserves as of 1 January 2012 increased by EUR 315 thousand and net profit for the first half of 2012 decreased by EUR 315 thousand. The impact on the net profit over the first half year of 2012 is exactly opposite to the impact on the Other reserves as of 1 January 2012 because all securities included the Other securities portfolio as of 1 January 2012 were sold during the first half year of 2012.

3. Interest-bearing securities

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

The breakdown the interest-bearing securities by portfolio is as follows:

	30 June 2013	31 Dec 2012
• Investment portfolio	**162,295**	642,979
• Other securities portfolio	**314,752**	–
• Trading portfolio	–	457
	477,047	643,436

4. Interest income

This includes interest income arising from the lending activities and related transactions as well as commissions and other income, which have an interest characteristic.

Interest income furthermore includes positive results on the sale of interest-bearing securities belonging to the Investment portfolio and Other securities portfolio. If, on balance, losses on the sale of interest-bearing securities belonging to the Investment portfolio and Other securities portfolio would arise, the losses are charged to 'Interest expense'.

This item comprises interest and similar income from:

	First Half Year 2013	First Half Year 2012
• Banks	**14,625**	18,229
• Loans and advances	**48,417**	62,628
• Debt securities including fixed-income securities	**51,977**	21,466
	115,019	102,323

The increase in interest income from debt securities is due to the positive results on sales from the Investment Portfolio of EUR 37.1 million (first half year 2012: EUR 5.7 million).

5. Non-performing loans and NPL ratio

A loan is recognised 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:

	30 June 2013	31 Dec 2012
Banks	**1,057,553**	919,449
Loans and advances	**2,388,989**	2,325,995
Provisions	**27,467**	31,542
Gross loans	**3,474,009**	3,276,986
Non-performing loans (after deduction of financial collateral)	**44,951**	64,742
NPL ratio	**1.29%**	1.98%

The changes in the provisions were as follows:

Position as at 1 January	**31,542**	25,544
Additions	**339**	10,785
Write-offs	**–**	(2,659)
Releases	**(4,710)**	(1,410)
Exchange rate differences	**296**	(718)
Position as at period end	**27,467**	31,542

6. 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 on behalf of clients.

Hedge accounting

GBI applies so-called cost price hedge accounting to the derivatives held for hedging the bank's interest rate and currency risks. The ineffective portion of a 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. During the first half of 2013, hedge effectiveness was achieved for all accounting hedges, except for one foreign exchange hedge relationship. This ineffectiveness did not affect the profit and loss account as the fair values of the related hedging derivatives exceeded their cost price.

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

	Notional amount EUR 1,000	**Fair value EUR 1,000**
As at 30 June 2013:		
Interest rate contracts	**413,456**	**(4,732)**
Currency contracts	**4,255,623**	**30,822**
	4,669,079	**26,090**
As at 31 December 2012:		
Interest rate contracts	327,376	(10,806)
Currency contracts	4,551,672	57,699
	4,879,048	46,893

Other derivatives

Derivatives not held for hedging the bank's own risks are measured at fair value with changes in fair value recorded in the profit and loss account. These contracts are included in the line items Options under Currency contracts and Other contracts in the table below.

Derivative exposures

The degree to which GBI is active in the derivatives markets or market segments is shown in the following table that displays the credit risk exposures of the outstanding derivatives in notional amounts. However, the notional amounts do not give an indication of the size of the cash flows and the market risk or credit risk attached to derivatives transactions.

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 Credit Support Annex (CSA) agreements.

As at 30 June 2013:		Notional amounts <= 1 year	Notional amounts >1<= 5 years	Total	Positive replacement value
		EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
Interest rate contracts					
OTC	Swaps	**132,324**	**281,131**	**413,456**	**2,114**
Currency contracts					
OTC	Swaps	**4,044,022**	**–**	**4,044,022**	**63,584**
	Forwards	**211,314**	**287**	**211,601**	**3,362**
	Options	**532,466**	**13,682**	**546,148**	**13,043**
Other contracts					
OTC	Options	**608**	**–**	**608**	**31**
		4,920,734	**295,101**	**5,215,835**	**82,134**

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

7. Liquidity risk

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

	On demand	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Provisions	Total
	EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
Assets							
Cash	**335,901**	**–**	**–**	**–**	**–**	**–**	**335,901**
Banks	**66,319**	**417,276**	**468,922**	**105,036**	**–**	**–**	**1,057,553**
Loans and advances	**327,442**	**986,020**	**583,692**	**495,471**	**23,831**	**(27,467)**	**2,388,989**
Interest-bearing securities	**–**	**4,089**	**39,200**	**152,912**	**280,846**	**–**	**477,047**
Participating interests	**250**	**–**	**–**	**–**	**–**	**–**	**250**
Property and equipment	**–**	**–**	**–**	**–**	**20,918**	**–**	**20,918**
Other assets	**286**	**–**	**–**	**8,546**	**–**	**–**	**8,832**
Prepayments and accrued income	**102,464**	**–**	**–**	**–**	**–**	**–**	**102,464**
Total assets 30 June 2013	**832,662**	**1,407,385**	**1,091,814**	**761,965**	**325,595**	**(27,467)**	**4,391,954**
Liabilities							
Banks	**12,787**	**300,142**	**98,066**	**–**	**–**	**–**	**410,995**
Funds entrusted *	**1,843,651**	**461,333**	**533,428**	**515,914**	**1,344**	**–**	**3,355,670**
Savings accounts	***1,500,111***	***234,111***	***434,702***	***465,318***	***1,344***	*–*	***2,635,586***
Other funds entrusted	***343,540***	***227,222***	***98,726***	***50,596***	*–*	*–*	***720,084***
Other liabilities	**10,044**	**–**	**–**	**–**	**–**	**–**	**10,044**
Accruals and deferred income	**101,470**	**–**	**–**	**–**	**–**	**–**	**101,470**
Provisions	**–**	**–**	**–**	**–**	**194**	**–**	**194**
Subordinated liabilities	**–**	**–**	**–**	**–**	**30,000**	**–**	**30,000**
Shareholders’ equity	**–**	**–**	**–**	**–**	**483,581**	**–**	**483,581**
Total liabilities 30 June 2013	**1,967,952**	**761,475**	**631,494**	**515,914**	**515,119**	**–**	**4,391,954**
Net liquidity 30 June 2013	**(1,135,290)**	**645,910**	**460,320**	**246,051**	**(189,524)**	**(27,467)**	**–**
Total assets 31 December 2012	990,957	1,421,592	1,115,147	841,242	237,873	(31,542)	4,575,269
Total liabilities 31 December 2012	1,569,610	980,439	916,312	645,781	463,127	–	4,575,269
Net liquidity 31 December 2012	(578,653)	441,153	198,835	195,461	(225,254)	(31,542)	–

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

8. 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 Internal Rating Based Foundation (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 analyses actual capital in accordance with international BIS requirements:

	30 June 2013	31 Dec 2012
Total Risk Weighted Assets	**2,526,988**	2,333,388
The required pillar I capital can be broken down as follows:		
Credit risk	**187,974**	172,276
Market risk	**110**	320
Operational risk	**14,075**	14,075
Total required pillar I capital	**202,159**	186,671
The actual capital can be broken down as follows:		
Tier 1 capital	**479,225**	425,346
Tier 2 capital	**25,643**	24,900
Total capital	**504,868**	450,246
BIS ratio	**19.98%**	19.30%
Tier 1 ratio	**18.96%**	18.23%

9. 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. (which together have a controlling interest over 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.

Outstanding balances

GBI has the following outstanding group related balances:

	As at 30 June 2013		As at 31 December 2012	
	Parent company	**Other**	Parent company	Other
	EUR 1,000	**EUR 1, 000**	EUR 1,000	EUR 1,000
Assets				
Banks	**20,133**	**84,608**	47,391	36,167
Loans and advances	**–**	**131,770**	–	159,865
Interest-bearing securities	**10,420**	**–**	9,853	–
Total assets	**30,553**	**216,378**	57,244	196,032
Liabilities				
Banks	**4,932**	**1,139**	3,711	1,907
Funds entrusted	**–**	**1,546**	–	3,268
Subordinated liabilities	**30,000**	**–**	30,000	–
Total liabilities	**34,932**	**2,685**	33,711	5,175

Amsterdam, 4 October 2013

Board of Managing Directors:

Mr. B. Ateş
Mr. M.P. Padberg

Board of Supervisory Directors:

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

Review report

To: the Managing Board of GarantiBank International N.V.

Introduction

We have reviewed the accompanying interim financial information as of 30 June 2013 of GarantiBank International N.V. ('the Company'), Amsterdam, which comprises the balance sheet as of 30 June 2013, the profit and loss account for the 6 month period ended at 30 June 2013, and the notes. The Managing Board of the Company is responsible for the preparation and presentation of this interim financial information in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of 30 June 2013 is not prepared, in all material respects, in accordance with the Dutch Guideline for Annual Reporting 394 on Interim Reports.

Amstelveen, 4 October 2013

KPMG Accountants N.V.

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Key figures

EUR 1,000

	H1 2013	H1 2012	2012	2011	2010	2009
Total assets	4,391,954	4,536,288	4,575,269	4,175,415	3,549,322	3,669,137
Banks (assets)	1,057,553	1,192,411	919,449	948,042	1,109,343	719,880
Loans and advances	2,388,989	2,304,575	2,325,995	1,854,225	1,408,250	1,593,198
Banks (liabilities)	410,995	637,811	654,056	781,381	596,972	608,327
Funds entrusted	3,355,670	3,243,838	3,377,879	2,760,777	2,486,422	2,605,140
Subordinated liabilities	30,000	43,622	30,000	46,408	45,690	53,749
Shareholders' equity (including result after tax)	483,581	409,507	430,446	373,489	328,247	278,041
Operating result before tax and value adjustments	64,571	43,785	83,109	67,364	76,708	63,483
Result after tax and value adjustments	53,135	33,311	54,250	51,230	49,687	28,176
Foreign branches and representative offices	4	4	4	4	4	5
Capital adequacy ratio %	19.98	17.93	19.30	19.06	16.03	13.78
Cost to income ratio % *	23	30	31	34	29	38
Return on average equity **	24.69	17.77	14.47	15.75	17.85	11.22
Return on average assets	2.37	1.46	1.24	1.33	1.38	0.77
Total average number of employees ***	223	218	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*
***** 2009 u/i 2012 key figures have been updated to include the impact of the change in the accounting policies for the measurement of the other bond portfolio.*