

ANNUAL REPORT 2012

GARANTI BANK
2012
ANNUAL REPORT



INTRODUCTION

"Companies to be socially responsible" remains to be one of the hot topics of the past decade...

The concept of "Corporate Social Responsibility" has gained much more importance since businesses started including the concept of "sustainability" as part of their identity.

Marketing communication guru Philip Kotler defines this important concept as follows, "Corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. Corporate social responsibility is "business" commitment to contribute to sustainable economic development, working with employees, their families, the local community, and the society at large to improve their quality of life."

"Corporate responsibility" is at the core of Garanti Bank's corporate culture. Not limiting its mission to just banking services, Garanti aims to share a few examples of its activities targeted to add value to the society within the scope of social, economic and environmental components of sustainability in its *2012 Annual Report*.

Garanti provides ongoing support to areas of *education, arts & culture, sports and the environment* in a manner that reflects its corporate culture, as part of its effort to enhance and sustain the quality of life. Today, with the "Anatolian Meetings" initiated in 2002, Garanti is the owner of the largest data platform for the SMEs. Celebrating the 15th anniversary of its activities promoting Jazz in 2012, Garanti, with its cultural institution SALT, generates innovative and shared ideas. Garanti's support for education started with the project "Deniz Yıldızları" (Starfish) in 1999 and excelled by Teachers Academy Foundation "Öğretmen Akademisi Vakfı" founded in 2008. Garanti, with its project "Öğretmenin Sınırı Yok" (No Limits in Teaching), contributes towards the development of an education model that encourages people to think, ask questions and explore. Standing by athletes and supporting all forms of sports, the project "12 Giant Men Basketball Schools" is an example of the numerous commitments Garanti undertakes to this end.

In shaping its future strategy, Garanti continually monitors areas of need in the community and the country, and produces *innovative ideas and products* while designing projects to reach out to each and every segment of the society. Bearing in mind that a better future can be designed hand in hand with the SMEs, Garanti continues to be there for the SMEs, supporting women entrepreneurs and women participation in business life by means of its services and training programs.

Committed to add value to the society, Garanti addresses *every single age group*. It communicates the importance of savings starting with the children to youngsters, middle-aged to retired, and facilitates savings through its innovative product offerings. Furthermore, Garanti not only encourages its employees to contribute to its corporate responsibility efforts, but also offers them extensive training that sustains its position as *the school of continuing improvement*.

Garanti, with a perspective of *creating value for the society and the environment*, takes an active role and develops high standards to support societal improvement and protect the environment.

Establishing a proactive, transparent, ongoing and consistent relationship with its shareholders, Garanti communicates the value it creates to investors around the world. Garanti adopts *best corporate governance practices* and ensures its stakeholders *accurate and reliable* information in a *fast and easy* way through its websites offered in both Turkish and English.

With its innovative and sustainable projects and the environmental and social value it creates for all its stakeholders, Garanti aims *to set an example* not only within the banking sector, but also in Turkey, and moves forward with the conviction that it contributes to the progress of our country.

In the course of carrying out all these activities and developing projects, Garanti does not just target its customer base, but also *aims to embrace the whole society*. Garanti sets its goals for people from all segments of the society, regardless of their status as a customer, to assist them with managing their budget, saving money, utilizing their savings effectively, becoming homeowners, fulfilling their needs in the best manner possible in line with their income and making the investments they desire within the confines of the economic circumstances of the society, as well as for companies, to ensure production and trade can forge ahead without interruptions under whatever macroeconomic conditions may be faced, and financial problems are averted, which consequently lead to a collective benefit for Turkey as a nation, and enable the country to look to the future in confidence.

...and this is why *"Garanti is for everyone"*...

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ANNUAL ACTIVITY REPORT

Compliance Opinion

To the General Assembly of T. Garanti Bankası A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of T. Garanti Bankası A.Ş. and its consolidated financial affiliates with the audit report issued as of December 31, 2012. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of T. Garanti Bankası A.Ş. as of December 31, 2012 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Hasan Kılıç
Partner

İstanbul, March 27, 2013

AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

1. Opening and formation of the Board of Presidency,
2. Authorization of the Board of Presidency for signing the minutes of the Ordinary General Meeting of Shareholders,
3. Reading and discussion of the Board of Directors' Annual Activity Report and Auditors' Reports,
4. Reading, discussion and ratification of the Balance Sheet and Income Statement,
5. Acceptance or rejection by discussion of the Board of Directors' proposal regarding the dividend distribution,
6. Submission for approval of the Dividend Distribution Policy in accordance with the Corporate Governance Principles set out by the Capital Markets Board of Turkey,
7. Amendment to Articles 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 14, 17, 18, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 45, 46, 47, 48, 49 and Provision Article 2 of the Articles of Association of the Bank,
8. Release of the Board Members and Auditors,
9. Determination of the number of the Board Members, and appointment of the Independent Board Members in accordance with the Capital Markets Board regulations,
10. Submission for approval of the Board Members who were elected as real person Board Members in accordance with the provisions of the Turkish Commercial Code, in order to fill the remaining term of office,
11. Informing the shareholders regarding the jobs that the Board Members do outside the Bank, in accordance with the Corporate Governance Principles set out by the Capital Markets Board of Turkey,
12. Informing the shareholders regarding the implementation of the Remuneration Committee and Remuneration Policy in accordance with the Corporate Governance Principles set out by the Capital Markets Board of Turkey,
13. Determination of the remuneration of the Board Members,
14. Approval of the Internal Regulation on Working Principles and Procedures of the General Assemblies of the Bank prepared according to the Turkish Commercial Code,
15. Submission for approval of the selection of the independent audit firm and the auditor of the group in accordance with the Turkish Commercial Code and the relevant regulation issued by the Banking Regulation and Supervision Agency,
16. Informing the shareholders with regard to charitable donations realized in 2012, and determination of an upper limit for the charitable donations to be made in 2013 in accordance with the Banking legislation and Capital Markets Board regulations,
17. Submission for approval of the Bank's Charitable Donations Policy in accordance with the Corporate Governance Principles set out by the Capital Markets Board of Turkey,
18. Authorization of the Board Members to conduct business with the Bank in accordance with Articles 395 and 396 of the Turkish Commercial Code, without prejudice to the provisions of the Banking Law.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.*

Current Text

Articles of Association of Türkiye Garanti Bankası A.Ş. Incorporation, Founders, Trade Name, Term

Incorporation:

Article 1-Between the founders having signed below and the holders of the shares which are decided to be arranged and issued as shown in the following articles, Türkiye Garanti Bankası Anonim Şirketi has been incorporated in accordance with the applicable laws and the terms and conditions of this present Articles of Association.

Founders:

Article 2-The Founders of the corporation are the persons who have signed this Articles of Association and whose names and addresses are listed below:

1. Halil Naci MIHÇIOĞLU, Parliamentary of Ankara and merchant in Ankara,
2. Adnan TAYLAN, Merchant in Ankara, Bahçelievler Sokak 14, No: 34,
3. Mahmut Nedim İRENGÜN, Merchant in Ankara, Bahçelievler Sokak 23, No: 1,
4. Şefik MEN, Bahçelievler Cad. 3, No: 9,
5. Nadir Naili KEÇİLİ,
6. Muammer ERİŞ, Parliamentary of Ankara,
7. Muvaffak İŞMEN, Merchant in Istanbul, Galata Sesli Han, No: 7,
8. Cevat MAHRUKİ, Kızılırmak Cad. No: 48,
9. Tarık H. KOYUTÜRK, Bakanlıklar, Okay Sokak Dicle Apt. No: 2,
10. Mahmut PAKSOY, İzmir Cad. No: 30,
11. Abdurrahman ÇİFTÇİ ve Kemal SÜMER, Egebirliği Trade House, Balıkpazarı Şekerciler Sk. No: 24,
12. Ahmet ÇANAKÇILI ve Kardeşleri, Merchants in Istanbul, Ayvansaray Güven Çeltik - Bulgur Fabrikaları.

Purpose of Incorporation:

Article 3-The Corporation has been incorporated in order to conduct included but not limited to the following businesses:

- A) To execute all kinds of banking transactions,
- B) To realize all kinds of enterprises and incorporate companies as well as acquiring and selling their share-certificates within the possibilities granted by the Banking Law,
- C) To perform banking joint agency, insurance agency, brokerage and transfer business;
- D) To purchase and sell bonds to be issued by the Republic of Turkey and other governmental authorities and private establishments, as well as treasury bonds and debentures, and other share-certificates and bonds;
- E) To improve the economic relationships with foreign countries,
- F) To perform all kinds of economic activities provided that they are not contrary to the Banking Law.

New Text

Articles of Association of Türkiye Garanti Bankası A.Ş. Incorporation, Founders, Trade Name, Term

Incorporation:

Article 1-Between the founders having signed below and the holders of the shares which are decided to be arranged and issued as shown in the following articles, Türkiye Garanti Bankası Anonim Şirketi has been incorporated in accordance with the applicable laws and the terms and conditions of this present Articles of Association.

Founders:

Article 2-The Founders of the Company are the persons who have signed this Articles of Association and whose names and addresses are listed below:

1. Halil Naci MIHÇIOĞLU, Parliamentary of Ankara and merchant in Ankara,
2. Adnan TAYLAN, Merchant in Ankara, Bahçelievler Sokak 14, No: 34,
3. Mahmut Nedim İRENGÜN, merchant in Ankara, Bahçelievler Sokak 23, No: 1,
4. Şefik MEN, Bahçelievler Cad. 3, No: 9,
5. Nadir Naili KEÇİLİ,
6. Muammer ERİŞ, Ankara Milletvekili,
7. Muvaffak İŞMEN, Merchant in Istanbul, Galata Sesli Han, No: 7,
8. Cevat MAHRUKİ, Kızılırmak Cad. No: 48,
9. Tarık H. KOYUTÜRK, Bakanlıklar, Okay Sokak Dicle Apt. No: 2,
10. Mahmut PAKSOY, İzmir Cad. No: 30,
11. Abdurrahman ÇİFTÇİ ve Kemal SÜMER, Egebirliği Trade House, Balıkpazarı Şekerciler Sk. No: 24,
12. Ahmet ÇANAKÇILI ve Kardeşleri, Merchants in Istanbul, Ayvansaray Güven Çeltik - Bulgur Fabrikaları.

Purpose of Incorporation & Scope of Activity:

Article 3-The Company has been incorporated in order to conduct included but not limited to the following businesses:

- A) To execute all kinds of banking transactions,
- B) To realize all kinds of enterprises and incorporate companies as well as acquiring and selling their share-certificates within the possibilities granted by the Banking Law,
- C) To perform banking joint agency, insurance agency, brokerage and transfer business;
- D) To purchase and sell bonds to be issued by the Republic of Turkey and all governmental authorities and private establishments, as well as treasury bonds and debentures, and all capital market instruments;
- E) To improve the economic relationships with foreign countries,
- F) To perform all kinds of economic activities provided that they are not contrary to the Banking Law.

*Amendments in the Articles of Associations are approved by the Board of Directors pursuant to the resolution dated March 07, 2013 and numbered 2300. In accordance with the relevant regulations, the amendments are to be approved by the Banking Regulation and Supervision Agency, the Capital Markets Board and the Ministry of Customs and Trade. These approved amendments will be submitted for the approval of our Shareholders during the Ordinary General Shareholders' Meeting to be held in 2013.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Banking activities referred to in this Article is not numerous clauses. In case the conduct of another business, apart from the above-mentioned businesses, is deemed useful for the Bank, the General Assembly should adopt a resolution to amend this Articles of Association in this regard upon suggestion of the Board of Directors and such resolution shall be subject to the approval of the Ministry of Commerce and Industry. The resolution approved in this manner shall be enclosed to this present Articles of Association.

Trade Name and Head Office:

Article 4- The Bank's title is "TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ". The Bank's head office is situated in Istanbul at the address of Levent Nispetiye Mah. Aydar Cad. No: 2 34340 Beşiktaş/Istanbul. In case of a change of address, the new address shall be registered with the trade register and announced in the Turkish Trade Registry Gazette, and also notified to the Ministry of Commerce and Industry as well as the Capital Market Board. Notifications served on the address registered and announced shall be considered to be given to the Bank. For the Bank having failed to ensure the registration of its new address in due time, despite the latter's having moved from the registered and announced address, this case shall be considered a reason for cancellation. The Board of Directors may, in case it is considered necessary and useful, open branches, agencies and representative offices, and appoint correspondents within Turkey as well as in foreign countries in compliance with all applicable laws.

Article 5- The Bank may purchase or rent or, if necessary sell real estates in accordance with the Banking Law, for its own requirement or the requirement of companies it shall found. It shall not conduct any business to purchase and sell real estates for commercial purposes and shall not directly grant loans on immovable property. However, it may accept and, if necessary collateralized by mortgages in accordance with the Banking Law.

Term:

Article 6- The Bank's term of activity shall be unlimited save for the provisions of the Banking Law and the Turkish Commercial Code regarding termination and liquidation.

New Text

The activities referred to in this Article are not numerous clauses. The Board of Directors is entitled to conduct the transactions permitted by the Banking Law and all other regulations applicable to the Company, in order to facilitate the subject matter of the Company.

Trade Name and Head Office:

Article 4- The Bank's title is "TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ". The Bank's head office is situated in Istanbul at the address of Levent Nispetiye Mah. Aydar Cad. No: 2 34340 Beşiktaş/Istanbul. In case of a change in the address, the new address shall be registered with the trade register and announced in the Turkish Trade Registry Gazette, and also notified to the Ministry of Customs and Trade as well as the Capital Markets Board and the Banking Regulation and Supervision Agency. Notifications served on the address registered and announced shall be considered to be given to the Bank. For the Bank having failed to ensure the registration of its new address in due time, despite the latter's having moved from the registered and announced address, this case shall be considered a reason for dissolution of the Company. The Board of Directors may, in case it is considered necessary and useful, open branches, agencies and representative offices, and appoint correspondents within Turkey as well as in foreign countries in compliance with all applicable laws.

Article 5- The Bank may purchase or rent or, if necessary sell real estates in accordance with the Banking Law, for its own requirement or the requirement of companies it shall found. It shall not conduct any business to purchase and sell real estates for commercial purposes and shall not directly grant loans on immovable property. However, it may accept and, if necessary be collateralized by mortgages in accordance with the Banking Law.

Term:

Article 6- The Bank's term of activity shall be unlimited save for the provisions of the Banking Law and the Turkish Commercial Code regarding dissolution and liquidation.

Current Text

New Text

Capital and Shares:

Capital and Shares:

Article 7-

Article 7-

A) The Bank has accepted the registered capital system under the permission of the Capital Markets Board no. 83/1049 dated August 25th, 1999. The Bank's registered capital amounts to 10,000,000,000.-TL and its issued capital amounts to 4,200,000,000.-TL.

A)The Bank has accepted the registered capital system under the permission of the Capital Markets Board no. 83/1049 dated August 25th, 1999. The Bank's registered capital amounts to 10,000,000,000.-Turkish Liras and its issued capital amounts to 4,200,000,000.-Turkish Liras.

B) The Bank's issued capital has been divided into 420,000,000,000 shares each having a nominal value of 1.-Kr; and 184 shares of them are bearer shares and the remaining 419,999,999,816 shares are registered shares.

B)The Bank's issued capital has been divided into 420,000,000,000 shares each having a nominal value of 1.-Kr; and 182 shares of them are bearer shares and the remaining 419,999,999,818 shares are registered shares.

The issued capital amount of 4,200,000,000.-TL has been fully paid-up.

The issued capital amount of 4,200,000,000.-Turkish Liras has been fully paid-up.

The permission of the registered capital ceiling that was granted by the Capital Market Board is valid between the years 2012 and 2016 (5 Years). At the end of 2016, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Market Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, it shall be deemed that the Bank has been removed from the registered capital system. The Board of Directors shall be authorized, without being bound by the provisions of the Turkish Commercial Code regarding the increase in the capital stock, to increase the paid-in capital stock up to the registered capital stock ceiling mentioned hereinabove by issuing new shares between the years 2012 and 2016, in accordance with the provisions of the Capital Market Law.

The permission of the registered capital ceiling that was granted by the Capital Markets Board is valid between the years 2012 and 2016 (5 Years). At the end of 2016, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Markets Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, it shall be deemed that the Bank has been removed from the registered capital system. The Board of Directors shall be authorized, without being bound by the provisions of the Turkish Commercial Code regarding the increase in the capital stock, to increase the paid-in capital stock up to the registered capital stock ceiling mentioned hereinabove by issuing new shares between the years 2012 and 2016, in accordance with the provisions of the Capital Market Law.

The Board of Directors shall also be authorized to resolve to issue shares above the nominal value and to restrict the rights of shareholders for obtaining new shares.

The Board of Directors shall also be authorized to resolve to issue shares above the nominal value and to restrict the rights of shareholders for obtaining new shares.

Shares representing the capital of the Bank shall be kept in book entry form and in cash within the frame of the dematerialization principles.

Shares representing the capital of the Bank shall be kept in book entry form and in cash within the frame of the dematerialization principles.

Holders of 184 bearer shares not converted into registered shares shall not use any shareholding right excluding the right to dividends. The shareholding rights of these shares except the right to dividends shall be utilized by the Savings Deposit Insurance Fund until these shares shall be converted to registered shares.

Holders of 182 bearer shares not converted into registered shares shall not use any shareholding right excluding the right to dividends. The shareholding rights of these shares except the right to dividends shall be utilized by the Savings Deposit Insurance Fund until these shares shall be converted to registered shares.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Issuance of Debt Instruments:

Article 8-The Board of Directors will be authorized to issue debentures in the bearer or registered form with bonus, premium, exchangeable with share-certificates, finance bonds, profit/loss participation certificates, bank bonds, participating or non-participating debt instruments or convertible bonds and all other capital market instruments within the framework of the principles set out by Turkish Commercial Code and other relevant regulation. In such case, any provision of Turkish Commercial Code which sets out the adoption of a General Assembly resolution for the issuance of such debt instruments by the Bank will not be applicable.

Payment of the Share Value:

Article 11-Following the subscription for share acquisition, the ¼ of the share value shall be paid-up promptly and the remaining balance shall be paid in accordance with the resolution of the General Assembly. In case the Board of Directors acting under the authority granted to it by the General Assembly, decides that the unpaid portion of shares to be paid-up in part or in full, this decision should be announced in a newspaper in the Bank's head office's location one month prior the payment's starting date, and should also be notified to the shareholders.

Shareholders who do not pay the share value in due time, shall have to pay a statutory delay interest which will accrue from the last day on which the amounts have to be paid-up, without need for any further notice.

Sale of Unpaid Shares:

Article 12-In case of failure of payment by shareholders despite the lapse of one month following the period determined for the payment of the share values, the Bank shall have the right to sell the unpaid shares, without prejudice to the rights held by the Bank against the shareholders in default.

The sale shall be realized with the Stock-Exchanges and Bourse at the Bank's head office's location. If necessary, the Board of Directors shall announce the date and place of sale. Operations in this regard shall be conducted under the the Capital Market Legislation and Central Registry Agency regulations.

New Text

Issuance of Debt Instruments:

Article 8-The Board of Directors will be authorized to issue debentures in the bearer or registered form with bonus, premium, exchangeable with share-certificates, finance bonds, profit/loss participation certificates, bank bonds, participating or non-participating debt instruments or convertible bonds and all other capital market instruments in the form of debt instruments within the framework of the principles set out by the Turkish Commercial Code and other relevant regulation. In such case, the provisions of Capital Market Law as regards to the issuance of debt instruments will be applicable.

Payment of the Share Value:

Article 11-Without prejudice to the situations where full payment in cash is required in accordance with Capital Market Law, the General Assembly will be authorized to determine the method and the maturity of the payment of the share value to the Company following the exercise of new share acquisition rights. The Turkish Commercial Code provisions are reserved.

Sale of Unpaid Shares:

Article 12-The Turkish Commercial Code provisions shall be applicable to dismissal of shareholders who are in failure of the share value payment in due time.

The sale shall be realized at local or foreign organized markets. Operations in this regard shall be conducted under the Capital Markets Legislation and Central Registry Agency regulations.

Current Text

Early Payment:

Article 13- The Bank will pay the shareholders who have effected early payment of the unpaid balance of the share value upon the approval of the Bank the statutory delay interests to be accrued on the early paid amount from the actual payment date until the payment date to be determined later for such shares.

The Sale and Transfer of Shares:

Article 14- The sale and transfer of the shares shall be subject to Turkish Commercial Code, Capital Market Law and other regulation in this matter. Furthermore, the sale and transfer shall be valid against the Bank upon the transferee's registration into the stock ledger of the Bank and following the Board of Directors' resolution adopted in this regard. The Board of Directors shall be entitled to reject the transfer without giving any reason.

Article 17- The Bank's administrative organs will consist of the Board of Directors, the Credit Committee, the General Manager and the Executive Vice Presidents.

Formation of the Board of Directors and Quorum:

Article 18- The Board of Directors will consist of at least seven members who own Bank's shares except for the General Manager or his/her deputy being natural members. The General Assembly will set the number of the board members prior to the election and elect board members in the number determined. In case persons who do not own Bank's shares have been elected members of the Board of Directors, they should hold office upon having become shareholders.

A legal entity shareholder should not be elected as board member; however, natural person who is the representative of such legal entity may be elected as board member. If the relation between the legal entity and such natural person terminates, the membership of the representative in the Bank's Board of Directors shall terminate as well.

The meeting quorum of the Board of Directors shall be at least six board members. The decision quorum shall be formed by the favorable vote of at least six board members present at a quorate meeting.

New Text

Early Payment:

Article 13- Removed from the Articles of Association.

The Sale and Transfer of Shares:

Article 14- The sale and transfer of the shares shall be subject to the Turkish Commercial Code, Capital Market Law, Banking Law and other regulations in this matter.

Article 17- Removed from the Articles of Association.

Formation of the Board of Directors and Quorum:

Article 18- The Board of Directors will consist of at least seven members except for the General Manager or his/her deputy being natural members. The General Assembly will set the number of the board members prior to the election and elect board members in the number determined.

Number and qualifications of the independent members who will be appointed to the Board of Directors shall be determined in accordance with the Capital Markets Board regulations on corporate governance.

The meeting quorum of the Board of Directors shall be at least seven board members. The decision quorum shall be formed by the favorable vote of at least seven board members present at a quorate meeting.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Article 20-The Board of Directors should convene when the Bank's tasks and transactions necessitate, but at least once in a month.

The Functions and Powers of the Board of Directors:

Article 21-The functions and powers of the Board of Directors are as follows;

A) The Bank shall be represented toward the shareholders and third persons directly or before courts by the Board of Directors. All of the matters which do not require the decision of the General Assembly or which are beyond the power of the Credit Committee as well as the executive director and the General Manager or the person performing this function, shall be conducted by the Board of Directors.

B) In the management of the Bank's movable and immovable property and in the execution of all kinds of agreements and tasks related to the aim of the Bank's incorporation, the Board of Directors shall have full power, and represent and bind the Bank. If necessary, the Board of Directors shall settle any difference and may assign arbitrator.

C) The Board of Directors shall supervise the Credit Committee. Each of the board members has the right to request information on the activities of the Credit Committee and to conduct all kinds of control they deem necessary.

Ç) The Board of Directors shall prepare the internal statute to settle the Bank's internal affairs.

D) The Board of Directors shall have the three months account extracts and the annual balance sheets as well as profit and loss statements required under law prepared, and shall submit the annual financial together with the activity report to the General Assembly.

E) All kinds of loans shall be granted according to principles of the Banking Law.

New Text

Article 20-The Board of Directors shall convene when the Bank's tasks and transactions necessitate, but at least once in a month.

Beneficial owners entitled to attend the Board of Directors' meeting of the Company may do so by electronic means as per Article 1527 of the Turkish Commercial Code. The Company may establish the electronic meeting system by itself to enable beneficial owners attend such meetings and vote by electronic means or purchase the same from dedicated system providers pursuant to the provisions of Communiqué on Attendance at Meetings of Trading Companies by Electronic Means other than Joint Stock Companies' General Assembly Meetings. Beneficial owners shall be ensured to exercise their rights set forth in the relevant regulations within the scope of the Communiqué via the said system or the system to be purchased from dedicated system providers at all meetings pursuant to this provision of the Articles of Association.

The Duties and Powers of the Board of Directors:

Article 21-The duties and powers of the Board of Directors are as follows;

A) The Bank shall be represented toward the shareholders and third persons directly or before courts by the Board of Directors. All of the matters which do not require the decision of the General Assembly or which are beyond the power of the Credit Committee as well as the executive director and the General Manager or the person performing this function, shall be conducted by the Board of Directors.

B) In the management of the Bank's movable and immovable property and in the execution of all kinds of agreements and tasks related to the purpose of the Bank's incorporation, the Board of Directors shall have full power, and represent and bind the Bank. If necessary, the Board of Directors shall settle any difference and may assign arbitrator.

C) The Board of Directors shall monitor the Credit Committee. Each of the board members has the right to request information on the activities of the Credit Committee and to conduct all kinds of control they deem necessary.

Ç) The Board of Directors shall prepare internal guidelines to regulate the Bank's internal operations and processes.

D) The Board of Directors shall have prepared the quarterly and yearly basis balance sheets as well as profit and loss statements in accordance with applicable laws, and shall submit the annual financials together with the activity report to the General Assembly.

E) All kinds of loans shall be granted according to principles of the Banking Law.

F) The Board of Directors is entitled to adopt resolutions with regard to donations which are to be made to third parties and corporations. The upper limit of the donations to be resolved by the Board of Directors shall be determined by the General Assembly. The relevant regulations of the Capital Market Law and the provisions of the Banking Law are reserved.

Current Text

Article 22-The Board of Directors may delegate a part of its functions and powers, the Bank's management and the execution of the decisions taken, to one or more of its members. The scope of such duties, powers and fee to be paid to such authorized persons shall be determined by the Board of Directors. These fees will be included in the account of general expenses.

Article 23-The Board of Directors may assign one or more persons from among the shareholders or third parties with the powers it deems necessary in order to conduct the Bank's transactions and execute the rights and liabilities according to the provisions of the Articles of Association and Turkish Commercial Code as well as Banking Law. The duties and powers, terms and conditions of assigning and removal from office of these authorized persons shall be determined, registered and announced by the Board of Directors.

The Board of Directors may delegate the authority to assign these persons to the Chairman or any of its members or the executive director or the General Manager.

In case the Board of Directors delegate all its powers to one or more person, the term of office of these persons may not exceed the term of office of the board members. Furthermore, the Board of Directors or authorized signatories of the Bank may appoint attorneys to conduct one or more acts by special or general power of attorney.

Article 24-In order to ensure that all documents to be issued on behalf of the Bank are valid and binding upon the Bank, such documents should be signed by two authorized signatories on behalf of the Bank under the Bank's trade name. These authorized signatures should be registered with the Trade Registry and duly published in the Trade Registry Gazette.

New Text

Article 22-The Board of Directors is authorized to manage and represent the Bank towards third parties. The Board of Directors, other than the powers given to the General Assembly under relevant laws or this Articles of Association, is entitled to adopt resolutions regarding all kinds of acts and transactions necessary to fulfil the Bank's scope of activity, and to establish committees and commissions which may consist of the board members for the purposes of observing the course of business, preparing reports regarding the subjects to be brought before itself, enforcing its resolutions or internal auditing. Establishment of committees and commissions required by the Capital Market Law and its secondary legislation, and provisions regarding their authorities are reserved.

Article 23-The Board of Directors shall be authorized to delegate its management powers fully or partially to one or more board members or third parties, or to determine the division of duties between the board members in accordance with an internal regulation prepared by itself. The non-transferable and inalienable powers of the Board of Directors set forth in the Banking Law and Turkish Commercial Code are reserved.

The Board of Directors shall be authorized to appoint the representatives of the Bank and determine the scope of their authorities. Furthermore, the Board of Directors may delegate its representative authority to one or more executive directors or third parties as directors or any other third parties and may appoint such persons to represent the Bank severally and individually. At least one board member should have representative authority.

The authorized signatories of the Bank or the Board of Directors may appoint third parties to represent the Bank in order to execute one or more transactions as general or special proxies.

Article 24-Unless otherwise resolved by the Board of Directors in accordance with Article 23 of this Articles of Association, in order to ensure that all documents to be issued on behalf of the Bank are valid and binding upon the Bank, such documents should be signed by two authorized signatories on behalf of the Bank under the Bank's trade name. These authorized signatures should be registered with the Trade Registry and duly published in the Trade Registry Gazette.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Article 25-The members of the Board of Directors may not attend the discussions related to themselves in a Board of Directors' meeting and may not act as Executive Director or signatory Manager or officer in any other bank without prior permission of the General Assembly. However, this provision shall not be applicable for duties to be undertaken in establishments and companies in which the Bank has capital sharing.

Article 26-Apart from the dividend to be given to the board members according to the provisions of this present Articles of Association, they shall be granted an attendance allowance for the meeting they shall attend or a monthly or annual fee. The way and amount of payment shall be determined by the General Assembly.

Credit Committee:

Article 27-The Credit Committee shall consist of at least two members to be elected by the Board of Directors from among the board members as well as the General Manager or the latter's deputy. Two alternate members should be elected in case any member shall not attend a Credit Committee meeting.

Article 28-The Credit Committee shall perform the duties mentioned in the Banking Law. Decisions taken unanimously by the Credit Committee shall be enforced directly and decisions taken by majority shall be enforced upon approval by the Board of Directors.

General Manager:

Article 30-The Bank's General Manager shall be elected by the Board of Directors and his/her term of office, functions and powers shall be determined by the Board of Directors, save for the terms and conditions set out in the Banking Law for general manager.

Election of Auditors:

Article 31-The General Assembly shall elect two auditors from among the shareholders and third parties, bearing the qualifications described in the Banking Law, for a period of maximum three years. Persons who have been prohibited to be elected as auditors by the Banking Law must not be elected as auditor.

New Text

Article 25-The members of the Board of Directors, in cases prohibited by the Banking Law and Turkish Commercial Code, shall not attend the discussions of the Board of Directors. The members of the Board of Directors shall not act as Executive Director or signatory Manager or officer in any other bank established in Turkey without prior permission of the General Assembly. However, this provision shall not be applicable for duties to be undertaken in establishments and companies in which the Bank has capital sharing. The provisions of the Banking Law are reserved.

Article 26-Without prejudice to the provisions of the Banking Law and the Capital Market Law, the board members, being a shareholder or not, may be granted attendance allowances, fees, bonus, premiums and a portion of the annual profit. The amount of such payments shall be determined by the General Assembly.

Credit Committee:

Article 27-The Credit Committee shall consist of at least two members to be elected by the Board of Directors among the board members as well as the General Manager or the latter's deputy. Two alternate members should be elected in case any member shall not attend a Credit Committee meeting. The provisions of the Banking Law are reserved.

Article 28-The Credit Committee shall perform the duties mentioned in the Banking Law. Decisions taken unanimously by the Credit Committee shall be enforced directly and decisions taken by majority shall be enforced upon the approval of the Board of Directors.

General Manager:

Article 30-The Bank's General Manager shall be elected by the Board of Directors and his/her term of office, functions and powers shall be determined by the Board of Directors, save for the terms and conditions set out in the Banking Law for general manager.

Auditing:

Article 31-The Bank is subject to external audit pursuant to the provisions of the Banking Law, Turkish Commercial Code and Capital Market Law.

Current Text

Article 32- The auditors shall perform the duties mentioned in the Banking Law and Turkish Commercial Code and shall be authorized and responsible to ensure the Bank's good management, submit proposals to the Board of Directors for taking all measures which they shall consider necessary for protecting the Bank's interest, convene the General Assembly if necessary, and determine the General Assembly's agenda, and prepare the report according to the Turkish Commercial Code.

In case of urgency and significance, the auditors shall use this power.

The auditors shall be jointly and severally liable for failure of performing the duties assigned to them by law and the Articles of Association.

Article 33- The fee to be paid to the auditors as well as the terms of payment shall be determined by the General Assembly. This fee shall be paid from the general expenses.

Article 34- The Ordinary General Assembly shall convene within 3 months following the end of the Bank's fiscal year and at least once a year. During this meeting the agenda items mentioned in Article 369 of Turkish Commercial Code shall be reviewed and discussed and necessary decisions shall be taken. The Extraordinary General Assembly shall convene when required according to the provisions of law and the present Articles of Association, and the necessary decisions shall be taken. During the ordinary and extraordinary General Assembly, the Chairman or the Vice-Chairman and, in case of their non-attendance, the oldest member of the Board of Directors shall preside over such meetings. Two shareholders who own most of the shares shall be elected to collect the votes.

In case those shareholders do not agree to collect the votes, this process shall be carried on until acceptance is reached. The president and those having been elected to collect votes shall elect a secretary from among the shareholders or third parties. The President of the General Assembly and elected persons in charge of collecting votes as well as the secretary may be authorized to sign the minutes of the General Assembly.

New Text

Article 32- Removed from the Articles of Association.

Article 33- Removed from the Articles of Association.

Article 34- The General Assembly meetings can be ordinary and extraordinary. The Ordinary General Assembly shall convene within 3 months following the end of the Bank's fiscal year. These meetings shall be held in accordance with the agenda prepared pursuant to the provisions of Article 409/I of the Turkish Commercial Code.

The Extraordinary General Assembly shall convene when it is necessary within the Bank's course of business.

Without prejudice to the Turkish Commercial Code and relevant regulations, General Assembly meetings shall be held in accordance with the General Assembly By-Laws, which shall be registered and published following the approval of the General Assembly.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Article 35-The General Assembly shall convene at the administration center of the Bank or at another place of the city where its administration center is located.

Article 36-The ordinary and extraordinary General Assembly meetings should be notified in writing to the Ministry of Commerce and Industry at least two weeks prior to the date of meeting and the relevant agenda together with the relevant documents shall be send to the Ministry. A commissary of the Ministry of Commerce and Industry as well as a representative of the Undersecretariat of Treasury and Foreign Trade must be present at all General Assembly meetings. Decisions made in a General Assembly meeting in the absence of the Commissary shall not be valid.

Quorum of the Meeting:

Article 37-The meetings of the General Assembly and the quorum in the meetings shall be determined in accordance with Turkish Commercial Code.

Vote:

Article 38-Each of the shares and share-certificates with a nominal value of one Turkish Kurus shall confer its holder one vote.

Appointment of Representatives:

Article 39-Any shareholder having the right of voting may either personally exercise such right during the meetings of the General Assembly or may exercise it by appointing a proxy being a shareholder or not. The regulations of the Capital Market Board regarding voting by proxy are reserved.

New Text

Article 35-The General Assembly shall convene at the head office of the Bank or at another convenient place of the city where its head office is located.

Beneficial owners entitled to attend General Assembly meetings of the Company may do so by electronic means as per Article 1527 of the Turkish Commercial Code. The Company may establish the electronic meeting system by itself to enable beneficial owners to attend General Assembly meetings, make proposals, express opinions and vote by electronic means or purchase the same from dedicated system providers pursuant to the provisions of the Regulation on Attendance at General Assembly Meetings of Joint Stock Companies by Electronic Means. Beneficial owners shall be ensured to exercise their rights set forth in the Regulation via the said system at all General Assembly meetings pursuant to this provision of the Articles of Association.

Article 36-Removed from the Articles of Association.

Quorum of the Meeting:

Article 37-The quorum in the General Assembly meetings shall be determined in accordance with the Capital Market Law.

Vote:

Article 38-During the General Assembly meetings, each shareholder's voting right shall be calculated considering the ratio of the aggregate nominal value of shares owned by the respective shareholder to the aggregate nominal value of the Bank's capital.

Appointment of Representatives:

Article 39-Any shareholder may either personally attend the meetings of the General Assembly or may exercise such right by appointing a proxy being a shareholder or not. The relevant regulations of the Capital Market Law and the Capital Markets Board are reserved.

Current Text

Announcement:

Article 40-Announcements of the Bank shall be made at least prior 15 days at least in one newspaper published in the location of the Bank's legal head office save for the provisions of Article 37 sub-paragraph 4 of Turkish Commercial Code. However, announcements for the call of the General Assembly meetings should be made according to the provisions of Article 368 of Turkish Commercial Code at least prior two weeks except the meeting days. The announcements relating to the decrease of capital and liquidation should be subject to Article 397 and 438 of the Turkish Commercial Code.

Voting Rules:

Article 41-Voting should be performed by the sign of hand during General Assembly meetings. However, upon the request of those attending shareholders who represent 1/10 of the paid-in capital, secret voting must be made.

Amendment of the Articles of Association:

Article 42- All kinds of amendment to be made in this present Articles of Association shall be subject to the approval of the Capital Market Board and the Banking Regulation and Supervision Agency. The enforcement and application of these amendments shall also be subject to the permission of the Ministry of Commerce and Industry. Such amendments shall be valid upon their registration with the trade-registry. Provisions as to the announcement of the amendments in the Articles of Association are reserved.

Annual Reports:

Article 43-Three copies of each of the reports of the Board of Directors and the auditors as well as the annual balance-sheet, the minutes of the General Assembly and the schedule indicating the names and number of shares of the shareholders attending the General Assembly shall be sent, within one month at the latest from the date of the General Assembly meeting date, to the Undersecretariat of Treasury and Foreign Trade, the Ministry of Commerce and Industry or shall be delivered to the commissary of the Ministry and the representative of the Undersecretariat of Treasury and Foreign Trade who attend the meeting.

New Text

Announcement:

Article 40-Announcements of the Bank shall be made at least prior 15 days in a newspaper published in the location of the Bank's head office, without prejudice to the provisions of sub-paragraph 4 of Article 35 of the Turkish Commercial Code. In case no newspaper is published in such location, the announcements shall be made in a newspaper published in the nearest locations. The provisions regarding the announcements to be made on the website of the Bank and the provisions of the Capital Market Law and relevant regulations are reserved.

Announcements for the call of the General Assembly meetings shall be made according to the provisions of the Capital Market Law.

Voting Rules:

Article 41-Removed from the Articles of Association.

Amendment of the Articles of Association:

Article 42-All kinds of amendments to be made in this Articles of Association shall be subject to the approval of the Banking Regulation and Supervision Agency together with the Capital Markets Board and the permission of the Ministry of Customs and Trade. Such amendments shall not inure to the benefit of third parties before their registration with the Trade Registry.

Annual Reports:

Article 43-Removed from the Articles of Association.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF TÜRKİYE GARANTİ BANKASI A.Ş.

Current Text

Distribution of Profit:

Article 45-The net profit remaining after the deduction of all expenses from the revenues obtained as a result of the Bank's annual activities shall be subject to following dividend distribution process:

- A) 5% of the net profit shall be set aside as the legal reserves,
- B) the amount equivalent to 5% of the paid-up capital out of the remained net profit shall be distributed to the shareholders as first dividend,
- C) 5% of the remaining part shall be distributed to the extraordinary reserves,
- D) Following the set aside and distribution as in the items A-B-C:
 - The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as profit share or to assign it partly or entirely to the extraordinary reserves.

The provision of Article 466, sub-paragraph 2, item 3 of the Turkish Commercial Code shall be reserved. The distribution as mentioned above in items C and D cannot be made unless the funds equivalent of the financial liabilities to be fulfilled by the company's juridical person and the legal reserves have been set aside.

Date of the Profit's Distribution:

Article 46-The General Assembly shall decide on which date and in which way the annual profit shall be distributed to the shareholders upon the proposal of the Board of Directors. Profits distributed in accordance with the provisions of this present Articles of Association shall not be recovered.

Article 47-Legal reserves shall be set aside up to 50% of the capital and the whole of the paid-in capital for probable future loss. However, in case such amount of legal reserves decrease for any reason whatsoever, the setting aside shall continue based on the same ratio.

The profit shall not be distributed to the shareholders unless the legal and extraordinary reserves as well as the funds to be set aside pursuant to law and the provisions of this present Articles of Association have been set aside.

Miscellaneous:

Article 48-The Bank shall print this present Articles of Association and shall deliver the same to its shareholders and shall send 10 copies of it to the Ministry of Commerce and Industry.

New Text

Distribution of Profit:

Article 45-The net profit remaining after the deduction of all expenses from the revenues obtained as a result of the Bank's annual activities shall be subject to following distribution process:

- A) 5% of the net profit shall be set aside as the legal reserves,
- B) the amount equivalent to 5% of the paid-in capital out of the remained net profit shall be distributed to the shareholders as first dividend,
- C) 5% of the remaining part shall be set aside as the extraordinary reserves,
- D) Following the set aside and distribution as in the items A, B and C
 - The General Assembly shall be authorized to distribute the remaining profit completely or in part to the shareholders as dividend or to set it aside fully or partially to the extraordinary reserves.

The distribution as mentioned above in items C and D cannot be made unless the funds equivalent to the financial liabilities to be fulfilled by the company and the legal reserves have been set aside.

The provisions of Articles 19 and 20 of the Capital Market Law are reserved.

Date of the Dividend Distribution:

Article 46-The General Assembly shall decide on which date and in which way the annual profit shall be distributed to the shareholders upon the proposal of the Board of Directors. Dividend distributed in accordance with the provisions of this present Articles of Association shall not be recovered.

Article 47-With regard to the set aside of the legal and all kinds of reserves, their purpose of use, conversion to capital and use for dividend distribution, the provisions of Article 509, Articles between 519 and 523 and all other relevant provisions of the Turkish Commercial Code shall be applicable.

Article 48-Removed from the Articles of Association.

Current Text

Article 49-For matters not provided for in this present Articles of Association the provisions of Turkish Commercial Code, Banking Law, Capital Market Law and other relevant regulation shall be applicable.

Provisional Clause 2:

While the nominal values of the share-certificates have been 500.-TL and 100.-TL, they have been amended as 1 New Kurus pursuant to the Law No. 5274 Regarding the Amendments in the Turkish Commercial Code and subsequently as 1 Kurus, in accordance with the Cabinet Decree dated April 4, 2007 and numbered 2007/11963 which stipulates the removal of the expression "New" from "New Turkish Lira" and "New Kurus" as of January 1, 2009. Due to this amendment, the total number of shares has decreased and shares amounting to 1 Kurus shall be granted for each share of 10,000 TL (20 shares for those with a nominal value of 500.-TL and 100 shares for those with a nominal value of 100.-TL). Fraction receipts shall be issued for shares which may not be completed to 1 Kurus.

The "Turkish Lira" expressions that have been included in this Articles of Association are the expressions amended in accordance with the above mentioned Cabinet Decree.

The shares of series 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 representing the Bank's existing capital of 1,200,000,000.- Turkish Lira as of April 12, 2005 have been combined as series 17.

The shareholders' rights arising out of their shares related to the said amendment and combination of series are reserved.

New Text

Article 49-For matters not specified in this present Articles of Association, the provisions of the Turkish Commercial Code, Banking Law, Capital Market Law and other relevant regulations shall be applicable.

With regard to the application of the corporate governance principles, the Capital Markets Board regulations on mandatory corporate governance shall be applicable to material related party transactions of the Bank.

The Bank shall comply with the mandatory corporate governance principles set forth by the Capital Markets Board. The Board of Directors' decisions adopted and transactions executed that are not in compliance with the mandatory corporate governance principles will be deemed void and contrary to the Articles of Association.

Provisional Clause 2:

While the nominal values of the share-certificates have been 500.-Turkish Liras and 100.-Turkish Liras, they have been amended as 1 New Kurus pursuant to the Law No. 5274 Regarding the Amendments in the Turkish Commercial Code and subsequently as 1 Kurus, in accordance with the Cabinet Decree dated April 4, 2007 and numbered 2007/11963 which stipulates the removal of the expression "New" from "New Turkish Lira" and "New Kurus" as of January 1, 2009. Due to this amendment, the total number of shares has decreased and shares amounting to 1 Kurus shall be granted for each share of 10,000 Turkish Liras (20 shares for those with a nominal value of 500.-Turkish Liras and 100 shares for those with a nominal value of 100.-Turkish Liras). Fraction receipts shall be issued for shares which may not be completed to 1 Kurus.

The "Turkish Lira" expressions that have been included in this Articles of Association are the expressions amended in accordance with the above mentioned Cabinet Decree.

The shares of series 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 representing the Bank's existing capital of 1,200,000,000.- Turkish Lira as of April 12, 2005 have been combined as series 17.

The shareholders' rights arising out of their shares related to the said amendment and combination of series are reserved.

The image is a vertical collage of several protest signs, all featuring the text "No Limits in Education". The signs are layered, with some in the foreground and others in the background. A semi-transparent teal filter is applied over the entire image. The background shows a blue sky with white clouds and a building with windows.

No
LIMITS
IN
EDUCATION

No
LIMITS
IN
EDUCATION

No
LIMITS
IN
EDUCATION

No
LIMITS
IN
EDUCATION

OUR SUPPORT FOR EDUCATION CONTINUES
SINCE 1998



DENIZYILDIZLARI (STARFISH) PROJECT

A CAMPUS COMPRISING;

★ 1 ELEMENTARY SCHOOL

★ 4 VOCATIONAL AND
TECHNICAL HIGH
SCHOOLS +

2,500
STUDENTS
PER YEAR

THEATER AND CONFERENCE HALL
SEATING 320

SEMI-OLYMPIC
SIZE INDOOR
SWIMMING POOL

(INDOOR SPORTS
FACILITY WITH A
CAPACITY FOR 600)

EDU(ATION)

IS THE FOCAL POINT OF GARANTI BANK'S
SOCIAL RESPONSIBILITY PROJECTS.

TEA(HERS) ACADEMY FOUNDATION

THE TEACHERS ACADEMY FOUNDATION WAS
ESTABLISHED IN 2008 WITH THE AWARENESS
OF THE ROLE EDUCATION PLAYS IN PROMOTING
GENERAL WELFARE OF THE SOCIETY AND AS AN
INDICATOR OF GARANTI'S SENSITIVITY AND
LONG-TERM COMMITMENT.

TRAINING ACTIVITIES

IN 78 CITIES

AT 2,945 SCHOOLS

REACHED

73,349

TEA(HERS)

TARGET:
100,000
TEA(H)ERS

WE BELIEVE THAT EDUCATION
IS A PROCESS THAT DOESN'T
JUST PREPARE THE INDIVIDUAL
FOR LIFE BUT RATHER IS LIFE
ITSELF, AND IS THUS A
LIFELONG JOURNEY.

WWW.04RETMENTINSINIRIYOK.COM



FOCUSING ON VALUE-CREATING
PROJECTS RELATED TO
THE TEACHERS

SUSTAINABLE ACTIVITIES

WE ORGANIZE SUSTAINABLE
ACTIVITIES FOR OUR
TEACHERS, WHO ARE THE
KEystone OF QUALITY
IN EDUCATION.

WWW.ORAV.ORG.TR



TEACHERS ACADEMY FOUNDATION

PRIMARY OBJECTIVE:

RESPONDING TO THE NEEDS OF TEACHERS
WHO WILL HELP RAISE NEW GENERATIONS
OF YOUNG PEOPLE

AWARE OF THEIR INDIVIDUAL
AND SOCIAL RESPONSIBILITIES,

PROBING, INQUISITIVE,
(CAPABLE OF ANALYTICAL
THOUGHT, SELF-CONFIDENT,

ATTACH IMPORTANCE TO
(CONTINUED PERSONAL
DEVELOPMENT,
IDENTIFY WITH
UNIVERSAL
VALUES,

WILLING TO ACCEPT
RESPONSIBILITY FOR OUR
NATIONAL CULTURAL HERITAGE.

THE FIRST PROJECT:

NO LIMITS IN TEACHING

GARANTI SIGNED A
FIVE-YEAR AGREEMENT
WITH THE MINISTRY OF
NATIONAL EDUCATION TO

ORGANIZE ACTIVITIES AIMED AT FOSTERING THE PERSONAL
AND PROFESSIONAL DEVELOPMENT OF TEACHERS.

EMPLOYING FACE-TO-FACE AND
DISTANCE-EDUCATION METHODS

PILOT TRAININGS:

NEVŞEHİR

BATMAN

SAKARYA

TOKAT

ADANA

PROMOTING ANALYTIC THINKING
AND RESEARCH

10 EXPERT AND
287 PART-TIME
TRAINERS

"LEARNING LEADER
TEACHER"
SEMINAR

ABOUT GARANTI

CORPORATE PROFILE

Garanti: Pre-eminent Banking Franchise

Established in 1946, Garanti Bank is *Turkey's second largest private bank* with consolidated assets exceeding US\$ 102 billion.

Garanti operates in every segment of the banking sector including corporate, commercial, SME, retail, private and investment banking. Garanti is an *integrated financial services* group together with its eight financial subsidiaries providing services in pension and life insurance, leasing, factoring, brokerage, and asset management besides the international subsidiaries in the Netherlands, Russia and Romania.

Garanti provides a wide range of financial services with its 17,285 employees to its 11.7 million customers through an *extensive distribution network* that reached 926 domestic branches; 5 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai; more than 3,500 ATMs; an award-winning Call Center; and the state-of-the-art internet and mobile banking platforms built on *cutting-edge technological infrastructure* as of year-end 2012.

Garanti commands a *pioneering position in all lines of business* through the profitable and sustainable growth strategy it pursued since the day of its establishment. Its *competent and dynamic human resources*, unique technological infrastructure, *customer-centric service approach, innovative products and services* offered with strict adherence to quality carry Garanti to a leading position in the Turkish banking sector.

Following the best practices in corporate governance, Garanti is jointly controlled by two powerful entities, Doğuş Holding Co. and Banco Bilbao Vizcaya Argentaria S.A. (BBVA), under the principle of equal partnership. Having shares publicly traded in Turkey, the UK and the USA, Garanti has an actual free float of 49.97%.

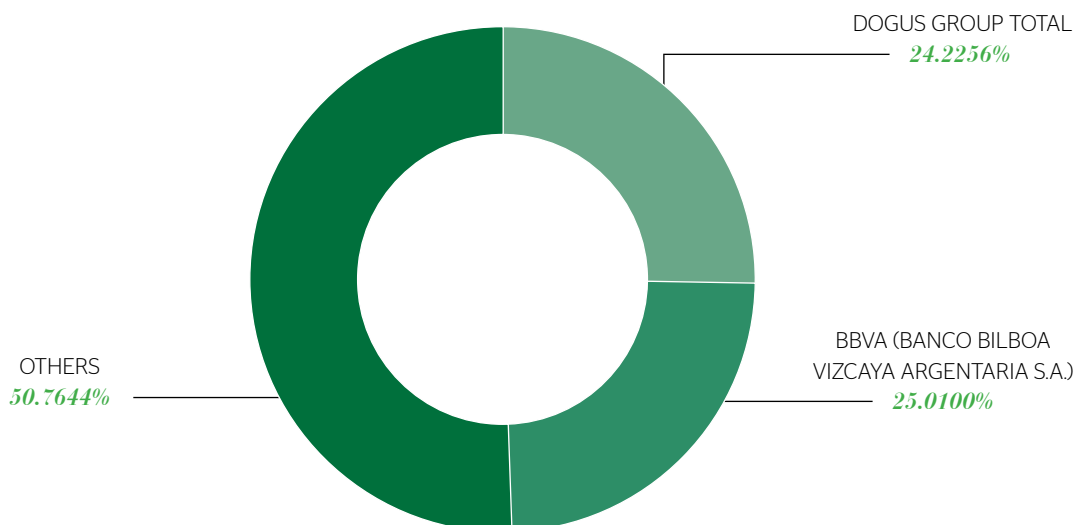
With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its *custom-tailored solutions* and the *wide product variety* play a key role in reaching US\$ 70 billion cash and non-cash loans. The *high asset quality* attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

Garanti is not only *committed to add value* for its customers and shareholders, but also *for all its stakeholders and the society*. Within this context, Garanti's long-term support in the areas of culture, arts, environment, education, and sports reflects its commitment as well as its keen sensitivity to sustainability.

Note: Based on BRSA 2012 year-end consolidated financials.

Shareholding Structure of T. Garanti Bankası A.Ş.

as of December 31, 2012



Insider Holdings

The Chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti Bank; their transactions in Garanti Bank shares are publicly disclosed pursuant to Capital Markets Board regulations.

OUR VISION

is to be the *best bank* in Europe.

OUR MISSION

is to *continuously* and *noticeably* increase the value we create for our customers, shareholders, employees, the society and the environment by utilizing our influence, agility and organizational efficiency.

OUR STRATEGY

is to maintain *long-term sustainable growth* by continuously creating value.

MAIN PILLARS OF OUR STRATEGY

Focus on customers

- » Innovative products and high quality service
 - » Unrivalled competence, experience and implementation capability
 - » Exceptional business processes throughout the Bank
 - » Customer Satisfaction Constitution
-

Focus on the continuity of technological innovation

- » The best and the fastest technological equipment that is constantly upgraded and integrated with business segments
 - » The most up-to-date IT infrastructure
-

Focus on competent human resources

- » Continuous improvement in competency and efficiency of human resources
 - » Performance-based incentive system
-

Focus on operational efficiency

- » Focus on improving productivity
 - » Focus on cost/income synergies
-

Focus on disciplined growth

- » Sustainable and profitable balance sheet growth focused on real banking
 - » Strong asset quality
 - » Outstanding service and distribution competencies in reaching target markets and a broad customer base
-

Focus on strong delivery channels

- » Extensive and efficient branch network
 - » Effective and broad-based usage of alternative delivery channels
-

Focus on sustainable banking

- » Commitment to corporate governance, ethics and corporate values
 - » Minimizing environmental and social impacts of the Bank's activities, products and services
 - » Playing an active role in establishing high standards for social development and environmental protection with an approach toward creating value for the society and the environment
-

Focus on sustainable income sources and profitability

- » Focus on high-return products and profitable business segments
 - » Increase non-interest income
 - » Emphasis on generating customer-driven income
 - » Continuous improvement in free capital and cost of borrowing
 - » Promote cross-selling opportunities by prioritizing products and packages that enhance customer loyalty
-

Focus on risk management and audit

- » Measurement of risk using globally accepted standards
 - » Portfolio-wide risk management that associates risk with return and leads to optimal allocation of economic capital
 - » Proactive audit systems
-

OUR CORE VALUES

“Our customers...”

- » Are the cause of all our operations and efforts.
 - » We always strive to satisfy our customers above and beyond their expectations.
 - » We are honest, courteous, helpful, solution-oriented and always pleasant.
-

“Garanti Bank and its employees have high moral values”

- » We conscientiously follow rules and regulations without exception.
 - » Having a good conscience is of paramount importance for both the organization and the individuals which form it.
-

“The most important element for us is the human factor”

- » We value individuals, attach strong importance to the human mind and invest continuously in human resources.
 - » Our quality is driven and ensured by our employees.
 - » Every team member is driven primarily by a quest for quality.
 - » We understand the importance of delegating responsibilities.
 - » We encourage our employees to take initiative.
 - » We believe in the energy for “desire” that makes our employees creative and productive.
 - » We believe that every employee of our Bank is a “leader in his/her field” and that they are the one who knows best what they are doing.
-

Continuous progress

- » We sustain the quality of our services by constantly improving ourselves rather than maintaining the status quo.
 - » Investing in our people and technology to achieve continuous progress is an inseparable element of our policy.
 - » Our primary duty is to sustain a high level of quality while constantly improving the quality of our products and services.
 - » Our approach to improving quality is proactive; we strive to identify the needs and expectations of our customers and address them even before they are voiced by our customers.
-

Our environmental and social responsibilities

- » We undertake every effort to be beneficial to the society, the environment and humankind.
 - » We believe that the environmental and social values set out by Garanti Bank for all of its stakeholders will be taken as a model not only in the banking sector but also in the entire national economy while providing significant contributions to Turkey's development.
-

Teamwork

- » We believe in effective teamwork and open lines of communication. We do not compromise these principles.
 - » We are opposed to strict layers of hierarchy.
 - » Everybody at Garanti Bank from the CEO to the lowest ranking personnel and all of the organizations which we cooperate with coalesce into a unified power to realize the vision.
 - » The effective teamwork of the Bank is strengthened by collaboration, mutual trust and respect.
-

GARANTI'S COMPETITIVE ADVANTAGES

Dynamic human resources capable of making a difference

- » HR policies targeted at employee satisfaction
 - » Awarded talent programs
 - » -12,500 employee suggestion & ideas collected in the last 5 years
 - » 85% of employees are university graduates.
 - » 51 hours/employee training per annum
 - » 28% of trainings are delivered through technological methods.
-

State-of-the-art technology

- » Business-integrated IT
 - » Fully in-house developed, custom-fit IT solutions
 - » Uninterrupted transaction capability and infrastructure security
 - » Dynamic and advanced technology enabling quick customer service time
 - » Reputation as "innovator"
 - » Continuous investment in technology since 90s
-

Innovative customer-oriented products and services

- » Differentiating with innovative, flexible and custom-tailored solutions
 - » Blending customer needs and tendencies with evolving trends
 - » Conducting market research and listening to customers
 - » Encouraging employees to share their suggestion and innovative ideas
-

Best customer relationship management solutions

- » Systems enabling profitability & propensity analysis and product development
 - » Sophisticated segmentation systems
 - » Multi-channel CRM tools offering effective & timely solutions
 - » Operational efficiency, sales effectiveness and digitalization
 - » Making a difference in customer experience with smart business processes
-

Strong brand and reputation

- » Customer centricity measured periodically via Customer Centricity Index based on quantitative parameters
 - » Consistent communication and corporate responsibility projects continuously contribute to brand perception.
 - » Emotional connection differentiates Garanti brand from others.
 - » Customers define Garanti: "Trustworthy, innovative, technologically advanced, fast, understands and meets customer needs, smiling, caring and helpful"
-

Exceptional data warehousing and management reporting (MR)

- » Centralized MR, enabling management to take timely actions
 - » Proactive business support in the decision-making process
 - » One of the best practices in Turkish market in terms of data consistency, reliability and report generation efficiency
 - » Reports generating significant inputs for Asset Liability Management process
-

Centralized operations

- » First bank to set up centralized operations in Turkey
 - » 99% centralization ratio
 - » Warehousing all data electronically
 - » First bank in Turkey to create “paperless banking” operating environment
 - » First bank in the world to implement ID scanning facilities in branches
 - » Alleviating branches’ operational workloads through effective use of technology
 - » Best in class operational efficiencies and superior employee productivity
-

Integrated financial services

- » Banking operations in Netherland, Russia and Romania since 1990s
 - » Leader in bancassurance
 - » 20% of all pension participants in Turkey choose Garanti.
 - » #2 in factoring with US\$ 4.2 million of factoring business volume
 - » Leader in number of leasing contracts
 - » Turkey’s first asset management company
 - » Strong presence in capital markets with -6% brokerage market share
-

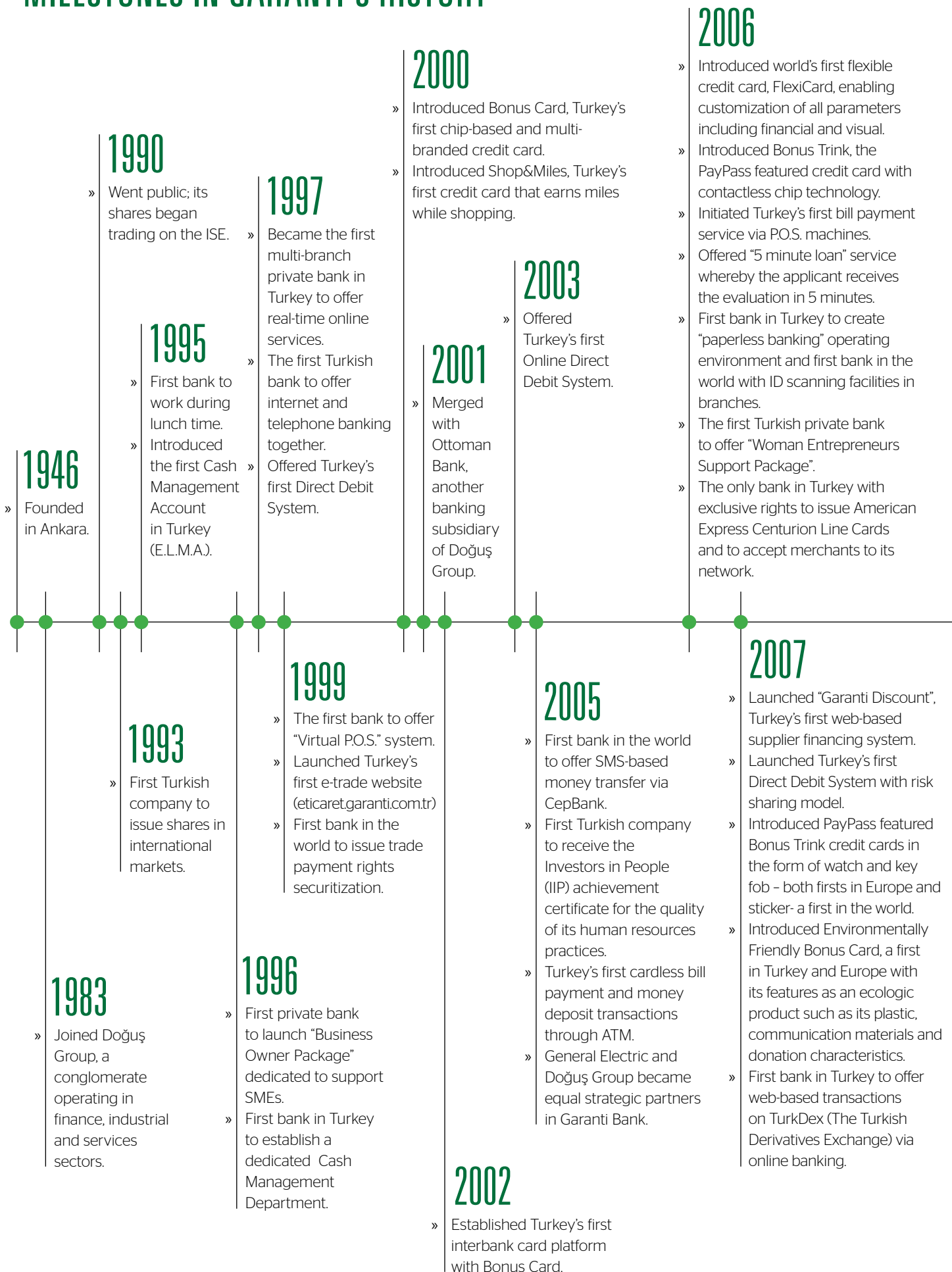
Extensive branch network

- » 96% Geographical Coverage
 - » Presence in 78 cities
 - » Tripled branch network since 2001
 - » #1 in branch openings since 2006 (~450 new additions)
 - » Highest per branch efficiency by assets, loans and ordinary banking income
-

Use of digital delivery channels

- » 80% of all financial transactions occur via digital channels.
 - » Integrated channel strategy
 - » Leading position in internet & mobile banking
 - » >3,500 ATMs facilitating >170 transactions
 - » Leading financial call center with >64 million customer contacts per year
 - » Offering personalized financial management services
-

MILESTONES IN GARANTI'S HISTORY



2008

- » Bought back founder share certificates, an important move toward improved corporate governance.
- » Launched Turkey's first Inventory Finance System.
- » Established Turkey's first mortgage call center, 444 EVİM.
- » Launched Loan via P.O.S., commercial installment loan offered through P.O.S. system, a first in the world and in Turkey.
- » Performed Turkey's first cardless remittance via ATMs, where both parties are non-bank customers and want to transfer money.
- » Founded the Teachers Academy Foundation (ÖRAV), with the aim of fostering consistent personal and professional development of teachers.

2010

- » Established the Sustainability Committee.
- » Submitted its greenhouse gas emissions and climate change strategy to the Carbon Disclosure Project (CDP).
- » Introduced another first in Turkey by performing Western Union transactions through ATMs as well as Internet Banking.
- » Launched the world's first NFC (Near Field Communication) payment enabled SIM card "Bonuslu Avea".

2011

- » Banco Bilbao Vizcaya Argentaria (BBVA) and Doğuş Group became equal strategic partners in Garanti Bank, through BBVA's acquisition of shares from GE Capital Corporation and Doğuş Holding A.Ş.
- » Sold its 20% shareholding in Eureko Insurance to Eureko B.V. by exercising its put option.
- » Joined UNEP FI (The United Nations Environment Programme Finance Initiative).
- » SALT was established to provide long-lasting support to culture and experimental thinking in Turkey.
- » Entered the Carbon Disclosure Project (CDP) Global 500 Report 2011, a global reporting system on climate change.
- » Became the first private enterprise to issue the longest tenor Eurobond in Turkey.
- » Provided Turkey's first TL-denominated long-term project finance facility.
- » Introduced Cep-T Paracard in collaboration with Turkcell and MasterCard, Turkey's first prepaid card enabling SIM-based secure service that can be used with mobile handset devices.

2009

- » Turkey's first bank to offer "e-government" payments.
- » Introduced Money Card, Turkey's first credit card which is multi-branded and also offers brand-specific loyalty benefits.
- » Launched Turkey's first last minute EFT service.
- » Offered Western Union transactions via Internet branch as a first in the world.
- » Developed Turkey's first Gold Financing System.
- » Launched DCC (Dynamic Currency Conversion) P.O.S. enabling foreign card holders to pay in their own currencies.
- » Started calculating its greenhouse gas emissions.

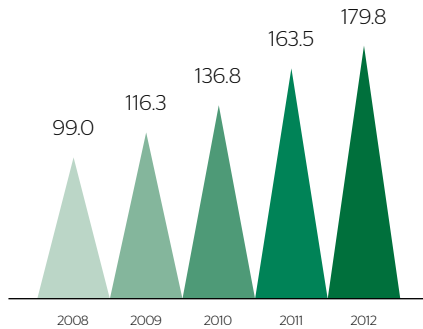
2012

- » Set up its Environmental Management System and Environmental Policy.
- » Signed up to the United Nations Global Compact.
- » Became the first bank in Turkey to become a member of the Turkish Business Council for Sustainable Development (TBCSD).
- » Introduced Garanti Link which offers special campaigns to social media users as a first in Turkey.
- » Introduced Net Account as a first in Turkey which offers a variety of returns based on income, saving capability and habits, and with regard to opening dates and regular payment amounts.
- » Established sector's first Auto Loan Support Line, 444OTOM.
- » Became the first bank in Turkey to apply Call Steering, apprehending the request expressed by the customer and directing them to the related task point.
- » Launched world's first banking application for Windows 8.
- » In partnership with Shell, introduced Shell Partner Card as a first in Turkey to combine cash and fuel management in a single card.
- » Introduced Turkey's first contactless SME-specific credit card, Easy Card.
- » Introduced Takas Kart (Barter Card) that enables the automation of cash flow between dairy industries, milk cooperatives, and milk producers through merging the means of exchange with technology on a plastic card.
- » First Bank in the world to offer web-based solution to the working capital needs of car dealers for the purchase of second hand cars via Exchange Finance.

GARANTI: THE LEADING BANK IN TURKEY

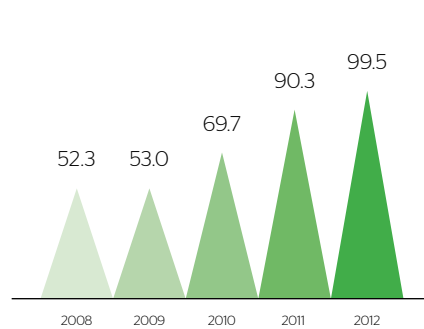
Total Assets

(TL Billion)



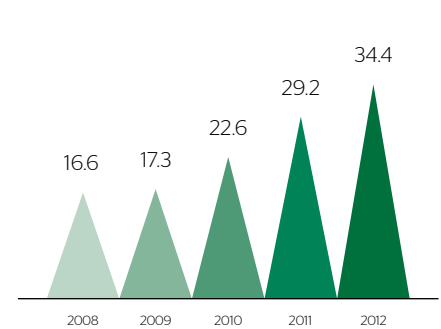
Performing Loans

(TL Billion)



Consumer Loans

(TL Billion)



Customer-Centric Growth Strategy ...

Continuously Improving Process & Services

- » **Technologically advanced banking systems**
- » **Competent & dynamic HR**
 - Extensive training
 - Performance-based incentive schemes
- » **Operational efficiencies**
 - Superior employee productivity
 - 99% centralization ratio

Delighting Customers

- » **Innovative customer-oriented** products and services
- » **Multi-channel CRM tools** offering effective & timely solutions
- » **Integrated channel strategy**
 - Internet & Mobile Banking
 - ATM
 - Call Center
 - Branch network

Sustainable Value Creation

- » For Customers
- » For Employees
- » For Shareholders
- » For Society

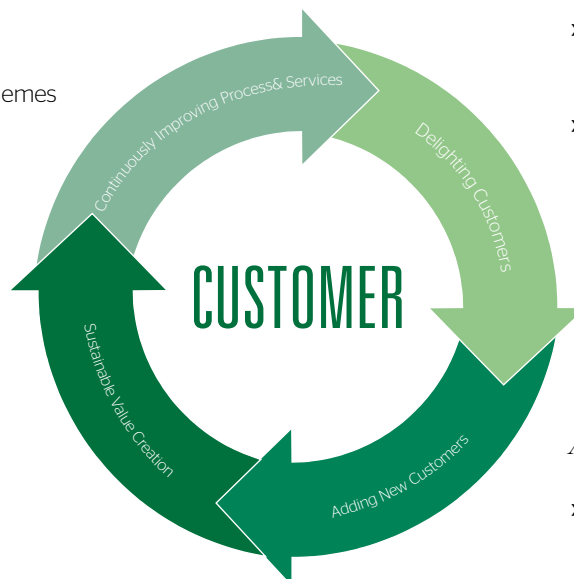
Adding New Customers

- » **Extensive branch network**
 - Tripled in the last 10 years
 - 96% geographic coverage

The most valuable company in Turkey...

» Customer Centricity Index

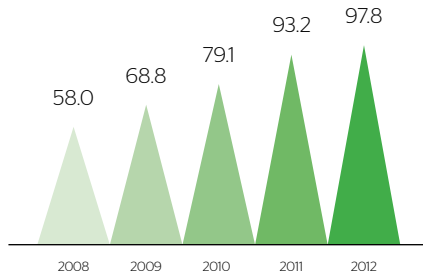
- » **Making a difference** in customer experience with smart business processes



Note: Based on BRSA Consolidated Financials. Consumer Loans includes consumer credit cards.

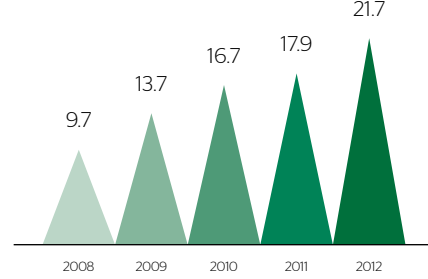
Total Deposits

(TL Billion)



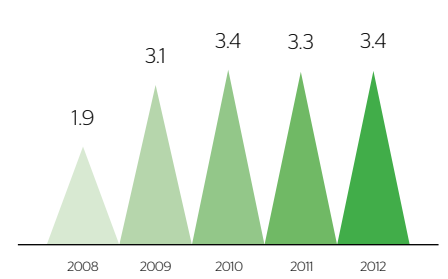
Shareholders' Equity

(TL Billion)



Net Income

(TL Billion)



...Aligned with Key Strengths Feed the Differentiated Business Model

- » *Leading market shares* across high growth retail products
- » *Impressive track record* and attractive platform for future growth
- » *Sophisticated customer segmentation model*
- » *Solid asset quality*
- » Effective utilization of *multi-channel distribution*
- » *Business-integrated IT*
- » Product, service and technology *innovator*
- » *High quality employee base* & proven management success
- » *Strong shareholder support* - Jointly controlled by Doğuş Group and BBVA
- » *Continuously creating value for all the stakeholders*

Note: Based on BRSA Consolidated Financials.



OUR
MOST
VALUABLE
ASSET
'HUMAN'

WE VALUE OUR EMPLOYEES' IDEAS AND SUGGESTIONS

EMPLOYEE SATISFACTION

MEASUREMENT AND SYSTEMATIC MONITORING
OF EMPLOYEE SATISFACTION LEVELS

EMPLOYEE LOYALTY
SURVEY

360 DEGREES
FEEDBACK SURVEY

INTERNAL CUSTOMER
SATISFACTION SURVEY

FINDINGS OBTAINED
THROUGH SURVEY WORKS
ARE SHARED WITH
THE SENIOR MANAGEMENT
AND DIRECTORS AND USED TO
DESIGN DEVELOPMENT PLANS
SPECIALLY TAILORED FOR
EMPLOYEES' NEEDS.

SUGGESTION AND IDEA PLATFORMS

ÖNERSEN
(YOUSUGGEST)

✕ FOUNDED IN 2007

✕ ALMOST 2,000 SUGGESTIONS
IN 2011 ALONE

ATÖLYE (WORKSHOP)

PROJECT-BASED INNOVATION PLATFORM

✕ ALMOST 2000 INNOVATIVE IDEAS
WITHIN THE FRAME OF 5 PROJECTS

GARANTI LEARNING & DEVELOPMENT

28% OF
TRAININGS

ARE DELIVERED THROUGH
TECHNOLOGICAL METHODS.

IN 2012

810,000
HOURS

55 HOURS /
EMPLOYEE

TRAINING

OVER
7,000

IN-CLASS

TRAINING EVENTS

WITHIN THE SCOPE OF
GARANTI
LEADERSHIP
ACADEMY

A LEADERSHIP PROGRAM WITH THE
COOPERATION OF
SDA BOCCONI



TALENT PROGRAMS

→ LATEST SOURCES OF
DEVELOPMENT

- ✓ COMPETENCE-BASED IN-CLASS TRAININGS UNDER
ACCELERATED DEVELOPMENT PROGRAM
TO BECOME LEADERS
- ✓ CAREER AND DEVELOPMENT CONSULTANCY
- ✓ MEETINGS WITH SENIOR MANAGEMENT
- ✓ COACHING AND MENTORSHIP

GARANTI LEADERSHIP ACADEMY

84% OF OUR BANK'S DIRECTORS
GRADUATED FROM THESE PROGRAMS.

AMBASSADORS OF
OUR COMMON CULTURE
OF MANAGEMENT

BEST TALENT
MANAGEMENT IN TURKEY



BEST LEADERSHIP
PROGRAM IN THE WORLD

BEST ASSESSMENT AND
EVALUATION PRACTICE
IN THE WORLD

RECOGNIZED IN THE AREAS OF

— GETTING THE REQUESTED INFORMATION
— AT THE RIGHT TIME
— IN THE RIGHT WAY

→ THE
LATEST AND
MOST EFFECTIVE
TECHNOLOGIES

iyi (İŞ-WORK
YAŞAM-LIFE
İLİŞKİSİ-RELATION)
GOOD

OUR GOAL:

"GARANTI AND I"
JOURNEY TO SUCCESS



/GARANTIVEBEN

TO MAKE ALL GARANTI EMPLOYEES HAPPY
THROUGH SERVICES AND ACTIVITIES AIMED
AT LIVING AN ACCOMMODATING,
COLORFUL AND JOYFUL LIFE

TO INFORM OUR POTENTIAL EMPLOYEES
BY INTRODUCING LIFE AT GARANTI

ACTIVITIES

1

MOTIVATIONAL
MEETINGS



SHARING INTERNAL
COMMUNICATION THEMES
WITH GARANTI EMPLOYEES

X ENHANCING MOTIVATION


4 SEASON GATHERINGS

ANNUAL OUTDOOR ACTIVITIES

② **WOMEN'S CLUB & KALEMETEK** FOUNDED IN 2012

→ GARANTI'S WOMEN BANKERS MEETING POINT

→ [HTTP://WWW.KALEMETEK.COM](http://www.kalemetek.com)



④ **İYİ SOHBET** (GOOD HAT)
ENTERTAINING & INFORMING

↓

SEMINARS ON VARIOUS TOPICS

HOBBY CLUBS ③

8 DIFFERENT AREAS OF INTEREST

PHOTOGRAPHY, UNDERWATER SPORTS, TREKKING, TURKISH CLASSICAL MUSIC, TURKISH FOLK MUSIC, SAILING

IN 2012
+
THEATRE & CINEMA

⑤ **İYİ KURSLAR** (GOOD COURSES)

(COURSES ON PERSONAL DEVELOPMENT OR HOBBIES)

FEE'S ARE MOSTLY COVERED BY THE BANK.

⑥ **İYİ İKRAM** (GOOD TREAT)

HEALTHY SNACKS

LITTLE SURPRISES FOR OFFICE LIFE THROUGH "GOOD TREATS" TO YOUR DESK TURNED INTO A HABIT IN A SHORT TIME.

SERVICES

①

AVITA

WITHIN THE SCOPE OF
'EMPLOYEE ASSISTANCE SERVICE'



INFORMATION AND SUPPORT

7/24

TO FACILITATE DAILY LIFE

②

GREEN

MORE
ECO-FRIENDLY

SHUTTLE



OPTIMUM
ROUTES

③

SIMPLE
MAIL

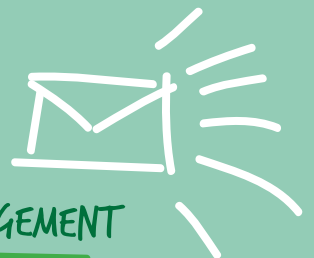
E-MAIL QUALITY

TIME AND WORK STRESS MANAGEMENT

ONLINE
TRAINING

&

ADD-ON FOR
DESKTOPS



④

INDOOR
SERVICES

X SPORTS HALL

X TAILOR

X HAIRDRESSER

X DIETITIAN

X SHOE
CARE

2012 OVERVIEW, EXECUTIVE ASSESSMENT, 2013 OUTLOOK

2012 OVERVIEW

SOFT LANDING AMID SHIFT FROM DOMESTIC TO EXTERNAL DEMAND

In 2012, the soft landing began to manifest itself in Turkey while current account deficit and inflation decreased more than expected.

In 2012, the major threat to the world economy was the debt crisis in Europe, while in the United States concerns over the sustainability of the budget emerged toward the end of the year. Despite the decisions taken in Europe against the deepening debt crisis over the last two and a half years, such as giving flexibility to rescue funds, establishment of a common control mechanism, etc., some uncertainties about the details of these decisions as well as how they will be implemented have not yet been cleared. Furthermore, the austerity measures continued in 2012 together with the low level of confidence in the still fragile economies continued to depress the economic growth in Euro Zone. While Greece, Ireland and Portugal continued to implement the austerity measures envisaged by the aid funds, Southern Cyprus applied for aid in 2012. Meanwhile, Spain secured a 39.5 billion Euros fund under a 100 billion Euros fund package approved in June in order to restructure her debilitating banking system without joining the financial measure program related with the national debts.

The European Central Bank (ECB) introduced a new bond purchase program, called "Outright Monetary Transactions", which will be sterilized completely, in addition to the existing funds. The program, for which an upper limit has not been established, was targeted to be implemented within the scope of the European Financial Stability Fund (EFSF), the European Stability Mechanism (ESM) or a precautionary program. The ECB reserved the right to stop the bond purchase if the governments fail to fulfill the requirements. Although no application was made within the scope of direct monetary transactions in 2012, the steps taken by the ECB imparted optimism to the financial markets in the second half of 2012. Despite the recently improved confidence environment in the financial markets, there wasn't a significant improvement in the real sectors of the Euro Zone economies.

RAPIDLY DECREASING CURRENT ACCOUNT DEFICIT

Another major threat to the global growth in 2012 was the concerns raised over the spending cuts and tax increases (fiscal cliff) which remained from the period of the President Bush. These measures are expected to come in effect in early 2013 in the United States. Moreover, as the US budget reached the debt ceiling at the end of 2012, the need for a medium term budget plan was recognized once again. In 2012, the Federal Reserve System (FED) linked the monetary policy to certain economic thresholds first time ever and announced that the fairly low interest rate environment would continue providing that the unemployment is above 6.5% and unless the inflation rate exceeds 2.5% over the next one or two years. In the other major economies, Japan and China, new governments were also the determiners of the economy policies. In Japan, the slowing down global growth, the increased value of yen and the negative impact of political disagreement with China on the commercial relations between the two countries led to recession in the economy. As the new government introduced expansive policies in order to reinvigorate the economy, the yen began to lose value toward the end of the year. In China, the new cabinet announced that the existing support policies would be continued. With the help of the incentives, the Chinese economy began to recover toward the end of the year. In the other developing economies, the slowdown in external demand and the reduced internal demand due to the tightening policies implemented in 2011 caused growth to remain below capacity.

Regarding the Turkish economy; 2012 was the year in which the soft landing, following the rapid domestic demand driven growth figures after the global crisis, began to manifest itself. Despite the shrinking domestic demand, thanks to the contribution of external demand brought by strong exportation performance owing to increased diversity of products and markets, Turkish economy grew by 2.6% annually over the period of January-September 2012. With regard to the components of the growth in that period, while the external demand made a positive contribution of 4.5 points, the contribution of the internal demand was negative at 1.9 points. The above-mentioned growth rate remained below the potential growth rate of Turkey which was calculated at around 5%, but lessening of the fragility of the economy thanks to the changing growth dynamics was a positive development in 2012.

BENCHMARK INTEREST RATE WITH A HISTORICALLY LOW LEVEL

As the imports decreased due to weakening domestic demand, the foreign trade deficit and, consequently, the current account deficit also narrowed in 2012. Although the growth of exports slowed down with an annual growth rate of 13% in 2012 when compared with the growth rate of 18.5% in 2011, the amount of exports reached US\$ 152.6 billion and exceeded the forecast of US\$ 149.5 billion in the Medium Term Plan (MTP). In 2012, imports, after an increase of 30% in 2011, decreased by 2% and amounted to US\$ 236.5 billion, remaining below the forecast of US\$ 239.5 billion in the MTP. Thus, the foreign trade deficit decreased from US\$ 106 billion in 2011 to US\$ 84 billion in 2012. Similarly, the current account deficit rapidly decreased in 2012 from the level of 9.7% of the GDP in 2011 to the level of around 6%. Net gold exports made positive contribution to the decrease of the foreign trade and current account deficits. Net gold exports increased to US\$ 5.7 billion in 2012 from US\$ 4.8 billion in 2011. Additionally, steps taken in 2012 to reduce the current account deficit in the medium and long term such as the new incentive scheme and the new regulations made in the private pension system led to positive developments.

On the inflation side, positive developments occurred in 2012. With the contribution of the decrease in the core inflation and of the food inflation which remained below the average rate in the previous years, the inflation decreased rapidly during the last quarter of the year. Consequently, the consumer inflation rate which was above 10% in 2011 decreased to 6.2% in 2012, still remaining above the target inflation rate of 5%.

In 2012, the Central Bank of Turkey continued to be active regarding the monetary policies. Actively employing the interest rate corridor without changing the policy interest rate after September 2011, the Central Bank set the funding cost at high levels at average 8.7% in the first half of 2012 with the aim of suppressing the inflationist pressures. By taking into account the positive outlook in the inflation and the weak internal demand during the rest of the year, the Central Bank reduced the funding cost below the policy interest rate during the last month of the year. In addition, as the interest rate corridor was narrowed over the last months of the year, the policy interest rate was reduced slightly in December as a step taken to relax the monetary policy. In order to balance the expansive effect of the reduction in the interest rate during the last month of the year, the Central Bank tightened the money supply by raising the

ACTIVELY UTILIZED MONETARY POLICY TOOLS

required reserves and signaled that it would keep taking steps in this direction. In addition, in order to maintain the stability of the Turkish Lira, the Central Bank has begun to actively utilize the "Reserve Options Mechanism" as a new policy instrument against changes in the capital flows. Thus, in 2012, the TL was able to appear stable in the face of volatile capital movements. As the benchmark interest rate decreased to historically low levels especially after the credit rating agency, Fitch, upgraded Turkey's rating to "investable", the Central Bank, aiming to prevent the appreciation of the TL through a predicted increased entry of capital, announced its adoption of a cautious policy and, thus, ensured the stable outlook of the TL.

As to the central government budget, the realization of the budget in 2012 was more positive than the forecast of the government in the Medium Term Plan announced in October 2012. In overall 2012, the budget deficit remained at TL 28.8 billion below the government's forecast of TL 33.5 billion, while the primary surplus was TL 19.6 billion, above the government's forecast of TL 15.5 billion. The ratio of the budget deficit to the estimated GDP in 2012 was 2.0% and of the primary surplus 1.4%. In parallel with the continuing positive developments in the public finance performance, the ratio of public debt stock to the GDP continued to decline over 2012, decreasing to 36.7% as of September.

LETTER FROM THE CHAIRMAN



Dear Stakeholders,

2012 turned out to be a challenging year for the global economy. In particular, advanced economies were in the search for more sustainable solutions to their economic challenges. The Turkish economy, on the other hand, went through a successful rebalancing process in 2012. Garanti Bank also managed it very well to develop and implement new strategies to respond to changing market conditions.

Although it has been quite a while since the outbreak of the global crisis back in 2008, the advanced economies have been facing difficulties in introducing and implementing concrete policy steps. Lack of effective leadership, coordination and decisive action combined with issues associated with internal dynamics in advanced economies, have also been putting pressure over emerging markets, which are the driving force of the global economy in recent years. In particular, the need for permanent structural reforms rather than temporary measures in Europe and also resolution of the “debt ceiling” issue after the “fiscal cliff” in the USA are of particular importance for the global economy going forward.

Turkish financial sector has successfully gone through a real “stress test” during the global crisis. In addition, thanks to its sound fiscal indicators, Turkey was among the fastest growing economies in the world successively in 2010 and 2011. It was for the first time in 2012 that the current account deficit was reduced significantly not through an economic crisis, but rather through successful design and effective implementation of a “soft landing” policy. Consequently, increased investor confidence was accompanied by long awaited sovereign rating upgrade of the Turkish economy, which had already been priced in by the market.

Facing a much more competitive economic environment as a result of the soft landing process in 2012, Garanti Bank offered timely and appropriate solutions to the changing needs of customers with a proactive approach. Moreover, this was achieved with an effort to further increase in the service quality, leading to increased market share in several areas in such a challenging year.

Garanti, being among the top players in the Turkish banking sector, will continue to closely follow global trends and will remain as one of the most innovative banks in the sector. I am confident that our success will continue thanks to our dedicated colleagues, innovative and high-quality service approach, strong shareholder structure and the corresponding trust and support extended to us by our esteemed customers.

I would like to take the opportunity to express my deepest thanks first to my colleagues and to all stakeholders who have built up the strong “Garanti” brand. I hope that 2013 will be a year in which we will further contribute to the sector and the economy with further improved services and products.

Sincerely,

Ferit F. Şahenk

Chairman of the Board of Directors

LETTER FROM THE CEO



Dear Stakeholders,

Following the global financial crisis, Eurozone related economic uncertainties continued to dominate the scene in 2012, and in such a backdrop, Turkey distinguished itself from other emerging market economies. After a period of rapid domestic demand driven growth, the soft landing began to manifest itself in 2012. Despite the shrinking domestic demand, the Turkish economy sustained its growth momentum on the back of foreign demand driven by strong level of exports.

Fundamentally strong banking sector, narrowing current account deficit, initiatives to increase savings in order to reduce the current account deficit in the mid-long term and less dependency on European countries in terms of exports, were among the positive developments in 2012. The successful realization of the soft landing scenario and long-term growth dynamics enabled Turkey to attain the long-deserved investment grade rating level.

During this period, the banking sector was affected by the Central Bank's monetary policies aimed at financial stability. Balance sheet growth of the banking sector remained limited, due to the decreased growth momentum in the economy and reduced domestic demand compared to 2011, where the credit growth rate was 30% vs. 15% realized in 2012.

The effective use of the interest rate corridor and the introduction of reserve option coefficients impacted sector profitability. Increased funding costs on the back of tightening measures adopted in the first half of the year pressured banking sector margins. In the second half, when the inflation concerns diminished, monetary policy was loosened to stimulate domestic demand.

In this period, despite declining loan yields, Garanti was able to increase its net interest margin beyond market expectations by thoroughly executing its operating plan which emphasized selective growth strategy and diversified funding structure.

We continued to take prudent steps due to ongoing global and to a lesser degree domestic uncertainties and chose to stay away from any market share gains at the expense of profitability. Within the framework of customer-oriented growth strategy, mortgage loans grew by 17%, general-purpose loans by 16% and credit cards by 20%.

In line with its robust and sustainable growth strategy, the Bank added marketable securities to its portfolio at times of high-interest rates, while focusing mainly on lending growth in times of low-interest-rates. Expanding its cash loan book by 10% in 2012, Garanti increased its share of loans in assets to 55%.

On the funding side, while preserving its strong deposit base, the Bank also targeted other low-cost and long-term funding instruments. In addition to TL bill issuances, Garanti issued the largest ever non-sovereign Eurobond issue out of Turkey with the lowest coupon rate as of the date of issuance. Also in 2012, the Bank was able to secure the "lowest-cost" syndicated loan amongst Turkish Banks. As a result of these accomplishments, Garanti has further reinforced its position as the most preferred Turkish financial institution in the international markets.

Following the strong credit growth achieved in the previous two years, 2012 was a year where we observed a slight increase in non-performing loans. Garanti's non-performing loan ratio, despite this slight and expected level of increase, remained below the sector average due to its effective underwriting policy.

The Turkish banking sector successfully transitioned to Basel II guidelines that came into effect in July 2012. Garanti's capital adequacy ratio rose to 17%. Apart from our peer group, we focused on strengthening the core capital base rather than utilizing subordinated debt; thus, we managed to stand out as the bank recording the highest increase in its Tier-I ratio among peers in 2012.

We, at Garanti Bank, define our primary responsibility to the stakeholders as creating sustainable value both in the short- and long-term. In this context, the focus of the activities carried out in 2012 included supervising our environmental and social impact assessments besides cultural-artistic, educational, sportive and jazz activities.

In the area of culture and arts, we took our support to a different magnitude in SALT, which, in 2012, continued to promote projects that added value to society, as a cultural institution continuously renewing itself and producing unique undertakings.

Öğretmen Akademisi Vakfı (Teachers Academy Foundation) was one of the finest examples of Garanti's approach to corporate responsibility. Within the scope of the foundation set up with the aim of organizing sustainable activities for teachers, face-to-face trainings were held with over 73,000 teachers in 78 provinces and 2,945 schools as of the end of 2012 through the foundation's first project - Öğretmenin Sınırı Yok (No Limits in Teaching).

2012 was an efficient year for our sports sponsorships. Pixies of Basketball (Turkish National Women's Basketball Team), that Garanti has supported since 2005 along with being the main sponsor of 12 Giant Men (Turkish National Men's Basketball Team), successfully represented Turkey in the London Summer Olympics.

With the goal of enabling children to adopt basketball culture and promoting the sport in Anatolia, started by the Bank in collaboration with the Turkish Basketball Federation, the 12 Giant Men Basketball Schools have reached over 40,000 youngsters in 70 centers.

One of the unforgettable triumphs of 2012, Aslı Çakır Alptekin, national athlete we took pride in supporting, brought our country its first gold medal in athletics in the London Summer Olympics. With our support to various sport disciplines such as basketball, football, athletics, golf, equestrian, we, in 2012, focused on adding value to Turkish sports.

15th anniversary of Garanti Jazz Green, a pioneer event in promoting jazz music, was enthusiastically celebrated in 2012. With the aim of having jazz music reach larger audiences in Turkey, we continued to support venues and activities in addition to the İKSV-organized Istanbul Jazz Festival.

Activities for women entrepreneurs continued in 2012. In 2012, the tuition-free educational project "Woman Entrepreneur Executive School" was set up in conjunction with the Boğaziçi University Center for Lifelong Learning. Under the program, women entrepreneurs in Ankara, Istanbul and Izmir received training. The project will continue in 2013. With the Women Entrepreneur Gatherings organized in collaboration with the Women Entrepreneurs Association of Turkey (KAGİDER), we have met with women entrepreneurs in 20 provinces since 2008. In 2012, we organized the 6th "Turkey's Women Entrepreneur Competition", first held in 2007 in cooperation with the Economist magazine and KAGİDER.

Started with the objective of building a sound future together with SMEs, Garanti Anatolian Meetings, held uninterruptedly for 10 years, continued in 2012. We have met over 25,000 SMEs in 61 provinces in 83 meetings.

We acknowledge reducing negative impacts on the environment as a basic and primary responsibility in order to leave a habitable world to future generations.

Developed within this scope, the Bank's Environmental Management System received the ISO 14001 certificate in 2012. Thus, Garanti was recognized in Turkey as the bank applying environmental management systems and managing the largest number of points accordingly in an all-encompassing manner.

Developed for managing the Bank's indirect impact stemming from loans disbursed, the Environmental and Social Impact Assessment System was our most important action to reduce its ecological footprint. Having completed the testing phase of the system in 2012, we commenced to effectively manage environmental and social impacts of loan disbursement activities.

In 2012, we shared information on the projects carried out for the purpose of fighting climate change with the Carbon Disclosure Project (CDP) for the third time. Garanti, receiving the highest rating in the performance category in Turkey with its systematic approach, was selected as the first ever recipient of the "Carbon Performance Leadership" award.

By signing the United Nations Global Compact in 2012, we joined the national network of the initiative. Moreover, in 2012, we became the first bank in Turkey to join the World Business Council for Sustainable Development. Thanks to these memberships, we plan to closely follow sustainable banking practices both domestically and internationally, and share our experience with the banking sector.

Dear Stakeholders,

The downside risks that began in 2007-2008 and later advanced into a global debt and banking crisis remain ever present as we enter the fifth year of the crisis.

In this respect, while the risk to foreign demand remains pressing, uncertainties concerning the direction of capital flows are also rising to the fore. Without doubt, global developments are anticipated to closely affect the Turkish economy and the banking sector.

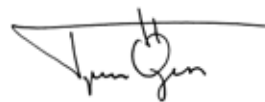
In 2013, with the expectation of a limited pick-up in the pace of global growth and a revival in domestic demand in Turkey, the Turkish economy is estimated to grow around 4.8%. With expectations of such growth and oil prices remaining high, the current account deficit will probably rise in respect to GDP in 2013.

In line with economic developments, sector balance sheet growth is expected to be better in comparison with 2012. It is critical that, in 2013, the banking sector continues, without losing focus, to efficiently deploy its capital. In fact, one of the most significant factors distinguishing the sector on international platforms is its capital strength.

Our goal at Garanti Bank is clear... In 2013, we will work with all our resources, despite the challenging economic conjuncture, to be an internationally respected bank, continuing to grow in a sustainable and profitable manner.

Our wish, as always, is to earn the appreciation of all our stakeholders...

Sincerely,



Ergun Özen
President & CEO

2013 OUTLOOK

Turkish economy in 2013, is expected to grow at a faster pace compared to 2012, on the back of awaited revival in domestic demand. It is predicted that faster economic growth would impart positive contributions to the banking sector, and in parallel with this, Garanti targets stronger growth rates in 2013 than in 2012. By preserving the profitable balance sheet structure and supported with the sound capital base, Garanti will maintain its focus both on loans and deposits. The Bank targets to achieve above sector growth rates in every segment prioritized as strategically important for the Bank, primarily Retail Banking and the SME Banking. Growth rate for mortgage loans, general-purpose loans and credit cards, the major banking products offered to the aforesaid customer segments, for 2013, is expected to be around 20%.

It is estimated that total performing loans, which grew by 9% in 2012, would grow by around 18% in 2013. The primary impetus behind this growth will be Turkish lira loans which are expected to grow by over 20%. FC loans, which remained flat in 2012, are expected to grow moderately at 8% in US dollar terms in 2013. On the asset quality side, the ratio of non-performing loans, which rose from 1.8% to 2.3% in 2012 as a result of the slowdown in the economy, is expected to improve in parallel with relatively positive expectations for the macro environment. As to the funding sources, it is anticipated that customer deposits will have a higher weight in 2013. While the ratio of customer deposits in retail and SME customer segments was 64% in 2011, it increased to 66% in 2012. It is expected that this trend will continue in 2013 and that the sound structure on the funding side will be carried one step forward. Furthermore, the Bank has plans to utilize such sources as bond issuances and syndicated loans at domestic and foreign markets in line with the strategy of diversifying the funding sources. It is planned that the ratio of liabilities to equities will remain below 7 in 2013, as a result of the positive developments in the funding structure.

Garanti has distinguished itself in the Turkish Banking Sector in recent years for its profit generation capacity and efficient business model. In parallel with this, on the interest income side, the net interest margin rose from 3.9% in 2011 to 4.3% in 2012. Although the return on CPI-indexed securities is expected to diminish in 2013, it is anticipated that, the current level of net interest margin in 2012 will be preserved, thanks to active management of asset/liability mix. The Bank targets to attain a growth rate over 10% in net fees and commissions income with solid performance expectations for cash/non-cash loan commissions, money transfers and bancassurance commissions. Meanwhile, the operational expenses are expected to grow by merely 3 to 4% in real terms owing to the efforts for effective cost management and the efficient business model, despite the planned new branch openings. Thanks to all these positive developments foreseen on the income and expense sides, return on assets will remain fixed at around 2% in 2013, despite the expected relatively stronger balance sheet growth.

Expectations regarding the Group in 2013

Along with its international subsidiaries operating in the Netherlands, Russia and Romania, Garanti operates as an integrated financial services company with financial subsidiaries offering services in pension and life insurance, leasing, factoring, brokerage and asset management. It is aimed that the positive contribution from the synergies created via the subsidiaries, to the profitability, will continue in 2013; and that the contribution from the subsidiaries to the net income of the Group would increase by around 2%.

In 2013, the Group expects increasingly positive results from the subsidiaries operating in the field of banking in parallel with expectations for general economic recovery and increasing stability in Europe, while closely monitoring the developments in order to seize the opportunities brought by short-term fluctuations in the markets.

Although it is predicted that amendments to the personal pension legislation in Turkey would lead to negative impact on fees and commissions revenue, this impact, which is expected to be limited with 2013, is getting balanced with accelerated sales and is consistent with the target of the Group to become the market leader within the Private Pension System (PPS) in terms of the number of contracts.

In 2013, the Group will succeed to maintain the net interest margin and the return on assets at the same level, though a very slight increase is expected over the previous year's ratios, without any notable deterioration in the asset quality despite the growth targets. The subsidiaries also target the diversification of the funding sources. In connection with this, it is expected that the leverage ratio of the Group would decrease slightly and remain below the level of 7 in 2013, despite the increasing profitability. It is anticipated that increasing contribution of the subsidiaries to the profitability of the Group would have much less reflection to the operational expenditures in 2013 thanks to the ongoing restructuring processes and the efficiency focused business model.

GREEN
STEPS
FOR
FUTURE
GENERATIONS

GARANTI BANK'S ENVIRONMENTAL POLICY PRINCIPLES:

- 
- RESPECT THE ENVIRONMENT
 - USE RESOURCES EFFICIENTLY
 - RAISE ENVIRONMENTAL AWARENESS
 - CONSTANTLY IMPROVE OUR ENVIRONMENTAL PERFORMANCE
 - FOLLOW ALL ENVIRONMENTAL LEGISLATION AS WELL AS VOLUNTARY REGULATIONS
 - KEEP UNDER CONTROL ENVIRONMENTAL IMPACTS OF OUR ACTIVITIES AND CREDITS DISBURSED
 - RAISE OUR STAKEHOLDERS' AWARENESS
 - DEVELOP ECO-FRIENDLY PRODUCTS AND SERVICES

ISO 14001

GARANTI, THE BANK
APPLYING ENVIRONMENTAL
MANAGEMENT SYSTEM AT THE
LARGEST NUMBER OF LOCATIONS

GARANTI BANK BELIEVES THAT CLIMATE CHANGE
IS A STRATEGIC ISSUE THAT MERITS FULL
INTEGRATION WITH ALL BUSINESS PROCESSES
AND DECISION-MAKING MECHANISMS.

GARANTI,
THE CARBON
PERFORMANCE
LEADER IN 2012

"(DP" CARBON
DISCLOSURE
PROJECT

EFFICIENCY PROJECTS

TO DECREASE CONSUMPTION
OF NATURAL RESOURCES

① TECHNOLOGICAL SOLUTIONS TO REDUCE TRIPS

WEBINAR

TELECONFERENCE

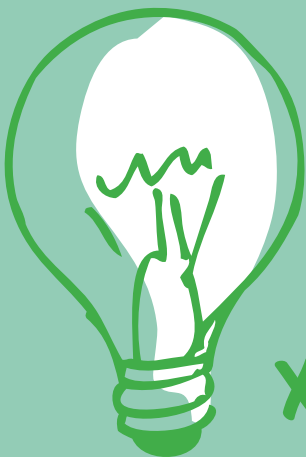
INTERACTIVE DISTANCE TRAINING

② FUEL SAVING

PERSONNEL TRANSPORTATION:

ROTABAN

③ RENOVATION OF LIGHTING SYSTEMS



LED LIGHTING AT

X ALL
ATMS

X EXTERIOR
LIGHTING

X BILLBOARDS

④ PROJECTS PROVIDING WATER

SAVINGS:

LOW-FLOW
ARMATURES

RAINWATER
DECONTAMINATION

PURIFYING
TAP WATER



FOR DRINKING



⑤ DESIGNED IN ACCORDANCE WITH LEED CRITERIA: PENDIK

TECHNOLOGY CAMPUS

BUILDING COSTS

2%

HIGHER COMPARED
TO AVERAGE



18-39%

LOWER ENERGY
CONSUMPTION

⑥ AWARENESS RAISING EFFORTS

FOR ALL
BANK
PERSONNEL



SUSTAINABILITY
E-LEARNING
PROGRAM

⑦ INTERNATIONAL EXPERIENCE SHARING & PARTICIPATING INITIATIVES

UN GLOBAL
COMPACT

UNITED NATIONS
ENVIRONMENT PROGRAM
FINANCE INITIATIVE
(UNEP FI)

TURKISH BUSINESS
COUNCIL FOR
SUSTAINABLE
DEVELOPMENT

WWF GREEN
OFFICE PROGRAM

⑧ PAPERLESS → E-STATEMENT BANKING

ALMOST  72.7 MILLION IN THE
A4 SIZE PAPERS ELECTRONIC ENVIRONMENT

6,200 TREES

A FORESTLAND OF 30,900M²

⑨ GARANTI BANK RECYCLING PROGRAM

REUSE ↘



IF NOT USABLE

X RECYCLE

- PAPER
- PLASTIC
- METAL
- GLASS

X DISPOSE

- WASTE BATTERIES
- PRINTER CARTRIDGE
- FLUORESCENT LAMP
- ELECTRONIC WASTE

FINANCIAL HIGHLIGHTS

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

In 2012 Garanti differentiated itself with its business model underscoring its robust and sustainable growth strategy, and attained a stellar performance. The paving stones of Garanti's path to success were its ability to read markets well, forecast accordingly, and, in light of these, carry out effective balance sheet management. In 2012, Garanti continued to stand out with its liquidity, sound asset quality and well capitalization fueled by its high internal capital generation capacity.

Today, Garanti has leading positions in many segments. With its customer-oriented approach; Garanti provides services to approximately 12 million customers through an extensive distribution network that includes 936 branches, more than 3,500 ATMs, Turkey's largest financial Call Center, and state-of-the-art internet and mobile banking platforms. With its massive payment systems infrastructure, consisting of more than 16 million debit and credit cards and 502 thousand POS terminals, Garanti, today, manages Turkey's largest merchant network via its innovative products and services.

Garanti's assets increased by 10% in 2012, reaching TL 179 billion 779 million 374 thousand; while the support provided to the economy through cash and non-cash lending reached TL 123 billion 903 million 825 thousand. Expanding its cash loans by over 10% in 2012, Garanti increased the share of loans in assets to 55%. Garanti, with its disciplined growth strategy, did not pursue market share gains based purely on pricing competition and, thus grew selectively in order to manage the increasing pressure on margins in an effective and balanced manner. By concentrating on high-yielding consumer loans, including credit cards, Garanti gained healthy market shares. In 2012, the Bank's position in the sector was further strengthened with growth recorded in general-purpose loans by 16%, auto loans by 11% and mortgage loans by 17%. Garanti preserved its position as the Turkey's largest mortgage lender.

Asset quality remained sound in 2012. Collections performance was strong, however at more normalized levels in comparison with the figures obtained over the past two years. Moreover, in parallel with the soft landing in the economy, lending growth was lower versus the previous year, yielding an increase in Garanti's non-performing loan ratio to 2.6% in 2012 from 2.1% in 2011. This ratio however, remained below the non-performing loan ratio calculated for the sector as a whole.

Within the effectively managed and solid funding structure of Garanti, deposits carry the highest weight, funding 54% of the assets. In its effort to continually strengthen and expand its deposit base, Garanti successfully implemented the growth strategy with particular focus on mass deposits and demand deposits. Consequently, high demand deposit levels were maintained and the share of demand deposits in total deposits increased to 22% as of the end of the year. In 2012, Garanti diversified and further strengthened its funding mix by actively using alternative funding

sources. Through the issuance of TL bonds, the Bank was able to effectively manage the cost as well as the maturity of the TL funding side. Garanti, as well regarded among the most trusted financial institutions by international investment banks, was able to undertake the largest ever non-sovereign Eurobond issue in Turkey to date, with the lowest coupon rate as of the date of issuance. With its sustainable growth focus, strong international banking network, experienced team, as well as its ability to generate potential business areas, Garanti was able to further reinforce its position as the most preferred financial institution in the international markets. In light of this, the Bank was also able to secure the "lowest-cost" syndicated loan amongst Turkish Banks in 2012.

Garanti continued to strengthen its capital base via internal capital generation throughout 2012. The increase recorded in shareholders' equity was 21%, reaching TL 21.7 billion. Consolidated capital adequacy ratio, which stood at 15.8% at the end of 2011, increased to 16.9% at the end of 2012, even after Basel II rules came into effect as of the third quarter of the year. Garanti's strong capitalization was distinguishing, not only in Turkey, but in the global arena, as well. Garanti was the only Turkish bank among the world's top 100 rated banks by S&P, for two consecutive years, per risk-adjusted capital ratio.

Despite the economic uncertainties and pressure created by regulatory actions in 2012, Garanti delivered a net interest margin expansion through dynamic balance sheet management. A customer-centric and innovative business model yielded an increase in Garanti's sustainable banking revenues. Carrying on with its ongoing investments in distribution channels, Garanti managed to maintain the highest per branch efficiencies in terms of assets, loans and ordinary banking income.

Success achieved by Garanti Bank so far is the fruit of a long term and a well planned journey, rather than incremental, ad-hoc steps. Garanti Bank forges forward in confidence, with its vision "to become the best bank in Europe", while upholding the core principles of its current strategy well into the future.

Note: Based on BRSA Consolidated Financials.

GARANTI BANK'S POSITION IN THE SECTOR AND ITS MARKET SHARES

Garanti commands a pioneering position in all the areas it operates through the profitable and sustainable growth strategy pursued since the day of its establishment.

Market Shares

ASSETS	12.8%	Turkey's second largest private bank with increasingly customer driven assets
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TL LOANS	10.8%
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FC LOANS	18.3%
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CONSUMER & COMMERCIAL INSTALLMENT LOANS	12.8%	Uninterrupted support to the economy with sustainable and healthy growth strategy
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MORTGAGE LOANS	13.5%
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Leader in mortgages

GENERAL PURPOSE LOANS	10.7%
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AUTO LOANS	16.1%
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CREDIT CARD ISSUING VOLUME	17.9%
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Leading position in Payment Systems

CREDIT CARD ACQUIRING VOLUME	19.2%
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TL 65 billion total issuing volume

>16 million cards

>500 thousand POS terminals

NUMBER OF CREDIT CARDS	16.7%
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Turkey's largest credit card platform

NUMBER OF POS TERMINALS	17.7%
-------------------------	-------

Bonus Card

TOTAL CUSTOMER DEPOSITS	11.5%
-------------------------	-------

**Customer driven, sustainable and wide
deposit base**

TL CUSTOMER DEPOSITS	10.0%
----------------------	-------

FC CUSTOMER DEPOSITS	14.8%
----------------------	-------

Superior service variety resulting in a high demand
deposits level >20% of total deposits

CUSTOMER DEMAND DEPOSITS	13.5%
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NET INCOME	14.3%
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Robust performance

ORDINARY BANKING INCOME	13.6%
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Ordinary banking income backed by
successful business model

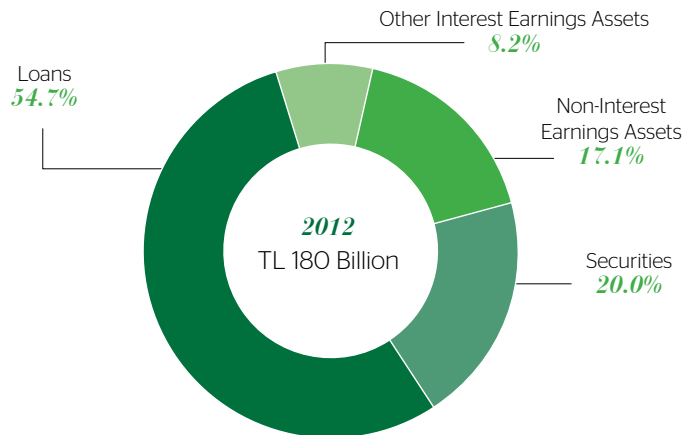
Note: For sector comparison, BRSA unconsolidated financials are used in market share calculation. Sector data is based on BRSA, commercial banks only.

Ordinary Banking Income= Net Interest Income - (General Provisions + Loan-loss provisions and Securities provisions) + Net Trading Gain/Loss + Net Fees and Commissions

KEY FINANCIAL INDICATORS AND RATIOS

Garanti Bank stands out with its liquid balance sheet, sound asset quality and strong capital base.

Composition of Assets

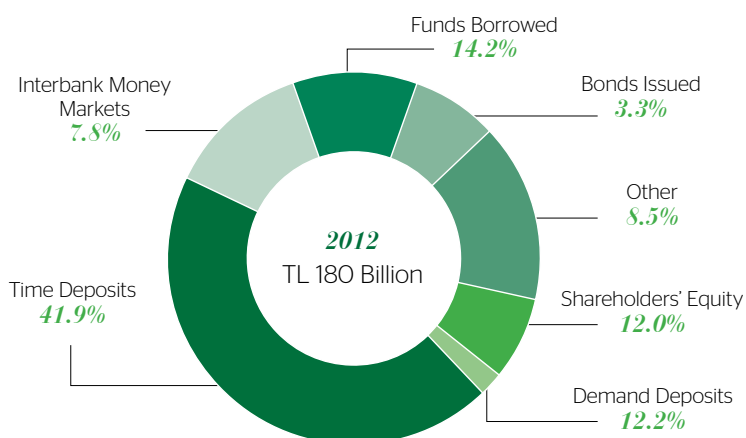


Proactive, timely and prudent asset management

Increasing share of loans in assets

Sustainable and healthy growth strategy

Composition of Liabilities



Solid, deposit heavy and effectively managed funding structure

Reigned by mass deposits

Strong demand deposits base

Effective and timely utilization of alternative funding sources

Strong capital base supported by internal capital

Note: Based on BRSA consolidated financials. Figures are excluding accruals.

Garanti's commitment to sustainability was proven with its track record of delivering ROAE >20% in the last 5 years. Garanti further reinforced its solid stance with the remarkable performance achieved in 2012.

Key Ratios

Solid ordinary banking income
supported by *successful business*
model & disciplined cost
management and *focus on efficiency*
resulted in *high profitability ratios*

2.0% RETURN ON
AVERAGE
ASSETS

17.0% RETURN ON
AVERAGE
EQUITY

Garanti recorded the
highest increase in
Tier-I capital ratio
among peers

Strong capital base supporting the
sustainable growth potential

16.9% CAPITAL
ADEQUACY
RATIO

Highest efficiency ratios
Highest branch efficiencies attained
via *use of technology* and uninterrupted
investment *in delivery channels*

48% COST
INCOME
RATIO

Disciplined credit risk management shaped
with risk-return balance priority

Liquid balance sheet and pristine asset
quality

Dynamic management of asset mix and
ability to effectively and timely access
diversified funding sources

2.6% NON-
PERFORMING
LOANS RATIO

29% LIQUIDITY
RATIO

Note: Based on BRSA Consolidated Financials.

GARANTI'S CREDIT RATINGS

« RATINGS OF GARANTI BANK REPRESENT THE HIGHEST RATING ASSESSED FOR TURKISH BANKS. THE LONG TERM TL AND FC RATINGS ASSESSED BY FITCH RATING, THE LONG TERM TL RATING BY MOODY'S AND THE LONG TERM TL AND FC RATINGS BY JCR EURASIA RATINGS REPRESENT INVESTMENT GRADE. »

Fitch Ratings (Outlook: Stable)

Long Term FC **BBB**
Long Term LC **BBB**

Moody's (Outlook: Stable)

Long Term FC Deposit **Ba2**
Long Term LC Deposit **Baa2**

Standard & Poors (Outlook: Stable)

Long Term FC **BB**
Long Term LC **BB**

JCR Eurasia Ratings (Outlook: Stable)

Long Term International FC **BBB-**
Long Term International LC **BBB**

You may find detailed information about Garanti's credit ratings in the consolidated financial statements 6.1 and unconsolidated financial statements 6.1.1 or you may follow Garanti Investor Relations website* for any recent information.

*<http://www.garanti.com.tr/investorrelations>

About Credit Ratings:

Fitch Ratings:

The Agency upgraded Turkey to investment grade level on November 05, 2012 and placed Garanti's rating under review. Hereafter, Fitch upgraded Garanti's long term FC and long term LC IDRs from "BBB-" to "BBB" and viability rating to "bbb" from "bbb-". The Bank's short term FC and LC ratings of "F3", Support Rating of "3" and "Stable" rating outlook were affirmed.

Fitch Ratings		
National	AAA(tur)	Denotes the highest rating assigned by the agency in its National Rating for that country. This rating is assigned to issuers or obligations with the lowest expectation of default risk relative to all other issuers or obligations in the same country.
Long Term FC	BBB	Good credit quality, indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
Long Term LC	BBB	Good credit quality, indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Standard & Poor's

The Agency revised Turkey's sovereign rating outlook from positive to stable on May 01, 2012. Hereafter, S&P affirmed Garanti's ratings on May 04, 2012 and revised the Bank's outlook from positive to stable, parallel to that of sovereign outlook revision.

Standard & Poors		
Long Term FC	BB	An obligor is less vulnerable in the near term than other lower - rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
Long Term LC	BB	An obligor is less vulnerable in the near term than other lower - rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

Moody's:

The Agency upgraded Turkey's sovereign rating by 1 notch to Ba1 from Ba2 on June 20, 2012. Hereafter, Moody's upgraded Garanti's long term FC rating, the benchmark rating, by 1 notch to Ba2 on July 03, 2012. Long term FC and long term national scale ratings were downgraded to Baa2 from Baa1 and to Aa2.tr from Aa1.tr, respectively, due to methodology change on March 16, 2012. The outlook on the ratings were affirmed as stable.

Moody's		
Long-term National Scale Rating	Aa2.tr	Demonstrate the strongest creditworthiness relative to other domestic issuers.
Long Term FC Deposit	Ba2	Obligations are judged to have speculative elements and are subject to substantial credit risk.
Long Term FC Deposit	Baa2	Obligations are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

JCR EurasiCa Ratings:

The Agency affirmed Garanti's ratings and outlook on April 04, 2012

JCR Eurasia Rating		
National Long Term Credit Rating	AAA (Trk)	The highest level of capacity of the obligor to honor its financial commitment on the obligation.
Long Term International FC	BBB-	An adequate level of capacity to honor the financial commitment on the obligation. However, this capacity is more likely to diminish in the future than in the cases of the higher rating categories.
Long Term International LC	BBB	An adequate level of capacity to honor the financial commitment on the obligation. However, this capacity is more likely to diminish in the future than in the cases of the higher rating categories.

AUDITORS' REPORT

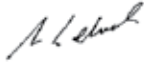
To the Shareholders of T. Garanti Bankası Anonim Şirketi

We have audited the calendar year 2012 transactions and accounts of T. Garanti Bankası Anonim Şirketi in accordance with the Banking Law No. 5411, Turkish Commercial Code, Capital Market Law, generally-accepted accounting principles, related legislation and the provisions of the Articles of Association of the Bank. We determined that the Balance Sheet and Profit and Loss Statements of the Bank comply with the accounting records, and such records comply with the relevant documents. Consequently, we recommend the approval of the Balance Sheet and Profit and Loss Statement of the Bank for the year 2012 as submitted by the Board of Directors and also state that we agree with the allocation of the net profit within the principles proposed by the Board of Directors.

Sincerely,



Murat İnan
Auditor



Altan Reha Göksu
Auditor

PROFIT DISTRIBUTION

Our Bank ended its 67th fiscal year with a profit of TL 3,070,324,738.88. We propose our esteemed profit be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank, and the Head Office be authorized to initiate on May 6, 2013 the distribution of cash gross dividend and conduct the operations regarding the issue.

Sincerely,

Board of Directors

2012 DISTRIBUTION OF THE PROFIT TABLE-TL

NET PROFIT	3,070,324,738.88
A- 5% for the 1st Legal Reserve Fund (TCC 519/1)	153,516,236.94
B- First dividend corresponding to the 5% of paid up capital	210,000,000.00
C- 5% Extraordinary Reserve Fund	135,340,425.10
D- Second Dividend to Ordinary Shareholders	386,500,000.00
The other funds have to kept in the Bank	24,941,001.80
D- Extraordinary Reserve Fund	2,121,377,075.04
2nd Legal Reserve Fund (TCC 519/2)	38,650,000.00

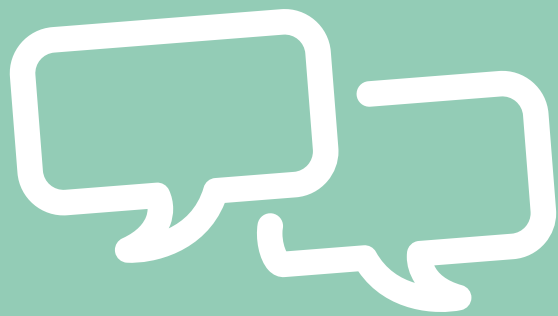
INFORMATION ON 2012 DIVIDEND PAYOUT RATIO

Information On Dividend Per Share			
	Total Dividend Amount (TL)	Dividend Per Share (Nominal Value: TL1)	
		Amount (TL)	Ratio (%)
GROSS (*)	596,500,000.00	0.14202	14.20238
NET	507,025,000.00	0.12072	12.07202
Ratio of the Dividend Distributed to the Net Distributable Profit for the Period Including Donations			
Amount of the Dividend Distributed to Shareholders (TL)		Ratio of the Dividend Distributed to Shareholders to the Net Distributable Profit for the Period Including Donations (%)	
596,500,000.00		20.36	

(*) Tax withholding in the rate of 15% shall not be deducted from the cash dividend payments made to full taxpayer institutions and limited taxpayer institutions that generate income in Turkey via offices or permanent representatives.

A hand is holding a white rectangular sign with a black border. The sign is positioned in the center of the frame. The background is a blurred image of a person's arm and hand, suggesting the sign is being held up. The text on the sign is written in a bold, black, sans-serif font, arranged in four lines. The overall image has a soft, slightly out-of-focus quality.

SIDE-BY-SIDE
WITH
SHAREHOLDERS
WORLDWIDE



COMMUNICATING
THE VALUE IN A

PROACTIVE TRANSPARENT
TIMELY & CONSISTENT WAY



To
SHAREHOLDERS
ALL AROUND
THE WORLD

>40 COUNTRIES

AWARDED

IN THE FIELD
OF GLOBAL
COMMUNICATIONS

LACP SPOTLIGHT AWARDS
WINNER OF "PLATINUM"



IN THE FIELD OF
CORPORATE GOVERNANCE & SUSTAINABILITY
RECOGNIZED AS

BEST CORPORATE GOVERNANCE COMMUNICATION

BEST SUSTAINABILITY COMMUNICATIONS PROGRAM

FAST RESPONSE &
EASY ACCESS THROUGH

MULTI-(CHANNEL
COMMUNICATION
TOOLS

INTERNET
& E-MAIL



IN 2012 >178,000
VISITORS

TO IR WEBSITE
FROM >100 COUNTRIES



FACE TO FACE

IN 2012

→ WITH >700 INSTITUTIONAL INVESTORS

→ >20 CONFERENCES &
TARGETED ROADSHOWS

★ IN >10 CITIES

TELECONFERENCES

WITH
REPLAY ON WEB



TELEPHONE



ANSWERED 300 QUESTIONS/MONTH

FOLLOW US
ON

SOCIAL
MEDIA



GARANTI

WENT PUBLIC IN 1990

FIRST TURKISH COMPANY

TO ISSUE SHARES
IN INTERNATIONAL MARKETS IN 1993

GARANTI SHARES TRADE IN

TURKEY - ISE

UK - LSE

USA - OTC(QX)

EXTENSIVE
RESEARCH
COVERAGE

>30 EQUITY
ANALYSTS

49.97% ACTUAL FREE FLOAT

FOREIGN INVESTORS

MAKE UP

97%

OF THIS RATIO

MOST TRADED STOCK BY FOREIGN INVESTORS:

IN THE ISE

EVERY 1 OUT OF 5
TRANSACTIONS

\$10.9
BILLION

THE MOST
VALUABLE
COMPANY

\$21.8
BILLION

HIGHEST FLOATING
MARKET CAPITALIZATION

INVESTMENT
IN

10 YEARS
AGO

BY
END 2012

ISE 100
INDEX

\$100

\$696

GARANTI
SHARES

\$100

\$1941

GARANTI FOR SHAREHOLDERS

GARANTI BANK SHARE

Garanti shares are traded on the Istanbul Stock Exchange (ISE) under the ticker symbol "GARAN". The shares are also listed on the London Stock Exchange Main Market (LSE).

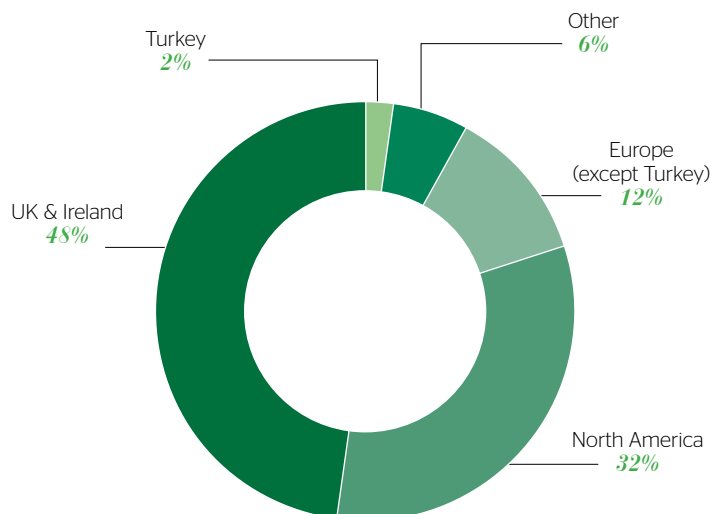
Garanti shares were initially offered to public in 1990. In 1993, the Bank became the first Turkish company to offer its shares to international markets in the form of American/Global Depositary Receipts (ADR/GDR).

Garanti's Depositary Receipts (DR) are currently traded on the International Order Book (IOB), which is the international market of the LSE. In 2012, Garanti's DRs started trading on the prestigious tier of the U.S. Over-The-Counter (OTC) market, the OTCQX International Premier.

Garanti Bank has an actual free float ratio of 49.97% as of year-end 2012 and the share of foreign shareholders in this ratio is 97% with a composition that is spread to more than 40 countries. The size of Garanti's DR program has reached 130 million shares.

The institutional shareholder structure of Garanti by region is 48% UK&Ireland, 32% North America, 12% Europe and 2% Turkey. Garanti, the most traded stock in the ISE, has around 50 thousand individual shareholders that are registered in Turkey.

The Institutional Shareholder Structure by Region



Note: Institutional shareholder composition data based on IPREO Shareholder ID Analysis dated January 2013; actual free float and foreign ownership ratios based on data from MKK (Central Registry Agency); Currency conversion is based on US\$/TL CBRT ask rate

\$22 BILLION

Market capitalization constitutes 9% of ISE100
The most valuable company in Turkey

\$11 BILLION

Highest floating market capitalization in the ISE

\$117 MILLION

Average daily turnover representing
15% of the ISE 100

\$27 MILLION

Total 2012 foreign transactions in GARAN
The most traded stock by foreigners
Every 1 out of 5 transaction

~ 13%

Highest weight of shares in the ISE100

0.73

Earnings Per Share (TL)

Prepared in both Turkish and English, Garanti Bank's websites (www.garanti.com.tr and www.garantibank.com) feature an Investor Relations section, offering detailed information about Garanti shares such as listing information, financial data on stock performance, capital increases, dividend ratios and list of analysts. The section also includes latest ownership and management structure, credit ratings, periodical bulletins prepared for investors, reports on macroeconomic developments, quarterly financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and Banking Regulation and Supervision Agency (BRSA) regulations and presentations, annual reports, material event disclosures, corporate responsibility projects, corporate governance information and awards.

Websites are organized to ensure all stakeholders fast, easy access to accurate information and are updated regularly. At the same time, for the sake of comparability, past-related information are kept and stored systematically.

The Investor Relations Department regularly holds proactive meetings with investors to share the Bank's strategy, information on the competitive environment, market expectations, latest developments and forecasts with the effort to establish lean, transparent, consistent and timely communication.

In order to ensure accurate and timely flow of information, presentations are prepared on the Bank's quarterly announced financial statements. These presentations are shared with investors through the internet and by e-mail and also announced during live teleconferences. The Investor Relations Department regularly attends investor meetings organized by brokerage firms, providing information on recent developments at Garanti in particular and the sector in general. The Department also responds to questions and inquiries by phone or e-mail on a daily basis.

The Investor Relations Department receives an average of 300 inquiries by telephone or e-mail per month and organizes 60 or more one-on-one or group meetings each month with existing and potential investors and banking sector analysts, thus responding to all questions about the Bank.



For more detailed information on Garanti's DRs, please refer to:

OTCQX



OTCQX

Bank of New York Mellon



GARAN SYMBOLS & CODES

Istanbul

ISE: GARAN

SEDOL: BO3MYP5

ISIN: TRAGARAN91N1

CUSIP: M4752S106

London

LSE: TGBD

New York

OTCQX: TKGBY

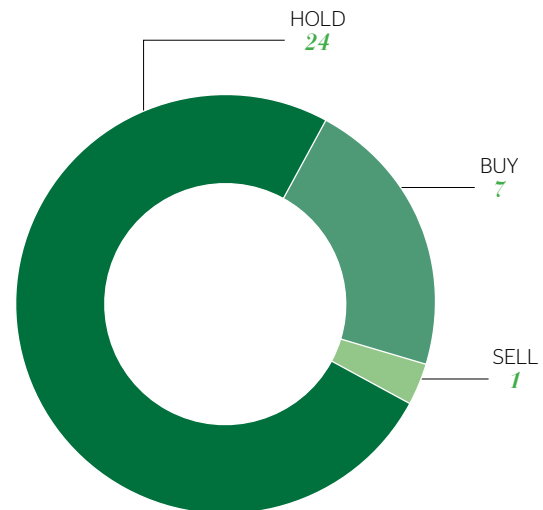
SEDOL: 2599818

ISIN: US9001487019

CUSIP: 900148701

Equity Analysts' Ratings

Garanti shares ("GARAN") are widely covered by analysts of leading domestic and international brokerage houses and investment banks. In 2012, 32 institutions have regularly issued research reports on Garanti. As of the end of 2012, 7 analysts had "BUY", 24 analysts had "HOLD" and only 1 analyst had "SELL" recommendation on Garanti shares.



GARANTI BANK SHARE

Total Cumulative Shareholder Return in 10 Years

TL 100 invested in Garanti Bank share 10 years ago increased to TL 2,104; whereas TL 100 invested in Istanbul Stock Exchange (ISE)100 Index reached to only TL 754. During the same period, US\$ 100 invested in Garanti Bank share increased to US\$ 1,941; whereas US\$ 100 invested in Istanbul Stock Exchange (ISE)100 Index reached to only US\$ 696.

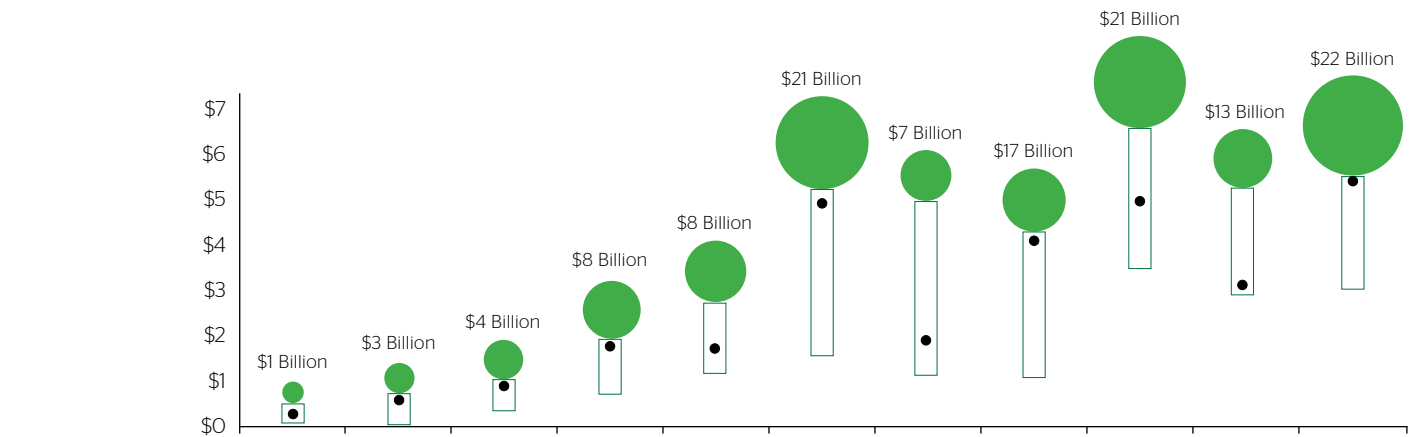
Garanti Bank has a market capitalization of TL 37 billion (US\$ 22 billion) as of the end of 2012 and is the most valuable company in Turkey.



10 Year Stock Performance and Market Capitalization

In 2012, Garanti share price increased by 61% in TL terms and 71% in US Dollar terms and closed the year at TL 9.26 and US\$ 5.18, respectively. Garanti share has the highest weight as of December 31, 2012 in the Istanbul Stock Exchange indices, as well as in the Morgan Stanley Capital International (MSCI) indices that are used as the international benchmark by foreign institutional investors. GARAN has a weight of around 13% in the ISE100, 15% in the ISE30 and 15.2% and 1.8% in MSCI Turkey and MSCI EMEA (Europe, Middle East, Africa) indices, respectively.

Garanti's stock performance differentiated not only in Turkey, but also within the scope of other foreign equity markets. GARAN outperformed MSCI EMEA by 45% in 2012.



(US DOLLAR)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High*	0.44	0.64	0.98	1.97	2.58	5.18	4.82	4.14	6.38	5.22	5.25
Low*	0.17	0.18	0.51	0.97	1.16	1.64	0.98	0.99	3.40	3.02	2.89
Close ●	0.29	0.62	0.97	1.97	1.82	4.98	1.59	4.03	4.85	3.03	5.18

(TL)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High*	0.63	0.91	1.33	2.66	3.42	6.08	5.63	6.02	8.99	7.98	9.40
Low*	0.29	0.31	0.78	1.35	1.92	2.35	1.67	1.79	5.26	5.64	5.40
Close ●	0.44	0.87	1.32	2.66	2.57	5.80	2.44	6.02	7.50	5.76	9.26

● Market Capitalization (US Dollar)

* Based on Closing Price

Stock prices are adjusted for dividend distributions and capital increases (Source: Thomson Reuters)

AWARDS

Garanti, the “Best Bank in Turkey” once again

Garanti Bank has, for the third time, been selected as the “Best Bank in Turkey” in the evaluations carried out by the *Financial Times Group’s* “The Banker” magazine.

Garanti: The “Most Admired” Bank in Turkey

According to the results of a survey of the Most Admired Companies conducted by the monthly business and economics magazine, Capital, Garanti Bank has been selected as the 1st most admired company in the “Banking” sector and the 2nd from among all the companies in Turkey.

In the research, Garanti distinguishes itself with its investments in information and technology, financial health and dependability.

“Turkey’s Most Successful Bank” in the Real-Estate and Finance Sector

Based on the Euromoney Magazine’s surveys of the real estate sector and finance, in 2012, Garanti Bank was voted the *“Most Successful Bank in Turkey”* in the real estate category.

Yet again acknowledged with an award in the field of trade finance

One of the world’s premier financial magazines, Global Finance, recognized Garanti yet again as the *“Best Trade Finance Bank in Turkey”*.

A tradition at Garanti: Straight Through Processing Excellence Award

Garanti Bank has received *“Quality Awards”* from JP Morgan Chase Bank, Citibank, Commerzbank and BNY Mellon for achieving high payment volumes with straight through processing (STP). Garanti has also received the STP Excellence Award from Deutsche Bank, for the ninth time, for its volume of EUR and USD transfers.

Award-winning projects from Garanti

Euromoney Project Finance Magazine selected Eurasia Tunnel financing as the *“2012 Deal of the Year”* among all European deals. The Project was also awarded the *“2012 Turkish Infrastructure Deal of the Year”* by Thomson Reuters. Garanti, together with various local and international banks, provided US\$ 960 million for the project which will connect Europe to Asia via a car tunnel.

Garanti SME Banking – “Best-in-Class” with its financial services

Garanti SME Banking has been recognized as one of the *“Best-in-Class”* financial institutions in International Finance Corporation’s (IFC) Customer Management in SME Banking Guide with its financial services consisting of featured sectoral packages.

Awarded activities devoted to women entrepreneurs

Garanti, with the work carried out to support women entrepreneurship in Turkey, was recognized by Europe’s leading magazine, the New Economy with *“Women’s Empowerment Corporate Leadership Award”* as the only institution awarded from Turkey. The aforementioned award proved Garanti’s products and services to be facilitating women entrepreneurs’ access to financing, encouraging with organizations such as “Woman Entrepreneur Competition” and meeting the need for education via Women Entrepreneurs Gatherings, hence reflect the Bank’s position as a role model.

Garanti, leading in sustainability

Garanti Bank, in receiving the highest rating in our country’s Carbon Performance Evaluation, was awarded the *“2012 Turkey Carbon Performance Leadership”*.

In October 2012, having been deemed worthy of the *ISO14001 Environmental Systems Certificate*, Garanti has also been recognized as the Turkish bank applying environmental systems management in the most comprehensive manner and in the greatest number of buildings.

Garanti was awarded the first and only “Gold” certificate in Turkey for human resources

Garanti Bank became the first and only Turkish institution deemed worthy of the *“Gold”* category, in the area of human resources, by the international quality standards certificate of Investors In People (IIP).

The “Equality of Opportunity Certificate” goes to Garanti

With the support of the World Bank, KAGIDER has initiated **“Equal Opportunities Model”** (FEM), aimed at providing equal opportunities in business life by identifying inequalities in areas such as recruitment procedures, internal training programs, and career planning and development processes, and subsequently presenting companies with egalitarian practices as a solution. As a result of its approach to structure, enterprise and employment and the importance it gives to social gender equality and the strengthening of women, Garanti Bank was one of the first to implement the model and was recognized in 2012 with the awarding of its certificate.

Garanti, “The Best” in talent management

Garanti Bank was selected as the **“Best”** in 2012, in the category of Talent Management, by the Peryön Human Management Awards which recognizes the best firms in Turkey in the area of Human Resources. Having received the same award in 2008 and 2010, in various categories, Garanti has once again, proven the quality of its human resources practices.

Garanti also awarded in the area of training

Garanti Learning and Development is continuing to be recognized with awards from the most prestigious institutions in the international training sector. With its “Teller Training Program” uniting a number of training methodologies, Garanti was recognized by the premier, global analysis and research institute “Brandon Hall” as worthy of its **“Best Blended Learning Programme”** award.

Garanti Branchless Banking can’t get enough awards

Thanks to its innovative approach, shaped with regard to developing technology and changing customer habits, Garanti was deemed worthy of the Avea GIA Awards’ **“Best User Brand of Mobile Media”** award.

Selected as the **“Best Internet Bank in Turkey”** for the 9th time in the Global Finance awards - the best internet banks in Europe category, Garanti has won 2 more first prizes in Europe with the **“Best Online Deposit, Credit and Investment Product Offerings in Europe”** and the **“Best Integrated Consumer Internet Banking Website in Europe”** awards.

The Mixx Awards, which approve the best in digital marketing communications and the added value to the brands they serve, awarded Garanti, the only finalist brand from Europe and Asia, the 4th place in the world, in the “Search Marketing” category.

Garanti received an **“honorable mention”** in the Webby Awards, recognized as the “Oscars of the Internet”, in the “Banking/Bill Paying” category.

Garanti’s websites receive 5 awards-in-one at the Golden Spider

In the Golden Spider (Altın Örümcek) Web Awards, Turkey’s first and only independent organization, Garanti received the following;

- » 1st in the Banking and Finance category with its garanti.com.tr webpage,
- » 2nd in the Internet Banking category with its garanti.com.tr Internet branch,
- » 2nd in the Insurance category with its garantiemeklilik.com.tr website,
- » 3rd in the Banner category with its work on the e-Trader Banner.

Garanti Payment Systems remain unrivalled

Garanti’s 12-year credit card program, run in collaboration with Turkish Airlines, was crowned with the 1st place in one of the world’s most prestigious awards, the Freddie Awards, in the “Best Special Passenger Program Credit Card” category.

Garanti Payment Systems, with its Money Visa, was judged worthy of the **“Best Customer Experience Award”** in the Contactless&Mobile Payments Awards.

Garanti Money Visa was recognized in the 5th contest organized by the international “Contactless Intelligence” organization; it left the competition far behind with its user-friendly, quick and hassle-free transaction-facilitating properties, and received its well-deserved award.

Cep-T Paracard was awarded the Prepaid Awards’ **“Best Global Prepaid Innovation”** award.

“The Award of Excellence” for Garanti, The Mortgage Expert

Within the scope of the Communicator Awards 2012, organized by the International Academy of the Visual Arts (IAVA), Turkey’s first bank-supported mortgage Internet site, www.garantimortgage.com, was bestowed with the **Award of Excellence** in the category of “Financial Services”. The Award of Excellence-worthy site was then further honored by being displayed in the Winners section at www.communicatorawards.com, where the best websites in the world appear.

Garanti International inundated with awards

GBI received the following awards conferred by "Trade & Forfeiting Review (TFR)" magazine; 1st in the category of "Best Trade Bank in Soft Commodities", 2nd in the category of "Structured Trade Finance" and "Best Forfeiting Institution", 4th in the category of "Best Trade Bank in the World" and "Best Trade Bank in Metals and Mining".

Moreover, in the "Awards for Trade Finance Excellence" surveys, GBI received 2nd in the category of "Best Soft Commodity Finance Bank", 3rd in the categories of "Best Commodity Finance Bank" and 4th in the "Best Metal Finance Bank" category.

Within the scope of the 2011 Vision awards (which evaluate such features as; creativity, access to information, and the clarity and quality of communication), organized by the "League of American Communication Professionals (LACP)", GBI was awarded the **"Silver Award"** in the "Best Annual Report" category with the 2011 Annual Report.

Garanti Bank SA: The "Innovative Bank"

Having introduced a number of innovations in the Romanian banking sector, Garanti Bank SA was not only chosen as the **"Best Bank"** in 2012 by the Finmedia publications group, but also received the **"Best Banking Strategy"** award in the "Financial Leaders' Hall of Fame 2012 Awards" organized by Business Arena magazine.

Turkey's leading Internet banking service, "Garanti Online" repeated its success in Romania and received the **"Quickest Growth in Transaction Circulations"** award from Global Finance.

Romania's first international chip-based card with a reward program, Bonus Card was presented with the **"Most Sophisticated and Innovative Product of the Romanian Card Market"** award by Finmedia Group.

Garanti Factoring: The Most Admired Factoring Company - once again

For the fourth consecutive time, Garanti Factoring has been named the **"Most Admired Factoring Company in Turkey"** based on the results of the broadly-participated survey carried out by Capital magazine among professional managers and businessmen.

A Bronze Award to Garanti Technology

Garanti Technology won the **"Bronze Award"** in the "Best Customer Service Department of the Year" category, at the International Stevie Awards.

Garanti Securities - Best Investment Bank

With its success certified by the awards it has garnered from respected institutions, Garanti Securities was further deemed worthy of the Euromoney **"Best Investment Bank"** award and the EMEA Finance magazine **"Best Equity House"** award.

Garanti Pension knows no limit to creativity!

Distinguished by its original design, the Garanti Pension 2011 Annual Report received

- » the **"Gold Award"** in the ARC Awards, recognized as the international Oscars for annual reports, in the category of "Non-English Annual Report", in the Insurance/Financial Services area.
- » an **"Honorable Mention"** in the Interior Design category.

Among all the participating reports in all areas,

- » Garanti Pension achieved a major success in being awarded the **"Best of Non-English Annual Reports"** Award.
- » Moreover, in the Creative Report category of the world's oldest contest in the area of advertising, marketing and graphics, the Creativity International Awards, Garanti achieved a further major success in being awarded the **"Gold Award"**.

Garanti Leasing once again the "Most Admired"

According to the results of the "Most Admired Leasing Company in Turkey 2012" survey conducted by Capital Magazine every year, Garanti Leasing has been designated the **"Most Admired Leasing Company in Turkey"**.

The Garanti Annual Report once again among “The Best”

At the Galaxy Awards, known as the Oscars of annual reports, organized by MerComm, the Garanti 2011 Annual Report received the **“Gold Award”** and, in the category of “Best Annual Report”, it went on to win the **“Bronze Award”** of one of the most prestigious business awards; the International Stevie Awards.

The 2011 Annual Report went on to win the **“Gold Award”** in the Spotlight Awards, a competition bringing together the world's premier organizations, organized by the LACP (League of American Communications Professionals), and also received the **“Silver Award”** in the LACP's Vision Awards.

Garanti Interactive Annual Report website inundated with awards

Within the scope of the LACP Spotlight Awards in the area of global communication, the web-based 2011 Annual Report interactive site received the **“Platinum Award”** for a score of 99, out of a total possible 100, for its success in the clear, comprehensible communication of its message to its target audience and the excellent user experience it presents. Apart from this award, the interactive site also received the Vision Awards **“Silver Award”** for its visual design, creativity and different style of communicating, and, at the International Stevie Awards, it took the **“Silver Award”**. Within the scope of the MerComm ARC Awards, the site was deemed worthy of an **“Honorable Mention”**.

Another world class achievement from Garanti

At the 26th International Mercury Awards competition, organized by Mercomm, Garanti was recognized in the **“Best of Category”** winners in three different categories, amongst so many talented and creative professionals out of over 680 entries from 21 countries. The web-based 2011 Annual Report Interactive Website received the **“Gold Award”** in the category of “Websites/Emerging Media” and Garanti Annual Report 2011 received the **“Silver Award”** in the category of “Annual Reports - Overall Presentation: Banks”. In addition to these “StockWatch” which is a quarterly released bulletin won the **“Bronze Award”** in the category of “Newsletters: Financial/Investor Relations”.

The Investor Relations news bulletins make an impact

The Garanti Profile, which is published bi-annually with the intention of informing current shareholders of every aspect of Garanti Bank's sustainable performance, received the **“Bronze Award”** in the “Best News Bulletin” category at the International Stevie Awards.

The Investor Relations news bulletin ‘Garanti Profile’ and ‘StockWatch’, published on a tri-monthly basis and following developments in the sector and at Garanti, received the **“Silver Award”** at the LACP Spotlight Awards in the “Newsletter” category.

The “Bests” in Investor Relations

According to the Extel 2012 survey, which determines the best in the investor relations field based on the votes of world-standard analysts and investors, Garanti was selected as the **“Best Investor Relations Run by a CFO”** from among all the institutions in Turkey. In the same survey, 2 individuals from the Investor Relations Department were listed in the first 5 “Best Investor Relations Professionals”.

First in all categories in Corporate Communications

Within the scope of the 7th MediaCat Felis Awards, Garanti Bank won first-place and outstanding success awards in 4 categories.

Garanti received;

- » First place in the “Best Local Media” and “Best use of Cinema” fields,
- » An outstanding **“Success Award”** in the “Best Use of Open-Air Media”, and
- » Winner of the **“Best Use of Ambient Media”** award.

The Golden Compass to SALT and ÖRAV

At this year's 11th Golden Compass Public Relations Awards, organized by one of our country's most respected institutions, the Public Relations Association of Turkey (TÜHİD), Garanti was awarded with its new, autonomous, cultural institute, **SALT** in the category of “Corporate Social Responsibility-Art and Culture” and with the **Teachers Academy Foundation** in the “Special Jury Prize” category.

Garanti Calendar makes a difference

The Garanti Calendar site, which grabs attention with its informative and entertaining design announcing all the events organized and sponsored by Garanti Bank, was deemed worthy of the **“Silver Award”** in the “Entertainment” category of the Horizon Interactive Awards.

EASY TO
SAVE WITH
GARANTI

GARANTI

HAS THE SAVINGS SOLUTIONS YOU NEED

TURKEY'S SAVINGS/GDP (GROSS DOMESTIC PRODUCT) RATIO IS LOWER THAN MANY OTHER OECD COUNTRIES.

TO REINFORCE SAVINGS HABITS IN TURKEY, GARANTI BANK IS CONTINUOUSLY WORKING ON DEVELOPING NEW SAVINGS PRODUCTS.

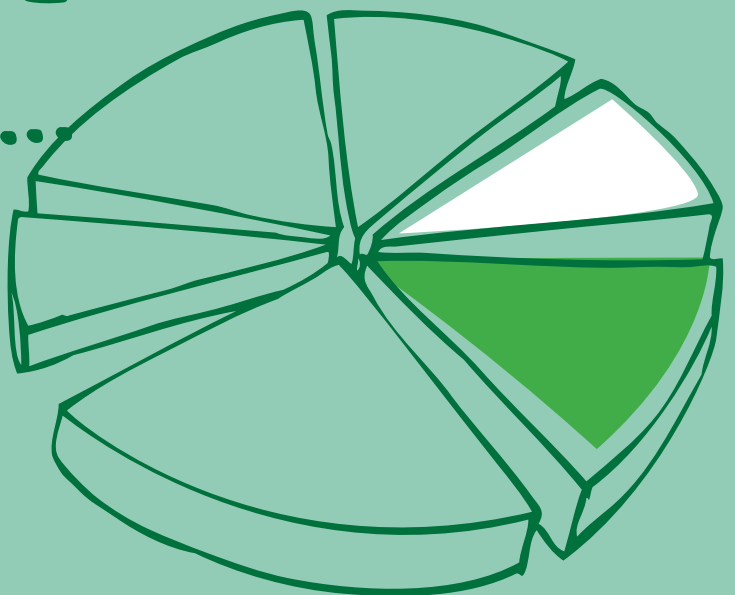
- NET SAVINGS ACCOUNT
- SAVINGS ACCOUNT FOR FUTURE
- SAVINGS ACCOUNT FOR A PURPOSE
 - SPEND & SAVE ACCOUNT
- ACCUMULATING SAVINGS ACCOUNT
 - ACCUMULATING GOLD ACCOUNT
 - ACCUMULATING FUND ACCOUNT
- SAVINGS TEST

DON'T KEEP YOUR
SAVINGS UNDER
THE MATTRESS,
PUT THEM IN GARANTI

Now

YOUR SAVED UP
PENNIES ARE VALUABLE
AND YOUR TODAY
AND YOUR TOMORROW

BOTH ARE
GUARANTEED WITH
GARANTI...



(CAN YOU SAVE MONEY?)



YOU CAN FIND THE MOST
SUITABLE PRODUCT THAT FITS
YOUR SAVINGS HABITS WITH
THE SAVINGS TEST.

→ SAVINGS
TEST

FOR THE FIRST TIME IN TURKEY,
SAVING MONEY
HAS BECOME SO (LEAR

YOU WILL KNOW IN ADVANCE WHAT YOUR SAVINGS
WILL BE AT THE END OF THE TERM. NET SAVING ACCOUNT
COMES WITH VARIOUS PLANS THAT SUITS YOUR
SAVING APTITUDE AND HABITS.



HOW MUCH
DO OTHERS
SAVE?



SEE HOW MUCH MONEY PEOPLE SIMILAR
TO YOU SAVE PER MONTH.

HOW CAN I REACH
MY TARGET?

TO REACH YOUR TARGETED SAVINGS

→ SAVINGS
APPLICATION

✓ ACCUMULATING
GOLD ACCOUNT

SAVE IN GOLD

BUILD A NEST EGG

✓ SAVINGS ACCOUNT FOR FUTURE

START SAVING SMALL AMOUNTS TODAY;
INVEST IN YOUR FUTURE.

SETTING A TARGET OR NOT,
EVERY MONTH OR AS YOU WISH,
YOU MAY SAVE THE WAY YOU LIKE...

YOU MAY DEPOSIT MONEY ANY TIME
AT ANY BRANCH OR ATM IN YOUR
SAVINGS ACCOUNT FOR FUTURE.

FROM THE MOMENT YOU
OPEN YOUR SAVINGS ACCOUNT
FOR FUTURE, YOU WILL RECEIVE
DAILY RETURNS.



✓ SPEND & SAVE ACCOUNT

SET A SAVINGS RATIO/AMOUNT OVER YOUR MONTHLY (CREDIT CARD SPENDING. IS JUST FOR YOU

✓ SAVINGS ACCOUNT FOR A PURPOSE

YOUR TARGETS ARE NO LONGER DREAMS, THEY ARE ALL COMING TRUE...

DAILY RETURNS

YOU MAY DEPOSIT MONEY AT ANY TIME AND START RECEIVING RETURNS ON THE VERY SAME DAY.

MOREOVER, WHENEVER YOU NEED, YOU MAY PARTIALLY WITHDRAW MONEY WITHOUT LOSING YOUR ACCOUNT.

2012 ACTIVITIES

RETAIL BANKING

10 RETAIL CUSTOMERS
MILLION

₺10.8 BILLION
LOAN DISBURSEMENT
VOLUME AMOUNTING TO

GROWTH IN DIVERSE
SEGMENTS
STRATEGY

Operating in the field of retail banking for 25 years and having differentiated itself from the competition, Garanti facilitates the lives of its customers with its technological infrastructure, rich product range and efficient and dynamic process management.

The secret of Garanti's success beneath its sustained leadership in this field for many years and satisfying its millions of customers is:

- » Advanced segmentation structure and customer relations management tools which support its customer-focused banking strategy;
- » Innovative products and services that meet customer needs;
- » A competent and dynamic team focused on customer satisfaction;
- » A widespread and ever-expanding, nationwide branch and ATM network;
- » Internet and mobile banking channels that make life easier;
- » An always-accessible Call Center;
- » Uninterrupted, pioneering investments in operational productivity, information management and advanced technology.

Garanti serves 10.2 million retail customers, 2 million of whom are salary-account holders, by means of a 2 thousand-strong staff of one-to-one sales and relationship-management personnel.

The retail banking unit, which accounts for 37% of the total balance sheet of the bank, with a working capital of TL 65 billion, disbursed loans amounting to TL 10.8 billion to retail customers.

Having a share of 43% in Garanti's total deposits, the retail banking segment holds retail deposit volume of TL 36.3 billion.

ACTIVITIES IN 2012

Consumer Loans

Garanti has continued to grow in consumer loan products with innovative marketing approaches toward diverse need groups.

General-purpose loans amounting to TL 6.9 billion were disbursed to retail customers and, with an increase of 74 basis points, the bank attained a market share of 9.94%

Garanti maintained its leadership this year in the sector by disbursing mortgage loans worth TL 3.2 billion, and also completed a successful year in auto loans.

With TL 708 million worth of auto loans disbursed, Garanti further strengthened its number two position in the sector via increasing

its market share by 121 basis points over the previous year, reaching a market share of 17.01%.

Retail Deposits

In 2012, Garanti expanded its deposit base by paying attention to funding costs, and increased its market share in TL saving deposits by 14 basis points to 11.34%. Garanti, additionally, managed to increase its market share in low cost saving deposits within TL 50,000-TL 1 million band, by 58 basis points over the previous year.

With the support of factors such as a widespread service network, high-quality support, reliability and customer satisfaction, Garanti achieved a growth of 10% in deposit products despite challenging competitive conditions.

Segment Banking

Giving particular importance to sustainability in customer acquisition, Garanti also continued its growth strategy in 2012, in various segments as well as the salary-account segment.

Over the year, the Bank continued to advance its "Retirement Banking" program, launched during the last quarter of 2011, and reinforced its image as the "Private Bank of the Retired".

Garanti holds its position as the first bank which meets all needs of the retired segment with a holistic approach in terms of product, service and delivery channel.

PROJECTIONS FOR 2013

In order to meet continuously developing and changing consumer needs, Garanti will continue to develop its distribution channels and invest in competent human resources, technological infrastructure and strong distribution channels.

The primary issues to be focused on will be consumer loans, with mortgage and general-purpose loans constituting the greater part, and saving deposits.

The Bank will continue to give importance to gaining new salary customers by reaching new segments through initiating programs such as the Retirement Banking program.

PRIVATE BANKING

6,500 CUSTOMERS

32% IN THE BANK'S TOTAL CAPITAL
GUARANTEED FUNDS
SHARE

TL 8 ASSETS UNDER MANAGEMENT
UP BY 10% TO
BILLION

Garanti Masters Private Banking has been leading the sector with its wide product range and integrated service model since its establishment in 2004.

Having adopted an asset management approach similar to the models used abroad, Garanti Masters pursues a sustainable growth strategy by customizing all of its products and services in line with the customer needs, in an increasingly competitive environment.

The main competitive edges for a sustainable growth include:

- » Innovative products and services, many of which are the first of their kind in the sector, customized according to the needs of the customer;
- » Investment solutions fitting customer risk profiles and expectations;
- » The widest product range in the sector;
- » The recommendations process meticulously adapted to fluctuating market conditions;
- » Private Banking Customer Relationship Managers who are not only expert and experienced on their fields but also open to development in all areas, work exclusively with a limited number of customers and continuously monitor the investment strategies of their customers considering the changing data;
- » The service approach prioritizing customer confidentiality and mutual trust;
- » The management approach founded on transparent and open practice.

Garanti Masters Private Banking, which owns a 6% share in Garanti with a volume of assets under management amounting to TL 8 billion, serves 6,500 customers through its 110 strong sales persons and relationship managers.

ACTIVITIES IN 2012

Growth in Assets under Management

- » Garanti Masters Private Banking increased the assets under management by 10% to TL 8 billion in 2012.

Growth in Mutual Funds

- » The balance of the Mutual Funds rose by 18%.
- » The share in the Bank's total Capital Guaranteed funds reached 32%.

Alternative Investment Products

- » Sales in 2012 amounted to TL 66.4 million in total, including the TL 27.5 million sale of Structured Deposits and the TL 38.9 million sale of Capital Guaranteed Funds.
- » Sales of Corporate Bonds amounting to a total of TL 200 million were mediated.

Loans

- » 337 loans with a total volume of TL 62 million were granted.

PROJECTIONS FOR 2013

In line with developments in the economy in recent years, Private Banking services in Turkey have been growing both on the demand and supply sides.

The growth of assets, investor interest in alternative investment products, and the need for private banking services from specialist and experienced institutions and professionals, are contributing to the growth of the sector.

It is expected that the private banking segment will continue to grow in Turkey and the world in 2013. This growth will be driven by not only the increase in the volume of the funds managed, but also the growth in the scope of the services and diversity of the products offered as alternatives to saving deposits.

Competition in the private banking sector has recently intensified in the gaining of potential customers. In this respect, the tailoring of all products and services offered to the customer on an individual, bespoke basis, giving due consideration to the needs and expectations of the customer, has become more important.

In 2013, new products and services which are not currently available on the domestic market, but samples of which may be seen on the overseas markets, will be made available.

In the current competitive environment, Garanti Masters Private Banking will continue to diversify all of its products and services according to customer needs with the same care and diligence.

SME BANKING

34% TL COMMERCIAL
LOAN
GROWTH

₺31 BANKING VOLUME
BILLION

22% TOTAL
LOAN
GROWTH

Garanti makes a difference with its dynamic structure designed specifically for SMEs. As well as offering a broad range of products fulfilling the needs of SMEs operating in many different sectors, small-scale enterprises and new business owners, Garanti carries SMEs to the future with its rapid solutions.

Garanti, having been a solution partner for SMEs for 15 years providing all kinds of financial and consultancy needs, continues to extend affordable support with its broad range of products.

The first Turkish bank to have a dedicated organizational structure for SMEs on the basis of head office, regional offices and branches, Garanti continues to be the “Bank of SMEs” and the “Bank serving as the safeguard for the future of small-scale enterprises” with its pioneering activities in 2012. Garanti defines companies with a turnover of up to TL 10 million, and their partners, as SME customers.

ACTIVITIES IN 2012

In 2012, Garanti SME Banking increased its share in the sector and worked to fulfill the diverse needs of medium and small-sized enterprises. With this scope, the Bank had an efficient year by acquiring new customers in all segments.

- » The banking volume of SME banking increased by 14% in 2012 over 2011, reaching TL 31 billion.
- » With 1.4 million SME banking customers, Garanti continued to expand its SME customer base. 119 thousand new customer opened an account with Garanti.
- » The volume of deposits both in FC and in TL grew by 12% over the previous year reaching a total volume of TL 14.3 billion.
- » In 2012, Garanti extended commercial installment, mortgage and commercial mortgage loans of TL 7.3 billion to 154,315 SME customers.
- » Garanti's commercial mortgage loans, of which 58% disbursed to SME customers, has reached the share of 19.65% among the whole banking sector's total commercial mortgage loans.
- » The SME Banking's total loan volume increased by 22% over the previous year.
- » Through the Women Entrepreneurs Support Package, Garanti provided new loan support in the amount of TL 78 million to

more than 2,000 women entrepreneurs. 17,623 loans disbursed to women entrepreneurs by Garanti, to date, amount to TL 511 million.

- » As of December 2012, loans amounting to TL 429 million, accounting for 47% of the loans out of TL 913 million extended to agricultural enterprises, were provided to about 11,000 small and medium-size agricultural enterprises.
- » As of December 2012, the non-performing loan ratio at Garanti, according to the official SME definition, was 2.97%, which remained far below the sector's non-performing ratio of 3.19%.
- » The SME Banking segment achieved a growth of 34% in TL Commercial Loans in 2012.

PROJECTIONS FOR 2013

In 2013, Garanti will continue to bolster the economy through financing SMEs, the driving force of the Turkish economy.

The Bank will take steps to render its sustainable profitability and healthy growth through its open and powerful communication principle and customer-focused approach.

Garanti aims to;

- » offer new products and services that facilitate and provide protection for the commercial lives of SMEs,
- » support digital transformation of SMEs to enable them to effectively use the information systems,
- » improve information and advisory services so as to provide SMEs with easier access to information,
- » design solutions for the needs of SMEs in various areas by establishing powerful brand partnerships and collaborations with regional/sectoral institutions,
- » take role as a solution partner while offering consulting service and different financing alternatives to entrepreneurs requiring fast and simple access to financial resources,
- » endeavor to advance SMEs specifically in provinces that do not receive adequate financing support from banks,
- » become a solution partner of agricultural enterprises by not only meeting their financial needs but also managing their cash flows,
- » provide sector and region-specific financial solutions through projects to be co-executed with institutions such as clusters, industrial sites and export unions.

HOUSING FINANCE

₺10 FIRST TURKISH BANK
TO EXCEED
BILLION
MORTGAGE LOAN PORTFOLIO

25 THE BROADEST PRODUCT
RANGE IN TURKEY
PRODUCTS

46,430 PURCHASED HOMES WITH
LOANS EXTENDED BY GARANTI
PEOPLE

Garanti, with its expert team, turns the dream of home ownership into reality by offering the financing options that best suit customers' budgets.

Whenever "Mortgages" are mentioned, Garanti Bank is the first name that comes to mind due to its rich product range in home financing, its mortgage specialty certificate program conducted in conjunction with Bilgi University, its widespread branch office network, strong technological infrastructure, and leadership in, and innovative approach to, digital channels.

In the highly competitive environment of 2012, the residential mortgage loans portfolio of Garanti grew by 16%, reaching TL 10.6 billion.

Maintaining its position as market leader, Garanti has outperformed its competitors and attained a market share of 13.5%. According to the December 2012 report of FINTURK, Garanti ranked first in 10 cities and was among the top three in 38 cities in mortgage loans balance.

ACTIVITIES IN 2012

Garanti organized 30 Mortgage Expertise Certificate Training courses over the year. 370 employees who graduated from these training courses have commenced providing efficient mortgage services to customers as Mortgage Experts.

Having focused on creating distinction in the quality of the services it offers, Garanti reached 169,350 mortgage loan customers as of 2012 by emphasizing its identity as "Garanti, the Mortgage Expert", rather than focusing on price competition.

By offering products tailored to customer needs, rather than standard products available on the market, Garanti was able to fulfill customer needs in the most appropriate manner. By this means, in 2012, the use of products other than loans repayable in equal monthly installments rose to around 25%.

Through the efficient communication with real estate agents, the share of loans made available through this channel continued to rise, with regard to the total volume of loans. With regard to the previous year, the number of real estate agents actively worked with increased by 33% as of the end of 2012.

Garanti continued its campaigns toward various sectors and professionals such as the members of Oyak (Turkish Armed Forces Assistance and Pension Fund), Polsan (Police Assistance and Maintenance Fund), İlsan (Healthcare and Social Assistance Fund for Primary School Teachers), Eğitimsen (Education and Science Workers' Union), the retirees, the SMEs, the property developers, etc. Thanks to the work carried out through digital channels, the number of applications received via Garanti websites and those of third parties increased by 7% and the number of loan disbursements by 5%.

444 EVİM, which is the first mortgage call center in Turkey, provides both a mortgage consultancy service and also runs as an expert mortgage platform by which applications for loans can be made and the result of the preliminary assessment learnt. The number of loan disbursements through the call center increased by 11.5% in 2012.

Garanti examined almost 600 resident projects, and sustained its successful performance in development financing activities through cooperation with construction firms.

As a result of the work performed, Garanti has reinforced its image as the Bank with the lowest non-performing loan ratio in the sector. Having a non-performing loan ratio of 0.37% in the mortgage loans sector as of the end of December 2012, Garanti is 47 points below the average sector rate.

PROJECTIONS FOR 2013

If the sector is evaluated taking into account such factors as the fact that a wider customer base will be able to benefit from mortgage loans owing to decreasing interest rates, the need for housing finance for urban transformation projects and the high ratio of young people in relation to the total population, it is obvious that the sector has great potential.

Being aware of this potential, Garanti aims to reach its customers through various distribution channels and to increase its efficiency in digital channels in 2013. By combining its specialty in home finance with speed, Garanti will continue to maintain its leadership in the sector by differentiating itself through its identity as "Garanti, the Mortgage Expert" and developing innovative approaches.

COMMERCIAL BANKING

42,790 COMMERCIAL CUSTOMERS

\$37 WORKING VOLUME
BILLION

Garanti Commercial Banking serves 42,790 customers operating in diverse sectors, through a qualified staff specialized in relationship banking. With a total of 8 commercial banking branch offices in Istanbul, Ankara and Antalya, 354 commercial relationship managers working in 215 branch offices in 48 cities, and 270 customer representatives, Garanti maintains its position as the primary bank of customers through the development of boutique solutions.

Reflecting its superior technological infrastructure in its operations, Garanti Commercial Banking succeeds in maintaining customer satisfaction at the highest level. With its rich product range, rapid solutions and service quality, Garanti is the first bank that comes to mind in this field.

Garanti Commercial Banking makes its leadership in the sector sustainable through its strong human resources and efficient risk and cost management.

ACTIVITIES IN 2012

Moving forward with its strategy of maintaining market leadership, Commercial Banking increased the number of its customers in 2012, despite the global crisis and the intensive competition in the sector.

Commercial Banking reached a working volume of US\$ 37 billion with a share of 33% in Garanti Bank's business volume.

The volume of TL loans was TL 17.3 billion with a growth of 17% and the volume of FC loans was US\$ 16.7 billion with a growth of 7.5%. The volume of TL deposits grew by 14.3% and reached TL 7.7 billion.

Garanti Commercial Banking increased the number of its customers by 12% reaching 42,790 customers.

PROJECTIONS FOR 2013

Garanti aims to maintain its position as the primary bank of its customers in 2013 and intends to make the position it has achieved across the country perceptible and sustainable at the micro-market level.

Garanti Commercial Banking seeks to maintain its success in the field of relationship banking at the highest level through a staff structure appropriate to the goal. Through its ability to design products tailored to suit customer needs and by means of the support it receives from the strong technological infrastructure of Garanti Bank, Garanti Commercial Banking will continue to provide solutions for its customers and increase penetration through the broad range of products it has developed.

Always making rational and logical pricing decisions for its customers and the market, and taking the side of its customers without sacrificing this stance, Garanti Commercial Banking will continue to be the primary bank of its customers and maintain its status, in 2013, as the first and only application point in the field of Commercial Banking.

CORPORATE BANKING

LOCAL AND MULTINATIONAL CONGLOMERATES



FIRST CHOICE



PRIMARY BANKING PARTNER

Garanti offers custom-tailored, innovative, knowledge based products and services that are backed by technology, strengthened with relationships and realized by financial power to the corporate clientele through its marketing team who effectively conducts customer and sector analysis.

Garanti Corporate Banking preserves its leadership spot in this segment for almost 20 years. Having pioneered the sector by defining corporate banking as a separate business line back in the early 1990s, Garanti continues to be the primary “business partner” of major Turkish conglomerates and multinational corporations operating in Turkey.

Corporate Banking business line occupies a crucial position in the long term sustainable value-creation vision of Garanti, in terms of its robust return on assets and solid asset quality, on the one hand; and its contribution to the value created by other business lines, on the other.

Garanti is strengthening its historical leadership position at the corporate banking field by acting as a solution partner catering to all the needs of its corporate customers and creating the terrain for the sector.

Through offering prominent solutions to corporate customers in project finance, treasury and cash management fields alongside the retail and SME banking services, payment system products, investment banking services and leasing, factoring and insurance solutions through its integrated subsidiaries, Garanti stands by its customers in every area and plays a pivotal role in their entire business chain.

Garanti serves the corporate customers via its expert team at four exclusive corporate branches, three of which are located in Istanbul and one in Ankara.

ACTIVITIES IN 2012

Garanti continued to realize the financial needs of its corporate customers in 2012, working as their business partner, and differentiating itself in the sector.

Through its state-of-the-art solutions implemented promptly by its dynamic team, Garanti Corporate Banking succeeded in bracing its position as the “house bank” of corporate customers in the highly competitive environment of 2012.

Building its primary strategy on the notion of establishing long-lasting cooperation with its customers and further deepening existing relationships, Garanti Corporate Banking has conquered a sustainable performance in this field.

PROJECTIONS FOR 2013

Garanti, reinforcing its vast experience and competitive edge in the corporate banking arena with its customer-oriented and innovative business perspective, will continue to be the solution partner of its customers in 2013.

By undertaking projects which will contribute to the economic growth of Turkey, Garanti will continue to convert its potential in the corporate banking field into performance.

CASH MANAGEMENT AND TRANSACTION BANKING

17% MARKET SHARE #1 IN INTERBANK MONEY TRANSFERS

21% MARKET SHARE #1 IN SWIFT TRANSACTIONS

DDS TL 3 BILLION CREDIT VOLUME WITH 31,000 CUSTOMERS

Owing to its long-lasting experience, expertise and cutting-edge technology, Cash Management and Transaction Banking continues to distinguish itself with its customer-centric approach and ability to sustain customer-driven revenues.

Having been the first bank to recognize and invest in the field of Cash Management by establishing a separate department in 1996, Garanti keeps on introducing the firsts in the sector.

By offering new products and services such as the first direct debit system in Turkey in 1997, followed by the first tax integration and first supplier financing system, Garanti became the pioneer bank on the back of its strong technological infrastructure.

Parallel to the new banking era starting with the core banking services becoming more important in 2008, Garanti added Transaction Banking to its Cash Management functions.

Taking customer opinions into consideration and offering payment and collection methods tailored to the needs and business models of its customers, Garanti delivers new solutions for the entire supply chain with its dynamic structure and innovative perspective.

ACTIVITIES IN 2012

2012 was a year in which Garanti Cash Management and Transaction Banking maintained its market share in all the areas of its activity and also increased the quality of the services it provided to customers with new solutions.

Being the first to implement the Direct Debit System in Turkey, Garanti offered "Discount of DDS Receivables", in 2012, to its "seller" customers which enables them to easily discount their receivables.

Considering the needs of the growing automotive industry, in 2012, Cash Management and Transaction Banking delivered the Exchange Finance product which brings solutions to the working capital needs of car dealers for the purchase of secondhand cars.

Moreover, in an effort to combine payment and funding solution, new payment solutions were added on credit cards. In addition to the payment of taxes, Social Security Institution premiums and invoices via credit cards, Garanti started offering money transfer via credit cards.

By reaching 31 thousand buyers through 75 new contracts and with a 16% increase in credit limits, within the scope of the Direct Debit System which is the basic and most common product of financial supply chain management, Garanti Cash Management and Transaction Banking maintained its leadership in this field.

Sustaining its market leadership in interbank money transfers as well as check and SWIFT transactions, Garanti has reinforced its position as the best bank in Turkey in Cash Management and Transaction Banking.

PROJECTIONS FOR 2013

The plans of Garanti Cash Management and Transaction Banking for 2013, parallel to accelerating growth expectations, are based on increasing the revenue acquired on the existing products and services responding to increasing working capital needs and number of transactions as well as offering new products.

Within this scope, offering new treasury solutions in line with customer needs and new payment methods, which combine local and international needs, is among the primary targets of Cash Management and Transaction Banking.

Furthermore, Garanti Cash Management and Transaction Banking aims to sustain generating commission income by expanding its current customer base that utilizes its products and services and increasing its market share.

PROJECT FINANCE

FINANCING
FOR EURASIA TUNNEL,
EUROPEAN DEAL OF THE YEAR

\$3.2 BILLION FINANCING FOR RENEWABLE
ENERGY PROJECTS

\$191 MILLION TERM LOAN FACILITY PROVIDED TO THE
LARGEST WIND POWER PLANT IN TURKEY

Amid the ongoing global economic struggle, Garanti Bank maintains its leadership in project and acquisition finance in 2012. Leveraging on its extensive know-how and innovative approach in offering flexible solutions, Garanti Bank continues to provide for the financing needs of its corporate and commercial customers in diverse sectors.

Garanti's project and acquisition financing exposure grew by 23% per annum between the years 2006-2012 and has currently reached US\$ 11 billion. In addition to the existing exposure, Garanti has a total committed and undisbursed loan portfolio of US\$ 1.7 billion.

ACTIVITIES IN 2012

While 2012 was a quiet year as a result of postponements in the privatization schedule and the lengthy development stage of large-scale investment projects, Garanti continued to support investors.

Energy

With 15 new projects financed in 2012 with a total financing commitment of US\$ 800 million, Garanti has increased the total financing provided to the renewable energy projects in particular to US\$ 3.2 billion and to energy projects in general to US\$ 6.2 billion. As the biggest supporter of wind power investments in Turkey, Garanti provided US\$ 1.4 billion to a total of 1,200 MW wind power projects.

- » Garanti provided financing of US\$ 191 million to Geycek WEPP, the largest wind power plant in Turkey, with an installed capacity of 168 MW. When commissioned, the plant will supply electricity to a total number of 130,000 people.
- » Continuing its support for domestic fuel thermal power plants, which reduce dependency on foreign resources and provide significant employment opportunities, Garanti provided long-term financing of US\$ 120 million to environmentally friendly Bolu Göynük Indigenous Coal Power Plant with an installed capacity of 270 MW.
- » Garanti, in coordination with a consortium of banks, extended a syndicated loan facility of US\$ 400 million to Kazancı Holding.

Acquisition Finance

- » Garanti, acting as the mandated lead arranger in a club loan facility, provided financing for the acquisition of the partial shares of Bilim İlaç.
- » LBT Varlık Yönetimi was provided with TL 40 million financing for the acquisition of new portfolios.

- » Garanti, acting as the mandated lead arranger in a club loan facility, participated in a long-term loan of US\$ 260 million to Digiturk for the financing of working capital.
- » Garanti provided US\$ 100 million long-term financing for Borusan Lojistik. The facility has been used to acquire Balnak Lojistik and increase the existing capacity of its port in Gemlik.

Real Estate

Garanti's financing support to real estate sector continued with an additional facility of 100 million Euros for Rönesans Group's projects. 50 million Euros were allocated to the financing of İzmir Optimum Project and 50 million Euros were allocated to Küçükalyalı Office and School Project.

Infrastructure & Transport

- » Garanti took part in the financing of Eurasia Tunnel with US\$ 73 million. The total financing for the project, which is the first to have a Treasury guarantee, was US\$ 960 million. The project received two global awards in project finance.
- » Garanti participated in the financing preparations for Phase I of the Gebze-Izmir Highway, North Marmara Highway and the 3rd Istanbul Strait Bridge Project, which will contribute to the robust development of our country. Banking consortiums, which include Garanti, are planning to extend US\$ 3.5 billion financing to these projects in 2013.

PROJECTIONS FOR 2013

US\$ 30 billion of projects are expected in 2013, which will be one of the most active years in the recent history due to the swift roll-out of the long-awaited privatizations and major infrastructural investments.

Among projects that will need funding in 2013, motorway and bridge projects lead the way with a need for US\$ 11 billion. We are expecting electricity sector privatizations to need approximately US\$ 10 billion funding while other infrastructure projects will need approximately US\$ 9 billion.

We are looking forward to continuing our leadership in project financing and providing the best financial solutions to these critical projects in 2013 with our expert team.

BRANCHLESS BANKING / DIGITAL DELIVERY CHANNELS

LEADER
IN MOBILE BANKING WITH
44% MARKET SHARE

4.5 MILLION
CUSTOMERS PER MONTH USE GARANTI'S
WIDESPREAD PARAMATIK NETWORK

29%
OF TRANSACTIONS
ON THE INTERNET
ARE VIA GARANTI

Garanti Digital Delivery Channels enables customers to execute all banking transactions easily whenever they want through its widespread ATM network, award-winning Call Center "Alo Garanti", Internet Branch (market leader since 1997) and Mobile Banking which has been the first-choice solution since 2007.

The aim of the Digital Delivery Channels, with its innovative and reliable services designed with regard to improving technologies and changing customer habits, is to, by closely monitoring the latest trends and innovations in technology;

- » digitalize banking services;
- » save time for its customers along with the freedom it offers them;
- » become a part of customers' lives by offering living services;
- » enable customers to have the same experience through all channels by means of its "Integrated Channel" strategy.

www.garanti.com.tr is at the service of the customers, as the most visited banking website of Turkey with over 6 million visitors per month.

Being the leader in internet banking financial transactions volume with a 29% market share, Garanti ranks ahead of its competitors in mobile banking financial transactions volume with a market share of 43.8%.

Alo Garanti, with more than 4 million calls per month and a widespread ATM network serving 4.5 million users per month, provides instant support on a 24/7 basis to customers.

ACTIVITIES IN 2012

In 2002, 40% of all transactions were executed via digital delivery channels. This rate reached 80% in 2012.

Internet Banking

Through Internet Banking, with active customers close to 2.5 million and offering more than 400 transactions, more than 147 million transactions were performed in 2012.

Having renewed the Corporate Internet Banking in 2012, Garanti enables its customers to make spending and earning analysis and to manage cash flow with ease.

Mobile Financial Services

Operating at wap.garanti.com.tr since 2007, Mobile Banking has also been available on iPhone, Android mobile phones and tablets, and iPad devices as a mobile application since April 2012.

The number of transactions executed via the Mobile Phone Branch has reached 5 million and almost 500,000 customers. The number of mobile banking customers has grown by 283% since early 2012. Garanti has put together nearly 30 mobile finance applications, available at garanti.com.tr, which have been downloaded from the Application Store 1.5 million times so far. Developing new applications for iPhone and Android phones has added new features to CepBank (Mobile Bank), and the application has been downloaded 150 thousand times. Garanti has also launched money transfers via CepBank on Facebook and Twitter.

Garanti was the first financial application in the Windows 8 application store.

Garanti's application will be available on all Casper devices introduced to the market with Windows 8 installed and on Nokia Lumia 920.

Garanti Paramatik

Facilitating more than 170 different transactions in addition to cash withdrawals, the Paramatik network has been expanded in 2012 bringing the total number of ATMs to over 3,500. 50% of the transactions executed via Paramatiks are transactions other than cash withdrawal. Thanks to over 500 "Cash Recycling ATMs", operational costs have been reduced. Not only Garanti customers but also more than monthly 1 million people who are not Garanti customers enjoy the services by Paramatiks.

PROJECTIONS FOR 2013

The target audience will be active web/mobile internet users, designated as the connected user segment, from a behavioral standpoint.

By developing living services suiting the financial needs and habits of users, Garanti will further expand the use of digital channels and increase the number of customers using these channels. Planning to invest in voice technologies in line with this target, Garanti will, at the same time, increase its investments in mobile banking.

SOCIAL PLATFORMS MANAGEMENT

24/7 VIA FACEBOOK AND TWITTER WITH
GARANTİYESOR (ASK GARANTİ)
ONLINE SUPPORT

GARANTİ FIRST IN EUROPE,
LINK SPECIAL OFFERS
FOR SOCIAL
MEDIA USERS

GENERAL THE OPPORTUNITY TO APPLY
PURPOSE VIA SOCIAL PLATFORMS FOR
LOANS

The Social Platforms Management Department was established in 2012 thanks to the forward-looking and pioneering approach of Garanti in response to the ongoing development of social media all around the world.

Social Platforms Management manages the communications and product sales operations of Garanti through all social media channels.

Maintaining its leadership in digital banking, Garanti is listening to its customers as well as consumers, responding to them by using its superior technological infrastructure via social media and offering its broad range of products, rapidly and easily, via the same channels.

In order to transfer banking operations to social media channels successfully and to carry out both communications, sales and marketing of banking products, Social Platforms Management works closely with all units of the Bank.

Garanti has realized a number of innovations and successful firsts in a very short time.

- » With over 1.2 million followers, Garanti has become the financial institution with the largest number of followers on Facebook in Europe and has become the bank with the largest number of followers on Twitter.
- » Having introduced another first in Europe, Garanti Bank has started linking the social media accounts of its customers with their customer numbers through Garanti Link application in order for them to benefit from various card campaigns.

- » With the service of GarantiyeSor (Ask Garanti), launched in July, Garanti has moved its strategy focused on customer satisfaction to the social platforms, with a pioneering approach. Garanti has formed a team working solely on social media on a 24/7 basis. GarantiyeSor team answers all questions and comments of Garanti customers and non-customers both on Facebook and Twitter.
- » Garanti has begun to receive applications for general-purpose loans with a secure form on Facebook. The application was launched in October. Garanti also enables the execution of banking transactions via Facebook and Twitter. A social platforms version of CepBank (Mobile Bank) application has been launched. CepBank enables money transfers free of charge by entering only the phone numbers of the sender and the recipient of the money.

PROJECTIONS FOR 2013

In 2013, Garanti will continue its pioneering strategy on social platforms. Garanti will continue to closely monitor the needs and expectations of consumers and customers. With new and differentiated banking products and services tailored to the social media users, Garanti will maintain its leadership position on social platforms in 2013.

CUSTOMER SATISFACTION DEPARTMENT



GARANTI, THE FIRST TURKISH BANK
CERTIFIED TO INTERNATIONAL
STANDARDS WITH THE COMPLAINT
MANAGEMENT SYSTEM CERTIFICATE



GARANTI, THE BANK WHICH ALSO
LISTENS TO ITS CUSTOMERS THROUGH
"SOCIAL PLATFORMS" WITH A SPECIAL
TEAM WORKING

Garanti Bank maintains its focus on customer satisfaction, embodied at the heart of its operations through the Customer Satisfaction Department, established in 2001, incorporated into the Call Center organization in 2009, and structured as a separate department in May 2012.

The Customer Satisfaction Department, which aims to maintain customer loyalty at the highest level by fostering the culture of "Unconditional Customer Satisfaction" throughout the Bank, carries out its activities, addressing the communications received through various channels from a customer-focused approach and proactively solving issues causing dissatisfaction.

The Customer Satisfaction Department serves customers of Garanti Bank through various channels, including telephone, e-mail, social media, corporate websites and branch offices.

The telephone channel, "Customer Care Line", has had its quality acknowledged with the ISO 10002:2004 Complaint Management System certificate, awarded by the British Standards Institution (BSI) in 2006. Thus, Garanti Bank has become the first Turkish bank with its Complaint Management System certified at international standards.

The Garanti Customer Satisfaction Constitution, which has been developed to render a more perfect service and to grow together with the society, constitutes the cornerstone of the Bank's methods and business culture. All members of Garanti exert themselves to abide by this constitution at the highest level.

ACTIVITIES IN 2012

The "Insight Center" Concept in Customer Satisfaction

In order to open up those areas where customer demands and complaints, and their reasons, are concentrated, the Customer Satisfaction Department issues analyses and reports and shares them with Senior Management and relevant line of businesses. Root cause analyses of the situations which cause customer dissatisfaction are carried out and insights and proactive solutions are developed with a view toward the prevention of issues before they arise in practice. The Customer Satisfaction Department collaborates on projects with the relevant line of businesses in order to actualize the solutions recommended.

Customer-Focused Communications

One of the major undertakings carried out in 2012 has been the "Customer-Focused Communication Project" which seeks to develop customer-focused approaches adapted to communications with customers. Under this project, issues frequently raised by customers in communications were addressed and analyses aimed at the assessment of the customer experience as a whole were made. In this connection, activities directed toward the improvement of current approaches and the design and realization of new ones are ongoing.

New Contact Points

Following the innovations and trends in today's world, where consumer behavior changes rapidly, the Customer Satisfaction Department is also carrying out its activities using social media. The Customer Satisfaction Department has been providing solutions support for problems with Garanti Bank expressed by Twitter users since July 2012, and by Facebook users since November 2012. Apart from communications received via telephone and written channels, face to face communication with customers coming to the Head Office to express their requests and complaints commenced in July 2012.

PROJECTIONS FOR 2013

In order to manage and solve the customer complaints, the Customer Satisfaction Department will continue its customer-centered practices at an increased level in 2013.

With the belief that our most important asset is the "customer", the Department will continue to develop projects toward ensuring a better customer experience.

The primary targets established by the Customer Satisfaction Department for 2013 are:

- » To enhance its position as the "insight center" within the Bank through the development of an advanced reporting environment and inter-departmental collaboration;
- » To support personnel development to ensure the customer-focused approach is reflected in all activities;
- » To ensure a better customer experience through the realization of the customer-focused communication methods designed during the project and efficient operational and service-level management;
- » To add value across the Bank by reducing customer loss and enhancing its role in work on customer regain and retention.

CALL CENTER

64.3 CUSTOMER CONTACTS
MILLION

2.5 PRODUCTS SOLD
MILLION

₺705 TOTAL VOLUME OF MORTGAGE
AND GPL DISBURSEMENT
MILLION

Garanti Bank Call Center creates value for its customers with its powerful technological infrastructure, expert staff and innovative approach. It closely monitors the call center trends in Turkey and the global market and initiates projects that give direction to the sector.

Having completed 14 years in the sector, the Call Center consistently maintains its success by raising the standards in the course of service and sales each year.

On the service side, the Call Center maintains its long-standing standards well-known to Garanti customers and aims to raise levels of customer loyalty and satisfaction by offering solutions that make its customers' lives easier.

Through its successful sales of the strategic products of the Bank and its subsidiaries, the Call Center receives significant dividends and maintains its enthusiasm and drive in the face of rising expectations.

Handling 17% of total calls in the sector through its around 1,000 qualified and specialized human resources, the Call Center maintains its leading position in the sector with its average response time below 30 seconds.

ACTIVITIES IN 2012

The Call Center has completed another busy period in call traffic.

The Garanti Call Center, being one of the largest financial call centers of Turkey, and having carried out 64.3 million customer contacts in 2012, leads the sector with a call response performance at a rate of 97.5%.

Managing the selling processes efficiently through the strength of the customer relationship management infrastructure, the Call Center is growing ever stronger on the added value that it created with 2.5 million products sold in 2012.

Having a share of 8.04% in Bank's total mortgage loan disbursements through the phone line 444 EVİM, the Garanti Bank Call Center accounts for 7.4% of the general-purpose loans of the Bank sold through the Full Support Line at 444 0 335.

The total volume of mortgage and general-purpose loan disbursements during 2012 reached TL 705 million.

With its centralized call management system covering 76% of total branch station calls, The Central Call Handling team not only handled 11.8 million calls but also generated leads to the respective channels for strategic product sales activities.

Offering priority services to its customers through the rapid accessibility feature and the IVR (Interactive Voice Response System) which delivers services on a segment basis, Garanti continues to maintain high levels of customer satisfaction.

Accounting for 19.4% of the total cards sold by the Bank, the Call Center manages the credit card retention activities of the Bank centrally and ensures the re-acquisition of 952,297 credit cards per year.

With new and strategic products such as; Money on Installment, Net Savings Account and Auto Loan added to the existing product range in 2012, the team reinforces the important role it has played in the sales of the Bank's products by diversifying them.

PROJECTIONS FOR 2013

The Call Center, having covered a long distance in the journey of transformation from a cost center to a profit center, aims to further raise its contribution to the profitability of the Bank in 2013.

The First Call Resolution (FCR), Call Steering and Auto Loan Support Line (444OTOM) projects launched during the 2nd half of 2012 with the aim of raising customer satisfaction and operational productivity, are the firmest pillars of the Call Center's goal of making a strong start in 2013.

Planning to diversify sales activities with new credit and saving products in 2013, the Call Center will raise customer satisfaction even beyond its current high levels by meeting the ever-changing and developing customer needs efficiently and speedily.

PAYMENT SYSTEMS/DEBIT AND CREDIT CARDS

₺65 ^{#1 WITH} BILLION ^{ISSUING VOLUME}

LEADER
IN PAYMENT SYSTEMS WITH
8 MILLION PLASTIC CREDIT CARDS

6TH IN TERMS OF CREDIT
CARD TURNOVER
IN EUROPE

Managing a massive payment system infrastructure consisting of more than 16 million debit and credit cards and over 500 thousand POS terminals, Garanti continues to work towards a cashless society in Turkey by 2023.

With over 9 million credit cards, Garanti is the leader in issuing volume with 18% market share. Serving through over 500 thousand POS terminals and more than 400 thousand merchants, Garanti has 19% market share in acquiring volume. According to The Nilson Report, Garanti ranks 6th in Europe in terms of credit card turnover.

ACTIVITIES IN 2012

Garanti was the leader also in 2012!

- » In terms of issuing volume, which is the criterion for leadership in payment systems, Garanti was the leader with TL 65 billion issuing volume.
- » Garanti was the leader in terms of the number of POS terminals, with a market share of 17.74%.
- » Offering the broadest range of products, with a total of 9 different commercial products in 4 categories, Garanti's 2012 market share was 16%, with 214 thousand Commercial Cards.
- » Bonus Card, the first and only chip-based credit card in Romania, reached a market share of 7% within 4 years with 7,300 POS terminals and 110 thousand cards.

The Bonus Card Platform, consisting of a total of 10 banks, has grown!

- » The Bonus Card Platform, which is the largest card platform in Turkey, allows the customers of other banks to use the Bonus brand. DenizBank, Türk Ekonomi Bankası (TEB), Garanti Bank SA, Şekerbank, ING Bank, Türkiye Finans Katılım Bankası (TFKB), Burgan Bank, ABank and Tekstilbank participate in the platform.
- » The Bonus Card Platform closed the year 2012 as the leader with a market share of 25.5% in terms of turnover.

Turnover of American Express increased

- » The turnover of the American Express Centurion Line, which is offered to the upper-income bracket, increased by 29.8% over the previous year. Meanwhile, the turnover of Miles&Smiles American Express increased by 22% over the previous year.
- » After the addition of Bonus American Express to the product portfolio, the number of cards bearing the American Express logo increased twice over and reached 900,000 cards, with an increase in turnover of 84% over 2011.
- » Cards bearing the American Express logo are used at over 400,000 points of sale belonging to Garanti are now used at Türkiye İş Bankası, DenizBank and Vakıfbank.

PROJECTIONS FOR 2013

Leadership will be maintained!

Garanti, the flag bearer of the sector in creating a cashless society in Turkey by 2023, focused to expand the market to reach its ultimate aim. Garanti intends to reach individuals who do not use payment systems due to their ages or income, via its prepaid debit card brand, Paracard. Additionally, the Bank optimally adapt technology in its products through initiatives such as Trink, thus embedding payment systems in daily life.

Working toward the target of "A Garanti Card in Every Pocket", Garanti aims

- » not only to gain new users by increasing the number of cards, but also to be the first card used by consumers and to continue making innovations in meeting the needs of various segments,
- » to introduce, in 2013, a version of The Centurion Card, made of titanium, the most precious metal in the world, and issued in 2009 as the first of its kind.

Expanding Bonus Card Platform with the inclusion of new banks is expected.

INVESTMENT BANKING

45% MARKET SHARE PIONEER IN THE PRIVATE SECTOR BOND ISSUANCES

15.60% STRONG POSITION IN MUTUAL FUNDS WITH MARKET SHARE

LEADING POSITION ON ISE AND TURKDEX

Garanti Investment Banking operates with 19 investment centers, 2 corporate investment branches, 1 investment banking branch and 24 trading rooms under the solid roof of Garanti Bank. Garanti Investment Banking provides special services to the branch offices and customers related to investment products, such as; mutual funds, stocks, derivatives and corporate bonds.

New services and products, developed through the accurate analysis of customer needs and close monitoring of the developments and changes in the market, are offered to a multitude of customers through Garanti's extensive distribution network.

ACTIVITIES IN 2012

Mutual Funds

In 2012, Garanti succeeded in increasing its market share in mutual funds from 14.50% to 15.60%. Having raised the total number of mutual funds to 34, with 8 capital protected funds launched in 2012, Garanti continues to offer diverse mutual funds in line with the changing and developing needs of its customers and maintains awareness of its brand in the field.

Stock and Derivatives Exchange

The Android application, e-trader, has taken its place among the other mobile products such as; iPhone, iPad and Blackberry, in addition to Garanti's Investment Centers, Branch Offices, Alo Garanti, award-winning Mobile Branch Office and Internet Branch channels.

The Certificate Market, introduced to investors during the last quarter of the year as an alternative product to stocks and warrants traded on the Stock Market of the ISE, has been opened for trading.

Having succeeded in raising its shares on the stock market by 100 base points in 2012, Garanti has taken its place among the leading institutions of the sector, with a market share of 7%.

Having achieved a major acceleration on the stock market from June onward, Garanti closed 4 months out of 5 at the 1st rank in the monthly independent market share. In the derivatives market, Garanti maintained its second place in its own segment, with a market share of 5.8%.

Corporate Bonds and Bank Bills

In 2012, Garanti Investment Banking ranked first in the sector in terms of corporate bond issuances, with a market share of 45% and took the top places in terms of public offerings of bank bills/bonds, with a market share of 18%.

Having realized 14 bank bill and 1 bank bond public offerings at a par value of TL 6 billion in 2012, Garanti Investment Banking was successful in offering investment alternatives to individual investors as well as corporate investors.

PROJECTIONS FOR 2013

In 2013, Garanti Investment Banking aims to expand its product portfolio by closely monitoring developments in the capital markets and reinforcing customer loyalty, as well as gaining new customers through the services developed by its expert team and robust technological infrastructure.

Aiming to increase the size of mutual funds and the number of customers in 2013, Garanti will continue to expand its product range by offering diverse options to investors by means of new fund launches built upon a broad range of market instruments.

Within the scope of a project it has been carrying out in conjunction with BBVA, Garanti will establish new funds abroad aiming foreign investors seeking to invest in Turkish markets through mutual funds.

Garanti will further develop e-trader platform, which has been one of its most important projects in the investment side in recent years, by adding new products to it. Among the new products planned to be offered to customers in 2013 are Forex and opportunity to trade in foreign markets. In addition, the e-trader platform for corporate customers will be launched in 2013.

By continuing to provide comprehensive and efficient consultancy services to corporations intending to issue bonds, Garanti will continue to be the market leader in corporate bonds.

INSURANCE AND PENSION

LEADER IN BANCASSURANCE

20% MARKET SHARE IN PRIVATE PENSION PARTICIPANT

Garanti sustains its leadership in the sector by drawing its strength from the cooperations with Eureka Insurance and Garanti Pension and Life Company. The essence of Garanti's strong position in the sector lies in this powerful synergy, its policy of unconditional customer satisfaction and innovative approach.

Garanti reaches its millions of customers from different segments with its insurance and private pension products, designed to meet the needs of customers through utilizing all channels.

ACTIVITIES IN 2012

In recent years, banks has become an efficient distribution channel, while accelerating the growth of the insurance sector. Over the last 5 years, bancassurance business grew by an approximate rate of 25% by increasing its share of total production in life insurance to 77.4% and non-life grew by 20% bringing share of total production in non-life insurance to 14.1% in 2012.

Garanti has reached a market share of 15.9% in non-life insurance and 12.5% in life insurance in 2012 on the back of its successful activities in bancassurance.

In the private pension sector , Garanti continues to lead the sector with 609,519 participants and a fund volume of TL 3,321 million. Introducing many firsts in this field, Garanti has obtained a market share of 19.5% in terms of number of participants, and 16.3% in terms of fund volume.

Throughout 2012, Garanti continued to stand by its principle of unconditional customer satisfaction in providing insurance and pension products. In this context, customers' satisfaction level of insurance products and services is measured.

Garanti has re-designed its products in line with the changing customer needs and focused on practical and advantageous product packages that are appealing to different customer segments.

In addition to offering its products and services in via branches, Garanti utilized alternative distribution channels; such as ATMs, Internet Branch and Call Center and focused on the efficiency of these channels in 2012.

PROJECTIONS FOR 2013

Viewing customer satisfaction an integral part of the business processes, in 2013, Garanti aims to raise its market share in life and non-life insurance. Garanti will continue working on providing better products and services to its existing customers as well as targeting new customer acquisition.

Garanti aims to grow in non-life business in 2013, particularly by concentrating on home and auto insurance products.

Garanti will continue to offer insurance and pension products to its customers in the fastest and most convenient manner. While the importance of alternative distribution channels is growing, Garanti will become more efficient with the new insurance products and services that are designed especially for these channels.

The growing impact of mobile applications and social media will lead to designing customized products in the coming years. By utilizing digital media tools efficiently for bancassurance, Garanti aims to communicate with its customers interactively.

A new era in the private pension system will begin in 2013. The biggest advantage of the new system will be Government's contribution at a rate of 25% for the premiums paid by the participants. Regardless of whether the participants are paid employees or tax payers, every person will benefit from the 25% contribution of the Government without exception. With the implementation of this measure, the growth of the sector is expected to accelerate.

In the year ahead, the importance of the banks in selling pension plans will increase as the banks being one of the most efficient and extensive distribution networks for financial products. The growing trend in number of participants and fund volume will be sustained at Garanti and its strong position in this field will be reinforced.

Additionally, new product developments and marketing activities aimed to create insurance awareness will continue in the period ahead.

Garanti will continue to be a pioneer in bancassurance business in 2013, with its customer-centric applications supported by the strong technological infrastructure, and products designed to meet customer needs.

INTERNATIONAL BANKING

\$1.35 BILLION LARGEST EVER NON-SOVEREIGN EUROBOND OUT OF TURKEY

Long-term relationship with investors through a well-developed correspondence network relying on mutual trust and collaboration makes Garanti the leading bank in Turkey for the sustainable procurement of foreign funds.

Correspondent Banking

The Correspondent Banking team, responsible for relationship management with international banks and financial institutions successfully manages a broad correspondence network of approximately 3,250 banks in 160 countries.

The foundation stones of this success are; strong relationship management strategy, sustainable volume of ancillary business generated to correspondent banks, and customer satisfaction, ensured by the quality of service in international operations.

In 2012, Garanti continued its success in securing foreign funding from correspondent banks based on trade finance transactions, despite the fluctuations in the financial markets. Being the preferred partner bank of foreign correspondents in Turkey, Garanti has maintained its leadership position in this field with a distinctive approach of service quality.

Structured Finance

Garanti has continued its activities in order to diversify its sustainable long term funding sources and expand its investor base.

In May, Garanti secured syndicated loan amounting EUR 1 billion, on a 1-year term, at a cost of Libor + 1.45% and Euribor + 1.45%.¹

In August, Garanti through its Diversified Payment Rights securitization program, has secured a financing from OPIC of US\$ 400 million on a 14-year term - the longest ever maturity in Turkey.

In September, Garanti issued the largest ever non-sovereign Eurobond out of Turkey with the lowest coupon price as of the date of issuance, with a total of US\$ 1 billion 350 million with 5 and 10-year maturities.²

In September, Garanti signed a risk sharing agreement with the European Investment Fund under the "Competitiveness and Innovation Framework Programme".

¹ The transaction was executed in two tranches, US\$ 307.3 million and EUR 768.1 million.

² The bonds were issued in two separate tranches, at a nominal price of US\$ 750 million on a fixed-interest 10-year term, and at a nominal price of US\$ 600 million, on a fixed-interest 5-year term.

³ The transaction has been executed in two tranches, US\$ 308.5 million and EUR 615.5 million.

SYNDICATED LOAN AT THE LOWEST COST LIBOR + 1.25%
EURIBOR + 1.25%

In November, Garanti signed a loan agreement with EBRD for US\$ 60 million, on a 5-year term, to be used exclusively for the financing of female entrepreneurs, for the first time in Turkey.

In November, having signed an agreement for syndicated loan at the lowest cost in 2012, Garanti secured a fund of US\$ 1.1 billion, on a 1-year term, at Libor + 1.25% and Euribor + 1.25%.

In 2012, over US\$ 4 billion of new fund was secured.

Trade Finance

Differentiating itself with its expert staff and innovative approach, Garanti acts as a solution partner by developing custom-tailored products.

Garanti has significantly increased the volume of the products offered to its customers for the short and long term import financing. Garanti has achieved this success thanks to its close dialogue with customers, effective collaboration with correspondent banks and foreign ex-im institutions.

With the support of its advanced technological infrastructure and strong correspondent banking activities, Garanti is taking a leading position in trade finance area.

Garanti continued its support for its customers' expansion into new export markets, and responded to the financial and risk sharing needs of its customers in the new markets. Garanti also worked on new structures on receivables financing.

PROJECTIONS FOR 2013

Garanti aims to continue its success in borrowing from foreign institutions at the most favorable rates and conditions, to expand its operations in the capital markets with innovative transactions, and to enlarge its correspondent banking network.

Aiming at offering alternative financing solutions to its customers with innovative, customer-centered solutions, Garanti will continue to focus on collaborating with correspondent banks and ex-im institutions.

BALANCED AND DISCIPLINED STANCE

STRATEGIC IMPORTANCE

GIVEN TO THE CREATION
OF VALUE THROUGH
SUCCESSFUL MANAGEMENT
OF RISKS

Treasury Marketing & Financial Solutions Department

In 2012, Treasury Marketing increased its service quality and the number of customers it serves directly, and continued to lead the sector in the management of “commodity” risks in particular, in a year when customer demand for the management of balance sheet risks grew.

Garanti aims to come to the fore with new products that respond to the needs of customers as well as a high quality of service and pricing in an environment where competition is expected to rise in 2013.

Asset & Liability Management Department

2012 was an important year in terms of the management of liquidity risk, both in TL and foreign currencies. During a period in which the Central Bank of Turkey pursued liquidity-tightening policies on the Turkish lira side, interest rates rapidly increased on the wholesale funding markets and this increase was reflected in deposit interest rates. As the Central Bank loosened liquidity conditions toward the end of the year, the interest rates in the wholesale funding markets dropped rapidly, but because of the rising loan/deposit ratio and the decreasing liquidity ratio of the sector, a decrease in deposit interest rates was delayed. In this connection, due to the ratio limitations, the management of the costs and diversification of funds became important for the TL balance sheet and the productive use of limited funds became important for loan issues.

Within the framework of working on diversification and the extension of maturation terms, Garanti's current domestic bond issuances exceeded TL 2 billion. Moreover, as part of the management of interest and liquidity, TL corporate bonds in the portfolio began to be funded from international markets. In this way, significant gains were obtained during periods when deposit interest rates, as well as those on the wholesale funding market, increased.

In the management of FC liquidity, the “flexibility of maintaining compulsory TL reserves in foreign currencies and gold” provided by the Central Bank, urged the banks to direct their liquidity, which was invested in their correspondent banks and/or in short term swaps, to the Central Bank.

The access of the sector to international borrowing markets increased in 2012. Turkish banks issued not only senior securities but also capital-like instruments. In this way, in relative terms, the gap in the stagnant securitization market was filled with bond issuances. TL and FC bond/bill issuances started in 2011 contributed to Garanti's Asset & Liability Management practices throughout the year. This has also been listed among the priority transactions for 2013.

It is expected that, concurrently with the recovery in the economy, the demand for loans and funding will rise in 2013. Asset & Liability Management aims to maintain its current strategy in 2013.

Treasury Department

While playing a leading role in the security markets as one of the “Primary Dealer” banks, Garanti's treasury has also been able to maintain a market share of 16% in 2012 in the derivatives market despite the aggressive competition. Moreover, owing to the actions taken on the FC market, Garanti significantly increased its market share in the domestic interbank market to 34%. Garanti treasury made significant contributions in the development of the project about creating gold deposits against the acceptance of gold in physical jewelry form, which is also a product of major importance to the national economy as a whole.

With the expectation that inflation would fall due to the tight monetary policy pursued at the beginning of the year, securities in TL were purchased in substantial volumes, as a result of which the portfolio volume reached its highest figures during the early months of the year. These expectations were realized as inflation and interest rates began to fall in the second half of the year.

In 2013, it is expected that inflation-indexed securities will be in demand and that securities bearing fixed interest will exhibit a more stable trend.

Derivatives Department

In 2013, Garanti will continue to grow by observing the risk-yield balance, funding quality and efficient collateral management principles in an environment where amendments to national and international regulations are expected.

The measurement of financial risks, compliance with limits, proactive risk management and compliance with legal regulations will maintain their importance as usual.

5,930 365 DAYS OF UNINTERRUPTED
CASH SERVICE
POINTS

\$842 TRANSACTION
VOLUME
BILLION

99% CENTRALIZATION
IN OPERATIONAL
TRANSACTIONS

As the first bank to set up centralized operations in Turkey, Garanti ensures high quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. Branches and customers are presented with the opportunity to receive year-round non-stop cash service at 5,930 points. Garanti channels 99% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,010 experts.

ABACUS handles the following tasks for Garanti Bank and its customers:

- » All foreign trade transactions
 - » Issuance of domestic and international letters of guarantee
 - » SWIFT transactions
 - » All operations regarding the utilization of commercial loans and system entry of related collaterals
 - » Verification of documents submitted with housing/auto/general-purpose loan applications
 - » All domestic payments including EFT, tax and Social Security Institution (SGK) premium collections
 - » High volume salary payments/high volume internal and interbank (EFT) money transfers,
 - » Physical and electronic archiving processes
 - » Confiscation processes and query letters received from governmental offices
 - » Data entry of hardcopy credit card application forms
 - » POS application and installation follow-up
 - » After-sale support services for credit cards
 - » Check and promissory note transactions
 - » Investment account opening and account transfer operations
 - » Cash support services including cash collection and delivery
- In addition, ABACUS closely monitors all changes in legislation with a potential impact upon the activities of Garanti Bank.

ACTIVITIES IN 2012

Throughout 2012 which was another intense and productive year, ABACUS kept offering service at high standards with projects and processes initiated based on an innovative approach. ABACUS, heeding the feedback from branch employees that it regards as its customers, plays a big part in alleviating branches' operational workloads through effective use of technology, and helps them to achieve their targets.

The Bank's loss resulting from operational errors was a mere US\$ 15,000 within the total transaction volume of approximately US\$ 842 billion handled by ABACUS in 2012. The following activities were carried

out toward ensuring continuity of high quality service delivery and reducing risks in 2012:

- » Completion of the Promissory Note Project.
- » Answering debt enforcement letters received from Execution Offices both in and out of Istanbul.
- » Central archiving of Banking Service Agreements, which reached 6.15 million as of December 2012.
- » Application of world-check controls on international money transfers.
- » Establishment of a new, safe, traceable and rapid process for the delivery of cards from branches.
- » Ensuring a more effective cash balance management in the cities without a Central Bank branch, via channeling cash from branches to other banks.
- » Increasing cash processing capacity by an average of 30%, following the renovation of teller machines and local changes made to them.

Major ABACUS Indicators

2012

Number of annual transactions	46.3 million
Transaction volume (US\$)	842 billion
Average number of monthly transactions	3.9 million

PROJECTIONS FOR 2013

Intending to identify improvement areas and further upgrade service quality, in 2013, ABACUS, will continue its work to increase internal customer satisfaction and reduce the workload of branches, as it has done in previous years. ABACUS will be in cooperation with Garanti Technology to minimize the manual steps in processes, to reduce operational risks by improving the checkpoints. Handling transactions in an error-free and timely manner by making use of all the facilities technology has to offer will remain the primary goal of ABACUS's activities.

In this connection,

- » Redesigning the Direct Debit System (DDS) and its integration with the loans module,
 - » The provision of efficient process support at the stage of archiving and document delivery under Maaşım Garantide (My Salary at Garanti) project,
 - » Reducing the calls received by the support line at 444 0 339,
 - » Changing the POS Merchant application process,
 - » Making the ATM cash estimation system more efficient for all off-site ATMs
- are among the goals planned for 2013.

HUMAN RESOURCES



WITH THE BELIEF THAT “THE MOST VALUABLE ASSET IS OUR HUMAN RESOURCES”, GARANTI CONTINUOUSLY INVESTS IN ITS EMPLOYEES, ADMINISTERS AND DEVELOPS ALL OF ITS OPERATIONS, FROM RECRUITMENT TO PERFORMANCE, FROM CAREER DEVELOPMENT TO REMUNERATION AND SOCIAL FACILITIES, WITH AN EMPLOYEE-FOCUSED PERSPECTIVE.



The first and only IIP-certified institution in Turkey, Garanti Bank believes that its most valuable asset is human resources and its practices exceed the world standards. Continuously investing in its employees, Garanti maintains contained and sustainable growth.

ACTIVITIES IN 2012

While continuing its sustainable growth for the last three years, Garanti Bank focused on employer brand-management activities, as well as improving internal communication and employee satisfaction in 2012.

Recruitment

In 2012, the recruitment of experienced and new-graduated employees continued. 25 individuals selected for the Management Trainee program were all participants of the Talent Camp or Genç Garantili internship program. 20 people joined Garanti within the Assistant Auditors program.

Employee Performance and Development

Parallel to the results of the Employee Engagement survey, HR management projects based on the role of the managers, supporting work-life balance and employee segmentation (Female employees, talent management etc.) were the focal points.

As a result of Bank's focus on continuous development, all managers were supported with competency-based feedback training sessions in order to improve the quality of their communications with the employees and spread a feedback-culture.

“4 Seasons Gatherings” which was initiated in 2009 for enhancing employee motivation and facilitating more effective communication throughout the Bank, continued in 2012 with a new theme and content. The “employee volunteering” project “Elim Sende” (Tag), designed in 2011 to promote teamwork and corporate culture, also continued in 2012 with achieving its goal of renovating 30 classes.

Use of SPOT Awards Program by managers to reward employees that make a difference and create awareness throughout the organization, was increased by 35%, with respect to 2011.

Career Development

90% of open positions in 2012 were filled with the Bank's preferred internal-promotion strategy through internal recruitment. Specialized career counselors carried out advisory activities by;

- » Planning Mid-term work force by using task-based candidate pools.
- » Offering tailor-made career-advice in one-to-one meetings.
- » Advertising open positions to all employees via the “Career Opportunities” section posted on the intranet.

Remuneration and Benefits

At Garanti Bank, employees receive 12 salaries and 4 bonuses per annum. All employees at Garanti are covered by private health and life insurance. Health expenses incurred by personnel or their dependents, such as dental care, or optic items such as glasses or contact lenses, are covered by pension fund. Head Office employees has dining-hall and transportation services and branch and regional office employees are provided meal tickets. Furthermore, fringe benefits such as cars, phones or compensation payments related to duty, location or title are provided. Moreover, Garanti Bank also provides foreign language compensation upon the appropriate certification received from recognized institutions. Garanti applies the Labor Law numbered 4857 implementing annual leave.

PROJECTIONS FOR 2013

In 2013, Garanti Human Resources will continue its employee and development focused activities. The Department will concentrate on processes that will reinforce and support the directors' role in communications with the employees for employee loyalty purposes, while continuing to invest in projects designed to promote internal communication.

Garanti Human Resources will carry on with its Talent Management activities to ensure loyalty and permanence of high-performing and high-potential employees.

Furthermore, regularly carried-out, yearly projects (internal customer satisfaction surveys, 360°, on-the-job coaching etc.) aiming to increase internal communication in ways that support employer value proposition and enhancing the quality of internal services, will be accelerated.

LEARNING & DEVELOPMENT



GARANTI, IN LINE WITH ITS STRATEGY OF “**FOCUSING ON COMPETENT HUMAN RESOURCES**”, AND ITS CORE VALUE OF “**INVESTING IN HUMAN RESOURCES FOR SUSTAINABLE GROWTH**” DEMONSTRATES THE IMPORTANCE OF ITS EMPLOYEES WHO ARE THE DRIVING-FORCE AND ASSURANCE OF ITS QUALITY WITH ITS GLOBALLY ABOVE-AVERAGE TRAININGS.*



Garanti Bank executes its learning & development programs under the vision of nurturing the best human resources in the financial sector, sustaining continuous development of its employees, and the belief that human resources is an investment vehicle.

The high performance and career development of Garanti employees and the Bank's sustainable performance are supported through need and competency-based training solutions.

Garanti Bank's learning & development strategy is structured on the basis of five essential approaches:

» ***Acknowledges differences and provides equal opportunities***

Garanti Bank offers various training channels/methods and integrates the most recent developments into its learning & development approaches, while acknowledging different learning styles. Coaching and rotation programs, action plans and experience sharing are the practices that support the learning process in the work environment.

» ***Supports business solutions***

Learning & Development Department is viewed as a strategic business partner and all training activities are designed within the framework of business requirements. Learning & Development Strategy Committees, composed of participants from various departments of Garanti Bank, its full-time expert in-house trainers and professional educators sharing their experiences, contribute to the formation of training solutions best suited to the dynamics of the Bank.

» ***Believes in the potential of the employees***

Garanti employees plan their personal development process themselves and the systems that holistically integrate human resources and training help them to reach their full potential.

» ***Utilizes technology effectively***

The effective use of technology plays an important role in the success of the Garanti Bank's learning & development programs. Garanti Bank supports employee development through in-class trainings together with a variety of training technologies. For instance, 28% of all trainings are delivered via technological methods.

» ***Creates long-term collaborations with the academic world***

Garanti Learning & Development, having large number of academicians among its trainers, has formed collaborations with well-established Turkish and international universities. Garanti employees receive education from the world's premier

universities, such as Harvard, Stanford, and the London Business School. They also share their knowledge with their colleagues in the “best practice” sessions.

ACTIVITIES IN 2012

This year, Garanti Bank offered a total of 810,000 hours of training with an average of 51 hours per employee, representing a 3% increase in training hours, compared to last year.

In 2012, 7,000 in-class trainings were delivered.

This year, especially the trainings related to the New Turkish Commercial Code, Competition Law, the Code of Obligations and expert training on Investments, Commercial and Retail Loans were provided to all relevant field staff and to head office employees.

At Garanti Leaders' Summit, the topic was “Customer Centricity in 2012 (New Customer Era)” which was discussed with the contribution of leading speakers and trainers in this area, from Turkey and abroad.

Furthermore, in 2012, within the scope of the Garanti Leadership Academy, a leadership program was developed together with one of the world's most prestigious schools, SDA Bocconi.

PROJECTIONS FOR 2013

Garanti will continue to support employee development by closely monitoring financial and legal developments in Turkey and the world. Garanti will also continue its training activities targeted at higher participation to increase employee-consciousness for environment and social responsibility.

In 2013, Garanti will start a new self-regulated learning and development approach based on knowledge management. Together with this change, employees will be able to access information quickly and in the desired format, and required technologies will be developed accordingly.

* In 2012, Garanti delivered a total of 810,000 hours of training amounting to 51 hours per employee. According to the 2011 data, average hours of training per employee among Fortune 500 corporations was 35.

GARANTI'S INTEGRATED SUBSIDIARIES



GARANTIBANK INTERNATIONAL N.V.

€ 220 SYNDICATED LOAN
ON A 1-YEAR TERM
MILLION

€ 54.6 NET PROFIT
MILLION

Established in Amsterdam in 1990 as a wholly-owned subsidiary of Garanti Bank, GarantiBank International N.V. (GBI) operates through its head office in the Netherlands as well as its branches and representative offices in Germany, Turkey, Switzerland and Ukraine.

As a “global boutique bank”, GBI offers innovative, country-specific financial solutions to its customers worldwide in the areas of ‘trade finance’, ‘private banking’, ‘structured finance’ and ‘corporate and commercial banking’.

ACTIVITIES IN 2012

Following a very successful year, GBI made a net profit of EUR 54.6 million* in 2012, achieving an increase of almost 2% over the previous year, without compromising its high asset quality.

GBI also continued to reinforce its capital structure, improving its Capital Adequacy Ratio to 19.29% at year-end, 18.22% of which being the Tier-I capital.

In 2012, GBI secured a one-year syndicated loan of EUR 220 million, from a consortium of 19 banks in 9 countries.

Easily exceeding the targeted amount, GBI renewed its syndicated loan with an increase of 10% by an agreement signed in Amsterdam on July 9.

*Based on Dutch GAAP standards.

PROJECTIONS FOR 2013

In 2013, GBI will continue its prudent strategy focusing on its inherently low risk-bearing main activities of Trade Finance, Private Banking and Structured Finance.

Projecting a balance sheet growth of 10% during this period, GBI aims to generate stable income from all its main activities.

Having set a target cost-income ratio of 37-38% for 2013, GBI aims to further diversify its principal activities and maintain a strong commission income through increased revenues from Private Banking, Structured Finance and Cash Management operations.

GBI's main objective in 2013 will remain offering the best tailor-made solutions to its customers in a prompt manner.

€1.8 #13 IN ROMANIA WITH
CONSOLIDATED ASSETS OF
BILLION

78 BRANCH
OFFICES

» 98% GEOGRAPHIC
COVERAGE

Garanti Bank SA continues to introduce many “first”s that make life easier for its customers by extending its portfolio of products and services and is increasingly reinforcing its position in the Romanian banking sector.

With its vision of becoming an international player, Garanti serves as an active financial group in Romania with Garanti Bank SA, Garanti Leasing, Garanti Mortgage and Garanti Consumer Finance.

ACTIVITIES IN 2012

Offering services as a licensed bank since May 2010 and expanding its activities upon solid foundations, Garanti Bank SA continued to carry out its operations in the country successfully during 2012.

Aiming to become one of the top 10 banks in Romania, which has a population of approximately 20 million, Garanti Bank SA is responding to the needs of its customers with innovative products and technological supremacy as well as well-developed and comprehensive banking services in all areas of banking, from retail and SME banking to commercial and internet banking.

Having raised its market share in 2012 to 1.8%*, with consolidated assets worth EUR 1.8 billion, the bank ranks 13th* in Romania, serving its customers through 78 branches covering 98% of the country.

Having introduced a number of novelties to the Romanian banking sector, Garanti Bank SA completed yet another first-ever project in 2012, offering its customers the opportunity of mobile payments via smart phone.

*As of September 2012

PROJECTIONS FOR 2013

Garanti Bank SA will pursue its activities in 2013 with the aim of introducing many firsts to the sector, differentiating itself through offering products and services combined with its technological edge and creating value for its customers.

Furthermore, Garanti Bank SA will continue to grow on sound foundations and focus on gaining market share in 2013.

CASH APPROACHING
PRE-CRISIS LEVELS
LOAN VOLUME

77% NON-CASH
LOAN VOLUME
INCREASE

GarantiBank Moscow (GBM) commenced operations in 1996, and is one of the 75 banks with foreign capital operating in Russia. Owning a full-scope banking license, GBM operates through one branch office with 80 employees.

Having the experience and knowledge to carry out all banking transactions on an efficient and reliable IT platform and with experienced employees who have good knowledge about the conditions prevailing in the country, GarantiBank Moscow operates the balance sheet marked by high asset quality, operational productivity and sustainable profitability in an environment of intensive competition created by domestic and foreign banks.

Despite its much smaller size compared with financial institutions targeting the same customer segment; GBM serves to a portfolio of large-sized companies in anticipation of high standard banking services thanks to the ability to respond quickly and provide advanced level of services.

The customer base of GBM, of which the main area of activity is corporate and commercial banking, consists of Russian firms in various sectors and major Turkish firms doing business on the Russian market. Having over 500 active commercial customers, GBM has credit relationships with over 75 firms.

ACTIVITIES IN 2012

Having reached an asset size of US\$ 462 million and a total loan volume of US\$ 377 million, comprising US\$ 258 million cash loans and US\$ 119 non-cash loans, in line with its targets for 2012, GBM has recovered the volumes it had prior to the 2008 crisis.

Driven by rapid increases in the projects undertaken by Turkish contractors in Russia in 2012, the volume of non-cash credit rose by 77%.

As a result of coordinated work carried out with the representative office of BBVA in Russia, GBM advanced its relations with Spanish firms operating in Russia and increased the number of Spanish firms in its portfolio. Moreover, GBM has become the main bank of the Spanish Embassy and Consulate. GBM is now servicing all the banking needs, such as cash management, payments in ruble and FC and exchange transactions, of the above-mentioned entities.

In 2012, GBM continued to carry, in its portfolio, both the Russian government bonds with good yield potential and the private sector bonds in rubles and US dollars, issued by companies with high credibility. As a result of its trading in 2012, GBM earned an income of US\$ 3.1 million from sales of securities.

Despite the ongoing competition led by public banks and the shrinking margins since 2011, in 2012, GBM increased its post-tax profit by 30% with regard to the previous year to US\$ 9.5 million.

PROJECTIONS FOR 2013

Offering fast and competitive services meeting the needs of customers, in 2013, GBM aims to continue its healthy growth by further developing the current corporate banking structure without sacrificing asset quality.

₺7.7 BILLION
TOTAL OF 37 DEBT OFFERINGS
WITH A TOTAL VALUE OF

\$285.5 MILLION
SUCCESSFUL SALE OF
KÜMAŞ MANYEZİT

\$4 BILLION
SELL-SIDE ADVISOR IN THE
SALE OF TÜRK TELEKOM

Garanti Securities' strong presence in corporate finance and brokerage services with its experienced team, robust infrastructure and long-standing relationships with institutions further strengthen Garanti.

Corporate Finance

Named the Best Investment Bank in Turkey by Global Finance every year since 2007, the total size of corporate finance transactions advised by Garanti Securities has reached US\$ 33.7 billion.

In 2012, Garanti Securities advised the issuance of a total 37 bonds and bills with a total value of TL7.7 billion.

Completed 100% asset sale of Kümaş Manyezit for a consideration of US\$ 285.5 million in 2012.

The privatization of 10.32% shares of Petkim worth US\$ 168.5 million was successfully completed in 2012 through the advisory services provided by Garanti Securities.

For the privatization of "Motorways and Bridges through transfer of operation rights for a period of 25 years", Garanti Securities acted as buy-side advisor of the Atlantia, Doğuş Holding, Makyol and Akfen Holding Consortium.

In November 2012, Garanti Securities was appointed by the Privatization Administration as the sell-side advisor for the privatization of the remaining 31.68% shares of Undersecretariat of the Treasury of the Prime Ministry in Türk Telekomünikasyon A.Ş. (Türk Telekom).

Garanti Securities also advised the Privatization Administration for the privatization of Başkent Doğalgaz. Tender for the block sale of Başkent Doğalgaz shares was made on September 13, and the highest bid of US\$ 1,162 million was offered during the tender which was held on January 25th. The transaction is expected to be completed in 2013 after obtaining the necessary approvals.

Garanti Securities targets to continue its strong performance in 2013 and take part as an advisor in major transactions.

The Privatization Administration announced the tender for the privatization of Başkent Doğalgaz on September 13, and planned to collect sealed bids on January 18. The transaction is expected to be completed in 2013.

Research

The Research Department provides periodical, sectoral, thematic reports and fundamental and technical analysis regarding the ISE equities, economy and the fixed-yield securities to broad customer base of Garanti Bank, investment centers and foreign financial institutions. Research Department also extends support to corporate projects including public offerings, M&A projects and asset sales.

The Department's equity research covers Turkey's leading sectors, financial institutions and the industrial corporations that steer the ISE. The model portfolio consisting of equities with Outperform recommendation has yielded an average annual relative return of 23% over that of the ISE 100 index since 2009, and a relative return of 14% in 2012.

International Institutional Sales

International Institutional Sales Department (IIS) provides brokerage services in equity and derivatives markets to foreign institutions which invest in Turkish capital markets. The Department also provides brokerage services to local investors in foreign markets.

IIS raised its market share to 2.06% in 2012 from 1.36% a year ago. During the same period, despite a 1% increase at ISE foreign volume, IIS volume rose by 53% YOY and reached TL 4.5 billion thanks to increased contribution from new clients.

IIS aims to increase its transaction volume and market share further in 2013 through expansion into new regions, namely in Eastern Europe, Russia, GCC countries, and Asia.

Additionally, the Department plans to organize an investor conference in London in May 2013 and continue its collaborations with Corporate Finance team for primary and secondary market offerings.

GARANTI ASSET MANAGEMENT

₺8.4 ASSET SIZE
BILLION

₺4.7 VOLUME OF
MUTUAL FUND
BILLION

₺3.3 VOLUME OF
PENSION FUND
BILLION

Being the first asset management company in Turkey, Garanti Asset Management has been operating in the asset management sector for 15 years, with the aim of being the leading company with its comprehensive research activities and robust risk management.

Working with the aim of managing customer assets in the most efficient manner to the extent possible, and ensuring that its customers achieve their investment targets, Garanti Asset Management's key to success is:

Combining its investment philosophy, relying on concrete knowledge, with consistency, efficiency and the concept of professional service, and working by focusing on responding to the ever changing and diversifying demands of customers, in dynamic market conditions, using the latest methodologies.

As of today, where the selection of stocks has become more important, the internal research team makes visits to over 150 companies annually, provides support to the investment team in the selection of stocks and the making of investment decisions. This structure is the distinguishing point of Garanti Asset Management from its competitors.

Garanti Asset Management has been differentiating itself in the sector through its efficient business approach and proactive risk management. With a professional human resources team consisting of 55 persons, 21 of whom form the investment team, Garanti Asset Management provides services in the fields of

- » Mutual Funds Management
- » Pension Funds Management
- » Alternative Investment Products Management
- » Discretionary Portfolio Management

With the aim not only of surpassing the benchmark standard, but also creating performance above the competition, Garanti Asset Management very closely monitors the competition.

ACTIVITIES IN 2012

Garanti Asset Management succeeded in exhibiting a satisfactory performance in all business segments and reached an asset volume of TL 8.4 billion, as of December 2012.

Mutual Funds

In 2012, while the Mutual Funds sector grew by 1% the overall size of the Mutual Funds managed by Garanti Asset Management grew by 8.2% and reached an asset volume of TL 4.7 billion.

The top-performers among mutual funds were:

- » The Flexi Fund which has a special place among Fixed Income Funds with its limited equity exposure;
- » The Corporate Bonds and Bills Fund which is a good alternative to Fixed Income funds due to investments in the newly emerging Corporate Bonds and Bills market; and
- » The Equity Fund which outperformed the funds included in the index due to the high equity selection performance.

Private Pension Funds

In 2012, when the Private Pension System grew rapidly, the consistent management and successful performance of Pension funds contributed significantly to an increase in AUM. Garanti Asset Management outgrew the sector to reach an asset volume of TL 3.3 billion and a market share of 16.20%.

Alternative Investment Products

Investors were offered new investment alternatives such as; Innovative Companies, Winning Business Models, Auto Control Index, Silver and BRIC countries by working outside the accustomed patterns in Capital Protected Funds.

First offered to qualified investors as a new alternative in 2009, the Istanbul Hedge Fund is still being managed with the goal of a consistent and sustainable yield.

Discretionary Portfolio Management

Garanti Asset Management reached a size of TL 447 million in this segment with the help of its efficient marketing and customer satisfaction where the sector reached a size of TL 6.5 billion, as of the end of 2012.

PROJECTIONS FOR 2013

After Turkey has regained investment grade rating, it is expected that foreign investment flow into the country and the need for local specialists will rise. In this environment, Garanti Asset Management is planning to launch new products appealing to foreign investors.

The establishment of new funds for diversity in the Private Pension side, as permitted by the new law, is among other goals of Garanti Asset Management for 2013.

GARANTI LEASING

10 LEADER, IN TERMS OF NUMBER OF CONTRACTS, FOR THE LAST
YEARS

2,953 CONTRACTS EXECUTED IN 2012

\$776.7 BUSINESS VOLUME
MILLION

Garanti Leasing has been operating in the sector since 1990. Using the advantage of the Branch Offices of Garanti Bank as its distribution channel, Garanti Leasing executes leasing transactions with corporate customers, commercial customers and small and medium size enterprises, covering a broad customer base.

Being the only Turkish leasing company rated both by Standards & Poor's (S&P) and Fitch Ratings, Garanti Leasing is maintaining its performance above the sector average with its quality services that create distinction in the eyes of its customers.

Garanti Leasing, a well-known company on the international markets, is distinguished from its competitors through its well-qualified human resources, powerful technical infrastructure, high funding capability and diversity of borrowing on the international markets.

ACTIVITIES IN 2012

According to the data of FIDER (Turkish Leasing Association), covering the period of 01.01.2012-31.12.2012, Garanti Leasing

- » Reached a transaction volume of US\$ 776.7 million.
- » Maintained its 10-year leadership in 2012, in terms of number of contracts, with 2,953 contracts and a market share of 16.61%.

PROJECTIONS FOR 2013

Garanti Leasing will do business with more new customers and expand its customer base in 2013. In order to do this, Garanti Leasing will continue to reinforce its synergy with the branch offices of Garanti Bank, enhance its communication with the customer relations executives of Garanti Bank and ensure the creation of many more transactions.

One other sales strategy to be pursued in 2013 is to concentrate on machinery, equipment and construction machinery products, the share of which in the sector is expected to increase via the support by the vendor sales team, and to expand the customer base.

Furthermore, Garanti Leasing aims to pioneer the sector by adding new products to its product range, such as; operational leasing, sell & lease-back and software leasing products, which will be parts of our lives with the enactment of the new law by the Turkish Parliament.

Garanti Fleet

Through its strong, highly-competent staff, Garanti Fleet has been providing fleet management services, for the passenger cars of all makes and models sold in Turkey, to companies of any size since 2007.

Aiming at unconditional and sustainable customer satisfaction through the power and sound financial structure of Garanti brand, Garanti Fleet pre-plans every detail from the tires to be used to the service points where maintenance and repair services will be received, together with ensuring full compliance with the maintenance and repair standards established by the automotive industry.

ACTIVITIES IN 2012

In 2012, Garanti Fleet leased 2,898 new cars. Having adopted the concept of sustainable profitability as its basic strategy, Garanti Fleet earned a profit of TL 16.2 million from its operations. As of the end of 2012, Garanti Fleet is providing fleet management services to 1,197 customers with its car park consisting of 7,982 cars and a staff consisting of 56 persons.

PROJECTIONS FOR 2013

- » Garanti Fleet will continue to invest in its technological infrastructure, competent human resources and powerful distribution channels.
- » Garanti Fleet will also commence provision of fleet management services to cars that are not leased by Garanti Fleet.
- » Garanti Fleet will commence provision of an optional fuel management service.
- » Garanti Fleet will launch its online sales platform in 2013 for the sale of used cars of which the term of lease has ended.
- » Garanti Fleet will continue to embark on special price campaigns in collaboration with car manufacturers.
- » The integration of the technological infrastructure of Garanti Fleet with that of contracted service shops and other suppliers will be achieved and the execution of insurance, maintenance and repair procedures will be accelerated.
- » With smart phone and tablet applications, Garanti Fleet will enable customers to transmit their operational needs more quickly.
- » Garanti Fleet will launch a reporting platform enabling customers to access information about the cars they have leased more easily and quickly.
- » Garanti Fleet will use customer satisfaction surveys to improve and develop its service processes and quality management.

GARANTI FACTORING

11.10% RANKED THE LEADER IN THE SECTOR IN BASIS OF FACTORING RECEIVABLES
MARKET SHARE

HIGHEST RATED IN THE ISE CORPORATE GOVERNANCE INDEX
FACTORIZING COMPANY

Commencing its operations in 1990, Garanti Factoring has been serving its customers under the roof of Garanti since 2001.

Garanti Factoring provides, in a single package, the financing, guarantee and collection management products required by both the domestic and international trade through trade finance and receivable-based finance pooling. 8.38% of the Company's shares in circulation are traded on the ISE National Market.

Garanti Factoring serves a vast customer base, primarily consisting of SMEs as well as import-export focused firms and enterprises with extensive supplier and vendor networks.

Garanti Factoring is the trail-blazer in terms of product development and consultancy with its customer-focused approach and expert team, aiming to create value for the sector and for customers. Together with its competent staff, able to provide tailored institutional solutions and its differentiating speed, its widespread network of correspondents, provided by its membership in two major international factoring chains, International Factors Group (IFG) and Factors Chain International (FCI), also makes it a strong factoring company with regard to overseas factoring transactions.

Along with the rapidly-developing standard banking products related to export and import finance and the growing need for receivable-based financing methods in Turkey, Garanti Factoring offers quick, high-quality solutions to its customers with diversified products for both domestic and international transactions.

With its 8.36 Corporate Governance Rating in the initial assessment for the Compliance with Corporate Governance Principles carried out by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. [Kobirate International Credit Rating and Corporate Governance Services Inc.], Garanti Factoring joined Istanbul Stock Exchange Corporate Governance Index as the highest rated factoring company.

ACTIVITIES IN 2012

Having generated a net profit of TL 20,460 thousand in 2012, Garanti Factoring reached an asset volume of TL 1,955 million and return on assets of 1.37%. Return on equity was 21.41% and the ratio of non-performing loans, which was 1.43%, remained far below the average ratio in the sector and in the reference sectors.

Garanti Factoring has moved up to leadership in the sector in basis of factoring receivables with 11.1% market share.

The total transaction volume of Garanti Factoring increased by 35.5% in 2012, compared to the previous year, and reached US\$ 4.2 billion. Garanti Factoring ranks the second in the sector with this volume, reaching to 10.31% market share.

Maintaining and deepening its synergy with Garanti Bank, Garanti Factoring has established 5 new Regional Marketing Offices to increase penetration and deliver higher-quality services at the micro-market level and has finished 2012 by performing 33,957 operations.

PROJECTIONS FOR 2013

With the primary goal of growing profitably at high speed, Garanti Factoring aims to;

- » Increase its share of factoring transactions by establishing closer relationships with existing customers;
- » Raise its market share to 12% by adding new markets and firms;
- » Work more intensively by focusing on a wider map by means of opening new branch offices;
- » Continue to offer innovative products suiting customer needs;
- » Take a more active role in the offering and selling of its 2F Export Factoring product to exporters and raise its market share in this field;
- » Continue its market leadership in the intermediation of customer collections by further highlighting its Commercial Collection Management (CCM) service;
- » Continue its collective and harmonious collaboration in synergy with Garanti Bank;
- » Continue investing in its systems infrastructure and human resources in order to raise productivity.

GARANTI PENSION AND LIFE

₺134 #1 IN PROFITABILITY
MILLION

80,000 THE MOST
PREFERRED
PENSION COMPANY
WITH NEW
PARTICIPANTS

10% MARKET
SHARE IN LIFE
INSURANCE

Garanti Pension shapes the private pension and life insurance sectors with its innovative products, customer-centric services and expertise in bancassurance.

Garanti Pension, with its 857 personnel, serves 610 thousand pension participants and over 1.9 million insured.

Having completed another successful year, Garanti Pension was the most profitable company in the sector in 2012 with a net profit of TL 134 million, a total fund volume reaching TL 3.3 billion, a net annual contribution of TL 609 million and life insurance premium production of TL 263 million.

ACTIVITIES IN 2012

Drawing its strength from its efficiency in bancassurance, technological infrastructure and product diversity, Garanti Pension continued to grow in the sector in 2012.

- » Garanti Pension has 16% market share with a total fund volume of TL 3.3 billion.
- » With an increase of 80 thousand participants and a market share of 17%, Garanti Pension became the most preferred pension company in 2012.
- » The total number of participants in Garanti Pension reached 610 thousand with a market share of 20%.
- » While life insurance sector was growing by 2%, Garanti Pension grew by 9% and increased its market share to 10% with TL 263 million premium production.

PROJECTIONS FOR 2013

Garanti Pension, aiming to continue its financial achievements, will continue to shape the sector with its innovative products in 2013, and focus on its principal goal of gaining market share.

Additionally, Garanti Pension will continue to invest in its technological infrastructure and strong distribution channels in 2013 with the objective of supporting projects and enterprises that enhance customer satisfaction.

With the goal of becoming the sector leader in terms of number of participants, Garanti Pension will increase participant earnings in the pension system and maximize their satisfaction by broadening its range of funds.

GARANTI PAYMENT SYSTEMS

BONUS LARGEST
CREDIT CARD
PLATFORM
IN TURKEY

> 500,000 POS
TERMINALS

6TH IN TERMS OF CREDIT
CARD TURNOVER
IN EUROPE

Established as a subsidiary of Garanti Bank in 1999, Garanti Payment Systems (GÖSAŞ) currently operates on a staff of 650.

Having reinforced its position as market leader through its success in integrating its products with technology since the very day of its establishment, Garanti offers a high quality service to diverse customer base.

Turkey's first and only payment systems institution holds the market's broadest card segment.

The main brands of personal cards include Bonus, Miles & Smiles credit card, American Express and Çevreci Bonus [Environmentally-friendly Bonus], Aynalı Bonus [Reflected Bonus], Şeffaf Bonus [Transparent Bonus], Taraftar Kartları [Football Clubs Affinity Cards] as secondary lines. Money Visa, Flexi and Altın Bonus are sub-category card products created under the Bonus Card. There are 9 different products in the Business Cards Portfolio, and Paracard is the debit card brand used for cash payments.

With its Bonus Card Platform, Garanti Bank ranks 6th in Europe in terms of credit card turnover according to the Nilson Report.

GÖSAŞ has realized a number of ground-breaking projects in Turkey and the world:

- » It has the only network in Turkey of merchant members accepting VISA, MasterCard, JCB, American Express®, CUP, Diners and Discover cards.
- » Apart from the POS-matic, Kolay Vezne (Easy Teller), Ödeme Noktası (Payment Point), and Card Application Point services, GÖSAŞ also provides various payment solutions such as e-commerce and e-retail services via www.garantisveris.com, together with dial-up POS, ADSL POS, Mobile POS and Virtual POS to member merchants.
- » Following the principles of Customer Relations Management (CRM), GÖSAŞ conducts pioneering studies in the areas of customer loyalty, profitability and risk measurement.

ACTIVITIES IN 2012

Portfolio management:

- » An activation rate of 61% was achieved through campaigns especially designed for individual customers, and first-customer care programs.
- » Through a break-down of the portfolio into segments such as customer payment performance, spending habits and customer

potential, extra turnover amounting to nearly TL 1.5 billion was created by means of several major campaigns affecting both profitability and turnover.

- » By solving customer problems and ensuring customer satisfaction, 1,120,000 cards in the portfolio were regained in 2012.
- » Customers were offered the opportunity to manage their payments and budgets by means of features such as Credit Repayable in Installments, Postpone the Payment to the Next Account Statement, Divide the Charge into Installments and Postpone the Charge to the Next Account Statement.
- » Collaboration between Garanti Bank and Turkish Airlines has been extended for 5 years. Under the renewed contract, the name of the program has been changed to the Miles & Smiles credit card program and new features have been added to the existing ones.
- » Collaboration with Migros on Money Visa has been extended for 3 years.
- » Authoring another ground-breaking project in Turkey, in collaboration with Turkcell, Garanti Bank introduced the Cep-T Paracard [Mobile Phone as Paracard] service, which is a turning point in mobile financial services. The Cep-T Paracard has paved the way to a new era in shopping which will make the life of all consumers easier, regardless of whether or not they are Garanti customers.

PROJECTIONS FOR 2013

With the goal of expanding the market and increasing card usage, GÖSAŞ aims

- » To adapt technology to products in the best manner, with applications such as "Trink", the contact-free card charging system, in order to make payment systems available, through pre-paid and debit cards, to those who do not use credit cards due to their age or income;
- » To grow profitably through new market penetration at member merchant locations, the acquisition of customers from a wider customer base, launching of local campaigns and spreading installment payment practices;
- » To reach 700,000 active card users by the 5th anniversary of the Miles & Smiles & Turkish Airlines contract.

The primary goals of Garanti Payment Systems toward its Business Cards portfolio are

- » To launch the new business credit card with deferred payment under the CUP license, particularly for businesspeople doing business with China.

GARANTI MORTGAGE

13.5% MARKET SHARE, LEADER IN THE SECTOR

169,350 MORTGAGE LOANS CUSTOMERS

Reflecting its competitive superiority through the diversity of its products, the importance it gives to distribution channels and its exceptional service quality, Garanti Mortgage, through its specialist staff, offers the most affordable mortgage options and payment plans to home-purchasers.

Having started its operations in October 2007 as the first mortgage company in Turkey with 26 employees, Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. (Garanti Mortgage) has distinguished itself in the sector as "Garanti, the Mortgage Expert".

Having been at the cutting-edge, due to its expertise, since its founding, Garanti Mortgage currently operates with a 72-person team of mortgage experts.

Never having lost its market-leadership, on its 5th anniversary Garanti Mortgage has outperformed its competitors and reinforced its leadership in the sector.

Because Garanti Mortgage;

- » Offers the broadest range of mortgage products in Turkey;
- » Provides customers with the products that best suit their expectations and income;
- » Provides Mortgage services delivered by specialist portfolio managers having completed the "Mortgage Expertise Certificate Program";
- » Manages all transactions through an expert team;
- » Promotes a strong solidarity between real estate agents and branch offices through its Field Sales Representatives;
- » Offers diverse product options effectively through digital channels such as the call center, internet and mobile banking;
- » Concludes loan applications in the shortest time by means of enhancement projects carried out at every stage of the process, and focusing on customer satisfaction.

ACTIVITIES IN 2012

Average monthly visits to www.garantimortgage.com increased by 28% and the website maintained its position as the most visited mortgage website of Turkey, due to projects carried out to increase interaction with customers via digital channels.

Parallel to this success, Garanti Mortgage increased the total number of applications received via digital channels by 7% and the number of applications received via www.garantimortgage.com alone by 250%.

As a result of work carried out in connection with 444 EVİM, the first mortgage call center in Turkey, established in April 2008, the proportion of customers applying for and receiving loans via this channel increased by 5.3% of total loans disbursed.

Carrying out work on value appraisal/expertise within its organization since 2011, Garanti Mortgage increased the number of value appraisals completed during 2012 to 92,000, owing to the work it has completed so far.

The field sales representative staff, who ensure rapid and efficient communication between Garanti Mortgage and real estate agents and developers, has been expanded. Thanks to the high performance of the team, the proportion of loans disbursed through real estate agents increased by 9.4%.

Garanti Mortgage continued its campaigns designed for various sectors and professional groups this year, and reached 169,350 mortgage loan customers in the aggregate as of 2012.

Thanks to its collaboration with construction firms, Garanti Mortgage took part in almost 150 active housing projects, continuing to make loans available to customers wishing to pre-purchase homes from housing construction projects.

PROJECTIONS FOR 2013

Planning to closely monitor loan applications in 2013, Garanti Mortgage is collaborating with branch offices and aims to minimize waiting and service delivery periods. Furthermore, Garanti Mortgage aims to maintain its leadership in the efficiency of its digital channels and further outperform its competitors.

Under its philosophy of efficient communication through each channel, Garanti Mortgage will organize seminars for real estate agents throughout the year with the aim of strengthening ties with real estate agents.

Aiming at maintaining its position as the leading mortgage company in the sector, in 2013, by enhancing service quality through distinguished products and practices, Garanti Mortgage will reinforce its image as the "most recognized bank in mortgage" by combining its expertise with speed.

CREATOR OF
MANY "FIRSTS" IN TURKEY AND
IN THE WORLD

3,520 REALIZED IN THE FIELD OF
INFORMATION TECHNOLOGY
PROJECTS

As a provider of services in information technology and creator of many FIRSTs since 1981, Garanti Technology contributes a critical competitive edge to Garanti Bank and its subsidiaries, and to the other companies of the Doğuş Group with its innovative and creative products, services, applications and consultancy services. Garanti Technology continues to lead the sector as a fully-functional "IT Center", with its uninterrupted investments in state-of-the-art technology, continuously high-available transaction capability, infrastructure security, cost efficiency and energy saving, under the guidance of corporate governance and international quality standards.

ACTIVITIES IN 2012

Garanti Technology not only invests in infrastructure but also integrates all technological innovations and enhancements with business processes. Having achieved a perfect harmony between technology and banking, the Garanti family is improving its processes, meeting the needs of its customers, ensuring operational efficiency and pioneering a number of innovations through the level of technology it has reached.

Due to the systems developed so far, the employees of Garanti are able to see clearly which product is needed by which customer and which products will ensure customer loyalty. Garanti Technology successfully completed 3,520 projects in the field of Information Technology in 2012.

The applications developed in 2012 which create the difference include;

- » Personalized media
 - The "New Corporate Internet Branch Office" with faster transactions and personalisation features
- » Mobile finance applications
- » Integrated mobile solutions
- » System integrations
 - Integration of the regulations introduced by the new Turkish Law of Obligations with Retail, SME and Commercial Loan Processes;
 - Integration of social security premium payment and instruction transactions on all channels with the new system of the Social Security Institution
- » Process optimizations
 - Infrastructure that enables the automation of correspondence with public authorities

- The "Proposal Evaluation Platform" developed for commercial loan proposals to reduce paper consumption and physical circulation
- An infrastructure which allows automated documentation and easy presentation of the basic banking products to new salary-customers
- A set of equipment that enables instant execution of transactions by sales teams
- Innovations in the use of biometric features for access to internal systems.

Major system and network projects realized in 2012 include:

- » A new telephone infrastructure which increases the level of customer satisfaction and decreases the level of unanswered calls.
- » A cutting-edge video communications infrastructure, with increased capacity and speed.
- » The new zEc12 systems that increase the transaction capacity of the mainframe by 25% and the total capacity by 19.5%.
- » Average daily CICS transactions which increase from 220 million to 295 million.
- » An infrastructure increasing the disk capacity in the mainframe and open systems environment by 55% and providing a shorter disk access time, on average, 1 ms for the mainframe and shorter than 5 ms for the open systems.
- » Ensuring virtualization at the rate of 90% for Intel servers and 100% for Unix servers.
- » Centralized identity verification application used to improve compliance and security.
- » Ensuring centralized and secure management of mobile devices.
- » Launching the new campaign management tool, Unica.
- » Re-designing the Disaster Recovery infrastructure, so as to enhance the RPO (recovery point objective) and the RTO (recovery time objective).

PROJECTIONS FOR 2013

In 2013, Garanti Technology will continue to create critical competitive advantage through its innovative products, services and business applications and will provide online real-time, integrated, flexible and open solutions. Garanti Technology plans to offer improving services in the field of consolidated customer relations, personalized media and mobile banking.



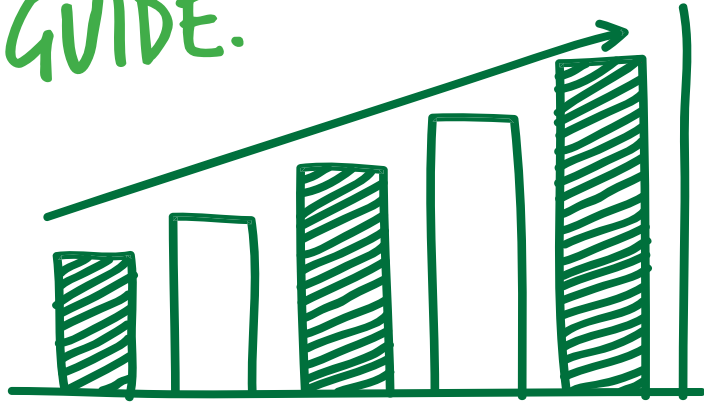
STANDING BY ENTREPRENEURS

OUR GOAL:

TO ENCOURAGE
ENTREPRENEURS
AT ANY AGE
WILLING TO START A
BUSINESS
TO PRODUCE AND CREATE
EMPLOYMENT.

THE STARTUP MANUAL PLAYS AN
IMPORTANT ROLE IN INFORMING AND
GUIDING ENTREPRENEURS.

SMEs ARE THE
DRIVING FORCE OF
THE TURKISH ECONOMY
AND GARANTI IS
THEIR GUIDE.



FOR FURTHER INFORMATION
WWW.GARANTIBANK.COM.TR



GATEWAY TO
ENTREPRENEURSHIP

THE STARTUP SUPPORT PACKAGE

- STARTUP LOAN
- LOAN FOR FRANCHISE ENTRY FEE
- THE NEW BUSINESS OWNER'S BONUS BUSINESS CARD
- EASY CARD
- THE STARTUP MANUAL
- SPOT ACCOUNT
- OVERDRAFT ACCOUNT
- POS-ON
- VIRTUAL POS
- GUARANTOR LIFE INSURANCE - GARANTI SME
- BUSINESS PREMISES INSURANCE - SME INVOICE
- PAYMENT ASSURANCE
- SME RETIREMENT PLAN
- GARANTI REMINDER



"E-TRADE SUPPORT PACKAGE"

- AIMS TO INCREASE SMES' COMPETITIVENESS BY INTRODUCING THE WORLD OF E-TRADE TO THEM
- OFFERS SUPPORT FOR CONVERSION OF THEIR BUSINESS TO ONLINE OPERATIONS AND VARIOUS FINANCING FOR GOODS PURCHASING.
- OFFERS BUSINESS PREMISES INSURANCE, BUSINESS CARD AND VIRTUAL POS SERVICES AT OPTIMUM TERMS.



MOBILE ENTREPRENEUR OF THE YEAR COMPETITION

SPONSORED BY GARANTI BANK

WITH THE COLLABORATION OF

GARANTI
BANK



MOBILE
MARKETING
ASSOCIATION

FOUNDED
IN 2009

ACTIVE IN
40 COUNTRIES

GOAL

TO SUPPORT THE GENERATION
OF NEW IDEAS DEVELOPED
IN MOBILE CHANNELS AND
THE ENTREPRENEURS IN
THIS FIELD.



FIND INCENTIVE

ONE-STOP ACCESS TO DETAILED
INFORMATION ON

THE MOST APPROPRIATE
INCENTIVES, FUNDS OR
SUPPORT FOR ENTREPRENEURS

FREE
EXPERT
INFORMATION

SINCE THE LAUNCH OF FIND INCENTIVE

OVER 5,000

APPLICATIONS WERE RECEIVED



FOR FURTHER INFORMATION

WWW.GARANTIBANK.COM.TR

CONTINUOUS DEVELOPMENT AND INNOVATION

ORGANIZATION AND PROCESS DEVELOPMENT

**10% AVERAGE INCREASE
IN PRODUCTIVITY** IN THE RELEVANT HEAD
OFFICE UNITS

In order to implement the strategies of Garanti Bank in the most effective manner, the Organization and Process Development Department administers and works on projects aimed at developing the necessary process infrastructure, planning capacity in an effective manner and increasing effectiveness across the Bank. The Department plays a major role in making a difference for customers through rapid adaptation to a constantly changing business environment, while focusing on customer expectations.

Cleansed of non value-adding activities, these processes are automated through proper use of technology in line with the business requirements. While shortened transaction times enrich the customer experience, they also contribute to in-house organizational productivity, endowing Garanti with a major competitive advantage.

ACTIVITIES IN 2012

2012 was basically a year in which works across the Bank were carried on in the areas of process design, productivity and organizational effectiveness by creating processes and structures best suited to the needs of customers, market conditions and regulatory requirements.

Process Design

- » Retail credit processes, based on the values of ease-of-access and speed, were implemented in social media in a manner most consistent with the dynamics of new-age banking.
- » The range of loans offered to retail customers with ready-to-use limits, was expanded. Thanks to this, the operational transactions performed in branches was reduced and alternatives which met the varied needs of customers were offered.
- » With the coordination of the Call Center and Branchless Banking the new Call Steering application has been initiated aiming at easing the life of customers and simultaneously raising their level of satisfaction. This application, a first in the financial services sector, is based on a system recognizing the vocally-conveyed requests of customers and subsequently directing them onwards to the relevant stage. Possessing an infrastructure that improves itself with use, the system is anticipated to reach the targeted performance levels as the incoming calls increase. The New Call Steering System has begun to be introduced in stages for use by external customers.

- » The Maaşım Garanti'de (My Salary at Garanti) project has been initiated which minimizes operational burdens while taking the experience of its salary customers, often meeting Garanti Bank for the first time in this capacity, to the highest level and highlighting hot sales opportunities from the Bank's perspective. Within the scope of this project, steps have been taken to keep customer satisfaction at maximal levels with its technology-supported structures allowing current salary customers to be served, in all the comfort of a branch, in institutional locations.
- » The necessary work has commenced, with contracts signed with institutions, to enable error-free and risk-minimized procedures for the payment of salaries, in a manner set to raise customer satisfaction.
- » Process work for the new Amex-Corporate Card designed especially for the employees of foreign based corporate customers was completed. With the special reporting infrastructure, expenditures realized with this Card can be monitored by the company.
- » Work has been carried out to meet the needs of SME customers for company cards with a quick, simple, automated process.
- » Infrastructure and procedures were established for the completion of gold transactions, a rapidly advancing area in the banking sector. Gold scrap brought to branches by customers were evaluated by experts and converted into currency to be deposited in the customer's account.
- » In order to pre-empt the risk of customer dissatisfaction upon the event of card deliveries and to reduce costs, the necessary infrastructure has been established for the delivery of cards from branches.
- » With the aim of making operational procedures more efficient and, in this way, increasing sales, work was undertaken on the content and sales procedures of insurance products. Through lean procedures, the sales of simple products that are easy to explain to customers (Garanti SME, House Plus, Vehicle Insurance) were facilitated.
- » Collection performance was improved by automatically monitoring the availability of customer accounts within legal limits for the collection of outstanding debt, resulting in an increase of TL 3.5 million in a month.

100% EFFICIENCY INCREASE IN THE MANAGEMENT OF BRANCH CALLS

- » With the changes made to the Customer Risk Monitoring processes, a structure was created for the differentiation of actions to be taken according to the customer segment and risk.
- » With the aim of increasing customer satisfaction, Rapid Sales Screens were designed for sales of retirement plans and are in use since February 2012.

Efficiency

- » Efficiency studies started in 2011 primarily at Head Office units, continued also including a number of subsidiaries.
- » By increasing the number of branches covered by branch telephone management, efficiency increases in this area were sustained.

Organizational Effectiveness

- » The structuring of the Head Offices and units was undertaken in accordance with the strategies and goals of the Bank to better fit the changing needs of customers. In line with Garanti's customer-focused approach, organizational structures were established to manage customer complaints, and their effectiveness inside the Bank was increased.
- » The loan units were restructured with the aim of focusing on a holistic approach in creditworthiness and risk evaluation for retail and SME customers, while enabling rapid adaptation to market conditions.
- » By taking into account the geographical distribution of branches and the Bank's growth strategy over the coming period, two new regional Head Offices were established in Konya and Trabzon with the aim of increasing the effectiveness of field management and proximity to customers.
- » Optimization studies were successfully carried out to ensure effective resource allocation at all branches and points of service. To this effect, the Bank's growth and development targets were supported with focus on customer service quality.

PROJECTIONS FOR 2013

- » Business models and sales organization structures will be reevaluated in line with the Bank's growth strategy and changing needs.
- » 2013 will be a year in which the focus will be on gaining new customers, especially via digital platforms and social media, through technology-centered, easy processes that appeal to user profiles.
- » Efforts will continue to broaden the scope of the work regarding group customer acquisition.
- » By creating infrastructures capable of providing more efficient yields from credit-related receivables, quick returns on such receivables will be enabled.
- » The effects of regulatory changes will be examined in detail and the necessary changes will be undertaken to ensure conformity with these.

PRODUCT DEVELOPMENT AND INNOVATION MANAGEMENT

A RICH PRODUCT
RANGE



531
PRODUCTS

Garanti Bank is always decisively working to comprehend and interpret the dynamics of the present and also the future. Through market research, the Bank determines customer needs and interprets these needs in relation with the trends that are shaping the agenda in Turkey and the world.

Areas to be worked upon are determined according to the needs and suggestions of business lines with the participation of bank employees, which lead to the development of innovative products and services.

At the product design stage, the value created for the customer and the features creating a differentiation between similar products in the sector are determined together by the relevant parties. Working principles and legal basis of every product designed are determined as a result of the cooperation with the relevant units.

Garanti Bank aims to deliver value to customers by creating a convenient and effective financial milieu, with the help of innovative products and services which are designed around the dynamics of the future and customer needs taking into account the technological and industrial developments.

ACTIVITIES IN 2012

In 2012, the Product Development and Innovation Management Department, having carried out 11 market research projects, obtained the views of approximately 11,000 customers.

The market research in 2012, which are carried out in order to keep a finger on the consumer pulse can be grouped under two main categories:

Brand, Image and Advertising Research:

- » Brand Image Tracking Research
- » Advertising Tracking Research
- » Jazz Festival Sponsorship Research
- » "Pixies of Basketball (Turkish National Women's Basketball Team)" Sponsorship Research
- » Credit Campaign Communications Research
- » Local Communication Research

Customer Needs and Experience Research

- » Financial Diary Research
- » Customer Experience Research
- » Commercial Banking Penetration and Satisfaction Research

The Financial Diary Research carried out in 2012, attracted attention with its innovative method of bringing consumers together in online and mobile platforms. During the study, daily activities of consumers and financial products and services used in relation to these activities were revealed. According to the results of regularly carried-out Brand Image Tracking Research, Garanti Bank was evaluated as a popular, self-renovating, innovative, technological bank offering advantageous credit cards.

At Garanti Bank, great importance is given to incorporating employees into the stages of new product and service development. By means of the "Önersen" and "Atölye" platforms, the views of employees are constantly evaluated for the sake of continuous improvement. Introduced in 2007, "Önersen" collected 1,727 suggestions in 2012, while "Atölye", a project-based innovation platform active since 2010, facilitated gathering innovative ideas from the employees with five projects.

A synthesis of research and analyses, developments in the sector and the world, and ideas received through various channels enabled the development in 2012 of 63 new products that were clear, transparent, easily comprehended and flexible.

Customers wishing to save for short-term goals or assure their own and, their childrens' futures, were offered new savings products tailored regarding their habitual savings patterns, income and the time period and saving amount they target. While enabling customers to become aware of their own savings needs and methods, it was also intended to create value in an economic sense. In order to be able to meet the various needs of commercial customers, the loan structure was rendered more flexible.

~1,700 IDEAS
GATHERED THROUGH
EMPLOYEE PLATFORMS

~11,000 CUSTOMERS
LISTENED

PROJECTIONS FOR 2013

Banking, together with every other sector, is in the midst of rapid change. All business models are now shaped around customer needs and expectations.

Using its broad data resources and advanced analytical methods, in 2013, Garanti Bank will work uninterruptedly to better understand its customers and seamlessly integrate its financial products and services in their lives. Garanti will work on models and instruments to serve customers in managing their savings and debts in a conscious manner, in order to enable them to make healthy financial decisions and attain their goals.

In 2013, concentration will be intensified on easily accessible loan solutions, available through every channel, for urgent and short-term cash needs. By emphasizing simplicity and transparency, customers will be offered funding clearly and at the moment they need.

To answer the different and sophisticated needs of firms with regard to trade finance, work will be undertaken for integrating products into commercial life which are possessing various distinctive features from the loan source to the payment structure.

In the upcoming year, agricultural production will be supported through products that reduce anxieties regarding cash-flow and financing needs of producers and farmers. Garanti Bank aims to contribute to increase the financial access through cost efficient banking solutions delivered over digital channels which are now widely positioned in consumer lives thanks to technological developments.

WE ARE INNOVATORS

63 NEW
PRODUCTS
AND SERVICES

531 TOTAL OF
PRODUCTS
AND SERVICES

Together with the **63** new products and services developed in accordance with the customer needs and the dynamics of the future along with technological and sector developments, Garanti Bank, having reached a total of **531** products and services, aims to create a prompt, smooth and effective financial environment to benefit its customers.

We are making our customers' lives easier



The First Auto Loan Support Line in the Sector: 4440TOM

Customers calling 4440TOM, from anywhere in Turkey, obtain information on auto loans over the telephone via a team of experts, apply for loans and immediately receive the results of their applications. It is not required for applicants to be Garanti customers.

Payment of Other Bank Credit Card Debts through Paramatiks and Branches

Online Money Transfer from PTT to Garanti

Everyone can now make online money transfers from all PTT branches to Garanti accounts in TL, USD or Euro.

EFT and Money Transfers from Credit Card Via Internet Banking and Paramatiks

Garanti added another new service to the "tax, SGK and bill payment from credit card" services which combined payments and financing. With the new implementation, customers can perform EFT and money transfer transactions from credit card.

Alo Garanti Call Steering

With the new Call Steering feature, the system recognizes the request submitted by voice and directs the customers to the relevant step. With this implementation, a new technology is being added to the voice technologies that Garanti Bank uses.

With this new feature, Garanti customers are directed to the desired step by only speaking, without pressing any keys, and thus reach the desired transaction step quickly and without any errors. The system, featuring an artificial intelligence infrastructure, improves itself to perceive the requests faster as used by the customers.

Fund Public Offering Requests via Internet Banking and Call Centers

Customers can submit their requests for fund public offerings via Internet Banking and call centers.

"Change User" Button

Enables customers, who are both Corporate and Personal customers, to quickly switch between Corporate and Personal Internet Banking.

Consumer Loans Installment Payment

With the Consumer Loans installment payment step, our customers can pay their loan installments through Internet Banking before the payment due date.

Shell Partner Card

Introduced Shell Partner Card as a first in Turkey to combine cash and fuel management in a single card.



Discount of DDS Receivables

Thanks to the "Instant Receivables Discount" feature added to the Direct Debit System (DDS), converting amounts receivable into cash prior to the maturation is now possible. With the discount of DDS receivables sales companies working under the scope of DDS are provided with the opportunity to discount their receivables prior to the maturation within the limits of their DDS loan limits.

Exchange Finance

Considering the needs of the growing automotive industry, Garanti offered Exchange Finance for the first time in the world, bringing a web-based solution to the working capital needs of car dealers for the purchase of second hand cars. Exchange Finance offers authorized dealerships financing opportunity for their need of operating capital arising from the second-hand vehicles held in stock or received in trade-in sales of brand-new cars. This product offers a financing model that directly credits car dealers independent of the distributors and allows them to easily complete all their credit procedures over the Garanti internet branch.



We support Savings and Investment

Net Account

Offering various options of initial and regular payment amounts according to different income levels, saving abilities and habits, Net Account is launched as a first in Turkey. We state the amount to be earned on the saving at the time of account opening and thus, you know in advance how much you will save through the term you have determined. For those wishing to save with Net Account, various options of initial and regular payment amounts are offered depending on income level, saving abilities and habits.



Golden Tuesdays

Within the scope of the Golden Tuesdays, the scrap gold kept under the mattress, is accepted. Golden Tuesdays are organized in designated branches on Tuesdays. At these branches, scrap gold is accepted from customers with an expert evaluation on carat/clarity/purity and the equivalent amount of their gold is transferred to their gold deposit accounts. After depositing their gold in their accounts, the customers may then withdraw its value in the form of TL or USD, whenever they require, from branches, Paramatik (ATMs), the internet branch or via Alo Garanti. As of end of 2012, there are 95 branches that accept physical gold.



Gold Time Deposit Account

The Gold Time Deposit Account offers customers to earn interest by investing in gold. Customers who prefer to make their investments in the form of gold, who has jewelry, ornamentation, Ata coin etc., and wish to protect the value of their investments in the form of gold, or those who would like to earn interest alongside the rising value of the gold itself, may open a gold account on a fixed-term of over one year with a minimum deposit of 100 gr of gold. The physical delivery of 995 gr of gold and its multiples can be delivered in 1kg of 24 carat gold ingots from branches in Istanbul.

Brand-New Investment Funds

This year, investors were introduced with 7 new capital protected funds depending on various underlying instruments.

Rise of Gold 24th Sub-Fund

The fund, while ensuring the capital protection at the end of the investment period, offers yields of up to 30% on the probable increase in the price of gold (USD/oz) in accordance with the participation rate.

Rise of Silver 26th Sub Fund

The fund, while ensuring the capital protection at the end of the investment period, offers yields of up to 30% on the probable increase in the price of silver (USD/oz) in accordance with the participation rate.

Innovative Companies 30th Sub Fund

The fund offers the opportunity to get return in accordance with the participation rate, while protecting the capital at the end of the investment period, on the possible value increases of companies active in the industries of technology, consumption and communication and which are prominent in their sectors with the innovative products and services they offer.

Winning Business Models 27th Sub Fund

The fund gives the opportunity to get return on the difference emerging between the basket of shares constituted of companies active in the luxury goods/services industries and enterprises offering cheap goods/services and the performance of the global share index (Dow Jones Global Titans 50) in accordance with the participation rate in addition to the capital protection.





Autocontrol Funds (31st Sub Fund – 34th Sub Fund)

The funds providing the capital protection at the end of the investment period, offer an alternative investment opportunity to investors who wish to benefit from market movements by taking short and long positions on financial assets such as fixed rate securities, cash, commodities and gold along with the developed and developing stock markets based on the market trends and risks.

Silver-Gold 32nd Sub Fund

At the end of the investment period, in addition to the capital protection, the fund aims to offer the investor the opportunity to get return of either gold or silver depending on which has performed better, in accordance with the participation rate. At the end of the investment period, if the performance of gold or silver is higher than 30%, the performance is accepted as 30% and the yield of the fund is calculated by multiplying it with the participation rate.

BRIC-Index Based 33rd Sub Fund

The fund, while ensuring the capital protection, offers the opportunity to get return, in accordance with the participation rate, on the BRIC Index (S&P BRIC 40 Daily Risk Control 10% Excess Return (USD) Index) which is constituted of 40 companies with the highest market value and liquidity, in the developing countries, Brazil, Russia, India and China.

New mutual funds offered to public:

Type B Public and Private Sector Bonds and Bills Fund

The fund, making consistent investments in public and private-sector debt instruments with at least 70% of its portfolio, is offered to investors aiming to gain returns higher than the interest accruing from public debt instruments, on a medium- to long-term basis.

Type B Positive Algorithmic Flexible Fund

This fund is offered to investors seeking to invest both in stock-markets in a controlled manner and in fixed income securities with a medium- to long-term perspective.

Type A Dividend Index Fund

The fund is offered to investors seeking to invest in the stock market by investing consistently, with at least 80% of its portfolio, in 15 stocks paying the highest proportions of dividends and most active on the Istanbul Stock Exchange.

GARON EKO10 Index Type A Exchange Traded Fund

It is offered to the investors to benefit from the opportunities of returns on the stock market by reflecting the composition of Economist 10 Index, consisting of 10 companies listed on the Istanbul Stock Exchange, to their portfolio with a correlation of almost 100%, with the aim of making investors benefit from the advantages of both stocks and investment funds in a single product.

Type B Short-Term Fixed Income Fund

An appropriate investment product for investors seeking to invest in short-term instruments and to easily convert their investments into cash which invests in public and private-sector debt instruments, with a minimum of 51% of the portfolio on an average term of between 25 and 90 days.

Gold Medium Masters TL Account

The account offers customers the opportunity to earn higher returns than TL-based deposit interests by keeping the USD price per ounce of gold within pre-determined margins over the term.

Global Natural Resource Equities TL Account

Product is supplied for the Private Banking customers seeking to invest on a mid- and long-term basis in companies acting on the international markets in the raw materials and natural resource sectors. This product, with the aim of reflecting performance on these markets, offers the opportunity to benefit from positive change, at a specific percentage, on the "Rogers Global Resources Equity Index Core Return 18 USD" index prepared under the partnership of Jim Rogers and CITIC/BBVA, while protecting the capital.

Gold Long Masters TL Account

With this product, Private Banking customers investing on a medium fixed-term on a TL basis can benefit from returns on TL-based deposit interest if the price of gold in USD per ounce remains within the predetermined margins at the end of the term.

USD/TL Range Accrual Masters TL Account

This product, produced for investors expecting the medium-term USD/TL exchange rate to remain within a determined margin without touching a specific barrier rate, offers the opportunity of returns on TL-based deposit interest.



Digital channels settle at center of customer experience

Application Store: Close to 30 Mobile Finance Applications, and over 2 million downloads...

Each application selected according to the product or device can be instantly downloaded to mobile phones, with the QR codes that appear on the relevant page. With these applications, customers can access personal financial management tools and easily perform many banking transactions through their mobile phones.



Mobile Banking iPhone, iPad, Android Phone and Android Tablet Applications

Mobile Banking, which has been accessed by customers via wap.garanti.com.tr since 2007, has been made available as a mobile application on smart phones as of April. With the user-friendly experience provided by applications offered in iPhone, Android phone, iPad and Android tablet respectively, a substantial increase in both the number of customers and the number of transactions has been achieved. Also in 2012, with the renewal of the interface of wap.garanti.com.tr, the experience on wap was brought closer to the user-friendly experience provided in the applications.

CepBank iPhone and Android Applications

As of February, by adding new features to the money transfer application CepBank, available for customers since 2004, applications have been developed for iPhone and Android phones. With these applications, in addition to sending money to anyone, our customers can perform daily financial transactions such as Requesting Money, TL Top-up, Credit Card Debt Payment, and Sharing a Check.

Windows 8 Application

Garanti Bank application, the first Windows 8 application in the world that was developed by a bank, has been made available through the Windows Store. The application is also the first finance application in Turkey, Middle East and Africa. With the application that is compatible with Windows 8 tablets and phones, the customers can access market exchange rate information, view

the prices of top 10 most advanced and declined stocks, read Reuters News, view daily market commentary, perform banking transactions via Internet Banking, apply for a credit card or loan, and locate the nearest Paramatik or branch on the map.



Money transfer with CepBank via Facebook and Twitter, even if you are not a Garanti customer

With our Facebook CepBank application, launched in February, users, whether a Garanti customer or not, can send money to the mobile phone of the person they want free of charge, share the check at a restaurant and ask for money from their friends, and top-up TL to their own or anyone's mobile phone. Our customers can also send money to anyone via Twitter by using our CepBank application.

E-Trader Android Application

Following the applications developed for iPhone, iPad and Blackberry phone, with the application specially developed for Android platform, Garanti Bank customers can track stock and TurkDex markets, view their portfolios, buy/sell stocks and TurkDex contracts, talk to customer representatives via live chat, follow the finance agenda during the day with CNBC-e live broadcast, and watch videos of Garanti's Market Commentary of the Day.



Turkcell Wallet Collaboration

The transactions of depositing money to Turkcell Wallet and viewing account activities, which were introduced through the cooperation between Garanti Bank and MasterCard, can be performed on Paramatiks across Turkey. Transactions such as obtaining information, finding out a forgotten PIN, and receiving support in situations of lost/stolen cards can be performed via Alo Garanti.

WE ARE INNOVATORS

Renewed Corporate Internet Branch

With the renewed Corporate Internet Banking, companies can track all their account activities through the "Current Transactions" field, view the transactions they frequently perform under the "Quick Transactions Menu, and thus quickly perform transactions such as money transfer, and foreign currency-gold purchase and sale transactions. With the "Transactions Pending Confirmation" section that appears on the same page, they can confirm transactions through the "Quick Confirmation" page without any delays. Enabling customers to analyze their income-expenditure information and manage their cash flows more conveniently with graphs and tag groups provided for accounts and cards, Corporate Internet Banking also enables customers to perform transactions more quickly with the improved menu steps.

The renewed Corporate Internet Banking allows users to log in with Mobile Signature and Cep Şifrematik, in addition to Şifrematik and SMS PIN. Another prominent feature of the renewed Corporate Internet Banking is personalization. Companies can create their profile picture, and specify the account they want to use for transactions, which allows them to perform their transactions without the need to select an account every time. They can also make a selection from the theme colors, add market information on their dashboard, and contact customer representatives directly if they wish.

Garanti Link Application

With the Garanti Link application, enabling customers to take advantage of special Bonus Card campaigns by matching their customer numbers with their Facebook and Twitter accounts, Twitter and Facebook users with Bonus Cards can Link their Bonus Card to their social media accounts by merely entering their mobile phone number and the confirmation message at link.garanti.com.tr.



We support SMEs

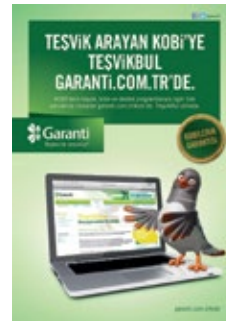
Startup Support Package

Garanti offers support packages, collateralized by the European Investment Fund, to offer financial solutions for starting up SMEs with convenient repayment and attractive interest rates. As a guide for companies in their start-up phase and first years of operation, the "Startup Manual" and the special commercial credit card for new business owners, the "New Business Owner's Bonus Business Card" are available.



Subvention Search (Teşvik Bul)

SMEs can find general information on financial subventions, grants and assistance and also acquire information on the one that best suits their needs. Since its launch in March 2012, over 5,000 applications have been received.



“Take Your Business to the Internet” - Support for Digital Transformation

“Take Your Business to the Internet” is a project run by Google, Garanti Bank, Yurtiçi Kargo, IdeaSoft and SadeceHosting, to assist businesses in launching their own websites or e-commerce sites and taking advantage of the opportunities presented by the internet. The project emerging from this collaboration offers free solutions to SMEs which seek to generate their business on the internet. SMEs are provided with infrastructural set-up opportunities for web pages, hosting and e-commerce, free-of-charge. SMEs that will benefit from the project are offered a 2-year free virtual POS service to pave the way to the world of e-commerce.



The Build and Sell Support Package

Construction is one of our country's driving industries. One of the main actors of this industry, build and sell contractors, who produce homes or workplaces, can have all their financing needs met with this package, right from the land-purchase stage, all throughout the construction period, and all through the sales processes. The scope of the package covers land-purchase loan, construction loan, guarantor limits and a checkbook.

Barter Card (Takas Kart)

The Card gives farmers' unions the opportunity of making lump sum payments at periodic intervals and provides convenience for reporting and monitoring their purchases on the basis of product and amount. It provides farmers with opportunities for shopping with a certain part of the payment that will be made by the union prior to the payday and monitoring cash flow through bank statements to be sent monthly.



Advantages provided to farmer unions:

- » Operational ease in monitoring sales/purchasing transactions between farmers and the union.
- » Automatic netting on the day of payment thanks to the systematic monitoring of exchange traffic between the union and farmer.
- » Systematic control of whether the account balance is sufficient when selling goods to farmers.

Advantages provided to farmers:

- » The opportunity to instantly learn the payment amount for goods sold to the union at the time of sale.
- » The opportunity to manage cash flow and monitor expenditure and receivables through the monthly statement.
- » The simplification of identifying and meeting financial needs through the integration of cash flow with the banking system.


New Commercial Card: Easy Card

Garanti Bank has designed the EASY card, a brand-new business card enabling small and medium-size enterprises and private companies, to get through their cash-strapped periods easier. The Easy card is the first contactless SME-specific credit card developed in Turkey.

The main features of EASY:

- » 1% discount on early payment of statement balance.
- » A grace period of 20 days following the issue of the monthly statement.
- » Comparably low revolving interest rates.
- » Special cash advance and cash advance-in-installments rates for Easy.
- » Fee-free general purpose loans for card holders.
- » Special POS pricing for merchants.
- » Opportunity to win/use bonus and installments at all Bonus-member merchants.
- » Special discounts and privileges at domestically or globally agreed merchants with Business Savings Program.
- » 2.5% discount on all fuel expenditures.
- » By changing to Vodafone's Shop Owner's Rate or the My Business Partner Rate, the first 3 months of the package are free of charge to all Easy card holders making automatic payments on Easy.
- » At Metro Gross Markets 3 installments on all food and non-food market expenditures.
- » 12 month installments on Garanti SME workplace insurance and Prime health insurance, with the first payment made by Easy, at Eureko Insurance.



A photograph of a person holding a large white protest sign. The sign has the text "Two BUILDINGS ONE PROGRAM" written on it in a bold, hand-drawn style. The person is wearing sunglasses and a dark shirt. In the background, there is a crowd of people and a city street with buildings and traffic lights. The entire image has a green tint.

Two
BUILDINGS
ONE
PROGRAM

2 BUILDINGS - 1 PROGRAM

IN THE FIELDS OF "CONTEMPORARY ART",
"ARCHITECTURE AND DESIGN",
"ECONOMIC, HISTORICAL AND SOCIAL STUDIES";

SALT MERGES AND CONTRASTS
VARIOUS DISCIPLINES
THROUGH

RESEARCH,
EXHIBITIONS,
INTERVIEW SESSIONS,
CONFERENCES,
FILM SCREENINGS,

WORKSHOPS,
EDUCATION PROGRAMS
AND PUBLICATIONS.



= SALT

15,000 M²

TO ENCOURAGE
INTEREST, QUESTIONING,
(CRITICISM,
PARTICIPATION & SHARING

THE PRODUCTION OF
KNOWLEDGE AND
MEMORY IN THE CULTURAL
AND SOCIAL SPHERE

SALT GALATA

THE REDESIGNED
OTTOMAN BANK MUSEUM

EXHIBITION SPACES

AN AUDITORIUM WITH

219 PERSON

(CAPACITY)

WORKSHOP
SPACES



FOR BROAD
PARTICIPATION

OPEN ARCHIVE

A PROGRAM AREA FOCUSED
ON ARCHIVAL EXHIBITIONS

BOOKSHOP + (CAFE

+ RESTAURANT

& SALT RESEARCH



DIGITAL ARCHIVE

1,600,000
DOCUMENT



LIBRARY

100,000
PRINTED
PUBLICATION

MAJOR RESOURCE TO STUDENTS, ACADEMICS AND
RESEARCHERS WORKING IN THE CULTURAL AND SOCIAL FIELD.

SALT BEYOĞLU

A 1,130 M²
PROGRAMMING AREA

PRIMARYLY
EXHIBITION SPACE

X FORUM

DAILY PROGRAM
INFORMATION

X

WALK-IN
CINEMA

PROGRAMMED SCREENINGS,
SPONTANEOUS ACTIVITIES,
PERFORMANCES
AND TALKS

X GARDEN

AN ALL-DAY
OPEN MEETING-
SPACE FOR VISITORS

X BOOKSTORE

(CURRENT PERIODICALS)

SINCE SALT
COMMENCED ACTIVITIES
IN 2011

362,792
VISITORS

① 21 EXHIBITIONS →

275 PARALLEL
EVENTS,

② 55 GUIDED FOR
STUDENTS
EXHIBITION TOURS AND WORKSHOPS

③ 6 BROAD-BASED
PUBLICATIONS



→
SALTONLINE.ORG

SUSTAINABILITY



OPERATING UNDER THE STRATEGY OF “ACHIEVING LONG-TERM SUSTAINABLE GROWTH BY CONTINUOUSLY CREATING VALUE” GARANTI IS COMMITTED TO IMPROVE THE VALUE-ADD IT CREATES FOR ALL OF ITS STAKEHOLDERS UNDER THE TOPICS OF CUSTOMERS, THE ENVIRONMENT, EMPLOYEES AND SOCIAL RESPONSIBILITY.



For Garanti, “sustainable development” means increasing the environmental, social and economic welfare of today’s growing world population, without threatening the ecological balance and the needs of future generations.

With its strategy defined as “achieving long-term sustainable growth by continuously creating value”, Garanti Bank believes that the concept of sustainability must be adopted in the financial sector’s decision-making mechanisms and business processes. Throughout this process of internalization, Garanti’s priorities are determined with careful reference to the feedback obtained from a broad spectrum of stakeholders, the core of which consists of customers, employees, shareholders and investors. The contribution of stakeholders is extremely important in the effective planning and implementation of Garanti Bank’s sustainability strategy.

The approach of Garanti Bank to sustainability is based on an effective corporate governance structure; and it helps to continuously improve the value-add for all of its stakeholders under the topics of customers, the environment, employees and social responsibility.

With the aim of informing its stakeholders about how it integrates the environmental and social factors into business processes together with its corporate governance principles, Garanti published the first comprehensive Sustainability Report in the first quarter of 2013, according to Global Reporting Initiative (GRI).

A. GARANTI BANK’S SUSTAINABILITY STRUCTURE

In 2010, Garanti Bank established a Sustainability Committee, with the aim of coordinating work undertaken in the area of sustainability. With the task of monitoring and directing the bank’s development in the area of sustainability and operating under the Board of Directors, the Sustainability Committee convenes at least twice a year, and is chaired by one of the Board members.

In 2012, Garanti Bank established a full-time Sustainability Team under the Project and Acquisition Finance Department in order to enhance the efficiency of its organizational structure for sustainability. The Sustainability Team is responsible for the coordination of all sustainability-related activities at Garanti Bank. The Team, which regularly reports to the Sustainability Committee, works in cooperation with the Bank’s other departments during the implementation of the decisions taken by the Committee. In 2012, Garanti Bank took yet another step in its process of structuring for sustainability. Sustainability Representatives began to be elected in departments, regional directorates and branches. The duty of these representatives is conceived as working in coordination with the Sustainability Team to collect data and facilitate the implementation of the decisions taken by the Sustainability Committee within their own departments.

Garanti Bank closely monitors developments in the area of sustainability and actively participates in emerging initiatives. In this context, the Bank, following its membership to the United Nations Environment Program Finance Initiative (UNEP-FI) at the end of 2011, announced its commitment to the UN Global Compact in 2012. Moreover, in 2012, Garanti Bank became the first bank in Turkey to join the World Business Council for Sustainable Development.

B. CUSTOMERS AND SUSTAINABILITY

Garanti Bank aims to achieve sustainability throughout the entire customer service cycle.

Garanti Bank is a business partner aiming to facilitate the business of all economic actors, whether individual or institutional. With its array of products and services, Garanti Bank helps its customers become individuals able to balance their budgets while continuing to spend money, while at the same time helping them save money, become homeowners and undertake their desired investments, depending on economic circumstances. Garanti Bank supports its corporate customers in being able to face the future with confidence and continue their production and commercial cycles confidently and without concerns about financing, regardless of the macroeconomic conditions.

1. Research, Innovation Management and Product Development

Assessing sustainable growth and the fields of development with an innovation-based business approach, Garanti Bank is able to protect its distinctiveness in the banking sector with its flexible and user-friendly products, developed as a result of comprehensive studies. The products and services developed in 2012, designed to fully satisfy customer needs and which make the service experience different and special, appear on page 102.

2. Support for the Development of SMEs

2.a. Support for Women Entrepreneurs

Garanti Bank sees the support of women entrepreneurs as a major responsibility for Turkey's social and economic development.

Apart from extending funds to women entrepreneurs, the Bank also supports activities encouraging entrepreneurship and educational projects.

The total credit amount disbursed by Garanti Bank under its women entrepreneur support package since 2006, reached TL 511 million by the end of 2012.

In its sixth year of Turkey's Woman Entrepreneur Competition, organized with the aim of supporting and encouraging women in business, Garanti received over 6 thousand applications.

Through its organization of the Women Entrepreneurs Meetings, organized in collaboration with the Women Entrepreneurs Association of Turkey (KAGIDER), Garanti Bank aims to contribute to the personal development of women in business, informing them on fundamental business issues and encouraging them to create new opportunities in their own businesses.

In 2012, the Women Entrepreneur Meetings were held in the provinces of Antalya, Denizli, Antakya, Mardin and Muğla, with the participation of almost 1,000 businesswomen.

In 2012, the Women Entrepreneur Executive School program was opened in conjunction with Boğaziçi University. Under the program, women entrepreneurs in Ankara, İstanbul and İzmir received instruction on subjects such as, innovation and sustainable company administration from Boğaziçi University academics. 264 businesswomen, having completed the program were awarded Certificates from Boğaziçi University.

The 3rd International Women Entrepreneurship and Leadership Summit, which has been sponsored by Garanti Bank since its inception, was held on November 8-9, 2012 on the theme of "The Rising Power of Women in the New World Order" with the participation of expert speakers and leaders from around the world.

2.b. KOBİLGİ (SME Informative) Meetings

Garanti Bank organizes seminars, conferences and industry-based informative meetings with the aim of supporting the increasing of information levels of SMEs. Commencing in 2011, the KOBİLGİ Meetings consist of a series of seminars, enriched with examples and practical activities, and delivered by experts, on subjects such as developments in regulations, marketing and sales. Open to all SMEs, the meetings also simultaneously play a major role in the consolidation of customer loyalty.

These training sessions, explaining in technical detail not only the latest regulations but also the most recent developments in areas such as marketing and sales, were held in 6 different provinces and attended by approximately 1,000 people in 2012.

2.c. Garanti Anatolian Meetings

Celebrating its 10th year in 2012, the Garanti Anatolian Meetings (GAS), bring together SMEs and the representatives of local administrations from different provinces in Turkey. Through discussing the changes in the economy and market conditions with professionals who are experts in their field, Garanti enables SMEs and local administrators to evaluate regional and international opportunities, discover potential business areas and create solutions together for their local problems. Since the commencement of the program 83 meetings have been held in 61 provinces, bringing together 25 thousand representatives of SMEs. In 2012, approximately 2,000 SMEs came together in 8 provinces.

2.d. Facebook Chats with SMEs

Garanti Facebook page which has the largest number of followers on Facebook in Europe as a financial institution, dealt with issues such as innovations in the New Turkish Commercial Law, angel investing, general economic and Women Entrepreneurship questions on a live feed under the title of "Facebook Chats with SMEs". While past topics can still be followed on the Garanti Facebook page, the live feeds continued in 2012 on different subjects and with different guests.

2.e. Support to New Entrepreneurs

All entrepreneurs who have recently set up a business can refer to the Entrepreneur's Handbook for tips on how to plan their work, marketing strategies, competition, advertising and promotion, legal responsibilities, and picking a business partner. The Entrepreneur's Handbook is available at garanti.com.tr/kobi.

3. Easier Banking for Disabled Customers

Garanti Bank has launched an initiative aimed at providing its disabled customers with easier access to banking services. In 2012, Garanti Bank, with concern for the needs of its orthopedically-disabled customers, designed disabled-friendly ATM machines alongside its existing machines and put them into service.

Within the scope of work on disabled-friendly branches, a pilot project was started in the Hasanpaşa Branch, on the Anatolian side of the city, and in the Bomonti Branch on the European side.

Garanti Bank plans to inform visually-impaired customers of their credit card transactions through SMS sent to their mobile phones. The visually impaired customers, who receive information through SMS sent to their mobile phones, will be able to listen to these messages with the programs they currently use. Moreover, the internet branch will undergo a number of necessary changes to render it accessible to visually-impaired customers, enabling them to perform audio transactions by listening to the internet branch menu.

4. A Special Credit Card for Our Environmentally-Conscious Customers: The Environmentally-Friendly Bonus Card

Since 2007, Europe's first environmentally-sound card, the Environmentally-Friendly Bonus, enables individuals with environmental sensitivities to make donations to the correct projects while they shop. The Environmentally-Friendly Bonus, which reached 35,181 cards in 2012, donates a part of the bonus points earned, between 10% and 30% depending on the type of card and amount spent, to WWF Turkey's environmental protection projects.

C. THE ENVIRONMENT AND SUSTAINABILITY

Environmental degradation, human induced climate change and the depletion of natural resources threaten the welfare of a rapidly growing population and the global economy. Garanti Bank sees its proactive management of this change not only as the secret of its success but rather, at the same time, one of its most essential duties to its stakeholders.

In order to improve its environmental performance, Garanti Bank monitors its resource consumption, takes precautions to reduce it, raises the awareness of employees, and collaborates with suppliers. Moreover, to extend its work on a grander scale, Garanti is also improving its credit-assessment procedures with regard to environmental and social criteria.

1. Credit Assessment Procedures

Garanti considers the credit extended to its customers at length with regard to its environmental and social impact and is involved in an engaged partnership with the customer concerning the management of possible risks.

Garanti examines and evaluates the projects to be financed according to their social and environmental impact, through internal procedures and systems that are fully aligned with the national legislation. The environmental and social impact of all projects to be financed is assessed in detail using the Environmental

and Social Impact Assessment Process (ESIAP), which is developed over 2 years together with an independent consulting firm, and necessary precautions are taken in compliance with Garanti's policies. Following the assessment carried out according to the Environmental and Social Loan Policies (ESLP), new investment projects, that adhere to those policies and sector-specific principles and that are above a certain investment amount, are then subjected to the Environmental and Social Impact Assessment Model (ESIAM). In this way, projects are categorized and graded according to their characteristics, size, sensitivity, location and the possible social and environmental impacts. According to the risk grade of the project, Garanti requests a comprehensive environmental and social impact report prepared by an independent consulting firm, and/or requests the project owners to prepare and implement an Environmental and Social Management Plan (ESMP) and submit periodic reports. If the project fails to meet the environmental and social criteria, it is rejected.

In 2012, by identifying the points needing further development, Garanti completed the testing period of the ESLP, which was developed in 2011 and is applied to all credit applications, and the ESIAM which is applied to loans exceeding US\$ 20 million. The system is now fully operational.

In 2012, prior to the Rio+20 United Nations Conference on Sustainable Development, Garanti made the commitment to officially implement the ESIAP procedure from the beginning of 2013, thus demonstrating its determination to support sustainable development in the financial sector.

2. Garanti Bank and Renewable Energy

Garanti Bank considers the financing of renewable energy projects as an important opportunity to reduce the greenhouse gas emissions of Turkey.

Almost half of the funds extended by the Bank to energy projects were disbursed to renewable energy projects. Taking Turkey's existing grid emission factor into account, Garanti Bank projects a yearly decrease in greenhouse gas emissions amounting to 2.63 million tons of CO₂ equivalent from the operational renewable power plants which are financed by Garanti Bank by the end of 2012.

Garanti is offering its greatest support to wind farm projects because they reduce Turkey's current account deficit, as well as their minimal environmental and social impact.

1 Detailed information on ESLP, ESIAM, ESIAP and ESMP can be found in the 2011-2012/06 Sustainability Report.

3. The Garanti Bank Environment Policy and Environmental Management System

In 2012, Garanti Bank initiated its efforts to launch the Environmental Management System (EMS), set up to manage its direct and indirect environmental impacts in an effective and systematic way. The Environment Policy adopted in this connection is explained in the Sustainability Report covering the 2011 - 06/2012 period.

Garanti is strongly focused on the use of EMS as an effective means of control and management of the environmental impact of banking activities. With reference to this principle, employee-training has begun with the aim of making the ideal of acting according to the demands of EMS axiomatic at every stage of the banking process.

Within the scope of the Environmental Management System, the management of supplier chain has also been brought into focus. For a selected range of products and services, the Bank has begun to apply the condition that all new suppliers should have, even if at the minimum level, an Environmental Management System.

Since the first quarter of 2012, Garanti Bank has been working to spread the EMS in all of its facilities. In 2012, after the audits conducted by the internationally accredited German certification body TÜV-SÜD, at the Headquarters Building in Zincirlikuyu, İstanbul-Turkey; Güneşli Office, Dikilitaş Training Center, and 23 other buildings used by branches and regional directorates, the Garanti Bank Environmental Management System has been certified to ISO 14001. Thus, Garanti Bank has been recognized as the first bank that operates an Environmental Management System in such a large area and context in Turkey.

From 2013 onwards, Garanti aims to broaden the scope of Environmental Management in order to cover all of its facilities in Turkey.

4. Garanti Bank's Carbon Footprint

Garanti Bank believes that climate change is a strategic issue that merits full integration with all business processes and decision-making mechanisms.

Having first calculated its carbon footprint in 2009, Garanti Bank presented this inventory in 2010 to the Carbon Disclosure Project ("CDP"). Since this date, the Bank has been reporting all of its efforts to tackle climate change to CDP. Garanti Bank is also planning to reduce the use of natural resources, particularly energy, by focusing on energy efficiency projects, which result in a decrease in its carbon footprint.

In 2011, Garanti Bank set out a target to reduce the ratio of its CO₂-equivalent emissions over total assets by 7% by the end of 2012, compared to the end of 2010.

By the end of 2011, Garanti Bank succeeded in lowering this ratio by 10.8%, compared to its target. The Bank is still working to calculate its greenhouse gas emissions for 2012.

Tons of CO₂ equivalent/Total Assets* (TL Billion)

At the end of 2011 550.2

At the end of 2010 616.9

*This has been calculated on the basis of the outgoing period-end independent auditing of Garanti Bank and its financial subsidiaries, with regard to the consolidated financial tables.

In November 2012, Garanti was selected by the Turkish office of the Carbon Disclosure Project from among 32 respondent companies, as the first ever recipient of the "2012 Turkey - Carbon Performance Leadership" award, having received the highest score on the performance evaluation.

5. Efforts to Raise Awareness

In 2012, Garanti designed a Sustainability E-Learning program for all employees of the Bank, with the aim of raising awareness on the issue of "sustainability". Moreover, the Bank added its view of the concept of sustainability to its orientation training, spelling out its expectations of employees on this issue.

6. The Garanti Bank Recycling Program and Other Environmental Measures

The Garanti Bank Environmental Management System envisages the use of waste wherever possible and, wherever not, its recycling or, where this is not appropriate, its disposal by an authorized disposal company. The recycling program and other activities carried out by Garanti Bank on the reduction of environmental impact are explained in the 2011 - 2012/06 Sustainability Report.

7. Support for Environmental Protection

Garanti Bank, as the main sponsor for 20 years of WWF Turkey, is making a major contribution to the sustainable use and conservation of our nation's natural resources, with the slogan "Garanti for Nature". With its work on conserving biological diversity and ensuring the sustainable use of natural resources, with the intention of building a future where humanity co-exists harmoniously with nature, the WWF is an international NGO supporting 2 thousand conservation projects around the world and, with close to 4 thousand employees, is the world's largest environmental organization. The foundation carries out projects in around 100 countries in the main areas of climate-change, forest conservation, fresh water, protecting the seas, endangered species and sustainability.

Due to its long-term support for WWF Turkey's nature conservation projects, Garanti Bank was recognized in 2008 for the second time with the Golden Panda award. Having received the same award in 2001, Garanti retains its status as the only Turkish company to have won a Golden Panda award.

SUSTAINABILITY

In addition to its regular, systematic support, in February 2012, Garanti Bank also supported the Report on Turkey's Ecological Footprint, prepared by WWF Turkey, investigating our consumption patterns and their impact on natural resources. Moreover, in August 2012, Garanti Bank has applied to the WWF Green Office Program for its headquarters building in Zincirlikuyu, in line with its strategy to make in-house operations environment-friendly.

D. HUMAN RESOURCES AND SUSTAINABILITY

Garanti Bank's most valuable asset is its human resources. Aiming to be a sustainable employer, Garanti Bank's HR strategy is based on the following principle: to offer its employees the best financial opportunities under the prevailing market conditions, as well as to encourage employees to continuously develop their personal and professional talents and competencies.

"Respect for human rights" is adopted as a fundamental principle in Garanti Bank's Code of Ethics. Another fundamental principle to have been adopted by Garanti Bank and its employees is that the Bank will make no discrimination in their business relations on the basis of language, race, gender, political thought, philosophical belief, religion, sect or similar reasons. Furthermore, Garanti Bank signed the UN Global Compact in April 2012 and declared its commitment to abide by the provisions of the 'Human Rights' section of this compact.

E. SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Within the systematic and long-term work carried out by Garanti Bank within the scope of social responsibility, sustainability has been accepted as a basic component of its approach.

A large part of the value created for society by these projects is realized in various fields as; education, culture, art, informing the business community, sports and nature.

The Garanti Bank Corporate Social Responsibility Policy

To develop our corporate responsibility projects in the light of the importance we give to the added value (social benefits) for our country, society and individuals and by constantly monitoring the needs of our nation and society.

To remain open to social dialogue, develop institutions capable of shaping models and to create lasting structures for these institutions, and, aiming at benefit creation through long-term participation, to fulfill the needs and expectations of all stakeholders. To be a financial institution, which all our social stakeholders, including our employees, are proud to be a part of, in all the activities we carry out as social responsibility.

To carry out all of our social responsibility projects, whether inside or outside our institution, with a focus on social impact and responsibility.

1. Education

Education and training are the focal point of Garanti Bank's social responsibility projects.

1.a. Öğretmen Akademisi Vakfı (Teachers Academy Foundation)

Having supported education through the Deniz Yıldızları (Starfish) project since 1999, in 2007, Garanti Bank began work on a long-term corporate responsibility project in the field of education that would bring a new voice. Rather than targeting infrastructural issues such as scholarships, donations, or having schools constructed, the Bank instead chose to focus strategically on value-creating projects related directly to the teachers who determine the quality of education.

In 2008, following the completion of preparatory work, the Teachers Academy was founded. With the intention of contributing to the implementation of an education model based on thinking, questioning and research in our country, the foundation commenced work on the "No Limits in Teaching" project, again developed and executed by Garanti Bank.

The main goal of the İstanbul-based foundation is to make a contribution to catering to the needs of teachers committed to the raising up of a generation of youngsters conscious of their individual and societal responsibilities, who are capable of research and able to think critically and analytically, who are self-confident and always give importance to self-development, who identify themselves with universal values, and who are capable of embracing the country's cultural heritage.

1.b. Öğretmenin Sınırı Yok (No Limit in Teaching)

Within the scope of the "No Limit in Teaching" project, the Bank signed a 5-year contract with the Ministry of National Education to arrange training activities aimed at the personal and professional development of teachers. 100 thousand teachers are targeted to receive training within the scope of the program, which commenced in the 2008-2009 education year, and for which Garanti Bank has allocated funds of a total of TL 15 million.

The face-to-face trainings commencing, as part of the project, in May 2009, and which, by the end of 2012, had reached a total of 73,349 teachers in 78 provinces, has spread nationally within a brief time-period. All administrators, teachers and inspectors working in primary education may participate in the training sessions, on a voluntary basis, free of charge. The trainings, administered in the teachers' own schools, cover topics under the rubrics of Classroom Management, Communication Skills and Evaluation. Teachers participating in the training are presented with a certificate approved by the Ministry of National Education.

The trainings covered by the project are administered by 13 full-time expert educators and almost 400 part-time educators in over 50 provinces who joined the Foundation after the Educator Trainings administered first in August 2009, and then in January 2010 and February 2011. All educators work under ÖRAV.

Through the eKampus website, developed as a permanent finishing platform, teachers participating in “No Limits in Teaching” have the opportunity to continue their personal and professional development. Over 55.000 people use eKampus.

For further information concerning the “No Limits in Teaching” project, please visit www.ogretmeninsiniriyok.com

For further information concerning the “Teachers Academy Foundation”, please visit www.orav.org.tr

1.c. ÖRAV - The Education Manager Development Program

Pilot trainings were arranged between November 2009-November 2010, under the framework of Eğitim Yöneticisi Geliştirme Programı (Education Manager Development Program), employing face-to-face and distance-education methods.

Following the piloting, the program was set up in the provinces of Nevşehir and Tokat in May 2011, and in November, in Batman, with the participation of school principals. In the reporting period, 100 school principals participated in the program.

1.d. İstanbul Modern Education Programs

Since 2005, Garanti Bank has been supporting the education program of Turkey's first and only modern art museum, the İstanbul Modern.

The program aims to play a central role in fostering creative and inquisitive individuals who are familiar with, and actively participate in the arts, and to supplement classroom education.

Through the ongoing Garanti-sponsored İstanbul Modern training programs, over 466,034 children and teenagers have participated in an education program to date.

The Genç Hayat Foundation

Since 2009, Garanti Bank has been supporting the Genç Hayat Foundation's Anatolian Teacher High-Schools Social Events and, in this connection, supports the Renk Çemberi (Color Circle) project. The program aims to enable the students of Anatolian Teacher High Schools to gain awareness of themselves and their environment and develop essential communication skills, as well as shaping attitudes and behaviors conducive to a sense of individual and social responsibility.

1.f. Toplum Gönüllüleri Vakfı (Community Volunteers Foundation)

Garanti Bank is a supporter of Toplum Gönüllüleri Vakfı (TOG-Community Volunteers Foundation), which is a transformational project aimed at turning youthful energy into a positive benefit for society.

The Foundation (TOG) was formed in December 2002, and aims at fostering social peace, solidarity and change with its pioneering youth and adult guidance. By enabling youths to participate in volunteerism and social responsibility work, the Foundation contributes to their personal development and encourages their social participation on the basis of volunteerism.

Young Community Volunteers, organized in clubs, groups or gatherings in their universities, execute sustainable social responsibility projects according to the perceived needs in their communities. Among the projects carried out in the reporting period by the Foundation, with the support of the Bank, were; the Voluntary Education Support program, aiming at contributing to the personal development of students in disadvantaged regions, the Periodic Summer Projects, consisting of educational support and social activities, within a national and international scope, in the summer months, and the 5 Key Trainings aiming to create awareness in youth of fundamental concepts such as civil society, projects and volunteerism.

1.g. Açık Akademi (Open Academy)

In January 2011, Turkey's first free-of-charge, open-to-all software school was opened with the support of Garanti Bank, the contributions of the Ministry of Transport, Maritime Affairs and Communications and the cooperation of Microsoft. The Open Academy, with three different educational levels, is of benefit both to those wishing to develop their application and/or software skills and also software-development professionals. Since January 2011, 15,367 people have received a total of 32,918 certificates of participation and 1,898 people have graduated from the program.

5. Supporting Culture and Arts

5.a. SALT

With the intention of creating cultural awareness and memory, Garanti Bank, identifying the social need for a cultural environment able to recognize research and creation as an opportunity, has set itself the goal of forming a cultural institution that is unique, autonomous and, most importantly, able to develop interactively with its users.

With this in mind, the cultural associations Platform Garanti Contemporary Art Center, Ottoman Bank Museum and Garanti Gallery, operating within the Bank and having been successful in their own fields, have been restructured as an independent institution under the name of SALT.

SALT, set up in Beyoğlu and Galata on the basis of “two buildings-one program”, is a cultural institution, which implements a number of programs in diverse fields such as; contemporary art, social and economic history, architecture, design and urban living. Entrance to SALT, which develops innovative programs aimed at experimental thinking and research, and evaluating critical subjects such as visual and material culture, is free-of-charge. In this regard, SALT is an institution with its doors truly open to society as a whole.

“SALT Research”, administered under SALT Galata, serves as a valuable resource for students, academics and researchers with its library of approximately 100,000 printed publications under 40,000 titles, and its archive, enabling access to over 1 million digital documents.

Since commencing activities in 2011, Salt Beyoğlu and Salt Galata have held 21 exhibitions and, in parallel to these exhibitions, 280 events, with 92 student-oriented guided tours and workshop activities and have authored 6 comprehensive publications. During the same period, a total of 374,629 people visited Salt Beyoğlu and Salt Galata.

5.b. Mini Bank Children’s Movie Festival

Since 2004, Garanti has been co-organizing the first children’s film festival in Turkey, the “Mini Bank Children’s Movie Festival”, together with TURSAK (the Turkish Foundation of Cinema and Audio-Visual Culture).

Through this festival, approximately 70,000 children, in nine different provinces, among which several have very limited access to cinema such as Kars, Ordu, Mardin, Konya and Aksaray, received the opportunity to familiarize themselves with the art of cinema.

5.c. The Lycian Way

The Lycian Way is a 500 km-long walking road stretching between Fethiye and Antalya. Garanti took on the task of organizing guided walks along the Lycian Way and placing road signs to make navigation easier for walkers. Moreover, a Lycian Way guidebook, prepared in 2006, has contributed to tourism in the region.

5.d. The Arykanda Excavations

Garanti Bank has been supporting the excavation of the ancient city of Arykanda, led by Dr. Cevdet Bayburtluoğlu, for 18 years. The principle of protecting and excavating our archeological heritage, and the excavation work supported by Garanti, do not simply amount to gaining a major dig-site for Turkey, but also serve universal culture in a significant way.

6. Support for Sport

6.a. The 12 Giant Men Basketball Schools Project

Under the sponsorship of Garanti Bank, the 12 Giant Men Basketball Schools Project set up by the Turkish Basketball Federation, aims primarily to spread the love of basketball throughout Turkey, create

a conscious basketball family, and foster the next generation of sportspeople, referees and managers.

Students participating in the project not only receive basketball training but also get to participate in a great number of social and cultural activities. The Turkey League, organized in 4 different regions, together with the year-long training activities, aims to foster the development of match experience, team spirit and the feeling of sharing in the children receiving training, as well as enabling them to form new friendships. Since the commencement of the 12 Giant Men Basketball Schools in 2002, which train 4 thousand students in more than 70 provinces and in Turkish Republic of Northern Cyprus, a total of 40,000 students have received instruction.

For detailed information concerning the support of Garanti Bank for sporting projects, please visit http://www.garanti.com.tr/en/our_company/sustainability/corporate_responsibility/projects_on_sports/page?

7. Volunteerism

Garanti employees are volunteering in greater numbers every period, in corporate responsibility projects. The corporate responsibility projects volunteered in and supported by employees are listed as follows:

- » The Gönüllü Yoncalar (Volunteer Clovers) social responsibility club has been formed in August 2008 with 70 members. Due to the great interest among the employees, the number of member has risen, just one year later to over 700. At the end of the reporting period, the membership of the Volunteer Clovers had reached approximately 900. The Corporate Social Responsibility Voluntary Clovers club defines its mission as constantly increasing, in a steady, definite manner, its efficiency, unity of purpose and contribution to society and the environment and since its founding it has developed and executed a great number of valuable projects.
- » Approximately 200 Volunteer Clovers participated in the Elim Sende (Tag) volunteer project. Under the project, 1,600 hours of voluntary work was carried out and 1,000 Garanti employees donated toys, while 145 Garanti employees donated books.
- » Approximately 290 of our employees participated in the Meeting for the Future volunteering activity held in November 2012. At this event, 600 wooden toys were produced for children identified as requiring special educational support.
- » During the Red Crescent Blood Donation campaign held in April 2012, 280 people donated blood in İstanbul, Ankara, İzmir, the Çukurova region and Antalya. The blood donated by these 280 people went on to affect 840 people (280*3).
- » In February 2012, 12 Volunteer Clovers in Van took 65 children affected by the earthquake to the Kivilcım show.
- » In the January 2011 “Artık Çocuklar Üşümeyecek” (No Child Will Be Cold Anymore) campaign, 1,400 new pairs of boots and 500 useable coats were sent to 7 geographical regions.

8. Other Social Projects

8.a. “Çocukların Gözüyle Van” Project (Van through the Eyes of Children)

Following the October 2011 Van earthquake, a photo workshop entitled “Van through the Eyes of Children”, involving a total of 250 children accompanied by photography teachers from İstanbul, Diyarbakır and Van, was held in Van over 10 weeks between June and September 2012. The point of the workshop was both to create a space for the children, suffering for a year in exceptionally difficult conditions, to be able to breathe freely and be creative and also to be able to show the consequences of the Van earthquake through the eyes of children. The workshop was carried out by the Photography Academy, Photography Foundation, Nar Photos and the Galata House of Photography and coordinated by Anadolu Kültür. Following the workshop, the children's photographs were exhibited and published in book form for art-lovers.

F. SUSTAINABILITY GOALS FOR 2013

Garanti Bank's goals for the enhancement of its performance in sustainability are summarized below:

- » Garanti Bank plans to increase the number of its suppliers who apply the sustainability criteria that were included in the Bank's purchasing procedures.
- » The Bank will launch efforts to use renewable, recyclable and non-toxic materials during opening and renovation of branches, while using materials that offer the possibility of recycling and reuse at the end of their lifespan. Under this approach, the Bank aims to minimize its environmental impacts in the selection and use of materials. By applying the waste-management plan, during the construction of branches, all waste generated will be sent to disposal or recycling facilities.
- » The Bank aims to complete feasibility studies on the replacement of the lighting fixtures in branches to be opened and renovated with low-energy consumption LED fittings. Likewise, projects will be undertaken to ensure the maximum use of daylight.
- » The testing phase of the ESIAP will be completed as of January 31st, 2013 and it will be commissioned on the same date. The Bank will hold remote training for its employees from January 2013. Furthermore, the Bank aims to review the criteria of the system in 2013, aiming to ensure that the system is always up-to-date.
- » In 2013, the Bank will draft plans to lower the US\$ 20 million limit designated for projects subject to the ESIAM.
- » The Bank will continue to effectively apply the EMS and expand its scope. The number of locations subject to the EMS will be raised to a minimum of 250 in 2013. In line with this target, the Bank will also increase the number of its internal auditors for EMS in 2013. The Environmental Management System will continue to be effectively implemented while its scope will be broadened and it will include all Garanti Bank facilities in Turkey.

With regard to this goal, the number of internal auditors for the Environmental Management System will be increased in 2013.

- » The Bank will step up its efforts to install insulation on branch fronts, while effecting improvements with respect to reducing water consumption.
- » The Bank's data collection system will be improved in 2013 in order to better monitor the amount of waste produced. It is aimed that, at the end of 2013, 28% of all employee training sessions will incorporate educational technologies.
- » Electronic waste will continue to be recycled by authorized recycling facilities in order to curb their negative impact on the environment and human health, and to bring them back into the economy. A new Greenhouse Gas Reduction target will be set during the management review of Environmental Management System in the first quarter of 2013.
- » Plans will be completed in 2013 under the disability-friendly branches initiative, in order to transform a selected number of branches and ATMs in a disability-friendly manner.
- » It is planned that the project for recording the details of disabled customers in the Bank's system and giving them priority in the Qmatic queuing system, will be implemented at the end of 2013 in all designated disability-friendly branches.
- » It is planned that the pilot implementation of the use of audio SMS notifications for visually-impaired customers, informing them of their credit card transactions, be completed by the end of 2013.
- » By the end of 2013, the necessary improvements will have been completed for the internet branch to enable visually-impaired customers to make perform audio transactions.
- » Garanti Bank will continue to keep up-to-date and improve its employees' knowledge about the Bank's sustainability approach through various methods like remote training programs.
- » It is aimed that, as of the end of 2013, 450 women entrepreneurs will have received certificates from the Woman Entrepreneur Executive School, a program co-organized with the Boğaziçi University Center for Lifelong Learning.
- » Efforts will continue in 2013 to broaden the informed customer base with KOBİLGİ, the Garanti Anatolian Meetings and Facebook Chats with SMEs.
- » The Bank will organize Women Entrepreneur Meetings in 6 more cities in 2013.
- » Garanti Bank aims to put a system into place that will report, assess and evaluate corporate responsibility investments and the social impacts of these investments by December, 2013.

As a result of these and similar practices, Garanti Bank aims to reduce the negative impacts on the environment and society which occur through financing activities to acceptable levels, ensure efficient use of energy, reduce CO₂ emissions and other greenhouse gases, raise its contribution to society to the highest levels, protect the environment and ensure economic efficiency.

SPONSORSHIPS

With the aim of *making valuable contribution to society*, Garanti Bank works to have the activities it supports embraced, internalized and spread by the wider society. In this capacity, Garanti undertakes *sustainable sponsorship activities*, adding value to the Garanti brand, that reflect and nourish its corporate culture.

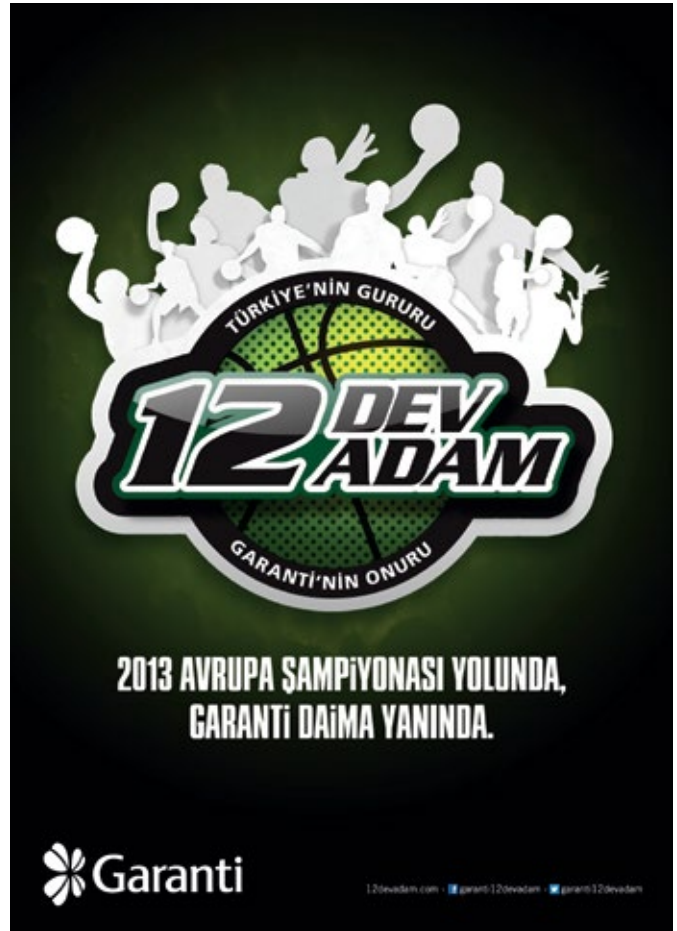
Garanti Jazz Green

Garanti, has been sponsoring the IKSV-organized of İstanbul Jazz Festival, uninterruptedly, for 15 years. With the aim of having jazz music reach larger audiences, Garanti, in addition to the festival, also holds concerts at the venues it supports, under the brand “*Garanti Jazz Green*”.



12 Giant Men and Pixies of Basketball

Garanti has been the main sponsor of *12 Giant Men* (Turkish National Men's Basketball Team) since 2001 and of *Pixies of Basketball* (Turkish National Women's Basketball Team) since 2005.



Athletics

Garanti began its support for our national athletes, *Gülcan Mungur* and *Aslı Çakır Alptekin* at the time of their preparation for the London Summer Olympics. Aslı Çakır Alptekin brought our country its first gold medal in Olympics athletics by coming first in the women's 1500 meter finals.



Equestrian Sports

Garanti Masters Private Banking has been the official sponsor of the *National Teams*, and sponsoring *Turkish Equestrian Federation* since 2008.

The Bonus Snow Masters

Sponsored principally by Bonus for 11 years, the Bonus Snow Masters races are formed from the Istanbul Provincial Championships. The winners of this race are sent, again under Bonus sponsorship, on an overseas skiing holiday, as a prize. The winners of the *Bonus Snow Masters Open*, open for 6 years also to unlicensed sportspeople, are also rewarded with overseas holidays and various other prizes.



Football

Joining the main sponsors of the National Football Teams in 2008, Garanti began supporting sport on the green pitch.

Ladies European Tour

The Garanti Masters Pro-Am Golf Tournament brings amateur golfers together with famous professionals. In May 2012, the Turkish leg of the Ladies European Tour organized in several countries of the world, the Turkish Airlines Ladies Open Garanti Masters Pro-Am, saw the participation of 36 teams.

The American Express Sailing Regatta

The *American Express Sailing Regatta* sponsored with the American Express brand this year, aiming to spread the love of the sport of sailing among the public, is continuing with the 11-year support of the Garanti Payment Systems (GÖSAŞ). The races, consisting of the Bosphorus, Turgutreis and Göcek stages, receive the participation of over 140 boats and more than 1,200 sportspeople.



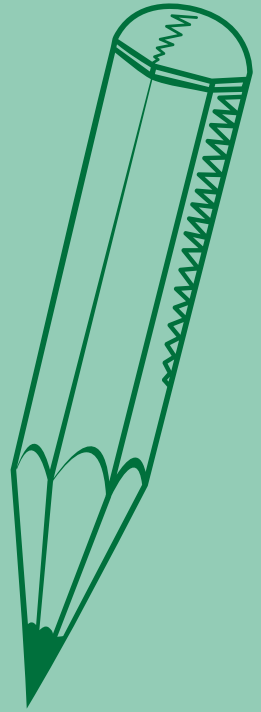
The American Express İstanbul Challenger

The İstanbul Challenger, under its other name, the TED Open, constitutes the İstanbul stage of Challenger tournaments' which began to be organized globally with the support of American Express in 1979. Another special tournament for American Express cardholders has been held for 4 years, under the aegis of the tournament, under the name *the American Express İstanbul Challenger*, and the winners receive both the privilege of playing against world-renowned tennis players as well as the opportunity to attend one of the world's major final's matches.



FULL
SUPPORT
To
WOMEN
ENTREPRENEURS

GARANTI,
ENCOURAGES
WOMEN ENTREPRENEURS
BY PROVIDING
EDUCATIONAL
AND
FINANCIAL
SUPPORT.



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GARANTI
WOMEN ENTREPRENEURSHIP
PROGRAM RECEIVED

"CORPORATE SOCIAL
RESPONSIBILITY PROGRAM
OF THE YEAR"
AWARD



"AT EUROPEAN
EXCELLENCE AWARDS 2010"

BY EUROPE'S LEADING MAGAZINE,
THE NEW ECONOMY

"WOMEN'S EMPOWERMENT
CORPORATE LEADERSHIP AWARD"

THE ONLY INSTITUTION AWARDED FROM TURKEY

WOMEN ENTREPRENEURS SUPPORT PACKAGE

COMMUNICATION NETWORK,
TRAINING AND
FINANCING SUPPORT



GATHERINGS ENCOURAGING
ENTREPRENEURSHIP



TRAINING PROGRAMS

TOTAL LOAN DISBURSEMENT

SINCE
2006

TL 511 MILLION

TURKEY'S WOMAN ENTREPRENEUR COMPETITION

IN COOPERATION WITH
THE WOMEN ENTREPRENEURS
ASSOCIATION OF TURKEY (KAGIDER) &
EKONOMIST MAGAZINE

BY UNCOVERING THE COMMERCIAL AND SOCIAL
ENTREPRENEURSHIP SPIRIT
OF WOMEN IN TURKEY,

TARGETS TO SUPPORT THE
NUMBER OF WOMEN
ENTREPRENEURS IN TURKEY
TO REACH THE DEVELOPED
COUNTRIES' LEVELS.

IN ITS SIXTH YEAR

THE NUMBER OF
APPLICATIONS EXCEEDED

6,000



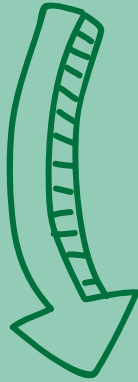
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GARANTI
BANK

+

WOMEN
ENTREPRENEURS
ASSOCIATION OF
TURKEY (KAGIDER)



WOMEN ENTREPRENEURS GATHERINGS

① INFORMING WOMEN ENTREPRENEURS
ON FUNDAMENTAL ISSUES

② ENCOURAGING THEM TO CREATE
NEW OPPORTUNITIES FOR THEIR BUSINESSES

③ CONTRIBUTING TO THEIR
PERSONAL DEVELOPMENT

DURING 2008-2012

GAZİANTEP
ESKİŞEHİR ADANA BURSA KÜTAHYA
KAYSERİ İZMİR MANİSA KIBRIS
EDİRNE SAMSUN KONYA TRABZON
ANTALYA ANKARA KAHRAMANMARAŞ
DENİZLİ ANTAKYA MARDİN MUĞLA

GATHERINGS

PARTICIPATION OF
ALMOST 4,000
WOMEN
ENTREPRENEURS



→ WOMEN
ENTREPRENEUR
EXECUTIVE SCHOOL

THE AIM IS TO REACH
450 WOMEN ENTREPRENEURS
TO RECEIVE CERTIFICATES

IN COOPERATION WITH BOĞAZICI UNIVERSITY,
(CENTER FOR LIFELONG LEARNING)

IN 2012
TOOK PLACE IN
ANKARA, İZMİR,
İSTANBUL

MANAGEMENT AND CORPORATE GOVERNANCE

SUMMARY REPORT OF THE BOARD OF DIRECTORS

Subsequent to the global financial crisis, 2012 was a year with continued economic challenges. The largest economies of the world were facing these challenges simultaneously and delayed the global recovery while pressuring mainly the performances of emerging market economies, as well as the others. Although problems faced as well as the solutions offered were of different nature, both the USA and Europe experienced difficulties stemming from their internal dynamics.

In such an environment of global economic uncertainties, Turkish economy was able to distinguish itself from other emerging markets following a very successful balancing period. Turkey managed its economy with an aim to achieve the optimum result within this framework of external conditions and various parameters. For the first time ever, the current account deficit was reduced not as a result of an economic crisis, but through the effective execution of the economic policy. Turkey's sovereign rating upgrade, which had already been priced in by the markets, was finally approved upon the successful "soft landing".

In this period, Garanti became one of the most successful institutions in terms of rapid development and adaptation of new strategies to meet the changing market conditions. In 2012 Garanti differentiated itself with its business model underscoring its robust and sustainable growth strategy, and attained a stellar performance. The paving stones of Garanti's path to success were its ability to read markets well, forecast accordingly, and, in light of these, carry out effective balance sheet management. In 2012, Garanti continued to stand out with its liquidity, sound asset quality and well capitalization fueled by its high internal capital generation capacity.

Today, Garanti has leading positions in many segments. With its customer-oriented approach; Garanti provides services to approximately 12 million customers through an extensive distribution network that includes 936 branches, more than 3,500 ATMs, Turkey's largest financial Call Center, and state-of-the-art internet and mobile banking platforms. With its massive payment systems infrastructure, consisting of more than 16 million debit and credit cards and 502 thousand POS terminals, Garanti, today, manages Turkey's largest merchant network via its innovative products and services.

Garanti's assets increased by 10% in 2012, reaching TL 179 billion 779 million 374 thousand; while the support provided to the economy through cash and non-cash lending reached TL 123 billion 903 million 825 thousand. Expanding its cash loans by over 10% in 2012, Garanti increased the share of loans in assets to 55%. Garanti, with its disciplined growth strategy, did not pursue market share gains based purely on pricing competition and, thus grew selectively in order to manage the increasing pressure on margins in an effective and balanced manner. By concentrating on high-

yielding consumer loans, including credit cards, Garanti gained healthy market shares. In 2012, the Bank's position in the sector was further strengthened with growth recorded in general-purpose loans by 16%, auto loans by 11% and mortgage loans by 17%. Garanti preserved its position as the Turkey's largest mortgage lender.

Asset quality remained sound in 2012. Collections performance was strong, however at more normalized levels in comparison with the figures obtained over the past two years. Moreover, in parallel with the soft landing in the economy, lending growth was lower versus the previous year, yielding an increase in Garanti's non-performing loan ratio to 2.6% in 2012 from 2.1% in 2011. This ratio however, remained below the non-performing loan ratio calculated for the sector as a whole.

Within the effectively managed and solid funding structure of Garanti, deposits carry the highest weight, funding 54% of the assets. In its effort to continually strengthen and expand its deposit base, Garanti successfully implemented the growth strategy with particular focus on mass deposits and demand deposits. Consequently, high demand deposit levels were maintained and the share of demand deposits in total deposits increased to 22% as of the end of the year. In 2012, Garanti diversified and further strengthened its funding mix by actively using alternative funding sources. Through the issuance of TL bonds, the Bank was able to effectively manage the cost as well as the maturity of the TL funding side. Garanti, as well regarded among the most trusted financial institutions by international investment banks, was able to undertake the largest ever non-sovereign Eurobond issue in Turkey to date, with the lowest coupon rate as of the date of issuance. With its sustainable growth focus, strong international banking network, experienced team, as well as its ability to generate potential business areas, Garanti was able to further reinforce its position as the most preferred financial institution in the international markets. In light of this, the Bank was also able to secure the "lowest-cost" syndicated loan amongst Turkish Banks in 2012.

Garanti continued to strengthen its capital base via internal capital generation throughout 2012. The increase recorded in shareholders' equity was 21%, reaching TL 21.7 billion. Consolidated capital adequacy ratio, which stood at 15.8% at the end of 2011, increased to 16.9% at the end of 2012, even after Basel II rules came into effect as of the third quarter of the year. In a move that distinguishes itself from other banks within the sector, Garanti focused on strengthening its core capital base rather than utilizing subordinated debt, and thus managed to stand out as the bank recording the highest increase in its Tier-I ratio among peers in 2012. Garanti's strong capitalization was distinguishing, not only in Turkey, but in the global arena, as well. Garanti was the only Turkish bank among the world's top 100 rated banks by S&P, for two consecutive years, per risk-adjusted capital ratio.

Despite the economic uncertainties and pressure created by regulatory actions in 2012, Garanti delivered a net interest margin expansion through dynamic balance sheet management. A customer-centric and innovative business model yielded an increase in Garanti's sustainable banking revenues. Carrying on with its ongoing investments in distribution channels, Garanti managed to maintain the highest per branch efficiencies in terms of assets, loans and ordinary banking income.

Garanti's corporate mission is not limited with just banking activities, as exemplified in its corporate responsibility projects that continued throughout 2012. Raising the bar to a new high in 2012 with its special support for arts & culture with SALT, Garanti continued promoting projects that add value to the society as a cultural institution that renews itself on an ongoing basis and carrying on unique projects.

Öğretmen Akademisi Vakfı (Teachers Academy Foundation) was one of the finest examples of Garanti's approach to corporate responsibility. As part of the foundation's effort to primarily organize sustainable activities for teachers, face-to-face trainings were held with over 73,000 teachers in 78 provinces and 2,945 schools as of the end of 2012 through the foundation's first project, Öğretmenin Sınırı Yok (No Limits in Teaching).

Garanti acknowledges reducing negative impacts on the environment as a basic and primary responsibility in order to leave a habitable world to future generations. Developed to this end, the Bank's Environmental Management System was awarded ISO 14001 certification in 2012. Garanti thus earned its status in Turkey as the bank that applies environmental management systems in the largest scale, spread over the largest coverage area.

Garanti shared information on the projects carried out in the area of fighting climate change with the Carbon Disclosure Project (CDP) for the third time in 2012. Given the highest rating in the performance category in Turkey with its systematic approach, the Bank was selected as the first ever recipient of the "Carbon Performance Leadership" award.

Garanti was also honored with numerous national and international awards in 2012 with its competent human resources capable of making a difference, state-of-the-art technological infrastructure, customer-focused products and services and a range of applications created with the synergy driven by its superior customer relationship management solutions. Garanti Bank has, for the third time, been selected as the "Best Bank in Turkey" in the evaluations carried out by "The Banker" magazine of the Financial Times Group. The Bank became the first and only Turkish institution earning the IIP (Investors In People) "Gold" category certification in the area of human resources, the only international quality standard of its kind in the world.

Key success factors behind the current position Garanti has attained today are correct and strategic investments it has carried out in the past. Garanti continues with its investment plans in an unrelenting pace as part of its overall strategy.

The core values of Garanti's corporate culture are investing in the continuous improvement of its HR while investing in technology to enhance customer focused approach and offering innovative products by monitoring the ever evolving customer needs.

Investments that will sustain and improve the Bank's reputation especially as "the innovator" and as "the Bank that effectively utilizes technology", enable monitoring all market developments and changing dynamics closely and differentiate Garanti by offering the most user-friendly and convenient banking experience, will remain as the top priority of Garanti in the future.

Besides its continuing investments in the branch network expansion, Garanti will also carry out its investments in the alternative delivery channels that it had started years ago. The Bank will further research and invest in its call center, mobile banking and the internet banking operations in the name of sustaining and reinforcing its leadership position it has earned in the area of alternative delivery channels and innovation.

Committed to corporate social responsibility, Garanti is not merely a bank, but also an institution that adds value to the society it belongs to. Garanti acts as a socially responsible corporation in all areas ranging from education and environment, to arts and sports, and continues with its investments to ensure a sustainable future.

Forging ahead with its investments based on a fundamental principle of organic growth both in Turkey and within nations it operates in, Garanti continues with its concerted efforts to monitor the entire region closely, examine venture possibilities outside Turkey and evaluate all potential steps towards becoming a regional bank.

Success achieved by Garanti Bank so far is the fruit of a long term and a well planned journey, rather than incremental, ad-hoc steps. Garanti Bank forges forward in confidence, with its vision "to become the best bank in Europe", while upholding the core principles of its current strategy well into the future.

Sincerely,

Board of Directors

Note: Based on BRSA consolidated financials.

BOARD OF DIRECTORS AND AUDITORS

Ferit Faik Şahenk

Chairman

Ferit F. Şahenk is the Chairman of Doğu Group and also the Chairman of Garanti Bank. Formerly, he served as the founder and Vice President of Garanti Securities, CEO of Doğu Holding and Chairman of Doğu Otomotiv. Mr. Şahenk is an Executive Board Member of the Foreign Economic Relations Board (DEİK) of Turkey. Following his term as the Chairman of the Turkish-American Business Council of DEİK, he is currently chairing the Turkish-German Business Council and serving as Vice-Chairman of Turkish-United Arab Emirates Business Council of DEİK. Mr. Şahenk is an active member of the World Economic Forum and the Alliance of Civilizations Initiative. He serves on the Regional Executive Board of Massachusetts Institute of Technology (MIT) Sloan School of Management for Europe, Middle East, South Asia and Africa; Advisory Board of the Middle East Centre of London School of Economics; and Executive Board of Endeavor Turkey. Mr. Şahenk holds a Bachelor's degree in Marketing and Human Resources from Boston College and is a graduate of the "Owner/President" Management Program at Harvard Business School. He was appointed as the Chairman of Garanti Bank on April 18, 2001.

Süleyman Sözen

Vice Chairman

Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance and the Undersecretariat of Treasury. Since 1981, he has served in various positions in the private sector, mainly in financial institutions. Sözen has been serving on the Board of Directors of various Doğu Holding and Garanti affiliates since 1997. He holds a Certified Public Accountant license. He was appointed as the Vice Chairman of Garanti Bank on July 08, 2003.

Ahmet Kamil Esirtgen, Ph.D.

Board Member

After graduating from Istanbul University Faculty of Economics, Ahmet Kamil Esirtgen earned his MBA from Stanford Graduate School of Business and his Ph.D. from Istanbul University School of Business Administration. He worked at various private sector companies after concluding his academic career in 1975. In 1987, he joined Doğu Group as Finance Group President. He currently is a Board Member of several subsidiaries of Garanti, as well as some other companies in the private sector. He was appointed as the Board Member of Garanti Bank on March 19, 1992.

Ergun Özen

Board Member, President & CEO

Ergun Özen earned a BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He joined Garanti in 1992 where he has been serving as President, CEO and Board Member since April 1, 2000. He is the Chairman of the Board of Directors of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Bank SA and Teachers Academy Foundation. He is also the Board Member of Garanti Bank Moscow, Garanti Bank International NV, the Banks Association of Turkey, the Turkish Industrialists' and Businessmen's Association (TUSIAD), the Istanbul Foundation for Culture and Arts (IKSV). He was appointed as the Board Member of Garanti Bank on May 14, 2003.

M. Cüneyt Sezgin, Ph.D.

Board Member

M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. He served in executive positions at several private banks. In year 2001, Dr. Sezgin joined Garanti Bank. He is a Board and Audit Committee Member, also Board Member at Garanti Bank SA, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Fleet and Corporate Volunteer Association-Turkey. He was appointed as the Board Member of Garanti Bank on June 30, 2004.

Angel Cano Fernández

Board Member

Mr. Cano Fernández has a degree in Economics and Business from Oviedo University. He joined Argentaria in 1991, as an Assistant Controller, mainly responsible for the development of all the accounting functions. In 1998, he was appointed Controller and Member of the Executive Committee. Between 2001 and 2003, Mr. Cano Fernández held the position of Chief Financial Officer of BBVA. In 2005, Mr. Cano Fernández takes the lead of Technology of the BBVA Group and becomes Head of Human Resources and Information Technology and in 2006, he became responsible of the Global Transformation of the BBVA Group. Since 2009, he is the President & COO of BBVA. He was appointed as the Board Member of Garanti Bank on March 22, 2011.

Carlos Torres Vila

Board Member

Carlos Torres Vila graduated from the Massachusetts Institute of Technology (MIT) with a B.S. in Electrical Engineering, and both a B.S. and an M.S. in Management Science from its Sloan School of Management. He also received a Law Degree from Spain's Universidad Nacional de Educación a Distancia (UNED). He has worked at various private sector corporations. Mr. Torres Vila joined BBVA in 2008 and is currently the Head of Strategy and Corporate Development at BBVA and a member of its Executive Committee. He was appointed as the Board Member of Garanti Bank on March 22, 2011.

Manuel Castro Aladro

Board Member

After graduating from Universidad Pontificia Comillas (ICADE) in Economics and Business, Mr. Castro Aladro received an MBA from University of Chicago Graduate School of Business. After working as an executive at various private companies and banks, he joined BBVA in 1992. Between 2003 and 2009 he was the Head of Business Development and Innovation. He is currently the Head of Global Risk Management and a member of the Executive Committee of BBVA. He was appointed as the Board Member of Garanti Bank on March 22, 2011.

Manuel Galatas Sanchez-Harguindey

Board Member

Mr. Manuel Galatas Sanchez-Harguindey has a degree in Business Administration and International Finance from Georgetown University. After working as an executive at various private corporations, he joined Argentaria (today BBVA) in 1994. Before joining Garanti, he was based in Hong Kong as the General Manager in charge of all BBVA Branches and Representative Offices in Asia/Pacific. He is now both Board Member and Audit Committee Member of Garanti Bank Turkey and General Manager of BBVA Turkey Representative Office based in Garanti Bank Headquarters in Istanbul. He is a Board Member at Garanti Bank, Garanti Bank SA, GarantiBank Moscow, GarantiBank International NV, Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Fleet Management. He was appointed as the Board Member of Garanti Bank on May 05, 2011.

Altan Reha Göksu

Auditor

Altan Reha Göksu graduated from Istanbul University Law School and became an attorney after graduation. He joined Doğuş Group in 1972 and served as Legal Advisor for the Doğuş Group companies such as Doğuş Construction and Garanti Real Estate Investment Trust. He has been serving as an advisor in Doğuş Real Estate Investment and Management Company since 2008. Göksu has been serving as Auditor at Garanti Bank since 1984.

Murat İnan

Auditor

Murat İnan graduated from Istanbul University Faculty of Economics. After serving in various positions at the Ministry of Finance between 1985 and 1997 and at private companies between 1997 and 1998, he joined the Doğuş Group in 1998. He served as Head of Finance in Doğuş Group and on January 01, 2013, he appointed as CEO of Doğuş Real Estate Investment Trust. İnan has been serving as Auditor at Garanti Bank since 2006.

SENIOR MANAGEMENT*

EXECUTIVE VICE PRESIDENT HUMAN RESOURCES & INVESTMENT BANKING

Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications and his graduate degree from the Business Administration Department of Yeditepe University. In 1994, he joined Garanti Bank's Treasury Department, and between the years 1999-2004, he served as the Senior Vice President of the Commercial Marketing and Sales Unit. In 2004, he became the CEO of Garanti Pension and Life and in 2005, he was appointed as Executive Vice President responsible of Human Resources and Training. Erün became responsible of Investment Banking in 2006 and Treasury in 2013. Erün is the Vice Chairman of the Board of Directors at Garanti Pension and Life, Teachers Academy Foundation and Board Member of Garanti Asset Management, Garanti Mortgage, Garanti Securities and Garanti Bank SA. In addition, Erün is the Chairman of the Board of Directors Garanti Custody Services.

GÖKHAN
ERÜN

ADNAN
MEMİŞ

EXECUTIVE VICE PRESIDENT SUPPORT SERVICES

Adnan Memiş earned his undergraduate degree from Istanbul University Faculty of Economics and his graduate degree from the Managerial Economics Institute of the same university. He joined Garanti Audit Board as an Assistant Inspector in 1978, served as the Manager of Loans Department and then was appointed to his current position in 1991. Memiş is currently the President of the Financial Restructuring Working Group of the Banks Association of Turkey and a Board Member of Garanti Bank Pension Fund Foundation and Darüşşafaka Society. He is also the Group Leader of Denizyıldızları (Starfish) Project.

EXECUTIVE VICE PRESIDENT STRATEGIC & FINANCIAL PLANNING

Murat Mergin graduated from the City University of New York Departments of Economics and Finance. He assumed executive responsibilities at various private banks before joining Garanti in 1994. Mergin was appointed to his current position in 2002.

MURAT
MERGİN

EXECUTIVE VICE PRESIDENT INTERNATIONAL BUSINESS DEVELOPMENT

Zekeriya Öztürk earned his undergraduate degree from Istanbul Technical University, Department of Marine Engineering, graduate degree from the Robotics Department of the same university, and his MBA from Edinburgh University. After working as a senior executive at various national and international private investment banks, he joined Garanti in 2006. Öztürk is a Board Member of Garanti Bank SA, Garanti Securities and Garanti Asset Management.

ZEKERİYA
ÖZTÜRK

EXECUTIVE VICE PRESIDENT GENERAL ACCOUNTING & FINANCIAL REPORTING

Aydın Şenel is a graduate of Marmara University Faculty of Commercial Sciences. Between the years 1981 and 1984, he worked as Auditor, Human Resources Group Manager, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager at Garanti. Şenel was appointed Head of General Accounting in 1999 and promoted to his current position in 2006. He is the Vice Chairman of the Board of Directors at Garanti Bank Pension Fund Foundation, member of the Board of Trustees at Teachers Academy Foundation, Board Member of Garanti Factoring and Member of Audit Committee.

AYDIN
ŞENEL

ERGÜN
ÖZEN

PRESIDENT & CEO

Ergun Özen earned a BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He joined Garanti in 1992 where he has been serving as President, CEO and Board Member since April 1, 2000. He is the Chairman of the Board of Directors of Garanti Securities, Garanti Asset Management, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Bank SA and Teachers Academy Foundation. He is also the Board Member of Garanti Bank Moscow, Garanti Bank International NV, the Banks Association of Turkey, the Turkish Industrialists' and Businessmen's Association (TUSIAD), the Istanbul Foundation for Culture and Arts (IKSV).

EXECUTIVE VICE PRESIDENT LOANS

Erhan Adalı graduated from Istanbul University Department of Political Science Public Administration. He joined Garanti as an Assistant Internal Auditor in 1989. He served as a Branch Manager, Regional Manager and SME Banking Coordinator and he was the CEO of Garanti Pension and Life during 2005-2012. Adalı was appointed to his current position in 2012. He is also a Board Member of Garanti Leasing.

ERHAN
ADALI

DİDEM
DİNÇER
BAŞER

EXECUTIVE VICE PRESIDENT DELIVERY CHANNELS

Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from the University of California, Berkeley College of Engineering. She worked in a global management consultancy for 7 years and was an Associate Partner there before joining Garanti Bank. After working as a coordinator in Retail Banking since 2005, Başer was appointed to her current position in March 2012.

EXECUTIVE VICE PRESIDENT LEGAL SERVICES & RETAIL RISK MONITORING

Aydın Düren graduated from Faculty of Law at Istanbul University and earned his graduate degree from International Law at American University Washington College of Law. After working as a senior executive and managing partner positions at various national and international private law firms over 18 years, Düren joined Garanti in 2009 as Executive Vice President responsible of Legal Services. Düren is a Board Member of Garanti Payment Systems, Teachers Academy Foundation, Garanti Mortgage and Vice President of Garanti Bank Pension Fund Foundation.

AYDIN
DÜREN

EBRU
DILDAR
EDİN

EXECUTIVE VICE PRESIDENT PROJECT FINANCE

Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering. After working at various private banks, she joined the Corporate Banking division at Garanti Bank in 1997. In 1999, she took part in the establishment of Garanti Bank's Project Finance Department. After leading the department for six years as Senior Vice President, she became Project and Acquisition Finance Coordinator in 2006. After she was appointed to her current position in 2009, Edin became a member of the Sustainability Committee in 2010. In addition to her current responsibilities, Edin also coordinates the Sustainability Team, which was created in 2012 to implement the decisions of the Sustainability Committee.

EXECUTIVE VICE PRESIDENT FINANCIAL INSTITUTIONS & CORPORATE BANKING

Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering. He earned his MBA from Bilkent University and his Ph.D. in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti as the Distribution Channels Unit Manager in 1997. Erbil served as the EVP of Retail Banking and Distribution Channels between the years 1999-2012 where he was also responsible for mortgage and private banking. In 2012, Erbil was appointed as the EVP of Financial Institutions and Corporate Banking. Today, he is also a Board Member of Garanti Pension and Life, Garanti Securities and Garanti Bank Pension.

ALI FUAT
ERBİL

HÜSNÜ
EREL

EXECUTIVE VICE PRESIDENT TECHNOLOGY, OPERATIONS MANAGEMENT & CENTRAL MARKETING

Hüsnü Erel graduated from Istanbul Technical University Department of Electronics and Communications Engineering. He served as an executive at various private companies and banks. In 1994, he joined Garanti Technology as General Manager and was appointed to his current position in 1997. Erel is a Board Member of Garanti Payment Systems and Garanti Technology.

EXECUTIVE VICE PRESIDENT TREASURY

Uruz Ersözoğlu graduated from Middle East Technical University Department of Economics. After serving as an executive at various private banks and the Istanbul offices of foreign banks, he joined Garanti as Head of Treasury Marketing, Trading and Asset-Liability Management in 2003. He was appointed to his current position in 2006 and is a Board Member of Garanti Asset Management.

URUZ
ERSÖZOĞLU

EXECUTIVE VICE PRESIDENT SME BANKING

Nafiz Karadere graduated from the Faculty of Political Sciences' Department of International Relations at Ankara University. He worked as a senior executive at various private banks and was appointed to his current position in 1999. Karadere is a Board Member of Garanti Bank SA, Garanti Payment Systems, Garanti Leasing, Garanti Pension and Life, Garanti Technology and Garanti Bank Pension Fund Foundation and member of the Board of Trustees at Teachers Academy Foundation. He is also the Vice Chairman of "World Wide Fund for Nature" Turkey and Chairman of SALT.

TURGAY
GÖNENSİN

NAFİZ
KARADERE

ZEKERİYA
ÖZTÜRK

AYDIN
ŞENEL

Note: Executive Vice Presidents are listed in alphabetical order by last name.

* You may find the changes in the Senior Management on page 163.

Standing (left to right)

Av. Aydın Düren
Gökhan Erün
Uruz Ersözoğlu
Ali Fuat Erbil
Onur Genç
Turgay Gönensin
Murat Mergin
Erhan Adalı
Zekeriya Öztürk
Aydın Şenel



Sitting (left to right)

Hüsnü Erel
Ebru Dildar Edin
Adnan Memiş
Didem Dinçer Başer
Ergun Özen
Nafiz Karadere

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

Credit Committee

In accordance with the Banking Law, the Board of Directors of Garanti Bank has delegated a certain amount of its loan allocation authority to the Bank's Credit Committee. The Credit Committee holds weekly meetings to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan authorization limit of the Head Office. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits. The Committee then submits the remaining proposals that are outside of its authorized limits, but it deems appropriate to the Board of Directors for finalization.

In 2012, the Committee held 44 meetings with the required quorum.

Committee Members

Ergun Özen (President and CEO, Board Member)
Süleyman Sözen (Vice Chairman)
Ahmet Kamil Esirtgen, Ph. D. (Board Member)
Carlos Torres (Board Member)
Manuel Castro Aladro (Board Member)

The individuals named below may attend meetings in order to communicate opinions, although they are not members of the Credit Committee.

Erhan Adalı (Executive Vice President)
Turgay Gönensin (Executive Vice President)
Ali Fuat Erbil (Executive Vice President)
Ebru Dildar Edin (Executive Vice President)
Mustafa Tiftikçioğlu (Coordinator)
Recep Baştuğ (Coordinator)
Fulya Göyeneç (Senior Vice President)
Emre Hatem (Senior Vice President)

1 Pursuant to the decision of the Board of Directors dated December 05, 2012, Recep Baştuğ has been appointed as the Executive Vice President for Commercial Banking.

Assets and Liabilities Committee

The Assets and Liabilities Committee is charged with managing the assets and liabilities of the Bank, and its objective is to assess interest rate risk, exchange rate risk, liquidity risk, and market risks. Based on these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet, and monitors their practices.

The Committee is chaired by the Chief Executive Officer and holds weekly meetings.

In 2012, the Committee held 52 meetings with the required quorum.

Committee Members

Ergun Özen (President and CEO, Board Member)
M. Cüneyt Sezgin, Ph. D. (Board Member)
Manuel Pedro Galatas Sanchez-Harguindéy (Board Member)
Hüsnü Erel (Executive Vice President)
Uruz Ersözoğlu¹ (Executive Vice President)
Turgay Gönensin (Executive Vice President)
Nafiz Karadere (Executive Vice President)
Ali Fuat Erbil (Executive Vice President)
Zekeriya Öztürk² (Executive Vice President)
Aydın Şenel (Executive Vice President)
Onur Genç (Executive Vice President)
Didem Başer (Executive Vice President)
Erhan Adalı³ (Executive Vice President)
Gökhan Erün (Executive Vice President)
Ebru Dildar Edin (Executive Vice President)
İbrahim Aydın (Financial Coordinator)
Alpaslan Özbey (Garanti Payment Systems Executive Vice President)
Murat Mergin⁴ (Executive Vice President)
Recep Baştuğ⁵ (Coordinator)
Esra Kıvrak (Coordinator)
Burak Ali Göçer (Coordinator)
Mahmut Akten (Senior Vice President)
Aydın Güler⁶ (Senior Vice President)
Metin Kılıç (Senior Vice President)
Ali İhsan Gelberi (Senior Vice President)
Handan Saygın (Senior Vice President)
Ebru Ogan Knottnerus (Senior Vice President)
Batuhan Tufan (Senior Vice President)
Çağrı Memişoğlu (Senior Vice President)
Fulya Göyeneç (Senior Vice President)

Note: Regional Managers and Corporate Branch Managers and the Senior Vice President for Corporate Banking Coordination alternate in attending the committee meetings.

1 Uruz Ersözoğlu resigned from our Bank on December 31, 2012.

2 Zekeriya Öztürk resigned from our Bank on February 28, 2013.

3 Pursuant to the decision of the Board of Directors dated July 18, 2012, Erhan Adalı has been appointed as the Executive Vice President responsible of Loans.

4 Pursuant to the decision of the Board of Directors dated July 05, 2012, Murat Mergin has been appointed to the Executive Vice President position.

5 Pursuant to the decision of the Board of Directors dated December 05, 2012, Recep Baştuğ has been appointed as the Executive Vice President for Commercial Banking.

6 Pursuant to the decision of the Board of Directors dated January 10, 2013, Aydın Güler has been appointed as the Coordinator for Financial Planning and Analysis Department.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

Remuneration Committee

Since January 1, 2012, the Remuneration Committee is fully operational in accordance with the Regulation regarding Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency. The Remuneration Committee directly reports to the Board of Directors. Ferit Şahenk and Ignacio Deschamps Gonzalez have been selected as the Members of the Committee. The Committee held one meeting in 2012.

Committee Members

Ferit Şahenk (Garanti Bank, Chairman of the Board of Directors)

Ignacio Deschamps Gonzalez (BBVA, COO of Mexico Business Unit)

Committee Activities

The Committee is responsible for:

- » Ensuring the execution of the monitoring and auditing process required in order that Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles,
- » Reviewing at least once a year Bank's remuneration policy in order to ensure compliance with applicable laws and regulations in Turkey as well as with market practices, and updating the remuneration policy if required,
- » Presenting at least once in a calendar year a report including the findings and proposed action plans to the Board of Directors,
- » Determining and approving salary packages for executive and non-executive Members of the Board of Directors, the CEO and Executive Vice Presidents.

Corporate Governance Committee

In accordance with the Regulation on Bank's Corporate Governance Principles published by the Banking Regulation and Supervision Agency and Communiqué Serial: IV, No. 56 on Determination and Application of the Corporate Governance Principles published by the Capital Markets Board of Turkey, the Corporate Governance Committee was established on February 2013, in order to monitor the Bank's compliance with the corporate governance principles, perform improvement studies, determine independent board member nominees and offer any possible suggestions to the Board of Directors.

Committee Members

M. Cüneyt Sezgin, Ph. D. (Board Member)

Manuel Pedro Galatas Sanchez-Harguindey (Board Member)

Risk Management Committees

Audit Committee

The Audit Committee is comprised of two non-executive Board members.

Committee Members

M. Cüneyt Sezgin, Ph. D. (Board Member)

Manuel Pedro Galatas Sanchez-Harguindey (Board Member)

Committee Activities

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The committee is responsible for:

- » Monitoring the effectiveness and adequacy of Garanti Bank's internal control, risk management and internal audit systems, the operation of these systems and accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information;
- » Conducting necessary preliminary evaluations for the selection of independent audit firms and regularly monitoring their activities;
- » Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner.

In this context, the duties and authorities of the Audit Committee are defined as follows:

- » Monitoring compliance with regulations regarding internal control, internal audit and risk management and with internal policies and procedures approved by the Board of Directors and advising the Board of Directors on measures that are deemed necessary;
- » Monitoring the Internal Audit Unit's fulfillment of its obligations under internal policies;
- » Verifying that the internal audit system covers existing and planned activities of Garanti Bank, as well as risks arising from these activities, and reviewing the Bank's internal audit regulations that are going to become effective upon the approval of the Board of Directors;
- » Advising the Board of Directors on the election and dismissal of the managers of internal systems units reporting to the Audit Committee;

- » Monitoring whether the auditors perform their duties in an independent and unbiased way;
- » Reviewing internal audit plans;
- » Monitoring the measures taken by senior management and affiliated units about issues identified by auditors and independent auditors;
- » Confirming that methods, tools and procedures are in place to identify, measure, monitor and control Garanti Bank's risks;
- » Reviewing and evaluating the independent audit firm's conclusions in relation to the compliance of Garanti Bank's accounting practices with applicable legislation;
- » Confirming that the rating firms, independent audit firms and valuation firms with which Garanti Bank is going to sign contracts (including their managers and employees) are able to act independently in their relations with the Bank and confirm that adequate resources have been set aside for these purposes;
- » Evaluating the risk involved in the support service to be obtained by Garanti Bank and monitoring the adequacy of the support service provided by the relevant firm;
- » Supervising that the financial reports of Garanti Bank are accurate, contain all necessary information and are drawn up in accordance with applicable legislation and ensuring that any identified errors and irregularities are corrected.

In 2012, the Audit Committee held five meetings, which were attended by all committee members.

Liquidity Risk Management Committee (LRMC)

Committee Members

Ergün Özen (President and CEO, Board Member)

M. Cüneyt Sezgin, Ph. D. (Board Member)

Uruz Ersözöğlu¹ (Executive Vice President)

Barış Karaayvaz (Senior Vice President)

Ebru Ogan Knottnerus (Senior Vice President)

Metin Kılıç (Senior Vice President)

Committee Activities

The Liquidity Risk Management Committee is responsible for:

- » Determining the excess liquidity Garanti Bank holds in foreign currencies;
- » Periodically monitoring the liquidity report and early-warning parameters;
- » Determining the stress level of Garanti Bank; monitoring internal and external factors that might affect Garanti Bank's liquidity in case of a liquidity crisis;
- » Ensuring that the action plan aligned with the Liquidity Crisis Plan is properly implemented;
- » Determining measures required by the Bank's customer confidence, cost of funding and key liquidity increasing strategies, and ensuring internal communication and coordination with regard to the implementation of committee decisions.

The Committee Members are informed on levels of stress indicators and Bank's liquidity through regular reports. The Committee holds a meeting if deemed necessary by at least one member. The Committee didn't hold any meetings in 2012 since no situation occurred requiring immediate decision-taking in relation with liquidity risk management.

¹ Resigned from our Bank on December 31, 2012.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

Anti-Fraud Monitoring Committee

The committee is chaired by a non-executive Board Member. Committee members are; Senior Vice Presidents and Executive Vice Presidents of Technology and Operation Services, Branchless Banking and Retail Loans, Executive Vice President in charge of Retail Banking and Executive Vice President in charge of Finance and Risk Management of Garanti Payment Systems, Senior Vice President of Anti-Fraud Monitoring Department, Director of Internal Audit Department and Senior Vice President of Internal Control Unit.

Committee Members

M. Cüneyt Sezgin, Ph. D. (Board Member)
Hüsnü Erel (Executive Vice President)
Onur Genç (Executive Vice President)
Ali Fuat Erbil (Executive Vice President)
Didem Başer (Executive Vice President)
Erhan Adalı¹ (Executive Vice President)
Beyhan Kolay (Senior Vice President)
Osman Bahri Turgut (Director of Internal Audit Department)
Faruk Ergin (Senior Vice President)
Alpaslan Özbey (Garanti Payment Systems Executive Vice President)
Deniz Güven (Senior Vice President)
Emre Özbek (Senior Vice President)
Feridun Aktaş (Senior Vice President)

1 Pursuant to the decision of the Board of Directors dated July 18, 2012, Erhan Adalı has been appointed as the Executive Vice President responsible of Loans.

Committee Activities

The Anti-Fraud Monitoring Committee is responsible for:

- » Providing feedback and suggestions regarding the strategies and precautionary actions performed by the Anti-Fraud Monitoring Department in order to prevent external fraud attempts and incidents;
- » Providing feedback on the strategies and precautionary actions that are implemented or planned to be implemented, in order to prevent fraud attempts and incidents, and to minimize resulting financial and non-financial losses;
- » Assessing the impact of new products and processes to be launched at Garanti Bank on fraud risk, and providing suggestions when necessary;
- » Communicating all decisions regarding strategies and precautionary actions carried out by the Anti-Fraud Monitoring Department to the business lines in a timely manner;
- » Establishing a corporate culture and awareness of fraud throughout Garanti Bank.

In 2012, the Committee held 3 meetings with the required quorum.

Sustainability Committee

Set up in 2010, the Committee is chaired by a non-executive Board Member. Committee Members are Executive Vice Presidents of Support Services, Loans and Project Finance, Corporate and Commercial Loans Coordinator, Senior Vice Presidents of Project Finance, Investor Relations, Financial Institutions, Corporate Brand Management and Marketing Communications, Internal Control and Compliance.

Committee Members

M. Cüneyt Sezgin, Ph. D. (Board Member)
Adnan Memiş (Executive Vice President)
Erhan Adalı¹ (Executive Vice President)
Ebru Dildar Edin (Executive Vice President)
Mustafa Tiftikçioğlu (Coordinator)
Emre Hatem (Senior Vice President)
Handan Saygun (Senior Vice President)
Elif Güvenen (Senior Vice President)
Batuhan Tufan (Senior Vice President)
Emre Özbek (Senior Vice President)
İnci Soysal² (Senior Vice President)
Sedef Alpay (Senior Vice President)

1 Pursuant to the decision of the Board of Directors dated July 18, 2012, Erhan Adalı has been appointed as the Executive Vice President responsible of Loans.

2 Pursuant to the decision of the Board of Directors dated July 05, 2012, İnci Soysal serving as an AML Compliance Officer has been appointed as Compliance Senior Vice President.

Committee Activities

Direct Impact and Indirect Impact task forces were set up under the Committee, which will evaluate risks arising from Garanti Bank's direct or indirect impact on the environment. The Committee is responsible for:

- » Monitoring energy consumption, wastes, and similar matters, as well as assessment of risks that might arise from the Bank's direct impact on the environment;
- » Overseeing assessment of risks that might result from indirect environmental, social and economic impacts via projects financed, and other loans and providing feedback to relevant decision-making bodies as and when necessary;
- » Ensuring the development of environmental impact assessment system at the Bank to be employed in loan disbursement processes;
- » Setting up necessary task forces to guarantee effectiveness of sustainability-related activities and efforts;
- » Supervising the activities of task forces so formed;
- » Providing information to the Board of Directors on the Committee's activities when needed.

In 2012, the Committee held 2 meetings with the required quorum.

Basel Steering Committee

The Committee is formed by a Board Member, Executive Vice Presidents of Technology and Operation Services, Loans, General Accounting and Financial Reporting, Treasury, Financial Institutions and Corporate Banking, and the Financial Coordinator. An execution committee was also set up under the Committee, as well as task forces thereunder.

Committee Members

M. Cüneyt Sezgin, Ph. D. (Board Member)

Hüsnü Erel (Executive Vice President)

Erhan Adalı¹ (Executive Vice President)

Aydın Şenel (Executive Vice President)

Uruz Ersözöğlu² (Executive Vice President)

Ali Fuat Erbil (Executive Vice President)

İbrahim Aydın (Financial Coordinator)

1 Pursuant to the decision of the Board of Directors dated July 18, 2012, Erhan Adalı has been appointed as the Executive Vice President responsible of Loans.

2 Uruz Ersözöğlu resigned from our Bank on December 31, 2012.

Committee Activities

The Basel Steering Committee is responsible for:

- » Ensuring the Bank's alignment with Basel guidelines;
- » Creating the Bank's Basel roadmap and getting the approval of the Board of Directors therefore;
- » Approving and monitoring efforts to be undertaken to achieve compliance with Basel;
- » Planning the human resource and setting up task forces;
- » Planning, deciding and supervising the activities of the task forces.

In 2012, the Committee held 6 meetings with the required quorum.

Other Risk Management Committees

Sub-committees for market risk, credit risk and operational risk have been set up to facilitate exchange of information and views with the relevant units of Garanti Bank and to support the establishment of risk management and internal audit systems within the Bank.

Market Risk Committee monitors market risk arising from trading activities, the interest rate risk arising from maturity mismatches, the liquidity risk, risk limits and limit utilizations of the trading portfolio. This committee ensures flow of information on changes in the positions exposed to market risk. The committee also reviews the scenarios created and the models and assumptions employed to identify the Bank's risk exposure; evaluates their relevance, and ensures necessary adjustments are made. The Committee also discusses market projections, and evaluates potential risks that will result from a new position prior to any major change in the positions held.

Credit Risk Committee monitors the effectiveness of the methods and models that are being used to measure credit risk, provides coordination between risk management unit and loans and monitoring units, assesses credit risk results, reviews market developments and the performance of the loans portfolio and risks in connection therewith, and ensures flow of information on changes in the positions exposed to credit risk.

Finally, the **Operational Risk Committee** performs activities related to the control and management of operational risk loss database and the follow-up of actions to be taken. The Committee also coordinates key risk indicators, risk and control self-assessment and operational risk scenario analysis activities so as to roll them out across the Bank.



THEY HAVE
12
GIANT
BROTHERS

4,000
STUDENTS
PER YEAR

ATTEND

12 GIANT MEN
BASKETBALL
SCHOOLS



SPONSORED BY
GARANTI BANK.

SINCE 2002

ALMOST 40,000
STUDENTS

RECEIVED
BASKETBALL TRAINING.

(WE BRING IN
NEW TALENTS
TO TURKISH BASKETBALL.)

WE PROMOTE
EVERY ASPECT
OF BASKETBALL.

OUR GOALS:

→ TO TRAIN FUTURE ATHLETES,
REFEREES AND MANAGERS

→ TO FOSTER THE
LOVE OF BASKETBALL
THROUGHOUT TURKEY

→ TO CREATE A
CONSCIOUS
"BASKETBALL FAMILY"

IN TURKEY & THE TURKISH REPUBLIC OF NORTHERN CYPRUS AT 70 CENTERS

SOCIAL AND
CULTURAL ACTIVITIES

12 GIANT MEN
BASKETBALL SCHOOLS
TURKISH LEAGUE

TEAM SPIRIT ✓

NEW ✓

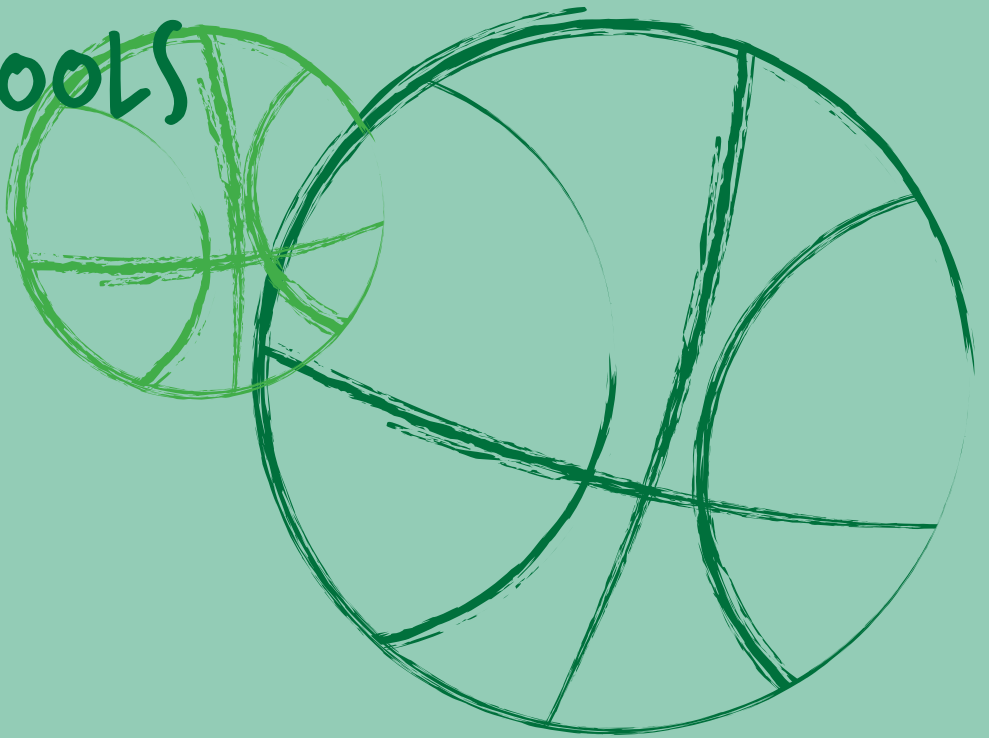
COMMUNION ✓

FRIENDSHIPS

LIVE GAME ✓
EXPERIENCE

FULL EDUCATIONAL SCHOLARSHIPS

FROM LEADING
SCHOOLS



THANKS TO THE
12 GIANT MEN
BASKETBALL SCHOOLS

PLAYERS AT
REGIONAL LEAGUE ✓

→ PREMIER
LEAGUE ✓

2ND LEAGUE ✓

UNDER-16 ✓

NATIONAL TEAM

DISCOVERED BASKETBALL IN 2004 AT THE
12 GIANT MEN BASKETBALL SCHOOL IN VAN

ENES KANTER

OF UTAH JAZZ WAS AWARDED

THE MOST VALUABLE PLAYER

AT EUROPE UNDER-18 CHAMPIONSHIP

RISK MANAGEMENT

RISK MANAGEMENT POLICIES

Risk Management and Internal Audit Organization

At Garanti Bank, risk management, internal audit and control functions are carried out in compliance with applicable legislation and independent of executive functions through an organization that reports directly to the Board of Directors.

The Board of Directors is ultimately responsible for establishing and ensuring the effective functioning of risk management and internal audit systems and for devising, implementing and maintaining risk management and internal audit and control strategies and policies that are compatible with Garanti Bank's capital and risk level.

In accordance with the importance given to corporate governance principles, the Audit Committee continues its activities in order to enable the Board of Directors to carry out its audit and supervision functions. The Audit Committee receives information from the units set up under internal control, internal audit, risk management, anti-fraud and compliance systems, as well as from the independent auditor, with regard to performance of their activities. The Committee confirms that adequate methods are in place to identify, control and monitor Garanti Bank's risks and regularly informs the Board of Directors of its activities and their results. The Audit Committee also gives its opinion to the Board of Directors regarding activity results of the responsible departments, actions that must be taken and other issues it deems important for safe conduct of Garanti Bank's activities.



Activities of the Internal Audit Department

The Internal Audit Department audits Garanti Bank's head office units, branches and subsidiaries subject to consolidation by analyzing the effectiveness of the internal control systems mentioned below.

- » Compliance of activities with applicable legislation and internal regulations;
- » Accuracy and reliability of financial and operational data;
- » Effectiveness of asset protection practices;
- » Effectiveness and efficiency of the activities performed; in order to reach the defined goals.

Moreover, The Internal Audit Department is also responsible for conducting investigations into fraud, swindling and counterfeiting activities.

The Internal Audit Department performs its activities under the categories of on-site audits, centralized audits, IT audits, financial statement audits and investigations. The organizational structure of the Department has been established to realize these activities in the most efficient manner.

- » On-site audits include Head Office departments, subsidiaries, regional offices and branches of Garanti Bank. During these audits, prioritization work is carried out by taking into account the possible impact of risks and focus is given on the processes rather than isolated errors.
- » Within the scope of centralized audits, systematic deficiencies and errors in banking products, applications and processes are defined through remote monitoring techniques.
- » IT audits include general process controls and application controls.
- » Financial statement audits increase audit efficiency in Garanti Bank as well as in the subsidiaries subject to consolidation.
- » Within the scope of investigation works, all acts of fraud and swindling are examined. Through early warning systems, work is carried out in coordination with the Anti-Fraud Monitoring Department in order to ensure detection of acts before causing any damage.

Adopting a risk-focused approach, the Internal Audit Department prepares annual audit plans in accordance with the resources and priorities of the Department and with the targets and strategies of Garanti Bank. The scope and frequency of audits are determined according to the assessments based on risk weights and results of previous audits. The plans are prepared to ensure efficient use of existing resources and to maximize the benefit the Bank derives from its activities.

In accordance with the Regulation on the Internal Systems of Banks issued by the Banking Regulation and Supervision Agency, the parent company, the Bank ensures that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner. Accordingly, the Bank's subsidiaries subject

to consolidation are audited by the Internal Audit Department with a risk-focused approach. Effectiveness of the audits is monitored by the Vice Presidency responsible for monitoring and auditing of corporate governance practices of the subsidiaries under the aegis of the Internal Audit Department. The audit includes the important processes of the above-mentioned subsidiaries and financial information delivered by the concerned to the parent company. For this purpose, a team is formed under the aegis of the Internal Audit Department which is specialized in the financial statement audit of subsidiaries. Moreover, the Internal Audit Department regularly audits the Consolidation and International Accounting Department where the information received from the subsidiaries is consolidated.

Activities of the Internal Control Unit

The Internal Control Unit ensures that a sound internal control environment is in place at the Bank. Accordingly, this unit performs the necessary coordination work in this regard, assuring that activities are performed regularly, efficiently, effectively and in accordance with the management strategy and policies of the Bank and the applicable rules and regulations. In this context, efforts are made to set up an infrastructure based on the functional separation of tasks, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes and the identification and monitoring of risks the Bank is exposed to. The control activities and improvement efforts of the Internal Control Unit are centered on the operational risk matrix. This allows Garanti Bank to monitor operational risks within an integrated risk-based system that combines impact, probability and current processes. Internal controllers reporting to the Internal Control Unit perform monitoring tasks using centralized and on-site control methods:

- » Within the scope of Central Control, retail loans and investment banking transactions of all branches are examined in a sampling methodology in addition to monitoring the availability of the entire Bank's accounting and MIS records. Furthermore, in commercial loans of all branches, which have not been included in the scope of on-site control as a result of a risk assessment conducted, agreements, collaterals and the documentation are examined in a sampling methodology by the Central Control team in terms of their compliance with the Bank's procedures and the legislation.
- » In on-site controls, Head Office units and branches that have been selected on a risk-based assessment undergo controls for the compliance of their transactions and documents with internal regulations and applicable legislation. In addition, tools such as risk reporting and self-assessment are used to enable all branches and units to manage their operational risk.
- » The Internal Control Unit also performs the disaster recovery and business continuity management duty at Garanti Bank. Within this scope; in addition to efforts on maintaining the existing Disaster Recovery and Business Continuity Plan, periodical tests are being executed with relevant units in order that critical

processes on the plan, required back-up systems and alternative working sites are kept ready for resuming activities in a projected period and quality.

Activities of the Anti-Fraud Monitoring Department

The Anti-Fraud Monitoring Department adopts an "enterprise fraud prevention" approach and centrally monitors credit card, merchant, internet and application fraud. Within the scope of monitoring and controlling operational risks that Garanti Bank is exposed to, the Anti-Fraud Monitoring Department develops strategies to proactively monitor, detect, control and prevent acts of external fraud. The Department acts in a rapid and efficient manner against constantly-changing fraud trends thanks to its ever-growing expertise and its quick adaptation to new technologies. Through analyses with regard to acts of fraud, the Department carries out activities to minimize the losses of the Bank and the customers that may arise due to external acts of fraud. The Department develops views and suggestions on the Bank's new product and service developments upon assessing the same with respect to external fraud risks. The Department also carries out all necessary investigation about acts of external fraud, sharing information regarding acts of external fraud within the Bank and with other banks within the scope of Intelligence Management. In addition to that, the Department carries out training and awareness programs in order to help Garanti Bank personnel understand the importance of the fight against fraud and to establish this culture throughout the Bank. Within the scope of monitoring and prevention of fraud attempts and incidents, the Department follows up technological developments to increase the security of products and services provided via alternative delivery channels and card-based payment systems, and to detect and prevent credit card and consumer loan application frauds and attempts of account takeover. For this purpose, the Department takes the most efficient and effective actions quickly, by means of developing strategies that comply with the Bank's policies.

Activities of the Compliance Department

Together with the increasing importance of legal compliance risk and in parallel with international standards, a new department under the name of "Compliance Department" was set up on July 13, 2012 with the aim of coordinating compliance activities managed by separate departments from a single point in the Bank. The Compliance Officer Team and the Compliance Controls Division that works under the Internal Control Unit were subordinated to the said Department, together with all their functions. Our Bank's Compliance Officer has been appointed as the Compliance Senior Vice President adopting these responsibilities and continues to represent our Bank.

In accordance with Article 18 of the Regulation on the Internal Systems of Banks issued by the Banking Regulation and Supervision Agency on November 01, 2006, a Compliance Controls Division was set up under the Compliance Department to perform compliance function with respect to applicable laws, organizational standards

RISK MANAGEMENT POLICIES

and ethical principles, to prevent incidents that would cause Garanti Bank to suffer financial losses, cancellation of authorization or loss of reputation. The Compliance Controls Division coordinates and supervises existing control mechanisms regarding the compliance of Garanti Bank's transactions with laws, internal policies and rules, and banking practice, ensures that processes are updated in accordance with changes in legislation, monitors efforts to communicate such changes to employees and gives its opinion on new products and transactions before they are implemented. Other basic responsibilities of the compliance function include the monitoring of Garanti Bank's international branches and subsidiaries subject to consolidation for compliance risks arising from foreign legislation and the continuous improvement of the compliance culture and awareness within Garanti Bank.

In accordance with Law No. 5549 on Compliance Program with Obligations Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism, the AML Compliance Officer of the Bank has the following duties and responsibilities:

- » Carry out all necessary efforts to achieve Garanti Bank's compliance with the regulations issued pursuant to Law 5549 and to provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),
- » Ensure that the compliance program is carried out; to develop policies and procedures within this scope, to execute risk management, monitoring and control activities, to follow up the results of internal audit and training activities,
- » Present to the approval of the Board of Directors the efforts related to the training program about Prevention of Laundering Proceeds of Crime and Financing of Terrorism and to ensure that the approved training program is carried out effectively,
- » Look into and evaluate the information that he/she receives or becomes aware of sua sponte; to report any transaction that he/ she deems to be suspicious to MASAK (Financial Crimes Investigation Board),
- » Manage relations with relevant official or private agencies.

In performing the above duties and responsibilities, the AML Compliance Officer Team set up under the Compliance Department cooperates with the Internal Audit Department, the Internal Control Unit, the Training Department and the Legal Department, and meets in certain periods with the relevant executives to review ongoing activities.

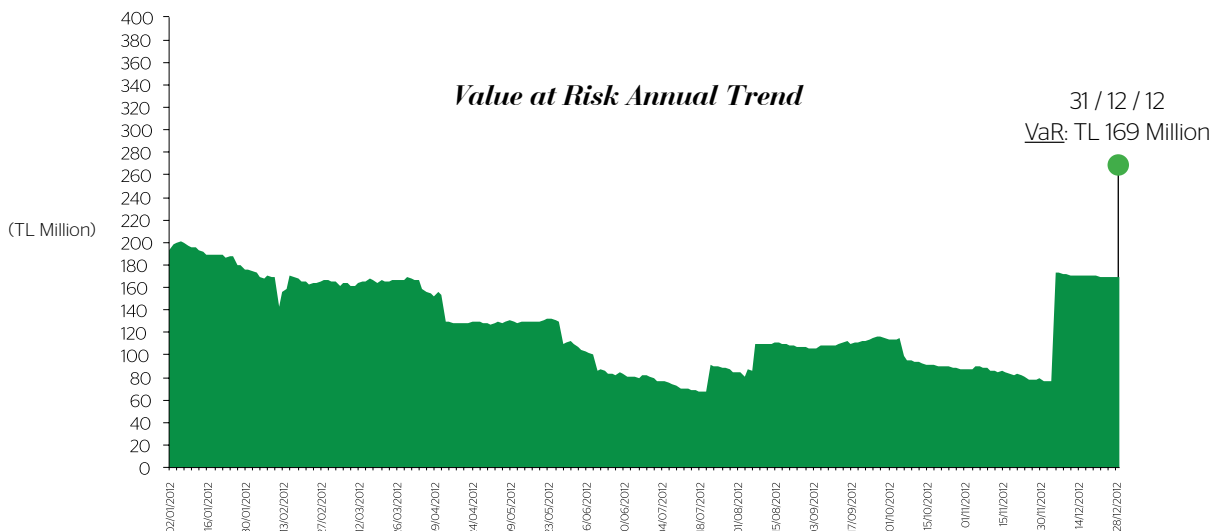
Risk Management Activities

Garanti Bank measures and monitors risks that it is exposed to by using methods that comply with international standards, and in accordance with the applicable legislation. A risk management software is utilized in measuring and reporting of operational risk, trading risk and credit risk regulatory capital.

Internal processes have been reviewed in order to measure the risks in compliance with the new capital adequacy regulation that entered into force on July 1, 2012. Moreover, application of the software used for preparing regulatory reports has been completed and systemic works have been carried out, required for providing regular and proper data to be used in calculations. Bank's risk management strategies, policies and procedures are also updated in accordance with Bank's needs and best practices. In due course, the Basel Steering Committee which is set up to ensure the Bank's alignment with Basel guidelines and to monitor efforts to be undertaken to achieve compliance, actively continues to ensure internal coordination.

Market Risk

Market risk is measured in accordance with applicable regulations, Garanti Bank's structure, policies and procedures, internationally accepted methodologies and effectively managed and evaluated within a continuously improving structure. Market risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and mitigating risk through hedging transactions.



Market risk is defined as the risk Garanti Bank faces due to fluctuations in market prices in relation to the positions it maintains on or off its balance sheet for trading purposes, and is calculated daily using the VaR model. Value-at-Risk is a measure of the maximum expected loss in market value of a portfolio of certain maturity as a result of market price fluctuations, at a certain confidence interval and a certain probability. VaR is calculated using historical simulation method and one-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. VaR limits are specified in accordance with the capital allocation approved by the Board of Directors and dynamically updated depending on changes in the Bank's shareholders' equity. These limits are monitored and reported daily by the Risk Management Department.

VaR stood at TL 169 million by the end of 2012 and its average value for 2012 was TL 126 million. Having decreased in conjunction with the decrease in the market volatilities during 2012 and in TL interest rates, VaR does not constitute an important risk for the Bank when evaluated considering Garanti Bank's shareholders' equity amount. In order to identify risks that might arise from major market fluctuations, regular stress tests and scenario analyses are conducted using the VaR model.

Interest Rate Risk Resulting from Banking Book

Reports on duration/gap and sensitivity analyses are prepared to determine Garanti Bank's exposure to interest rate risk as a result of maturity mismatches in its balance sheet. The Assets and Liabilities Committee and the Asset-Liability Management Department use the duration/gap report for managing balance-sheet interest rate risk and for liquidity management.

Instruments such as interest rate swaps and credit default swaps (CDS) have been used to manage basis interest rate, funding and country credit spread risks. Long-term funding such as bond issuance, syndication and securitization has been provided.

Approval of the Assets and Liabilities Committee is required for hedging transactions that are related to Garanti Bank's balance sheet. The interest rate risk arising from banking book is confined via the limit approved by the Board of Directors.

Since September 2011, interest rate risk resulting from banking book is measured on unconsolidated basis, using the standard shock method, and is reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis.

Liquidity Risk

Within the frame of the risk management policies approved by the Board of Directors, the Asset-Liability Management Department, the Liquidity Risk Management Committee and the Assets and Liabilities Committee manage liquidity risk in order to take appropriate and timely measures in case of a liquidity crisis arising

from market conditions or Garanti Bank's balance sheet structure. As part of the contingency funding plan, Garanti Bank monitors liquidity risk within the context of early warning signals, stress levels defined according to possible liquidity risk scenario and the severity of the risk, and possible action to be taken at each stress level within a corporate framework. Core-deposit analyses is performed for deposits which are an important balance sheet item in terms of liquidity management. Garanti Bank complies with the regulatory liquidity ratio requirements.

High quality liquid assets and alternative funding sources are evaluated by cash flow projections in order to meet possible liquidity requirements at stress conditions. Day-to-day liquidity management is performed by the Asset-Liability Management Department.

Credit Risk

Credit risk management is a process for consistently evaluating and monitoring credit risk and covers all credit portfolios. The internal risk rating model, which was developed for the corporate and commercial loans portfolio, has been used in loan allocation stage since 2003 and was incorporated into the relevant lending policies and procedures. This model was developed using statistical methods on historical data, in order to rate customers using objective criteria. The internal risk rating model calculates the default probability for each customer. Concentrations are monitored across the portfolio with respect to internal risk ratings, sectors, groups and customers. Three models have been established for specialized lending using Supervisory Slotting Criteria method. Application and behavioral scorecards are being used in the allocation process of the consumer loans and credit card portfolios. Application and behavioral scorecards are being used for general-purpose, automobile, housing/commercial mortgage/home equity loan and overdraft loan demands in SME Loans process. Within the context of treasury operations, necessary netting adjustments are made and counterparty credit risks are monitored accordingly.

Operational Risk

All of Garanti Bank's operational risks are managed under the supervision of the Board of Directors and the Audit Committee, with emphasis on the identification, evaluation, monitoring and control/mitigation of risks.

The Audit Committee monitors and evaluates the results of the operational risk monitoring activities of the Internal Audit Department and the Internal Control Unit. Garanti Bank is making the necessary efforts in line with local and international regulations (Basel II) to measure operational risk in accordance with its scale, internal control systems and databases. As part of this effort to measure and manage operational risks, Garanti Bank has primarily prepared a risk matrix that uses Basel II categories to categorize existing and potential operational risks and the related business units, reasons and cause and effect types.

RISK MANAGEMENT POLICIES

The audit status, impact and probability of each risk are evaluated within this matrix with a view to controlling risk. The risk matrix is monitored, updated and used in their reviews by the Internal Control Unit and the Internal Audit Department. Garanti Bank's operational risk loss data are evaluated and gathered in an internal loss database centrally and systematically and in compliance with Basel II standards.

Reputational Risk

The Bank avoids all kinds of transactions and activities that would cause reputational risk in the eyes of legal authorities, customers and other market actors. The Bank pays special attention to be beneficial to society, natural environment and humanity. Trainings are held with the aim of raising awareness about reputational risk throughout the Bank and encouraging all employees to fulfill their duties and responsibilities.

In 2012, in order to manage reputational risk more efficiently, some changes were made in the organizational structure with the aim of protecting and improving the Bank's reputation in the eyes of customers, managing possible impacts of social media platforms in relation with the Bank's reputation, ensuring Bank's sustainable awareness about compliance with laws and corporate standards, managing information security and IT-related risks as well as defining and minimizing Bank's impacts on the environment.

Managers of Internal Systems Units Names, Terms of Office, Responsibilities, Educational Background and Professional Experience

Ebru Ogan Knottnerus

Ebru Ogan graduated from the Business Administration Department of the Middle East Technical University. She worked as an executive at various private companies and banks between 1991 and 2001. Having joined the Subsidiaries Risk Management Department of Garanti in 2001, Ogan has been serving as Garanti Bank's Risk Management Senior Vice President since 2003. The responsibilities of the Risk Management Senior Vice President are outlined below:

- » Ensure that risk management culture is recognized and risk management principles are widely embraced throughout Garanti Bank and its subsidiaries,
- » Set up an integrated risk management system, which measures market, credit and operational risks together, and which is in compliance with applicable legislation, and ensure that by means of this system, Garanti Bank's capital is used in a way to maximize the Bank's value,
- » Determine risk management strategies and policies of Garanti Bank and present these to the Board of Directors.

Osman Bahri Turgut

Osman Bahri Turgut holds a degree in economics from Marmara University. He joined Garanti in 1990 and worked as an Assistant Auditor, Auditor, Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President and Internal Control Unit Manager. Serving as the Director of the Internal Audit Department since October 04, 2006, he has 22 years of experience in the banking sector. The responsibilities of the Director of the Internal Audit Department are outlined below:

- » Determine internal audit policies and procedures and implement these after obtaining the necessary approvals,
- » Monitor and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities,
- » Verify that Department members possess the qualifications required by their authorities and responsibilities.

İnci Soysal

İnci Soysal graduated from the Business Administration Department of the Middle East Technical University, the Faculty of Economics and Administrative Sciences. She joined Garanti Bank as an Assistant Auditor in 2000 and was appointed as the AML Compliance Officer in 2010. Having 12 years of experience in banking İnci Soysal has been serving as the Compliance Senior Vice President since July 2012. As the Compliance Senior Vice President, she is responsible for:

- » Ensuring that the Bank's compliance activities are carried out in accordance with applicable legislations and Garanti Bank's goals and policies,
- » Carrying out all necessary efforts to achieve compliance with the Law 5549 on Prevention of Laundering Proceeds of Crime and with the regulations issued pursuant to the Law and to provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),
- » Developing policies, procedures and training programs relating to Bank's compliance with regulations and ensuring effectiveness thereof, carrying out activities in relation with identification and notification of suspicious transactions, overseeing the preparation of statistics on internal audits and trainings and informing MASAK (Financial Crimes Investigation Board), and fulfilling the obligation of providing MASAK with information and documents in compliance with the manner and methods defined by MASAK,
- » Within the scope of compliance controls, ensuring the compliance of activities performed or to be performed by the Bank, all transactions and products with the Banking Law and other related applicable regulations, internal policies and rules, and with banking practice,
- » Verifying the existence of controls regarding the defining of Bank's legal compliance risks, reducing or eliminating such risks, and providing suggestions regarding the setting up or improving of these controls when necessary.

Beyhan Kolay

Beyhan Kolay holds a degree in Public Administration from the Middle East Technical University. He joined Garanti Bank as an Assistant Auditor in 1994 and was appointed as the Assistant Director of the Internal Audit Department in 2005. Serving as Anti-Fraud Senior Vice President since 15 September 2006, Kolay has 19 years of experience in banking. The responsibilities of the Anti-Fraud -Senior Vice President are outlined below:

- » Develop and ensure the implementation of strategies for the minimization of financial and non-financial losses that may arise from external fraud,
- » Prepare the annual business plans of the Anti-Fraud Monitoring Department and ensure that activities are performed in accordance with these plans,
- » Evaluate whether the unit's employees possess the qualifications required by their authorities and responsibilities,
- » Supervise that the employees of the Anti-Fraud Monitoring Department perform their duties in an independent, diligent and unbiased manner.

Emre Özbek

Emre Özbek got his degree in business administration from Ankara University, Faculty of Political Sciences. He joined Garanti Bank as an Assistant Auditor in 1999 and was appointed as the Assistant Director of the Internal Audit Department in 2007. Özbek, also holding the certificates of CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) and having 14 years banking experience, has been serving as the Senior Vice President of Internal Control Unit since 07 May 2009. The responsibilities of the Internal Control Unit Senior Vice President are outlined below:

- » Ensure the establishment of the Bank's internal control system in accordance with applicable legislation and Garanti Bank's goals and policies,
- » Collaborate with top management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal control employees,
- » Prepare the annual business plans of the Internal Control Unit and ensure that activities are performed in accordance with these plans,
- » Verify that internal controllers possess the qualifications required by their authorities and responsibilities,
- » Supervise that internal controllers perform their duties in an independent, diligent and unbiased manner.

SUPPORT SERVICES PROVIDERS

Companies providing support services in accordance with the regulations on the provision of support services to banks and the authorization of support service providers are indicated below, together with the type of service outsourced:

- » Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş.: Marketing and consulting services in relation to mortgage products.
- » Garanti Ödeme Sistemleri A.Ş.: Marketing, promotion, product development and consulting services related to payment systems, primarily debit and credit cards.
- » Garanti Bilişim Teknolojisi ve Ticaret A.Ş.: Consulting services for network management, system management, infrastructure management, application software and IT.
- » Garanti Hizmet Yönetimi A.Ş.: Performing investment activities.
- » Loomis Güvenlik Hizmetleri A.Ş.: Cash delivery within the scope of Law No. 5188.
- » YÖN İnsan Kaynakları Destek Hizmetleri Ltd. Şti.: Call center services, executive assistantship service.
- » IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.: Disaster recovery center back-up service.
- » Matriks Bilgi Dağıtım Hizmetleri A.Ş.: Software/software maintenance/update services.
- » Ingenico Ödeme Sistem Çözümleri A.Ş.: POS software development and version updating services.
- » Verifone Elektronik ve Danışmanlık Ltd. Şti.: POS software development and version updating services.
- » Provus Bilişim Hizmetleri A.Ş.: Card embossing and personalization services.
- » Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.: Credit/debit card delivery.
- » Aktif İlet ve Kurye Hizmetleri A.Ş.: Credit/debit card delivery.
- » Konut Kredisi Com Tr Danışmanlık Anonim Şti.: Online marketing of mortgage products.
- » K2 Kültür İşleri Tasarım, Danışmanlık Organizasyon ve Tic. Ltd. Şti.: Online marketing of mortgage products.
- » Enuygun Com İnternet Bilgi Hizmetleri Teknoloji ve Tic. A.Ş.: Online marketing of mortgage products.
- » Hangisi İnternet ve Bilgi Hizmetleri A.Ş.: Online marketing of mortgage products.
- » Verkata LLC: Online marketing of mortgage products.
- » BGA Bilgi Güvenlik Eğitim ve Danışmanlık Ltd. Şti.: Penetration test.
- » Collection Platform Yazılım ve Danışmanlık A.Ş.: Call center/liability declaration/ reminder calls.
- » Sestek Ses ve İletişim Bilgisayar Tek. San. Ve Tic. A.Ş.: Call Center/ Credit card marketing/ forwarding credit card limit increase requests to the bank.

IMPORTANT DEVELOPMENTS REGARDING THE OPERATIONS IN 2012

Information on the share buybacks by the Bank

In 2012, the Bank didn't buy back its shares.

Remarks on the private audit and the public audit made during the account period

Pursuant to the relevant regulations, routine audits have been carried out by the audit authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board (CMB), the Ministry of Finance, the Undersecretariat of Treasury, and the Central Bank. Detailed information about the administrative fines charged by the audit authorities as a result of such audit to the Bank in 2012 is available .

Information about the lawsuits filed against the Bank, which may affect the financial status and operations of the Bank, and about their possible results

No lawsuit was filed in 2012 against the Bank which may affect the financial status and operations of the Bank.

Remarks on the administrative or judicial sanctions imposed on the Bank and members of the administrative body of the Bank due to any practice which was contrary to the laws and regulations

The Turkish Competition Board decided by its decision dated November 2, 2011 and numbered 11-55/1438-M to initiate investigation about the Bank pursuant to the Law No. 4054 on the Protection of Competition in order to determine if the Bank has made an agreement, or involved in concerted practice, to restrict the competition regarding the interest rates to be applied to banking products. As a result of such investigation, with its decision dated March 08, 2013, the Turkish Competition Board imposed an administrative fine in the amount of TL 213,384,545.76 against the economic group composed of the Bank, Garanti Ödeme Sistemleri A.Ş. and Garanti Konut Finansmanı Danışmanlık A.Ş. on the ground that the Article 4 of the aforementioned Law was violated. In accordance with the Article 17 of the Law on Misdemeanors No. 5326, it is possible to pay three fourth of the fine, which is equal to TL 160,038,409.32. Following the notification of the reasoned decision, the Bank plans to exercise all its legal rights.

Furthermore, pursuant to the letters dated March 20, 2012 and April 04, 2012 sent by the Undersecretariat of Treasury to the Bank, marketing and sales of elementary and life insurance products were carried out by Garanti Emeklilik ve Hayat A.Ş. and Eureka Sigorta A.Ş., the insurance companies for which the Bank acts as direct agent, on April 16-17-18, 2012. On the above-mentioned dates, the screens used for execution of said transactions via the IT systems of the Bank were closed, and the transactions were executed via the IT systems of Garanti Emeklilik ve Hayat A.Ş. and Eureka Sigorta A.Ş.

In 2012, the Bank paid TL 1.3 million in total on account of administrative fines charged by regulatory and audit authorities against the Bank.

Information about amendments to laws and regulations which may significantly affect the operations of the Bank

Pursuant to Article 9 of the "Regulation Amending the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", which has been enacted and published in the Official Gazette of September 21, 2012, the banks shall set aside at least 40% until 31/12/2012, at least 60% until 31/12/2013, at least 80% until 31/12/2014 and 100% until 31/12/2015, of the amounts of the general provisions to be calculated at the rates established by the first sub-clause of Article 7, for standard and closely monitored cash loans as well as letters of guarantees and bills of guarantee and sureties and other non-cash loans for which the banks calculate general provisions as of the end of the last month before the relevant regulation enters into force, on the basis of their remanent sums.

As a result of the regulation in the "Regulation Amending the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", which has come in effect upon its publication in the Official Gazette of December 30, 2011, providing that the banks have set aside a special provision at the rate of 100% for loans and other receivables they classified as Third, Fourth and Fifth groups, the banks are no longer obliged to set aside a special provision for the sum they are liable to pay for each sheet of the check book they have given to the same loan customers of the banks, providing that the banks have sent notice to the holders of such check books which two years have elapsed since the date they were given to the customers to the effect that unused blank checks be returned to the bank within 15 days following the date of the notice.

With a provisional article added to the "Regulation Amending the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside", which has come in effect upon its publication in the Official Gazette of December 30, 2011, the banks are given flexibility in areas of classification and restructuring of loans made available to the shipping sector under the account of non-performing loans.

The maximum contractual interest rate applicable to credit card transactions as announced quarterly by the Central Bank of Turkey was raised from the level of 2.12% in the last quarter of 2011 to 2.34% at the beginning of 2012 and remained at that level throughout the year. The maximum default interest rate was raised from the level of 2.62% in the last quarter of 2011 to 2.84% at the beginning of 2012 and remained at that level throughout the year.

Following the process of transition to Basel II over the period of 01.07.2011-31.06.2012, the banks have begun to report their capital adequacy ratio calculations in accordance with the Basel II standards as of 1 July 2012.

Pursuant to the legal capital adequacy regulation (Basel II) issued by the BRSA,

- » While the risk weight of the FC securities issued by the Undersecretariat of Treasury was 100% until the rating rise of Fitch in November, it has been applied as 50% since the rating rise.
- » Risk weight of the mortgage receivables from residential real estates is continued to be applied as 50% as different from the Basel II standard which is 35%.
- » Risk weight of the Consumer Loans will be applied as 75% if it fulfills the retail receivables criteria as opposed to the Basel I standard which is 100%. With the regulation which came in effect on June 18, 2011, the time-to-maturity based risk weighing method introduced for credit card receivables previously will be used for consumer loans other than auto and mortgage loans as well and the risk weight of consumer loans, excluding auto and mortgage loans, of which maturity is between one year and two years will continued to be applied as 150% and the risk weight of consumer loans of which maturity is longer than two years as 200% in the calculation of the capital adequacy of the banks.

With a regulation introduced by the Capital Markets Board and published in the Official Gazette dated November 1, 2011, which came in effect on January 1, 2012, the upper limit of annual management fee for liquid funds has been decreased from the level of 2.74% at the end of 2011 to the level of 1.1%.

In 2012, the Turkish Commercial Code (Law No. 6102) and the Turkish Law of Obligations (Law No. 6098) came in effect. The Bank has carried out works for making its articles of association, preparations for the general shareholders' meeting, practices, processes and documentation infrastructure comply with the said new laws. Furthermore, sub-regulations to be issued by the Capital Markets Board pursuant to the Capital Market Law (Law No. 6362) which came in effect on December 30, 2012 are awaited. Upon coming into effect of such regulations, the Bank will carry out further compliance works. Meanwhile, the Communiqué Serial

IV, No. 56 on the Determination and Application of the Corporate Governance Principles of the Capital Markets Board came in effect for public banks on December 30, 2012. Within the frame of the Bank's commitment to corporate governance principles, Garanti has been carrying out the works necessary for compliance with the said Communiqué. In this context, the Bank ensures compliance with all compulsory corporate governance principles, including, but not limited to, amendment of the articles of association, establishment of the Corporate Governance Committee and making the structuring of the Board of Directors compliant with the Communiqué.

With the "Communiqué (No. 2012/15) Amending the Communiqué (No. 2005/1) on Required Reserves" which was published in the Official Gazette dated December 19, 2012 and numbered 28502, rates of required reserves in foreign currencies set aside for liabilities in foreign currencies have been changed. Accordingly, the rates of required reserves have been raised:

- » from 11% to 11.5% for FC demand and notice deposits, FC private current accounts and gold demand deposits and for FC deposits, participation and gold accounts up to 1-month, 3-month, 6-month and 1-year maturities;
- » from 11% to 11.5 for other FC liabilities up to 1-year maturity (including 1-year);
- » from 9% to 9.5 for other FC liabilities up to 3-year maturity (including 3-year).

In addition, with regulations issued at various dates in 2012, changes have also been made to the manner of institution of required reserves in Turkish lira, foreign currency and gold, the limits applicable to institution of such reserves in a different currency unit and the reserve option ratios on which the calculation of amounts to be deposited as required reserve must be based.

With an amendment made to the Regulation on Bank Cards and Credit Cards published by the BRSA, effective December 17, 2010, minimum payment rates of card holders have been changed. Minimum payment rates of existing card holders have been determined based on the limits assigned or will be assigned to the cards. The above-mentioned rates will be raised per the following calendar.

	M.P.R. for cards with a limit up to TL 5,000	M.P.R. for cards with a limit between TL 5,001 and TL 15,000	M.P.R. for cards with a limit between TL 15,001 and TL 20,000	M.P.R. for cards with a limit above TL 20,000
Between 17.12.2010 and 17.06.2011	20%	20%	20%	20%
Between 18.06.2011 and 17.12.2011	20%	22%	22%	22%
Between 18.12.2011 and 17.06.2012	22%	25%	25%	25%
Between 18.06.2012 and 17.12.2012	22%	25%	28%	28%
Between 18.12.2012 and 17.06.2013	25%	25%	30%	30%
Between 18.06.2013 and 17.12.2013	25%	25%	30%	35%
After December 18, 2013	25%	25%	30%	40%

Note: M.P.R. stands for Minimum Payment Rate.

AUDIT COMMITTEE'S ASSESSMENT OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

2012 Macroeconomic Overview:

Four years after the start of the global financial crisis, its negative effects on the world economy continued to be felt throughout 2012. Concerns regarding the high levels of national debt in many countries in Europe and the lacking confidence, as well as economic activity in the USA and Japan, persisted. Under the influence of the slowdown in the developed countries' growth, growth in developing countries decelerated. For all reasons above, 2012 was a year in which growth decelerated globally and the downside risks to growth remained present.

Despite the concrete steps in Europe to solve the crisis, concerns regarding the sustainability of public debt in the economies of Greece, Spain and Italy remained unchanged. With further reduction of demand in Europe's leading economies Germany and France, the economic activities in Europe as a whole also weakened. The other major threat to global growth emerged from the uncertainty created by the spending-cuts and tax increases resulting from the US "Fiscal Cliff", possibly dragging the US economy into recession. With regard to developing countries, reduced internal demand emerging from the tightening policies implemented last year, to deal with the slowdown in short-term capital-flows and external demand, caused growth to remain extremely low. It is expected that the downside risk to growth, created by the global crisis, will also remain in the developed countries in 2013. In this connection, while the risks regarding a low external demand in developing economies will continue, the IMF predicts that global growth will see a limited increase compared to 2012.

Regarding the Turkish economy, 2012 was the year in which the soft landing, following the rapid internal-demand driven growth figures of the previous years, began to manifest itself. Despite a decrease in internal demand, the contribution of external demand caused by a strong export performance, resulted in a continued growth in 2012. While the reduction of fragility of the economy because of changing growth dynamics was a positive development, the foreign trade deficit and, consequently, the current account deficit also narrowed in 2012 with the reduction in imports resulting from weakening internal demand. Furthermore, medium-long term positive measures were taken through new regulations on systems such as tax incentives and private pensions. Rapidly declining in the final quarter of the year, inflation was above-target at the end of the year, although, remaining within the inflation uncertainty margin, a rate of 6.2% was attained.

Concerning monetary policy, the Central Bank played an active role in 2012. Starting from October 2011, the Central Bank, actively using an interest rate corridor without changing its policy towards interest rates, set funding costs at high levels with the aim of inhibiting inflationary pressures, and, over the remaining part of the year, reduced funding costs due to positive outlooks with regards to inflation and the weak internal demand. Following the reduction of funding costs to levels below the policy interest rate, in December, the policy interest rate was also lowered. With the Central Bank's

narrowed interest rate corridor reducing uncertainty, credit and deposit interest rates especially decreased in last months of 2012. The loan growth in 2012, a year in which internal demand remained limited, was close to 15% as stated in the Central Bank's policy documents. In order to maintain the stability of the Turkish Lira (TL), the Central Bank actively utilized the Reserve Options Mechanism as a new policy instrument. As a result, in 2012, the TL gained a stable outlook against volatile capital flows.

The Credit Rating Agency Fitch raised Turkey's long-term foreign currency credit rating from BB+ to BBB- and its long-term local currency rating from BB+ to BBB, raising it to investment grade and setting its rating outlook as "stable". It is pointed out that the rating upgrade together with the soft landing approach of the economy reflects a decrease in short term macro financial risks. Fitch placed emphasis on the reduced public debt, a strong financial system, the attainability of medium-term growth projections and a relatively well-diversified economy. While the benchmark interest rate was decreasing to historically low levels in the wake of Fitch's credit rating upgrade, the Central Bank, aiming to prevent the appreciation of TL through a foreseen increase of capital inflow, announced its adoption of a cautious policy and with that ensured the stable outlook of TL. With the aim of supporting financial stability and the extension of terms for the banking system's FC liabilities, FC reserve requirement ratios were increased for long-term liabilities for the first time in December 2012. In 2013, it is expected that the TL will continue on its stable course, with the continued active utilization of the Central Bank's Reserve Options Mechanism.

Assessment of Garanti Bank's Activities and Risks the Bank Exposed to in 2012:

The one-year transition period provided for the Turkish Banking sector to comply with new capital adequacy guidelines parallel to the Basel II/CRD was completed on July 1, 2012. For the June-July 2012 period in which transition to the Basel II/CAR guidelines with standard method had occurred, the banking sector's capital adequacy ratio was 16.29%, reduced by 0.18% from 16.47%. The negative effect of the increase of credit risk on capital adequacy ratio was balanced by a profit-based capital growth. In October, Fitch's upgrading of Turkey's credit rating positively affected the capital adequacy ratio of both Garanti Bank and the banking sector.

As a result of the transition to the new CAR guidelines, Garanti Bank's unconsolidated capital adequacy ratio increased by 1.21 points between June and September 2012, from 16.58% to 17.79%. The 1.21-point increase in CAR was a resultant of a 0.94 points increase due to capital growth and a 0.27 points increase due to a decrease in risk-weighted assets. While foreign currency receivables from Turkey's central administration and mortgage loans increased the credit risk by TL 7.9 billion, an improvement due to the Corporate and Retail credit risk classification and the assigning of the Retail risk class to 75% risk weight, reduced the credit risk by TL 5.4 billion.

Throughout the year, probable effects of the parameters influencing the capital adequacy ratio were evaluated by stress tests. Garanti Bank's transition to Basel II was successfully carried out, and was executed under the oversight of the Basel II Steering Committee, who ensured correct data management, process development and software updating activities for the calculation of the capital adequacy ratio. The Bank's strategy, policy and procedures with regard to risk management, were reviewed and improved. In this context, concentration risks management policy and procedures and trading portfolio management frameworks were established and approved by the Board of Directors in September. The "Garanti Bank Internal Capital Adequacy Assessment Process and the Capital Adequacy Policy" was put in writing and approved by the Board of Directors in December. The ultimate goal of the internal capital adequacy assessment process was to maintain the Bank's capital adequacy ratio in line with its risk profile and risk appetite, taking into account the Bank's strategies, credit growth expectations, asset-liability structure, future funding sources and liquidity, dividend distribution policies and possible fluctuations in capital depending on the business cycle. Within this scope, the potential internal capital need was assessed with regard to Garanti Bank's capital structure in 2012 and goals and strategies for 2013 within the framework of the Bank's activities and the risks it is exposed to. This assessment also covers, interest rate risk arising from banking book, liquidity risk, reputational risk, residual risk, concentration risk, strategic risk and country and transfer risks as well as the market, credit and operational risks directly affecting the regulatory capital adequacy ratio. The internal capital adequacy assessment methodology is treated as a developing process and action plans are established by determining development areas for the coming period.

Parallel to the emerging economic slowdown, which commenced in mid-2011 and became highly apparent in the following year, 2012 was a year in which credit growth remained limited in the banking sector. Garanti Bank continued to grow in a selective and restrained manner in 2012 and increased its credit portfolio by 9.4%, even though a careful risk-return balance in its credit portfolio was applied. With regard to the above-mentioned risk-return balance, the consumer and SME loans were the segments that saw the highest growth. SME loans, general-purpose loans and retail credit cards achieved growth of 22%, 24.9% and 18.9%, respectively.

While prudently growing its credit portfolio and standing firm on its credit quality, Garanti Bank also regularly reviewed its loan granting processes, as well as its rating and scoring models. During the loan granting process, corporate and commercial loan offers were evaluated within the authority levels based on exposures by the relevant parties. Giving attention to the firm's financial situation, creditability and, accordingly, the necessity of the collateral and the project upon which the loan is based, formed the collateral structure. Loan demand of retail and SME customers were assessed

by utilizing segment specific processes and automatic decision systems. The maximum possible terms were set by product in accordance with the Bank's policies and relevant legislations. With the aim of being prepared for internal rating based approaches and also for monitoring risks that are more sensitively measured, the scope of rating and scorecards was further developed in 2012. In house developed new application scorecards were established, especially for the retail segments and Loss Given Default models were developed for commercial portfolios. Besides loan granting procedures, Garanti's monitoring procedures and credit policies were also reviewed. With the support of strong credit processes and rating and scoring systems, the non-performing loans ratio was 2.3%, remaining below the sector's average.

While there was growth in the securities portfolio in the first months of the year, in parallel to low inflation expectations resulting from monetary policy of CBRT at the beginning of 2012, increasing trends of inflation and interest rates in the second half of the year confirmed the expectations at the beginning of the year. In 2012, in which volatility of interest rates were lower compared to previous years, interest rate risk for securities portfolio and derivative instruments held for trading purposes in the Bank decreased also because of changing trading portfolio classifications in accordance with the Basel II regulations. Whereas the Turkish Lira retained its stability in 2012, exchange rate risk maintained at low levels due to low net general FC position within legal limits.

Despite the unfavorable conditions in the international markets, syndicated loans maturing in 2012 were rolled over. Moreover, by issuing two new USD denominated Eurobonds with five- and ten-year maturities, an additional source of FC was obtained. In 2012, deposits were the main funding source with the largest share among funding sources despite increased competition in a decreasing interest rate environment. Both diversification among funding sources and management of maturity gap between assets and liabilities were achieved as a result of continuing domestic TL bond issues in 2012. Interest rate risk was managed within the set legal limit based on the capital and regularly monitored through duration and gap analyses.

In 2012, Garanti Bank pursued sufficient liquidity to benefit from new investment opportunities, to cover growth-based credit demands and any probable liquidity crunches, in addition to existing funding requirements. The Bank managed the liquidity risk by monitoring stress indicators and early-warning signals determined within the contingency funding plan framework, monitoring the daily cash-flow, overseeing compliance with legal liquidity ratios and ensuring diversification of funding sources.

Note: Based on BRSA unconsolidated financials of December 31, 2012.

AUDIT COMMITTEE'S ASSESSMENT OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

Activities of Internal Systems Group in 2012:

The Internal Systems were constituted under the authority of the Bank's Board of Directors. The Risk Management Department, the Internal Control Unit, the Compliance Department, the Anti-Fraud Monitoring Department and the Internal Audit function coordinately and independently form units performing executive activities.

The Risk Management Department continued its activities within the framework of the Basel Steering Committee, to ensure the necessary coordination within the Bank for compliance with the guidelines changing according to the Basel II framework. The necessary data and software revisions were carried out within the framework of final regulations published by the Banking Regulation and Supervision Agency. Improvements were made to the internal credit risk measurement models. From the point of credit risk, the risk concentration based on debtors, debtor groups and the sector was monitored regularly. Work on the development and application of risk management software was continued and the Bank and market data were regularly monitored with the aim of following and managing risks. Within the scope of the risk limitation, the Bank's internal limits as well as the legal limits were monitored and the potential risks created by economic conditions, probable changes and possible adverse circumstances were assessed.

On the audit side, operational risks were managed through work carried out by the Internal Audit Department and the Internal Control Unit. The Internal Audit Department was engaged in auditing activities in the Head Office units, branches and subsidiaries subject to consolidation and carried out on-site audits, centralized audits, IT audits and financial statement audits. The Internal Control Unit continued its control activities, directed toward branches and units, through both on-site controls and periodic works realized by central teams and using the system infrastructure. Through effective internal control and auditing activities supported by IT, losses in relation to operational risks were maintained at low levels similar to previous years. Moreover, limit, double control and authorization practices on transactions carried out at branches and in units, as well as the integration of controls into procedures, made a major contribution to the management of operational risks. With the intention of increasing audit efficiency carried out in the subsidiaries subject to consolidation, a separate vice-presidency was introduced within the Internal Auditing Department, responsible for monitoring and auditing corporate governance practices of the subsidiaries. Within the scope of activities carried out in the area of disaster recovery and business continuity management, all Bank staff received training with the aim of increasing knowledge levels throughout the Bank. In addition, work was continued, aimed at developing action plans for possible disaster recovery scenarios through practical tests and drills. The work was efficiently carried out under the coordination of the Internal Control Unit.

Together with the increasing importance of legal compliance risk and in parallel with international standards, the Compliance Officer's Team and the Compliance Controls Division that worked within the Internal Control Unit were subordinated to a new department under the name of "Compliance Department", with the aim of coordinating compliance activities in the Bank. Within the scope of compliance controls, compliance of all activities performed or to be performed by the Bank, all new transactions and products with the Banking Law and other related applicable regulations, all internal policies and rules, and all banking practices was ensured. With the aim of strengthening the Bank's consolidated compliance policy, the Bank supervised its subsidiaries' compliance activities and where needed necessary advice was provided. Within the framework of the strategy to fight against the money laundering proceeds of crime and financing of terrorism, the Compliance Department supervised compliance with national and international regulations. Monitoring programs created through the technological facilities of the Bank, risk management, monitoring and control activities were carried out effectively. Within the framework of preventing money laundering and financing of terrorism, classroom training sessions and branch visits were organized, which served to enhance the awareness and consciousness of the staff. In 2012, Garanti Bank's Compliance Department was, for the second time, recognized by MASAK (the Financial Crimes Investigation Board), as the first among the banks of its scale for fighting against the money laundering proceeds of crime and financing of terrorism.

The Anti-Fraud Monitoring Department continued to instantly monitor, identify and prevent through rapid actions, card, Internet, merchant and application fraud. Work was also carried out on raising consciousness of the fight against external fraud by using communiqués throughout the Bank on incidents of fraud occurring and emerging trends. Through the new warning parameters developed against fraud trends evolving in parallel to technological developments, external fraud losses of the Bank and the customers remained at minimum levels as in previous years. Risk-prevention activities for external fraud risks were carried out proactively, together with suggestions and added controls, with regard to new products and procedures to be launched by the Bank.

In 2012, the Audit Committee and the Board of Directors supervised the effectiveness and adequacy of internal control, risk management and internal audit systems, the operation of these accounting and reporting systems in accordance with applicable regulations and the integrity of resulting information. Through the work of various risk committees, the necessary coordination was ensured for the information flow with regard to risks and the development and proactive implementation of the solutions for the management of the risks foreseen.

Expectations for 2013:

It is expected that internal demand will revive in 2013, in comparison with 2012 and that this will have an effect on growth, which will show a moderate increase with regard to 2012. Parallel to this, the growth rate of the credit volume, one of the major items able to ensure asset growth in the banking sector, is anticipated to remain slightly above that of the previous year. In such an environment, the banks have to prioritize selectiveness and oversee the credit quality. Due to the attractive risk-return balance, it is expected that competition will increase in the retail and SME segments. In 2013, it is anticipated that the influence of access to low-cost and permanent funding sources on profitability and the importance for banks of gathering long-term deposits after the changes brought about by new regulations concerning required reserves will increase. Within the framework of Garanti Bank's existing strategy, it is aimed that, while growing in 2013, profitability will be maintained. The Bank's strong capital structure will be a major advantage in attaining this goal. It is further planned to continue to grow especially in the deposit field, addressing the customer base, in a manner appropriate to the sustainable and financial funding strategy. It is anticipated that sources such as bond issues and syndicated loans will be utilized within the interest rate risk management framework stemming from maturity mismatches in balance sheet management and the diversification of funding sources.

In 2012, the management of capital requirements set out by external ratings of counterparties and the classification of receivables according to the new capital adequacy regulations, gained major importance. In 2013, subsequent to the completion of work on the Basel II standard method, the Turkish Banking Sector will concentrate on data management, improving collaterals used in risk reduction and implementing the advanced Basel II method. In addition, it is expected that the road map for the implementation of Basel III in Turkey will become clearer.

Garanti Bank will continue to efficiently manage the risks it is exposed to with regard to its strategy and activities through limits and auditing activities compliant to regulations and overseeing potential stress conditions. Under the supervision of the Audit Committee and Board of Directors, the efficiency and adequacy of the auditing and risk-management systems will be monitored and the necessary work concerning the management of risks the Bank will be exposed to will be carried out in coordination with the risk committees in 2013.



M. Cüneyt Sezgin, Ph.D.

Board and Audit Committee
Member



Manuel Pedro Galatas

Sanchez -Harguindey

Board and Audit Committee Member

RELATED PARTY RISKS

(Thousands of Turkish Lira (TL))

Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,746,072	1,359,135	186,803	34,925	245,679	478,356
Balance at end of period	2,940,871	1,282,931	260,311	118,418	314,839	495,947
Interest and Commission Income	139,633	203	760	6	20,249	931

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,475,734	757,091	14	4,831	232,831	358,273
Balance at end of period	3,746,072	1,359,135	186,803	34,925	245,679	478,356
Interest and Commission Income	176,367	193	1	5	15,601	1,175

Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	386,511	571,953	1,109,031	207,006	341,540	389,333
Balance at end of period	511,151	386,511	101,958	1,109,031	205,931	341,540
Interest Expense	44,764	34,010	14,810	54,624	13,827	15,672

Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Balance at beginning of period	951,574	707,375	1,066,781		28,710	3,992
Balance at end of period	1,119,747	951,574	2,895,692	1,066,781	-	28,710
Total Profit/(Loss)	(17,777)	37,425	(17,213)	27,094	934	1,683
Transactions for Hedging:	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting to TL 1,166,224 thousands (31 December 2011: TL 1,464,814 thousands) compose 1.27% (31 December 2011: 1.75%) of the Bank's total cash loans and 0.73% (31 December 2011: 1.00%) of the Bank's total assets. The total loans and similar receivables amounting to TL 3,516,021 thousands (31 December 2011: TL 4,178,554 thousands) compose 2.19% (31 December 2011: TL 2.85%) of the Bank's total assets. The non-cash loans of the risk group amounting to TL 1,897,296 thousands (31 December 2011: TL 1,872,416 thousands) compose 8.37% (31 December 2011: 8.91%) of the Bank's total non-cash loans. The deposits of the risk group amounting to TL 819,040 thousands (31 December 2011: TL 1,837,082 thousands) compose 0.94% (31 December 2011: 2.17%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting to TL 37,136 thousands (31 December 2011: TL 48,432 thousands) compose 0.17% (31 December 2011: 0.24%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arm's-length basis.

Furthermore, there is a credit card (POS) payable amounting to TL 64,596 thousands (31 December 2011: TL 57,693 thousands) to related parties.

Operating expenses of TL 6,195 thousands (31 December 2011: TL 6,991 thousands) for IT services, of TL 10,960 thousands (31 December 2011: TL 12,493 thousands) for advertisement and broadcasting services, of TL 17,813 thousands (31 December 2011: TL 13,695 thousands) for operational leasing services, and of TL 8,870 thousands (31 December 2011: TL 5,592 thousands) for travel-arrangement related services rendered by related parties and rent income of TL 4,024 thousands (31 December 2011: TL 2,990 thousands) for the real estates rented to related parties, are recorded.

As of 31 December 2012, the net payment provided or to be provided to the key management of the Bank amounts to TL 82,512 thousands (31 December 2011: TL 86,277 thousands).

Other matters not required to be disclosed

None.

Transactions accounted for under equity method

None.

All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler A.Ş. and Garanti Emeklilik ve Hayat A.Ş. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

SUPPORTING
RENEWABLE
ENERGY

GARANTI BANK SEES THE

FINANCING OF RENEWABLE ENERGY

AS AN IMPORTANT OPPORTUNITY TO
REDUCE TURKEY'S CURRENT ACCOUNT DEFICIT
AND ALSO THE GREENHOUSE GAS EMISSIONS.

AS OF THE END OF 2012,

OVER \$6 BILLION
LOAN

(COMMITTED FOR
ENERGY PROJECTS)

ALMOST HALF OF THIS AMOUNT,



~~\$6 BILLION~~
\$3 BILLION,

ALLOCATED FOR
RENEWABLE ENERGY PROJECTS.

GARANTI BANK PREDICTS

A YEARLY DECREASE IN GREENHOUSE GAS EMISSIONS
EQUIVALENT TO 2,63 MILLION TONS OF CO₂,
WHICH CAN BE ABSORBED BY 105 MILLIONS OF TREES

THANKS TO THE OPERATIONAL
RENEWABLE ENERGY PROJECTS IT HAS FUNDED.

\$1.5 BILLION



FOR THE
WIND FARM PROJECTS

TO HAVE

1,216 MW

INSTALLED CAPACITY

\$1.5 BILLION

FOR
HYDROELECTRIC
POWER PLANTS

TO HAVE

2,141 MW

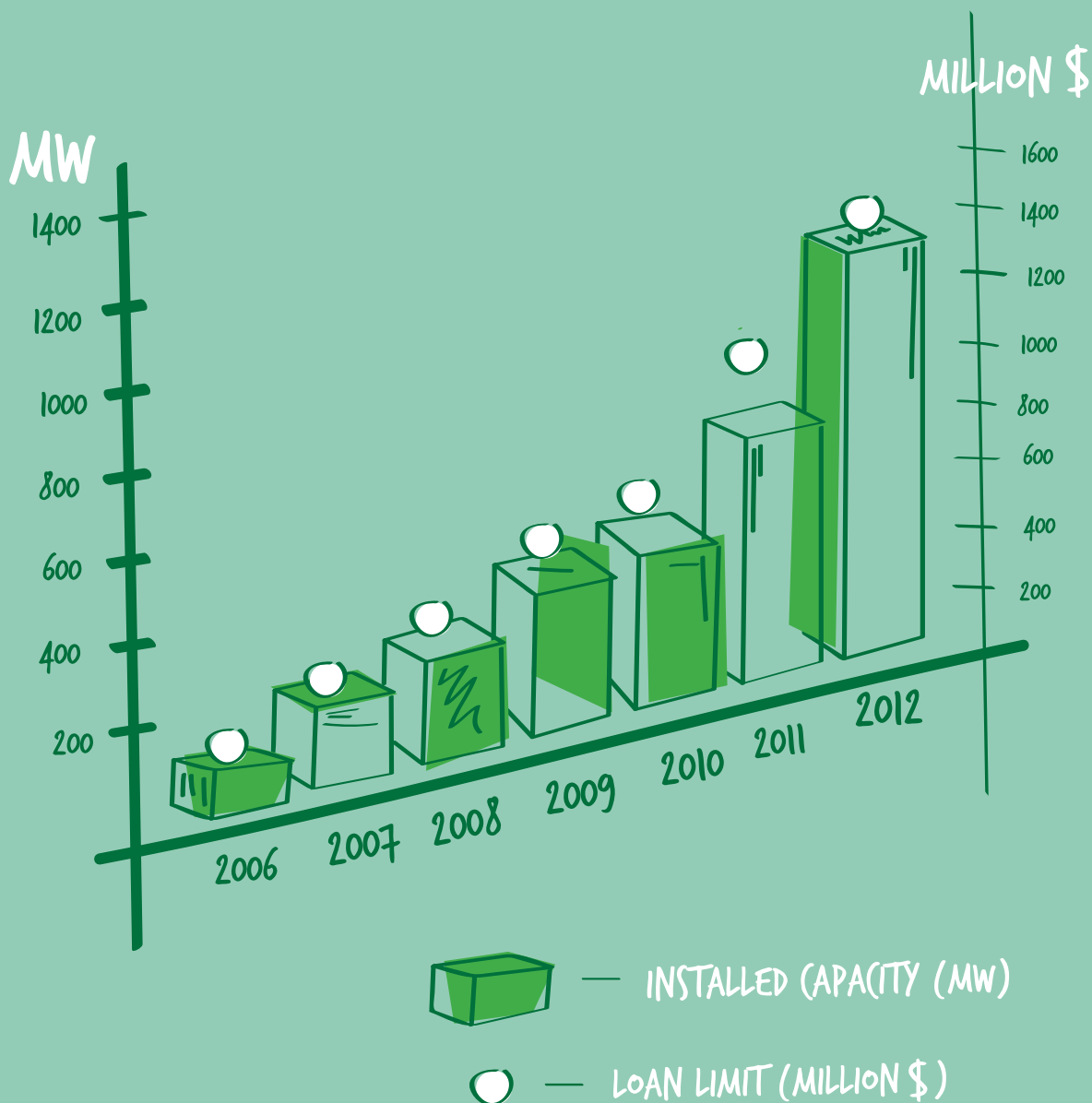
INSTALLED CAPACITY

+

~ \$50 MILLION

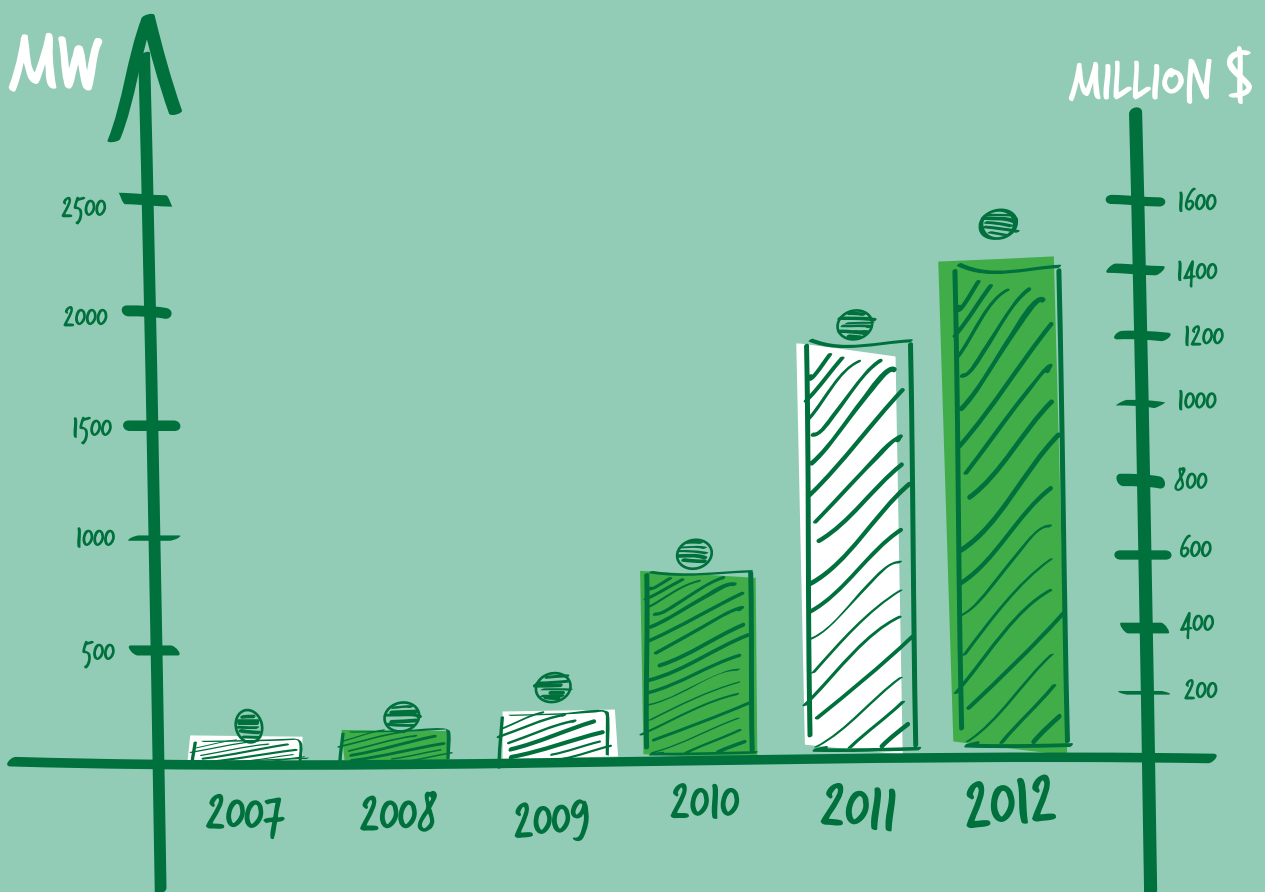
FOR
ENERGY EFFICIENCY
PROJECTS

PROGRESS OF WIND ENERGY PROJECTS FINANCED BY YEARS



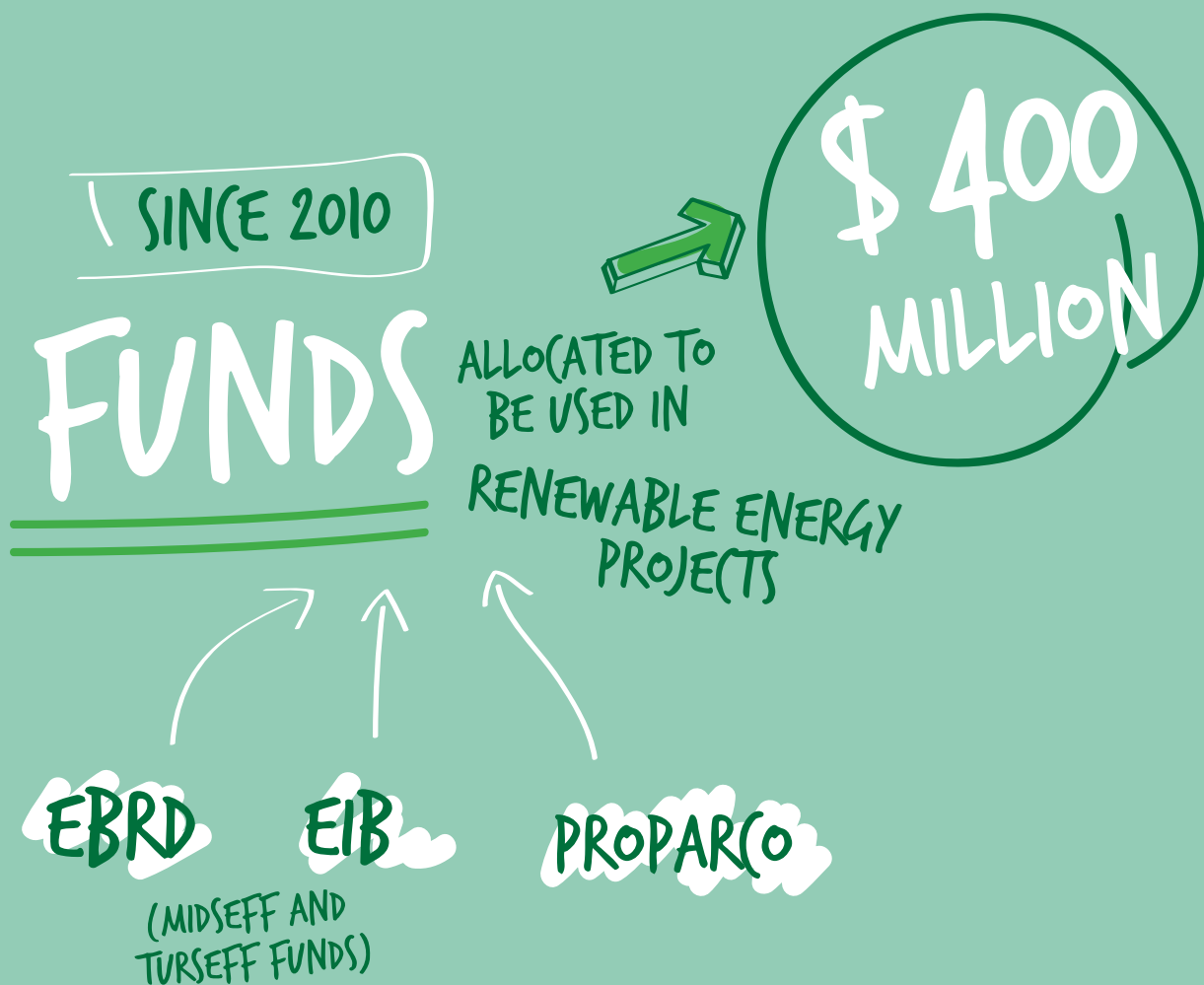
PROGRESS OF HYDROELECTRIC POWER

PLANT PROJECTS FINANCED BY YEARS



 — INSTALLED CAPACITY (MW)

 — LOAN LIMIT (MILLION \$)



GARANTI RECOGNIZES THE ALLOCATION OF LONG-TERM FUNDS TO RENEWABLE ENERGY PROJECTS THROUGH INTERNATIONAL INSTITUTIONS AS AN IMPORTANT SOURCE OF FINANCING FOR THE SECTOR.

GARANTI APPLIES
ENVIRONMENTAL AND
SOCIAL LOAN POLICIES
TO ALL LOANS
WITHOUT ANY MONETARY LIMIT



SUPPORTS
THE TRANSITION TO
LOW-CARBON
ECONOMY

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "Bank") complies with the corporate governance principles determined by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other related legislations. Garanti Bank pays maximum attention for the application of these principles. The Bank accordingly updates its Annual Reports and website, making them available to its shareholders. The shareholders may access detailed information at Garanti's regularly updated website and may ask questions to the Investor Relations Department. Furthermore, the shareholders may access Garanti's year-end financials and updated information via interactive annual reports and gather information regarding the latest developments and activities via videos including the senior management's views and comments.

As a result of its commitment to the corporate governance principles, Garanti complies with the principles that are not mandatory for the corporations subject to the Communiqué on the Determination and Implementation of Corporate Governance Principles Series IV, No. 56 issued by the Capital Markets Board of Turkey (the "Communiqué"). The principles that are exceptionally not complied with by the Bank are stated under the relevant headings below, together with the reasons of non-compliance.

On the other hand, the Capital Markets Board has resolved that the banks that are publicly traded on the Istanbul Stock Exchange must complete their compliance process with the Communiqué at their first general shareholders' meeting, by no later than June 30, 2013. Accordingly, at its ordinary general shareholders' meeting to be held in 2013, Garanti will comply with all mandatory principles required by the Communiqué, which have not yet been complied with.

SECTION I - SHAREHOLDERS

2. Shareholder Relations Division

The Investor Relations Department is in charge of managing relations with foreign investors/shareholders, investment firms and rating agencies. The Investor Relations Department is mainly responsible for:

- » Establishing and carrying out relations with prospective and existing corporate and foreign investors,
- » Participating in the investors' meetings and conferences organized in Turkey and abroad,
- » Executing meetings with rating agencies,
- » Preparing earnings presentations and conducting conference calls,
- » Preparing corporate presentations and any other meeting materials to present the Bank, organizing targeted roadshows and various other informational meetings,
- » Regularly updating the information published on the Investor Relations page in the Garanti Bank website,
- » Coordinating the writing and publishing of annual reports with the related departments and parties both in Turkish and English, in compliance with the time and structure specified in the relevant legislation,
- » Proactively informing the shareholders on a regular basis and answering their questions; cultivating shareholder loyalty.

In 2012, the Investor Relations Department, in accordance with its proactive, transparent and consistent strategy,

- » Participated in 22 domestic and international investor conferences with executive management along with one-on-one meetings with more than 712 international investment funds,
- » Executed due diligence meetings with 4 rating agencies,
- » Conducted 4 live earnings conference calls and posted the replay of these calls on its website,
- » Issued quarterly interim reports, sharing detailed information and data about Garanti,
- » Brought together the analysts of investment firms with the CEO and the Strategic Planning Executive Director in an operational plan presentation meeting,
- » Answered per month around 300 questions received from institutional investors and analysts of investment firms by phone and e-mail and held 152 teleconferences,
- » Issued the "StockWatch Quarterly" newsletter on a quarterly basis, summarizing significant developments in the Bank, the sector, the equity market and the economy,
- » Published two "Corporate Profile" booklets as semi-annual and year-end, which contained information about Garanti, Turkish Economy, Banking Sector and Garanti's position in the sector.

In addition, to facilitate the follow-up of shareholder rights, Garanti Bank operates a Subsidiaries and Shareholders Service at its General Accounting Department. The Subsidiaries and Shareholders Service is mainly responsible for:

- » Organizing General Shareholders' Meetings of the Bank,
- » Carrying out capital increases of the Bank,
- » Ensuring the necessary amendments in Articles of Association of the Bank comply with the relevant regulations,
- » Facilitating the use of bonus and rights offerings after the capital increase,
- » Facilitating the dividend payments as specified in article 45 of the Articles of Association in case the dividend distribution to shareholders has been resolved at the General Shareholders' Meeting,
- » Sending the public announcements of the Bank via Public Disclosure platform (www.kap.gov.tr/yay/English/ek/index.aspx) in Material Event Disclosure format,
- » Responding to the questions of the branches and shareholders about share certificates in a timely manner or forwarding them to the related departments.

3. Exercise of Shareholders' Rights to Obtain Information

The Subsidiaries and Shareholders Service responds to inquiries from shareholders via phone and e-mail regarding the share certificate procedures, general shareholders' meetings, capital increases, dividend distributions and requests of reports on the shareholder structure of the Bank from the Central Registry Agency. In addition, during the fiscal period, requests of shareholders and third parties related to matters such as annual reports, the current status of share certificates and the inheritance of share certificates are answered in writing. The Investor Relations Department receives an average of 300 inquiries by telephone or e-mail per month. The Department organizes 60 or more one-on-one or group meetings each month with existing and potential investors and bank analysts, thus responding to all questions about the Bank. Garanti has two investor relations websites, in Turkish and in English.

- » The Investor Relations site in Turkish can be reached at www.garanti.com.tr/yatirimciiliskileri
- » The Investor Relations site in English can be reached at www.garanti.com.tr/investorrelations

Investor Relations Department

Name Surname	Title	Phone	E-Mail
Handan Saygun	SVP	+90 (212) 318 23 50	HandanSay@garanti.com.tr
Sinem Özönur	Manager	+90 (212) 318 23 57	SinemOzo@garanti.com.tr
Hande Tunaboylu	Manager	+90 (212) 318 23 54	HandeT@garanti.com.tr
Ceyda Akıncı	Supervisor	+90 (212) 318 23 53	CeydaAk@garanti.com.tr
Rana Tercan	Associate	+90 (212) 318 23 60	RanaT@garanti.com.tr
Utku Alaylı	Associate	+90 (212) 318 23 59	UtkuAl@garanti.com.tr

Fax: +90 (212) 216 5902

Subsidiaries and Shareholders Service of General Accounting Department

Name Surname	Title	Phone	E-Mail
Hakan Özdemir	SVP	+90 (212) 318 19 47	HakanOz@garanti.com.tr
Serçi Demiröz	Supervisor	+90 (212) 318 19 45	SevgiD@garanti.com.tr
Tansel Kermooğlu	Supervisor	+90 (212) 318 19 38	TanselKe@garanti.com.tr
Ülkü Sungun Toprak	Associate	+90 (212) 318 19 46	UlkuSi@garanti.com.tr

Fax: +90 (212) 216 6421

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

These websites contain information about the shares, corporate information, periodically published financial statements and annual reports, information about corporate governance, social responsibility projects, presentations that provide information about the Bank and announcements regarding the developments in the Bank. All information and changes occurred in shareholders' rights are published via Public Disclosure Platform in Material Event Disclosure format.

The appointment of a special auditor is not required by the Articles of Association of the Bank and so far no request regarding the appointment of a special auditor has been submitted to Garanti.

4. Information on the General Shareholders' Meetings

During the fiscal period (01.01.2012-31.12.2012), one Ordinary General Shareholders' Meeting was held. Meeting quorum in the Ordinary General Shareholders' Meeting was 56.32% The General Shareholders' Meetings are held in accordance with resolutions adopted by the Board of Directors.

Before these meetings, information about the date, venue and the agenda are provided to shareholders through Public Disclosure Platform in accordance with the general principles, as well as the Turkish Trade Registry Gazette and national newspapers. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available to shareholders within the period determined in the applicable regulation via the website, at the branches and at the Head Office of the Bank. At General Shareholders' Meetings, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code.

Proposals are submitted for the approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meetings are published in the Turkish Trade Registry Gazette and resolutions are published via Public Disclosure Platform.

Resolutions adopted in the General Shareholders' Meetings are carried out in accordance with the legal procedures within the specified time.

Pursuant to the provisions of the Regulation on Attendance at General Shareholders' Meetings of Joint Stock Companies by Electronic Means and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to the general shareholders' meetings of the Bank via electronic means will be possible as of 2013.

Moreover, the minutes and the list of attendants of the General Shareholders' Meetings are available to shareholders at Garanti Bank's websites and the Subsidiaries and Shareholders Service.

Since the minutes of the General Shareholders' Meetings are disclosed to public via the Bank's website and published in the Turkish Trade Registry Gazette pursuant to the relevant regulations, media members and other stakeholders cannot attend the general shareholders' meetings.

In addition, total amount of contributions and donations made by the Bank in 2012 is TL 12,408,467.54. Following principles of corporate social responsibility, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations who and which are working in the fields of education, culture, art, environment and sports. Donations can also be made to promote the corporate identity and to extend banking activities of the Bank.

Amounts and Beneficiaries of the Donations made in 2012 are as follows:

Beneficiary	Amount of Donation (TL)
Istanbul Kültür ve Sanat Vakfı (Istanbul Foundation for Culture and Arts)	2,240,290.00
Universities	2,007,214.00
Sporting Club Societies	1,569,566.92
Doğal Hayatı Koruma Vakfı (World Wide Fund for Nature-Turkey)	1,150,000.00
Istanbul Modern Sanat Vakfı (Istanbul Foundation for Modern Arts)	875,134.00
Individual Sportspersons	650,000.00
Toplum Gönüllüleri Vakfı (Community Volunteers Foundation)	400,000.00
Other	3,516,262.62
Total	12,408,467.54

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the activity period and any change of policy in this regard is provided to the shareholders with a separate item in the agenda during the general shareholders' meeting.

5. Voting Rights and Minority Rights

Shareholders' voting rights and execution of these rights are specified in articles 38 and 39 of the Articles of Association. At the General Shareholders' Meetings, there are no privileged voting rights. Companies controlled by the majority shareholder of the Bank vote in the General Shareholders' Meetings. Minority shares are not represented in the management.

6. Dividend Right

There are no privileges in dividend distribution. Details of dividend distribution are specified in articles 45, 46, and 47 of the Articles of Association. In the past years, the Bank has added its profit to its capital base and distributed it to shareholders in the form of bonus shares. In accordance with Article 46 of the Articles of Association, dividend proposals are submitted for approval at the General Shareholders' Meetings based on decisions by the Board of Directors. The proposals become effective if approved at the General Shareholders' Meeting and the resolutions are published via Public Disclosure Platform on the same date. Following the resolution adopted in 2012 regarding the dividend distribution of the year 2011, the distribution procedures were completed and notifications were made to the public authorities within legal time periods.

Furthermore, pursuant to the provisions of the Communiqué, the dividend distribution policy of the Bank will be presented to the information of the shareholders at the Ordinary General Shareholders' Meeting to be held in 2013, take place in the annual report and be disclosed to public on the Bank's website as of 2013.

7. Transfer of Shares

The Articles of Association of the Bank does not contain any provisions that restrict the transfer of shares. The transfer of shares is executed in accordance with the Articles of Association and applicable regulations including the Banking Law.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

The Disclosure Policy of Garanti Bank, approved by the Board of Directors, came into effect in 2009. The Disclosure Policy is publicly disclosed within the Bank's annual report and under the Corporate Governance heading on the Investor Relations website.

In the operational plan presentation meeting, Garanti Bank brought together the analysts of investment firms with the CEO and the Strategic Planning Executive Director, and announced its projections for 2013.

Detailed information about 2012 developments, assessment and 2013 projections of the Bank can be found in the Annual Report's "2012 Overview, Executive Assessment, 2013 Outlook" section starting on page 34.

The Disclosure Policy of Garanti Bank is as follows:

Purpose and Basis

The Disclosure Policy, which has been prepared in accordance with the Communiqué on Principles Regarding Material Events Disclosure Serial: VIII, No: 54 issued by the Capital Markets Board of Turkey to ensure that high quality information will be provided to the Bank's shareholders, investors and all other beneficiaries including the public, has been entered into effect by the approval of the Board of Directors.

General Principles

Disclosure Policy:

- a. is in strict compliance with the relevant provisions of the Banking Law and the Capital Market Law;
- b. has been formulated under the Bank's Corporate Governance Principles and transparency policy;
- c. aims at enabling the public administration and authorities, shareholders, existing and potential investors, customers and all other beneficiaries to have timely access to accurate and complete information under equal conditions;
- d. ensures that all information disclosed to public are direct, easily understandable, analyzable and accessible at the most affordable cost so as to help and assist the decision making process of all persons and entities intending to use such information.

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Means of Disclosure

The following means, channels and methods are used for public disclosure purposes:

- » Material events disclosures,
- » Financial statements and their footnotes, independent audit report and Annual Report,
- » Announcements published in the Turkish Trade Registry Gazette,
- » Press bulletins and announcements,
- » Information meetings, teleconferences and videoconferences,
- » Investor meetings and presentations,
- » Corporate website,
- » News channels (Reuters, AP, Bloomberg, Foreks, etc.).

Persons Authorized to Make Public Statements

Material events disclosures are published by the Executive Vice President in charge of General Accounting. Only the Chairman and Members of Board of Directors, the CEO and the Executive Vice Presidents are authorized to make statements directed towards the press and media and/or data distribution firms in the name of the Bank. Information requests of the stakeholders are handled and satisfied by the Executive Vice President in charge of Investor Relations and by the relevant Senior Vice President.

Enforcement and Amendments

The Board of Directors is authorized and responsible to follow-up, monitor and improve the disclosure policy. Efficiency and reliability of public disclosure processes as a part of the disclosure policy are under supervision and control of the Board of Directors. Accordingly, the Board of Directors is authorized to make changes and amendments in the text of the disclosure policy, and all such changes and amendments will be made public and published in the corporate website within one week following the date of the change or amendment. The Bank Management is responsible to enforce and implement the disclosure policy.

9. Company's Website and Its Content

Garanti has two websites, in Turkish and in English.

- » The Turkish website is available at www.garanti.com.tr
- » The English website is available at www.garantibank.com

In addition to general information about the Bank, the websites contain detailed information on banking, credit cards, investment, insurance, leasing, factoring, pension and e-commerce products and services, while the Internet Branch offers customers the opportunity to perform their banking transactions online. Prepared in both Turkish and English, the website features an Investor Relations section, offering corporate information, latest ownership and management structure, credit ratings, Garanti's main financial indicators and market shares and the primary financial indicators of the Turkish Banking Sector, detailed information about shares (listing information, quotation, lists of analysts, stock analysis tools (price, volume, index and comparative analysis)), periodic financial statements prepared in accordance with international accounting standards and the Banking Regulation and Supervision Agency (BRSA) regulations, reports and presentations prepared for investors, reports and presentations on macroeconomic developments, annual reports, quarterly interim reports and "StockWatch" prepared for investors, semi-annually published Corporate Profile leaflets, detailed information on corporate governance, material event disclosures, capital increases, dividend ratios, steps taken by Garanti to achieve sustainability and related reports, environmental policies, social responsibility projects and awards as well as, but not limited to, information that should be published on company web sites as required by the Turkish Commercial Code and other related applicable legislation, the provisions of the Communiqué, other related capital market legislation and other regulations in effect.

Corporate website is organized to ensure quick and easy access of all stakeholders to information. The information published on the website is updated regularly. At the same time, for the comparison, historical information are kept and stored in a systematic manner. Prioritizing the efforts to improve the website enables stakeholders to access accurate and reliable information via corporate website. The reliability of the website is guaranteed by Garanti Bank.

Questions, comments and information requests of all stakeholders are answered by the Investor Relations Department and Subsidiaries and Shareholders Service as soon as possible. Mail address, telephone and facsimile numbers and e-mail address of such Departments are available to all stakeholders in the Turkish and English corporate websites. The Investor Relations Department announces international conferences and meetings it will participate via the "Investor Relations Calendar" on the English website. In addition, the website also contains a frequently asked questions section.

10. Annual Report

Annual reports of the Bank contain information required by the provisions of the Communiqué and other regulations in effect. In 2012, the Bank did not comply with the Corporate Governance Principles stated in the article 1 above due to reasons set forth in the same article.

SECTION III - STAKEHOLDERS

11. Informing Stakeholders

Stakeholders receive information on a constant basis through meetings, material event disclosures sent to the Public Disclosure Platform, press releases, newspaper announcements, annual reports, news and disclosures on the website and internal announcements. All information regarding the stakeholders can be accessed on the Bank's website allowing instant reach to the latest data. Moreover, the Investor Relations Department regularly holds meetings with investors to share detailed analysis, latest developments and forecasts, strategy, the competitive environment and market expectations with the effort to establish plain, transparent, consistent and timely communication. Furthermore, the Department shares the operational plan containing projections for the coming period by organizing "analyst days".

In order to ensure accurate and timely flow of information, quarterly earnings presentations are prepared. These presentations are shared with investors through the internet and by e-mail and also announced during live teleconferences. The Investor Relations Department regularly attends investor meetings organized by investment firms, communicating recent information about Garanti and the sector. The Department also responds to questions and inquiries by phone or e-mail on a daily basis. Also, Bank's all departments respond to customers' needs and requests for any information about Garanti's services and products in an effective manner.

A Corporate Portal has been created for informing the employees. Since access to all corporate information including the procedures, announcements and documents can be accomplished via this particular portal, employees can instantly access the information they are seeking from different means of communication in the most effective manner. In addition, at Visionary Meetings held at the beginning of every year, Garanti's CEO shares the past year's assessment and next year's targets with the employees.

The Compliance Department supervises existing control mechanisms regarding the compliance of Garanti Bank's transactions with regulations, banking practice, internal policies and rules as well as ethical principles in coordination with the Audit Department, the Internal Control Unit, the Risk Management Department, the Regulation Department and the Legal Department. Other basic responsibilities of the compliance function include the monitoring of Garanti Bank's international branches and subsidiaries subject to consolidation for compliance risks arising from foreign legislation and the continuous improvement of the compliance culture and awareness within Garanti Bank. The Audit Committee is directly informed on the results of the activities carried out regarding the compliance function.

12. Participation of Stakeholders in Management

The Bank, taking all stakeholders into consideration, aims to improve product and service quality and to achieve internal and external customer satisfaction. In order to achieve this, the Bank bases all its systems so that they can be open to further and continuous improvement.

The stakeholders can participate in management through these specially designed systems and meetings.

In addition to responding to customer inquiries, the "Customer Care Line" set up under the Customer Satisfaction Department receives customers' advice and responds to their complaints. Garanti customers can submit their demands, complaints, ideas and suggestions about management anytime through our website or Call Center 444 0 338. In addition, in the event of violation of the rights of the customers protected by the regulations and contracts, the Bank provides efficient and fast remediation and facilitates the use of loss compensation mechanisms by customers who have incurred any loss.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

At Garanti Bank, great importance is given to incorporating employees into the stages of new product and service production. By means of the “Önersen” (Do Suggest) and “Atölye” (Workshop) platforms, the views of employees are constantly evaluated for the sake of continuous improvement. Introduced in 2007, “Önersen” collected 1,727 suggestions in 2012, reaching a total of approximately 12,500 suggestions. “Atölye”, a project-based innovation platform active since 2010, facilitated gathering innovative ideas from the employees with a total of five projects.

13. Human Resources Policy

The pillar of Garanti’s approach to human resources is investing in human capital. With the awareness that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees’ skills and to offer a wide range of opportunities and recognition as well as to award their accomplishments.

Garanti human resources are committed to prioritizing human, ensuring continuous investment, deploying sufficient resources for training, giving priority to internal promotions, undertaking training programs for this purpose, developing human resources systems, maximizing participation by pioneering an environment of open communication, being fair and objective, and developing practices at international standards.

The mission of the Human Resources Department is to play a strategic role implementing efficient human resource policies to assist the organization to achieve its business objectives. Accordingly, the Department operates in accordance with Garanti’s ethical values based on the principles of recognizing the Bank’s business objectives, closely cooperating with business units and those in the field, employing objective measurement and rating tools and methods that match the right person with the right job. The Department develops human resources applications in accordance with the Bank’s strategies, makes efforts to improve employee motivation, creates communication forums that allow employees to express themselves freely, provides “career consulting” for employees in accordance with their competencies, knowledge, skills, needs and expectations, and ensures that employees receive proper training for personal development.

The criteria (experience, seniority, performance, competency evaluation, tests, interview, etc.) have been identified for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps as employees are guided and supported in accordance with the career path of their choice.

The compensation system of the Bank is based on salaries that fit the positions; employees who are employed in similar jobs receive similar compensation. Jobs are rated and receive compensation according to objective criteria such as required competency, risk involved and number of employees supervised. The Bank’s remuneration policy established within this framework has been approved by the Board of Directors and will be presented to the information of the shareholders at the ordinary general shareholders’ meeting to be held in 2013 pursuant to the Communiqué Serial IV, No. 56 on the Determination and Application of the Corporate Governance Principles of the Capital Markets Board. Afterward, the policy will be disclosed to public on the Bank’s website pursuant to the provisions of the Communiqué.

The performance evaluation system at Garanti measures employee performance by evaluating their objectives and their success in reaching these objectives. Employees of the Bank receive bonuses based on EVA (Economic Value Added) financial accomplishment metrics. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based payments. Bonus payments made as part of the EVA model based on Profit and Risk Management has developed a significant level of awareness of these criteria among all employees at branch level. These performance-based payments are realized twice a year and a certain percentage of the payment is cut for payment in future years, again based on performance. Moreover, through research of salary levels in the sector carried out twice a year, competitiveness of the salary levels is monitored. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

Regarding the benefits provided to the Bank's employees including the Board Members and Senior Management, 11.86% of the total personnel expenses stated on the financial statements resulting from the performance-based bonuses and variable salary payments. With the help of quarterly sector analysis, issues on compensation, number of employees at branches and head office and turnover rates of branches are monitored closely, and the effects of sector dynamics on human resources strategies are taken into account. Garanti holds a pioneering position in the sector thanks to its low turnover rates and controlled personnel costs per capita.

In 2005, Garanti received quality certification of its human resources practices, the IIP (Investors in People) and recognized as the first Turkish recipient of the award. Also in 2009, Garanti was honored with the "Silver" certification from the IIP, an award presented to only 0.36% of IIP certified organizations worldwide. Being the first and only Turkish company to be awarded with the Gold certificate from the IIP, Garanti proves its commitment to preserve its human resources standards while sustaining growth. Any developments or decisions concerning the employees are announced to either concerned employee via private communication tools or, all employees via Intranet.

14. Ethical Rules and Social Responsibility

Corporate social responsibility is an integral part of the corporate culture of Garanti. Apart from banking activities, Garanti maintains its societal studies based on social, economic and environmental factors as components of the sustainability. Besides sharing its knowledge in various fields with the society and next generations, Garanti continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's well-established institutions.

Garanti focuses on contributing society in cultural and educational fields. While determining the strategy, Garanti always monitors the needs of our country and society, and aims at achieving or supporting value adding and sustainable projects.

Detailed information about these activities is available in the Annual Report's Sustainability Section starting on page 110.

In addition to a Handbook of Ethical Principles and Handbook of Ethical Sales Principles issued by the Human Resources Department and the Internal Audit Department, an announcement has been published with the purpose of regulating employee behavior and the professional relations of employees in parallel to the Bank's commitment to corporate governance principles and ethical values concerning.

The Handbook of Ethical Principles is submitted to the information of the public on the website of the Investor Relations. Garanti's Handbook of Ethical Principles defines some of its general principles such as integrity, equality, transparency, protection of social benefits, respect for the environment, and emphasizes the responsibilities of employees in situations where conflicts of interest may arise as well as the importance of the concept of confidentiality first and foremost relating to customer information. In addition, the Handbook lists the responsibilities of managers regarding relations with customers, suppliers, the media, government institutions and colleagues in other banks and the creation of a working environment in compliance with ethical principles. Violations of ethical principles include all actions that break the law, contradict with the community and with Garanti's values, breach employee and customer rights as well as the ones that increase the Bank's operating expenses and reduce its efficiency. Furthermore, the Handbook of Ethical Sales Principles emphasizes on the concept that does not appear on the Bank's balance sheet, "reputation", and explains the expected code of conduct in details for employees who engage in sales activities. There is also a Social Media Policy which sets forth the rules as to how the employees of the Bank represent Garanti on social media.

Garanti believes that total quality can only be achieved through a strict implementation of its human resources policy, business and ethical principles based on integrity, honesty and respect. In addition to the Handbook of Ethical Principles and the Handbook of Ethical Sales Principles, the Core Values are published both on the intranet where all employees have access to, and on the Internet. Garanti has also compiled its principles and values concerning its customer orientation philosophy in a handbook entitled the Customer Satisfaction Constitution, which has been made available to all employees and customers.

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The policies that Garanti has put into effect relating to the core components of the compliance system are listed in the "Compliance Policy" document. The Handbook of Compliance Policy emphasizes the concepts such as "compliance risk" and "reputation risk" and designates that employees are expected to engage in behavior that is in compliance with the laws, Ethical Principles of the Bank and corporate standards. The Handbook also defines the concept of integrity and lists the core tasks and responsibilities within the compliance system. In this context, it is emphasized that compliance is not only the responsibility of the senior executives or certain business units but of each employee.

Garanti places a particular importance to ethical principles and integrity and aims to create constant awareness on this issue through trainings for employees.

SECTION IV - BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors

Ferit F. Şahenk is the Chairman of the Board of Directors. The Chairman is a non-executive in accordance with the regulations issued by the Banking Regulation and Supervision Agency (BRSA). The executive members are Chief Executive Officer Ergun Özen, Vice Chairman Süleyman Sözen, Ahmet Kamil Esirtgen, Ph.D., Angel Cano Fernandez, Carlos Torres Villa and Manuel Castro Aladro. There are two non-executive members, Muammer Cüneyt Sezgin, Ph.D. and Manuel Pedro Galatas Sanchez-Harguindey, in the Board of Directors in accordance with the BRSA regulations.

Information on biographies, responsibilities and appointment date of the Board Members are available on the Annual Report page 124 and 125.

Pursuant to the Communiqué Serial IV, No. 56 on the Determination and Application of the Corporate Governance Principles of the Capital Markets Board, the number of independent members of the board of directors has been determined as three for the banks. Pursuant to such Communiqué, since the members of the board of directors assigned as members of the audit committee are designated as independent members of the board, the Bank currently has two independent board members. These members are Muammer Cüneyt Sezgin, Ph.D. and Manuel Pedro Galatas Sanchez-Harguindey.

On the other hand, the Capital Markets Board has allowed time to public banks to complete the formation of the structures of the board of directors required for compliance with the said Communiqué until June 30, 2013. In this context, at the ordinary general shareholders' meeting to be held in 2013, Garanti will complete the process regarding the election of the third independent Board member who is approved by the Capital Markets Board.

Garanti adopts principles in compliance with Articles 395 and 396 of the Turkish Commercial Code to make decisions regarding the non-compete and non-transaction issues between Garanti and its Board members.

16. Principles Related to the Activities of the Board of Directors

The Board of Directors meeting agenda mainly consists of requested matters by the Chief Executive Officer and any additional matters requested by one of the Board members.

The Board of Directors should convene when the Bank's tasks and transactions require, but at least once in a month. Pursuant to the Articles of Association of the Bank, the Board of Directors can meet with the attendance of minimum six members and resolutions of the Board of Directors can be taken by affirmative votes of at least six members attended at the meeting. In 2012, the Board of Directors met 18 times by meeting the required quorums for the meeting and the resolutions.

A secretarial office has been set up to facilitate communication between the members of Board of Directors and the Head Office. Discussions at the meetings of the Board of Directors are recorded in the minutes and signed by the present members. Naturally, the Board members have the possibility to express different opinions, explanations and dissenting votes at Board of Directors meetings. Reasons for opposition votes on issues about which different views were expressed during the meetings of the Board of Directors are written on the minutes and signed by the member(s) who cast the opposition vote(s). Each member of the Board of Directors has one vote and the members do not have any privileged voting right and/or vetoing right.

In 2012, there were no independent members in charge in the Board of Directors.

As of December 31, 2012, the total amount of operating income from related party transactions represented (as determined in accordance with IFRS) less than 1% of the Bank's total operating income. In addition, as of December 31, 2012, the outstanding balances from transactions with related parties represented (as determined in accordance with IFRS) less than 5% of the Bank's total equity in terms of equity interests, cash loans and contingent obligations, and less than 1% of total assets in terms of equity interests and cash loans.

Pursuant to the banking legislation and the regulations of the Banking Regulation and Supervision Agency (BRSA), the loans disbursed to real persons and legal entities who and which are within the same risk group with Garanti are in compliance with the legal lending limits.

17. Number, Structure and Independence of Committees under the Board of Directors

In line with its commitment to corporate governance principles, Garanti established an Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively protect the interests of the Bank and the investors at a time when no legal regulation was in act. The Committee has been actively working since 2001, as the primary and ultimate responsibility being with the Board of Directors. The Committee's duties and responsibilities are fully aligned with the Banking Law and the relevant regulations. In 2012, the Audit Committee held five meetings, which were attended by all committee members.

Pursuant to the Regulation on the Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency and the Communiqué Serial IV, No.56 on the Determination and Application of Corporate Governance Principles of the Capital Markets Board, also a Corporate Governance Committee has been established to monitor the compliance with the corporate governance principles, to conduct improvement works in this area, to determine the candidate Independent Members to be appointed to the Board of Directors and to submit proposals to the Board of Directors.

In view of the number of members of the Board of Directors of the Bank, one member of the Board of Directors can take part in more than one committee.

Detailed information regarding the establishment and operation of the Audit Committee, Corporate Governance Committee and other committees is given in the Committees and Committee Meeting Attendance section of this report.

18. Risk Management and Internal Control Mechanism

The Board of Directors is ultimately responsible for developing and monitoring the Bank's internal audit and risk management policies and strategies. Accordingly, the following units directly report to the Board of Directors: the Internal Audit Department, performing internal audit functions; the Internal Control Unit, performing internal control functions; the Risk Management Department, performing risk management functions; the Anti-Fraud Monitoring Department, monitoring and taking actions to prevent external fraud and the Compliance Department, performing activities on the prevention of money laundering proceeds of crime, combating financing of terrorism and compliance controls. The departments that perform these functions are structured in line with the "segregation of duties" principle. They are independent of executive functions and directly report to the Board of Directors.

The current system is structured within the organization of Garanti Bank as given on page 134.

The Internal Control System consists of continuous control activities and the related mechanisms that Bank employees at all levels must comply with and implement in order to ensure the proper performance of Garanti Bank's activities in accordance with the instructions of the Board of Directors, applicable legislation and internal regulations. Additionally, these guarantee the integrity and reliability of accounting and reporting systems and the timely availability of information.

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The Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, the Bank's policies and especially the Banking Law. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit work is carried out in the domestic and overseas branches of Garanti Bank and in the Head Office units and in the subsidiaries subject to consolidation.

The Internal Control Unit ensures that a sound internal control environment is in place at Garanti Bank and performs necessary coordination work in this regard and guarantees that activities are performed regularly, efficiently, effectively and in line with the management strategy and policies of the Bank and applicable rules and regulations. In this context, efforts are made to set up an infrastructure based on the functional separation of tasks, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes and the identification and monitoring of risks the Bank is exposed to. In addition, the Internal Control Unit coordinates the units which have a responsibility in processes related with disaster recovery and business continuity throughout the Bank.

The Compliance Department coordinates existing control mechanisms regarding the compliance of Garanti Bank's actions with laws, internal rules and policies and banking practice, and controls new products and services and related processes, before they are implemented. The Compliance Officer Team who work within the Compliance Department carry out duties such as conducting the necessary works in order to ensure compliance with the Law No. 5549 on the Prevention of Laundering Proceeds of Crime and the regulations issued pursuant to the Law, ensuring the necessary communication and coordination with MASAK (Financial Crimes Investigation Board), developing corporate policies ve procedures, developing training programs and ensuring effectiveness thereof, carrying out activities in relation with identification and notification of suspicious transactions, overseeing the preparation of statistics on internal audits and trainings and informing MASAK, and fulfilling the obligation of providing MASAK with information and documents in compliance with the manner and methods defined by MASAK.

The Risk Management System consists of the standardization, information flow, compliance monitoring, decision-making and implementation mechanisms specified by the Board of Directors to monitor, control and, when necessary, change the risk-return structure of Garanti Bank's future cash flows and the nature and level of resulting activities. Duties of the Risk Management Department include to establish a risk management system by which the risks are measured by methods congruent with the activities of the Bank in accordance with applicable national and international legislation within the framework of the Bank's strategy to achieve sustainable growth by continuously creating value, and to set up a structure throughout Garanti which seeks to establish an optimum capital balance by overseeing risk-return-balance in accordance with the above-mentioned system

With an organization structure which monitors the external fraud trends ever changing in line with ever advancing technology under the same roof from an "enterprise fraud prevention" perspective, Garanti has created a pioneering structure. With an expert team, the Anti-Fraud Monitoring Department monitors and prevents card, internet, merchant and application fraud by taking rapid actions with effective controls and advanced software. The Department targets to minimize the losses of the Bank and the customers by taking proactive measures against external fraud acts through strategies developed and analyses made. The Department also aims to establish a corporate culture and awareness of fraud throughout the Bank and to take effective operational security measures by assessing the external fraud risks in new products and processes.

19. Mission, Vision and Strategic Objectives of the Company

Garanti's vision is to be the best bank in Europe. Its mission is to continuously and noticeably increase the value it creates for its customers, shareholders, employees, society and the environment by utilizing its influence, agility and organizational efficiency. The vision and the mission of Garanti are publicly announced on the Bank's English and Turkish websites. In addition, both the Board of Directors and executives disseminate the mission and vision of the Bank at meetings, interviews and other communications through print and visual media channels. Information regarding Garanti's strategy and its pillars are presented on pages 23, 24 and 25 of the Annual Report.

Within the context of this strategy, Garanti's budget and its short, medium and long term business plans are formed; reports on realization of objectives are monitored on weekly basis. The executives of the Bank hold quarterly performance review meetings with every branch and regional managers regarding the attainment of the targets. Moreover, effective realization of strategic objectives can be monitored in real-time through the Garanti management information and reporting infrastructure (MIS), systems and the display screens.

20. Remuneration

Members of the Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting.

Furthermore, remuneration of the Senior Management consisting of the Members of the Board of Directors, the CEO and Executive Vice Presidents is determined by the Remuneration Committee established in accordance with the Regulation regarding Corporate Governance Principles of Banks published by the Banking Regulation and Supervision Agency. The Remuneration Committee determines criteria on the manner of payments made to the Senior Management and also on the performance-based payments in accordance with the provisions of the said Regulation by also taking into account the regulations and practices of the European Union. Accordingly, besides the monthly salaries, performance-based payments are made to the Senior Management as determined by the Remuneration Committee based on the profitability and balance sheet of the Bank by using the formulas and the objective criteria established based on the basic performance essentials as well as subjective criteria based on the personal performance of the Senior Management. The Remuneration Committee ensures that such payments do not affect the capital adequacy ratio of the Bank and the continuity of the operations of the Bank negatively. In addition, the performance-based payments are made as deferred payments and in installments.

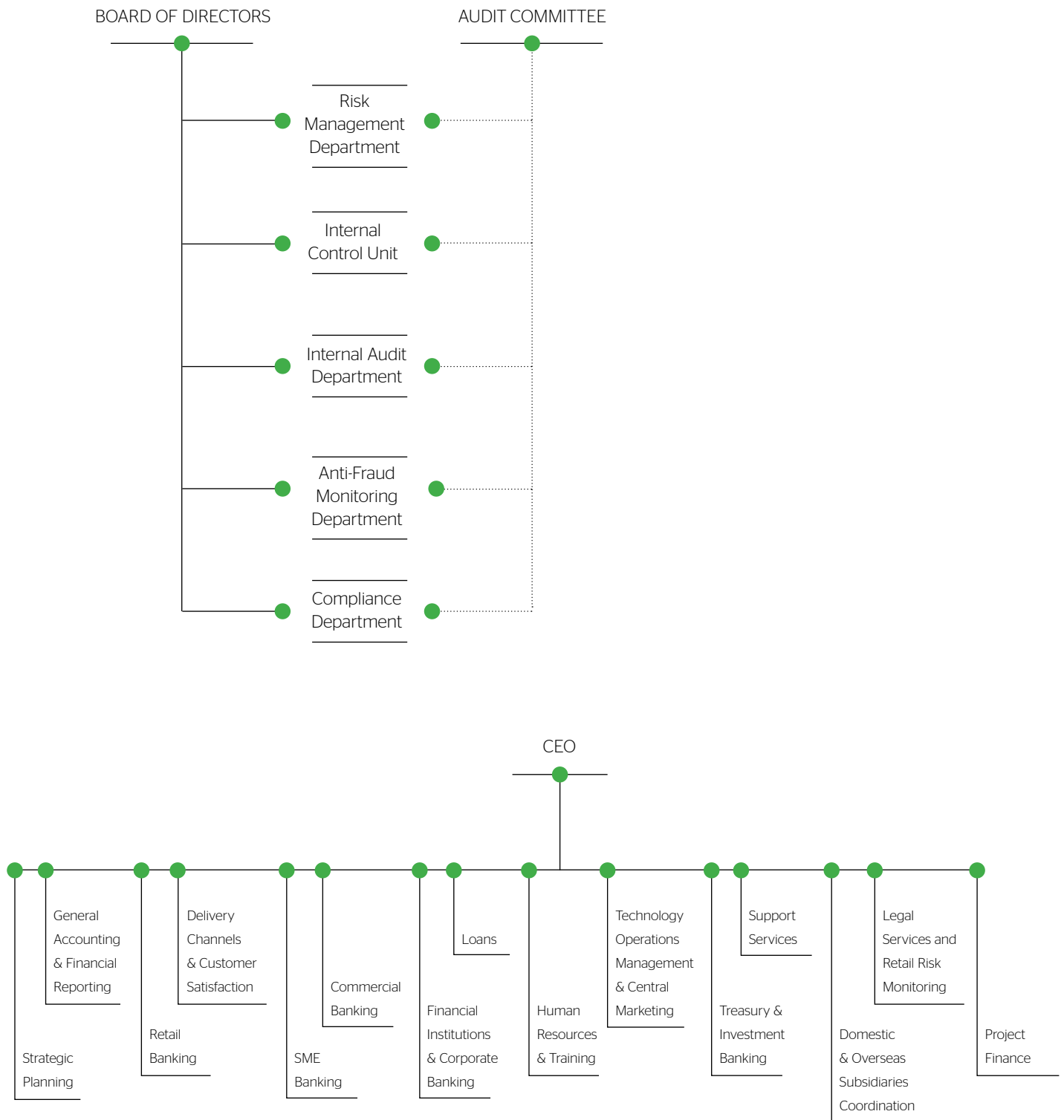
Detailed information about the Committee is available on page 128 of the Annual Report.

As of December 31, 2012, the net payment provided or to be provided to the key management of the Bank amounts to TL 82.5 million.

In addition, the loans disbursed to the members of the Board of Directors and managers are restricted as per Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the abovementioned framework.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Garanti Bank Organization Chart



Organizational Changes

At the end of February, Executive Vice President responsible for Corporate Banking, Financial Institutions, International Branches and Representation Offices, and Cash Management, Tolga Egemen resigned from his duty. Following the above-mentioned resignation, Executive Vice President responsible for Retail Banking, Ali Fuat Erbil was appointed to this position.

Onur Genç was appointed as the Executive Vice President responsible for Retail Banking, vacated as a result of Ali Fuat Erbil's appointment.

Due to the need to manage the Delivery Channels activities under a separate business unit, a new Executive Vice President position responsible for Delivery Channels has been created, and Didem Bařer was appointed to this position. Following this organizational change, Delivery Channels Department, formerly operating under the Retail Banking business unit, is currently reporting to Didem Bařer.

In May, the Consumer Loans Risk Monitoring department, formerly reporting to Mehmet Sezgin is now reporting to Aydın Düren, who is currently Executive Vice President responsible for Legal Services. Following this change, the related Executive Vice President position was renamed as "Legal Services and Retail Risk Monitoring".

In July, Executive Vice President Ali Temel responsible for Loans resigned from his duty. Following this resignation, Erhan Adalı, who was the CEO of Garanti Pension & Life, was appointed as the new Executive Vice President responsible for Loans.

In December, Executive Vice President responsible for Treasury, Uruz Ersözoğlu resigned from his duty. Following this resignation, organizational changes listed below are effective as of January 2013:

- » Human Resources, Treasury and Investment Banking Departments have been combined under the same Executive Vice President position and the name of such position has been changed as the "Treasury and Investment Banking". In this context, the above-mentioned departments are reporting to the related Executive Vice President.
- » In parallel with the new structuring process, name of the Human Resources and Investment Banking Executive Vice President position has been changed as "Human Resources and Training Executive Vice President position".
- » In the current situation, Executive Vice President responsible for Human Resources, Training and Investment Banking, Gökhan Erün continues his duty as Executive Vice President in charge of Treasury & Investment Banking and Human Resources & Training.
- » The Customer Satisfaction Department is reporting to Executive Vice President Didem Bařer responsible for Delivery Channels and the name of the position has been changed as "Delivery Channels and Customer Satisfaction Executive Vice President".

In February 2013, Executive Vice President responsible for International Business Development, Zekeriya Öztürk resigned from his duty. Executive Vice President position responsible for International Business Development has been abolished and a new position has been established as Executive Vice President responsible for coordination of the subsidiaries of the Bank and representation of those on behalf of the Bank, under the name of "Domestic and Overseas Subsidiaries Coordination". In line with these changes, the International Business Development Department has been renamed as the "Domestic and Overseas Subsidiaries Coordination Department".

Executive Vice President Turgay Gönensin, currently responsible for Commercial Banking continues his duty as the Executive Vice President in charge of "Domestic and Overseas Subsidiaries Coordination".

Recep Bařtuğ formerly working as Coordinator in Commercial Banking, was appointed as Executive Vice President responsible for Commercial Banking.

A photograph of a person holding a white sign with green text. The person is wearing a green jacket and has their hand on the sign. The background is slightly blurred, showing other people and what appears to be a street or outdoor setting. The text on the sign is 'GARANTI JAZZ GREEN' in a bold, green, sans-serif font.

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BY THE SOCIETY.



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HANNE HUKKELBERG

AARON PARKS

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FINANCIAL REPORTS 2012

UNCONSOLIDATED FINANCIAL REPORT

To the Board of Directors of
Türkiye Garanti Bankası AŞ
İstanbul

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD OF 1 JANUARY-31 DECEMBER 2012

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

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "The Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on 1 November 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance 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 auditors' judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis For Qualified Opinion

As of the balance sheet date, the accompanying financial statements include a general reserve amounting to TL 420,000 thousands in total, all provided by the Bank management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

Independent Auditors' Opinion

In our opinion, except for the effect of the matter described in the fourth paragraph on the financial statements, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

Additional paragraph for English translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 31 January 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Hasan Kılıç

Partner

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2012

Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 İstanbul
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Fax: 212 216 64 22
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investorrelations@garanti.com.tr

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

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. Accounting Policies of Unconsolidated Financial Statements
4. Financial Position and Results of Operations of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Report

The unconsolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and, unless stated otherwise, presented in thousands of Turkish Lira (TL).

Ferit F. Şahenk
Board of Directors
Chairman

S. Ergun Özen
General Manager

Aydın Şenel
Financial Reporting
Executive Vice President

Hakan Özdemir
General Accounting
Senior Vice President

M. Cüneyt Sezgin
Audit Committee Member

Manuel Pedro
Galatas Sanchez Harguindey
Audit Committee Member

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations
Phone No: 90 212 318 23 50
Fax No: 90 212 216 59 02

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TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

1 General Information

1.1 History of the bank including its incorporation date, initial legal status, amendments to legal status

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 926 domestic branches, seven foreign branches and three representative offices abroad. The Bank's head office is located in Istanbul.

1.2 Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on bank's risk group

As of 31 December 2012, the group of companies under Doğu Holding AŞ that currently owns 24.23% shares of the Bank, is named the Doğu Group (the Group).

On 22 December 2005, Doğu Holding AŞ had completed the sale of 53,550,000,000 shares composing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti" of General Electric (GE) Group. Accordingly, GE acquired a joint control on the Bank's management.

GE Araştırma ve Müşavirlik Limited Şti had sold 9,765,000,000 shares of Türkiye Garanti Bankası AŞ at a nominal value of TL 97,650 each to Doğu Holding AŞ, representing 4.65% of the issued share capital of Türkiye Garanti Bankası AŞ on 27 December 2007.

Number of shares representing 20.85% ownership of GE Araştırma ve Müşavirlik Limited Şti increased to 87,571,249,898 subsequent to the capital increase through issuance of bonus shares. The company sold 83,371,249,899 shares at a total nominal value of TL 833,712 thousands representing 19.85% ownership in Türkiye Garanti Bankası AŞ, to GE Capital Corporation on 29 December 2010, and the remaining 1% ownership in the stock exchange market on 11 December 2012.

On 22 March 2011, Banco Bilbao Vizcaya Argentaria SA ("BBVA") acquired;

- » 78,120,000,000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 thousands representing 18.60% ownership, and
- » 26,418,840,000 shares of the Bank owned by Doğu Holding AŞ at a total nominal value of TL 264,188 thousands representing 6.29% ownership.

BBVA, holding 24.89% shares of the Bank, had joint control on the Bank's management together with Doğu Group.

On 7 April 2011, BBVA acquired additional 503,160,000 shares at a nominal value of TL 5,032 thousands and increased its ownership in the Bank's share capital to 25.01%. As per the agreement between Doğu Holding AŞ and BBVA, if any of the parties acquires additional shares during the next five years, it is required to offer half of the acquired shares to other party, in case that other party does not accept to purchase the offered shares, usufruct rights shall be established on the voting rights of such shares in favour of other party. Accordingly, although BBVA has acquired additional shares in April, this does not affect their joint control on the Bank's management.

Doğu Group

The Doğu Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜV SÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğu Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu Tüketici Finansmanı AŞ.

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

The Group owns a bank being the largest financial institution in Mexico, the market leader in South America, and one of the largest 15 commercial banks in United States. BBVA is among the few international groups that operates in China and Turkey, and operates in more than 30 countries with more than 100 thousand employees.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

1.3 Information on the bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the bank

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	22 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	30 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Committee	30.06.2004	PhD	24 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	38 years
Manuel Castro Aladro	Member	22.03.2011	Master	20 years
Manuel Pedro Galatas Sanchez Harguindey	Member of BOD and Audit Committee	05.05.2011	University	28 years
Carlos Torres Vila	Member	22.03.2011	Master	21 years
Angel Cano Fernandez	Member	22.03.2011	University	27 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	25 years

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Sait Ergun Özen	CEO	01.04.2000	University	25 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	34 years
Ali Fuat Erbil	EVP-Financial Institutions & Corporate Banking	30.04.1999	PhD	20 years
Erhan Adalı	EVP-Loans	03.08.2012	University	22 years
Gökhan Erun	EVP-Human Resources & Investment Banking	01.09.2005	Master	18 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	30 years
Halil Hüsnü Erel	EVP-Technology, Operations Management & Central Marketing	16.06.1997	University	27 years
Uruz Ersözoğlu	EVP-Treasury	05.04.2006	University	21 years
Turgay Gönensin	EVP-Commercial Banking	15.12.2001	University	27 years
Aydın Şenel	EVP-General Accounting & Financial Reporting	02.03.2006	University	31 years
Zekeriya Öztürk	EVP-International Business Development	06.03.2006	Master	17 years
Avni Aydın Düren	EVP-Legal Services & Retail Risk Monitoring	01.02.2009	Master	18 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	18 years
Murat Mergin	Head of Strategic Planning	01.01.2002	University	18 years
Onur Genç	EVP-Retail Banking	20.03.2012	Master	13 years
Didem Başer	EVP-Delivery Channels	20.03.2012	Master	14 years

As of 1 January 2013:

- » Uruz Ersözoğlu resigned from his responsibility as executive vice president (EVP) for "treasury".
- » Gökhan Erun has been assigned as the EVP responsible for "treasury and investment banking" and "human resources and training".
- » Turgay Gönensin, previously responsible of "commercial banking", has been assigned as the EVP responsible for "subsidiaries coordination".
- » Recep Baştuğ has been assigned as the EVP responsible for "commercial banking".
- » Didem Dinçer Başer has been assigned as the EVP responsible for "delivery channels and customer satisfaction".

The top management listed above does not hold any unquoted shares of the Bank.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

1.4 Information on the bank's qualified shareholders

Name / Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	857,315	20.4123%	857,315	-
Banco Bilbao Vizcaya Argentaria SA	1,050,420	25.0100%	1,050,420	-

According to the decision made at the "General Assembly of Founder Shares Owners" and the "Extraordinary General Shareholders" meetings held on 13 June 2008, the Bank repurchased all the 370 founder share-certificates issued in order to redeem and exterminate them, subsequent to the permissions obtained from the related legal authorities, at a value of TL 3,876 thousands each in accordance with the report prepared by the court expert and approved by the Istanbul 5th Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "extraordinary reserves", and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

Subsequent to these purchases, the clauses 15, 16 and 45 of the Articles of Association of the Bank have been revised accordingly.

1.5 Summary information on the bank's activities and services

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- » All banking operations,
- » Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- » Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- » Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions,
- » Developing economical and financial relations with foreign organizations,
- » Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

1.6 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) at 31 December 2012
(Thousands of Turkish Lira (TL))

(Convenience Translation of Financial
Statements Originally Issued in Turkish)

2 Unconsolidated Financial Statements

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2012			31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	1,293,932	14,818,750	16,112,682	1,589,491	6,671,660	8,261,151
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	675,550	507,926	1,183,476	430,934	1,225,908	1,656,842
21 Financial assets held for trading		453,369	507,926	961,295	430,934	1,225,908	1,656,842
21.1 Government securities		129,537	233,199	362,736	179,828	762,198	942,026
21.2 Equity securities		21,783	-	21,783	179,01	-	179,01
21.3 Derivative financial assets held for trading		297,832	252,873	550,705	190,428	460,554	650,982
21.4 Other securities		4,217	21,854	26,071	42,777	3,156	45,933
2.2 Financial assets valued at fair value through profit or loss		222,181	-	222,181	-	-	-
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	(5.1.5)	222,181	-	222,181	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	2,232,563	5,513,788	7,746,351	2,102,492	12,241,459	14,343,951
IV. INTERBANK MONEY MARKETS		-	-	-	-	-	-
41 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	34,866,196	1,008,583	35,874,779	27,257,001	1,542,643	28,799,644
51 Equity securities		25,163	4,785	29,948	23,865	1,706	25,571
5.2 Government securities		33,513,678	98,403	33,612,081	26,234,437	173,268	26,407,705
5.3 Other securities		1,327,355	905,395	2,232,750	998,699	1,367,669	2,366,368
VI. LOANS	(5.1.5)	57,629,743	34,194,749	91,824,492	49,618,481	34,194,821	83,813,302
61 Performing loans		57,226,864	34,194,749	91,421,613	49,338,109	34,194,821	83,532,930
6.1.1 Loans to bank's risk group	(5.7)	142,230	1,023,994	1,166,224	296,961	1,167,853	1,464,814
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		57,084,634	33,170,755	90,255,389	49,041,148	33,026,968	82,068,116
6.2 Loans under follow-up		2,114,073	-	2,114,073	1,532,087	-	1,532,087
6.3 Specific provisions (-)		1,711,194	-	1,711,194	1,251,715	-	1,251,715
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	918,519	445,864	1,364,383	3,176,043	1,610,487	4,786,530
81 Government securities		911,245	445,864	1,357,109	3,170,068	1,610,487	4,780,555
8.2 Other securities		7,274	-	7,274	5,975	-	5,975
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	21,099	-	21,099	19,834	-	19,834
91 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		21,099	-	21,099	19,834	-	19,834
9.2.1 Financial investments in associates		17,433	-	17,433	18,120	-	18,120
9.2.2 Non-financial investments in associates		3,666	-	3,666	1,714	-	1,714
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	470,998	2,117,536	2,588,534	408,780	1,759,796	2,168,576
101 Unconsolidated financial investments in subsidiaries		366,913	2,117,536	2,484,449	304,695	1,759,796	2,064,491
10.2 Unconsolidated non-financial investments in subsidiaries		104,085	-	104,085	104,085	-	104,085
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	-	-	-	-	129,335	129,335
13.1 Fair value hedges		-	-	-	-	129,335	129,335
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	1,128,690	489	1,129,179	1,243,531	80	1,243,611
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	54,756	58	54,814	55,550	-	55,550
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		54,756	58	54,814	55,550	-	55,550
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	156,347	-	156,347	-	-	-
XVII. TAX ASSET		177,515	-	177,515	6,359	-	6,359
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	177,515	-	177,515	6,359	-	6,359
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	127,351	-	127,351	121,759	-	121,759
18.1 Assets held for sale		127,351	-	127,351	121,759	-	121,759
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	1,714,109	117,380	1,831,489	1,128,823	107,174	1,235,997
TOTAL ASSETS		101,467,368	58,725,123	160,192,491	87,159,078	59,483,363	146,642,441

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Balance Sheet (Statement of Financial Position) at 31 December 2012
(Thousands of Turkish Lira (TL))

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2012			31 December 2011		
			TL	FC	Total	TL	FC	Total
I. DEPOSITS	(5.2.1)		49,998,883	37,483,536	87,482,419	47,777,457	36,765,318	84,542,775
11 Deposits from bank's risk group	(5.7)		651,848	167,192	819,040	602,101	1,234,981	1,837,082
12 Others			49,347,035	37,316,344	86,663,379	47,175,356	35,530,337	82,705,693
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)		587,352	283,679	871,031	495,160	279,157	774,317
III. FUNDS BORROWED	(5.2.3)		4,185,492	17,492,138	21,677,630	4,384,503	16,139,154	20,523,657
IV. INTERBANK MONEY MARKETS			12,226,915	1,272,608	13,499,523	8,338,618	2,616,373	10,954,991
4.1 Interbank money market takings			-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings			-	-	-	-	-	-
4.3 Obligations under repurchase agreements	(5.2.4)		12,226,915	1,272,608	13,499,523	8,338,618	2,616,373	10,954,991
V. SECURITIES ISSUED (Net)	(5.2.4)		1,930,133	3,932,007	5,862,140	2,082,601	1,621,496	3,704,097
5.1 Bills			1,601,466	-	1,601,466	2,082,601	-	2,082,601
5.2 Asset backed securities			-	-	-	-	-	-
5.3 Bonds			328,667	3,932,007	4,260,674	-	1,621,496	1,621,496
VI. FUNDS			-	-	-	-	-	-
6.1 Borrower funds			-	-	-	-	-	-
6.2 Others			-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	(5.2.4.3)		4,209,722	378,207	4,587,929	3,481,891	75,440	3,557,331
VIII. OTHER EXTERNAL FUNDINGS PAYABLE			1,642,686	339,718	1,982,404	676,407	1,153,312	1,829,719
IX. FACTORING PAYABLES			-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5.2.5)		341	-	341	1	4	5
10.1 Financial lease payables			365	-	365	1	4	5
10.2 Operational lease payables			-	-	-	-	-	-
10.3 Others			-	-	-	-	-	-
10.4 Deferred expenses (-)			24	-	24	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)		-	-	-	-	782	782
11.1 Fair value hedges			-	-	-	-	-	-
11.2 Cash flow hedges			-	-	-	-	782	782
11.3 Net foreign investment hedges			-	-	-	-	-	-
XII. PROVISIONS	(5.2.7)		2,239,130	37,837	2,276,967	1,795,843	35,303	1,831,146
12.1 General provisions			1,269,819	32,733	1,302,552	979,797	34,152	1,013,949
12.2 Restructuring reserves			-	-	-	-	-	-
12.3 Reserve for employee benefits			343,997	-	343,997	266,805	-	266,805
12.4 Insurance technical provisions (Net)			-	-	-	-	-	-
12.5 Other provisions			625,314	5,104	630,418	549,241	1,151	550,392
XIII. TAX LIABILITY	(5.2.8)		516,223	9,382	525,605	265,165	235	265,400
13.1 Current tax liability			516,223	9,382	525,605	265,165	235	265,400
13.2 Deferred tax liability			-	-	-	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.2.9)		-	-	-	-	-	-
14.1 Assets held for sale			-	-	-	-	-	-
14.2 Assets of discontinued operations			-	-	-	-	-	-
XV. SUBORDINATED DEBTS	(5.2.10)		-	117,251	117,251	-	1,081,402	1,081,402
XVI. SHAREHOLDERS' EQUITY	(5.2.11)		20,449,436	859,815	21,309,251	17,104,283	472,536	17,576,819
16.1 Paid-in capital			4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves			2,547,175	790,733	3,337,908	1,503,041	427,157	1,930,198
16.2.1 Share premium			11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits			-	-	-	-	-	-
16.2.3 Securities value increase fund			1,082,545	790,733	1,873,278	180,988	427,546	608,534
16.2.4 Revaluation surplus on tangible assets			741,530	-	741,530	598,953	-	598,953
16.2.5 Revaluation surplus on intangible assets			-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property			-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures			1,891	-	1,891	1,891	-	1,891
16.2.8 Hedging reserves (effective portion)			(63,225)	-	(63,225)	(63,225)	(389)	(63,614)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations			-	-	-	-	-	-
16.2.10 Other capital reserves			772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves			10,631,936	69,082	10,701,018	8,330,667	45,379	8,376,046
16.3.1 Legal reserves			907,653	7,939	915,592	716,363	6,940	723,303
16.3.2 Status reserves			-	-	-	-	-	-
16.3.3 Extraordinary reserves			9,724,283	-	9,724,283	7,612,215	-	7,612,215
16.3.4 Other profit reserves			-	61,143	61,143	2,089	38,439	40,528
16.4 Profit or loss			3,070,325	-	3,070,325	3,070,575	-	3,070,575
16.4.1 Prior periods profit/loss			-	-	-	-	-	-
16.4.2 Current period net profit/loss			3,070,325	-	3,070,325	3,070,575	-	3,070,575
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			97,986,313	62,206,178	160,192,491	86,401,929	60,240,512	146,642,441

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Off-Balance Sheet Items at 31 December 2012
(Thousands of Turkish Lira (TL))

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2012			31 December 2011		
			TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			66,368,386	143,680,211	210,048,597	56,011,426	127,698,145	183,709,571
I. GUARANTEES AND SURETIES	(5.3.1)		6,970,208	15,706,372	22,676,580	5,802,261	15,219,237	21,021,498
11. Letters of guarantee			6,958,156	9,465,698	16,423,854	5,786,884	9,134,682	14,921,566
111. Guarantees subject to State Tender Law			-	714,239	714,239	-	-	-
112. Guarantees given for foreign trade operations			438,392	182,077	620,469	431,028	266,469	697,497
113. Other letters of guarantee			6,519,764	8,569,382	15,089,146	5,355,856	8,868,213	14,224,069
12. Bank acceptances			5,028	715,868	720,896	3,687	511,863	515,550
121. Import letter of acceptance			5,028	715,868	720,896	1,705	511,863	513,568
122. Other bank acceptances			-	-	-	1,982	-	1,982
13. Letters of credit			7024	5,458,506	5,465,530	11,690	5,502,456	5,514,146
131. Documentary letters of credit			-	-	-	-	-	-
132. Other letters of credit			7024	5,458,506	5,465,530	11,690	5,502,456	5,514,146
14. Guaranteed prefinancings			-	-	-	-	-	-
15. Endorsements			-	-	-	-	-	-
151. Endorsements to the Central Bank of Turkey			-	-	-	-	-	-
152. Other endorsements			-	-	-	-	-	-
16. Underwriting commitments			-	-	-	-	-	-
17. Factoring related guarantees			-	-	-	-	-	-
18. Other guarantees			-	66,300	66,300	-	70,236	70,236
19. Other sureties			-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)		33,685,681	70,774,949	104,460,630	32,059,110	60,470,829	92,529,939
21. Irrevocable commitments			23,695,883	10,205,196	33,901,079	23,630,190	8,513,450	32,143,640
211. Asset purchase and sale commitments			892,893	4,192,191	5,085,084	1,889,216	1,204,371	3,093,587
212. Deposit purchase and sale commitments			165	44,053	44,218	200	559,500	559,700
213. Share capital commitments to associates and subsidiaries			-	7,944	7,944	1,000	10,407	11,407
214. Loan granting commitments			5,100,371	5,213,008	10,313,379	4,688,182	5,946,547	10,634,729
215. Securities issuance brokerage commitments			-	-	-	-	-	-
216. Commitments for reserve deposit requirements			-	-	-	-	-	-
217. Commitments for cheque payments			1,994,233	-	1,994,233	2,230,853	-	2,230,853
218. Tax and fund obligations on export commitments			18,075	-	18,075	16,390	-	16,390
219. Commitments for credit card limits			14,215,936	-	14,215,936	13,540,139	-	13,540,139
2110. Commitments for credit cards and banking services related promotions			-	-	-	-	-	-
2111. Receivables from "short" sale commitments on securities			-	-	-	-	-	-
2112. Payables from "short" sale commitments on securities			-	-	-	-	-	-
2113. Other irrevocable commitments			1,474,210	748,000	2,222,210	1,264,210	792,625	2,056,835
22. Revocable commitments			9,989,798	60,569,753	70,559,551	8,428,920	51,957,379	60,386,299
221. Revocable loan granting commitments			9,989,798	60,569,054	70,558,852	8,428,920	51,956,658	60,385,578
222. Other revocable commitments			-	699	699	-	721	721
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)		25,712,497	57,198,890	82,911,387	18,150,055	52,008,079	70,158,134
31. Derivative financial instruments held for risk management			-	-	-	-	1,967,575	1,967,575
311. Fair value hedges			-	-	-	-	1,865,000	1,865,000
312. Cash flow hedges			-	-	-	-	102,575	102,575
313. Net foreign investment hedges			-	-	-	-	-	-
32. Trading derivatives			25,712,497	57,198,890	82,911,387	18,150,055	50,040,504	68,190,559
321. Forward foreign currency purchases/sales			4,085,520	5,006,561	9,092,081	4,211,614	5,989,590	10,201,204
3211. Forward foreign currency purchases			1,551,055	2,939,516	4,490,571	1,527,702	3,612,899	5,140,601
3212. Forward foreign currency sales			2,534,465	2,067,045	4,601,510	2,683,912	2,376,691	5,060,603
322. Currency and interest rate swaps			12,119,404	34,000,856	46,120,260	8,745,935	33,714,427	42,460,362
3221. Currency swaps-purchases			4,585,239	9,870,113	14,365,352	4,721,703	8,378,462	13,100,165
3222. Currency swaps-sales			3,843,165	9,198,283	13,041,448	715,032	12,354,491	13,069,523
3223. Interest rate swaps-purchases			2,045,500	7,317,810	9,363,310	1,654,600	6,490,737	8,145,337
3224. Interest rate swaps-sales			1,645,500	7,704,650	9,350,150	1,654,600	6,490,737	8,145,337
323. Currency, interest rate and security options			9,477,773	15,053,943	24,531,716	5,067,362	9,824,110	14,891,472
3231. Currency call options			4,094,590	7,005,282	11,099,872	2,040,606	4,933,329	6,973,935
3232. Currency put options			5,326,678	6,166,142	11,492,820	3,007,756	3,994,033	7,001,789
3233. Interest rate call options			-	1,857,738	1,857,738	-	888,861	888,861
3234. Interest rate put options			-	-	-	-	-	-
3235. Security call options			56,505	3,520	60,025	19,000	7,887	26,887
3236. Security put options			-	21,261	21,261	-	-	-
324. Currency futures			28,384	183,525	211,909	66,940	60,369	127,309
3241. Currency futures-purchases			28,384	155,278	183,662	30,820	23,623	54,443
3242. Currency futures-sales			-	28,247	28,247	36,120	36,746	72,866
325. Interest rate futures			-	-	-	-	-	-
3251. Interest rate futures-purchases			-	-	-	-	-	-
3252. Interest rate futures-sales			-	-	-	-	-	-
326. Others			1,416	2,954,005	2,955,421	58,204	452,008	510,212
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			420,969,854	239,191,423	660,161,277	320,368,460	209,380,024	529,748,484
IV. ITEMS HELD IN CUSTODY			65,023,469	17,841,768	82,865,237	69,767,974	20,141,049	89,909,023
41. Customers' securities held			34,655,678	1,139	34,656,817	37,046,678	1,188	37,047,866
42. Investment securities held in custody			20,865,091	3,906,395	24,771,486	22,266,158	7,297,692	29,563,850
43. Checks received for collection			7,743,022	1,331,553	9,074,575	7,474,216	1,447,143	8,921,359
44. Commercial notes received for collection			1,686,186	1,054,366	2,740,552	2,915,109	1,135,226	4,050,335
45. Other assets received for collection			45,605	10,387,378	10,432,983	38,697	9,401,147	9,439,844
46. Assets received through public offering			-	43,517	43,517	-	46,051	46,051
47. Other items under custody			27,887	1,117,420	1,145,307	27,116	812,602	839,718
48. Custodians			-	-	-	-	-	-
V. PLEDGED ITEMS			355,946,385	221,349,655	577,296,040	250,600,486	189,238,975	439,839,461
51. Securities			2,073,280	7,242	2,080,522	1,390,133	121,371	151,504
52. Guarantee notes			41,324,590	9,967,059	51,291,649	33,971,973	10,100,312	44,072,285
53. Commodities			3,620	-	3,620	-	-	-
54. Warranties			-	-	-	-	-	-
55. Real estates			60,830,116	51,076,849	111,906,965	49,423,787	51,360,202	100,783,989
56. Other pledged items			251,714,609	160,298,120	412,012,729	165,814,423	127,656,682	293,471,105
57. Pledged items-depository			170	385	555	170	408	578
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES			-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)			487,338,240	382,871,634	870,209,874	376,379,886	337,078,169	713,458,055

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Income Statement For the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD 1 January 2012- 31 December 2012	PRIOR PERIOD 1 January 2011- 31 December 2011
I. INTEREST INCOME		(5.4.1)	12,670,471	10,483,529
11 Interest income on loans			8,441,212	6,593,311
12 Interest income on reserve deposits			-	-
13 Interest income on banks			220,628	235,491
14 Interest income on money market transactions			3,643	4,209
15 Interest income on securities portfolio			3,879,817	3,542,346
15.1 Trading financial assets			33,048	30,017
15.2 Financial assets valued at fair value through profit or loss			-	-
15.3 Financial assets available-for-sale			3,543,528	2,940,299
15.4 Investments held-to-maturity			303,241	572,030
16 Financial lease income			-	-
17 Other interest income			125,171	108,172
II. INTEREST EXPENSE		(5.4.2)	6,951,539	5,794,581
21 Interest on deposits			4,946,321	3,956,602
2.2 Interest on funds borrowed			892,122	931,268
2.3 Interest on money market transactions			787,962	718,172
2.4 Interest on securities issued			313,669	177,383
2.5 Other interest expenses			11,465	11,156
III. NET INTEREST INCOME (I - II)			5,718,932	4,688,948
IV. NET FEES AND COMMISSIONS INCOME			2,007,605	2,007,521
4.1 Fees and commissions received			2,492,089	2,386,202
4.1.1 Non-cash loans			162,384	166,154
4.1.2 Others			2,329,705	2,220,048
4.2 Fees and commissions paid			484,484	378,681
4.2.1 Non-cash loans			1,430	866
4.2.2 Others			483,054	377,815
V. DIVIDEND INCOME		(5.4.3)	2,444	5,557
VI. NET TRADING INCOME/LOSSES (Net)		(5.4.4)	614,429	332,312
6.1 Trading account income/losses			548,795	317,089
6.2 Income/losses from derivative financial instruments			(337,704)	353,190
6.3 Foreign exchange gains/losses			403,338	(337,967)
VII. OTHER OPERATING INCOME		(5.4.5)	298,616	902,533
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			8,642,026	7,936,871
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)		(5.4.6)	1,177,835	822,397
X. OTHER OPERATING EXPENSES (-)		(5.4.7)	3,540,901	3,206,325
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			3,923,290	3,908,149
XII. INCOME RESULTED FROM MERGERS			-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING			-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION			-	-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)		(5.4.8)	3,923,290	3,908,149
XVI. PROVISION FOR TAXES (±)		(5.4.9)	852,965	837,574
16.1 Current tax charge			1,193,716	392,346
16.2 Deferred tax charge/(credit)			(340,751)	445,228
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)		(5.4.10)	3,070,325	3,070,575
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-	-
18.1 Income from assets held for sale			-	-
18.2 Income from sale of associates, subsidiaries and joint-ventures			-	-
18.3 Others			-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-	-
19.1 Expenses on assets held for sale			-	-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-
19.3 Others			-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)		(5.4.8)	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		(5.4.9)	-	-
21.1 Current tax charge			-	-
21.2 Deferred tax charge/(credit)			-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)		(5.4.10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)		(5.4.11)	3,070,325	3,070,575
Earnings per Share			0.731	0.731

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Income/Expense Items Accounted for under Shareholders' Equity
For the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

		THOUSANDS OF TURKISH LIRA (TL)	
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		CURRENT PERIOD 1 January 2012- 31 December 2012	PRIOR PERIOD 1 January 2011- 31 December 2011
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	1,034,732	(1,823,522)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	(3,026)	9,309
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	486	1,366
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	430,483	126,851
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	(200,568)	330,560
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	1,262,107	(1,355,436)
XI.	CURRENT PERIOD PROFIT/LOSSES	3,070,325	3,070,575
11.	Net changes in fair value of securities (transferred to income statement)	52,489	267,975
12.	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
13.	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
14.	Others	3,017,836	2,802,600
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	4,332,432	1,715,139

The accompanying notes are an integral part of these unconsolidated financial statements.

Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Cash Flows For the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

		THOUSANDS OF TURKISH LIRA (TL)	
STATEMENT OF CASH FLOWS		CURRENT PERIOD	PRIOR PERIOD
		1 January 2012-	1 January 2011-
		31 December 2012	31 December 2011
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	4,122,006	2,087,875
1.1.1	Interests received	12,609,546	9,509,710
1.1.2	Interests paid	(7,090,195)	(5,659,161)
1.1.3	Dividend received	2,386	5,557
1.1.4	Fees and commissions received	2,492,089	2,386,202
1.1.5	Other income	340,974	594,895
1.1.6	Collections from previously written-off loans and other receivables	34,818	77,381
1.1.7	Payments to personnel and service suppliers	(2,772,294)	(2,625,993)
1.1.8	Taxes paid	(1,127,563)	(632,675)
1.1.9	Others	(367,755)	(1,568,041)
1.2	Changes in operating assets and liabilities	(6,379,901)	(7,955,076)
1.2.1	Net (increase) decrease in financial assets held for trading	585,446	(399,950)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss	-	-
1.2.3	Net (increase) decrease in due from banks	2,049,834	(1,971,747)
1.2.4	Net (increase) decrease in loans	(8,741,707)	(18,687,696)
1.2.5	Net (increase) decrease in other assets	(7,428,730)	(3,452,714)
1.2.6	Net increase (decrease) in bank deposits	1,823,186	(428,626)
1.2.7	Net increase (decrease) in other deposits	1,231,122	12,210,493
1.2.8	Net increase (decrease) in funds borrowed	2,758,346	3,754,940
1.2.9	Net increase (decrease) in matured payables	-	-
1.2.10	Net increase (decrease) in other liabilities	1,342,602	1,020,224
I.	Net cash flow from banking operations	(2,257,895)	(5,867,201)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	(2,275,930)	3,612,106
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures	(47,685)	(84,420)
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures	3	171,003
2.3	Purchases of tangible assets	(238,976)	(366,103)
2.4	Sales of tangible assets	73,092	93,071
2.5	Cash paid for purchase of financial assets available-for-sale	(11,854,829)	(13,952,992)
2.6	Cash obtained from sale of financial assets available-for-sale	6,283,493	16,397,291
2.7	Cash paid for purchase of investments held-to-maturity	(7,065)	(4,737)
2.8	Cash obtained from sale of investments held-to-maturity	3,516,037	1,358,993
2.9	Others	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities	1,520,176	2,996,019
3.1	Cash obtained from funds borrowed and securities issued	8,063,991	5,290,027
3.2	Cash used for repayment of funds borrowed and securities issued	(5,943,692)	(1,723,621)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(600,000)	(570,000)
3.5	Payments for financial leases	(123)	(387)
3.6	Others (payments for founder shares repurchased)	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(337,239)	677,405
V.	Net increase/(decrease) in cash and cash equivalents	(3,350,888)	1,418,329
VI.	Cash and cash equivalents at beginning of period	7,613,562	6,195,233
VII.	Cash and cash equivalents at end of period	4,262,674	7,613,562

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit Distribution at 31 December 2012
(Thousands of Turkish Lira (TL))

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*) 31 December 2012	PRIOR PERIOD 31 December 2011
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
11	CURRENT PERIOD PROFIT	3923,290	3908,149
12	TAXES AND LEGAL DUTIES PAYABLE (-)	852,965	837,574
121	Corporate tax (income tax)	852,965	837,574
12.2	Withholding tax	-	-
12.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	3,070,325	3,070,575
13	ACCUMULATED LOSSES (-)	-	-
14	FIRST LEGAL RESERVES (-)	-	153,529
15	OTHER STATUTORY RESERVES (-)	-	193,695
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	3,070,325	2,723,351
16	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	210,000
16.1	To owners of ordinary shares	-	210,000
16.2	To owners of privileged shares	-	-
16.3	To owners of redeemed shares	-	-
16.4	To profit sharing bonds	-	-
16.5	To holders of profit and loss sharing certificates	-	-
17	DIVIDENDS TO PERSONNEL (-)	-	-
18	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
19	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	390,000
19.1	To owners of ordinary shares	-	390,000
19.2	To owners of privileged shares	-	-
19.3	To owners of redeemed shares	-	-
19.4	To profit sharing bonds	-	-
19.5	To holders of profit and loss sharing certificates	-	-
110	SECOND LEGAL RESERVES (-)	-	39,000
111	STATUS RESERVES (-)	-	-
112	EXTRAORDINARY RESERVES	-	2,084,351
113	OTHER RESERVES	-	-
114	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
21	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)		
31	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0.731	0.731
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.073	0.073
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Decision regarding to the 2012 profit distribution will be held at General Assembly meeting.

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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3 Accounting policies

3.1 Basis of presentation

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law No. 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulatory and Supervisory Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets at fair value through profit or loss, financial assets available for sale, investments in associates and subsidiaries that are quoted on the stock exchanges and that are in foreign currencies which are presented on a fair value basis.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.24.

3.1.1 Additional paragraph for convenience translation to English

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

The liability side of the Bank's balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank has access to longer-term borrowings via the borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank is keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The Bank's widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

3.2.2 Foreign currency transactions

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

The Bank had applied net investment hedge accounting for the exchange rate differences on the net investment risks on its foreign affiliates and its related financial liabilities in foreign currencies in the previous periods. The Bank prospectively discontinued this application as of 1 January 2009 within the framework of TFRIC 16 - Comment on Hedges of a Net Investment in a Foreign Operation, published in the Official Gazette dated 8 January 2009, no. 27104. The Bank started to apply fair value hedge accounting as at 1 January 2009 by designating the exchange rate risk of these foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 *Financial Instruments: Recognition and Measurement*". Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

3.3 Investments in associates and subsidiaries

The unconsolidated investments in associates and subsidiaries are accounted for in accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement". Investments in companies quoted in organized markets and for which their fair values can be reliably determined, are valued at their fair values. Others are valued at costs reduced by provisions for impairment losses, if any, in the accompanying financial statements.

3.4 Forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts. There are no embedded derivatives.

According to the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement", forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets held for trading" or "derivative financial liabilities held for trading", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement. While, the effective portions of cash flow hedges are recorded under shareholders' equity, their ineffective portions are posted through income statement.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts.

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3.5 Interest income and expenses

Interests are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement".

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest of the period after the acquisition is recorded as interest income in the financial statements.

The accrued interest income on non-performing loans are reversed and subsequently recognised as interest income only when collected.

3.6 Fees and commissions

Except for certain fees related with certain banking transactions and recognized when received, fees and commissions received and paid, and other fees and commissions paid to financial institutions are calculated according to either accrual basis of accounting or effective interest rate method depending on nature of fees and commissions, income derived from agreements and asset purchases from third parties are recognized as income when realized.

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

Such assets are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

The Bank classifies certain loans at their origination dates, as financial assets at fair value through profit or loss in compliance with TAS 39. Financial assets at fair value through profit or loss are initially recorded at cost and measured at fair value in subsequent periods.

3.7.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables

Financial assets are initially recorded at their purchase costs including the transaction costs.

Investments held-to-maturity are financial assets with fixed maturities and pre-determined payment schedules that the Bank has the intent and ability to hold until maturity, excluding loans and receivables.

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

Investments held-to-maturity are measured at amortized costs using internal rate of return after deducting impairments, if any.

Assets available-for-sale, are financial assets other than assets held for trading purposes, investments held-to-maturity and loans and receivables.

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones which do not have a fixed maturity. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

The real coupon rates for government bonds indexed to consumer price index are fixed throughout maturities. As per the statements made by the Turkish Treasury on the dates of issuance, such securities are valued taking into account the difference between the reference index at the issue date and the reference index at the balance sheet date to reflect the effects of inflation.

Purchase and sale transactions of securities are accounted at delivery dates.

Loans and receivables are financial assets raised by the Bank providing money, commodity and services to debtors.

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

3.8 Impairment of financial assets

Financial asset or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely effected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The allowances are recorded in the income statement of the related period.

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3.9 Netting of financial instruments

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Bank provides specific allowances for loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. The allowances are recorded under "loans" as negative balances on the asset side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. The funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

Securities purchased under resale agreements are classified under "interbank money markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

3.11 Assets held for sale and discontinued operations

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank has no discontinued operations.

3.12 Goodwill and other intangible assets

The Bank's intangible assets consist of softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in compliance with the Turkish Accounting Standard 38 (TAS 38) "Intangible Assets".

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

Estimated useful lives of the Bank's intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

3.13 Tangible assets

The cost of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

Tangible assets are recorded at cost in compliance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

The depreciation rates and the estimated useful lives of tangible assets are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%) from 1 January 2009	Depreciation Rates (%) from 1 January 2005	Depreciation Rates (%) before 1 January 2005
Buildings	50	2	4	2
Vaults	20-50	2-20	4-40	2-20
Motor vehicles	5-7	15-20	30-40	15-20
Other tangible assets	4-20	5-25	10-50	5-25

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In prior periods, the tangible assets are depreciated over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. The tangible assets purchased since 1 January 2005 are depreciated based on the declining balance method which is one of the accelerated depreciation methods. The straight-line depreciation method is in use for the tangible assets purchased since 1 January 2009.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Investment properties

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation under the cost method. Depreciation is provided on investment property (except land) on a straight-line basis.

Investment properties are reviewed for impairment losses. Where the carrying value of an investment property is greater than the estimated recoverable value, it is written down to its recoverable value. The recoverable value of an investment property is higher of discounted net future cash flows from the use of the related investment property or net sale price.

3.14 Leasing activities

Leased assets are recognized by recording an asset or a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

In operating leases, the rent payments are charged to the statement of operations in equal installments.

3.15 Provisions and contingent liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

Provisions made during the period are recorded under "provision for losses on loans and other receivables"; provisions that were booked in the prior periods and released in the current year are recorded under "other operating income".

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance Indemnities and Short-Term Employee Benefits

As per the existing labour law in Turkey, the Bank is required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 December 2012 (*)	31 December 2011 (*)
	%	%
Discount Rate	2.18	4.25
Interest Rate	6.95	9.52
Expected Rate of Salary Increase	6.17	6.56
Inflation Rate	4.67	5.06

(*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

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Retirement Benefit Obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee (and his/her dependents) will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

31 December 2012		
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5754 ("the Law"), and b) other social rights and medical benefits provided by the Bank but not transferable to SSF.

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law No.5411, published in the Official Gazette on 1 November 2005, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, numbered 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette numbered 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund, the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, numbered 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the first paragraph of the provisional Article 20 of the Law is not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

b) Other benefits not transferable to SSF

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds' members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds' members.

3.18 Taxation

3.18.1 Corporate tax

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2009/14593 and no.2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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The tax applications for foreign branches;

NORTHERN CYPRUS

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

MALTA

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The prepaid taxes are paid in April, August and December of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

LUXEMBOURG

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 5% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 9% of the taxable income.

The tax returns do not include any tax amounts to be paid. The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

3.18.2 Deferred taxes

According to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes"; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.18.3 Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "Disguised Profit Distribution by Way of Transfer Pricing". "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at 18 November 2007, explains the application related issues on this topic.

According to this communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the "71 Annual Documentation" section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

3.19 Funds borrowed

The Bank generates funds from domestic and foreign sources whenever required. The funds borrowed from foreign sources are also in the form of syndications and securitizations. Besides, funding through bill and bond issuances in the local and international markets has commenced.

The funds borrowed are recorded at their purchase costs and discounted by using the internal rate of return.

3.20 Shares and share issuances

None.

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3.21 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

3.22 Government incentives

As of 31 December 2012, the Bank does not have any government incentives or grants.

3.23 Segment reporting

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are: custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard under the brand names of Visa and Mastercard, virtual cards and also American Express credit cards and "Paracard" debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

Information on the business segments is as follows:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,060,054	3,066,231	1,700,349	815,392	8,642,026
Other	-	-	-	-	-
Total Operating Profit	3,060,054	3,066,231	1,700,349	815,392	8,642,026
Net Operating Profit	641,658	1,546,194	1,525,521	207,473	3,920,846
Income from Associates and Subsidiaries	-	-	-	2,444	2,444
Net Operating Profit	641,658	1,546,194	1,525,521	209,917	3,923,290
Provision for Taxes	-	-	-	852,965	852,965
Net Profit	641,658	1,546,194	1,525,521	(643,048)	3,070,325
Segment Assets	33,362,608	58,484,064	61,037,515	4,698,671	157,582,858
Investments in Associates and Subsidiaries	-	-	-	2,609,633	2,609,633
Total Assets	33,362,608	58,484,064	61,037,515	7,308,304	160,192,491
Segment Liabilities	55,913,811	32,860,300	46,011,331	4,097,798	138,883,240
Shareholders' Equity	-	-	-	21,309,251	21,309,251
Total Liabilities and Shareholders' Equity	55,913,811	32,860,300	46,011,331	25,407,049	160,192,491
Other Segment Items					
Capital Expenditures	-	-	-	238,976	238,976
Depreciation Expenses	102,959	52,610	3,122	35,292	193,983
Impairment Losses	588,752	501,140	(48,377)	143,488	1,185,003
Other Non-Cash Income/Expenses	48,786	23,604	1,213,882	(76,609)	1,209,663
Restructuring Costs	-	-	-	-	-

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Prior Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,078,343	3,103,411	1,432,502	322,615	7,936,871
Other	-	-	-	-	-
Total Operating Profit	3,078,343	3,103,411	1,432,502	322,615	7,936,871
Net Operating Profit	915,781	1,905,218	1,247,711	(166,118)	3,902,592
Income from Associates and Subsidiaries	-	-	-	5,557	5,557
Net Operating Profit	915,781	1,905,218	1,247,711	(160,561)	3,908,149
Provision for Taxes	-	-	-	837,574	837,574
Net Profit	915,781	1,905,218	1,247,711	(998,135)	3,070,575
Segment Assets	27,857,755	55,955,547	56,911,004	3,729,725	144,454,031
Investments in Associates and Subsidiaries	-	-	-	2,188,410	2,188,410
Total Assets	27,857,755	55,955,547	56,911,004	5,918,135	146,642,441
Segment Liabilities	51,721,161	35,039,949	39,909,125	2,395,387	129,065,622
Shareholders' Equity	-	-	-	17,576,819	17,576,819
Total Liabilities and Shareholders' Equity	51,721,161	35,039,949	39,909,125	19,972,206	146,642,441
Other Segment Items					
Capital Expenditures	-	-	-	269,128	269,128
Depreciation Expenses	103,070	60,678	4,219	6,040	174,007
Impairment Losses	316,172	326,330	50,584	131,221	824,307
Other Non-Cash Income/Expenses	120,520	215,606	(1,191,401)	(46,337)	(901,612)
Restructuring Costs	-	-	-	-	-

3.24 Other disclosures

None.

4 Financial position and results of operations and risk management

4.1 Capital adequacy ratio

The Bank's unconsolidated capital adequacy ratio is 18.21%.

4.1.1 Risk measurement methods in calculation of capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette no.28337 dated 28 June 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated 1 November 2006.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in the banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

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4.1.2 Capital adequacy ratio

Current Period	Risk Weights								
	Parent Bank Only								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk	-	-	845,544	10,808,347	22,837,083	57,750,707	4,734,597	8,791,156	-
Exposure Categories	53,152,361	-	4,227,718	21,616,694	30,449,444	57,750,707	3,156,398	4,395,578	-
Conditional and unconditional exposures to central governments or central banks	51,909,957	-	24	2,392,452	-	7,402	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	38	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	46,478	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	4,222,594	7,663,925	-	44,758	-	-	-
Conditional and unconditional exposures to corporates	-	-	-	7,226	-	53,025,096	-	-	-
Conditional and unconditional retail exposures	-	-	-	-	30,449,444	-	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	11,552,964	-	-	-	-	-
Past due items	-	-	-	127	-	218,270	-	-	-
Items in regulatory high-risk categories	-	-	-	-	-	8,709	3,156,398	4,395,578	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Other items	1,242,404	-	5,062	-	-	4,399,994	-	-	-

4.1.3 Summary information related to capital adequacy ratio

	Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	8,461,395
Capital Requirement for Market Risk (MRCR)	90,480
Capital Requirement for Operational Risk (ORCR)	1,043,016
Shareholders' Equity	21,835,440
Shareholders' Equity/((CRCR+MRCR+ORCR) * 12.5) * 100	18.21%

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4.1.4 Components of shareholders' equity items

	Current Period
CORE CAPITAL	
Paid-in Capital	4,200,000
Nominal Capital	4,200,000
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	772,554
Share Premium	11,880
Share Cancellation Profits	-
Reserves	10,612,731
Inflation Adjustments to Reserves	51,141
Profit	3,070,325
Current Period's Profit	3,070,325
Prior Periods' Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	420,000
Income on Sale of Equity Shares and Real Estates	739,390
Primary Subordinated Debts	-
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	94,182
Intangible Assets (-)	54,814
Deferred Tax Asset in Excess of 10% of Core Capital (-)	-
Limit Excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Total Core Capital	19,729,025
SUPPLEMENTARY CAPITAL	
General Provisions	1,302,552
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	963
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,891
Primary Subordinated Debts excluding the portion included in Core Capital	-
Secondary Subordinated Debts	116,050
45% of Securities Value Increase Fund	828,432
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss	37,146
Total Supplementary Capital	2,287,034
CAPITAL	22,016,059
DEDUCTIONS FROM CAPITAL	180,619
Unconsolidated investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at 10% or more	-
Investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at less than 10%, Exceeding 10% or More of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties Qualified as Primary or Secondary Subordinated Debts	134,531
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	34,690
Securitization Positions to be Deducted from Equity	-
Other Deduction Items	11,398
TOTAL SHAREHOLDERS' EQUITY	21,835,440

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4.1.5 Approaches for assessment of adequacy of internal capital requirements for current and future activities

The "Garanti Bank's assessment process of adequacy of internal capital requirements and capital adequacy policies" was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in September 2012. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, lending growth expectations, asset-liability structure, future funding sources and liquidity, fluctuations in capital depending on dividend distribution policy and economics, in compliance with its risk profile and appetite.

Accordingly, the Bank's prospective internal capital requirements as per its 2012 capital structure and 2013 targets and strategies, have been assessed considering its operations and risks. This assessment includes the interest rate risk, liquidity risk, reputational risk, residual risk, concentration risk, strategy risk, and country and transfer risks arising from banking activities besides the market, credit and operational risks directly affecting its legal capital adequacy ratio. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

4.2 Credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed under the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 23.70% and 30.30% of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 52.12% and 61.55% of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 761% and 1001% of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 1,302,552 thousands.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/ commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	Current Period	Prior Period
	%	%
Above Average	40.07	45.91
Average	53.04	48.70
Below Average	6.89	5.39
Total	100.00	100.00

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Exposure Categories	Curent Period Risk Amount *	Average Risk Amount **
Conditional and unconditional exposures to central governments or central banks	54,309,835	52,257,525
Conditional and unconditional exposures to regional governments or local authorities	38	49
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	46,478	49,513
Conditional and unconditional exposures to multilateral development banks	-	-
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	16,187,039	16,187,519
Conditional and unconditional exposures to corporates	56,202,343	55,330,385
Conditional and unconditional retail exposures	31,205,996	31,102,745
Conditional and unconditional exposures secured by real estate property	11,608,417	11,081,464
Past due items	218,515	247,236
Items in regulatory high-risk categories	7,663,021	6,754,893
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Other items	5,647,460	5,294,394

* Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

** Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks* (28 June 2012) to the period end.

4.2.1 Profile of significant exposures in major regions

Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	Total
Domestic	53,785,452	2,349,229	53,367,579	30,982,831	11,596,019	7,586,975	3,322,947	162,991,032
European Union (EU) Countries	419,570	10,548,905	2,064,162	31,291	8,508	2,037	64	13,074,537
OECD Countries *	7	116,928	318,723	3,104	878	12,166	2	451,808
Off-Shore Banking Regions	104,407	2,986	74,752	178,429	1,546	59,416	913	422,449
USA, Canada	373	800,059	214,998	2,178	767	27	31	1,018,433
Other Countries	26	207,846	161,263	8,163	699	2,400	-	380,397
Associates, Subsidiaries and Joint -Ventures	-	2,161,086	866	-	-	-	2,588,534	4,750,486
Unallocated Assets/Liabilities **	-	-	-	-	-	-	-	-
Total	54,309,835	16,187,039	56,202,343	31,205,996	11,608,417	7,663,021	5,912,491	183,089,142

* Includes OECD countries other than EU countries, USA and Canada.

** Includes assets and liability items that can not be allocated on a consistent basis.

*** Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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4.2.2 Risk profile by sectors or counterparties

Current Period *	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TL	FC	Total
Agriculture	-	-	-	-	-	-	381,155	351,658	165,237	8,476	12,042	-	-	-	-	765,678	152,890	918,568
Farming and Stockbreeding	-	-	-	-	-	-	303,369	334,438	150,018	8,251	11,008	-	-	-	-	717,007	90,177	807,184
Forestry	-	-	-	-	-	-	9,217	9,788	6,135	165	549	-	-	-	-	21,673	4181	25,854
Fishery	-	-	-	-	-	-	68,569	74,322	9,084	60	385	-	-	-	-	26,998	58,532	85,530
Manufacturing	-	-	1	-	-	-	23,368,822	2,677,685	1,465,137	82,745	125,597	-	-	-	-	- 9,376,008	18,343,979	27,719,987
Mining and Quarrying	-	-	1	-	-	-	82,3923	112,548	49,256	1,803	4,858	-	-	-	-	466,489	525,900	992,389
Production	-	-	-	-	-	-	1,346,1535	2,514,595	1,369,339	80,674	119,467	-	-	-	-	8186,676	9,358,934	17,545,610
Electricity, Gas and Water	-	-	-	-	-	-	9,083,364	50,542	46,542	268	1,272	-	-	-	-	722,843	8,459,145	9,181,988
Construction	-	-	-	-	-	-	5,438,452	1,174,210	1,289,360	16,449	56,848	-	-	-	-	3,599,673	4,375,646	7,975,319
Services	151,63,275	-	46,357	-	-	16,187,039	19,121,589	6,357,306	3,131,082	89,404	359,570	-	-	-	-	- 21,939,641	38,515,981	60,455,622
Wholesale and Retail Trade	-	-	46,322	-	-	-	9,078,295	4,868,416	2,026,885	70,521	249,297	-	-	-	-	10,760,163	5,579,573	16,339,736
Accommodation and Dining	-	-	31	-	-	-	2,158,846	311,314	473,275	4,339	19,476	-	-	-	-	792,848	217,4433	2,967,281
Transportation and Telecom	-	-	-	-	-	-	58,44,268	789,111	314,594	11,211	56,726	-	-	-	-	1,845,779	5170,131	7015,910
Financial Institutions	151,63,275	-	-	-	-	-	507,476	54,784	151,146	633	10,184	-	-	-	-	7,463,585	244,74,952	31,938,537
Real Estate and Rental Services	-	-	-	-	-	-	493,085	43,351	111,474	431	2,678	-	-	-	-	113,807	53,722	651,019
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	1	-	-	-	194,432	73,014	40,950	567	4,750	-	-	-	-	228,836	84,878	313,714
Health and Social Services	-	-	3	-	-	-	845,187	217,316	148,758	1,702	16,459	-	-	-	-	734,623	494,802	1,229,425
Others	39,146,560	38	120	-	-	-	7,892,325	20,645,137	5,557,601	21,441	7,108,964	-	-	-	-	5,647,460	75,550,015	10,469,631
Total	54,309,835	38	46,478	-	-	16,187,039	56,202,343	31,205,996	11,608,417	218,515	7,663,021	-	-	-	-	5,647,460	111,231,015	71,858,127

1- Conditional and unconditional exposures to central governments or central banks

2- Conditional and unconditional exposures to regional governments or local authorities

3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings

4- Conditional and unconditional exposures to multilateral development banks

5- Conditional and unconditional exposures to international organisations

6- Conditional and unconditional exposures to banks and brokerage houses

7- Conditional and unconditional exposures to corporates

8- Conditional and unconditional retail exposures

9- Conditional and unconditional exposures secured by real estate property

10- Past due items

11- Items in regulatory high-risk categories

12- Exposures in the form of bonds secured by mortgages

13- Short term exposures to banks, brokerage houses and corporates

14- Exposures in the form of collective investment undertakings

15- Other items

* Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

Exposure Categories *	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	2,287,079	13,819,140	5,834,636	9,326,868	20,871,414
Conditional and unconditional exposures to regional governments or local authorities	-	-	10	17	11
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	8	-	-	13	46,457
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	1,655,002	1,274,418	1,608,290	2,025,372	8,272,559
Conditional and unconditional exposures to corporates	3,201,455	5,066,749	4,883,464	6,330,703	36,719,972
Conditional and unconditional retail exposures	3,031,103	14,070,080	1,487,187	1,338,033	11,279,593
Conditional and unconditional exposures secured by real estate property	258,441	1,032,632	354,010	725,980	9,237,354
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	3,928	790	633	1,130,130	6,527,476
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	-	-	-	-	-
Total	10,437,016	35,263,809	14,168,230	20,877,116	92,954,836

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.4 Exposure categories

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

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Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Risk Rating	Exposure Categories				
		Exposures to Central Governments or Central Banks	Exposures to Administrative Bodies and Non-Commercial Undertakings	Exposures to Banks and Brokerage Houses		Exposures to Corporates
				Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	
1	AAA					
	AA+					
	AA	0%	20%	20%	20%	20%
	AA-					
2	A+					
	A	20%	50%	20%	50%	50%
	A-					
3	BBB+					
	BBB	50%	100%	20%	50%	100%
	BBB-					
4	BB+					
	BB	100%	100%	50%	100%	100%
	BB-					
5	B+					
	B	100%	100%	50%	100%	150%
	B-					
6	CCC+					
	CCC					
	CCC-	150%	150%	150%	150%	150%
	CC					
	C					
	D					

4.2.5 Exposures by risk weights

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	53,152,361	-	4,236,804	25,917,705	31,205,994	60,921,969	3,196,578	4,457,731	-	329,615
Exposures after Credit Risk Mitigation	53,152,361	-	4,227,718	21,616,694	30,449,444	57,750,707	3,156,398	4,395,578	-	329,615

4.2.6 Information by major sectors and type of counterparties

As per the TAS and TFRS;

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Credits; are the credits that overdue upto 90 days but not impaired. For such credits, "general provisions" are allocated as per the Provisioning Regulation.

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Credit Risks				
Current Period	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	19,849	6,661	103	7,223
Farming and Stockbreeding	19,129	6,468	100	6,877
Forestry	442	50	1	190
Fishery	278	143	2	156
Manufacturing	540,307	74,098	1,971	409,048
Mining and Quarrying	7,167	13,204	396	2,501
Production	532,268	60,811	1,573	406,220
Electricity, Gas and Water	872	83	2	327
Construction	97,081	18,358	289	46,541
Services	425,282	101,435	1,790	241,720
Wholesale and Retail Trade	344,448	64,037	1,261	195,335
Accommodation and Dining	23,594	4,898	63	15,901
Transportation and Telecommunication	40,487	26,765	380	19,649
Financial Institutions	5,488	193	3	4,731
Real Estate and Rental Services	1,038	705	10	483
Professional Services	-	-	-	-
Educational Services	2,309	576	8	1,142
Health and Social Services	7,918	4,261	65	4,479
Others	1,215,723	974,827	14,909	1,104,058
Total	2,298,242	1,175,379	19,062	1,808,590

4.2.7 Movements in value adjustments and provisions

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing
Specific Provisions	1,304,013	916,900	412,323	-	1,808,590
General Provisions	1,013,949	291,206	1,184	1,419	1,302,552

4.3 Market risk

The Bank's risk management activities are managed under the responsibility of the board of directors in compliance with the "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated 28 June 2012.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The board of directors monitors the effectiveness of risk management systems through audit committee, related other committees and top management, and in the light of various risk reports and the assessments made by the audit committee.

The risk policies and application procedures have been approved by the board of directors and regularly revisited. The market risk is also managed by risk mitigations through hedging transactions beside measuring the risks in compliance with international standards, limiting such risk and allocating capital accordingly.

Market risks arising from trading portfolios are measured as per "standard" and "value at risk (VaR)" methods. The measurements as per the standard method are performed on a monthly basis, and taken into consideration in the calculation of capital adequacy. Whereas, the measurements as per VaR method are performed on a daily basis. VaR is calculated using three different methods, namely historical simulation, monte carlo simulation and parametric methods. The Bank takes the historical VaR results as the basis for the internal management of market risk and determination of limits. The calculations made according to other two methods are used for comparison and monitoring purposes. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period (10 days for legal capital calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Beside the VaR limits, the limits on transaction, dealer, desk, stop-loss approved by the board of directors for trading portfolio are also applied for limiting the market risk.

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4.3.1 Value at market risk

	Current Period
(I) Capital Requirement against General Market Risk - Standard Method	6,086
(II) Capital Requirement against Specific Risks - Standard Method	9,270
Capital Requirement against Specific Risks of Securitisation Positions- Standard Method	-
(III) Capital Requirement against Currency Position Risk - Standard Method	31,586
(IV) Capital Requirement against Commodity Risks - Standard Method	8,534
(V) Capital Requirement against Clearing Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	27,608
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	7,396
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk ((I+II+III+IV+V+VI+VII)	90,480
(X) Value-At-Market Risk ((12.5*VIII) or (12.5*IX))	1,131,000

4.3.2 Monthly average values at market risk

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	8,599	11,199	6,680
Equity-Shares Position Risk	11,046	20,436	5,415
Currency Position Risk	38,451	46,463	31,586
Commodity Risk	6,036	8,747	3,296
Clearing Risk	-	-	-
Option Market Risk	28,492	34,588	23,131
Counterparty Credit Risk	8,261	9,557	7,264
Total Value at Risk	100,885	130,990	77,372

4.3.3 Quantitative information on counterparty risk

For repurchase transactions, security and commodity lendings and derivative transactions, counterparty credit risks are calculated. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

Current Period	Amount *
Interest-Rate Contracts	969
Foreign-Exchange-Rate Contracts	89,615
Commodity Contracts	12,735
Equity-Shares Related Contracts	1,846
Other	-
Gross Positive Fair Values	85,584
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	12,587
Net Derivative Position	178,162

* Includes only the counterparty risks arising from trading book.

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4.4 Operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

Basic Indicator Approach	31 December 2009	31 December 2010	31 December 2011	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	7,309,306	6,771,829	6,779,184	6,953,440	15	1,043,016
Value at Operational Risk (Total x % 12.5)						13,037,699

4.5 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2012, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 213,317 thousands (31 December 2011: a foreign currency long balance sheet position of TL 2,321,493 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 521,742 thousands (31 December 2011: a foreign currency short off-balance sheet position of TL 2,173,154 thousands), while net foreign currency long position amounts to TL 308,425 thousands (31 December 2011: TL 148,339 thousands).

The foreign currency position risk of the Bank is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	USD	EUR
Foreign currency purchase rates at balance sheet date	1.7600	2.3210
Rates for the days before balance sheet date;		
Day 1	1.7600	2.3272
Day 2	1.7600	2.3272
Day 3	1.7600	2.3267
Day 4	1.7700	2.3400
Day 5	1.7670	2.3362
Last 30-days arithmetical average rates	1.7620	2.3103

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The Bank's currency risk:

	EUR	USD	Other FCs	Total
Current Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	5,060,218	6,639,882	3,118,650	14,818,750
Banks	2,372,403	2,959,553	181,832	5,513,788
Financial Assets at Fair Value through Profit/Loss	323,487	147,468	-	470,955
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	177,753	830,830	-	1,008,583
Loans (*)	11,613,177	24,487,837	456,204	36,557,218
Investments in Associates, Subsidiaries and Joint-Venturest	1,902,041	215,495	-	2,117,536
Investments Held-to-Maturity	-	445,864	-	445,864
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	417	71	-	488
Intangible Assets	-	-	-	-
Other Assets	34,687	63,107	5,181	102,975
Total Assets	21,484,183	35,790,107	3,761,867	61,036,157
Liabilities				
Bank Deposits	594,729	2,238,090	83,107	2,915,926
Foreign Currency Deposits	9,893,110	21,519,709	779,710	32,192,529
Interbank Money Market Takings	-	1,272,606	2	1,272,608
Other Fundings	6,096,487	11,512,329	573	17,609,389
Securities Issued	-	3,932,007	-	3,932,007
Miscellaneous Payables	17,473	78,276	282,458	378,207
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Other Liabilities (**)	216,941	347,521	2,384,346	2,948,808
Total Liabilities	16,818,740	40,900,538	3,530,196	61,249,474
Net 'On Balance Sheet' Position	4,665,443	(5,110,431)	231,671	(213,317)
Net 'Off-Balance Sheet' Position	(4,531,503)	5,274,280	(221,035)	521,742
Derivative Assets	4,669,704	15,333,890	2,325,626	22,329,220
Derivative Liabilities	9,201,207	10,059,610	2,546,661	21,807,478
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	24,192,845	34,622,010	3,152,813	61,967,668
Total Liabilities	19,143,094	37,231,588	3,271,493	59,646,175
Net 'On Balance Sheet' Position	5,049,751	(2,609,578)	(118,680)	2,321,493
Net 'Off-Balance Sheet' Position	(4,751,323)	2,455,470	122,699	(2,173,154)
Derivative Assets	4,387,201	12,481,980	684,312	17,553,493
Derivative Liabilities	9,138,524	10,026,510	561,613	19,726,647
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 2,362,469 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Other liabilities also include gold deposits of TL 2,375,081 thousands.

4.6 Interest rate risk

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by the standard method, value at risk (VaR), duration-gap and sensitivity analysis.

Measurements for standard method are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. The duration-gap and sensitivity analysis are run every two weeks period.

During the daily VaR calculations, the interest rate risks of the Bank's TL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

In the duration-gap analysis used for the quantification of market risk arising from maturity mismatches of assets and liabilities, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

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4.6.1 Interest rate mismatch for the Bank "Interest rate sensitivity of assets, liabilities and off balance sheet items based on repricing dates"

Current Period	Up to 1 Month	1-3 Months	3-12Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	16,112,682	16,112,682
Banks	2,082,215	1,760,850	1,660,800	679,581	-	1,562,905	7,746,351
Financial Assets at Fair Value through Profit/Loss (**)	4,743	24,507	101,508	222,482	37,616	570,439	961,295
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	3,192,083	10,953,511	12,531,690	4,210,994	842,269	4,144,232	35,874,779
Loans (**)	17,349,845	9,515,092	14,116,538	32,444,246	17,043,030	1,577,922	92,046,673
Investments Held-to-Maturity	910,865	-	7,064	148,192	293,449	4,813	1,364,383
Other Assets	7,190	-	2,723	4,241	4,698	6,067,476	6,086,328
Total Assets	23,546,941	22,253,960	28,420,323	37,709,736	18,221,062	30,040,469	160,192,491
Liabilities							
Bank Deposits	2,170,278	868,844	526	-	-	764,953	3,804,601
Other Deposits	53,328,997	9,067,816	3,746,179	7,730	-	17,527,096	83,677,818
Interbank Money Market Takings	12,009,528	563,513	911,100	-	-	15,382	13,499,523
Miscellaneous Payables	-	-	-	-	-	4,587,929	4,587,929
Securities Issued	1,213,307	322,141	922,685	1,048,258	2,180,314	175,435	5,862,140
Other Fundings	4,972,615	1,936,545	7,770,867	4,905,807	1,928,300	280,747	21,794,881
Other Liabilities	20,556	74	231	1	-	26,944,737	26,965,599
Total Liabilities	73,715,281	12,758,933	13,351,588	5,961,796	4,108,614	50,296,279	160,192,491
On Balance Sheet Long Position	-	9,495,027	15,068,735	31,747,940	14,112,448	-	70,424,150
On Balance Sheet Short Position	(50,168,340)	-	-	-	-	(20,255,810)	(70,424,150)
Off-Balance Sheet Long Position	1,641,576	3,331,561	2,670,303	2,951,487	626,121	-	11,221,048
Off-Balance Sheet Short Position	(743,463)	(1,794,291)	(2,112,161)	(3,527,824)	(1,172,411)	-	(9,350,150)
Total Position	(49,270,227)	11,032,297	15,626,877	31,171,603	13,566,158	(20,255,810)	1,870,898

(*) Interest accruals are also included in non-interest bearing column.

(**) Loans amounting to TL 222,181 thousands classified under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are included above under "Loans".

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	8,261,151	8,261,151
Banks	8,118,111	1,570,388	1,624,898	433,464	-	2,597,090	14,343,951
Financial Assets at Fair Value through Profit/Loss	35,594	50,325	77,256	246,154	563,254	684,259	1,656,842
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	3,175,246	8,996,171	5,971,115	7,850,138	497,478	2,309,496	28,799,644
Loans	15,672,488	10,303,220	14,973,826	25,641,936	15,726,070	1,495,762	83,813,302
Investments Held-to-Maturity	910,864	1,458,014	574,141	157,033	1,421,680	264,798	4,786,530
Other Assets	13,475	1,000	2,498	7,473	9,118	4,947,457	4,981,021
Total Assets	27,925,778	22,379,118	23,223,734	34,336,198	18,217,600	20,560,013	146,642,441
Liabilities							
Bank Deposits	977,358	263,239	22,908	-	-	719,836	1,983,341
Other Deposits	49,653,429	10,982,656	4,587,989	75,760	137,108	17,122,492	82,559,434
Interbank Money Market Takings	8,893,238	847,839	-	1,189,870	-	24,044	10,954,991
Miscellaneous Payables	-	-	-	-	-	3,557,331	3,557,331
Securities Issued	1,270,659	-	1,371,442	-	924,305	137,691	3,704,097
Other Fundings	9,027,908	1,679,770	3,635,879	3,126,011	3,839,414	296,077	21,605,059
Other Liabilities	713,448	1	1	2	-	21,564,736	22,278,188
Total Liabilities	70,536,040	13,773,505	9,618,219	4,391,643	4,900,827	43,422,207	146,642,441
On Balance Sheet Long Position	-	8,605,613	13,605,515	29,944,555	13,316,773	-	65,472,456
On Balance Sheet Short Position	(42,610,262)	-	-	-	-	(22,862,194)	(65,472,456)
Off-Balance Sheet Long Position	1,585,694	1,773,331	1,815,686	2,332,115	2,511,160	-	10,017,986
Off-Balance Sheet Short Position	(1,053,837)	(812,713)	(2,300,011)	(3,460,229)	(1,502,335)	-	(9,129,125)
Total Position	(42,078,405)	9,566,231	13,121,190	28,816,441	14,325,598	(22,862,194)	888,861

(*) Interest accruals are also included in non-interest bearing column.

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4.6.2 Average interest rates on monetary financial instruments (%)

Current Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	119	0.65	-	5.88
Financial Assets at Fair Value through Profit/Loss	4.63	7.24	-	7.73
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.35	5.17	-	10.48
Loans	5.30	5.65	5.61	15.15
Investments Held-to-Maturity	-	6.86	-	8.15
Liabilities				
Bank Deposits	1.55	2.03	-	5.74
Other Deposits	1.98	2.09	1.71	6.55
Interbank Money Market Takings	-	2.04	-	5.67
Miscellaneous Payables	-	-	-	-
Securities Issued	-	4.98	-	7.23
Other Fundings	1.59	2.50	-	11.40
Prior Period	EURO	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	116	0.37	-	9.16
Financial Assets at Fair Value through Profit/Loss	4.25	6.79	-	8.73
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3.76	5.68	-	8.47
Loans	5.79	5.40	6.06	15.47
Investments Held-to-Maturity	-	7.22	-	13.88
Liabilities				
Bank Deposits	2.03	3.13	-	10.14
Other Deposits	2.78	3.05	0.50	8.41
Interbank Money Market Takings	-	2.15	-	10.58
Miscellaneous Payables	-	-	-	-
Securities Issued	-	5.64	-	7.76
Other Fundings	2.47	2.38	-	11.26

(*) The interest rate for USD placements at banks is 0.57% excluding the placements with range accrual agreements.

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4.6.3 Interest rate risk on banking book

4.6.3.1 Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the weekly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks.

In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates. In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations in the markets.

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

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

The market risks of branches and business lines are transferred to the Asset Liability Management department through transfer pricing. This department applies a centralised market risk management and uses the balance sheet (long-term borrowing) and off balance sheet (derivative instruments) methods.

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

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1 TL	(+) 500 bps	(2,820,578)	(12.92)%
2 TL	(-) 400 bps	2,761,432	12.65%
3 USD	(+) 200 bps	14,983	0.07%
4 USD	(-) 200 bps	(62,230)	(0.28)%
5 EUR	(+) 200 bps	(76,545)	(0.35)%
6 EUR	(-) 200 bps	82,518	0.38%
Total (of negative shocks)		2,781,720	12.75%
Total (of positive shocks)		(2,882,140)	(13.20)%

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4.7 Position risk of equity securities in banking book

4.7.1 Comparison of carrying, fair and market values of equity shares

Equity Securities (shares)	Comparison		
	Carrying Value	Fair Value	Market Value
1 Investment in Shares- grade A	2,534,600	2,117,536	68,509
Quoted Securities	68,509	-	68,509
2 Investment in Shares- grade B	73,971	-	62,457
Quoted Securities	62,457	-	62,457
3 Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4 Investment in Shares- grade D	-	-	-
Quoted Securities	-	-	-
5 Investment in Shares- grade E	1,014	-	-
Quoted Securities	-	-	-
6 Investment in Shares- grade F	48	-	-
Quoted Securities	-	-	-

4.7.2 Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals

Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount in Supplementary Capital	Total	Amount in Core Capital	Amount in Supplementary Capital
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	76,631	-	34,484
3 Other Shares	-	777,220	349,749	-	-	-
Total	-	777,220	349,749	76,631	-	34,484

4.8 Liquidity risk

The liquidity risk of the Bank is defined as the risk of being unable to pay its liabilities ontime due to not having enough cash sources or cash inflows to finance its cash outflows fully and ontime due to cashflow instabilities.

In order to overcome the liquidity risk, the Bank diversifies its funding sources considering their short and long term liquidity requirements, through instruments such as customer deposits, repurchase transactions, bond issuances and foreign borrowings. Besides, in order to secure the maturity match between the assets and liabilities, the strategies for maturity extension of fundings exist. The liquidity needs in different currencies are also managed through transactions such as currency swaps. In order to meet the cash outflow requirements during crises periods, high-liquid asset reserves are maintained.

In the management of TL and foreign currency liquidity, the cashflows of existing assets and liabilities are monitored and the liquidity needs in future maturities are estimated. The necessary actions are taken for liquidity requirements by monitoring stress positions.

An emergency action plan that covers the solutions to prevent the increase in liquidity risks under the ordinary activities and the possible scenarios of liquidity constraints under different positions and stress levels, exist. As per this plan, the liquidity risk is monitored through possible actions and scenarios at various stress levels of liquidity risks and early warning signals.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively.

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The liquidity ratios for the years 2012 and 2011, are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	131.56	139.73	98.80	104.67

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	135.89	148.57	94.32	109.14

Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank's financial liabilities as per their earliest likely contractual maturities.

	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Current Period								
Bank Deposits	3,804,601	3,800,553	760,907	2,170,290	716,719	526	152,111	-
Other Deposits	83,677,818	83,405,286	17,254,564	53,323,131	9,056,717	3,703,651	47,157	20,066
Other Fundings	21,794,881	21,514,134	-	1,526,559	1,243,301	7,942,072	7,584,619	3,217,583
Interbank Money Market Takings	13,499,523	13,484,141	-	12,009,528	563,513	911,100	-	-
Securities Issued	5,862,140	5,686,705	-	685,307	322,140	922,685	1,576,257	2,180,316
Total	128,638,963	127,890,819	18,015,471	69,714,815	11,902,390	13,480,034	9,360,144	5,417,965

	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Prior Period								
Bank Deposits	1,983,341	1,977,366	713,846	977,388	263,224	22,908	-	-
Other Deposits	82,559,434	82,174,164	16,737,222	49,646,269	10,971,190	4,522,014	133,457	164,012
Other Fundings	21,605,059	21,308,982	-	433,622	934,378	7,549,791	7,791,551	4,599,640
Interbank Money Market Takings	10,954,991	10,930,947	-	8,893,238	847,839	-	1,189,870	-
Securities Issued	3,704,097	3,566,406	-	711,159	-	1,371,442	559,500	924,305
Total	120,806,922	119,957,865	17,451,068	60,661,676	13,016,631	13,466,155	9,674,378	5,687,957

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4.8.1 Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,240,837	12,871,845	-	-	-	-	-	16,112,682
Banks	1,530,573	744,316	192,483	618,919	2,731,760	1,928,300	-	7,746,351
Financial Assets at Fair Value through Profit/Loss (**)	1,263	109,055	51,308	176,982	506,440	116,247	-	961,295
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	29,948	-	946,729	15,299,783	14,688,513	4,909,806	-	35,874,779
Loans (**)	142,461	15,598,788	7,124,944	12,141,488	35,791,811	20,844,302	402,879	92,046,673
Investments Held-to-Maturity	-	-	-	7,274	1,060,161	296,948	-	1,364,383
Other Assets	1,252,699	292,877	-	2,723	4,241	4,698	4,529,090	6,086,328
Total Assets	6,197,781	29,616,881	8,315,464	28,247,169	54,782,926	28,100,301	4,931,969	160,192,491
Liabilities								
Bank Deposits	760,911	2,172,432	718,617	530	152,111	-	-	3,804,601
Other Deposits	17,254,564	53,514,421	9,094,105	3,746,827	47,646	20,255	-	83,677,818
Other Fundings	-	1,641,551	1,357,130	7,989,608	7,589,009	3,217,583	-	21,794,881
Interbank Money Market Takings	-	12,016,510	569,713	913,300	-	-	-	13,499,523
Securities Issued	-	685,307	322,141	922,685	1,591,824	2,340,183	-	5,862,140
Miscellaneous Payables	585,774	4,002,155	-	-	-	-	-	4,587,929
Other Liabilities (***)	1,319,456	442,165	103,677	68,924	488,932	83,988	24,458,457	26,965,599
Total Liabilities	19,920,705	74,474,541	12,165,383	13,641,874	9,869,522	5,662,009	24,458,457	160,192,491
Liquidity Gap	(13,722,924)	(44,857,660)	(3,849,919)	14,605,295	44,913,404	22,438,292	(19,526,488)	-
Prior Period								
Total Assets	5,441,225	25,613,044	10,765,193	13,826,328	58,866,923	27,991,470	4,138,258	146,642,441
Total Liabilities	18,204,429	65,391,998	13,409,429	13,774,426	9,999,080	5,961,902	19,901,177	146,642,441
Liquidity Gap	(12,763,204)	(39,778,954)	(2,644,236)	51,902	48,867,843	22,029,568	(15,762,919)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(**) Loans amounting to TL 222,181 thousands classified under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are included above under "Loans".

(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

4.9 Securitisation positions

None.

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4.10 Credit risk mitigation techniques

The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques".

In the credit risk mitigation, cash and cash equivalent items and high-credit-quality debt instruments are used.

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

In cases, where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

Exposure Categories	Amount (**)	Financial Collateral	Other/Physical Collateral	Guaranties and Credit Derivatives
Conditional and unconditional exposures to central governments or central banks	54,314,898	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	4,581	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	114,383	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	25,722,458	4,257,753	-	-
Conditional and unconditional exposures to corporates	115,953,954	4,453,127	-	-
Conditional and unconditional retail exposures	66,052,250	920,759	-	-
Conditional and unconditional exposures secured by real estate property (*)	12,760,036	58,941	-	-
Past due items	218,515	118	-	-
Items in regulatory high-risk categories	7,716,270	102,442	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Other items	5,647,458	-	-	-

(*) The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

(**) Includes total risk amounts before credit risk mitigation and liquidity conversions.

4.11 Risk management objectives and policies

The Risk Management Strategy of the Bank includes the optimum allocation of the capital and the realisation of growth framework, maintaining risk-return balance, measuring the risks by methods in compliance with international standards and local regulations in parallel with its activities and under its sustainable and value-creating growth strategy.

The Bank determines the necessary approaches in order to update, revise, apply and manage its policies set for the proper assessment and management of risks considering changes in conditions.

The top management is responsible of managing, developing the risk management strategies, policies and application principles approved by the board of directors, reporting of major risks that the Bank is facing to the board of directors, assessment of internal control, internal audit and risk reports of departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The risk management activities are structured under the responsibility of the Bank's board of directors. The top management is responsible to the board of directors for monitoring and managing of risks. Besides, the following departments participate in monitoring of risks, independent from the departments having operational activities; Internal Control, Risk Management, Fraud, Compliance and Internal Audit.

The risks are evaluated on a continuously developing structure that is managed by internationally accepted applications and in compliance with the Bank's policies and procedures, and the international and local regulations.

The risks are also managed through risk mitigations using hedging transactions beside measurement, limitation and capital allocation techniques. The data of the Bank and the market are regularly monitored for better risk monitoring and management. As part of limitation of risks, internal limits are also set beside the legal limits. The possible changes in economic conditions and the risks that can be faced under extraordinary conditions are taken into consideration.

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4.12 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	151,897,404	138,928,282	151,292,903	138,320,076
Interbank Money Market Placements	-	-	-	-
Banks (*)	22,611,569	21,528,806	22,611,569	21,528,806
Financial Assets Available-for-Sale	35,874,779	28,799,644	35,874,779	28,799,644
Investments Held-to-Maturity	1,364,383	4,786,530	1,465,168	5,019,805
Loans	92,046,673	83,813,302	91,341,387	82,971,821
Financial Liabilities	119,727,369	113,409,262	119,727,369	113,409,262
Bank Deposits	3,804,601	1,983,341	3,804,601	1,983,341
Other Deposits	83,677,818	82,559,434	83,677,818	82,559,434
Other Fundings	21,794,881	21,605,059	21,794,881	21,605,059
Securities Issued	5,862,140	3,704,097	5,862,140	3,704,097
Miscellaneous Payables	4,587,929	3,557,331	4,587,929	3,557,331

(*) Including the balances at the Central Bank of Turkey

Fair values of financial assets available-for-sale and investments held-to-maturity are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

The table below analyses financial instruments carried at fair value, by valuation method:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	33,646,892	-	2,227,887	35,874,779
Financial Assets Held for Trading	406,373	-	4,217	410,590
Derivative Financial Assets Held for Trading	5,776	544,929	-	550,705
Loans	-	222,181	-	222,181
Investments in Associates and Subsidiaries	130,967	-	2,117,536	2,248,503
Derivative Financial Assets Held for Risk Management	-	-	-	-
Financial Assets at Fair Value	34,190,008	767,110	4,349,640	39,306,758
Derivative Financial Liabilities Held for Trading	-	871,031	-	871,031
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Financial Liabilities at Fair Value	-	871,031	-	871,031

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	23,023,180	-	5,776,464	28,799,644
Financial Assets Held for Trading	967,980	203	37,677	1,005,860
Derivative Financial Assets Held for Trading	4,950	646,032	-	650,982
Investments in Associates and Subsidiaries	68,749	-	1,759,796	1,828,545
Derivative Financial Assets Held for Risk Management	-	129,335	-	129,335
Financial Assets at Fair Value	24,064,859	775,570	7,537,937	32,414,366
Derivative Financial Liabilities Held for Trading	95	774,222	-	774,317
Derivative Financial Liabilities Held for Risk Management	-	782	-	782
Financial Liabilities at Fair Value	95	775,004	-	775,099

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 : Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

4.13 Transactions carried out on behalf of customers, items held in trust

None.

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5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	800,960	399,078	617,193	375,096
Central Bank of Turkey	492,972	14,372,246	972,268	6,212,587
Others	-	47,426	30	83,977
Total	1,293,932	14,818,750	1,589,491	6,671,660

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	492,972	1,500,401	972,268	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	12,871,845	-	6,212,587
Total	492,972	14,372,246	972,268	6,212,587

The reserve deposits kept as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

5.1.2 Information on financial assets at fair value through profit/loss

5.1.2.1 Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	-	223,894	-	646,886
Assets Subject to Repurchase Agreements	-	-	-	-
Total	-	223,894	-	646,886

5.1.2.2 Positive differences on derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	44,018	2,544	68,193	20,179
Swap Transactions	206,319	225,871	13,865	379,817
Futures	-	5,776	-	4,950
Options	47,495	18,682	108,370	55,608
Other	-	-	-	-
Total	297,832	252,873	190,428	460,554

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5.1.3 Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	191,158	52,949	32,179	157
Foreign banks	2,041,405	5,460,839	2,070,313	12,241,302
Foreign headoffices and branches	-	-	-	-
Total	2,232,563	5,513,788	2,102,492	12,241,459

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	1,556,403	5,261,563	5,414,630	7,430,350
USA and Canada	73,095	936,974	217,740	431,411
OECD Countries (*)	2,558	4,345	-	-
Off-Shore Banking Regions	70,720	63,515	26,401	26,372
Other	140,697	157,085	-	-
Total	1,843,473	6,423,482	5,658,771	7,888,133

* OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 5,658,771 thousands (31 December 2011: TL 7,888,133 thousands) of which TL 82,876 thousands (31 December 2011: TL 185,474 thousands) and TL 26,402 thousands (31 December 2011: TL 26,372 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits (31 December 2011: a further TL 215,432 thousands at the central bank of Luxembourg) and TL 5,549,493 thousands (31 December 2011: TL 7,460,855 thousands) as collateral against funds borrowed at various banks.

5.1.4 Financial assets available-for-sale

5.1.4.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

The collateralized financial assets available-for-sale in TL consist of government bonds. The total carrying value of such securities with total face value of TL 9,397,954 thousands (31 December 2011: TL 6,699,932 thousands) is TL 9,579,711 thousands (31 December 2011: TL 6,901,185 thousands). The related accrued interests amount to TL 1,377,954 thousands (31 December 2011: TL 763,474 thousands). The related impairment losses on these securities amount to TL 3,420 thousands (31 December 2011: TL 41,718 thousands). The collateralized financial assets available-for-sale in foreign currencies consist of Eurobonds. The total carrying value of such securities with total face value EUR 35,000,000 (31 December 2011: USD 9,925,000 and EUR 32,500,000) is EUR 34,635,651 (31 December 2011: USD 10,119,913 and EUR 26,364,891). The related accrued interests amount to EUR 7,077,368 (31 December 2011: USD 1,300,911 and EUR 29,997). There are no impairment losses on these securities (31 December 2011: EUR 12,333).

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	10,954,245	96,816	7,622,941	85,188
Assets subject to Repurchase Agreements	14,696,052	-	11,142,092	353,925
Total	25,650,297	96,816	18,765,033	439,113

5.1.4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt Securities	31,750,364	26,731,268
Quoted at Stock Exchange	29,596,105	24,915,253
Unquoted at Stock Exchange	2,154,259	1,816,015
Common Shares/Investment Funds	22,249	19,666
Quoted at Stock Exchange (*)	5,081	5,081
Unquoted at Stock Exchange	17,168	14,585
Value Increases/Impairment Losses (-)	4,102,166	2,048,710
Total	35,874,779	28,799,644

As of 31 December 2012, the Bank's "financial assets available-for-sale" portfolio includes private sector bonds with "credit linked notes" at a total face value of USD 425,000,000 (31 December 2011: USD 425,000,000) and a total carrying value of TL 763,661 thousands (31 December 2011: TL 804,237 thousands).

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5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	21	118,418	26	34,925
Corporates	21	118,418	26	34,925
Individuals	-	-	-	-
Indirect Lendings to Shareholders	314,839	495,947	245,679	478,356
Loans to Employees	107,541	-	86,115	-
Total	422,401	614,365	331,820	513,281

5.1.5.2 Loans and other receivables classified in groups I and II including contracts with revised terms

Cash Loans	Performing Loans and Other Receivables		Loans and Other Receivables under Follow-Up			
	Loans and Other Receivables(Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Loans	89,217,584	1,269,093	-	2,426,210	872,130	561,099
Working Capital Loans	7,887,360	142,378	-	517,047	240,937	111,553
Export Loans	3,514,477	10,450	-	114,629	83,233	15,850
Import Loans	955	-	-	-	-	-
Loans to Financial Sector (*)	2,296,887	-	-	-	-	-
Consumer Loans	21,449,583	670,575	-	446,106	83,604	88,987
Credit Cards	11,539,424	-	-	336,618	-	252,722
Others	42,528,898	445,690	-	1,011,810	464,358	91,987
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	89,217,584	1,269,093	-	2,426,210	872,132	561,099

(*) Loans amounting to TL 222,181 thousands classified under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are included above under "Loans to Financial Sector".

Collaterals received for loans under follow-up;

Current Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,419	2,375	-	15,794
Loans Collateralized by Mortgages	949,022	191,960	-	1,140,982
Loans Collateralized by Pledged Assets	96,573	25,191	-	121,764
Loans Collateralized by Cheques and Notes	96,309	204,960	-	301,269
Loans Collateralized by Other Collaterals	474,088	1,640	-	475,728
Unsecured Loans	14,075	19,980	336,618	370,673
Total	1,643,486	446,106	336,618	2,426,210

Prior Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	21,125	805	-	21,930
Loans Collateralized by Mortgages	430,374	102,467	-	532,841
Loans Collateralized by Pledged Assets	488,931	16,038	-	504,969
Loans Collateralized by Cheques and Notes	159,881	108,712	-	268,593
Loans Collateralized by Other Collaterals	370,689	3,305	-	373,994
Unsecured Loans	41,587	43,998	228,360	313,945
Total	1,512,587	275,325	228,360	2,016,272

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Delinquency periods of loans under follow-up;

Current Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	74,070	165,086	60,002	299,158
61-90 days	62,489	42,195	23,894	128,578
Others	1,506,927	238,825	252,722	1,998,474
Total	1,643,486	446,106	336,618	2,426,210

Prior Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	33,508	102,844	64,559	200,911
61-90 days	120,717	23,282	17,167	161,166
Others	1,358,362	149,199	146,634	1,654,195
Total	1,512,587	275,325	228,360	2,016,272

Loans and other receivables with extended payment plans;

Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	1,170,683	830,194
3, 4 or 5 times	87,379	28,011
Over 5 times	11,031	13,927

Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extention Periods		
0 - 6 months	222,024	411,970
6 - 12 months	284,389	80,138
1 - 2 years	272,693	88,897
2 - 5 year	375,218	116,133
5 years and over	114,769	174,994

5.1.5.3 Maturity analysis of cash loans

Current Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	27,470,825	178,341	559,039	361,343
Loans	27,470,825	178,341	559,039	361,343
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	61,746,759	1,090,752	1,867,171	1,071,888
Loans	61,746,759	1,090,752	1,867,171	1,071,888
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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5.1.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	574,438	20,570,250	21,144,688
Housing Loans	13,381	10,248,790	10,262,171
Automobile Loans	21,313	1,269,827	1,291,140
General Purpose Loans	107,615	1,283,909	1,391,524
Other	432,129	7,767,724	8,199,853
Consumer Loans - FC-indexed	-	274,002	274,002
Housing Loans	-	264,756	264,756
Automobile Loans	-	246	246
General Purpose Loans	-	6,858	6,858
Other	-	2,142	2,142
Consumer Loans - FC	-	40,621	40,621
Housing Loans	-	31,337	31,337
Automobile Loans	-	6,748	6,748
General Purpose Loans	-	1,161	1,161
Other	-	1,375	1,375
Retail Credit Cards - TL	10,891,301	264,632	11,155,933
With Installment	5,698,845	264,632	5,963,477
Without Installment	5,192,456	-	5,192,456
Retail Credit Cards - FC	32,690	-	32,690
With Installment	10,462	-	10,462
Without Installment	22,228	-	22,228
Personnel Loans - TL	18,465	37,051	55,516
Housing Loan	-	1,171	1,171
Automobile Loans	-	146	146
General Purpose Loans	4,265	5,866	10,131
Other	14,200	29,868	44,068
Personnel Loans - FC-indexed	-	58	58
Housing Loans	-	58	58
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	52	52
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	52	52
Other	-	-	-
Personnel Credit Cards - TL	43,806	513	44,319
With Installment	34,769	513	35,282
Without Installment	9,037	-	9,037
Personnel Credit Cards - FC	561	-	561
With Installment	255	-	255
Without Installment	306	-	306
Deposit Accounts- TL (Real persons)	380,752	-	380,752
Deposit Accounts- FC (Real persons)	-	-	-
Total	11,942,013	21,187,179	33,129,192

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Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	385,331	16,971,897	17,357,228
Housing Loans	12,680	8,682,875	8,695,555
Automobile Loans	18,473	1,078,107	1,096,580
General Purpose Loans	28,796	635,716	664,512
Other	325,382	6,575,199	6,900,581
Consumer Loans - FC-indexed	-	408,695	408,695
Housing Loans	-	387,458	387,458
Automobile Loans	-	1,491	1,491
General Purpose Loans	-	10,380	10,380
Other	-	9,366	9,366
Consumer Loans - FC	15	34,701	34,716
Housing Loans	-	24,062	24,062
Automobile Loans	-	8,248	8,248
General Purpose Loans	15	745	760
Other	-	1,646	1,646
Retail Credit Cards - TL	9,270,682	121,785	9,392,467
With Installment	4,315,910	121,785	4,437,695
Without Installment	4,954,772	-	4,954,772
Retail Credit Cards - FC	21,042	-	21,042
With Installment	4,016	-	4,016
Without Installment	17,026	-	17,026
Personnel Loans - TL	20,775	20,964	41,739
Housing Loan	-	1,081	1,081
Automobile Loans	-	66	66
General Purpose Loans	972	985	1,957
Other	19,803	18,832	38,635
Personnel Loans - FC-indexed	-	94	94
Housing Loans	-	94	94
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	39	41	80
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	39	41	80
Other	-	-	-
Personnel Credit Cards - TL	36,359	414	36,773
With Installment	27,391	414	27,805
Without Installment	8,968	-	8,968
Personnel Credit Cards - FC	223	-	223
With Installment	27	-	27
Without Installment	196	-	196
Deposit Accounts- TL (Real persons)	411,687	-	411,687
Deposit Accounts- FC (Real persons)	-	-	-
Total	10,146,153	17,558,591	27,704,744

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5.1.5.5 Installment based commercial loans and corporate credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans - TL	1,113,031	7,756,447	8,869,478
Real Estate Loans	547	577,452	577,999
Automobile Loans	49,295	1,540,604	1,589,899
General Purpose Loans	1,063,189	5,631,924	6,695,113
Other	-	6,467	6,467
Installment-based Commercial Loans - FC-indexed	71,711	662,032	733,743
Real Estate Loans	-	39,880	39,880
Automobile Loans	2,545	211,094	213,639
General Purpose Loans	69,166	411,058	480,224
Other	-	-	-
Installment-based Commercial Loans - FC	416	79,045	79,461
Real Estate Loans	-	1,460	1,460
Automobile Loans	170	4,665	4,835
General Purpose Loans	246	10,074	10,320
Other	-	62,846	62,846
Corporate Credit Cards - TL	636,981	750	637,731
With Installment	375,502	750	376,252
Without Installment	261,479	-	261,479
Corporate Credit Cards - FC	4,808	-	4,808
With Installment	1	-	1
Without Installment	4,807	-	4,807
Deposit Accounts- TL (Corporates)	646,939	-	646,939
Deposit Accounts- FC (Corporates)	-	-	-
Total	2,473,886	8,498,274	10,972,160
Prior Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans - TL	798,777	7,194,941	7,993,718
Real Estate Loans	1,121	528,143	529,264
Automobile Loans	56,032	1,417,261	1,473,293
General Purpose Loans	741,624	5,247,089	5,988,713
Other	-	2,448	2,448
Installment-based Commercial Loans - FC-indexed	88,845	696,249	785,094
Real Estate Loans	136	49,918	50,054
Automobile Loans	5,191	219,563	224,754
General Purpose Loans	83,518	426,768	510,286
Other	-	-	-
Installment-based Commercial Loans - FC	463	94,244	94,707
Real Estate Loans	-	1,178	1,178
Automobile Loans	151	4,724	4,875
General Purpose Loans	312	5,200	5,512
Other	-	83,142	83,142
Corporate Credit Cards - TL	426,613	724	427,337
With Installment	196,638	724	197,362
Without Installment	229,975	-	229,975
Corporate Credit Cards - FC	4,117	-	4,117
With Installment	-	-	-
Without Installment	4,117	-	4,117
Deposit Accounts- TL (corporates)	525,078	-	525,078
Deposit Accounts- FC (corporates)	-	-	-
Total	1,843,893	7,986,158	9,830,051

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5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	1,197,502	1,469,006
Private Sector (*)	90,446,292	82,063,924
Total	91,643,794	83,532,930

(*) Loans amounting to TL 222,181 thousands included under "Financial Assets at Fair Value through Profit/Loss" in the accompanying balance sheet, are included above under "Private Sector".

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	88,964,587	81,535,965
Foreign Loans (*)	2,679,207	1,996,965
Total	91,643,794	83,532,930

(*) Loans amounting to TL 222,181 thousands included under "Financial Assets at Fair Value through Profit/Loss" in the accompanying balance sheet, are included above under "Foreign Loans".

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	851,364	1,219,109
Indirect Lending	-	-
Total	851,364	1,219,109

5.1.5.9 Specific provisions for loans

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	112,647	28,890
Doubtful Loans and Receivables	460,160	156,321
Uncollectible Loans and Receivables	1,138,387	1,066,504
Total	1,711,194	1,251,715

5.1.5.10 Non-performing loans and other receivables (NPLs) (Net)

Non-performing loans and other receivables restructured or rescheduled

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
(Gross Amounts before Specific Provisions)	23,914	40,941	75,043
Restructured Loans and Receivables	23,914	40,941	75,043
Rescheduled Loans and Receivables	-	-	-
Prior Period			
(Gross Amounts before Specific Provisions)	12,368	20,353	90,382
Restructured Loans and Receivables	12,368	20,353	90,382
Rescheduled Loans and Receivables	-	-	-

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Movements in non-performing loans and other receivables

Current Period	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	78,176	191,288	1,262,623
Additions during the Period (+)	832,319	176,843	71,104
Transfer from Other NPL Categories (+)	-	607,810	344,953
Transfer to Other NPL Categories (-)	607,810	345,163	1,217
Collections during the Period (-)	82,967	65,183	178,719
Write-offs (-) (*)	-	-	169,984
Corporate and Commercial Loans	-	-	2,864
Retail Loans	-	-	33,577
Credit Cards	-	-	133,543
Others	-	-	-
Balances at End of Period	219,718	565,595	1,328,760
Specific Provisions (-)	112,647	460,160	1,138,387
Net Balance on Balance Sheet	107,071	105,435	190,373

(*) This amount is due to sale of non-performing loans.

Prior Period	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	69,719	138,127	1,731,263
Additions during the Period (+)	303,743	81,937	91,767
Transfer from Other NPL Categories (+)	-	248,894	215,546
Transfer to Other NPL Categories (-)	249,400	219,156	213,210
Collections during the Period (-)	45,886	58,514	362,328
Write-offs (-) (*)	-	-	200,415
Corporate and Commercial Loans	-	-	25,841
Retail Loans	-	-	105,598
Credit Cards	-	-	68,976
Others	-	-	-
Balances at End of Period	78,176	191,288	1,262,623
Specific Provisions (-)	28,890	156,321	1,066,504
Net Balance on Balance Sheet	49,286	34,967	196,119

(*) TL 200,310 thousands of this amount is due to sale of non-performing loans.

Movements in specific loan provisions

Current Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	450,411	248,229	553,075	1,251,715
Additions during the Period(+)	347,290	220,956	268,211	836,457
Restructured/Rescheduled Loans (-)	245	75	-	320
Collections during the Period (-)	58,724	66,586	81,364	206,674
Write-offs (-)	2,864	33,577	133,543	169,984
Balances at End of Period	735,868	368,947	606,379	1,711,194

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Prior Period	Corporate/Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	576,401	377,447	633,701	1,587,549
Additions during the Period(+)	159,134	77,482	112,034	348,650
Restructured/Rescheduled Loans (-)	161,237	179	-	161,416
Collections during the Period (-)	98,128	100,986	123,684	322,798
Write-offs (-)	25,759	105,535	68,976	200,270
Balances at End of Period	450,411	248,229	553,075	1,251,715

Non-performing loans and other receivables in foreign currencies

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
Balance at End of Period	10,686	233,309	210,366
Specific Provision (-)	5,059	198,414	175,164
Net Balance at Balance Sheet	5,627	34,895	35,202
Prior Period			
Balance at End of Period	3,038	26,843	195,255
Specific Provision (-)	211	18,555	152,194
Net Balance at Balance Sheet	2,827	8,288	43,061

Gross and net non-performing loans and receivable as per customer categories

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period (Net)	107,071	105,435	190,373
Loans to Individuals and Corporates (Gross)	219,718	565,595	1,320,730
Specific Provision (-)	112,647	460,160	1,130,357
Loans to Individuals and Corporates (Net)	107,071	105,435	190,373
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,719
Specific Provision (-)	-	-	7,719
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	49,286	34,967	196,119
Loans to Individuals and Corporates (Gross)	78,176	191,288	1,255,583
Specific Provision (-)	28,890	156,321	1,059,464
Loans to Individuals and Corporates (Net)	49,286	34,967	196,119
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	6,729
Specific Provision (-)	-	-	6,729
Other Loans and Receivables (Net)	-	-	-

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Collaterals received for non-performing loans

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	549	213	-	762
Loans Collateralized by Mortgages	385,422	46,929	-	432,351
Loans Collateralized by Pledged Assets	205,991	39,865	-	245,856
Loans Collateralized by Cheques and Notes	251,960	253,795	-	505,755
Loans Collateralized by Other Collaterals	172,110	5,610	-	177,720
Unsecured Loans	47,803	64,739	639,087	751,629
Total	1,063,835	411,151	639,087	2,114,073

Prior Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	353	149	-	502
Loans Collateralized by Mortgages	241,111	47,657	-	288,768
Loans Collateralized by Pledged Assets	84,078	33,968	-	118,046
Loans Collateralized by Cheques and Notes	153,856	125,391	-	279,247
Loans Collateralized by Other Collaterals	159,124	8,795	-	167,919
Unsecured Loans	29,912	68,234	579,459	677,605
Total	668,434	284,194	579,459	1,532,087

5.1.5.11 Liquidation policy for uncollectible loans and receivables

Uncollectible loans and receivables are collected through legal follow-up and liquidation of collaterals

5.1.5.12 "Write-off" policies

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

5.1.6 Investments held-to-maturity

5.1.6.1 Investment subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	677,522	356,786	2,470,203	487,156
Investments subject to Repurchase Agreements	-	-	156,819	-
Total	677,522	356,786	2,627,022	487,156

5.1.6.2 Government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	911,245	3,170,068
Treasury Bills	-	-
Other Government Securities	445,864	1,610,487
Total	1,357,109	4,780,555

5.1.6.3 Investments held-to-maturity

	Current Period	Prior Period
Debt Securities	1,359,571	4,521,731
Quoted at Stock Exchange	1,352,506	4,515,950
Unquoted at Stock Exchange	7,065	5,781
Valuation Increase / (Decrease)	4,812	264,799
Total	1,364,383	4,786,530

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5.1.6.4 Movement of investments held-to-maturity

	Current Period	Prior Period
Balances at Beginning of Period	4,786,530	5,893,931
Foreign Currency Differences On Monetary Assets	(26,348)	292,041
Purchases during the Period	7,065	5,781
Disposals through Sales/Redemptions (*)	(3,407,676)	(1,360,037)
Valuation Effect	4,812	(45,186)
Balances at End of Period	1,364,383	4,786,530

(*) As per the legislation on capital adequacy (Basel II) effective from 1 July 2012, the risk weight of securities in foreign currencies issued by the Turkish Treasury increase from 0% to 100%. Accordingly, in the current period, the Bank sold a part of its Eurobonds with a total face value of USD595,638,000 from its held-to-maturity portfolio as per the permission granted by the relevant legislation (TAS 39) for the sale of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to legal legislation.

5.1.7 Investments in associates

5.1.7.1 Investments in associates

Associate	Address (City/ Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1 Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Türkiye	10.15	10.15
2 Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Türkiye	0.77	0.77
3 IMKB Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Türkiye	5.83	5.83
4 Vadeli İşlem ve Opsiyon Borsası AŞ ⁽²⁾	İstanbul/Türkiye	6.00	6.00
5 KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Türkiye	9.09	9.09
6 Türkiye Cumhuriyet Merkez Bankası AŞ ⁽³⁾	Ankara / Türkiye	2.48	2.48
7 Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara / Türkiye	1.67	1.67

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	28,465	22,672	13,462	680	146	4,189	3,179	-
2	615,831	67,144	1,857	13,767	784	2,171	5,973	-
3	3,586,501	321,866	13,751	65,646	2,084	45,429	24,411	-
4	74,436	60,732	4,068	2,984	49	6,183	938	-
5	65,251	58,310	4,769	1,395	-	24,044	12,969	-
6	219,810,695	29,740,117	242,921	2,981,762	2,110,871	18,381,955	3,099,403	-
7	247,800	242,307	3,113	8,322	1	6,695	7,665	-

(1) Financial information is as of 30 September 2012.

(2) Financial information is as of 30 June 2012.

(3) Financial information is as of 31 December 2011.

(*) Total fixed assets include tangible and intangible assets.

5.1.7.2 Movement of investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	19,834	29,512
Movements during the Period	1,265	(9,678)
Acquisitions (*)	1,211	1,000
Bonus Shares Received	57	634
Dividends from Current Year Profit	-	-
Sales (**)	(3)	(11,312)
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
Balance at End of Period	21,099	19,834
Capital Commitments	-	1,000
Share Percentage at the End of Period (%)	-	-

(*) TL 1,000 thousands of the acquisitions resulted from the payment of capital commitment amounting to TL 1,000 thousands to Kredi Garanti Fonu AŞ as per the capital increase of TL 4,000 thousands as of 11 September 2009, and TL 211 thousands from the reallocation of the shares previously held by Fortisbank that was acquired by TEB in order to rebuild the equal shareholders principle.

(**) In the current period, this decrease is due to the liquidation of Gelişen Bilgi Teknolojileri AŞ in 9 May 2012.

In the prior period, as per the Shareholders' Agreement dated 21 June 2007 between the Bank and Eureko BV, the Bank sold its 20% shares of Eureko Sigorta AŞ with a nominal value of TL 12,000 thousands to Eureko BV for EUR 69,999,999.

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5.1.7.3 Sectoral distribution of investments and associates

Investments in Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	19,385	18,120
Other Associates	1,714	1,714

5.1.7.4 Quoted associates

None.

5.1.7.5 Valuation methods of investments in associates

Investments in Associates	Current Period	Prior Period
Valued at Cost	21,099	19,834
Valued at Fair Value	-	-

5.1.7.6 Investments in associates sold during the current period

None.

5.1.7.7 Investments in associates acquired during the current period

None.

5.1.8 Investments in subsidiaries

5.1.8.1 Information on capital adequacy of major subsidiaries

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

Current Period	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
CORE CAPITAL	896,741	559,976	332,747
Paid-in Capital	322,353	12,016	856,656
Inflation Adjustments to Paid-in Capital	-	68,832	-
Share Premium	-	-	30,113
Reserves	474,900	419,008	(367,428)
Current Period's Profit and Prior Periods' Profit	101,782	61,560	-
Current Period's Losses and Prior Periods' Losses	-	-	40,642
Leasehold Improvements on Operational Leases (-)	-	-	12,821
Intangible Assets (-)	2,294	1,440	2,805
Goodwill (Net) (-)	-	-	130,326
SUPPLEMENTARY CAPITAL	178,282	-	9,720
CAPITAL	1,075,023	559,976	342,467
DEDUCTIONS FROM CAPITAL	-	42	81,453
NET AVAILABLE EQUITY	1,075,023	559,934	261,014

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5.1.8.2 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share - If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	93.40	96.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	99.96	99.96
7	Garanti Faktoring Hizmetleri AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/The Netherlands	100.00	100.00
12	Garanti Bank Moscow	Moscow/Russia	99.94	100.00
13	Garanti Holding BV	Amsterdam/The Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	37,714	31,021	536	23	2,415	7,234	7,414	-
2	34,993	15,519	5,120	953	1,178	1,959	2,430	-
3	1,648	1,324	10	-	26	1,009	(555)	-
4	1,075	739	88	-	23	358	189	-
5	1,858	1,744	-	-	62	389	266	-
6	2,870,263	561,416	17,420	221,824	-	61,560	80,784	-
7	1,955,227	105,011	2,414	149,058	228	20,460	34,534	160,020
8	57,117	32,430	2,681	636	2,648	621	2,214	-
9	21,635	18,201	2,176	1,027	108	3,165	620	-
10	4,224,009	576,244	15,626	55,108	6,535	133,977	112,997	-
11	10,698,822	1,042,598	46,214	445,057	73,464	101,782	128,056	1,141,605
12	813,049	166,913	42,036	35,745	17,371	16,896	12,012	215,619
13	753,148	753,116	-	-	-	(121)	(10)	760,436

(*) Total fixed assets include tangible and intangible assets.

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5.1.8.3 Movement of investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	2,168,576	1,655,134
Movements during the Period	419,958	513,442
Acquisitions (*)	46,474	83,420
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	-
Reclassification of Shares	-	8,653
Increase/(Decrease) in Market Values	420,961	163,773
Currency Differences on Foreign Subsidiaries	(47,477)	171,328
Impairment Reversals/(Losses)	-	86,268
Balance at End of Period	2,588,534	2,168,576
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(*) In the current period, the paid-in capital of Garanti Holding BV was increased from EUR 349,088,600 to EUR 369,088,600 on 18 October 2012 as per the decision made at the board of directors' meeting held on 11 October 2012.

In the prior period, the paid-in capital of Garanti Holding BV was increased from EUR 329,088,600 to EUR 349,088,600 on 29 December 2011 as per the decision made at the board of directors' meeting held on 1 December 2011.

5.1.8.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	1,357,098	1,023,375
Insurance Companies	56,545	56,545
Factoring Companies	130,967	68,749
Leasing Companies	110,743	110,743
Finance Companies	829,096	805,079
Other Subsidiaries	104,085	104,085

5.1.8.5. Quoted subsidiaries

Subsidiaries	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	130,967	68,749
Quoted at International Stock Exchanges	-	-

5.1.8.6 Valuation methods of investments in subsidiaries

Subsidiaries	Current Period	Prior Period
Valued at Cost	340,031	340,031
Valued at Fair Value	2,248,503	1,828,545

5.1.8.7. Investments in subsidiaries disposed during the current period

None.

5.1.8.8 Investments in subsidiaries acquired during the current period

None.

5.1.9 Investments in Joint-Ventures

None.

5.1.10 Lease receivables

None.

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5.1.11 Derivative financial assets held for risk management

5.1.11.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	129,335
Cash Flow Hedges	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-
Total	-	-	-	129,335

The Bank hedged its fixed-rate eurobonds issued on 20 April 2011 with a maturity of 10 years for the amount of USD 500 millions under various fair value hedges. On 5 June 2012, the Bank ceased to apply hedge accounting as per TAS 39 due to early closing of the related derivative transactions held for fair value risk management.

5.1.12 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period:					
Cost	1,094,486	379,357	21,333	1,046,873	2,542,049
Accumulated Depreciation (-)	(278,471)	(344,882)	(18,781)	(656,304)	(1,298,438)
Net Book Value at End of Prior Period	816,015	34,475	2,552	390,569	1,243,611
At End of Current Period:					
Additions	39,318	534	2,300	172,760	214,912
Disposals (Costs)	(187,307)	(3,356)	(4,455)	(38,978)	(234,096)
Disposals (Accumulated Depreciation)	30,841	3,339	4,038	9,695	47,913
Impairment/Reversal of Impairment Losses	22,352	-	-	-	22,352
Depreciation Expense for Current Period (-)	(20,589)	(15,874)	(1,391)	(127,659)	(165,513)
Currency Translation Differences on Foreign Operations	-	-	-	-	-
Cost at End of Current Period	968,849	376,535	19,178	1,180,655	2,545,217
Accumulated Depreciation at End of Current Period	(268,219)	(357,417)	(16,134)	(774,268)	(1,416,038)
Net Book Value at End of Current Period	700,630	19,118	3,044	406,387	1,129,179

5.1.12.1 Disclosure for impairment losses or releases individually material for financial statements

Conditions for allocating/releasing any impairment:

None.

Amount of impairment losses provided or released in financial statements during current period:

None.

5.1.12.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually

A total provision of TL 22,111 thousands made for the impairment in values of certain real estates in prior periods in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets", is reversed in 2012.

5.1.13 Intangible assets

5.1.13.1 Useful lives and amortisation rates

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.1.13.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.13.3 Balances at beginning and end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	145,852	91,038	123,385	67,835

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5.1.13.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	55,550	30,527
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	24,064	42,089
Disposals (-)	(2,647)	(5,697)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(22,153)	(11,369)
Currency Translation Differences on Foreign Operations	-	-
Other Movements	-	-
Net Book Value at End of Current Period	54,814	55,550

5.1.13.5 Details for any individually material intangible assets

None.

5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.13.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.1.13.10 Disclosure on revalued intangible assets

None.

5.1.13.11 Research and development costs expensed during current period

None.

5.1.13.12 Goodwill

None.

5.1.13.13 Movements in goodwill during current period

None.

5.1.14 Investment property

Real Estate Type	Cost	Accumulated Depreciation (-)	Impairment Losses	Intend of Use
Building	191,559	(34,971)	(241)	Operational lease
Land	-	-	-	-

5.1.15 Deferred tax asset

As of 31 December 2012, the Bank has a deferred tax asset of TL 177,515 thousands (31 December 2011: TL 6,359 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2012. However, there is a deferred tax asset of TL 253,239 thousands (31 December 2011: TL 134,774 thousands) and deferred tax liability of TL 75,724 thousands (31 December 2011: TL 128,415 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

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5.1.16 Assets held for sale and assets of discontinued operations

	Current Period	Prior Period
End of Prior Period		
Cost	124,203	99,700
Accumulated Depreciation (-)	(2,444)	(1,644)
Net Book Value	121,759	98,056
End of Current Period		
Additions	71,425	96,975
Disposals (Cost)	(62,393)	(70,562)
Disposals (Accumulated Depreciation)	517	659
Impairment Losses (-)	(1,772)	(1,910)
Depreciation Expense for Current Period (-)	(2,185)	(1,459)
Currency Translation Differences on Foreign Operations	-	-
Cost	131,463	124,203
Accumulated Depreciation (-)	(4,112)	(2,444)
Net Book Value	127,351	121,759

As of the balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 5,313 thousands (31 December 2011: TL 6,273 thousands).

5.1.17 Other assets

5.1.17.1 Receivables from term sale of assets

	Current Period	Prior Period
Sale of Investments in Associates, Subsidiaries and Joint Ventures	1,362	3,167
Sale of Real Estates	7,733	13,945
Sale of Other Assets	3,007	2,978
Total	12,102	20,090

5.1.17.2 Prepaid expenses, taxes and similar items

	Current Period	Prior Period
Prepaid Expenses	258,578	235,131
Prepaid Taxes	-	-

5.1.18 Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	270	18,201	4,614	25,805
Banks	15,330	17,636	19,053	18,519
Interbank Money Markets	-	-	-	-
Financial Assets Available-for-Sale	4,081,030	33,254	2,232,901	51,024
Loans	755,137	419,906	812,775	402,615
Investments Held-to-Maturity	590	4,223	233,024	31,774
Other Accruals	6,713	-	10,870	-
Total	4,859,070	493,220	3,313,237	529,737

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5.2 Liabilities

5.2.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accountst	Total
Saving Deposits	3,547,678	-	3,249,553	25,946,859	283,170	83,893	236,802	2,619	33,350,574
Foreign Currency Deposits	6,719,900	-	5,444,260	14,902,375	1,236,891	2,947,701	862,199	79,203	32,192,529
Residents in Turkey	6,357,525	-	5,251,086	13,455,872	612,405	608,255	386,623	77,700	26,749,466
Residents in Abroad	362,375	-	193,174	1,446,503	624,486	2,339,446	475,576	1,503	5,443,063
Public Sector Deposits	676,056	-	24,344	13,628	8	-	-	-	714,036
Commercial Deposits	3,943,349	-	2,657,913	7,443,111	485,952	185,025	27,938	-	14,743,288
Other	66,997	-	39,804	189,564	5,226	347	372	-	302,310
Precious Metal Deposits	2,300,584	-	25,929	19,023	-	2,274	27,271	-	2,375,081
Bank Deposits	760,911	-	813,415	1,919,282	82,496	8,365	220,132	-	3,804,601
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	249	-	346,634	2,017	-	-	56,877	-	405,777
Foreign Banks	271,338	-	466,781	1,917,265	82,496	8,365	163,255	-	2,909,500
Special Financial Institutions	489,324	-	-	-	-	-	-	-	489,324
Other	-	-	-	-	-	-	-	-	-
Total	18,015,475	-	12,255,218	50,433,842	2,093,743	3,227,605	1,374,714	81,822	87,482,419

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accountst	Total
Saving Deposits	2,925,484	-	3,877,057	22,053,893	958,056	269,486	272,297	1,531	30,357,804
Foreign Currency Deposits	7,140,570	-	4,496,212	14,863,506	1,492,586	2,795,740	2,008,823	87,885	32,885,322
Residents in Turkey	6,828,537	-	4,324,542	13,817,207	1,249,803	488,656	1,314,294	86,177	28,109,216
Residents in Abroad	312,033	-	171,670	1,046,299	242,783	2,307,084	694,529	1,708	4,776,106
Public Sector Deposits	313,115	-	872	36,525	1,336	6	-	-	351,854
Commercial Deposits	3,731,380	-	2,543,810	5,903,471	3,051,481	538,083	257,370	-	16,025,595
Other	64,105	-	18,936	274,705	10,055	549	331	-	368,681
Precious Metal Deposits	2,562,568	-	3,247	-	-	3,414	949	-	2,570,178
Bank Deposits	713,846	-	423,390	605,619	49,794	185,942	4,750	-	1,983,341
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6,042	-	27,548	103,181	-	5,391	-	-	142,162
Foreign Banks	162,374	-	395,842	496,326	49,794	180,551	4,750	-	1,289,637
Special Financial Institutions	545,430	-	-	6,112	-	-	-	-	551,542
Other	-	-	-	-	-	-	-	-	-
Total	17,451,068	-	11,363,524	43,737,719	5,563,308	3,793,220	2,544,520	89,416	84,542,775

5.2.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12,716,833	11,517,475	20,341,572	18,581,731
Foreign Currency Saving Deposits	3,276,116	3,165,621	12,611,000	12,114,312
Other Saving Deposits	1,132,858	1,214,676	1,114,691	1,254,695
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

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5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

5.2.1.3 Saving deposits not covered by insurance limits

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	509,167	441,070
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	244,756	352,525
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 Negative differences on derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	64,245	11,967	61,995	25,309
Swap transactions	469,195	253,497	373,961	197,906
Futures	-	-	-	95
Options	53,912	18,215	59,204	55,847
Other	-	-	-	-
Total	587,352	283,679	495,160	279,157

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	234,007	349,317	265,651	240,192
Foreign Banks, Institutions and Funds	3,951,485	17,142,821	4,118,852	15,898,962
Total	4,185,492	17,492,138	4,384,503	16,139,154

5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	222,386	4,254,951	223,318	6,338,631
Medium and Long-Term	3,963,106	13,237,187	4,161,185	9,800,523
Total	4,185,492	17,492,138	4,384,503	16,139,154

5.2.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.4 Other external funds

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5.2.4.1 Securities issued

Current Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,757,435	350,000	-	3,784,000
Cost	1,710,878	325,920	-	3,755,070
Carrying Value (*)	1,601,466	328,667	-	3,932,007

Prior Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,500,000	-	-	1,200,000
Cost	2,365,935	-	-	1,193,145
Carrying Value (*)	2,082,601	-	-	1,621,496

(*) The Bank repurchased its own TL securities with total nominal value of TL 139,248 thousands (31 December 2011: TL 369,681 thousands) and netted off such securities in the accompanying financial statement.

5.2.4.2 Funds provided through repurchase transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	11,478,900	-	8,338,230	-
Financial Institutions and Organizations	11,440,063	-	8,293,202	-
Other Institutions and Organizations	17,361	-	20,249	-
Individuals	21,476	-	24,779	-
Foreign Transactions	748,015	1,272,608	388	2,616,373
Financial Institutions and Organizations	747,723	1,272,608	-	2,616,373
Other Institutions and Organizations	186	-	-	-
Individuals	106	-	388	-
Total	12,226,915	1,272,608	8,338,618	2,616,373

5.2.4.3 Miscellaneous payables

	Current Period		Prior Period	
	TL	FC	TL	FC
Payables from credit card transactions	3,937,158	12,313	3,293,560	9,784
Other	272,564	365,894	188,331	65,656
Total	4,209,722	378,207	3,481,891	75,440

5.2.5 Lease payables (Net)

5.2.5.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	363	340	4	4
1-4 Years	2	1	1	1
More than 4 Years	-	-	-	-
Total	365	341	5	5

5.2.5.2 Operational lease agreements

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

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5.2.6 Derivative financial liabilities held for risk management

Derivative Financial Liabilities held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	782
Net foreign investment hedges	-	-	-	-
Total	-	-	-	782

5.2.7 Provisions

5.2.7.1 General provisions

	Current Period	Prior Period
General Provision for	1,302,552	1,013,949
Loans and Receivables in Group I	1,082,935	888,467
- Additional Provision for Loans and Receivables with Extended Maturities	66,313	-
Loans and Receivables in Group II	33,734	50,179
- Additional Provision for Loans and Receivables with Extended Maturities	45,215	-
Non-Cash Loans	74,355	75,303
Others	-	-

5.2.7.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables

	Current Period	Prior Period
Short-Term Loans	6,635	2,345
Medium and Long-Term Loans	4,749	968
Total	11,384	3,313

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

5.2.7.3 Provisions for non-cash loans that are not indemnified or converted into cash

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	13,347	809
Doubtful Loans and Receivables	22,819	2,366
Uncollectible Loans and Receivables	61,230	49,123
Total	97,396	52,298

5.2.7.4 Other provisions

5.2.7.4.1 General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	420,000	420,000

5.2.7.4.2 Other provisions

	Current Period	Prior Period
Reserve for Employee Benefits	343,997	266,805
Provision for Promotion Expenses of Credit Cards (*)	37,760	44,353
Provision for Lawsuits	19,928	15,906
Other Provisions	55,334	17,835
Total	457,019	344,899

* The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

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Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 27 December 2012 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 1,367,875 thousands at 31 December 2012 (31 December 2011: TL 1,143,072 thousands) as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2012 as per the requirements of the Law explained in Note 317, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 27 December 2012 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 834,436 thousands (31 December 2011: TL 740,699 thousands) remains as of 31 December 2012 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 369,726 thousands (31 December 2011: TL 305,628 thousands) as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2012. However, despite this treatment there are no excess obligation that needs to be provided against.

	Current Period	Prior Period
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(458,057)	(376,357)
Net present value of medical benefits and health premiums transferable to SSF	369,726	305,628
General administrative expenses	(22,899)	(20,039)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(111,230)	(90,768)
Fair Value of Plan Assets (2)	1,479,105	1,233,840
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	1,367,875	1,143,072
Non-Transferable Benefits:		
Other pension benefits	(426,261)	(264,514)
Other pension benefits	(107,178)	(137,859)
Total Non-Transferable Benefits (4)	(533,439)	(402,373)
Asset Surplus over Total Benefits ((3)-(4)=(5))	834,436	740,699
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF - but not considered acting prudently (6)	(369,726)	(305,628)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	464,710	435,071

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	Current Period	Prior Period
	%	%
Discount Rate (*)	6.97	9.52
Inflation Rate (*)	4.67	5.06
Future Real Salary Increase Rate	15	15
Medical Cost Trend Rate	1.40% above inflation	1.40% above inflation
Future Pension Increase Rate (*)	4.67	5.06

(*) As of 31 December 2012, the above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service. Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

5.2.8 Tax liability

5.2.8.1 Current tax liability

5.2.8.1.1 Tax liability

As of 31 December 2012, the Bank had a current tax liability of TL 303,089 thousands (31 December 2011: TL 67,849 thousands) after offsetting with prepaid taxes.

5.2.8.1.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	303,089	67,849
Taxation on Securities Income	99,573	75,858
Taxation on Real Estates Income	2,071	1,907
Banking Insurance Transaction Tax	50,999	46,017
Foreign Exchange Transaction Tax	39	21
Value Added Tax Payable	3,456	2,700
Others	64,403	67,635
Total	523,630	261,987

5.2.8.1.3 Premiums

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	Current Period	Prior Period
Social Security Premiums-Employees	2	-
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	75	24
Bank Pension Fund Premium-Employer	28	36
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	625	1,129
Unemployment Insurance-Employer	1,234	2,216
Others	11	8
Total	1,975	3,413

5.2.8.2 Deferred tax liability

None.

5.2.9 Liabilities for assets held for sale and assets of discontinued operations

None.

5.2.10 Subordinated debts

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year to finance the clean energy projects.

This debt is qualified as secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions (*)	-	117,251	-	1,081,402
Total	-	117,251	-	1,081,402

(*) The subordinated debt of US\$ 500 millions obtained from foreign markets in 2007, was repaid on 6 February 2012.

5.2.11 Shareholders' equity

5.2.11.1 Paid-in capital

	Current Period	Prior Period
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

5.2.11.2 Registered share capital system

5.2.11.3 Capital increases in current period

None.

**Ceiling per
Registered
Share Capital**

5.2.11.4 Capital increases from capital reserves in current period

None.

5.2.11.5 Capital commitments for current and future financial periods

None.

5.2.11.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.2.11.7 Information on privileges given to stocks representing the capital

None.

5.2.11.8 Securities value increase fund

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	Current Period		Prior Period	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	105,801	776,725	56,027	408,460
Valuation difference	73,484	776,725	23,710	408,460
Exchange rate difference	32,317	-	32,317	-
Securities Available-for-Sale	976,744	14,008	124,961	19,086
Valuation difference	976,744	14,008	124,961	19,086
Exchange rate difference	-	-	-	-
Total	1,082,545	790,733	180,988	427,546

5.2.11.9 Revaluation surplus

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,140	-	2,140	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	739,390	-	596,813	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

5.2.11.10 Bonus shares of associates, subsidiaries and joint-ventures

	Current Period	Prior Period
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Tat Konserve AŞ	36	36
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,891	1,891

5.2.11.11 Legal reserves

	Current Period	Prior Period
I. Legal Reserve	801,302	648,013
II. Legal Reserve	114,290	75,290
Special Reserves	-	-

5.2.11.12 Extraordinary reserves

	Current Period	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	9,724,283	7,612,215
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

5.2.12 Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	Current Period		Prior Period	
	TL	FC	TL	FC
Deposits	187,476	89,104	256,928	134,317
Funds Borrowed	204,066	76,681	212,822	83,255
Interbank Money Markets	7,802	7,580	6,920	17,124
Other Accruals	134,095	178,931	38,034	164,795
Total	533,439	352,296	514,704	399,491

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5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank has asset purchase and sale commitments of TL 5,085,084 thousands (31 December 2011: TL 3,093,587 thousands), commitments for cheque payments of TL 1,994,233 thousands (31 December 2011: TL 2,230,853 thousands) and commitments for credit card limits of TL 14,215,936 thousands (31 December 2011: TL 13,540,139 thousands).

5.3.1.2 Possible losses, commitments and contingencies resulted from off-balance sheet items

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	9,465,698	9,134,682
Letters of Guarantee in TL	6,958,156	5,786,884
Letters of Credit	5,465,530	5,514,146
Bills of Exchange and Acceptances	720,896	515,550
Prefinancings	-	-
Other Guarantees	66,300	70,236
Total	22,676,580	21,021,498

A specific provision of TL 97,396 thousands (31 December 2011: TL 52,298 thousands) is made for unliquidated non-cash loans of TL 184,169 thousands (31 December 2011: TL 113,577 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	1,404,045	1,298,865
With Original Maturity of 1 Year or Less	164,145	302,053
With Original Maturity of More Than 1 Year	1,239,900	996,812
Other Non-Cash Loans	21,272,535	19,722,633
Total	22,676,580	21,021,498

5.3.1.4 Sectoral risk concentration of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	57,695	0.83	51,766	0.32	68,282	1.18	56,413	0.37
Farming and Stockbreeding	55,029	0.79	50,572	0.32	65,948	1.14	55,441	0.36
Forestry	1,291	0.02	567	-	524	0.01	112	-
Fishery	1,375	0.02	627	-	1,810	0.03	860	0.01
Manufacturing	2,416,517	34.67	5,770,592	36.73	2,068,327	35.66	6,223,786	40.90
Mining	342,528	4.91	44,749	0.28	307,253	5.30	45,627	0.30
Production	1,338,824	19.21	3,317,763	21.12	1,233,884	21.27	4,023,733	26.44
Electricity, Gas, Water	735,165	10.55	2,408,080	15.33	527,190	9.09	2,154,426	14.16
Construction	1,052,375	15.10	1,992,035	12.68	872,018	15.03	1,865,576	12.26
Services	2,729,671	39.16	5,802,672	36.96	2,325,013	40.08	5,842,613	38.39
Wholesale and Retail Trade	1,775,393	25.47	2,892,904	18.42	1,581,513	27.26	2,987,611	19.63
Hotel, Food and Beverage Services	163,140	2.34	85,827	0.55	151,771	2.62	65,921	0.43
Transportation and Telecommunication	299,687	4.30	685,681	4.37	209,132	3.60	807,888	5.31
Financial Institutions	398,692	5.72	2,068,786	13.17	311,294	5.37	1,961,588	12.89
Real Estate and Renting Services	78,34	0.11	56,781	0.36	8,835	0.15	1,668	0.01
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Educational Services	15,103	0.22	4,007	0.03	8,143	0.14	4,381	0.03
Health and Social Services	69,822	1.00	8,686	0.06	54,325	0.94	13,556	0.09
Other	713,950	10.24	2,089,307	13.31	468,621	8.05	1,230,849	8.08
Total	6,970,208	100.00	15,706,372	100.00	5,802,261	100.00	15,219,237	100.00

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5.3.1.5 Non-cash loans classified under Group I and II

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	6,895,069	15,615,608	75,139	90,764
Letters of Guarantee	6,883,017	9,384,344	75,139	81,354
Bills of Exchange and Bank Acceptances	5,028	715,168	-	700
Letters of Credit	7,024	5,449,796	-	8,710
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	66,300	-	-

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	5,747,734	15,146,980	54,527	72,257
Letters of Guarantee	5,732,357	9,071,226	54,527	63,456
Bills of Exchange and Bank Acceptances	3,687	508,978	-	2,885
Letters of Credit	11,690	5,496,540	-	5,916
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	70,236	-	-

5.3.2 Financial derivative instruments

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Hedging Derivatives						
A. Total Hedging Derivatives	-	-	-	-	-	-
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	-	-	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency Related Derivative Transactions (I)	36,295,895	7,444,201	11,208,756	4,354,630	-	59,303,482
Currency Forwards-Purchases	2,289,767	738,552	1,200,286	261,966	-	4,490,571
Currency Forwards-Sales	2,322,055	753,232	1,249,380	276,843	-	4,601,510
Currency Swaps-Purchases	11,967,009	317,007	748,893	1,332,443	-	14,365,352
Currency Swaps-Sales	10,549,505	310,193	723,259	1,458,491	-	13,041,448
Currency Options-Purchases	4,552,236	2,573,255	3,491,618	482,763	-	11,099,872
Currency Options-Sales	4,615,323	2,666,201	3,669,172	542,124	-	11,492,820
Currency Futures-Purchases	-	57,514	126,148	-	-	183,662
Currency Futures-Sales	-	28,247	-	-	-	28,247
Interest Rate Related Derivative Transactions (II)	47,625	570,186	3,734,010	12,703,597	3,597,066	20,652,484
Interest Rate Swaps-Purchases	14,700	263,573	1,186,842	6,099,662	1,798,533	9,363,310
Interest Rate Swaps-Sales	14,700	263,573	1,186,842	6,086,502	1,798,533	9,350,150
Interest Rate Options-Purchases	-	-	1,340,305	517,433	-	1,857,738
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	18,225	39,520	2,280	-	-	60,025
Securities Options-Sales	-	3,520	17,741	-	-	21,261
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	2,341,762	58,635	340,854	214,170	-	2,955,421
B. Total Trading Derivatives (I+II+III)	38,685,282	8,073,022	15,283,620	17,272,397	3,597,066	82,911,387
Total Derivative Transactions (A+B)	38,685,282	8,073,022	15,283,620	17,272,397	3,597,066	82,911,387

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Hedging Derivatives						
A. Total Hedging Derivatives	-	-	102,575	-	1,865,000	1,967,575
Fair Value Hedges	-	-	-	-	1,865,000	1,865,000
Cash Flow Hedges	-	-	102,575	-	-	102,575
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency Related Derivative Transactions (I)	15,396,895	16,648,605	13,744,520	4,447,571	236,334	50,473,925
Currency Forwards-Purchases	2,688,834	766,748	1,433,109	133,743	118,167	5,140,601
Currency Forwards-Sales	2,605,073	740,140	1,463,081	134,142	118,167	5,060,603
Currency Swaps-Purchases	3,108,344	6,238,467	2,364,185	1,389,169	-	13,100,165
Currency Swaps-Sales	3,091,095	6,076,362	2,360,874	1,541,192	-	13,069,523
Currency Options-Purchases	1,973,314	1,352,968	3,022,990	624,663	-	6,973,935
Currency Options-Sales	1,930,235	1,370,522	3,076,370	624,662	-	7,001,789
Currency Futures-Purchases	-	39,048	15,395	-	-	54,443
Currency Futures-Sales	-	64,350	8,516	-	-	72,866
Interest Rate Related Derivative Transactions (II)	-	-	2,069,543	8,956,949	6,179,930	17,206,422
Interest Rate Swaps-Purchases	-	-	1,021,328	4,034,044	3,089,965	8,145,337
Interest Rate Swaps-Sales	-	-	1,021,328	4,034,044	3,089,965	8,145,337
Interest Rate Options-Purchases	-	-	-	888,861	-	888,861
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	-	-	26,887	-	-	26,887
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	366,850	110,432	32,930	-	-	510,212
B. Total Trading Derivatives (I+II+III)	15,763,745	16,759,037	15,846,993	13,404,520	6,416,264	68,190,559
Total Derivative Transactions (A+B)	15,763,745	16,759,037	15,949,568	13,404,520	8,281,264	70,158,134

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2012, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 425,000,000 (31 December 2011: USD 425,000,000).

As of 31 December 2012, included in the Bank's "other derivative financial instruments", there are "total return swaps" with a total face value of EUR 85,000,000 (31 December 2011: None). The Bank is the protection buyer in these transactions.

5.3.4 Contingent liabilities and assets

The Bank made a total provision amounting to TL 19,928 thousands for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.7.4.2 Other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

5.3.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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5.4 Income Statement

5.4.1 Interest Income

5.4.1.1 Interest income from loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	2,794,707	191,500	2,136,923	174,895
Medium and long-term loans	3,666,298	1,753,889	2,678,751	1,525,361
Loans under follow-up	34,818	-	77,374	7
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	6,495,823	1,945,389	4,893,048	1,700,263

(*) Includes also the fee and commission income on cash loans

5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	77	-	-	14
Domestic Banks	11,538	268	7,500	734
Foreign Banks	161,444	47,301	158,303	68,940
Foreign Head Offices and Branches	-	-	-	-
Total	173,059	47,569	165,803	69,688

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	24,448	8,600	28,483	1,534
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	3,483,151	60,377	2,830,090	110,209
Investments Held-to-Maturity	222,476	80,765	465,695	106,335
Total	3,730,075	149,742	3,324,268	218,078

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	58,211	82,104

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	470,435	394,801	532,235	325,909
Central Bank of Turkey	-	1,669	-	-
Domestic Banks	20,175	9,070	19,268	5,312
Foreign Banks	450,260	384,062	512,967	320,597
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	26,886	-	73,124
Total	470,435	421,687	532,235	399,033

(*) Includes also the fee and commission expenses on borrowings

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5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	44,764	34,010

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Securities Issued	208,620	105,049	126,552	50,831

5.4.2.4 Maturity structure of interest expense on deposits

Current Period		Time Deposits					Accumulating Deposit Accounts	Total
Account Description	Demand Deposits	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	236	78,260	-	-	-	-	-	78,496
Saving Deposits	115	287,149	2,424,365	50,817	15,375	22,971	-	2,800,792
Public Sector Deposits	-	418	2,685	118	-	-	-	3,221
Commercial Deposits	95	197,347	803,196	138,162	22,802	16,451	-	1,178,053
Other	5	1,667	22,858	11,062	46	20	-	35,658
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	451	564,841	3,253,104	200,159	38,223	39,442	-	4,096,220
Foreign Currency								-
Foreign Currency Deposits	576	77,184	508,052	44,513	121,530	55,859	1,400	809,114
Bank Deposits	-	40,700	-	-	-	-	-	40,700
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1	8	-	244	34	-	287
Total FC	576	117,885	508,060	44,513	121,774	55,893	1,400	850,101
Grand Total	1,027	682,726	3,761,164	244,672	159,997	95,335	1,400	4,946,321

Prior Period	Time Deposits							Accumulating Deposit Accounts	Total
Account Description	Demand Deposits	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over			
Turkish Lira									
Bank Deposits	235	38,191	-	-	-	-	-	-	38,426
Saving Deposits	414	321,312	1,659,483	89,815	20,368	18,245	-	-	2,109,637
Public Sector Deposits	-	668	2,392	97	2	-	-	-	3,159
Commercial Deposits	377	229,529	523,510	129,863	20,436	16,917	-	-	920,632
Other	20	2,673	19,331	5,233	10,677	302	-	-	38,236
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Total TL	1,046	592,373	2,204,716	225,008	51,483	35,464	-	-	3,110,090
Foreign Currency							-	-	-
Foreign Currency Deposits	617	188,817	497,877	45,531	15,635	61,476	1,696	-	811,649
Bank Deposits	-	34,730	-	-	-	-	-	-	34,730
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1	-	-	119	13	-	-	133
Total FC	617	223,548	497,877	45,531	15,754	61,489	1,696	-	846,512
Grand Total	1,663	815,921	2,702,593	270,539	67,237	96,953	1,696	-	3,956,602

5.4.2.5 Interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	755,386	30,665	668,598	44,206

5.4.2.6 Financial lease expenses

	Current Period	Prior Period
Financial Lease Expenses	21	24

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5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	675	772
Others	1,769	4,785
Total	2,444	5,557

5.4.4 Trading income/losses (Net)

	Current Period	Prior Period
Income	53,756,316	92,007,978
Trading Account Income	575,379	410,680
Gains from Derivative Financial Instruments	2,909,235	2,972,771
Foreign Exchange Gains	50,271,702	88,624,527
Losses (-)	53,141,887	91,675,666
Trading Account Losses	26,584	93,591
Losses from Derivative Financial Instruments	3,246,939	2,619,581
Foreign Exchange Losses	49,868,364	88,962,494
Total	614,429	332,312

TL 300,877 thousands (31 December 2011: TL 359,051 thousands) of foreign exchange gains and TL 259,783 thousands (31 December 2011: TL 371,309 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair value of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face value amount and conditions.

However, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds on 5 June 2012. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

5.4.5 Other operating income

The items under "other operating income" consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

In the current period, a part of the Bank's non-performing loan portfolio amounting to TL 200,564 thousands was sold to a local asset management company at a sale price of TL 32,600 thousands. The sale price is fully recognized as income under other operating income as such receivables were fully provided against in the Bank's financial statements before the sale.

5.4.6 Provision for losses on loans or other receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	763,845	308,573
Loans and Receivables in Group III	112,449	28,728
Loans and Receivables in Group IV	460,061	155,929
Loans and Receivables in Group V	191,335	123,916
General Provisions	291,206	386,267
Provision for Possible Losses	-	100,000
Impairment Losses on Securities	28	2,566
Financial Assets at Fair Value through Profit or Loss	28	2,453
Financial Assets Available-for-Sale	-	113
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investments Held-to-Maturity	-	-
Others	122,756	24,991
Total	1,177,835	822,397

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5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	1,501,004	1,370,884
Reserve for Employee Termination Benefits	61,629	24,197
Deficit Provision for Pension Fund	-	-
Impairment Losses on Tangible Assets	5,396	-
Depreciation Expenses of Tangible Assets	165,513	161,179
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	22,153	11,369
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	1,772	1,910
Depreciation Expenses of Assets to be Disposed	2,185	1,459
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,490,979	1,377,844
Operational Lease related Expenses	215,535	186,642
Repair and Maintenance Expenses	30,389	30,684
Advertisement Expenses	105,877	99,307
Other Expenses	1,139,178	1,061,211
Loss on Sale of Assets	1,064	1,185
Others	289,206	256,298
Total	3,540,901	3,206,325

5.4.8 Information on profit/loss before taxes from continued and discontinued operations

The profit before taxes includes a net interest income of TL 5,718,932 thousands, a net fees and commissions income of TL 2,007,605 thousands and operating expenses of TL 3,540,901 thousands. The Bank's profit before taxes realized at TL 3,923,290 thousands increasing by 0.39% as compared to prior year.

5.4.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2012, the Bank recorded a tax charge of TL 1,193,716 thousands (31 December 2011: TL 392,346 thousands) and a deferred tax income of TL 340,751 thousands (31 December 2011: a deferred tax expense of TL 445,228 thousands).

Deferred tax benefit/charge on timing differences:

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in tax deductible timing differences (+)	(320,995)	(17,197)
Decrease in tax deductible timing differences (-)	15,573	390,663
Increase in taxable timing differences (-)	4,625	82,202
Decrease in taxable timing differences (+)	(39,954)	(10,440)
Total	(340,751)	445,228

Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions	Current Period	Prior Period
(Increase)/decrease in tax deductible timing differences (net)	(305,422)	373,466
(Increase)/decrease in taxable timing differences (net)	(35,329)	71,762
(Increase)/decrease in tax losses (net)	-	-
(Increase)/decrease in tax deductions and exemptions (net)	-	-
Total	(340,751)	445,228

5.4.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations

None.

5.4.11 Net profit/loss

5.4.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance

None.

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

None.

5.4.12 Components of other items in income statement

Other items do not exceed 10% of the total of income statement.

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5.5 Statement of Changes in Shareholders' Equity

5.5.1 Any increases arising from application of accounting for financial instruments

5.5.1.1 Increases from valuation of financial assets available-for-sale

None.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 389 thousands (31 December 2011: TL 1,093 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

A decrease of TL 3,026 thousands (31 December 2011: an increase of TL 9,309 thousands) that was resulted from the foreign currency translation of Luxembourg branch performance, is presented under translation differences in the shareholders' equity

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

As of 31 December 2012, an increase of TL 1,317,233 thousands (31 December 2011: a decrease of TL 1,097,301 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 52,489 thousands (31 December 2011: TL 267,975 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	192,529	193,262
Transfers to Extraordinary Reserves from Prior Year Profits	2,112,068	2,343,706

5.5.4 Issuance of share certificates

Please refer to Note 5.2.11.3.

5.5.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.24.

5.5.6 Compensation of prior period losses

None.

5.6 Statement of Cash Flows

5.6.1 Disclosures for "other" items and "effect of change in foreign currency rates cash and cash equivalents" in statement of cash flows

The net cash outflow arising from banking operations amount to TL 2,257,895 thousands (31 December 2011: TL 5,867,201 thousands). TL 6,379,901 thousands (31 December 2011: TL 7,955,076 thousands) of this amount is generated from the change in operating assets and liabilities and TL 4,122,006 thousands (31 December 2011: TL 2,087,875 thousands) from operating profit. The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TL 1,342,602 thousands (31 December 2011: TL 1,020,224 thousands). The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 367,755 thousands (31 December 2011: TL 1,568,041 thousands).

The net cash inflows from financing activities is TL 1,520,176 thousands (31 December 2011: TL 2,996,019 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 337,239 thousands (31 December 2011: TL 677,405 thousands).

5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Note 5.1.8.2 of investments in subsidiaries.

5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None.

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5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	992,289	879,320
Cash in TL	617,193	499,780
Cash in Foreign Currency	375,096	379,540
Cash Equivalents	6,621,273	5,315,913
Other	6,621,273	5,315,913
TOTAL	7,613,562	6,195,233

5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	1,200,038	992,289
Cash in TL	800,960	617,193
Cash in Foreign Currency	399,078	375,096
Cash Equivalents	3,062,636	6,621,273
Other	3,062,636	6,621,273
TOTAL	4,262,674	7,613,562

5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons

The placements at foreign banks include blocked accounts amounting TL 5,658,771 thousands (31 December 2011: TL 7,888,133 thousands) of which TL 82,876 thousands (31 December 2011: TL 185,474 thousands) and TL 26,402 thousands (31 December 2011: TL 26,372 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits (31 December 2011: a further TL 215,432 thousands at the central bank of Luxembourg) and TL 5,549,493 thousands (31 December 2011: TL 7,460,855 thousands) as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 12,871,845 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank

None.

5.7 Related Party Risks

5.7.1 Transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Loans and Other Receivables	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Balance at beginning of period	3,746,072	1,359,135	186,803	34,925	245,679	478,356
Balance at end of period	2,940,871	1,282,931	260,311	118,418	314,839	495,947
Interest and Commission Income	139,633	203	760	6	20,249	931

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Loans and Other Receivables	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Balance at beginning of period	3,475,734	757,091	14	4,831	232,831	358,273
Balance at end of period	3,746,072	1,359,135	186,803	34,925	245,679	478,356
Interest and Commission Income	176,367	193	1	5	15,601	1,175

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5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Deposits	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Balance at beginning of period	386,511	571,953	1,109,031	207,006	341,540	389,333
Balance at end of period	511,151	386,511	1,019,958	1,109,031	205,931	341,540
Interest Expense	44,764	34,010	14,810	54,624	13,827	15,672

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Balance at beginning of period	951,574	707,375	1,066,781		28,710	3,992
Balance at end of period	1,119,747	951,574	2,895,692	1,066,781	-	28,710
Total Profit/(Loss)	(17,777)	37,425	(17,213)	27,094	934	1,683
Transactions for Hedging:	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 The Bank's risk group

5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting TL 1,166,224 thousands (31 December 2011: TL 1,464,814 thousands) compose 1.27% (31 December 2011: 1.75%) of the Bank's total cash loans and 0.73% (31 December 2011: 1.00%) of the Bank's total assets. The total loans and similar receivables amounting TL 3,516,021 thousands (31 December 2011: TL 4,178,554 thousands) compose 2.19% (31 December 2011: TL 2.85%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 1,897,296 thousands (31 December 2011: TL 1,872,416 thousands) compose 8.37% (31 December 2011: 8.91%) of the Bank's total non-cash loans. The deposits of the risk group amounting TL 819,040 thousands (31 December 2011: TL 1,837,082 thousands) compose 0.94% (31 December 2011: 2.17%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 37,136 thousands (31 December 2011: TL 48,432 thousands) compose 0.17% (31 December 2011: 0.24%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

Furthermore, there is a credit card (POS) payable amounting TL 64,596 thousands (31 December 2011: TL 57,693 thousands) to related parties.

Operating expenses of TL 6,195 thousands (31 December 2011: TL 6,991 thousands) for IT services, of TL 10,960 thousands (31 December 2011: TL 12,493 thousands) for advertisement and broadcasting services, of TL 17,813 thousands (31 December 2011: TL 13,695 thousands) for operational leasing services, and of TL 8,870 thousands (31 December 2011: TL 5,592 thousands) for travel-arrangement related services rendered by related parties and rent income of TL 4,024 thousands (31 December 2011: TL 2,990 thousands) for the real estates rented to related parties, are recorded.

As of 31 December 2012, the net payment provided or to be provided to the key management of the Bank amounts to TL 82,512 thousands (31 December 2011: TL 86,277 thousands).

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

None.

5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

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5.8 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices

5.8.1 Domestic and foreign branches and representative offices

	Number of Branches	Number Of Employees			
Domestic Branches	926	17,176			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2-England		
	1	1	3-China		
				Total Assets	Legal Capital
Foreign Branches	1	15	1- Luxembourg	13,340,417	928,400
	1	12	2- Malta	22,002,088	-
	5	79	3- NCTR	607,290	15,520

5.8.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure

In 2012, 23 new domestic branches were opened, four branches and one foreign representative office were closed.

5.9 Significant Events and Matters Arising Subsequent to Balance Sheet Date

As a result of the inspections held by the Istanbul Large-Scale Taxpayers Office of the Tax Inspection Board regarding the banking and insurance transaction tax (BITT), it was claimed that the payments made under the name of "service fee" by the Bank's contracted merchants to an institution other than the Bank itself in the years 2007, 2008, 2009 and 2010, should have been collected by the Bank, because of this application the Bank undercalculated the BITT, and accordingly, the Tax Audit Reports for the relevant years were prepared.

The tax audit report and tax/penalty notifications for the year 2007 were sent to the Bank. The audit reports for other years are also expected to be notified. The total tax assessment including fines for the years 2007, 2008, 2009 and 2010 is estimated to be approximately at the level of TL 36,300 thousands. As per the Bank's assessment, the Bank's practice is in compliance with the relevant legislation and the Bank will take legal actions against such assessments of the tax authority.

6 Other Disclosures

6.1 Bank's latest international risk ratings

MOODY'S (July 2012*)

Long Term FC Deposit	Ba2
Long Term TL Deposit	Baa2
Short Term TL Deposit	Prime-2
Short Term FC Deposit	NP
Long Term FC Deposit Outlook	Stable
Financial Strength Rate (FSR)	D+
FSR Outlook	Stable
Long Term National	Aa2.tr
Short Term National	TR-1

STANDARD AND POORS (May 2012*)

Long Term FC Obligations	BB
Long Term TL Deposit	BB
Outlook	Stable
Credit Profile (independent from the bank's shareholders and the rating of its resident country)	bbb-

FITCH RATINGS (December 2012*)

Foreign Currency	
Long Term	BBB
Long Term FC Outlook	Stable
Short Term	F3
Financial Capacity Rate	bbb
Support	3
Turkish Lira	
Long Term	BBB
Long Term TL Outlook	Stable
Short Term	F3
National	AAA (Trk)
Outlook	Stable

JCR EURASIA RATINGS (April 2012*)

Long Term International FC	BBB- (Stable)
Long Term International TL	BBB (Stable)
Long Term National	AAA (Trk) (Stable)
Short Term International FC	A-3 (Stable)
Short Term International TL	A-3 (Stable)
Short Term National	A-1+ (Trk) (Stable)
Support	1
Independency from Shareholders	A

(*) Latest dates in risk ratings or outlooks.

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6.2 Dividends

At the annual general assembly dated 12 April 2012, it was decided to distribute the profit of the year 2011 as follows:

2011 PROFIT DISTRIBUTION TABLE

2011 Net Profit	3,070,575
A - I. Legal reserve (Turkish Commercial Code 466/1) at 5%	(153,529)
Undistributable funds	(193,695)
B - First dividend at 5% of the paid-in capital	(210,000)
C - Extraordinary reserves at 5% after above deductions	(135,352)
D - Second dividend to the shareholders	(390,000)
E - Extraordinary reserves	(1,948,999)
F - II. Legal reserve (Turkish Commercial Code 466/2)	(39,000)

6.3 Other disclosures

In accordance with its decision dated 2 November 2011 and numbered 11-55/1438-M, the Competition Board initiated proceedings pursuant to the Law on the Protection of Competition numbered 4054 against 12 banks and two related institutions (including the Bank and two of its subsidiaries) with significant market shares in the Turkish Banking industry to determine whether they have entered into agreements restricting competition or to determine whether they have engaged in concerted practices as regards to the interest rates applied to banking products. The proceedings are still pending and the potential outcome cannot be determined at this point, therefore there is no provision made in the accompanying financial statements as of 31 December 2012.

7 Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The unconsolidated financial statements of the Bank have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 31 January 2013 is presented before the accompanying financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.

CONSOLIDATED FINANCIAL REPORT

To the Board of Directors of
Türkiye Garanti Bankası AŞ
İstanbul

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL AFFILIATES**

INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2012

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

Management's Responsibility for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "The Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no: 26333 on November 1, 2006 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance 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 auditors' judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis For Qualified Opinion

As of the balance sheet date, the accompanying consolidated financial statements include a general reserve amounting to TL 450,000 thousands in total, all provided by the Bank management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

Independent Auditors' Opinion

In our opinion, except for the effect of the matter described in the fourth paragraph above on the financial statements, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and its consolidated financial affiliates as at 31 December 2012 and the results of its operations and its cash flows for the period then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 and 38 of the Banking Act No: 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank and its consolidated financial affiliates' financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

İstanbul, 31 January 2013

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç
Partner

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended 31 December 2012

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

1. General Information about Parent Bank
2. Consolidated Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations and Risk Management Applications
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Other Disclosures
7. Independent Auditors' Report

The consolidated subsidiaries and special purpose entities in the scope of this consolidated financial report are the followings:

Subsidiaries

1. Garanti Bank International NV
2. Garanti Emeklilik ve Hayat AŞ
3. Garanti Holding BV
4. Garanti Finansal Kiralama AŞ
5. Garanti Faktoring Hizmetleri AŞ
6. Garanti Bank Moscow
7. Garanti Yatırım Menkul Kıymetler AŞ
8. Garanti Portföy Yönetimi AŞ

Special Purpose Entities

1. Garanti Diversified Payment Rights Finance Company

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The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Ferit F. Şahenk
Board of Directors
Chairman

M. Cüneyt Sezgin
Audit Committee Member

Manuel Pedro Galatas Sanchez -Harguindey
Audit Committee Member

S. Ergun Özen
General Manager

Aydın Şenel
Executive Vice President Responsible of
Financial Reporting

Aylin Aktürk
Coordinator

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

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TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL AFFILIATES

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1 General Information

1.1 History of parent bank including its incorporation date, initial legal status, amendments to legal status

Türkiye Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 926 domestic branches, seven foreign branches and three representative offices abroad. The Bank's head office is located in Istanbul.

1.2 Parent bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during period and information on its risk group

As of 31 December 2012, group of companies under Doğu Holding AŞ that currently owns 24.23% shares of the Bank, is named the Doğu Group (the Group).

On 22 December 2005, Doğu Holding AŞ had completed the sale of 53,550,000,000 shares composing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti" of General Electric (GE) Group. Accordingly, GE acquired a joint control on the Bank's management. On 27 December 2007, this time GE Araştırma ve Müşavirlik Limited Şti. has sold 9,765,000,000 shares of Türkiye Garanti Bankası AŞ at a nominal value of TL 97,650 thousands each to Doğu Holding AŞ, representing 4.65% of the issued share capital. Number of shares representing 20.85% ownership of GE Araştırma ve Müşavirlik Limited Şti increased to 87,571,249,898 subsequent to the capital increase through issuance of bonus shares. The company sold 83,371,249,899 shares at a total nominal value of TL 833,712 thousands representing 19.85% ownership in Türkiye Garanti Bankası AŞ, to GE Capital Corporation on 29 December 2010, and the remaining 1% ownership in the stock exchange market on 11 December 2012.

On 22 March 2011, Banco Bilbao Vizcaya Argentaria SA ("BBVA") acquired;

- » 78,120,000,000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 thousands representing 18.60% ownership, and
- » 26,418,840,000 shares of the Bank owned by Doğu Holding AŞ at a total nominal value of TL 264,188 thousands representing 6.29% ownership.

BBVA, holding 24.89% shares of the Bank, had joint control on the Bank's management together with Doğu Group.

On 7 April 2011, BBVA acquired 503,160,000 shares at a nominal value of TL 5,032 thousands and increased its ownership in the Bank's share capital to 25.01%. As per the agreement between Doğu Holding AŞ and BBVA, if any of the parties acquires additional shares during the next five years, it is required to offer half of the acquired shares to other party, in case that other party does not accept to purchase the offered shares, usufruct rights shall be established on the voting rights of such shares in favour of other party. Accordingly, although BBVA has acquired additional shares in April, this does not affect their joint control on the Bank's management.

Doğu Group

The Doğu Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜV SÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Doğu Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğu Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu Tüketici Finansmanı AŞ.

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

The Group owns a bank being the largest financial institution in Mexico, the market leader in South America, and one of the largest 15 commercial banks in United States. BBVA is among the few international groups that operate in China and Turkey, and operates in more than 30 countries with more than 100 thousand employees.

1.3 Information on parent bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the bank

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	22 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	30 years
Muammer Cüneyt Sezgin	Member of BOD and Audit Committee	30.06.2004	PhD	24 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	38 years
Manuel Castro Aladro	Member	22.03.2011	Master	20 years
Manuel Pedro Galatas Sanchez Harguindey	Member of BOD and Audit Committee	05.05.2011	University	28 years
Carlos Torres Vila	Member	22.03.2011	Master	21 years
Angel Cano Fernandez	Member	22.03.2011	University	27 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	25 years

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CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Sait Ergun Özen	CEO	01.04.2000	University	25 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	34 years
Ali Fuat Erbil	EVP-Financial Institutions & Corporate Banking	30.04.1999	PhD	20 years
Erhan Adalı	EVP-Loans	03.08.2012	University	22 years
Gökhan Erün	EVP-Human Resources & Investment Banking	01.09.2005	Master	18 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	30 years
Halil Hüsnü Erel	EVP-Technology, Operations Management & Central Marketing	16.06.1997	University	27 years
Uruz Ersözoğlu	EVP-Treasury	05.04.2006	University	21 years
Turgay Gönensin	EVP-Commercial Banking	15.12.2001	University	27 years
Aydın Şenel	EVP-General Accounting & Financial Reporting	02.03.2006	University	31 years
Zekeriya Öztürk	EVP-International Business Development	06.03.2006	Master	17 years
Avni Aydın Düren	EVP-Legal Services & Retail Risk Monitoring	01.02.2009	Master	18 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	18 years
Murat Mergin	Head of Strategic Planning	01.01.2002	University	18 years
Onur Genç	EVP-Retail Banking	20.03.2012	Master	13 years
Didem Başer	EVP-Delivery Channels	20.03.2012	Master	14 years

As of 1 January 2013;

- » Uruz Ersözoğlu resigned from his responsibility as executive vice president (EVP) for "treasury".
- » Gökhan Erün has been assigned as the EVP responsible for "treasury and investment banking" and "human resources and training".
- » Turgay Gönensin, previously responsible of "commercial banking", has been assigned as the EVP responsible for "subsidiaries coordination".
- » Recep Baştuğ has been assigned as the EVP responsible for "commercial banking".
- » Didem Dinçer Başer has been assigned as the EVP responsible for "delivery channels and customer satisfaction".

The top management listed above does not hold any unquoted shares of the Bank.

1.4 Information on parent bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Doğuş Holding AŞ	857,315	20.4123%	857,315	-
Banco Bilbao Vizcaya Argentaria SA	1,050,420	25.0100%	1,050,420	-

According to the decision made at the "General Assembly of Founder Shares Owners" and the "Extraordinary General Shareholders" meetings held on 13 June 2008, the Bank repurchased all the 370 founder share-certificates issued in order to redeem and exterminate them, subsequent to the permissions obtained from the related legal authorities, at a value of TL 3,876 thousands each in accordance with the report prepared by the court expert and approved by the Istanbul 5th Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "extraordinary reserves", and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

Subsequent to these purchases, the clauses 15, 16 and 45 of the Articles of Association of the Bank have been revised accordingly.

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended 31 December 2012
(Thousands of Turkish Lira (TL))

1.5 Summary information on parent bank's activities and services

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- » All banking operations,
- » Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- » Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- » Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions,
- » Developing economical and financial relations with foreign organizations,
- » Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

1.6 Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial subsidiaries are subject to consolidation whereas as per the Turkish Accounting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation. There are no investments in entities subject to proportional consolidation or to deduction from equity.

1.7 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2012
(Thousands of Turkish Lira (TL))

(Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
Originally Issued in Turkish)

		THOUSANDS OF TURKISH LIRA (TL)					
ASSETS	Footnotes	CURRENT PERIOD 31 December 2012			PRIOR PERIOD 31 December 2011		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	5.1.1	1,293,951	14,879,433	16,173,384	1,589,506	6,722,944	8,312,450
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	755,945	451,276	1,207,221	493,214	1,480,920	1,974,134
21 Financial assets held for trading		533,764	451,276	985,040	493,214	1,480,920	1,974,134
21.1 Government securities		166,838	14,891	181,729	210,165	762,198	972,363
21.2 Equity securities		44,664	-	44,664	25,700	-	25,700
21.3 Derivative financial assets held for trading		298,964	411,671	710,635	214,572	709,232	923,804
21.4 Other securities		23,298	24,714	48,012	42,777	9,490	52,267
2.2 Financial assets valued at fair value through profit or loss		222,181	-	222,181	-	-	-
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	5.1.5	222,181	-	222,181	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	5.1.3	2,473,466	7,689,962	10,163,428	2,421,842	14,294,673	16,716,515
IV. INTERBANK MONEY MARKETS		1,000	-	1,000	6,800	-	6,800
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		1,000	-	1,000	6,800	-	6,800
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	34,921,810	3,572,696	38,494,506	27,279,694	3,875,345	31,155,039
5.1 Equity securities		25,163	4,787	29,950	23,865	1,708	25,573
5.2 Government securities		33,519,493	304,794	33,824,287	26,238,027	356,345	26,594,372
5.3 Other securities		1,377,154	3,263,115	4,640,269	1,017,802	3,517,292	4,535,094
VI. LOANS	5.1.5	58,545,529	41,576,990	100,122,519	50,244,265	40,489,844	90,734,109
6.1 Loans		58,142,650	41,383,999	99,526,649	49,963,893	40,365,215	90,329,108
6.1.1 Loans to bank's risk group	5.7	116,597	286,378	402,975	87,178	197,806	284,984
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Other		58,026,053	41,097,621	99,123,674	49,876,715	40,167,409	90,044,124
6.2 Loans under follow-up		2,114,073	591,137	2,705,210	1,532,087	401,446	1,933,533
6.3 Specific provisions (-)		1,711,194	398,146	2,109,340	1,251,715	276,817	1,528,532
VII. FACTORING RECEIVABLES	5.1.6	1,545,798	288,536	1,834,334	1,080,342	169,143	1,249,485
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	921,090	445,864	1,366,954	3,176,043	1,610,487	4,786,530
8.1 Government securities		911,349	445,864	1,357,213	3,170,068	1,610,487	4,780,555
8.2 Other securities		9,741	-	9,741	5,975	-	5,975
IX. INVESTMENTS IN ASSOCIATES (Net)	5.1.8	21,409	2	21,411	20,145	-	20,145
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		21,409	2	21,411	20,145	-	20,145
9.2.1 Financial investments in associates		17,480	-	17,480	18,168	-	18,168
9.2.2 Non-financial investments in associates		3,929	2	3,931	1,977	-	1,977
X. INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	146,199	664	146,863	130,310	759	131,069
10.1 Unconsolidated financial investments in subsidiaries		-	-	-	-	605	605
10.2 Unconsolidated non-financial investments in subsidiaries		146,199	664	146,863	130,310	154	130,464
XI. INVESTMENTS IN JOINT-VENTURES (Net)	5.1.10	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	5.1.11	857,997	2,010,913	2,868,910	702,450	1,967,444	2,669,894
12.1 Financial lease receivables		1,020,755	2,291,692	3,312,447	837,128	2,239,468	3,076,596
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		162,758	280,779	443,537	134,678	272,024	406,702
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	-	-	-	-	129,335	129,335
13.1 Fair value hedges		-	-	-	-	129,335	129,335
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	5.1.13	1,181,037	137,302	1,318,339	1,272,489	153,636	1,426,125
XV. INTANGIBLE ASSETS (Net)	5.1.14	76,930	5,779	82,709	76,265	7,981	84,246
15.1 Goodwill		6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles		70,542	5,779	76,321	69,877	7,981	77,858
XVI. INVESTMENT PROPERTY (Net)	5.1.15	127,682	-	127,682	-	-	-
XVII. TAX ASSET		217,532	18,511	236,043	119,447	40,638	160,085
17.1 Current tax asset		-	4,823	4,823	89,685	7,548	97,233
17.2 Deferred tax asset	5.1.16	217,532	13,688	231,220	29,762	33,090	62,852
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	128,516	3,921	132,437	123,040	4,616	127,656
18.1 Asset held for resale		128,516	3,921	132,437	123,040	4,616	127,656
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	5.1.18	5,285,437	196,197	5,481,634	3,610,569	181,137	3,791,706
TOTAL ASSETS		108,501,328	71,278,046	179,779,374	92,346,421	71,128,902	163,475,323

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2012
(Thousands of Turkish Lira (TL))

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2012			31 December 2011		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	49,901,574	47,876,105	97,777,679	47,648,127	45,588,188	93,236,315
11 Deposits from bank's risk group	5.7	151,640	164,189	315,829	228,321	1,229,275	1,457,596
12 Other		49,749,934	47,711,916	97,461,850	47,419,806	44,358,913	91,778,719
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	597,173	329,828	927,001	507,082	704,314	1,211,396
III. FUNDS BORROWED	5.2.3	5,578,336	20,166,076	25,744,412	5,605,360	18,569,677	24,175,037
IV. INTERBANK MONEY MARKETS		12,246,173	1,860,771	14,106,944	8,340,629	3,397,528	11,738,157
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements	5.2.4	12,246,173	1,860,771	14,106,944	8,340,629	3,397,528	11,738,157
V. SECURITIES ISSUED (Net)	5.2.4	2,168,049	3,908,986	6,077,035	2,138,635	1,603,421	3,742,056
5.1 Bills		1,766,215	-	1,766,215	2,138,635	-	2,138,635
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		401,834	3,908,986	4,310,820	-	1,603,421	1,603,421
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	7,578,235	484,818	8,063,053	5,837,230	222,060	6,059,290
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		1,660,667	415,839	2,076,506	705,223	1,192,528	1,897,751
IX. FACTORING PAYABLES	5.2.5	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	5.2.6	-	172	172	-	420	420
10.1 Financial lease payables		-	538	538	-	451	451
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	366	366	-	31	31
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	5.2.7	-	-	-	-	782	782
11.1 Fair value hedges		-	-	-	-	-	-
11.2 Cash flow hedges		-	-	-	-	782	782
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	2,500,563	96,520	2,597,083	1,995,164	106,975	2,102,139
12.1 General provisions		1,269,819	72,271	1,342,090	979,797	87,626	1,067,423
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		353,557	8,454	362,011	273,912	6,663	280,575
12.4 Insurance technical provisions (Net)		221,009	-	221,009	159,487	-	159,487
12.5 Other provisions		656,178	15,795	671,973	581,968	12,686	594,654
XIII. TAX LIABILITY	5.2.9	556,627	47,083	603,863	286,147	3,908	290,055
13.1 Current tax liability		556,627	28,204	584,831	286,147	2,575	288,722
13.2 Deferred tax liability		153	18,879	19,032	-	1,333	1,333
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED DEBTS	5.2.11	-	148,680	148,680	-	1,122,138	1,122,138
XVI. SHAREHOLDERS' EQUITY	5.2.12	21,466,110	190,836	21,656,946	17,876,461	23,326	17,899,787
16.1 Paid-in capital		4,196,934	-	4,196,934	4,198,641	-	4,198,641
16.2 Capital reserves		2,471,175	116,914	2,588,089	1,443,554	(22,053)	1,421,501
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		976,919	116,914	1,093,833	114,597	(21,664)	92,933
16.2.4 Revaluation surplus on tangible assets		764,252	-	764,252	598,953	-	598,953
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(55,377)	-	(55,377)	(55,377)	(389)	(55,766)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		772,554	-	772,554	772,554	-	772,554
16.3 Profit reserves		11,323,397	73,922	11,397,319	8,795,440	45,379	8,840,819
16.3.1 Legal reserves		940,560	12,779	953,339	747,687	6,940	754,627
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		10,355,274	-	10,355,274	8,016,504	-	8,016,504
16.3.4 Other profit reserves		27,563	61,143	88,706	31,249	38,439	69,688
16.4 Profit or loss		3,334,080	-	3,334,080	3,326,299	-	3,326,299
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		3,334,080	-	3,334,080	3,326,299	-	3,326,299
16.5 Minority interest		140,524	-	140,524	112,527	-	112,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		104,253,660	75,525,714	179,779,374	90,940,058	72,535,265	163,475,323

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Off-Balance Sheet Items at 31 December 2012

(Thousands of Turkish Lira (TL))

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2012			31 December 2011		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		77,043,440	176,308,745	253,352,185	66,723,349	157,696,715	224,420,064
I. GUARANTEES AND SURETIES	5.3.1	6,972,159	16,809,147	23,781,306	5,806,539	16,430,870	22,237,409
11 Letters of guarantee		6,960,107	9,892,574	16,852,681	5,791,162	9,629,237	15,420,399
11.1 Guarantees subject to State Tender Law		-	714,239	714,239	-	-	-
11.2 Guarantees given for foreign trade operations		438,392	310,798	749,190	435,305	427,299	862,604
11.3 Other letters of guarantee		6,521,715	8,867,537	15,389,252	5,355,857	9,201,938	14,557,795
12 Bank acceptances		5,028	715,868	720,896	3,687	511,863	515,550
12.1 Import letter of acceptance		5,028	715,868	720,896	1,705	511,863	513,568
12.2 Other bank acceptances		-	-	-	1,982	-	1,982
13 Letters of credit		7,024	6,134,405	6,141,429	11,690	6,219,534	6,231,224
13.1 Documentary letters of credit		-	-	-	-	-	-
13.2 Other letters of credit		7,024	6,134,405	6,141,429	11,690	6,219,534	6,231,224
14 Guaranteed prefinancings		-	-	-	-	-	-
15 Endorsements		-	-	-	-	-	-
15.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
15.2 Other endorsements		-	-	-	-	-	-
16 Underwriting commitments		-	-	-	-	-	-
17 Factoring related guarantees		-	-	-	-	-	-
18 Other guarantees		-	66,300	66,300	-	70,236	70,236
19 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		34,012,313	76,773,791	110,786,104	32,874,779	66,291,861	99,166,640
21 Irrevocable commitments		23,957,472	9,843,686	33,801,158	24,408,228	8,618,607	33,026,835
21.1 Asset purchase and sale commitments		1,160,772	4,611,831	5,772,603	2,685,482	2,255,452	4,940,934
21.2 Deposit purchase and sale commitments		165	44,053	44,218	200	559,500	559,700
21.3 Share capital commitments to associates and subsidiaries		-	7,944	7,944	1,000	10,407	11,407
21.4 Loan granting commitments		5,094,551	4,268,900	9,363,451	4,670,337	4,844,708	9,515,045
21.5 Securities issuance brokerage commitments		-	-	-	-	-	-
21.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
21.7 Commitments for cheque payments		1,994,132	-	1,994,132	2,230,783	-	2,230,783
21.8 Tax and fund obligations on export commitments		18,075	-	18,075	16,390	-	16,390
21.9 Commitments for credit card limits		14,215,567	107,726	14,323,293	13,539,826	91,645	13,631,471
21.10 Commitments for credit cards and banking services related promotions		-	-	-	-	-	-
21.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
21.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
21.13 Other irrevocable commitments		1,474,210	803,232	2,277,442	1,264,210	856,895	2,121,105
2.2 Revocable commitments		10,054,841	66,930,105	76,984,946	8,466,551	57,673,254	66,139,805
2.2.1 Revocable loan granting commitments		9,989,798	66,755,866	76,745,664	8,428,920	57,499,410	65,928,330
2.2.2 Other revocable commitments		65,043	174,239	239,282	37,631	173,844	211,475
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	36,058,968	82,725,807	118,784,775	28,042,031	74,973,984	103,016,015
31 Derivative financial instruments held for risk management		-	-	-	-	1,967,575	1,967,575
31.1 Fair value hedges		-	-	-	-	1,865,000	1,865,000
31.2 Cash flow hedges		-	-	-	-	102,575	102,575
31.3 Net foreign investment hedges		-	-	-	-	-	-
32 Trading derivatives		36,058,968	82,725,807	118,784,775	28,042,031	73,006,409	101,048,440
32.1 Forward foreign currency purchases/sales		4,148,423	5,665,366	9,813,789	4,036,724	6,099,409	10,136,133
32.1.1 Forward foreign currency purchases		1,552,077	3,299,650	4,851,727	1,523,351	3,586,350	5,109,701
32.1.2 Forward foreign currency sales		2,596,346	2,365,716	4,962,062	2,513,373	2,513,059	5,026,432
32.2 Currency and interest rate swaps		15,734,524	51,561,510	67,296,034	11,245,884	47,862,337	59,108,221
32.2.1 Currency swaps-purchases		6,091,801	18,313,154	24,404,955	5,617,452	14,986,817	20,604,269
32.2.2 Currency swaps-sales		5,951,723	17,015,822	22,967,545	2,319,232	18,415,000	20,734,232
32.2.3 Interest rate swaps-purchases		2,045,500	7,922,847	9,968,347	1,654,600	7,230,260	8,884,860
32.2.4 Interest rate swaps-sales		1,645,500	8,309,687	9,955,187	1,654,600	7,230,260	8,884,860
32.3 Currency, interest rate and security options		16,122,403	22,558,686	38,681,089	12,632,581	18,532,286	31,164,867
32.3.1 Currency call options		7,411,998	10,703,688	18,115,686	5,800,662	9,241,315	15,041,977
32.3.2 Currency put options		8,643,650	9,864,549	18,508,199	6,812,919	8,229,023	15,041,942
32.3.3 Interest rate call options		-	1,857,738	1,857,738	-	888,861	888,861
32.3.4 Interest rate put options		-	-	-	-	-	-
32.3.5 Security call options		61,630	57,485	119,115	19,000	90,487	109,487
32.3.6 Security put options		5,125	75,226	80,351	-	82,600	82,600
32.4 Currency futures		28,384	183,525	211,909	67,638	60,369	128,007
32.4.1 Currency futures-purchases		28,384	155,278	183,662	31,169	23,623	54,792
32.4.2 Currency futures-sales		-	28,247	28,247	36,469	36,746	73,215
32.5 Interest rate futures		-	-	-	1,000	-	1,000
32.5.1 Interest rate futures-purchases		-	-	-	500	-	500
32.5.2 Interest rate futures-sales		-	-	-	500	-	500
32.6 Others		25,234	2,756,720	2,781,954	58,204	452,008	510,212
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		427,449,101	244,083,296	671,532,397	323,227,724	214,443,975	537,671,699
IV. ITEMS HELD IN CUSTODY		71,172,660	18,896,193	90,068,853	72,383,750	20,661,487	93,045,237
41 Customers' securities held		37,428,413	1,139	37,429,552	39,326,965	1,188	39,328,153
42 Investment securities held in custody		23,665,091	3,906,395	27,571,486	22,266,173	7,297,692	29,563,865
43 Checks received for collection		8,189,784	1,398,694	9,588,478	7,802,184	1,469,619	9,271,803
44 Commercial notes received for collection		1,691,573	1,064,089	2,755,662	2,922,615	1,168,703	4,091,318
45 Other assets received for collection		45,605	10,387,378	10,432,983	38,697	9,401,147	9,439,844
46 Assets received through public offering		-	43,517	43,517	-	46,051	46,051
47 Other items under custody		152,194	2,094,981	2,247,175	27,116	1,277,087	1,304,203
48 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		356,276,441	225,187,103	581,463,544	250,843,974	193,782,488	444,626,462
51 Securities		2,103,397	7,248	2,110,645	1,411,109	137,081	1,548,190
52 Guarantee notes		41,326,572	10,005,309	51,331,881	33,972,618	10,220,197	44,192,815
53 Commodities		3,620	-	3,620	-	-	-
54 Warranties		-	1,171,673	1,171,673	-	1,125,675	1,125,675
55 Real estates		61,085,082	53,499,553	114,584,635	49,636,631	54,315,747	103,952,378
56 Other pledged items		251,757,600	160,502,935	412,260,535	165,823,446	127,983,380	293,806,826
57 Pledged items-depository		170	385	555	170	408	578
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		504,492,541	420,392,041	924,884,582	389,951,073	372,140,690	762,091,763

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2012
(Thousands of Turkish Lira (TL))

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2012- 31 December 2012	1 January 2011- 31 December 2011
I. INTEREST INCOME	5.4.1	13,826,251	11,407,836
11 Interest income on loans		9,034,038	7,151,770
12 Interest income on reserve deposits		4,082	4,579
13 Interest income on banks		272,945	275,796
14 Interest income on money market transactions		3,653	5,199
15 Interest income on securities portfolio		4,003,400	3,676,493
15.1 Trading financial assets		37,077	34,735
15.2 Financial assets valued at fair value through profit or loss		-	-
15.3 Financial assets available-for-sale		3,663,003	3,069,728
15.4 Investments held-to-maturity		303,320	572,030
16 Financial lease income		239,737	185,695
17 Other interest income		268,396	108,304
II. INTEREST EXPENSE	5.4.2	7,406,098	6,149,372
21 Interest on deposits		5,201,252	4,151,913
22 Interest on funds borrowed		1,069,521	1,069,194
23 Interest on money market transactions		803,007	739,542
24 Interest on securities issued		320,733	177,431
25 Other interest expenses		11,585	11,292
III. NET INTEREST INCOME (I - II)		6,420,153	5,258,464
IV. NET FEES AND COMMISSIONS INCOME		2,071,374	2,129,434
41 Fees and commissions received		2,579,802	2,533,008
41.1 Non-cash loans		190,245	187,925
41.2 Others		2,389,557	2,345,083
42 Fees and commissions paid		508,428	403,574
42.1 Non-cash loans		2,346	1,474
42.2 Others		506,082	402,100
V. DIVIDEND INCOME	5.4.3	2,923	5,224
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	604,825	352,725
6.1 Trading account income/losses (Net)		610,310	326,257
6.2 Income/losses from derivative financial instruments (Net)		(441,091)	351,954
6.3 Foreign exchange gains/losses (Net)		435,606	(325,486)
VII. OTHER OPERATING INCOME	5.4.5	661,645	1,154,386
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		9,760,920	8,900,233
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	1,393,743	920,395
X. OTHER OPERATING EXPENSES (-)	5.4.7	4,056,382	3,709,690
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		4,310,795	4,270,148
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	6,261
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.4.8	4,310,795	4,276,409
XVI. PROVISION FOR TAXES (±)	5.4.9	948,744	930,603
16.1 Current tax charge		1,301,809	480,565
16.2 Deferred tax charge/(credit)		(353,065)	450,038
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.4.10	3,362,051	3,345,806
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.4.8	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.4.10	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.4.11	3,362,051	3,345,806
23.1 Equity holders of the bank		3,334,080	3,326,299
23.2 Minority interest		27,971	19,507
Earnings per Share		0.794	0.792

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Statement of Income/Expense Items Accounted for under Shareholders' Equity at 31 December 2012
(Thousands of Turkish Lira (TL))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2012- 31 December 2012	1 January 2011- 31 December 2011
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY			
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	1,236,659	(1,893,680)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	(4,500)	(16,019)
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	486	1,366
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	-	(562)
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	(235,830)	358,817
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	996,815	(1,550,078)
XI.	CURRENT PERIOD PROFIT/LOSSES	3,362,051	3,345,806
1.1	Net changes in fair value of securities (transferred to income statement)	(8,753)	286,075
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	3,370,804	3,059,731
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	4,358,866	1,795,728

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity at 31 December 2012
(Thousands of Turkish Lira (TL))

The accompanying notes are an integral part of these consolidated financial statements.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES

Consolidated Statement of Cash Flows at 31 December 2012
(Thousands of Turkish Lira (TL))

STATEMENT OF CASH FLOWS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD	PRIOR PERIOD
			1 January 2012 31 December 2012	1 January 2011 31 December 2011
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities	5.6	4,469,055	1,694,332
1.1.1	Interests received		13,309,968	10,190,755
1.1.2	Interests paid		(7,461,303)	(5,820,401)
1.1.3	Dividend received		2,865	5,224
1.1.4	Fees and commissions received		2,579,802	2,533,008
1.1.5	Other income		574,631	580,948
1.1.6	Collections from previously written-off loans and other receivables		45,487	82,787
1.1.7	Payments to personnel and service suppliers		(3,321,371)	(3,176,517)
1.1.8	Taxes paid		(1,233,541)	(854,304)
1.1.9	Others		(27,483)	(1,847,168)
1.2	Changes in operating assets and liabilities	5.6	(6,956,496)	(7,261,048)
1.2.1	Net (increase) decrease in financial assets held for trading		564,232	(354,657)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(4,543,056)	(5,733,811)
1.2.4	Net (increase) decrease in loans		(10,214,667)	(20,065,495)
1.2.5	Net (increase) decrease in other assets		(2,480,232)	(1,562,518)
1.2.6	Net increase (decrease) in bank deposits		2,489,134	283,853
1.2.7	Net increase (decrease) in other deposits		2,138,546	13,763,522
1.2.8	Net increase (decrease) in funds borrowed		2,978,520	4,385,287
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		2,111,027	2,022,771
I.	Net cash flow from banking operations	5.6	(2,487,441)	(5,566,716)
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash flow from investing activities	5.6	(2,204,779)	3,147,475
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		(1,211)	-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		3	171,003
2.3	Purchases of tangible assets		(264,331)	(429,342)
2.4	Sales of tangible assets		139,056	161,686
2.5	Cash paid for purchase of financial assets available-for-sale, net		(13,220,008)	(15,109,655)
2.6	Cash obtained from sale of financial assets available-for-sale, net		7,638,462	17,292,613
2.7	Cash paid for purchase of investments held-to-maturity		(9,557)	(5,781)
2.8	Cash obtained from sale of investments held-to-maturity		3,512,807	1,066,951
2.9	Others		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash flow from financing activities		1,872,950	3,033,626
3.1	Cash obtained from funds borrowed and securities issued		8,416,744	5,327,604
3.2	Cash used for repayment of funds borrowed and securities issued		(5,943,692)	(1,723,621)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(600,000)	(570,000)
3.5	Payments for financial leases		(102)	(357)
3.6	Others		-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		(429,290)	1,565,188
V.	Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	(3,248,560)	2,179,573
VI.	Cash and cash equivalents at beginning of period	5.6	9,075,471	6,895,898
VII.	Cash and cash equivalents at end of period (V+VI)	5.6	5,826,911	9,075,471

The accompanying notes are an integral part of these consolidated financial statements.

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3 Accounting Policies

3.1 Basis of presentation

As per the Articles 37 and 38 of "Accounting and Recording Rules" of the Turkish Banking Law No 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial assets at fair value through profit or loss, financial assets available for sale, investments in associates and subsidiaries that are quoted on the stock exchanges which are presented on a fair value basis.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.23.

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

The liability side of the balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank and its financial affiliates have access to longer-term borrowings via the borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank and its financial affiliates are keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

The fundamental strategy to manage the liquidity risk is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

3.2.2 Foreign currency transactions

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates for the parent Bank and with the Central Bank of Turkey's spot purchase rates for domestic financial affiliates, and the differences are recorded as foreign exchange gain or loss in the income statement.

The Bank, as the parent bank, had applied net investment hedge accounting for the exchange rate differences on the net investment risks on its foreign affiliates and its related financial liabilities in foreign currencies in the previous periods. The Bank prospectively discontinued this application as of 1 January 2009 within the framework of TFRIC 16-Comment on Hedges of a Net Investment in a Foreign Operation, published in the Official Gazette dated 8 January 2009, no. 27104. The Bank started to apply fair value hedge accounting as at 1 January 2009 by designating the exchange rate risk of these foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 Financial Instruments: Recognition and Measurement". Accordingly, the effective portion of the foreign exchange differences is recorded under income statement in the current period.

3.3 Information on consolidated subsidiaries

As of 31 December 2012, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Bank Moscow (Garanti Moscow), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring Hizmetleri AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

Garanti Finansal Kiralama was established in 1990 to perform financial lease activities and all related transactions and contracts. The company's head office is in Istanbul. The Bank owns 99.96% of the company's shares.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company's head office is in Istanbul. The Bank owns 81.84% of Garanti Faktoring shares including the shares acquired in the market, T. İhracat Bankası AŞ owns 9.78% of the company's shares and the remaining 8.38% shares are held by public.

GBI was established in October 1990 to perform banking activities abroad. The head office of this bank is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 0.21%, has been consolidated in the accompanying consolidated financial statements due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta AŞ was established. Garanti Hayat Sigorta AŞ was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Following the sale transactions that took place on 21 June 2007, the Bank's ownership in Garanti Emeklilik decreased to 84.91%. The head office of this company is in Istanbul.

Garanti Moscow was established in 1996 to perform banking activities abroad. This bank's head office is in Moscow. The Bank owns 99.94% of its shares.

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Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company's purpose of establishment and the portfolio management agreements signed with the customers. The company's head office is in Istanbul. It is wholly owned by the Bank.

Garanti Holding was established in December 2007 in Amsterdam and all its shares was purchased by the Bank from Doğu Holding AŞ in May 2010. As of 27 January 2011 the consolidated subsidiary's legal name changed to Garanti Holding BV from D Netherlands BV.

Garanti Diversified Payment Rights Finance Company, a special purpose entity established for the parent Bank's securitization transactions, is consolidated in the accompanying consolidated financial statements. The Bank or any of its affiliates does not have any shareholding interests in this company.

T2 Capital Finance Company, a special purpose entity established for the subordinated debt granted to the parent Bank, again not an affiliate of the Bank or any of its affiliates, is excluded from the consolidation scope following the repayment of this debt as per the early-repayment option used on 6 February 2012.

3.4 Forwards, options and other derivative transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts. There are no embedded derivatives.

In accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement"; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets held for trading" or "derivative financial liabilities held for trading", respectively. Subsequent fair value changes for trading derivatives are recorded under income statement. While the effective portions of cash flow hedges are recorded under shareholders' equity, their ineffective portions are posted through income statement.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts as commitment.

3.5 Interest income and expenses

General

Interest income and expenses are recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement".

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest income of the period after the acquisition is recorded as interest income in the financial statements.

The accrued interest income on non-performing loans are reversed and subsequently recognised as interest income only when collected.

Financial lease operations

Total of minimum rental payments including interests and principals are recorded under "financial lease receivables" as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "financial lease receivables"; and the interest portion is recorded as interest income in the income statement.

3.6 Fees and commissions

Except for certain fees related with certain banking transactions and recognized when received, fees and commissions received and paid, and other fees and commissions paid to financial institutions are calculated according to either accrual basis of accounting or effective interest rate method depending on nature of fees and commissions, income derived from agreements and asset purchases from third parties are recognized as income when realized.

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

Such assets are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the income statement. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

The Bank classifies certain loans at their origination dates, as financial assets at fair value through profit or loss in compliance with TAS 39. Financial assets at fair value through profit or loss are initially recorded at cost and measured at fair value in subsequent periods by the Bank.

3.7.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables

Financial assets are recorded at their purchase costs including the transaction costs.

Investments held-to-maturity are financial assets with fixed maturities and pre-determined payment schedules that the Bank and its financial affiliates have the intent and ability to hold until maturity, excluding originated loans and receivables.

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

Investments held-to-maturity are measured at amortized costs using internal rate of return after deducting impairments, if any.

Financial assets available-for-sale, are financial assets other than assets held for trading purposes, investments held-to-maturity and originated loans and receivables.

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones which do not have a fixed maturity. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement.

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The real coupon rates for government bonds indexed to consumer price index are fixed throughout maturities. As per the statements made by the Turkish Treasury on the dates of issuance, such securities are valued taking into account the difference between the reference index at the issue date and the reference index at the balance sheet date to reflect the effects of inflation.

Purchase and sale transactions of securities are accounted at delivery dates.

Loans and receivables are financial assets raised through providing money, commodity and services to debtors.

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

3.8 Impairment of financial assets

Financial asset or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment.

Impairment loss incurs if, and only if, there is an objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely effected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank makes reclassification and provides specific and general allowances in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006 and TAS. The allowances are recorded in the income statement of the related period.

3.9 Netting of financial instruments

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

Specific allowances for non-performing loan and other receivables are provided in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are deducted from loans under follow-up on the asset side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts for Banks. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the Bank management's future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

Securities purchased under resale agreements are classified under "interbank money markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

3.11 Assets held for sale and discontinued operations and related borrowings

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank or its financial affiliates have no discontinued operations.

3.12 Goodwill and other intangible assets

The intangible assets consist of goodwill, softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in accordance with the Turkish Accounting Standard 38 (TAS 38) "Intangible Assets".

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles.

If any goodwill is computed at consolidation, it is recorded under intangible assets on the asset side of the consolidated balance sheet as an asset. It is assessed to identify whether there is any indication of impairment. If any such indication exists, the necessary provision is recorded as an expense in the income statement. The goodwill is not amortized.

Estimated useful lives of the intangible assets except for goodwill, are 3-15 years, and amortisation rates are 6.67-33.3%.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

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3.13 Tangible assets

The cost of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs.

Tangible assets are recorded at cost in accordance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is provided.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives are:

Tangible assets	Estimated useful lives (years)	Depreciation Rates (%) from 1 January 2009	Depreciation Rates (%) from 1 January 2005	Depreciation Rates (%) before 1 January 2005
Buildings	50	2	4	2
Vaults	20-50	2-20	4-40	2-20
Motor Vehicles	5-7	15-20	30-40	15-20
Other Tangible Assets	4-20	5-25	10-50	5-25

In prior periods, the tangible assets are depreciated over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. The tangible assets purchased since 1 January 2005 are depreciated based on the declining balance method which is one of the accelerated depreciation methods. The straight-line depreciation method is in use for the tangible assets purchased since 1 January 2009.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Investment properties

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property and carried at cost less accumulated depreciation under the cost method. Depreciation is provided on investment properties (except land) on a straight-line basis.

Investment properties are reviewed for possible impairment losses. Where the carrying value of an investment property is greater than the estimated recoverable value, it is written down to its recoverable value. The recoverable value of an investment property is higher of discounted net future cash flows from the use of the related investment property or net sale price.

3.14 Leasing activities

Leased assets are recognized by recording an asset or a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

In operating leases, the rent payments are charged to the statement of operations in equal installments.

3.15 Provisions and contingent liabilities

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

Provisions made during the period are recorded under "provision for losses on loans and other receivables"; provisions that were booked in the prior periods and released in the current year are recorded under "other operating income".

3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial affiliates. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

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3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

As per the existing labour law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank and its financial affiliates subject to the labour law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 December 2012 (*)	31 December 2011 (*)
Discount Rate	2.18%	4.25%
Interest Rate	6.95%	9.52%
Expected Rate of Salary Increase	6.17%	6.56%
Inflation Rate	4.67%	5.06%

(*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employee's years-in-service.

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

Retirement benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

	31 December 2012	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

The Plan is composed of a) the contractual benefits of the employees, which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5754 ("the Law"), and b) other social rights and medical benefits provided by the Bank but not transferable to SSF.

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law No.5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund, the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, numbered 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") had applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

b) Other benefits not transferable to SSF

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds' members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds' members.

The consolidated affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates are subject to the Social Security Institution in case of domestic investees and to the legislations of the related countries in case of foreign investee companies. There are no obligations not reflected in the accompanying consolidated financial statements.

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3.18 Taxation

3.18.1 Corporate tax

In Turkey, effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no. 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no. 27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The prepaid taxes are paid in April, August and December of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

LUXEMBOURG

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 5% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 9% of the taxable income. The tax returns do not include any tax amounts to be paid. The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

Tax applications for foreign financial affiliates

THE NETHERLANDS

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. In general, there is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

RUSSIA

The applicable corporate tax rate in Russia is 20% (2% federal and 18% regional). The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

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ROMANIA

The applicable corporate tax rate in Romania is 16%. The taxation system in Romania is continuously developing and is subject to varying interpretations and constant changes, which may become rarely retroactive. In Romania, tax periods remain open for tax audits for seven years. Tax losses can be carried forward to offset against future taxable income for seven years.

3.18.2 Deferred taxes

According to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes"; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities of the Bank and its consolidated subsidiaries are reported as net in their individual financial statements.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated affiliates are presented on the asset and liability sides of financial statements separately, without any offsetting.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.18.3 Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "Disguised Profit Distribution by Way of Transfer Pricing". "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at 18 November 2007, explains the application related issues on this topic.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the "71 Annual Documentation" section of this communiqué, the taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

3.18.4 Investment allowance

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no.26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other side, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no.5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no.2 of the Article 15 of the Law no.5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no.27456 dated 8 January 2010.

The expression of "only for the years 2006, 2007 and 2008" in the temporary article no.69 of the Income Tax Law no.193 that was cancelled by the decision no.2009/144 of the Turkish Constitutional Court published in the Official Gazette dated 8 January 2010 is revised by the Article 5 of the Law no.6009 effective with the promulgation on the Official Gazette no.27659 dated 1 August 2010. As per the new regulation, the investment allowances that cannot be benefited and transferred to future periods due to insufficient income level of the relevant year, can be used without any year limitation, however the investment allowance amount to be considered in the determination of taxable income, will not exceed 25% of the income of the relevant year. In addition to this, it is also agreed that the corporate tax rate for the companies to benefit from investment allowance will be the current applicable tax rate (20%) instead of 30%. However, the statement of "However the investment allowance amount to be considered in the determination of taxable income, will not exceed 25% of the relevant income" in the temporary article no.69 of the Law no.6009 has been cancelled on 18 February 2012 by the decision of the Constitutional Court, as this statement is decided to be against the Constitution, dated 9 February 2012, E:2010/93, K:2012/9 (decision for abolishing) as announced in the Official Gazette no.28208.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

3.19 Funds borrowed

Funds are generated from domestic and foreign sources whenever required. The funds borrowed from foreign sources are also in the form of syndications and securitizations. Besides, funding through bill and bond issuances in the local and international markets has commenced. The funds borrowed are recorded at their purchase costs and discounted by using the internal rate of return.

3.20 Shares and share issuances

None.

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3.21 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

3.22 Government incentives

As of 31 December 2012, the Bank or its financial affiliates do not have any government incentives or grants.

3.23 Segment reporting

The Bank operates in corporate, commercial, small and medium-size businesses, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard under the brand name of Visa and Mastercard, virtual cards and also American Express credit cards and "Paracard" debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers' needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey's traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and alternative delivery channels.

Information on the business segments on a consolidated basis is as follows:

Current Period	Retail Banking	Corporate Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,067,513	3,302,018	1,700,349	1,691,040	9,760,920
Other	-	-	-	-	-
Total Operating Profit	3,067,513	3,302,018	1,700,349	1,691,040	9,760,920
Net Operating Profit	637,690	1,795,865	1,525,521	348,796	4,307,872
Income from Associates and Subsidiaries	-	-	-	2,923	2,923
Net Operating Profit	637,690	1,795,865	1,525,521	351,719	4,310,795
Provision for Taxes	-	-	-	948,744	948,744
Net Profit	637,690	1,795,865	1,525,521	(597,025)	3,362,051
Segment Assets	34,253,386	66,686,271	61,037,515	17,633,928	179,611,100
Investments in Associates and Subsidiaries	-	-	-	168,274	168,274
Total Assets	34,253,386	66,686,271	61,037,515	17,802,202	179,779,374
Segment Liabilities	62,139,441	33,704,733	46,011,331	16,266,923	158,122,428
Shareholders' Equity	-	-	-	21,656,946	21,656,946
Total Liabilities and Shareholders' Equity	62,139,441	33,704,733	46,011,331	37,923,869	179,779,374
Other Segment Items					
Capital Expenditures	-	-	-	261,242	261,242
Depreciation Expenses	102,959	52,610	3122	66,898	225,589
Impairment Losses	603,526	643,099	(48,377)	208,151	1,406,399
Other Non-Cash Income/Expenses	50,546	102,336	1,213,882	249,716	1,616,480
Restructuring Costs	-	-	-	-	-
Prior Period					
Total Operating Profit	3,105,590	3,281,637	1,432,502	1,080,504	8,900,233
Other	-	-	-	-	-
Total Operating Profit	3,105,590	3,281,637	1,432,502	1,080,504	8,900,233
Net Operating Profit	943,028	2,083,445	1,247,711	(2,999)	4,271,185
Income from Associates and Subsidiaries	-	-	-	5,224	5,224
Net Operating Profit	943,028	2,083,445	1,247,711	2,225	4,276,409
Provision for Taxes	-	-	-	930,603	930,603
Net Profit	943,028	2,083,445	1,247,711	(928,378)	3,345,806
Segment Assets	28,915,024	62,376,914	56,911,004	15,121,167	163,324,109
Investments in Associates and Subsidiaries	-	-	-	151,214	151,214
Total Assets	28,915,024	62,376,914	56,911,004	15,272,381	163,475,323
Segment Liabilities	56,647,209	35,507,563	39,909,125	13,511,639	145,575,536
Shareholders' Equity	-	-	-	17,899,787	17,899,787
Total Liabilities and Shareholders' Equity	56,647,209	35,507,563	39,909,125	31,411,426	163,475,323
Other Segment Items					
Capital Expenditures	-	-	-	305,659	305,659
Depreciation Expenses	103,070	60,678	4,219	39,339	207,306
Impairment Losses	316,172	326,330	50,584	231,712	924,798
Other Non-Cash Income/Expenses	120,520	234,656	(1,191,401)	(336,647)	(117,872)
Restructuring Costs	-	-	-	-	-

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3.24 Other disclosures

None.

4 Consolidated Financial Position and Results of Operations, and Risk Management Applications

4.1 Consolidated capital adequacy ratio

As per the revised "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" effective from 1 July 2012, the Bank's consolidated capital adequacy ratio is 16.87% as of 31 December 2012 (unconsolidated capital adequacy ratio: 18.21%).

4.1.1 Risk measurement methods in calculation of consolidated capital adequacy ratio

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisation" published in the Official Gazette no.28337 dated 28 June 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.26333 dated 1 November 2006.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in the banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

4.1.2 Consolidated capital adequacy ratio

Current Period	Risk Weights								
	Parent Bank Only								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk	-	-	845,544	10,808,347	22,837,083	57,750,707	4,734,597	8,791,156	-
Exposure Categories	53,152,361	-	4,227,718	21,616,694	30,449,444	57,750,707	3,156,398	4,395,578	-
Conditional and unconditional exposures to central governments or central banks	51,909,957	-	24	2,392,452	-	7,402	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	38	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	46,478	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	4,222,594	7,663,925	-	44,758	-	-	-
Conditional and unconditional exposures to corporates	-	-	-	7,226	-	53,025,096	-	-	-
Conditional and unconditional retail exposures	-	-	-	-	30,449,444	-	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	11,552,964	-	-	-	-	-
Past due items	-	-	-	127	-	218,270	-	-	-
Items in regulatory high-risk categories	-	-	-	-	-	8,709	3,156,398	4,395,578	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Other items	1,242,404	-	5,062	-	-	4,399,994	-	-	-

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Current Period	Risk Weights								
	Consolidated								
	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Value at Credit Risk	-	-	1,051,254	12,231,121	24,421,547	66,123,832	5,089,893	8,791,156	-
Exposure Categories	58,232,362	-	5,256,272	24,462,242	32,562,063	66,123,832	3,393,262	4,395,578	-
Conditional and unconditional exposures to central governments or central banks	54,477,421	-	24	2,677,220	-	7,402	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	38	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	46,478	-	-	-
Conditional and unconditional exposures to multilateral development banks	5,211	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	5,251,148	9,295,832	-	209,038	-	-	-
Conditional and unconditional exposures to corporates	-	-	-	7,226	-	62,221,681	-	-	-
Conditional and unconditional retail exposures	-	-	-	-	32,562,063	-	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	12,420,300	-	-	-	-	-
Past due items	-	-	-	127	-	402,115	-	-	-
Items in regulatory high-risk categories	-	-	-	352	-	10,416	3,393,262	4,395,578	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	2,446,626	-	-	61,185	-	831,357	-	-	-
Other items	1,303,104	-	5,062	-	-	2,395,345	-	-	-

4.1.3 Summary information related to consolidated capital adequacy ratio

	Parent Bank Only Current Period	Consolidated Current Period
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	8,461,395	9,416,704
Capital Requirement for Market Risk (MRCR)	90,480	141,604
Capital Requirement for Operational Risk (ORCR)	1,043,016	1,157,575
Shareholders' Equity	21,835,440	22,599,323
Shareholders' Equity/((CRCR+MRCR+ORCR) * 12.5) * 100	18.21%	16.87%

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4.1.4 Components of consolidated shareholders' equity

	Current Period
CORE CAPITAL	
Paid-in Capital	4,196,934
Nominal Capital	4,196,934
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	772,554
Share Premium	11,880
Share Cancellation Profits	-
Reserves	11,308,613
Profit	3,334,080
Current Period's Profit	3,334,080
Prior Periods' Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	450,000
Income on Sale of Equity Shares and Real Estates	762,112
Primary Subordinated Debts	-
Minority Interest	140,462
Loss (excess of Reserves) (-)	-
Current Period's Losses	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	110,049
Intangible Assets (-)	76,321
Deferred Tax Asset in Excess of 10% of Core Capital (-)	-
Limit Excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Goodwill (Net) (-)	6,388
Total Core Capital	20,783,877
SUPPLEMENTARY CAPITAL	
General Provisions	1,342,090
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	963
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	947
Primary Subordinated Debts excluding the Portion included in Core Capital	-
Secondary Subordinated Debts	116,050
45% of Securities Value Increase Fund (*)	491,398
Minority Interest	28
Other Reserves	33,329
Total Supplementary Capital	1,984,805
CAPITAL	22,768,682
DEDUCTIONS FROM CAPITAL	169,359
Unconsolidated Investments in Entities Operating in Banking and Financial Sectors	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties Qualified as Primary or Secondary Subordinated Debts	41,776
Investment in Banks and Financial Institutions that are not Consolidated but Accounted under Equity Accounting	-
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law But Retained More Than Five Years	34,732
Securitization Positions to be Deducted from Equity	-
Other Deduction Items	92,851
TOTAL SHAREHOLDERS' EQUITY	22,599,323

(*) In cases where the Securities Value Increase Fund gives a positive result then only 45% of the amount is considered in the calculation, whereas if its is negative then the whole amount is considered in the calculation.

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4.1.5 Approaches for assessment of adequacy of internal capital requirements for current and future activities

The "Garanti Bank's assessment process of adequacy of internal capital requirements and capital adequacy policies" was prepared in order to describe the assessment process of adequacy of internal capital requirements and capital adequacy policies, and approved by its board of directors in September 2012. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, lending growth expectations, asset-liability structure, future funding sources and liquidity, fluctuations in capital depending on dividend distribution policy and economics, in compliance with its risk profile and appetite.

Accordingly, the Bank's prospective internal capital requirements as per its 2012 capital structure and 2013 targets and strategies, have been assessed considering its operations and risks. This assessment includes the interest rate risk, liquidity risk, reputational risk, residual risk, concentration risk, strategy risk, and country and transfer risks arising from banking activities besides the market, credit and operational risks directly affecting its legal capital adequacy ratio. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

4.2 Consolidated credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The risk arising from such instruments are followed up and when necessary, the actions to decrease it are taken.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	Current Period	Prior Period
	%	%
Above Average	40.07	45.91
Average	53.04	48.70
Below Average	6.89	5.39
Total	100.00	100.00

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Exposure Categories	Current Period (*)	Average (**)
Conditional and unconditional exposures to central governments or central banks	57,162,067	54,965,712
Conditional and unconditional exposures to regional governments or local authorities	38	46
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	46,478	48,952
Conditional and unconditional exposures to multilateral development banks	5,211	2,606
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	19,119,020	19,151,277
Conditional and unconditional exposures to corporates	65,766,904	65,295,901
Conditional and unconditional retail exposures	33,330,379	33,198,020
Conditional and unconditional exposures secured by real estate property	12,480,755	11,984,478
Past due items	411,663	407,554
Items in regulatory high-risk categories	7,902,657	7,426,101
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	3,339,168	3,216,000
Other items	3,703,511	3,646,083

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical averages of the amounts in quarterly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks* (28 June 2012) to the period end.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 22.33% and 29.10% of the total cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 51.43% and 62.03% of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 6.63% and 8.79% of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 1,342,090 thousands.

4.2.1 Profile of significant exposures in major regions

Current Period (****)	Exposure Categories (*)							Other	Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories			
Domestic	53,999,522	5,562,118	58,930,032	31,951,149	11,716,553	7,763,175	6,723,002	176,645,551	
European Union (EU) Countries	2,982,280	11,179,378	4,134,873	1,118,706	716,861	64,371	93,196	20,289,665	
OECD Countries (**)	7	123,689	318,723	3,104	878	12,166	2	458,569	
Off-Shore Banking Regions	104,407	2,986	274,437	190,656	2,408	59,416	25,062	659,372	
USA, Canada	373	879,558	465,810	18,099	2,042	563	5,248	1,371,693	
Other Countries	75,478	1,353,218	1,634,937	48,665	42,013	2,966	241,181	3,398,458	
Associates, Subsidiaries and Joint -Ventures	-	18,073	8,092	-	-	-	147,174	173,339	
Unallocated Assets/Liabilities (****)	-	-	-	-	-	-	271,204	271,204	
Total	57,162,067	19,119,020	65,766,904	33,330,379	12,480,755	7,902,657	7,506,069	203,267,851	

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

(***) Includes asset and liability items that can not be allocated on a consistent basis.

(****) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

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4.2.2 Risk profile by sectors or counterparties

	Current Period (**)	Exposure Categories (*)															Total		
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		TL	FC
Agriculture	-	-	-	-	-	-	-	1,140,754	403,213	193,986	13,037	37,359	-	-	-	-	839,329	949,020	1,788,349
Farming and Stockbreeding	-	-	-	-	-	-	-	1,043,065	372,368	176,892	12,675	36,167	-	-	-	-	776,019	865,148	1,641,167
Forestry	-	-	-	-	-	-	-	19,715	23,070	8,002	302	807	-	-	-	-	36,240	15,666	51,896
Fishery	-	-	-	-	-	-	-	77,974	7,775	9,092	60	385	-	-	-	-	27,070	68,216	95,286
Manufacturing	-	-	1	-	-	-	-	26,632,516	3,017,581	1,542,295	144,700	177,056	-	-	-	-	10,479,513	21,034,636	31,514,149
Mining and Quarrying	-	-	1	-	-	-	-	159,092	141,890	52,701	3,749	7,235	-	-	-	-	753,401	1,043,097	1,796,498
Production	-	-	-	-	-	-	-	15,940,023	2,824,505	1,442,894	140,683	168,549	-	-	-	-	9,002,625	11,514,029	20,516,654
Electricity, Gas and Water	-	-	-	-	-	-	-	910,157	51,186	46,700	268	1,272	-	-	-	-	723,487	847,750	9,200,997
Construction	-	-	-	-	-	-	-	6,343,249	1,427,933	1,356,076	33,817	100,178	-	-	-	-	3,838,774	5,422,479	9,261,253
Services	15,163,275	-	46,357	5,211	-	19,118,829	21,789,419	6,750,703	3,422,649	155,077	417,296	-	-	-	-	-	23,747,205	43,121,611	66,868,816
Wholesale and Retail Trade	-	-	46,322	-	-	-	-	9,873,998	5,038,534	2,140,651	86,633	265,130	-	-	-	-	11,203,765	6,267,503	17,471,268
Accommodation and Dining	-	-	31	-	-	-	-	2,376,166	342,337	501,298	5,064	41,937	-	-	-	-	821,988	2,444,846	3,266,833
Transportation and Telecommunication	-	-	-	-	-	-	-	70,951,444	846,638	385,530	54,516	65,813	-	-	-	-	1,988,709	6,458,932	8,447,641
Financial Institutions	15,163,275	-	-	5,211	-	19,118,829	613,783	56,241	17,028	1,218	10,220	-	-	-	-	-	8,446,516	26,539,289	34,985,805
Real Estate and Rental Services	-	-	-	-	-	-	-	506,845	53,063	165,555	694	2,775	-	-	-	-	114,137	614,795	728,932
Professional Services	-	-	-	-	-	-	-	191,066	66,507	8,071	3,277	5,686	-	-	-	-	138,302	136,305	274,607
Educational Services	-	-	1	-	-	-	-	213,208	74,172	41,585	613	4,878	-	-	-	-	232,693	101,764	334,457
Health and Social Services	-	-	3	-	-	-	-	919,209	253,211	162,931	3,062	20,857	-	-	-	-	801,095	558,178	1,359,273
Others	41,998,792	38	120	-	-	-	191	9,860,966	21,730,949	5,965,749	65,032	717,768	-	-	3,339,168	3,703,511	79,260,012	14,575,272	93,835,284
Total	57,162,067	38	46,478	5,211	-	19,119,020	65,766,904	33,330,379	12,480,755	411,663	7,902,657	-	-	3,339,168	3,703,511	118,164,833	85,103,018	203,267,851	

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

(**) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

- 1- Conditional and unconditional exposures to central governments or central banks
- 2- Conditional and unconditional exposures to regional governments or local authorities
- 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
- 4- Conditional and unconditional exposures to multilateral development banks
- 5- Conditional and unconditional exposures to international organisations
- 6- Conditional and unconditional exposures to banks and brokerage houses
- 7- Conditional and unconditional exposures to corporates
- 8- Conditional and unconditional retail exposures
- 9- Conditional and unconditional exposures secured by real estate property
- 10- Past due items
- 11- Items in regulatory high-risk categories
- 12- Exposures in the form of bonds secured by mortgages
- 13- Short term exposures to banks, brokerage houses and corporates
- 14- Exposures in the form of collective investment undertakings
- 15- Other items

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4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

Current Period Exposure Categories (*)		Term To Maturity						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Demand	
1	Conditional and unconditional exposures to central governments or central banks	4,091,206	13,841,235	5,834,636	9,326,868	21,897,424	2,170,698	57,162,067
2	Conditional and unconditional exposures to regional governments or local authorities	-	-	10	17	11	-	38
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	8	-	-	13	46,457	-	46,478
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	5,211	-	5,211
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	2,598,482	2,198,067	1,850,915	2,174,542	9,440,225	856,789	19,119,020
7	Conditional and unconditional exposures to corporates	5,144,015	7,306,804	5,964,572	7,437,332	39,857,694	56,487	65,766,904
8	Conditional and unconditional retail exposures	3,180,670	14,229,309	1,660,344	1,501,199	12,660,816	98,041	33,330,379
9	Conditional and unconditional exposures secured by real estate property	292,819	1,076,742	408,275	808,739	9,894,179	1	12,480,755
10	Past due items	-	-	-	-	-	411,663	411,663
11	Items in regulatory high-risk categories	4,569	1,093	807	1,130,945	6,531,404	233,839	7,902,657
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	3,339,168	3,339,168
16	Other items	-	-	-	-	-	3,703,511	3,703,511
Total		15,311,769	38,653,250	15,719,559	22,379,655	100,333,421	10,870,197	203,267,851

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.4 Exposure categories

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

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Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Risk Rating	Exposure Categories				
		Exposures to Central Governments or Central Banks	Exposures to Administrative Bodies and Non-Commercial Undertakings	Exposures to Banks and Brokerage Houses		Exposures to Corporates
				Exposures with Remaining Maturities Less Than 3 Months	Exposures with Remaining Maturities More Than 3 Months	
1	AAA					
	AA+	0%	20%	20%	20%	20%
	AA					
	AA-					
2	A+					
	A	20%	50%	20%	50%	50%
	A-					
3	BBB+					
	BBB	50%	100%	20%	50%	100%
	BBB-					
4	BB+					
	BB	100%	100%	50%	100%	100%
	BB-					
5	B+					
	B	100%	100%	50%	100%	150%
	B-					
6	CCC+					
	CCC					
	CCC-					
	CC	150%	150%	150%	150%	150%
	C					
	D					

4.2.5 Exposures by risk weights

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

Current Period Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from Equity
Exposures before Credit Risk Mitigation	58,232,362	-	5,284,641	28,768,254	33,330,379	69,760,330	3,434,155	4,457,730	-	362,117
Exposures after Credit Risk Mitigation	58,232,362	-	5,256,272	24,462,242	32,562,063	66,123,832	3,393,262	4,395,578	-	362,117

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4.2.6 Information by major sectors and type of counterparties

As per the TAS and TFRS:

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Credits; are the credits that overdue upto 90 days but not impaired. For such credits, "general provisions" are allocated as per the Provisioning Regulation.

Current Period		Credit Risks		
Major Sectors/Counterparties	Impaired Credits	Past Due Credits	Value Adjustments	Specific Provisions
Agriculture	69,664	45,752	658	27,935
Farming and Stockbreeding	67,867	39,937	256	26,953
Forestry	1,519	5,652	400	826
Fishery	278	163	2	156
Manufacturing	738,734	273,153	2,679	483,990
Mining and Quarrying	13,703	26,642	857	5,345
Production	697,243	243,247	1,820	476,568
Electricity, Gas and Water	27,788	3,264	2	2,077
Construction	163,113	173,256	814	65,878
Services	933,807	541,768	7,036	433,387
Wholesale and Retail Trade	709,547	337,567	4,646	314,863
Accommodation and Dining	37,796	41,282	735	19,685
Transportation and Telecommunication	135,944	49,075	689	66,253
Financial Institutions	8,129	1,458	12	6,762
Real Estate and Rental Services	2,368	9,375	315	1,578
Professional Services	12,874	78,407	19	6,460
Educational Services	2,500	1,599	121	1,284
Health and Social Services	24,649	23,005	499	16,502
Others	1,514,677	1,272,796	32,771	1,320,372
Total	3,419,995	2,306,725	43,958	2,331,562

4.2.7 Movements in value adjustments and provisions

	Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments (*)	Closing Balance
1	Specific Provisions	1,677,751	1,129,493	453,394	(22,288)	2,331,562
2	General Provisions	1,067,423	291,206	11,934	(4,605)	1,342,090

(*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

4.3 Consolidated market risk

The Bank's risk management activities are managed under the responsibility of the board of directors in compliance with the "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "Regulation on Banks' Internal Control and Risk Management Systems" and "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 28337 dated 28 June 2012.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The board of directors monitors the effectiveness of risk management systems through audit committee, related other committees and top management, and in the light of various risk reports and the assessments made by the audit committee.

The risk policies and application procedures have been approved by the board of directors and regularly revisited. The market risk is also managed by risk mitigations through hedging transactions beside measuring the risks in compliance with international standards, limiting such risk and allocating capital accordingly.

Market risks arising from trading portfolios are measured as per "standard" and "value at risk (VaR)" methods. The measurements as per the standard method are performed on a monthly basis, and taken into consideration in the calculation of capital adequacy. Whereas, the measurements as per VaR method are performed on a daily basis. VaR is calculated using three different methods, namely historical simulation, monte carlo simulation and parametric methods. The Bank takes the historical VaR results as the basis for the internal management of market risk and determination of limits. The calculations made according to other two methods are used for comparison and monitoring purposes. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period (10 days for legal capital calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Beside the VaR limits, the limits on transaction, dealer, desk, stop-loss approved by the board of directors for trading portfolio are also applied for limiting the market risk.

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4.3.1 Value at market risk on a consolidated basis

	Current Period
(I) Capital Requirement against General Market Risk - Standard Method	9,090
(II) Capital Requirement against Specific Risks - Standard Method	4,817
Capital Requirement against Specific Risks of Securitisation Positions- Standard Method	-
(III) Capital Requirement against Currency Position Risk - Standard Method	54,842
(IV) Capital Requirement against Commodity Risks - Standard Method	8,541
(V) Capital Requirement against Clearing Risks - Standard Method	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	55,537
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	8,777
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-
(IX) Total Capital Requirement against Market Risk ((I+II+III+IV+V+VI+VII)	141,604
(X) Value-At-Market Risk ((12.5*VIII) or (12.5*IX))	1,770,050

4.3.2 Average consolidated values at market risk

	Current Period		
	Average	Highest	Lowest
Interest Rate Risk	31,154	51,467	10,842
Equity-Shares Position Risk	2,979	4,546	1,411
Currency Position Risk	48,426	54,842	42,010
Commodity Risk	7,443	8,541	6,345
Clearing Risk	-	-	-
Option Market Risk	58,415	62,774	54,056
Counterparty Credit Risk	13,820	18,863	8,777
Total Value at Risk	162,237	201,033	123,441

4.3.3 Quantitative information on counterparty risk

For repurchase transactions, security and commodity lendings and derivative transactions, counterparty credit risks are calculated. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amounts. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

	Current Period (*)
Interest-Rate Contracts	969
Foreign-Exchange-Rate Contracts	117,685
Commodity Contracts	12,735
Equity-Shares Related Contracts	4,370
Other	-
Gross Positive Fair Values	90,137
Netting Benefits	-
Net Current Exposure Amount	-
Collaterals Received	13,068
Net Derivative Position	212,828

(*) Includes only the counterparty risks arising from trading book.

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4.4 Consolidated operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

	31 December 2009	31 December 2010	31 December 2011	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	7,856,399	7,526,950	7,768,158	7,717,169	15	1,157,575
Value at Operational Risk (Total x % 12.5)						14,469,692

4.5 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2012, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 1,598,721 thousands (31 December 2011: a long position of TL 1,432,280 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 1,275,531 thousands (31 December 2011: a short position of TL 1,661,051 thousands), while net foreign currency short open position amounts to TL 323,190 thousands (31 December 2011: TL 228,771 thousands).

The foreign currency position risk is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily for the Bank. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	USD	EUR
The Bank's foreign currency purchase rate at balance sheet date	1.7600	2.3210
Foreign currency rates for the days before balance sheet date:		
Day 1	1.7600	2.3272
Day 2	1.7600	2.3272
Day 3	1.7600	2.3267
Day 4	1.7700	2.3400
Day 5	1.7670	2.3362
Last 30-days arithmetical average rate	1.7620	2.3103

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The Bank's consolidated currency risk

	EUR	USD	Other FCs	Total
Current Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	5,073,690	6,642,621	3,163,122	14,879,433
Banks	3,727,818	3,654,504	307,640	7,689,962
Financial Assets at Fair Value through Profit/Loss	66,249	164,344	-	230,593
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	1,522,404	1,857,835	192,457	3,572,696
Loans (*)	14,047,725	28,353,379	1,538,355	43,939,459
Investments in Associates, Subsidiaries and Joint-Ventures	664	-	2	666
Investments Held-to-Maturity	-	445,864	-	445,864
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	44,339	71	80,071	124,481
Intangible Assets	-	-	-	-
Other Assets (**)	1,377,509	1,275,736	29,535	2,682,780
Total Assets	25,860,398	42,394,354	5,311,182	73,565,934
Liabilities				
Bank Deposits	1,214,497	2,955,724	377,380	4,547,601
Foreign Currency Deposits	16,290,319	23,068,558	1,594,546	40,953,423
Interbank Money Market Takings	319,445	1,388,123	153,203	1,860,771
Other Fundings	7,858,713	12,426,053	29,990	20,314,756
Securities Issued	-	3,908,986	-	3,908,986
Miscellaneous Payables	70,137	119,630	295,051	484,818
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Other Liabilities (***)	297,978	403,104	2,393,218	3,094,300
Total Liabilities	26,051,089	44,270,178	4,843,388	75,164,655
Net 'On Balance Sheet' Position	(190,691)	(1,875,824)	467,794	(1,598,721)
Net 'Off-Balance Sheet' Position	(682,946)	1,886,842	71,635	1,275,531
Derivative Assets	9,993,422	20,954,187	4,225,391	35,173,000
Derivative Liabilities	(10,676,368)	(19,067,345)	(4,153,756)	(33,897,469)
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	28,217,111	40,626,933	4,626,669	73,470,713
Total Liabilities	26,873,648	40,379,143	4,785,642	72,038,433
Net 'On Balance Sheet' Position	1,343,463	247,790	(158,973)	1,432,280
Net 'Off-Balance Sheet' Position	(1,817,325)	(545,031)	701,305	(1,661,051)
Derivative Assets	8,791,859	17,757,920	2,769,757	29,319,536
Derivative Liabilities	(10,609,184)	(18,302,951)	(2,068,452)	(30,980,587)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 2,362,469 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(**) The foreign currency indexed factoring receivables amounting TL 216,040 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(***) The gold deposits of TL 2,375,081 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

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4.6 Consolidated interest rate risk

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the weekly Assets-Liabilities Committee meetings taking into consideration the developments in market conditions on a bank-only basis.

The Bank's interest rate risk is measured by the standard method, value at risk (VaR), duration-gap and sensitivity analysis.

Measurements for standard method on a bank-only basis, are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. The duration-gap and sensitivity analysis are run every two weeks period.

During the daily VaR calculations, the interest rate risks of the Bank's TL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

In the duration-gap analysis used for the quantification of market risk arising from maturity mismatches of assets and liabilities, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

4.6.1 Interest rate sensitivity of assets, liabilities and off balance sheet items (based on repricing dates)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	16,173,384	16,173,384
Banks	3,830,236	1,839,017	1,972,079	681,431	-	1,840,665	10,163,428
Financial Assets at Fair Value through Profit/Loss (**)	16,408	37,342	120,019	44,559	28,755	737,957	985,040
Interbank Money Market Placements	1,000	-	-	-	-	-	1,000
Financial Assets Available-for-Sale	3,199,608	11,016,852	12,658,171	5,701,342	1,626,888	4,291,645	38,494,506
Loans (**)	20,956,393	12,020,509	15,738,573	32,816,562	17,023,973	1,788,690	100,344,700
Investments Held-to-Maturity	910,865	-	7,959	149,789	293,449	4,892	1,366,954
Other Assets	905,295	858,444	1,016,638	1,561,384	801,888	7,828,413	12,250,362
Total Assets	29,819,805	25,772,164	31,513,439	40,955,067	19,053,253	32,665,646	179,779,374
Liabilities							
Bank Deposits	3,524,855	1,129,067	1,015	109,811	-	819,038	5,583,786
Other Deposits	57,370,783	10,024,572	6,463,733	643,950	-	17,690,855	92,193,893
Interbank Money Market Takings	12,616,799	563,513	911,100	-	-	15,532	14,106,944
Miscellaneous Payables	-	-	-	-	-	8,063,053	8,063,053
Securities Issued	1,305,342	322,141	1,063,153	1,048,258	2,157,650	180,491	6,077,035
Other Fundings	7,076,180	2,267,587	8,774,682	5,531,591	1,928,300	314,752	25,893,092
Other Liabilities	20,523	-	-	-	-	27,841,048	27,861,571
Total Liabilities	81,914,482	14,306,880	17,213,683	7,333,610	4,085,950	54,924,769	179,779,374
On Balance Sheet Long Position	-	11,465,284	14,299,756	33,621,457	14,967,303	-	74,353,800
On Balance Sheet Short Position	(52,094,677)	-	-	-	-	(22,259,123)	(74,353,800)
Off-Balance Sheet Long Position	1,659,214	3,486,402	2,659,801	3,394,547	626,121	-	11,826,085
Off-Balance Sheet Short Position	(761,101)	(1,949,132)	(2,101,659)	(3,970,884)	(1,172,411)	-	(9,955,187)
Total Position	(51,196,564)	13,002,554	14,857,898	33,045,120	14,421,013	(22,259,123)	1,870,898

(*) Interest accruals are included in non-interest bearing column.

(**) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	8,312,450	8,312,450
Banks	9,961,437	1,607,707	2,072,916	437,020	-	2,637,435	16,716,515
Financial Assets at Fair Value through Profit/Loss	37,694	50,325	92,847	259,820	568,096	965,352	1,974,134
Interbank Money Market Placements	6,800	-	-	-	-	-	6,800
Financial Assets Available-for-Sale	3,175,246	8,996,171	6,114,101	9,578,813	984,245	2,306,463	31,155,039
Loans	17,768,557	12,585,374	15,652,944	26,529,611	16,407,602	1,790,021	90,734,109
Investments Held-to-Maturity	910,864	1,458,014	574,141	157,033	1,421,680	264,798	4,786,530
Other Assets	402,550	730,280	1,009,046	1,422,969	191,098	6,033,803	9,789,746
Total Assets	32,263,148	25,427,871	25,515,995	38,385,266	19,572,721	22,310,322	163,475,323
Liabilities							
Bank Deposits	1,777,950	234,740	163,946	484,997	-	435,177	3,096,810
Other Deposits	53,016,993	11,823,204	6,441,582	1,503,846	139,209	17,214,671	90,139,505
Interbank Money Market Takings	9,311,696	1,211,683	-	1,189,870	-	24,908	11,738,157
Miscellaneous Payables	-	-	-	-	-	6,059,290	6,059,290
Securities Issued	1,325,937	-	1,371,442	-	906,605	138,072	3,742,056
Other Fundings	11,462,054	1,715,238	4,379,208	3,504,548	3,915,273	320,854	25,297,175
Other Liabilities	713,444	-	-	1	-	22,688,885	23,402,330
Total Liabilities	77,608,074	14,984,865	12,356,178	6,683,262	4,961,087	46,881,857	163,475,323
On Balance Sheet Long Position	-	10,443,006	13,159,817	31,702,004	14,611,634	-	69,916,461
On Balance Sheet Short Position	(45,344,926)	-	-	-	-	(24,571,535)	(69,916,461)
Off-Balance Sheet Long Position	1,585,694	1,773,331	1,965,410	2,921,914	2,511,160	-	10,757,509
Off-Balance Sheet Short Position	(1,053,837)	(812,713)	(2,449,735)	(4,050,028)	(1,502,335)	-	(9,868,648)
Total Position	(44,813,069)	11,403,624	12,675,492	30,573,890	15,620,459	(24,571,535)	888,861

(*) Interest accruals are included in non-interest bearing column.

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4.6.2 Average interest rates on monetary financial instruments (%)

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	1.00-2.40	0.65-3.16	-	5.08-8.60
Financial Assets at Fair Value through Profit/Loss	0.89-4.63	0.37-7.24	-	5.01-13.00
Interbank Money Market Placements	-	-	-	5.25
Financial Assets Available-for-Sale	3.35-6.10	2.32-9.51	-	9.03-10.48
Loans	2.91-7.39	3.20-9.54	5.61	7.90-15.15
Investments Held-to-Maturity	-	6.86	-	8.15-9.00
Liabilities				
Bank Deposits	0.40-2.49	1.42-2.95	-	4.80-6.75
Other Deposits	1.98-3.00	1.82-2.19	1.48-1.71	5.94-7.10
Interbank Money Market Takings	3.50	1.30-2.04	-	4.50-5.67
Miscellaneous Payables	-	-	-	-
Securities Issued	-	4.98	-	6.71-9.06
Other Fundings	1.34-6.62	1.23-6.50	-	6.77-11.40
Prior Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks(*)	0.59-6.10	0.25-4.40	-	5.50-12.50
Financial Assets at Fair Value through Profit/Loss	4.25	6.79	-	5.58-20.80
Interbank Money Market Placements	-	-	-	7.87
Financial Assets Available-for-Sale	3.06-7.93	5.00-11.88	-	7.14-10.05
Loans	1.68-14.00	1.26-18.20	6.06	9.23-26.00
Investments Held-to-Maturity	-	7.22	-	13.88
Liabilities				
Bank Deposits	0.20-5.37	0.89-5.19	-	4.75-10.14
Other Deposits	0.05-8.00	0.05-7.00	0.50	8.41
Interbank Money Market Takings	1.18-2.09	1.00-2.58	-	5.00-10.58
Miscellaneous Payables	-	-	-	-
Securities Issued	-	5.64	-	7.76-8.75
Other Fundings	1.00-3.98	2.20-5.41	-	11.26-13.99

(*) The interest rate for USD placements at banks is 0.57% excluding the placements with range accrual agreements.

4.6.3 Interest rate risk on banking book

4.6.3.1 Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the weekly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks.

In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates. In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations in the markets.

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

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

The market risks of branches and business lines are transferred to the Asset Liability Management department through transfer pricing. This department applies a centralised market risk management and uses the balance sheet (long-term borrowing) and off balance sheet (derivative instruments) methods.

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4.6.3.2 Economic value differences resulted from interest rate instabilities calculated on a bank-only basis according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method

Current Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity-Losses/Equity
1 TL	(+) 500 bps	(2,820,578)	(12.92)%
2 TL	(-) 400 bps	2,761,432	12.65%
3 USD	(+) 200 bps	14,983	0.07%
4 USD	(-) 200 bps	(62,230)	(0.28)%
5 EURO	(+) 200 bps	(76,545)	(0.35)%
6 EURO	(-) 200 bps	82,518	0.38%
Total (of negative shocks)		2,781,720	12.75%
Total (of positive shocks)		(2,882,140)	(13.20)%

4.7 Consolidated position risk of equity securities

4.7.1 Comparison of carrying, fair and market values of equity shares

Current Period	Carrying Value	Fair Value	Market Value
Equity Securities (shares)			
1 Investment in Shares- grade A	155,698	-	-
Quoted Securities	-	-	-
2 Investment in Shares- grade B	11,514	-	-
Quoted Securities	-	-	-
3 Investment in Shares- grade C	-	-	-
Quoted Securities	-	-	-
4 Investment in Shares- grade D	-	-	-
Quoted Securities	-	-	-
5 Investment in Shares- grade E	1,014	-	-
Quoted Securities	-	-	-
6 Investment in Shares- grade F	48	-	-
Quoted Securities	-	-	-

4.7.2 Realised gains/losses, revaluation surpluses and unrealised gains/losses on equity securities and results included in core and supplementary capitals

Current Period Portfolio	Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
		Total	Amount in Supplementary Capital	Total	Amount in Core Capital	Amount in Supplementary Capital
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	3,147	-	1,416
3 Other Shares	-	495	223	-	-	-
Total	-	495	223	3,147	-	1,416

4.8 Consolidated liquidity risk

The liquidity risk of the Bank and its financial affiliates is defined as the risk of being unable to pay its liabilities ontime due to not having enough cash sources or cash inflows to finance its cash outflows fully and ontime due to cashflow instabilities.

In order to overcome the liquidity risk, the Bank and its financial affiliates diversify their funding sources considering their short and long term liquidity requirements, through instruments such as customer deposits, repurchase transactions, bond issuances and foreign borrowings. Besides, in order to secure the maturity match between the assets and liabilities, the strategies for maturity extension of fundings exist. The liquidity needs in different currencies are managed through transactions such as currency swaps. In order to meet the cash outflow requirements during crises periods, high-liquid asset reserves are maintained.

In the management of TL and foreign currency liquidity, the cashflows of existing assets and liabilities are monitored and the liquidity needs in future maturities are estimated. The necessary actions are taken for liquidity requirements by monitoring stress positions.

An emergency action plan that covers the solutions to prevent the increase in liquidity risks under the ordinary activities and the possible scenarios of liquidity constraints under different positions and stress levels, exist. As per this plan, the liquidity risk is monitored through possible actions and scenarios at various stress levels of liquidity risks and early warning signals.

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As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The Bank's liquidity ratios for the years 2012 and 2011, are as follows:

Current Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	131.56	139.73	98.80	104.67

Prior Period	First Maturity Bracket (Weekly)		Second Maturity Bracket (Monthly)	
	FC	FC + TL	FC	FC + TL
Average (%)	135.89	148.57	94.32	109.14

4.8.1 Maturity analysis of assets and liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	3,301,537	12,871,847	-	-	-	-	-	16,173,384
Banks	2,236,000	2,159,408	281,029	941,226	2,617,465	1,928,300	-	10,163,428
Financial Assets at Fair Value through Profit/Loss (**)	24,144	142,927	96,151	291,624	323,965	106,229	-	985,040
Interbank Money Market Placements	-	1,000	-	-	-	-	-	1,000
Financial Assets Available-for- Sale	29,950	-	975,307	15,398,169	16,295,523	5,795,557	-	38,494,506
Loans (**)	142,461	17,264,322	8,938,905	14,116,522	37,280,708	21,996,800	604,982	100,344,700
Investments Held-to-Maturity	-	-	-	8,226	1,061,780	296,948	-	1,366,954
Other Assets	1,276,094	1,078,012	915,092	1,177,453	1,729,444	87,783	5,986,484	12,250,362
Total Assets	7,010,186	33,517,516	11,206,484	31,933,220	59,308,885	30,211,617	6,591,466	179,779,374
Liabilities								
Bank Deposits	1,327,590	3,073,723	963,555	66,632	152,286	-	-	5,583,786
Other Deposits	20,576,089	55,024,554	9,904,450	5,357,219	1,311,221	20,360	-	92,193,893
Other Fundings	-	3,100,573	1,683,021	9,618,001	8,269,947	3,221,550	-	25,893,092
Interbank Money Market Takings	-	12,623,931	569,713	913,300	-	-	-	14,106,944
Securities Issued	-	781,829	322,141	991,070	1,664,833	2,317,162	-	6,077,035
Miscellaneous Payables	608,125	4,124,549	2,320	3,708	-	3,324,351	-	8,063,053
Other Liabilities (***)	1,325,047	525,050	165,316	107,014	498,230	84,161	25,156,753	27,861,571
Total Liabilities	23,836,851	79,254,209	13,610,516	17,056,944	11,896,517	8,967,584	25,156,753	179,779,374
Liquidity Gap	(16,826,665)	(45,736,693)	(2,404,032)	14,876,276	47,412,368	21,244,033	(18,565,287)	-
Prior Period								
Total Assets	7,474,122	27,556,310	15,650,011	16,990,108	63,333,220	29,557,884	2,913,668	163,475,323
Total Liabilities	21,147,805	69,780,844	14,879,692	19,300,514	11,906,371	5,967,740	20,492,357	163,475,323
Liquidity Gap	(13,673,683)	(42,224,534)	770,319	(2,310,406)	51,426,849	23,590,144	(17,578,689)	-

(*) Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in short period such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and loans under follow-up, are included in this column.

(**) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

(***) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

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Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank and its financial affiliates' financial liabilities as per their earliest likely contractual maturities.

	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Current Period								
Bank Deposits	5,583,786	5,576,602	1,327,586	3,070,213	960,359	66,333	152,111	-
Other Deposits	92,193,893	91,845,937	20,576,026	54,816,676	9,848,678	5,292,747	1,291,639	20,171
Other Fundings	25,893,092	25,578,341	-	2,974,711	1,561,047	9,560,378	8,260,662	3,221,543
Interbank Money Market Takings	14,106,944	14,091,412	-	12,616,799	563,513	911,100	-	-
Securities Issued	6,077,035	5,896,537	-	777,335	322,140	990,952	1,648,458	2,157,652
Total	143,854,750	142,988,829	21,903,612	74,255,734	13,255,737	16,821,510	11,352,870	5,399,366

	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Prior Period								
Bank Deposits	3,096,810	3,087,485	827,316	1,748,890	353,704	157,575	-	-
Other Deposits	90,139,505	89,707,367	19,502,786	51,009,299	11,667,253	5,863,241	1,497,668	167,120
Other Fundings	25,297,175	24,974,773	-	1,993,549	1,171,590	8,904,403	8,287,485	4,617,746
Interbank Money Market Takings	11,738,157	11,713,248	-	9,311,695	1,211,683	-	1,189,870	-
Securities Issued	3,742,056	3,603,984	-	766,437	-	1,371,442	559,500	906,605
Total	134,013,703	133,086,857	20,330,102	64,829,870	14,404,230	16,296,661	11,534,523	5,691,471

4.9 Consolidated securitisation positions

None.

4.10 Consolidated credit risk mitigation techniques

The parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques".

In the credit risk mitigation, cash and cash equivalent items and high-credit-quality debt instruments are used.

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

In cases where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

Current Period Exposure Categories	Amount (**)	Financial Collateral	Other/Physical Collateral	Guaranties and Credit Derivatives
Conditional and unconditional exposures to central governments or central banks	57,174,167	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	4,581	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	114,383	-	-	-
Conditional and unconditional exposures to multilateral development banks	5,211	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	29,454,649	4,364,993	-	-
Conditional and unconditional exposures to corporates	131,399,214	4,824,441	-	-
Conditional and unconditional retail exposures	68,404,512	932,524	-	-
Conditional and unconditional exposures secured by real estate property (*)	13,681,622	65,057	-	-
Past due items	411,663	9,421	-	-
Items in regulatory high-risk categories	7,955,906	103,155	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	3,339,168	-	-	-
Other items	3,703,511	-	-	-

(*) The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

(**) Includes total risk amounts before the effect of credit risk mitigation and liquidity conversions.

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4.11 Risk management objectives and policies

The Risk Management Strategy of the parent Bank includes the optimum allocation of the capital and the realisation of growth framework, maintaining risk-return balance, measuring the risks by methods in compliance with international standards and local regulations in parallel with its activities and under its sustainable and value-creating growth strategy.

The parent Bank determines the necessary approaches in order to update, revise, apply and manage its policies set for the proper assessment and management of risks considering changes in conditions.

The top management is responsible of managing, developing the risk management strategies, policies and application principles approved by the board of directors, reporting of major risks that the Bank is facing to the board of directors, assessment of internal control, internal audit and risk reports of departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The risk management activities are structured under the responsibility of the Bank's board of directors. The top management is responsible to the board of directors for monitoring and managing of risks. Besides, the following departments participate in monitoring of risks, independent from the departments having operational activities; Internal Control, Risk Management, Fraud, Compliance and Internal Audit.

The risks are evaluated on a continuously developing structure that is managed by internationally accepted applications and in compliance with the Bank's policies and procedures, and the international and local regulations.

The risks are also managed through risk mitigations using hedging transactions beside measurement, limitation and capital allocation techniques. The data of the Bank and the market are regularly monitored for better risk monitoring and management. As part of limitation of risks, internal limits are also set beside the legal limits. The possible changes in economic conditions and the risks that can be faced under extraordinary conditions are taken into consideration.

4.12 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	165,235,806	150,583,848	164,668,809	150,114,901
Interbank Money Market Placements	1,000	6,800	1,000	6,800
Banks (*)	25,028,646	23,901,370	25,028,646	23,901,370
Financial Assets Available-for-Sale	38,494,506	31,155,039	38,494,506	31,155,039
Investments Held-to-Maturity	1,366,954	4,786,530	1,467,754	5,019,805
Loans (**)	100,344,700	90,734,109	99,676,903	90,031,887
Financial Liabilities	151,917,803	140,072,993	151,917,803	140,072,993
Bank Deposits	5,583,786	3,096,810	5,583,786	3,096,810
Other Deposits	92,193,893	90,139,505	92,193,893	90,139,505
Other Fundings from Financial Institutions	40,000,036	37,035,332	40,000,036	37,035,332
Securities Issued	6,077,035	3,742,056	6,077,035	3,742,056
Miscellaneous Payables	8,063,053	6,059,290	8,063,053	6,059,290

(*) Including the balances at the Central Bank of Turkey.

(**) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

Fair values of financial assets available-for-sale and investments held-to-maturity are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

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The table below analyses the financial instruments carried at fair value, by valuation method

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	36,233,452	14,983	2,246,071	38,494,506
Financial Assets Held for Trading	270,188	-	4,217	274,405
Derivative Financial Assets Held for Trading	5,776	704,859	-	710,635
Loans	-	222,181	-	222,181
Investments in Associates and Subsidiaries	-	-	42,114	42,114
Derivative Financial Assets Held for Risk Management	-	-	-	-
Financial Assets at Fair Value	36,509,416	942,023	2,292,402	39,743,841
Derivative Financial Liabilities Held for Trading	-	927,001	-	927,001
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Financial Liabilities at Fair Value	-	927,001	-	927,001

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	25,339,341	2	5,815,696	31,155,039
Financial Assets Held for Trading	1,012,450	203	37,677	1,050,330
Derivative Financial Assets Held for Trading	4,962	918,842	-	923,804
Investments in Associates and Subsidiaries	-	-	26,224	26,224
Derivative Financial Assets Held for Risk Management	-	129,335	-	129,335
Financial Assets at Fair Value	26,356,753	1,048,382	5,879,597	33,284,732
Derivative Financial Liabilities Held for Trading	95	1,211,301	-	1,211,396
Derivative Financial Liabilities Held for Risk Management	-	782	-	782
Financial Liabilities at Fair Value	95	1,212,083	-	1,212,178

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

4.13 Transactions carried out on behalf of customers and items held in trust

None.

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	800,979	459,761	617,208	426,380
Central Bank of Turkey	492,972	14,372,246	972,268	6,212,587
Others	-	47,426	30	83,977
Total	1,293,951	14,879,433	1,589,506	6,722,944

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	492,972	1,500,401	972,268	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	12,871,845	-	6,212,587
Total	492,972	14,372,246	972,268	6,212,587

The reserve deposits kept as per the Communiqué no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

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5.1.2 Financial assets at fair value through profit/loss

5.1.2.1 Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	-	223,894	3,681	646,886
Assets Subject to Repurchase Agreements	19,816	-	2,036	-
Total	19,816	223,894	5,717	646,886

5.1.2.2 Positive differences on derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	43,805	5,533	68,223	25,013
Swap Transactions	208,444	370,089	37,964	504,566
Futures	158	5,776	12	4,950
Options	46,557	30,273	108,373	174,649
Others	-	-	-	54
Total	298,964	411,671	214,572	709,232

5.1.3 Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	431,974	845,451	350,488	755,877
Foreign banks	2,041,492	6,844,511	2,071,354	13,538,796
Foreign headoffices and branches	-	-	-	-
Total	2,473,466	7,689,962	2,421,842	14,294,673

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,386,668	6,500,586	5,922,909	7,430,350
USA, Canada	134,922	1,008,254	219,495	431,411
OECD Countries (1)	34,720	18,013	-	-
Off-shore Banking Regions	70,720	63,515	26,401	26,372
Others	83,551	131,649	6,617	-
Total	2,710,581	7,722,017	6,175,422	7,888,133

(1) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 6,175,422 (31 December 2011: TL 7,888,133 thousands) of which TL 82,876 thousands (31 December 2011: TL 185,474 thousands) and TL 26,402 thousands (31 December 2011: TL 26,372 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits (31 December 2011: a further TL 215,432 thousands at the central bank of Luxembourg) and TL 6,066,144 thousands (31 December 2011: TL 7,460,855 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 108,694 thousands (31 December 2011: TL 94,091 thousands) as required for insurance activities.

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5.1.4 Financial assets available-for-sale

5.1.4.1 Financial assets subject to repurchase agreements and provided as collateral/blocked

Collateralized financial assets available-for-sale in TL consist of government bonds. Total carrying value of such securities with total face value of TL 9,411,554 thousands (31 December 2011: TL 6,699,932 thousands) is TL 9,593,212 thousands (31 December 2011: TL 6,901,185 thousands). The related accrued interests amount to TL 1,378,279 thousands (31 December 2011: TL 763,474 thousands). The related impairment losses on these securities amount to TL 3,420 thousands (31 December 2011: TL 41,718 thousands). Collateralized financial assets available-for-sale in foreign currencies consist of eurobonds, foreign governments bonds and corporate bonds. Carrying values of such securities with total face value of USD 7,513,000 EUR 139,040,108 and RUB 149,000,000 (31 December 2011: USD 20,728,000, EUR 301,823,542 and RUB 125,000,000), are USD 8,195,886 EUR 140,576,039 and RUB 149,238,400 (31 December 2011: USD 21,959,154, EUR 300,387,939 and RUB 124,062,500). The related accrued interest income amount to USD 1,943,910, EUR 15,699,450 and RUB 5,387,840 respectively (31 December 2011: USD 2,755,324, EUR 3,378,158 and RUB 2,388,750), and the impairment losses to USD 155,181 and EUR 45,166 respectively (31 December 2011: USD 209,237 and EUR 2,455,333).

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	10,968,071	388,212	7,622,941	783,085
Assets subject to Repurchase Agreements	14,696,052	699,780	11,142,092	1,279,161
Total	25,664,123	1,087,992	18,765,033	2,062,246

5.1.4.2 Details of financial assets available-for-sale

	Current Period	Prior Period
Debt Securities	34,227,618	29,141,787
Quoted at Stock Exchange	32,025,799	26,435,077
Unquoted at Stock Exchange	2,201,819	2,706,710
Common Shares/Investment Fund	22,251	19,668
Quoted at Stock Exchange	5,081	5,081
Unquoted at Stock Exchange	17,170	14,587
Value Increase/Impairment Losses (-)	4,244,637	1,993,584
Total	38,494,506	31,155,039

As of 31 December 2012, the Bank and its consolidated financial affiliates' "financial assets available-for-sale" portfolio includes private sector bonds with "credit linked notes" at a total face value of USD 426,111,240 (31 December 2011: USD 428,333,333) and a total carrying value of TL 765,645 thousands (31 December 2011: TL 810,571 thousands).

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	21	121,141	26	35,339
Corporates	21	121,141	26	35,339
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	368,707	495,947	268,574	551,004
Loans to Employees	175,918	-	151,148	-
Total	544,646	617,088	419,748	586,343

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5.1.5.2 Loans and other receivables classified in groups I and II including contracts with revised terms

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	Other Changes	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan			Extension of Repayment Plan	
Loans	97,197,474	1,508,528	77,093	2,551,356	875,596	571,771
Working Capital Loans	9,969,326	158,070	6,109	518,361	240,937	112,259
Export Loans	3,768,124	10,450	-	114,629	83,233	15,850
Import Loans	488,213	3,096	-	-	-	-
Loans to Financial Sector (*)	3,189,528	2	-	211	20	-
Consumer Loans	22,592,988	694,854	48,048	505,969	86,097	92,746
Credit Cards	11,615,309	-	-	338,376	-	252,722
Others	45,573,986	642,056	22,936	1,073,810	465,309	98,194
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	97,197,474	1,508,528	77,093	2,551,356	875,596	571,771

(*) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans to Financial Sector".

Collaterals received for loans under follow-up

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,419	2,375	-	15,794
Loans Collateralized by Mortgages	951,364	200,580	-	1,151,944
Loans Collateralized by Pledged Assets	121,406	25,234	-	146,640
Loans Collateralized by Cheques and Notes	96,309	204,960	-	301,269
Loans Collateralized by Other Collaterals	490,391	44,069	-	534,460
Unsecured Loans	34,122	28,751	338,376	401,249
Total	1,707,011	505,969	338,376	2,551,356

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	21,608	1,313	-	22,921
Loans Collateralized by Mortgages	439,391	132,998	-	572,389
Loans Collateralized by Pledged Assets	489,012	16,038	-	505,050
Loans Collateralized by Cheques and Notes	159,881	108,712	-	268,593
Loans Collateralized by Other Collaterals	389,001	14,076	-	403,077
Unsecured Loans	47,255	51,566	230,040	328,861
Total	1,546,148	324,703	230,040	2,100,891

Delinquency periods of loans under follow-up

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	74,070	177,183	60,066	311,319
61-90 days	106,752	72,061	24,868	203,681
Other	1,526,189	256,725	253,442	2,036,356
Total	1,707,011	505,969	338,376	2,551,356

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	33,508	104,090	64,559	202,157
61-90 days	146,436	45,945	18,074	210,455
Other	1,366,204	174,668	147,407	1,688,279
Total	1,546,148	324,703	230,040	2,100,891

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Loans and other receivables with extended payment plans

Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	1,304,863	833,038
3, 4 or 5 times	179,235	28,622
Over 5 times	24,430	13,936
Total	1,508,528	875,596

Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extention Periods		
0 - 6 months	242,610	413,665
6 - 12 months	368,146	80,387
1 - 2 years	382,950	88,943
2 - 5 year	392,946	117,178
5 years and over	121,876	175,423
Total	1,508,528	875,596

5.1.5.3 Maturity analysis of cash loans

Current Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-Term Loans	32,558,640	402,072	588,918	362,120
Loans	32,558,640	402,072	588,918	362,120
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	64,638,834	1,183,549	1,962,438	1,085,247
Loans	64,638,834	1,183,549	1,962,438	1,085,247
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	97,197,474	1,585,621	2,551,356	1,447,367

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5.1.5.4 Consumer loans, retail credit cards, personnel loans and personnel credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	574,505	20,570,250	21,144,755
Housing Loans	13,381	10,248,790	10,262,171
Automobile Loans	21,313	1,269,827	1,291,140
General Purpose Loans	107,615	1,283,909	1,391,524
Others	432,196	7,767,724	8,199,920
Consumer Loans - FC-indexed	-	274,002	274,002
Housing Loans	-	264,756	264,756
Automobile Loans	-	246	246
General Purpose Loans	-	6,858	6,858
Others	-	2,142	2,142
Consumer Loans - FC	151,370	1,025,824	1,177,194
Housing Loans	1,193	446,037	447,230
Automobile Loans	13	7184	7,197
General Purpose Loans	7,969	347,577	355,546
Others	142,195	225,026	367,221
Retail Credit Cards - TL	10,891,301	264,632	11,155,933
With Installment	5,698,845	264,632	5,963,477
Without Installment	5,192,456	-	5,192,456
Retail Credit Cards - FC	46,460	62,124	108,584
With Installment	10,837	1,656	12,493
Without Installment	35,623	60,468	96,091
Personnel Loans - TL	18,465	37,051	55,516
Housing Loan	-	1,171	1,171
Automobile Loans	-	146	146
General Purpose Loans	4,265	5,866	10,131
Others	14,200	29,868	44,068
Personnel Loans - FC-indexed	224	15,302	15,526
Housing Loans	-	14,378	14,378
Automobile Loans	-	-	-
General Purpose Loans	224	924	1,148
Others	-	-	-
Personnel Loans - FC	2,389	48,823	51,212
Housing Loans	63	15,457	15,520
Automobile Loans	-	41	41
General Purpose Loans	174	27,666	27,840
Others	2,152	5,659	7,811
Personnel Credit Cards - TL	43,806	513	44,319
With Installment	34,769	513	35,282
Without Installment	9,037	-	9,037
Personnel Credit Cards - FC	810	1,500	2,310
With Installment	255	-	255
Without Installment	555	1,500	2,055
Deposit Accounts- TL (Real Persons)	380,752	-	380,752
Deposit Accounts- FC (Real Persons)	-	-	-
Total	12,110,082	22,300,021	34,410,103

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Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	385,331	16,971,897	17,357,228
Housing Loans	12,680	8,682,875	8,695,555
Automobile Loans	18,473	1,078,107	1,096,580
General Purpose Loans	28,796	635,716	664,512
Others	325,382	6,575,199	6,900,581
Consumer Loans - FC-indexed	-	408,695	408,695
Housing Loans	-	387,458	387,458
Automobile Loans	-	1,491	1,491
General Purpose Loans	-	10,380	10,380
Others	-	9,366	9,366
Consumer Loans - FC	259,227	1,085,584	1,344,811
Housing Loans	12,741	471,986	484,727
Automobile Loans	5	9,096	9,101
General Purpose Loans	27,004	37,944	64,948
Others	219,477	566,558	786,035
Retail Credit Cards - TL	9,270,682	121,785	9,392,467
With Installment	4,315,910	121,785	4,437,695
Without Installment	4,954,772	-	4,954,772
Retail Credit Cards - FC	54,092	45,461	99,553
With Installment	7,041	-	7,041
Without Installment	47,051	45,461	92,512
Personnel Loans - TL	20,775	20,964	41,739
Housing Loan	-	1,081	1,081
Automobile Loans	-	66	66
General Purpose Loans	972	985	1,957
Others	19,803	18,832	38,635
Personnel Loans - FC-indexed	527	11,360	11,887
Housing Loans	527	11,360	11,887
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans - FC	1,020	50,495	51,515
Housing Loans	-	16,088	16,088
Automobile Loans	-	83	83
General Purpose Loans	39	41	80
Others	981	34,283	35,264
Personnel Credit Cards - TL	36,359	414	36,773
With Installment	27,391	414	27,805
Without Installment	8,968	-	8,968
Personnel Credit Cards - FC	453	1,573	2,026
With Installment	27	-	27
Without Installment	426	1,573	1,999
Deposit Accounts- TL (Real Persons)	411,687	-	411,687
Deposit Accounts- FC (Real Persons)	-	-	-
Total	10,440,153	18,718,228	29,158,381

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5.1.5.5 Installment based commercial loans and corporate credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans - TL	1,113,031	7,756,447	8,869,478
Real Estate Loans	547	577,452	577,999
Automobile Loans	49,295	1,540,604	1,589,899
General Purpose Loans	1,063,189	5,631,924	6,695,113
Others	-	6,467	6,467
Installment-based Commercial Loans - FC-indexed	87,881	685,775	773,656
Real Estate Loans	-	39,880	39,880
Automobile Loans	2,545	211,094	213,639
General Purpose Loans	70,804	411,058	481,862
Others	14,532	23,743	38,275
Installment-based Commercial Loans - FC	625,038	942,040	1,567,078
Real Estate Loans	-	257,571	257,571
Automobile Loans	170	4,665	4,835
General Purpose Loans	246	10,074	10,320
Others	624,622	669,730	1,294,352
Corporate Credit Cards - TL	636,981	750	637,731
With Installment	375,502	750	376,252
Without Installment	261,479	-	261,479
Corporate Credit Cards - FC	4,808	-	4,808
With Installment	1	-	1
Without Installment	4,807	-	4,807
Deposit Accounts- TL (Corporates)	646,939	-	646,939
Deposit Accounts- FC (Corporates)	-	-	-
Total	3,114,678	9,385,012	12,499,690

Prior Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans - TL	798,777	7,194,941	7,993,718
Real Estate Loans	1,121	528,143	529,264
Automobile Loans	56,032	1,417,261	1,473,293
General Purpose Loans	741,624	5,247,089	5,988,713
Others	-	2,448	2,448
Installment-based Commercial Loans - FC-indexed	88,845	696,249	785,094
Real Estate Loans	136	49,918	50,054
Automobile Loans	5,191	219,563	224,754
General Purpose Loans	83,518	426,768	510,286
Others	-	-	-
Installment-based Commercial Loans - FC	578,429	729,008	1,307,437
Real Estate Loans	-	1,178	1,178
Automobile Loans	151	4,724	4,875
General Purpose Loans	312	5,200	5,512
Others	577,966	717,906	1,295,872
Corporate Credit Cards - TL	426,613	724	427,337
With Installment	196,638	724	197,362
Without Installment	229,975	-	229,975
Corporate Credit Cards - FC	4,117	-	4,117
With Installment	-	-	-
Without Installment	4,117	-	4,117
Deposit Accounts- TL (Corporates)	525,078	-	525,078
Deposit Accounts- FC (Corporates)	-	-	-
Total	2,421,859	8,620,922	11,042,781

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5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	1,198,693	1,472,793
Private Sector (*)	98,550,137	88,856,315
Total	99,748,830	90,329,108

(*) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Private Sector".

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	91,700,234	84,546,363
Foreign Loans (*)	8,048,596	5,782,745
Total	99,748,830	90,329,108

(*) Loans amounting to TL 222,181 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Foreign Loans".

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	34,247	16,384
Indirect Lending	-	-
Total	34,247	16,384

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	153,280	28,890
Doubtful Loans and Receivables	468,299	156,321
Uncollectible Loans and Receivables	1,487,761	1,343,321
Total	2,109,340	1,528,532

5.1.5.10 Non-performing loans (net)

Non-performing loans and other receivables restructured or rescheduled

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	141,642	40,941	114,613
Rescheduled Loans and Receivables	-	-	38,274
Total	141,642	40,941	152,887
Prior Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	12,368	20,353	157,497
Rescheduled Loans and Receivables	-	-	5,167
Total	12,368	20,353	162,664

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Movements in non-performing loan groups

Current Period	Group III.	Group IV	Group V.
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	78,176	191,288	1,664,069
Additions (+)	878,790	179,605	256,959
Transfer from Other NPL Categories (+)	82,686	617,305	344,953
Transfer to Other NPL Categories (-)	607,810	345,163	93,396
Collections during the Period (-)	84,086	65,183	183,923
Write-offs (-) (*)	5,346	-	203,714
Corporate and Commercial Loans	5,211	-	10,441
Retail Loans	135	-	52,103
Credit Cards	-	-	140,667
Other	-	-	503
Balances at End of Period	342,410	577,852	1,784,948
Specific Provisions (-)	153,280	468,299	1,487,761
Net Balance on Balance Sheet	189,130	109,553	297,187

(*) TL 198,936 thousands of this amount is due to sale of non-performing loans.

Prior Period	III. Grup	IV. Grup	V. Grup
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	69,719	138,127	2,025,265
Additions (+)	303,743	81,937	251,146
Transfer from Other NPL Categories (+)	-	248,894	215,546
Transfer to Other NPL Categories (-)	249,400	219,156	213,210
Collections during the Period (-)	45,886	58,514	383,423
Write-offs (-) (*)	-	-	231,255
Corporate and Commercial Loans	-	-	30,064
Retail Loans	-	-	112,307
Credit Cards	-	-	88,884
Other	-	-	-
Balances at End of Period	78,176	191,288	1,664,069
Specific Provisions (-)	28,890	156,321	1,343,321
Net Balance on Balance Sheet	49,286	34,967	320,748

(*) TL 220,894 thousands of this amount is due to sale of non-performing loans.

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Morements in specific loan provisions

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	561,503	401,108	565,921	1,528,532
Additions during the Period (+)	471,255	249,244	273,220	993,719
Restructured/Rescheduled Loans (-)	245	75	-	320
Collections during the Period (-)	62,022	66,914	81,908	210,844
Write-Offs (-)	14,821	46,259	140,667	201,747
Balances at End of Period	955,670	537,104	616,566	2,109,340

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	646,712	512,810	644,653	1,804,175
Additions during the Period (+)	219,468	102,621	135,782	457,871
Restructured/Rescheduled Loans (-)	161,237	179	-	161,416
Collections during the Period (-)	113,789	101,899	125,630	341,318
Write-Offs (-)	29,651	112,245	88,884	230,780
Balances at End of Period	561,503	401,108	565,921	1,528,532

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current Period			
Balance at End of Period	133,372	245,566	666,560
Specific Provisions (-)	45,693	206,553	524,537
Net Balance at Balance Sheet	87,679	39,013	142,023
Prior Period			
Balance at End of Period	3,038	26,843	596,701
Specific Provisions (-)	211	18,555	429,011
Net Balance at Balance Sheet	2,827	8,288	167,690

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Gross and net non-performing loans and receivables as per customer categories

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current Period (Net)	189,130	109,553	297,187
Loans to Individuals and Corporates (Gross)	342,410	577,852	1,776,918
Specific Provision (-)	153,280	468,299	1,479,731
Loans to Individuals and Corporates (Net)	189,130	109,553	297,187
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,719
Specific Provision (-)	-	-	7,719
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	49,286	34,967	320,748
Loans to Individuals and Corporates (Gross)	78,176	191,288	1,657,029
Specific Provision (-)	28,890	156,321	1,336,281
Loans to Individuals and Corporates (Net)	49,286	34,967	320,748
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	6,729
Specific Provision (-)	-	-	6,729
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	10,166	213	-	10,379
Loans Collateralized by Mortgages	518,864	60,797	-	579,661
Loans Collateralized by Pledged Assets	258,097	39,971	-	298,068
Loans Collateralized by Cheques and Notes	252,037	253,795	-	505,832
Loans Collateralized by Other Collaterals	217,235	87,095	-	304,330
Unsecured Loans	158,185	195,277	653,478	1,006,940
Total	1,414,584	637,148	653,478	2,705,210

Prior Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	353	149	-	502
Loans Collateralized by Mortgages	258,444	62,908	-	321,352
Loans Collateralized by Pledged Assets	111,998	36,077	-	148,075
Loans Collateralized by Cheques and Notes	153,909	125,391	-	279,300
Loans Collateralized by Other Collaterals	159,124	8,795	-	167,919
Unsecured Loans	174,145	246,970	595,270	1,016,385
Total	857,973	480,290	595,270	1,933,533

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5.1.5.11 Liquidation policy for uncollectible loans and receivables

Uncollectible loans and receivables are collected through legal follow-up and liquidation of collaterals.

5.1.5.12 Write-off policy

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

5.1.6 Factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,543,115	281,016	1,070,103	162,757
Medium and Long-Term	2,683	7,520	10,239	6,386
Total	1,545,798	288,536	1,080,342	169,143

5.1.7 Investments held-to-maturity

5.1.7.1 Investment subject to repurchase agreements and provided as collateral/blocked

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	677,626	356,786	2,470,203	487,156
Investments subject to Repurchase Agreements	-	-	156,819	-
Total	677,626	356,786	2,627,022	487,156

5.1.7.2 Government securities held-to-maturity

	Current Period	Prior Period
Government Bonds	911,349	3,170,068
Treasury Bills	-	-
Other Government Securities	445,864	1,610,487
Total	1,357,213	4,780,555

5.1.7.3 Investments held-to-maturity

	Current Period	Prior Period
Debt Securities	1,362,063	4,521,731
Quoted at Stock Exchange	1,354,998	4,515,950
Unquoted at Stock Exchange	7,065	5,781
Valuation Increase / (Decrease)	4,891	264,799
Total	1,366,954	4,786,530

5.1.7.4 Movement of investments held-to-maturity

	Current Period	Prior Period
Balances at Beginning of Period	4,786,530	5,893,931
Foreign Currency Differences on Monetary Assets	(26,348)	292,041
Purchases during the Period	9,557	5,781
Disposals through Sales/Redemptions (*)	(3,407,676)	(1,360,037)
Valuation Effect	4,891	(45,186)
Balances at End of Period	1,366,954	4,786,530

(*) As per the legislation on capital adequacy (Basel II) effective from 1 July 2012, the risk weight of securities in foreign currencies issued by the Turkish Treasury increase from 0% to 100%. Accordingly, in the current period, the Bank sold a part of its Eurobonds with a total face value of USD595,638,000 from its held-to-maturity portfolio as per the permission granted by the relevant legislation (TAS 39) for the sale of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to legal legislation.

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5.1.8 Investments in associates

5.1.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	Istanbul/Turkey	-	6.67
2	Bankalararası Kart Merkezi AŞ (1)	Istanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ (1)	Istanbul/Turkey	0.77	0.77
4	İMKB Takas ve Saklama Bankası AŞ (1)	Istanbul/Turkey	5.83	5.83
5	Vadeli İşlem ve Opsiyon Borsası AŞ (2)	Istanbul/Turkey	6.00	6.00
6	KKB Kredi Kayıt Bürosu AŞ (1)	Istanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ (3)	Ankara/Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ (1)	Ankara/Turkey	1.67	1.67

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	9,944	5,929	849	838	95	3	1	-
2	28,465	22,672	13,462	680	146	4,189	3,179	-
3	615,831	67,144	1,857	13,767	784	2,171	5,973	-
4	3,586,501	321,866	13,751	65,646	2,084	45,429	24,411	-
5	74,436	60,732	4,068	2,984	49	6,183	938	-
6	65,251	58,310	4,769	1,395	-	24,044	12,969	-
7	219,810,695	29,740,117	242,921	2,981,762	2,110,871	18,381,955	3,099,403	-
8	247,800	242,307	3,113	8,322	1	6,695	7,665	-

(*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2012.

(2) Financial information is as of 30 June 2012.

(3) Financial information is as of 31 December 2011.

In the current period, the capital commitment of TL 1,000 thousands to Kredi Garanti Fonu AŞ as per the capital increase of TL 4,000 thousands as of 11 September 2009, has been paid.

The liquidation of Gelişen Bilgi Teknolojileri AŞ has been completed in the current period.

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

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5.1.8.2 Consolidated investments in associates

Associates	Address (City/Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1 Garanti Yatırım Ortaklığı AŞ ^(*)	Istanbul / Turkey	-	0.21

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	34,249	33,820	221	377	6,712	3,553	868	20,400

(*) Total fixed assets include tangible and intangible assets.

(†) Financial information is as of 30 September 2012, however the fair value information is as of 31 December 2012.

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 0.21%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

5.1.8.3 Movement of consolidated investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	38	60,244
Movements during the Period	5	(60,206)
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	6,261
Sales/Liquidations (-) (*)	-	(66,448)
Reclassifications	-	-
Increase/Decrease in Fair Values	5	(19)
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	43	38
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

Prior period:

(*) As per the Shareholders' Agreement dated 21 June 2007 between the Bank and Eureka BV, the Bank sold its 20% shares of Eureka Sigorta AŞ with a nominal value of TL 12,000 thousands to Eureka BV for EUR 69,999,999 in 2011.

Valuation methods of consolidated investments in associates

Associates	Current Period	Prior Period
Valued at Cost	-	-
Valued at Fair Value	43	38
Valued by Equity Method of Accounting	-	-

Sectoral distribution of consolidated investments and associates

Associates	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	43	38
Other Associates	-	-

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Quoted consolidated investments in associates

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	43	38
Quoted at International Stock Exchanges	-	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.9 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

Current Period	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
CORE CAPITAL	896,741	559,976	332,747
Paid-in Capital	322,353	12,016	856,656
Inflation Adjustments to Paid-in Capital	-	68,832	-
Share Premium	-	-	30,113
Reserves	474,900	419,008	(367,428)
Current Period's Profit and Prior Periods' Profit	101,782	61,560	-
Current Period's Losses and Prior Periods' Losses	-	-	(40,642)
Leasehold Improvements on Operational Leases (-)	-	-	12,821
Intangible Assets (-)	2,294	1,440	2,805
Goodwill (Net) (-)	-	-	130,326
SUPPLEMENTARY CAPITAL	178,282	-	9,720
CAPITAL	1,075,023	559,976	342,467
DEDUCTIONS FROM CAPITAL	-	42	81,453
NET AVAILABLE EQUITY	1,075,023	559,934	261,014

The parent Bank does not have any capital needs due to its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

5.1.9.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.92	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	93.40	96.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company (I)	Bucharest/Romania	-	100.00
7	United Custodian	Amsterdam/The Netherlands	-	100.00
8	Golden Clover Stichting Custody	Amsterdam/The Netherlands	-	100.00
9	Stichting Safekeeping	Amsterdam/The Netherlands	-	100.00
10	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
11	Garanti Teknoloji İletişim Hizmetleri ve Tic. AŞ (2)	Istanbul/Turkey	-	100.00

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	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)	Amount of Equity Requirement
1	37,714	31,021	536	23	2,415	7,234	7,414	-	-
2	34,993	15,519	5,120	953	1,178	1,959	2,430	-	-
3	1,648	1,324	10	-	26	1,009	(555)	-	-
4	1,075	739	88	-	23	358	189	-	-
5	1,858	1,744	-	-	62	389	266	-	-
6	35	59	27	-	-	(1)	(22)	-	-
7	290	290	-	-	-	-	-	-	-
8	293	290	-	-	-	-	-	-	-
9	42	42	-	-	-	-	-	-	-
10	316,820	42,114	248,254	401	-	16,223	9,842	-	-
11	552	551	-	-	26	(39)	7	-	-

(*) Total fixed assets include tangible and intangible assets.

(1) Financial information is as of 30 September 2012.

(2) Financial information is as per its liquidation balance sheet dated 28 November 2012.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The non-financial investments excluded from the consolidation process, are accounted under cost method of accounting.

5.1.9.2 Movement of consolidated investments in subsidiaries

	Current Period	Prior Period
Balance at Beginning of Period	2,064,495	1,646,532
Movements during the Period	419,958	417,963
Acquisitions and Capital Increases(*)	46,474	83,420
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	-
Reclassifications	-	8,653
Increase/Decrease in Market Values	420,961	154,562
Currency Differences on Foreign Subsidiaries	(47,477)	171,328
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	2,484,453	2,064,495
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(*)

Current period;

The paid-in capital of Garanti Holding BV was increased from EUR 349,088,600 to EUR 369,088,600 on 18 October 2012 as per the decision made at the board of directors' meeting held on 11 October 2012.

Prior period;

The paid-in capital of Garanti Holding BV was increased from EUR 329,088,600 to EUR 349,088,600 on 29 December 2011 as per the decision made at the board of directors' meeting held on 1 December 2011. Garanti Holding BV increased the share capital of Garanti Bank SA by 20 million EUR through G Netherlands BV with its capital increase.

The Bank purchased 5.86% of the paid-in capital of Garanti Finansal Kiralama AŞ at a total face value of TL 4,278 thousands from Garanti Faktoring Hizmetleri AŞ for a consideration of TL 34,574 thousands on 5 December 2011.

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Valuation methods of consolidated investments in subsidiaries

	Current Period	Prior Period
Valued at Cost	235,950	235,950
Valued at Fair Value	2,248,503	1,828,545

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	Prior Period
Banks	1,357,098	1,023,375
Insurance Companies	56,545	56,545
Factoring Companies	130,967	68,749
Leasing Companies	110,743	110,743
Finance Companies	829,100	805,083
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	130,967	68,749
Quoted at International Stock Exchanges	-	-

Other information on consolidated investments in subsidiaries

Subsidiaries	Address (City/ Country)	Parent Bank's Share - If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	99.96	-	Full Consolidation
2 Garanti Faktoring Hizmetleri AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3 Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4 Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5 Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6 Garanti Bank International NV	Amsterdam/The Netherlands	100.00	-	Full Consolidation
7 Garanti Bank Moscow	Moscow/Russia	99.94	-	Full Consolidation
8 Garanti Holding BV(**)	Amsterdam/The Netherlands	100.00	-	Full Consolidation
9 G Netherlands BV	Amsterdam/The Netherlands	-	100.00	Full Consolidation
10 Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
11 Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12 Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
13 Domenia Credit IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value (if available)
1	2,870,263	561,416	17,420	221,824	-	61,560	80,784	-
2	1,955,227	105,011	2,414	149,058	228	20,460	34,534	160,020
3	57,117	32,430	2,681	636	2,648	621	2,214	-
4	21,635	18,201	2,176	1,027	108	3,165	620	-
5	4,224,009	576,244	15,626	55,108	6,535	133,977	112,997	-
6	10,698,822	1,042,598	46,214	445,057	73,464	101,782	128,056	1,141,605
7	813,049	166,913	42,036	35,745	17,371	16,896	12,012	215,619
8	753,148	753,116	-	-	-	(121)	(10)	760,436
9	796,474	677,182	-	375	-	(4,739)	(6,890)	-
10	3,500,589	458,016	46,934	204,049	27,454	(50,005)	7,462	-
11	208,758	35,092	5,488	19,347	-	5,254	2,809	-
12	178,926	21,752	1,544	36,525	-	5,302	5,018	-
13	273,040	32,168	318	18,276	-	4,995	4,359	-

(*) Total fixed assets include tangible and intangible assets.

(**) The fair value stated above for Garanti Holding BV covers all the consolidated affiliates under the company; namely G Netherlands BV, Garanti Bank SA, Motoractive IFN SA, Ralfi IFN SA and Domenia Credit IFN SA.

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

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5.1.10 Investments in joint-ventures

None.

5.1.11 Lease receivables

5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	1,174,890	1,063,248	1,045,915	897,416
Between 1-5 Years	2,029,321	1,717,707	1,810,768	1,581,938
Longer than 5 Years	108,236	87,955	219,913	190,540
Total	3,312,447	2,868,910	3,076,596	2,669,894

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	3,312,447	3,076,596
Unearned Income on Financial Lease Receivables (-)	(443,537)	(406,702)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	2,868,910	2,669,894

5.1.11.3 Financial lease agreements

Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.1.12 Derivative financial assets held for risk management

5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	129,335
Cash Flow Hedges	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-
Total	-	-	-	129,335

The Bank hedged its fixed-rate eurobonds issued on 20 April 2011 with a maturity of 10 years for the amount of USD 500 millions under various fair value hedges. On 5 June 2012, the Bank ceased to apply hedge accounting as per TAS 39 due to early closing of the related derivative transactions held for fair value risk management.

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5.1.13 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at End of Prior Period					
Cost	1,219,962	379,357	31,388	1,188,590	2,819,297
Accumulated Depreciation	(293,995)	(344,882)	(24,964)	(729,331)	(1,393,172)
Net Book Value	925,967	34,475	6,424	459,259	1,426,125
Balance at End of Current Period					
Net Book Value at Beginning of Current Period	925,967	34,475	6,424	459,259	1,426,125
Additions	39,731	534	3,589	183,711	227,565
Disposals (Cost)	(157,070)	(3,356)	(5,812)	(42,901)	(209,139)
Disposals (Accumulated Depreciation)	26,480	3,339	5,131	12,329	47,279
Reversal of Impairment Losses (-)	16,779	-	-	-	16,779
Depreciation Expense for Current Period	(23,070)	(15,874)	(3,073)	(142,378)	(184,395)
Currency Translation Differences on Foreign	296	-	(256)	(5,915)	(5,875)
Cost at End of Current Period	1,119,154	376,535	28,656	1,316,890	2,841,235
Accumulated Depreciation at End of Current Period	(290,041)	(357,417)	(22,653)	(852,785)	(1,522,896)
Net Book Value at End of Current Period	829,113	19,118	6,003	464,105	1,318,339

5.1.13.1 Disclosure for impairment losses or releases individually material for financial statements

Conditions for allocating/releasing any impairment

None.

Amount of impairment losses provided or released in financial statements during current period

None.

5.1.13.2 Other impairment losses provided or released in current period that are immaterial for the financial statement individually but material for the financial statements aggregately

A total provision of TL 22,111 thousands was reversed and a total provision of TL 5,573 thousands was made for the impairment in values of certain real estates in 2012 in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets".

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

5.1.14.3 Balances at beginning and end of current period

	Current Period		Prior Period	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	237,518	154,809	203,345	119,099

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5.1.14.4 Movements of intangible assets for the current period

	Current Period	Prior Period
Net Book Value at Beginning Period	84,246	55,805
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	36,485	57,042
Disposals (-)	(2,651)	(5,699)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(34,877)	(24,048)
Currency Translation Differences on Foreign Operations	(494)	1,146
Other Movements	-	-
Net Book Value at End of Current Period	82,709	84,246

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.14.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.14.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

Goodwill	Shares %	Carrying Value
Garanti Yatırım	100.00	2,778
Garanti Finansal Kiralama	98.94	2,119
Garanti Faktoring	55.40	1,491
Total		6,388

5.1.14.13 Movements in goodwill during current period

	Current Period
Net Book Value at Beginning Period	6,388
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
Net Book Value at End of Current Period	6,388

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5.1.15 Investment property

Current Period Real Estate Type	Cost	Accumulated Depreciation (-)	Impairment Losses	Intend of Use
Building	157,544	(29,621)	(241)	Operational lease
Land	-	-	-	-

5.1.16 Deferred tax asset

As of 31 December 2012, on a consolidated basis the Bank has a deferred tax asset of TL 231,220 thousands (31 December 2011: TL 62,852 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

There is no deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2012. However, there is a deferred tax asset of TL 316,089 thousands (31 December 2011: TL 197,339 thousands) and deferred tax liability of TL 84,869 thousands (31 December 2011: TL 134,487 thousands) presented as net in the accompanying consolidated financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

As per the annulment decision of the Turkish Constitutional Court as explained in Note 318.4, Garanti Finansal Kiralama, a consolidated subsidiary of the Bank, is subject to investment allowance ruling and can use its available allowances to reduce its taxable corporate income without any time limitations. Accordingly, a deferred tax asset amounting TL 1,741 thousands is recorded in the accompanying consolidated financial statements as of 31 December 2011 considering the fact that Garanti Finansal Kiralama may use its right of deducting investment allowances from its corporate income in the future.

In the accompanying consolidated financial statements as of 31 December 2012, a deferred tax asset amounting TL 1,912 thousands is included in this respect.

For the cases where such differences are related with certain items on the

5.1.17 Assets held for sale and assets of discontinued operations

	Current Period	Prior Period
End of Prior Period		
Cost	130,102	105,679
Accumulated Depreciation (-)	(2,446)	(1,646)
Net Book Value	127,656	104,033
End of Current Period		
Additions	79,074	123,683
Disposals (Cost)	(72,163)	(94,857)
Disposals (Accumulated Depreciation)	517	659
Reversal of Impairment / Impairment Losses (-)	(151)	(4,403)
Depreciation Expense for Current Period (-)	(2,185)	(1,459)
Currency Translation Differences on Foreign Operations	(311)	-
Cost	136,551	130,102
Accumulated Depreciation (-)	(4,114)	(2,446)
Net Book Value	132,437	127,656

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 5,313 thousands (31 December 2011: TL 6,273 thousands).

5.1.18 Other Assets

5.1.18.1 Receivables from term sale of assets

	Current Period	Prior Period
Sale of Investments in Associates, Subsidiaries and Joint - Ventures	1,362	3,167
Sale of Real Estates	7,733	13,945
Sale of Other Assets	3,007	2,978
Total	12,102	20,090

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5.1.18.2 Prepaid expenses

	Current Period	Prior Period
Prepaid Expenses	311,590	289,532

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	3,550,602	-	3,270,706	25,970,388	288,667	92,810	250,950	2,619	33,426,742
Foreign Currency Deposits	10,042,224	-	5,812,532	15,896,903	1,349,877	3,846,762	3,925,922	79,203	40,953,423
Residents in Turkey	6,425,612	-	5,277,773	13,653,606	616,530	610,312	403,708	77,700	27,065,241
Residents in Abroad	3,616,612	-	534,759	2,243,297	733,347	3,236,450	3,522,214	1,503	13,888,182
Public Sector Deposits	676,056	-	24,344	13,628	8	-	-	-	714,036
Commercial Deposits	3,939,619	-	2,681,424	6,993,879	592,397	187,093	27,882	-	14,422,294
Others	67,004	-	39,804	189,564	5,226	347	372	-	302,317
Precious Metal Deposits	2,300,584	-	25,929	19,023	-	2,274	27,271	-	2,375,081
Bank Deposits	1,327,590	-	1,707,350	2,122,870	86,364	118,807	220,805	-	5,583,786
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	115,385	-	379,143	2,018	4	9	57,550	-	554,109
Foreign Banks	722,881	-	1,328,207	2,120,852	86,360	118,798	163,255	-	4,540,353
Special Financial Institutions	489,324	-	-	-	-	-	-	-	489,324
Others	-	-	-	-	-	-	-	-	-
Total	21,903,679	-	13,562,089	51,206,255	2,322,539	4,248,093	4,453,202	81,822	97,777,679

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	2,926,197	-	3,897,909	22,093,153	962,176	276,351	272,297	1,531	30,429,614
Foreign Currency Deposits	9,911,152	-	4,642,512	15,890,716	1,984,801	3,144,929	4,933,946	87,885	40,595,941
Residents in Turkey	6,888,561	-	4,362,454	14,040,203	1,254,759	489,583	1,331,768	86,177	28,453,505
Residents in Abroad	3,022,591	-	280,058	1,850,513	730,042	2,655,346	3,602,178	1,708	12,142,436
Public Sector Deposits	313,115	-	872	36,525	1,336	6	-	-	351,854
Commercial Deposits	3,725,761	-	2,531,943	5,845,595	2,919,089	539,490	261,359	-	15,823,237
Others	64,105	-	18,936	274,705	10,055	549	331	-	368,681
Precious Metal Deposits	2,562,568	-	3,247	-	-	3,414	949	-	2,570,178
Bank Deposits	827,375	-	1,130,586	682,853	70,922	368,477	16,597	-	3,096,810
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	7970	-	128,853	103,157	-	5,391	1,078	-	246,449
Foreign Banks	273,975	-	1,001,733	573,584	70,922	363,086	15,514	-	2,298,819
Special Financial Institutions	545,430	-	-	6,112	-	-	-	-	551,542
Others	-	-	-	-	-	-	-	-	-
Total	20,330,273	-	12,226,005	44,823,547	5,948,379	4,333,216	5,485,479	89,416	93,236,315

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5.2.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

5.2.1.1.1 Deposits exceeding insurance limit

Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	12,744,375	11,531,720	20,553,407	18,603,874
Foreign Currency Saving Deposits	9,268,758	7,639,644	14,775,318	12,607,762
Other Saving Deposits	1,132,858	1,214,676	1,114,692	1,254,695
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	509,167	441,070
Deposits and Other Accounts held by Shareholders and their Relatives	-	7,193
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	251,263	352,525
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	64,201	13,104	62,818	31,401
Swap Transactions	479,897	286,895	385,060	497,412
Futures	-	-	-	95
Options	53,075	29,681	59,204	175,161
Others	-	148	-	245
Total	597,173	329,828	507,082	704,314

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	1,488,444	1,178,481	1,268,505	979,878
Foreign Banks, Institutions and Funds	4,089,892	18,987,595	4,336,855	17,589,799
Total	5,578,336	20,166,076	5,605,360	18,569,677

5.2.3.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,615,231	6,275,413	1,444,175	8,285,742
Medium and Long-Term	3,963,105	13,890,663	4,161,185	10,283,935
Total	5,578,336	20,166,076	5,605,360	18,569,677

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5.2.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.4 Other external funds

5.2.4.1 Securities issued

Current Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,925,009	422,201	-	3,761,131
Cost	1,872,073	398,121	-	3,731,017
Carrying Value (*)	1,766,215	401,834	-	3,908,986

Prior Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,558,731	-	-	1,181,284
Cost	2,423,391	-	-	1,175,445
Carrying Value (*)	2,138,635	-	-	1,603,421

(*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total nominal value of TL 177,169 thousands (31 December 2011: TL 410,950 thousands) and foreign currency securities with a total nominal value of TL 22,869 thousands (31 December 2011: TL 18,716 thousands) and netted off such securities in the accompanying consolidated financial statement.

5.2.4.2 Funds provided through repurchase transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	11,498,158	-	8,340,241	-
Financial Institutions and Organizations	11,440,064	-	8,293,202	-
Other Institutions and Organizations	19,898	-	20,249	-
Individuals	38,196	-	26,790	-
Foreign Transactions	748,015	1,860,771	388	3,397,528
Financial Institutions and Organizations	747,723	1,860,771	-	3,397,528
Other Institutions and Organizations	186	-	-	-
Individuals	106	-	388	-
Total	12,246,173	1,860,771	8,340,629	3,397,528

5.2.4.3 Miscellaneous payables

	Current Period		Prior Period	
	TL	FC	TL	FC
Payables from credit card transactions	3,937,158	12,313	3,293,560	12,431
Payables from insurance transactions	3,346,707	36,198	2,330,981	41,732
Other	294,370	436,307	212,689	167,897
Total	7,578,235	484,818	5,837,230	222,060

5.2.5 Factoring payables

None.

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5.2.6 Lease payables

5.2.6.1 Financial lease payables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	336	93	211	187
Between 1-5 Years	202	79	240	233
Longer than 5 Years	-	-	-	-
Total	538	172	451	420

5.2.6.2 Operational lease agreements

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

5.2.7 Derivative financial liabilities held for risk management

Derivative Financial Liabilities Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges	-	-	-	782
Net Foreign Investment Hedges	-	-	-	-
Total	-	-	-	782

5.2.8 Provisions

5.2.8.1 General provisions

	Current Period	Prior Period
General Provision for	1,342,090	1,067,423
Loans and Receivables in Group I	1,178,931	931,956
- Additional Provision for Loans and Receivables with Extended Maturities	74,557	-
Loans and Receivables in Group II	88,693	60,164
- Additional Provision for Loans and Receivables with Extended Maturities	46,781	-
Non-Cash Loans	74,466	75,303
Others	-	-

5.2.8.2 Provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables

	Current Period	Prior Period
Short-Term Loans	6,635	2,345
Medium and Long Term Loans	4,749	968
Total	11,384	3,313

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

5.2.8.3 Provisions for non-cash loans that are not indemnified or converted into cash

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	13,347	809
Doubtful Loans and Receivables	22,819	2,366
Uncollectible Loans and Receivables	61,230	49,123
Total	97,396	52,298

5.2.8.4 Other provisions

5.2.8.4.1 General reserves for possible losses

	Current Period	Prior Period
General Reserves for Possible Losses	450,000	450,000

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5.2.8.4.2 Other provisions for possible losses

	Current Period	Prior Period
Reserve for Employee Benefits	362,011	280,575
Insurance Technical Provisions, Net	221,009	159,487
Provision for Promotion Expenses of Credit Cards (*)	39,168	44,353
Provision for Lawsuits	19,942	15,906
Other Provisions	65,467	32,097
Total	707,597	532,418

(*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 27 December 2012 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 1,367,875 thousands (31 Aralık 2011: TL 1,143,072 thousands) at 31 December 2012 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2012 as per the requirements of the Law explained in Note 317, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 27 December 2012 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 834,436 thousands (31 December 2011: TL 740,699 thousands) remains as of 31 December 2012 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 369,726 thousands (31 December 2011: TL 305,628 thousands) as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2012. However, despite this treatment there are no excess obligation that needs to be provided against.

	Current Period	Prior Period
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(458,057)	(376,357)
Net present value of medical benefits and health premiums transferable to SSF	369,726	305,628
General administrative expenses	(22,899)	(20,039)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(111,230)	(90,768)
Fair Value of Plan Assets (2)	1,479,105	1,233,840
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	1,367,875	1,143,072
Non-Transferable Benefits:		
Other pension benefits	(426,261)	(264,514)
Other medical benefits	(107,178)	(137,859)
Total Non-Transferable Benefits (4)	(533,439)	(402,373)
Asset Surplus over Total Benefits ((3)-(4)=(5))	834,436	740,699
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF - but not considered acting prudently (6)	(369,726)	(305,628)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	464,710	435,071

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	Prior Period	Prior Period
	%	%
Discount Rate (*)	6.97	9.52
Inflation Rate (*)	4.67	5.06
Future Real Salary Increase Rate	1.5	1.5
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	4.67	5.06

(*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

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5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 31 December 2012, the corporate tax liability amounts to TL 344,819 thousands (31 December 2011: TL 78,647 thousands) after offsetting with prepaid taxes.

5.2.9.1.2 Taxes payable

	Current Period	Prior Period
Corporate Taxes Payable	344,819	78,647
Taxation on Securities Income	99,573	75,858
Taxation on Real Estates Income	2,072	1,908
Banking Insurance Transaction Tax	52,347	46,474
Foreign Exchange Transaction Tax	39	21
Value Added Tax Payable	6,473	4,303
Others	75,811	76,256
Total	581,134	283,467

5.2.9.1.3 Premiums payable

	Current Period	Prior Period
Social Security Premiums-Employees	699	714
Social Security Premiums-Employer	901	970
Bank Pension Fund Premium-Employees	75	24
Bank Pension Fund Premium-Employer	28	36
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	5
Unemployment Insurance-Employees	658	1,181
Unemployment Insurance-Employer	1,325	2,317
Others	11	8
Total	3,697	5,255

5.2.9.2 Deferred tax liability

In the accompanying consolidated financial statements, the Bank had a deferred tax liability of TL 19,032 thousands as of 31 December 2012 (31 December 2011: TL 1,333 thousands).

5.2.10 Liabilities for assets held for sale and assets of discontinued operations

None.

5.2.11 Subordinated debts

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	148,680	-	1,122,138
Total	-	148,680	-	1,122,138

On 5 February 2007, the Bank obtained a subordinated debt of US\$ 500 millions from foreign markets with a maturity of 10 years and with a repayment option for the Bank at the end of the fifth year at an interest rate of 6.95% and then 7.95% annually. The Bank used its early repayment option and repaid this debt on 6 February 2012 upon receiving necessary legal permissions.

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year to finance the clean energy projects.

These debts are qualified as secondary subordinated debts to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

As at 31 December 2012, the subordinated debts include subordinated deposits of approximately EUR 13 millions held by the Bank's consolidated subsidiary operating in the Netherlands.

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5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

	Current Period	Prior Period
Common shares	4,200,000	4,200,000
Shares repurchased	(3,066)	(1,359)
Paid-in common shares	4,196,934	4,198,641
Preference shares	-	-

The Bank's shares acquired by Garanti Yatırım Ortaklığı AŞ, one the parent Bank's financial affiliates subject to full consolidation, are deducted from the paid-in capital in the accompanying consolidated balance sheet.

5.2.12.2 Registered share capital system

Capital	Paid-in Capital	Ceiling per Registered Share Capital
Common Shares	4,200,000	10,000,000

5.2.12.3 Capital increases in current period

None.

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

5.2.12.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	976,919	116,914	114,597	(21,664)
Valuation Difference	976,919	116,914	114,597	(21,664)
Exchange Rate Difference	-	-	-	-
Total	976,919	116,914	114,597	(21,664)

5.2.12.9 Revaluation surplus

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,140	-	2,140	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	762,112	-	596,813	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
Total	764,252	-	598,953	-

5.2.12.10 Bonus shares of associates, subsidiaries and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies: Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 20 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands, Tat Konserve AŞ by TL 36 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

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5.2.12.11 Legal reserves

	Current Period	Prior Period
I. Legal Reserve	835,626	675,914
II. Legal Reserve	117,713	78,713
Special Reserves	-	-
Total	953,339	754,627

5.2.12.12 Extraordinary reserves

	Current Period	Prior Period
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	10,355,274	8,016,504
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	10,355,274	8,016,504

5.2.12.13 Minority interest

	Current Period	Prior Period
Balance at Beginning of Period	112,527	97,383
Profit Share of Subsidiaries Net Profits	27,971	19,507
Prior Period Dividend	-	-
Increase/(Decrease) in Minority Interest due to Sales	-	(4,346)
Others	26	(17)
Balance at End of Period	140,524	112,527

5.3 Consolidated off-balance sheet items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 5,772,603 thousands (31 December 2011: TL 4,940,934 thousands), commitments for cheque payments of TL 1,994,132 thousands (31 December 2011: TL 2,230,783 thousands) and commitments for credit card limits of TL 14,323,293 thousands (31 December 2011: TL 13,631,471 thousands).

5.3.1.2 Possible losses and commitments resulted from off-balance sheet items

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	9,892,574	9,629,237
Letters of Guarantee in TL	6,960,107	5,791,162
Letters of Credit	6,141,429	6,231,224
Bills of Exchange and Acceptances	720,896	515,550
Prefinancings	-	-
Other Guarantees	66,300	70,236
Total	23,781,306	22,237,409

A specific provision of TL 97,396 thousands (31 December 2011: TL 52,298 thousands) is made for unliquidated non-cash loans of TL 184,169 thousands (31 December 2011: TL 113,577 thousands) recorded under the off-balance sheet items as of 31 December 2012.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 Non-cash loans

	Current Period	Prior Period
Non-Cash Loans against Cash Risks	1,405,272	1,508,650
With Original Maturity of 1 Year or Less	165,372	362,310
With Original Maturity of More Than 1 Year	1,239,900	1,146,340
Other Non-Cash Loans	22,376,034	20,728,759
Total	23,781,306	22,237,409

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5.3.1.4 Other information on non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	57,695	0.83	70,863	0.42	68,282	1.18	74,393	0.46
Farming and Stockbreeding	55,029	0.79	69,669	0.41	65,948	1.14	73,421	0.45
Forestry	1,291	0.02	567	-	524	0.01	112	-
Fishery	1,375	0.02	627	0.01	1,810	0.03	860	0.01
Manufacturing	2,416,517	34.66	6,132,647	36.48	2,069,333	35.64	6,734,153	40.98
Mining	342,528	4.91	72,667	0.43	307,253	5.29	128,173	0.78
Production	1,338,824	19.20	3,617,370	21.52	1,234,890	21.27	4,432,132	26.97
Electricity, Gas, Water	735,165	10.55	2,442,610	14.53	527,190	9.08	2,173,848	13.23
Construction	1,052,375	15.09	2,250,429	13.39	872,018	15.02	2,058,986	12.53
Services	2,729,671	39.15	6,020,300	35.82	2,325,013	40.03	6,218,920	37.85
Wholesale and Retail Trade	1,775,393	25.46	2,905,770	17.29	1,581,513	27.24	3,014,182	18.35
Accommodation and Dining	163,140	2.34	86,795	0.52	151,771	2.61	67,315	0.41
Transportation and Telecommunication	299,687	4.30	698,054	4.15	209,132	3.60	884,124	5.38
Financial Institutions	398,692	5.72	2,260,207	13.45	311,294	5.36	2,233,692	13.59
Real Estate and Rental Services	7,834	0.11	56,781	0.34	8,835	0.15	1,670	0.01
Professional Services	-	-	-	-	-	-	-	-
Educational Services	15,103	0.22	4,007	0.02	8,143	0.14	4,381	0.03
Health and Social Services	69,822	1.00	8,686	0.05	54,325	0.93	13,556	0.08
Others	715,901	10.27	2,334,908	13.89	471,893	8.13	1,344,418	8.18
Total	6,972,159	100.00	16,809,147	100.00	5,806,539	100.00	16,430,870	100.00

5.3.1.5 Non-cash loans classified under Group I and II:

Current Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	6,897,020	16,718,383	75,139	90,764
Letters of Guarantee	6,884,968	9,811,220	75,139	81,354
Bills of Exchange and Bank Acceptances	5,028	715,168	-	700
Letters of Credit	7,024	6,125,695	-	8,710
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	66,300	-	-

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	5,752,012	16,358,613	54,527	72,257
Letters of Guarantee	5,736,635	9,565,781	54,527	63,456
Bills of Exchange and Bank Acceptances	3,687	508,978	-	2,885
Letters of Credit	11,690	6,213,618	-	5,916
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	70,236	-	-

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5.3.2 Financial derivative instruments

Current Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Total
Derivative Financial Instrument Held for Risk Management						
A. Total Derivative Financial Instrument Held for Risk Management	-	-	-	-	-	-
Fair Value Hedges	-	-	-	-	-	-
Cash Flow Hedges	-	-	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency Related Derivative Transaction (I)	55,060,498	11,309,103	23,283,488	4,368,994	-	94,022,083
Currency Forwards – Purchases	2,423,969	833,556	1,331,466	262,736	-	4,851,727
Currency Forwards – Sales	2,455,542	848,381	1,380,495	277,644	-	4,962,062
Currency Swaps – Purchases	16,459,810	1,522,978	5,083,460	1,338,707	-	24,404,955
Currency Swaps – Sales	15,028,629	1,483,628	4,990,268	1,465,020	-	22,967,545
Currency Options – Purchases	9,314,764	3,221,071	5,097,088	482,763	-	18,115,686
Currency Options – Sales	9,377,784	3,313,728	5,274,563	542,124	-	18,508,199
Currency Futures – Purchases	-	57,514	126,148	-	-	183,662
Currency Futures – Sales	-	28,247	-	-	-	28,247
Interest Rate Related Derivative Transaction (II)	94,497	879,868	3,910,696	13,498,611	3,597,066	21,980,738
Interest Rate Swaps – Purchases	32,338	418,414	1,221,893	6,497,169	1,798,533	9,968,347
Interest Rate Swaps – Sales	32,338	418,414	1,221,893	6,484,009	1,798,533	9,955,187
Interest Rate Options – Purchases	-	-	1,340,305	517,433	-	1,857,738
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	24,023	39,520	55,572	-	-	119,115
Securities Options – Sales	5,798	3,520	71,033	-	-	80,351
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	2,341,762	82,453	340,854	16,885	-	2,781,954
B. Total Trading Derivatives (I+II+III)	57,496,757	12,271,424	27,535,038	17,884,490	3,597,066	118,784,775
Total Derivative Transactions (A+B)	57,496,757	12,271,424	27,535,038	17,884,490	3,597,066	118,784,775

Prior Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Total
Derivative Financial Instrument Held for Risk Management						
A. Total Derivative Financial Instrument Held for Risk Management	-	-	102,575	-	1,865,000	1,967,575
Fair Value Hedges	-	-	-	-	1,865,000	1,865,000
Cash Flow Hedges	-	-	102,575	-	-	102,575
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency Related Derivative Transaction (I)	25,005,125	21,788,016	30,156,180	4,491,883	245,356	81,686,560
Currency Forwards – Purchases	2,586,405	794,015	1,476,903	134,211	118,167	5,109,701
Currency Forwards – Sales	2,504,565	758,167	1,510,913	134,620	118,167	5,026,432
Currency Swaps – Purchases	5,861,189	7,310,969	6,034,559	1,392,994	4,558	20,604,269
Currency Swaps – Sales	6,064,712	7,142,359	5,977,391	1,545,306	4,464	20,734,232
Currency Options – Purchases	4,019,203	2,832,986	7,547,381	642,407	-	15,041,977
Currency Options – Sales	3,969,051	2,845,424	7,585,122	642,345	-	15,041,942
Currency Futures – Purchases	-	39,397	15,395	-	-	54,792
Currency Futures – Sales	-	64,699	8,516	-	-	73,215
Interest Rate Related Derivative Transaction (II)	14,530	98,806	2,414,141	10,144,261	6,179,930	18,851,668
Interest Rate Swaps – Purchases	-	-	1,182,053	4,612,842	3,089,965	8,884,860
Interest Rate Swaps – Sales	-	37,431	1,133,621	4,623,843	3,089,965	8,884,860
Interest Rate Options – Purchases	-	-	-	888,861	-	888,861
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	7,265	21,556	73,180	7,486	-	109,487
Securities Options – Sales	7,265	38,819	25,287	11,229	-	82,600
Interest Rate Futures – Purchases	-	500	-	-	-	500
Interest Rate Futures – Sales	-	500	-	-	-	500
Other Trading Derivatives (III)	366,850	110,432	32,930	-	-	510,212
B. Total Trading Derivatives (I+II+III)	25,386,505	21,997,254	32,603,251	14,636,144	6,425,286	101,048,440
Total Derivative Transactions (A+B)	25,386,505	21,997,254	32,705,826	14,636,144	8,290,286	103,016,015

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5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2012, there are commitments for "credit linked notes" of the Bank and its consolidated financial affiliates with a total face value of USD 426,111,240 (31 December 2011: USD 428,333,333) classified under "other irrevocable commitments".

5.3.4 Contingent liabilities and assets

The Bank made a total provision amounting to TL 19,942 thousands for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.8.4.2 Other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

5.3.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

5.4 Consolidated income statement

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	2,940,584	450,058	2,339,857	359,897
Medium and long-term loans	3,666,298	1,931,611	2,681,218	1,688,011
Loans under follow-up	34,818	10,669	77,374	5,413
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	6,641,700	2,392,338	5,098,449	2,053,321

(*) Includes also fees and commissions income on cash loans

5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	77	-	-	14
Domestic Banks	25,617	48,677	27,024	38,951
Foreign Banks	157,658	40,916	159,458	50,349
Foreign Head Offices and Branches	-	-	-	-
Total	183,352	89,593	186,482	89,314

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	28,280	8,797	30,863	3,872
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	3,487,269	175,734	2,835,761	233,967
Investments Held-to-Maturity	222,555	80,765	465,695	106,335
Total	3,738,104	265,296	3,332,319	344,174

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	2,935	591

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5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Central Bank of Turkey	-	1,669	-	-
Domestic Banks	84,307	52,120	85,791	23,269
Foreign Banks	471,694	430,669	528,715	358,295
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	29,062	-	73,124
Total	556,001	513,520	614,506	454,688

(*) Includes also fees and commissions expenses on borrowings

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	965	6,125

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	216,680	104,053	127,319	50,112

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Turkish Lira								
Bank Deposits	2,147	78,894	4,485	18	48	15,341	-	100,933
Saving Deposits	3,231	288,496	2,424,365	51,681	16,894	24,272	-	2,808,939
Public Sector Deposits	-	418	2,685	118	-	-	-	3,221
Commercial Deposits	6,979	193,007	773,618	134,912	25,194	18,613	-	1,152,323
Others	5	1,667	22,858	11,062	46	20	-	35,658
7 Days Notice* Deposits	-	-	-	-	-	-	-	-
Total TL	12,362	562,482	3,228,011	197,791	42,182	58,246	-	4,101,074
Foreign Currency								
Foreign Currency Deposits	82,783	117,310	522,830	67,409	158,024	87,035	1,400	1,036,791
Bank Deposits	5,371	46,866	7,144	954	1,796	969	-	63,100
7 Days Notice* Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1	8	-	244	34	-	287
Total FC	88,154	164,177	529,982	68,363	160,064	88,038	1,400	1,100,178
Grand Total	100,516	726,659	3,757,993	266,154	202,246	146,284	1,400	5,201,252

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Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Turkish Lira								
Bank Deposits	10,022	39,177	5,700	305	246	15,743	-	71,193
Saving Deposits	414	322,009	1,660,502	90,908	21,635	21,145	-	2,116,613
Public Sector Deposits	-	668	2,392	97	2	-	-	3,159
Commercial Deposits	1,982	226,506	506,585	125,793	21,220	17,589	-	899,675
Others	20	2,673	19,331	5,233	10,677	302	-	38,236
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	12,438	591,033	2,194,510	222,336	53,780	54,779	-	3,128,876
Foreign Currency								
Foreign Currency Deposits	15,637	234,773	548,074	78,414	38,774	74,407	1,696	991,775
Bank Deposits	3,097	24,265	1,460	235	792	1,280	-	31,129
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	1	-	-	119	13	-	133
Total FC	18,734	259,039	549,534	78,649	39,685	75,700	1,696	1,023,037
Grand Total	31,172	850,072	2,744,044	300,985	93,465	130,479	1,696	4,151,913

5.4.2.5 Interest expense on repurchase agreements

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	755,651	45,447	668,687	65,487

5.4.2.6 Financial lease expenses

	Current Period	Prior Period
Financial Lease Expenses	116	619

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	479	-
Financial Assets Available-for-Sale	675	1,257
Others	1,769	3,967
Total	2,923	5,224

5.4.4 Trading income/losses (net)

	Current Period	Prior Period
Income	58,372,158	101,317,512
Trading Account Income	1,683,918	454,256
Derivative Financial Instruments	3,703,982	3,722,080
Foreign Exchange Gain	52,984,258	97,141,176
Losses (-)	57,767,333	100,964,787
Trading Account Losses	1,073,608	127,999
Derivative Financial Instruments	4,145,073	3,370,126
Foreign Exchange Losses	52,548,652	97,466,662
Total	604,825	352,725

TL 882,273 thousands (31 December 2011: TL 1,831,429 thousands) of foreign exchange gains and TL 513,778 thousands (31 December 2011: TL 1,695,353 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair value of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face value amount and conditions. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

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5.4.5 Other operating income

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

In the current period, a part of non-performing receivables of the Bank and its financial affiliates amounting to TL 229,516 thousands was sold for a consideration of TL 33,943 thousands. The income calculated considering the related provisions in the consolidated financial statements, for the amount of TL 31,472 thousands is recognized under "Other Operating Income".

5.4.6 Provision for losses on loans or other receivables

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	932,203	372,543
Loans and receivables in Group III	135,313	28,728
Loans and receivables in Group IV	462,065	155,929
Loans and receivables in Group V	334,825	187,886
General Provisions	291,206	395,259
Provision for Possible Losses	-	100,000
Impairment Losses on Financial Assets	28	2,566
Financial assets at fair value through profit or loss	28	2,453
Financial assets available-for-sale	-	113
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures (business partnership)	-	-
Investments held-to-maturity	-	-
Others	170,306	50,027
Total	1,393,743	920,395

5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	1,756,317	1,607,949
Reserve for Employee Termination Benefits	61,977	24,700
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	10,884	-
Depreciation Expenses of Tangible Assets	184,395	181,831
Impairment Losses on Intangible Assets	-	-
Goodwill Impairment Losses	-	-
Amortisation Expenses of Intangible Assets	34,877	24,016
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	1,772	1,910
Depreciation Expenses of Assets to be Disposed	2,185	1,459
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	2,493
Other Operating Expenses	1,634,249	1,418,056
Operational lease related expenses	233,534	206,532
Repair and maintenance expenses	39,300	38,941
Advertisement expenses	114,438	110,772
Other expenses	1,246,977	1,061,811
Loss on Sale of Assets	7,982	15,574
Others (*)	361,744	431,702
Total	4,056,382	3,709,690

(*) Includes saving-deposits-insurance-fund related expenses of TL 98,976 thousands (31 December 2011: TL 85,028 thousands) and insurance-business claim losses of TL 62,929 thousands (31 December 2011: TL 45,517 thousands) as of 31 December 2012.

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5.4.8 Information on profit/loss before taxes from continued and discontinued operations

TL 6,420,153 thousands of the profit before taxes is derived from net interest income and TL 2,071,374 thousands from net fees and commissions income. The total operating expenses amounted to TL 4,056,382 thousands. The profit before taxes realized at TL 4,310,795 thousands increasing by 0.8% as compared to the prior year.

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 31 December 2012, on a consolidated basis, the Bank recorded a current tax expense of TL 1,301,809 thousands (31 December 2011: TL 480,565 thousands) and a deferred tax income of TL 353,065 thousands (31 December 2011: a deferred tax expense of TL 450,038 thousands).

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in Tax Deductible Timing Differences (+)	(336,348)	(22,311)
Decrease in Tax Deductible Timing Differences (-)	19,993	401,222
Increase in Taxable Timing Differences (-)	5,500	83,120
Decrease in Taxable Timing Differences (+)	(42,210)	(11,993)
Total	(353,065)	450,038

Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions

Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions	Current Period	Prior Period
(Increase)/Decrease in Tax Deductible Timing Differences (net)	(313,220)	378,911
(Increase)/Decrease in Taxable Timing Differences (net)	(36,710)	71,127
(Increase)/Decrease in Tax Losses (net)	(3,135)	-
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(353,065)	450,038

5.4.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations

None.

5.4.11 Net profit/loss

5.4.11.1 Any further explanation on operating results needed for better understanding of bank's performance

None.

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

None.

5.4.11.3 Minority interest's profit/loss

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	27,971	19,507

5.4.12 Components of other items in income statement

Other items do not exceed 10% of the total of income statement.

5.5 Consolidated statement of changes in shareholders' equity

5.5.1 Any increases arising from application of accounting for financial instruments in current period

5.5.1.1 Increases from valuation of financial assets available-for-sale

None.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 389 thousands (31 December 2011: TL 1,093 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

As of 31 December 2012, a decrease of TL 4,500 thousands (31 December 2011: TL 16,019 thousands) that was resulted from the foreign currency translation of Luxembourg branch and consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

As of 31 December 2012, an increase of TL 992,147 thousands (31 December 2011: a decrease of TL 1,248,498 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a loss of TL 8,753 thousands (31 December 2011: a gain of TL 286,075 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

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5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal and extraordinary reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	198,829	204,253
Transfers to Extraordinary Reserves from Prior Year Profits	2,338,770	2,568,596

5.5.4 Issuance of share certificates

Please refer to Note 5.2.12.3.

5.5.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.24.

5.5.6 Compensation of prior period losses

None.

5.6 Consolidated statement of cash flows

5.6.1 Disclosures for "other" items and "effect of change in foreign currency rates cash and cash equivalents" in statement of cash flows

The net cash outflows arising from banking operations amount to TL 2,487,441 thousands (31 December 2011: TL 5,566,716 thousands). TL 6,956,496 thousands (31 December 2011: TL 7,261,048 thousands) of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 4,469,055 thousands (31 December 2011: TL 1,694,332 thousands) from the cash inflows resulted from operating profit. The "net increase in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TL 2,111,027 thousands (31 December 2011: TL 2,022,771 thousands). The net cash inflows from financing activities amount to TL 1,872,950 thousands (31 December 2011: TL 3,033,626 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 429,290 thousands (31 December 2011: TL 1,565,188 thousands).

5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Notes 5.1.8.1 and 5.1.9.2.

5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None.

5.6.4 Cash and cash equivalents at beginning of period

	Current Period	Prior Period
Cash on Hand	1,043,588	914,337
Cash in TL	617,208	500,567
Cash in Foreign Currency	426,380	413,770
Cash Equivalents	8,031,883	5,981,561
Others	8,031,883	5,981,561
Total	9,075,471	6,895,898

5.6.5 Cash and cash equivalents at end of period

	Current Period	Prior Period
Cash on Hand	1,260,740	1,043,588
Cash in TL	800,979	617,208
Cash in Foreign Currency	459,761	426,380
Cash Equivalents	4,566,171	8,031,883
Others	4,566,171	8,031,883
Total	5,826,911	9,075,471

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5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons

The placements at foreign banks include blocked accounts amounting TL 6,175,422 thousands (31 December 2011: TL 7,888,133 thousands) of which TL 82,876 thousands (31 December 2011: TL 185,474 thousands) and TL 26,402 thousands (31 December 2011: TL 26,372 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits (31 December 2011: a further TL 215,432 thousands at the central bank of Luxembourg) and TL 6,066,144 thousands (31 December 2011: TL 7,460,855 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 108,694 thousands (31 December 2011: TL 94,091 thousands) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 12,871,845 thousands is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None.

5.7 Related Party Risks

5.7.1 Transactions with parent bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	54,938	3,280	188,278	35,339	356,435	551,004
Balance at end of period	88,612	3,531	263,859	121,141	442,665	495,947
Interest and Commission Income	3,172	5	887	6	39,111	931

Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	61,551	3,727	14	4,831	300,517	419,398
Balance at end of period	54,938	3,280	188,278	35,339	356,435	551,004
Interest and Commission Income	3,852	20	3	5	30,101	1,169

5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	5,737	60,473	1,109,063	207,008	342,796	390,409
Balance at end of period	6,679	5,737	101,958	1,109,063	207,192	342,796
Interest Expenses	965	6,125	14,810	55,405	13,834	16,735

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or Loss:						
Balance at beginning of period	-	35,454	1,066,781	-	28,710	3,992
Balance at end of period	6,963	-	3,373,361	1,066,781	-	28,710
Total Profit/(Loss)	15,762	30,765	(20,171)	27,094	934	1,683
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

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5.7.2 Bank's risk group

5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting TL 402,975 thousands (31 December 2011: TL 284,984 thousands) compose 0.40% (31 December 2011: 0.31%) of the Bank's total consolidated cash loans and 0.22% (31 December 2011: 0.17%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 795,136 thousands (31 December 2011: TL 599,651 thousands) compose 0.44% (31 December 2011: 0.37%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 620,619 thousands (31 December 2011: TL 589,623 thousands) compose 2.61% (31 December 2011: 2.65%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 315,829 thousands (31 December 2011: TL 1,457,596 thousands) compose 0.32% (31 December 2011: 1.56%) of the Bank's total consolidated deposits. The funds borrowed by the Bank and its consolidated financial affiliates from their risk group amounting to TL 37,136 thousands (31 December 2011: TL 48,432 thousands) compose 0.14% (31 December 2011: 0.20%) of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

There is a credit card (POS) payable amounting TL 20,707 thousands (31 December 2011: TL 50,726 thousands) to related parties.

Operating expenses of TL 12,961 thousands (31 December 2011: TL 12,265 thousands) for IT services, of TL 11,342 thousands (31 December 2011: TL 13,193 thousands) for advertisement and broadcasting services, of TL 22,384 thousands (31 December 2011: TL 17,847 thousands) for operational leasing services, and of TL 11,492 thousands (31 December 2011: TL 7,726 thousands) for travel-arrangement related services rendered by related parties and rent income of TL 1,151 thousands (31 December 2011: TL 497 thousands) for the real estates rented to related parties, are recorded.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial affiliates amounts to TL 128,538 thousands as of 31 December 2012 (31 December 2011: TL 131,217 thousands).

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

None.

5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services

The Bank has agency contracts with certain consolidated subsidiaries namely Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

5.8 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank

5.8.1 Domestic and foreign branches and representative offices of parent bank

	Parent Bank			Total Assets	Legal Capital
	Number of Branches	Number Of Employees	Country		
Domestic Branches	926	17,176			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- England		
	1	1	3- China		
	1	15	1- Luxembourg	13,340,417	928,400
Foreign Branches	1	12	2- Malta	22,002,088	-
	5	79	3- NCTR	607,290	15,520

5.8.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure of parent bank

In 2012, 23 new domestic branches were opened, four branches and one foreign representative office were closed.

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5.8.3 Information on consolidated financial subsidiaries of parent bank

Garanti Bank International NV				
	Number of Branches	Number Of Employees	Country	
Foreign Representative Offices	1	15	1- Turkey	
	1	-	2- Swiss	
	1	2	3- Ukrainian	
				Total Assets
Head office-The Netherlands	1	186	1- Netherlands	6,509,831
Foreign Branches	1	20	2- Germany	4,188,991
				Legal Capital
				EUR 136,836,000
				-

Garanti Bank Moscow				
	Number of Branches	Number Of Employees	Country	
Head Office-Moscow	1	80	Russia	813,049
				US\$ 32,757,364

Garanti Bank SA				
	Number of Branches	Number Of Employees	Country	
Romania Head Office and Branches	78	854	Romania	3,500,589
				RON 1,038,649,142

Other consolidated foreign financial subsidiaries

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Holding BV	-	Netherlands	753,148	EUR 369,088,600
G Netherlands BV	-	Netherlands	796,474	EUR 104,382,821
Motoractive IFN SA	89	Romania	208,758	EUR 40,139,000
Ralfi IFN SA	175	Romania	178,926	EUR 10,661,500
Domenia Credit IFN SA	29	Romania	273,040	EUR 41,094,203

Consolidated domestic financial subsidiaries

	Number Of Employees	Total Assets	Legal Capital
Garanti Finansal Kiralama AŞ	158	2,870,263	73,000
Garanti Faktoring Hizmetleri AŞ	179	1,955,227	21,000
Garanti Emeklilik ve Hayat AŞ	873	4,224,009	50,000
Garanti Yatırım Menkul Kıymetler AŞ	109	57,117	8,328
Garanti Portföy Yönetimi AŞ	55	21,635	10,000
Garanti Yatırım Ortaklığı AŞ (*)	7	34,249	30,000

(*) Financial information is as of 30 September 2012.

5.9 Significant events and matters arising subsequent to the balance sheet date

As a result of the inspections held by the Istanbul Large-Scale Taxpayers Office of the Tax Inspection Board regarding the banking and insurance transaction tax (BITT), it was claimed that the payments made under the name of "service fee" by the Bank's contracted merchants to an institution other than the Bank itself in the years 2007, 2008, 2009 and 2010, should have been collected by the Bank, because of this application the Bank undercalculated the BITT, and accordingly, the Tax Audit Reports for the relevant years were prepared.

The tax audit report and tax/penalty notifications for the year 2007 were sent to the Bank. The audit reports for other years are also expected to be notified. The total tax assessment including fines for the years 2007, 2008, 2009 and 2010 is estimated to be approximately at the level of TL 36,300 thousands. As per the Bank's assessment, the Bank's practice is in compliance with the relevant legislation and the Bank will take legal actions against such assessments of the tax authority.

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6 Other Disclosures

6.1 Other disclosures on activities of parent bank

6.1.1 Summary information on international risk ratings

6.1.1.1 Parent bank's international risk ratings

MOODY'S (July 2012)*

Long Term FC Deposit	Ba2
Long Term TL Deposit	Baa2
Short Term TL Deposit	Prime-2
Short Term FC Deposit	NP
Long Term FC Deposit Outlook	Stable
Financial Strength Rate (FSR)	D+
FSR Outlook	Stable
Long Term National	Aa2.tr
Short Term National	TR-1

STANDARD AND POORS (May 2012)*

Long Term FC Obligations	BB
Long Term TL Deposit	BB
Outlook	Stable
Credit Profile Independent from the Bank's Shareholders and the Rating of its Resident Country	bbb-

FITCH RATINGS (December 2012)*

Foreign Currency

Long Term	BBB
Long Term FC Outlook	Stable
Short Term	F3
Financial Capacity Rate	bbb
Support	3

Turkish Lira

Long Term	BBB
Long Term TL Outlook	Stable
Short Term	F3

National	AAA (tur)
Outlook	Stable

JCR EURASIA RATINGS (April 2012)*

Long Term International FC	BBB- (Stable)
Long Term International TL	BBB (Stable)
Long Term International	AAA (Trk) (Stable)
Short Term International FC	A-3 (Stable)
Short Term International TL	A-3 (Stable)
Short Term National	A-1+ (Trk) (Stable)
Support	1
Independency from Shareholders	A

(*) Latest dates in risk ratings or outlooks.

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6.1.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S (July 2012)*

Long Term FC Deposit	Baa2
Short Term FC Deposit	Prime-2
Long Term Subordinated Funding	Baa2
FSR	C-
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

6.1.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS (July 2010)*

Foreign Currency	
Long Term	BBB- (Stable)
Short Term	F3
Outlook	Stable
Support	2
Turkish Lira	
Long Term	BBB- (Stable)
Short Term	F3
Outlook	Stable
National	
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

6.1.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary

FITCH RATINGS (July 2012)*

Foreign Currency	
Long Term	BBB- (Stable)
Short Term	F3
Outlook	Stable
Support	2
Turkish Lira	
Long Term	BBB- (Stable)
Short Term	F3
Outlook	Stable
National	
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

STANDARD AND POORS (May 2012)*

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Stable

(*) Latest dates in risk ratings or outlooks.

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6.1.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary

FITCH RATINGS (November 2012)*

Foreign Currency

Long Term	BBB-
Short Term	B
Outlook	Stable

6.1.2 Dividends

At the annual general assembly of the Bank dated 12 April 2012, it was decided to distribute the profit of the year 2011 as follows:

2011 PROFIT DISTRIBUTION TABLE

2011 Net Profit	3,070,575
A - I. Legal reserve (Turkish Commercial Code 466/1) at 5%	(153,529)
Undistributable funds	(193,695)
B - First dividend at 5% of the paid-in capital	(210,000)
C - Extraordinary reserves at 5% after above deductions	(135,352)
D - Second dividend to the shareholders	(390,000)
E - Extraordinary reserves	(1,948,999)
F - II. Legal reserve (Turkish Commercial Code 466/2)	(39,000)

6.1.3 Other disclosures

In accordance with its decision dated 2 November 2011 and numbered 11-55/1438-M, the Competition Board initiated proceedings pursuant to the Law on the Protection of Competition numbered 4054 against 12 banks and 2 related institutions (including the Bank and two of its subsidiaries) with significant market shares in the Turkish Banking industry to determine whether they have entered into agreements restricting competition or to determine whether they have engaged in concerted practices as regards to the interest rates applied to banking products. The proceedings are still pending and the potential outcome cannot be determined at this point, therefore there is no provision made in the accompanying consolidated financial statements as of 31 December 2012.

7 Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2012, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 31 January 2013, is presented before the accompanying consolidated financial statements.

7.2 Disclosures and footnotes prepared by on independent auditors

None.

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CONTACT INFORMATION FOR TÜRKİYE GARANTİ BANKASI A.Ş.

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Telex: 27635 gati tr
SWIFT: TGBATRIS

Website

www.garantibank.com

Trade Registry No

154922

Domestic Branches

Garanti Bank has 926 domestic branches in 78 cities.
Information on domestic branches is available on the
Bank's website.

Information on Social Media

Garanti Bank actively utilizes all interaction channels and
furthermore offers services via social media platforms. You
may follow Garanti on Facebook, Twitter, Google Plus, LinkedIn,
Youtube and Slideshare.

www.facebook.com/Garanti
www.twitter.com/garanti
www.plus.google.com/+garanti
www.linkedin.com/company/garanti-bank/
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SWIFT: TGBALULL

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Strand Towers. 36 The Strand Sliema. SLM 122 Malta
Tel: (356) 232 88 000 Fax: (356) 232 88 160
SWIFT: TGBAMTMT 494

Turkish Republic of Northern Cyprus - Magosa Branch

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Turkish Republic of Northern Cyprus - Girne Carsi Branch

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Turkish Republic of Northern Cyprus - Lefkosa Branch

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Fax: +90 (392) 229 09 81

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