



# RELIABLE

WELL-ESTABLISHED REPUTATION  
BASED ON CUSTOMER-CENTRIC STRATEGY



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# 21 YEARS OF SUSTAINABLE VALUE CREATION

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## CHAIRMAN'S STATEMENT

### GBI'S BUSINESS MODEL OF TRADITIONAL TRANSACTION AND CUSTOMER ORIENTED BANKING WAS PROVEN TO BE A SUCCESS UNDER VARIOUS ECONOMIC CONDITIONS AND MATERIALLY CHANGING REGULATORY REQUIREMENTS.

I am delighted to report that 2011 was the fifth consecutive year of record operating results. In spite of an uncertain macro economic environment, volatile financial markets and looming crisis in Europe, GarantiBank International NV (GBI) performed very well.

Our performance in 2011 once again demonstrated our ability to deliver substantial value for our stakeholders. Our net profit was EUR 53.6 million, which is 14 percent higher than that of 2010. The balance sheet also grew by 16 percent. On the asset side, the main contributor to the balance sheet growth was "Loans and Advances" which increased by 32 percent, whereas on the liability side funds entrusted from banks and clients went up by 31 and 11 percent respectively.

All business lines contributed strongly to the 2011 results. Trade Finance remained the key business line with on-balance sheet assets of almost EUR 1.5 billion, which was 5 percent less than previous year, although commission income increased by 11 percent. Private Banking served its high net-worth clientele as a specialized boutique service provider acquiring new clients and enjoying high loyalty among them. Structured Finance continued to grow in four specialized segments; Islamic finance, shipping finance and project finance as well as cash management.

Pursuing a prudent funding strategy, GBI maintained a diversified liability profile. Retail savings continued to be an important source of funding owing to its well-established position in Dutch and German retail markets. GBI also increased its wholesale funding substantially. On average, cost of funding spread of the Bank came down compared to the year before.

In 2011, we have finalized an initial assessment of our level of compliance with the Basel III capital and liquidity standards which will gradually come into effect from 2013 through 2019. We are of the opinion that GBI is well positioned for timely compliance with the Basel III rulings. In August, we have drafted our Internal Capital Adequacy Assessment Process (ICAAP) report in which we explain our assessment of the required capital levels that we derive using risk quantification models, stress tests and the qualitative analyses for the identification and assessment of risks that are associated with our banking activities.

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# 14% PROFIT GROWTH

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OUR PERFORMANCE IN 2011 ONCE AGAIN DEMONSTRATES OUR ABILITY TO DELIVER SUBSTANTIAL VALUE FOR OUR STAKEHOLDERS.

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The Managing Board proposed the Supervisory Board the creation of a new department: "Risk Management, Control and Reporting" in which we combine Risk Management, Financial Control, Management Reporting and Internal Control functions. The Managing Board also proposed to appoint an Executive Director responsible for this new department, which was approved by the Supervisory Board in its meeting of 12 January 2011.

It is inspiring to see the way our team of people works together and strives to improve our collective performance. Their commitment, talent and integrity, throughout the year, have led to the delivery of this remarkable 2011 result.

GBI's business model of traditional transaction and customer oriented banking was proven to be a success under various economic conditions and materially changing regulatory requirements. I expect 2012 to present new opportunities as well as challenges with uncertainties regarding the Eurozone in particular and the global economic outlook in general. GBI is well-positioned to achieve its targets in this environment by continuing to pursue its straightforward and risk-averse banking approach with a focus on serving its customers. I expect 2012 to be another year of strong performance for the Bank.

2012 is an important milestone being the 400th anniversary of the start of diplomatic relations between Turkey and The Netherlands. GBI will also support various social and cultural activities which are organized for this occasion.

On behalf of the Supervisory Board, I would like to thank all of our people for their hard work during the past year. Our thanks also go to our shareholder, whose continued support to GBI has helped us achieve record levels of performance in 2011.

Amsterdam, 22 March 2012

**S. Sözen**  
Chairman of the Supervisory Board

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# REPORT OF THE SUPERVISORY BOARD

**DESPITE THESE GLOBAL UNCERTAINTIES, GBI'S RESULT IN 2011 WAS OUTSTANDING, DRIVEN BY TWO FACTORS: (1) A STRONG AND LOYAL CLIENT BASE AND (2) FOCUSED COMMITMENT AND DEDICATION TO SERVE OUR CLIENTS WITH DILIGENCE.**

## GENERAL

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2011 was a period of strong performance for GarantiBank International N.V., in the context of a challenging year. GBI had to deal with uncertainty about the global economy, European sovereign debt crisis and volatile financial markets. The developments regarding international and national supervision and regulation, as well as the banking industry in general, alleviated the challenges stemming from this environment. Despite these global uncertainties, GBI's result in 2011 was outstanding, driven by two factors: (1) A strong and loyal client base and (2) Focused commitment and dedication to serve our clients with diligence.

The Supervisory Board supervises the policies of the Managing Board and the general course of affairs of GBI and advises the Managing Board thereon. The Supervisory Board, in the two-tier corporate structure under Dutch law, is a separate and independent body from the Managing Board.

## FINANCIAL STATEMENTS

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The annual accounts were prepared by the Managing Board and audited by KPMG Accountants N.V. who issued an unqualified opinion dated 22 March 2012. In compliance with the provisions of the Articles of Association of GarantiBank International N.V., the Supervisory Board has examined the auditor's report and the financial statements for the year 2011. The Supervisory Board advises and proposes that the Shareholder adopts the 2011 financial statements at the Annual General Meeting of Shareholders on 12 April 2012.

The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharges the Managing and Supervisory Board for their respective management and supervision during the financial year 2011.

## FINANCIAL STATEMENT AND PROPOSED DIVIDEND

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This annual report includes the financial statements as prepared by the Managing Board. In accordance with Article 27, paragraph 4 of the Articles of Association, these accounts were audited by KPMG Accountants N.V. and in accordance with Article 29 will be adopted at the Annual General Meeting of Shareholders on 12 April 2012. The Supervisory Board adopted the Managing Board's proposal to transfer the net profit over 2011 (EUR 53.6 million) to the other reserves, rather than declaring a dividend.

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## COMPOSITION OF THE SUPERVISORY BOARD

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The Supervisory Board currently consists of six members. The Supervisory Board aims for an appropriate combination of knowledge and experience amongst its members in relation to the international and multi-product character of GBI's businesses. As a consequence, the Supervisory Board aims for an appropriate level of experience and expertise in the commercial, economic, financial and risk management aspects of the international banking business.

The full profile description of a member of the Supervisory Board can be found in the "charter governing the supervisory board", which is published on our internet website.

The Supervisory Board is composed of the following members:

Name	Year of birth	Position	Membership since	End of term
S. Sözen	1946	Chairman	1998	2013
A. Acar	1954	Vice-Chairman	2002	2014
H. Akhan	1953	Member	2003	2012
T. Gönensin	1962	Member	2000	2012
E. Özen	1960	Member	2001	2013
F. Şahenk	1964	Member	2002	2012

Members of the Supervisory Board are elected for a maximum term of three years. Messrs. Akhan, Gönensin and Şahenk are due to resign by rotation on 12 April 2012. The Supervisory Board will consider these board members to be nominated for reappointment by the Shareholder for a new term in the general meeting of shareholders of 12 April 2012. GBI benefited greatly from the international banking experience and know-how of Mr. Akhan and also from his valuable contribution to the Audit and Risk Management Committee of which he was a member. Mr. Gönensin in his capacity as a member of the Extended Credit Committee was a crucial member of the Supervisory Board, not only for his vast credit experience but also for his international commercial banking knowledge from which GBI benefited extensively. We are very thankful to Mr. Şahenk who provided an excellent vision and inspiration to GBI's team while guiding the Bank to achieve successful results throughout the years.

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## REPORT OF THE SUPERVISORY BOARD

### COMPOSITION OF THE MANAGING BOARD

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The Managing Board is composed of the following members:

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

### SUPERVISORY BOARD MEETINGS

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The Supervisory Board met on 6 occasions in the reporting period and all members of the Supervisory Board frequently participated in these meetings. The Managing Board was present in all meetings. In each meeting the current business, strategic developments, risk management and the performance of the Bank were extensively discussed within the context of the global economic circumstances. Furthermore, significant time was devoted to discussions regarding increased supervision and changing international and national regulations. The 2010 financial statements were discussed, in presence of the external auditor, in the supervisory board meeting of 29 March 2011. This included all the related reports and the management letter. During the year the Chairman of the Supervisory Board was in close contact with the Chief Executive Officer.

### SUPERVISORY BOARD SUBCOMMITTEE MEETINGS

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While retaining overall responsibility, The Supervisory Board assigns certain tasks to three permanent committees: the Audit and Risk Management Committee (in which compliance issues are discussed as well), the Credit Committee and the Remuneration Committee.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

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**Members: Mr. A. Acar and Mr. H. Akhan**

The Audit and Risk Management Committee assists the Supervisory Board in the following: (i) monitoring GBI's systems of financial risk management and internal control; (ii) compliance issues regarding, regulations and internal policies; (iii) internal/ external audits and the content of the financial statements/reports; (iv) advising the Managing Board on corporate governance matters. The Audit and Risk Management Committee discussed the reports issued by the external auditor KPMG Accountants and its audit plan, the main findings and conclusions of the internal audit reports, the audit status report and the financial and non-financial risk management reports. In 2011, the Audit and Risk Management Committee met twice. The external auditor participated in these meetings. In the second meeting of the audit committee, the external auditor presented its plan for the audit of the financial statements 2011. In both meetings the Internal Auditor presented and explained the internal audit reports, the audit status report, the audit planning and the progress on it and the audit charter. The Risk Manager of the bank presented and explained the committee in its meetings the impact of revised regulations (such as country risk policy, large exposure regime and liquidity framework) and the different reports submitted to the Dutch Central Bank such as the ICAAP and the Basel III migration plan.

## CREDIT COMMITTEE

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**Members: Mr. S. Sözen, Mr. E. Özen and Mr. T. Gönensin**

The Credit Committee of the Supervisory Board (Extended Credit Committee (ECC)) is the ultimate body that takes a final decision on a credit proposal that has been approved by the Amsterdam Credit Committee (ACC) but has a proposed credit amount that exceeds the authority of the ACC. Approval of two out of three members of ECC is mandatory for granting such a facility.

Like previous years, the Chairman of the ECC paid many visits to the bank in 2011 to discuss the bank's corporate credit portfolio and possible loan loss provisions. These discussions took place in a joint meeting with the Amsterdam Credit Committee and in the presence of the related account managers and credit officers.

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## REPORT OF THE SUPERVISORY BOARD

### REMUNERATION COMMITTEE

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

The Remuneration Committee of the Supervisory Board met two times in 2011. In the first meeting the revised Remuneration Policy was extensively discussed. This policy has been aligned with the “Guidelines on controlled Remuneration Policy” of the Dutch Central Bank. The revised Remuneration Policy has been approved by the shareholder in its meeting of 14 April 2011. The Committee discussed the 2011 salary structure of the bank, the labour conditions of the employees and the health and pension insurance paid by the bank. In the second meeting of the Committee the interim report on the implementation of the Banking Code of the Monitoring Committee has been discussed. The Committee touched upon the personnel salary forecast for 2012 and advised the Managing Board of caution in granting salary increases.

### BANKING CODE

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On 9 September 2009, the Dutch Banking Association issued the Banking Code. The Banking Code, which became effective on 1 January 2010, lays out the principles by which Dutch banks should conduct themselves in terms of corporate governance, risk management, audit and remuneration. The Banking Code applies to all activities in the Netherlands performed by banks that have a banking license granted under the Financial Supervision Act. The Banking Code uses the ‘comply or explain’ principle, which means that banks in principle shall apply all principles of the Banking Code.

### GOVERNANCE

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Effective corporate governance in accordance with high international standards is fundamental to our existence. The Supervisory Board will ensure a responsible, value-driven management and control of GBI through strong corporate governance, which has four key-elements: good relations with stakeholders, effective cooperation between Managing and Supervisory Board, a sound remuneration policy for all staff and a transparent reporting system. The existing “Code of the Supervisory Board” has been replaced by a more comprehensive “Charter Governing the Supervisory Board”. The content of this charter is taken from the articles of association, the Dutch Banking Code, the Dutch Corporate Governance Code and the Netherlands

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# STRONG RISK MANAGEMENT

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

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Civil Code. The charter is about the responsibilities and integrity of the Supervisory Board, the approval of decisions of the Managing Board and about the structure of the Supervisory Board (such as (re)appointment, rotation plan, retirement, meeting schedule, adoption of resolutions, conflict of interests, permanent education). The charter describes the different committees of the board, the co-operation with the Managing Board and includes a Supervisory Board profile. Also the individual personal details of each board member are described. The charter has been approved by the Supervisory Board in its meeting of 10 January 2012. GBI will further enhance the diversity in the composition of the Supervisory Board by increasing the number of independent members.

## MORAL AND ETHICAL CONDUCT DECLARATION

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The members of the Managing Board have signed the moral and ethical conduct declaration. By this declaration the members declare to perform their duties as bankers with integrity and care while giving high priority to the customers' interests. The moral and ethical conduct declaration is published on our internet website.

## PERMANENT EDUCATION

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GBI has decided to organize an annual permanent education program/training for both the Managing and Supervisory Boards as required by the Banking Code. Each year an important subject will be touched upon in the form of a workshop/training. In 2010, the Corporate Governance in the Netherlands was the chosen topic, while in 2011, the Regulatory Developments in European Financial System were presented and discussed in detail.

## RISK MANAGEMENT

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As a financial institution, GBI is exposed to a variety of risks. To ensure measured risk taking, GBI has integrated risk management in its daily activities and strategic planning. The Risk Management Department assists the Bank with the formulation of its risk appetite, risk strategy and policies and provides an overview, supervision and support function for the Bank on risk-related issues. In beginning of 2011, the Managing Board proposed to the Supervisory Board to promote Dr. M.Ö. Şişman, Manager of the Risk Management Department, to Executive Director of the newly

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## REPORT OF THE SUPERVISORY BOARD

established division “Risk Management, Control and Reporting”. By this, risk management is embedded in the daily management of the Bank even more. Risk Management is an ongoing topic in the meetings of the Supervisory Board and in the meetings of the Supervisory Board’s Audit and Risk Management Committee. Requirements of the Banking Code with regards to risk management are met adequately. More information can be found related with the governance around the risks and implementation of risk appetite in the “Risk Management” section of this report.

### PRODUCT APPROVAL PROCESS

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The Product Approval Process (‘PAP’) has been documented in a procedure which has been approved by the Managing Board. The PAP covers the process starting from the first ideas for a new product until the moment of introduction. Products, services or statements that will go through the product approval process shall not be introduced to the market or distributed to various channels without prior careful examination of the risks for the bank as well as for the client and without approval of the New Product Development Committee (NPDC). This committee, which consists of various executive directors supplemented with the head of the internal audit department for monitoring purposes, is the ultimate body to approve or disapprove the introduction of a new product/service. In 2011, only 2 introductory proposals went through the PAP.

### AUDIT

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GBI meets all audit requirements as mentioned in the Banking Code. An independent Audit Department reporting directly to the Managing Board and the Audit and Risk Management Committee of the Supervisory Board is in place. The Manager of the Audit Department is always present in the meetings of the Audit and Risk Management Committee. Also, the external auditor takes part in the Audit and Risk Management meeting, preceding the meeting of the Supervisory Board, in which the reports of the external auditor are discussed. In the yearly tri-partite meeting with the Dutch Central Bank, the external auditor and GBI, the head of the internal audit department is an important participant.

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## REMUNERATION

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The Remuneration policy which was in line with the Banking Code has been amended to be in line with the new “Guidelines on controlled Remuneration Policy” of the Dutch Central Bank. Although banks should be in compliance with these new guidelines as of 1 January 2011, the Dutch Central Bank granted some implementation time till 31 March 2011. The Remuneration Committee advised and proposed to the shareholder to adopt an amended remuneration policy at the annual meeting of shareholders. Consequently, the Remuneration Policy has been approved by the shareholder in its meeting of 14 April 2011. GBI will not meet the requirement of the Guidelines on controlled Remuneration Policy that at least 50 percent of the variable remuneration shall consist of equity-linked or similar non-cash instruments because (i) the Bank is not listed and (ii) it is against parent company policy.

Despite the problems the European economy has faced in 2011, GBI performed well in the year under review, following twenty successful years of existence of the Bank. The Supervisory Board would like to thank the members of the Managing Board and all staff for their hard work and commitment to the Bank. The employees of GBI have served the interest of the customers, the shareholder and other stakeholders with immense enthusiasm, devotion and professionalism with great risk awareness.

Amsterdam, 22 March 2012

### **SUPERVISORY BOARD**

Mr. S. Sözen (Chairman)  
Mr. A. Acar (Vice-Chairman)  
Mr. H. Akhan  
Mr. T. Gönensin  
Mr. E. Özen  
Mr. F. Şahenk

# REPORT OF THE MANAGING BOARD

## KEY FIGURES

(in thousands of EURO)	2011	2010	2009	2008	2007
Total assets	4,109,706	3,532,011	3,657,295	3,626,714	3,394,847
Banks (assets)	948,042	1,109,343	719,880	1,099,027	1,195,132
Loans and advances	1,854,225	1,408,250	1,593,198	982,645	1,107,733
Banks (liabilities)	781,381	596,972	608,327	915,453	892,658
Funds entrusted	2,760,777	2,486,422	2,605,140	2,217,134	2,025,362
Subordinated liabilities	46,408	45,690	53,749	78,007	78,007
Shareholders' equity (including result after tax)	375,882	325,818	279,534	252,301	217,140
Operating result before tax and value adjustments	70,554	69,487	63,132	52,565	46,075
Result after tax and value adjustments	53,622	46,997	27,881	34,827	35,011
Foreign branches and representative offices	4	4	5	6	6
Capital adequacy ratio % *	19.06	16.03	13.78	12.08	14.38
Cost to income ratio % **	33	31	38	41	40
Return on average equity ***	16.55	16.83	11.06	16.03	19.22
Return on average assets	1.40	1.31	0.77	0.99	1.12
Total average number of employees	209	413	847	763	422

\* Capital adequacy ratio calculations are based on Basel II as of 2008. For 2007, the capital adequacy ratio under Basel II is 12.31%. As of 2009, the ratio is calculated including the result for the year.

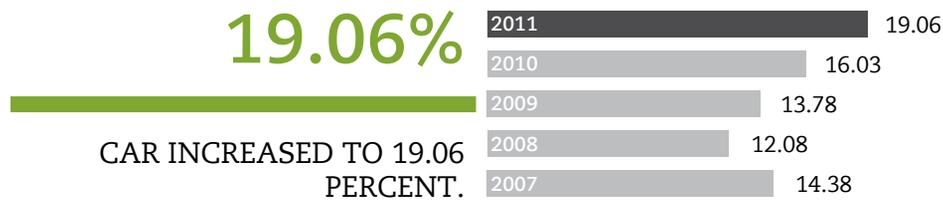
\*\* Cost to income ratio is calculated using total expenses and total income. Value adjustments to tangible fixed assets and value adjustments to receivables are excluded

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

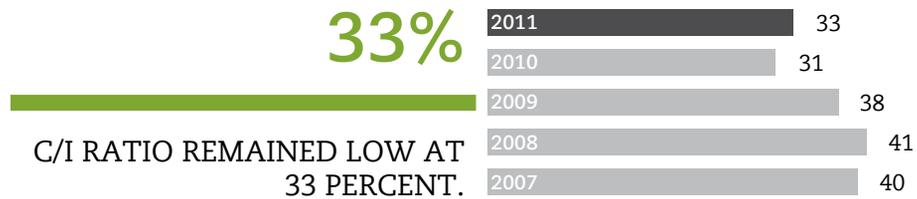
## CREDIT RATINGS

Moody's	
Bank Deposits	Baa1/P-2
Bank Financial Strength	C-
Subordinate - Domestic Currency	Baa2
Outlook	Stable

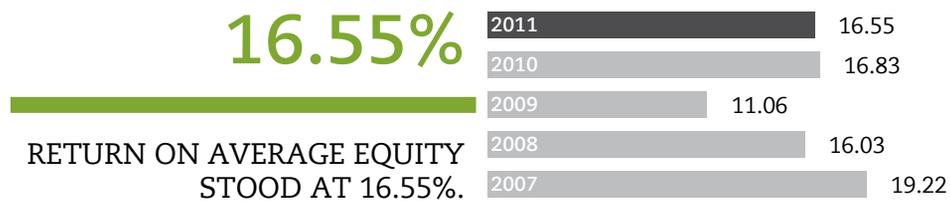
## CAPITAL ADEQUACY RATIO (%)



## COST TO INCOME RATIO (%)



## RETURN ON AVERAGE EQUITY (%)



## THE START OF 2011 WAS CHARACTERISED BY HIGH EXPECTATIONS REGARDING A GLOBAL MANUFACTURING BOOM AND RISING CONSUMER DEMAND IN EMERGING MARKETS.

### ECONOMIC OUTLOOK

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The start of 2011 was characterised by high expectations regarding a global manufacturing boom and rising consumer demand in emerging markets. Financial assets as well as commodity prices were on the rise, reaching to levels not seen since the crisis, causing inflation concerns to build up. The financial markets remained on a positive trajectory although various shocks led to heightened volatility.

Against this backdrop, monetary policies and inflation stances of major central banks differed remarkably; while the US Federal Reserve Bank was continuing with the second tranche of quantitative easing, the European Central Bank ('ECB') hardened its hawkish approach and signalled the start of the rate hike cycle early in 2011. On the other hand, major emerging markets' central banks, with the exception of that of Turkey, saw risks tilting towards inflation and started hiking official lending rates.

In Europe, economic outlook turned increasingly more complicated with a north-south or core-periphery divide becoming more pronounced. Among peripheral countries Greece, Ireland and Portugal were forced to receive financial assistance from EFSF, European Financial Stability Facility to solve short term liquidity issues.

At the end of the first quarter of 2011, the manufacturing boom started to cool abruptly as the shock to the global supply chain caused by the earthquake in Japan magnified the turn in the global inventory cycle and high commodity prices started to damage global demand. In Europe, fiscal tightening, imposed to address solvency issues, caused further concerns with respect to the growth prospects for the region. Markets responded sharply to growing evidence of a slowdown in demand momentum. Nonetheless, the ECB went ahead with the rate hike cycle and raised its benchmark rates two times by 25 basis points each. Half of the increase, however, was removed by ECB, in November, at the first meeting headed by its new president Mario Draghi, bringing the official lending rate down to 1.25 percent, before reducing it to 1% in December.

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# EUROPE IN CRISIS

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AS THE YEAR ADVANCED, GLOBAL MARKETS BECAME INCREASINGLY MORE PREOCCUPIED WITH THE EUROPEAN DEBT CRISIS.

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As the year advanced, global markets became increasingly more preoccupied with the European debt crisis. Confidence with respect to a comprehensive resolution declined. Credit markets came under pressure, spreads went considerably up, capital markets functioned poorly and even the long term viability of Eurozone started to be questioned. Several EU summits took place throughout the year, most notable the ones in July, October and December as EU leaders appeared determined to solve immediate issues and lay down the groundwork for a resolution of the deep rooted structural problems that led to the debt crisis in the first place.

On the other side of the Atlantic, The United States lost its top-tier AAA credit rating from Standard & Poor's ('S&P') in August 2011 in an unprecedented blow to the world's largest economy in the wake of a domestic political battle. The move reflected the deterioration in the global economic standing of the United States, which has had a AAA credit rating from S&P since 1941.

Throughout the year, it seemed that the global turmoil was not abating and the markets were predominantly driven by political news. The financial markets' sentiment alternated from risk on to risk off almost arbitrarily. With increased government interventions some market segments remain dysfunctional, while others displayed significantly reduced liquidity and extreme volatility.

Emerging Markets ("EM") were far from immune to troubles in Europe and elsewhere. In spite of their stronger debt dynamics compared to the developed world, they came under pressure due to their specific weaknesses and deterioration in global risk appetite. Capital outflows became an issue as opposed to the inflows in 2010, and EM assets performed poorly in general. Nonetheless they remained to be a critical part of the global economic equation, delivering growth significantly above that of the developed world.

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## REPORT OF THE MANAGING BOARD

Central and Eastern Europe ('CEE') region was a clear underperformer as it faced the strongest headwinds among emerging markets due to close economic ties with Europe. The sharp deterioration in the external growth and financing environment resulted in continued risk aversion in the region during 2011. If the crisis in Europe escalates in 2012, the CEE countries are likely to be vulnerable to capital flight, financial instability and social unrest.

ECB's unprecedented three year financing facility LTRO (Long Term Refinancing Operations) which took place in late December was met with huge market enthusiasm and high participation reaching to EUR 490 billion. It marked a turning point in terms of the ECB's attitude towards handling the crisis and the risk sentiment in financial markets. The LTRO is widely credited for helping to avert a major credit crunch and a possible collapse of euro-region banking sector.

In 2011, the global economy grew by an estimated rate of 3.8 percent, while the US and Euro-16 growth rates were around 1.6 percent and 1.2 percent respectively. Emerging markets are estimated to have recorded a growth rate of 6.7 percent while developed markets' growth rate was around 2.0 percent. China led the growth by 9.0 percent. In the last quarter of the year, the Eurozone economy contracted by 0.3 percent.

In 2011, global inflation is expected to be at average 2.6 percent, with 1.9 percent and 5.8 percent in developed and emerging markets respectively. In spite of a high level of slack in the advanced economies, overhang of debt and anaemic demand, elevated commodity prices kept the headline inflation readings at high levels. Most notably in the Eurozone, year-end consumer price inflation was 2.8 percent, considerably above the target of ECB while in US it stood at 3.0 percent

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# LOOKING AHEAD

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2012 STARTS WITH THE TUG-OF-WAR BETWEEN THE NEGATIVE EFFECTS OF THE EUROPEAN DEBT CRISIS AND THE POSITIVE EFFECTS OF MONETARY REFLATION AND GLOBAL ECONOMIC IMPROVEMENT.

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Turkey remained one of the fastest growing countries in the world with an estimated growth rate of 8.5 percent in 2011. Overheating was seen as the major risk, particularly due to high credit growth and current account deficit. The current account deficit ended the year at USD 77 billion or approximately 10 percent of GDP, although it showed signs of moderation towards the end of the year. Fiscal performance was impressive; Turkey's budget deficit fell by an enviable 56.5 percent during 2011 compared to 2010 to USD 9.36 billion, which is 1.4 percent of GDP. Turkey managed to attract USD 15.7 billion of foreign direct investment (FDI) in 2011, despite the economic and political volatility raging around the country. The amount of investments channelled into Turkey last year, including real estate acquisitions and loans injected into local firms from foreign partners, has increased by 74 percent compared to 2010. With the outgoing FDI taken into consideration, the net amount of foreign capital Turkey received in 2011 stood at USD 13.4 billion, corresponding to an increase of 77 percent over 2010's USD 7.5 billion. Consumer price inflation ended the year at 10.6 percent.

2012 starts with the tug-of-war between the negative effects of the European debt crisis and the positive effects of monetary reflation and global economic improvement. Although the latter seems to be winning with a positive momentum at the outset of the year there is a huge number of uncertainties and possible outcomes ranging from very adverse to reasonably favourable. Another major concern for the year ahead is politics; both domestic as well as geopolitical. Many countries are facing elections and even more countries are suffering public upheavals due to their economic situation. Most notably, though never calm and stable, the Middle East has recently become very volatile even by its own standards. The covert war between Iran and Israel continues to gain heat and traction, while Syria is heading to a civil war. Due to the region's geographical significance as a major oil supplier, the developments in the region is a serious cause of concern. Financial markets, other than oil which partly prices a political risk premium, do not seem to take political risks sufficiently into account. Entering 2012, at this critical economic juncture, political developments must be watched with caution with respect to both policy implementation and event risks.

## NET RESULT AFTER TAX STOOD AT EUR 53.6 MILLION, WHICH IS AN INCREASE OF 14 PERCENT COMPARED TO 2010.

### FINANCIAL ANALYSIS

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In 2011, the operating result before tax and value adjustments amounted to EUR 70.6 million, which is almost two percent higher than in 2010 (EUR 69.5 million). Net result after tax stood at EUR 53.6 million, which is an increase of 14 percent compared to 2010 (EUR 47.0 million).

When the impact of the Romanian operations, which were sold in 2010, is excluded from the 2010 result, the main contributor to the growth in the 2011 operating result was net commission income, whereas net interest income and result on financial transactions also increased, though more moderately. The increase in total income was partially offset by an increase in administrative expenses.

Excluding the Romanian operations from the 2010 figure, the net interest income increased by EUR 1.2 million. Positive results on sales of interest-bearing securities from the investment portfolio amounted to EUR 5.5 million which is EUR 14.6 million lower than in 2010 (EUR 20.1 million). This was offset by increased interest income from the higher average loan book during 2011 compared to 2010.

Net commission income amounted to EUR 32.8 million which is 21.7 percent or EUR 5.9 million higher compared to the 2010 figure excluding the Romanian operations. This increase is attributable to the Bank's trade finance activities (EUR 6.0 million) and structured finance activities (EUR 0.7 million) whereas commission expenses showed an increase of EUR 0.7 million relating to a new syndicated loan received.

Result on financial transactions increased from EUR 7.9 million in 2010 to EUR 11.4 million in 2011. Excluding the Romanian operations in 2010, the increase amounted to EUR 2.5 million. This is mainly derived from foreign exchange dealing (EUR 2.4 million) and security trading (EUR 2.2 million), while other results on financial transactions decreased by EUR 2.1 million.

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# 16% BALANCE SHEET GROWTH

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THE SIZE OF THE BALANCE SHEET INCREASED BY EUR 578 MILLION TO REACH EUR 4.1 BILLION.

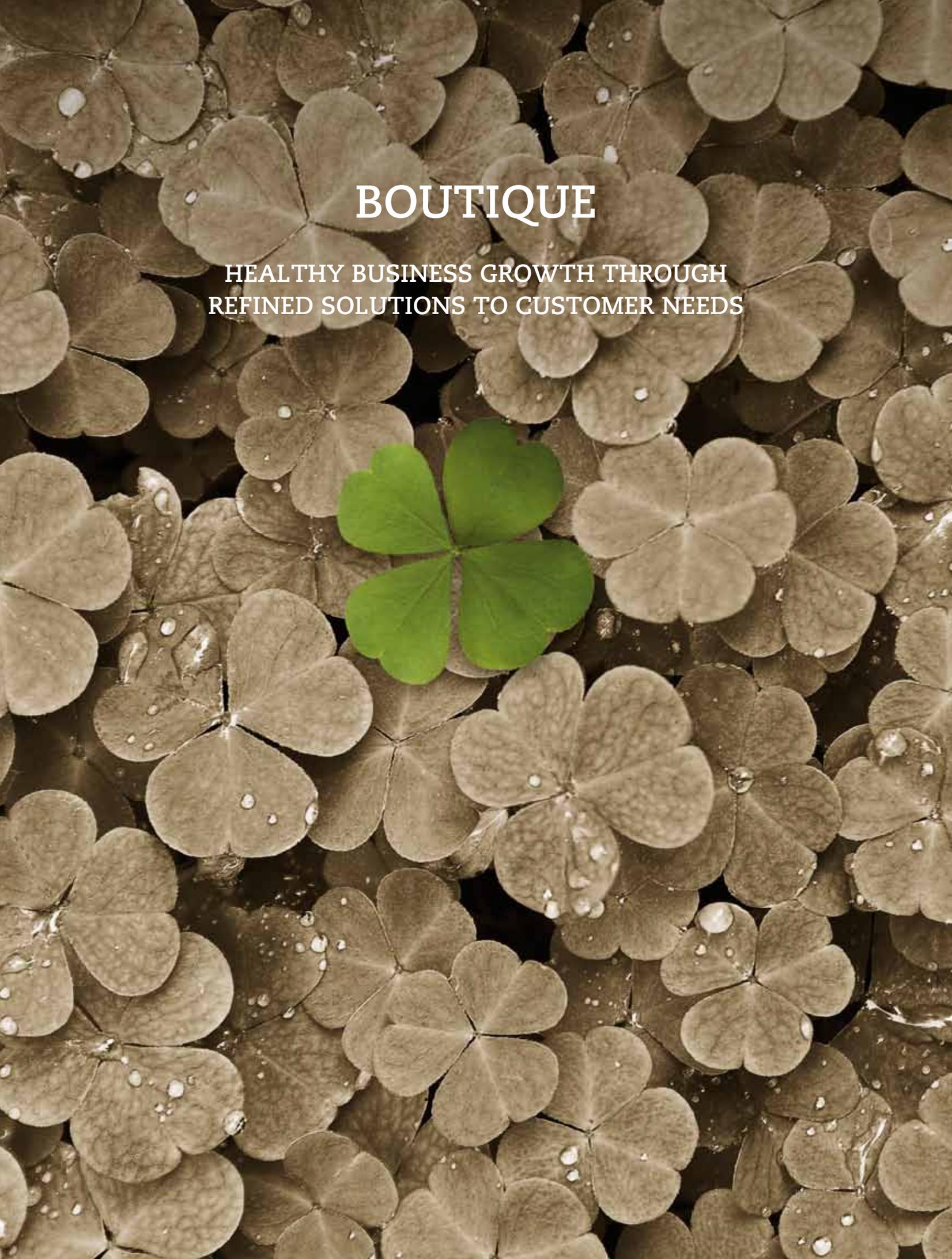
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Total administrative expenses amounted to EUR 33.4 million which is EUR 10.9 million lower than in 2010. Excluding the Romanian operations from the 2010 figure, the total administrative expenses increased by EUR 4.4 million.

Value adjustments to receivables decreased from a EUR 4.2 million addition in 2010 to a EUR 0.7 million release in 2011. Excluding the Romanian operations from the 2010 figure, the value adjustments to receivables increased from a EUR 0.3 million release in 2010 to a EUR 0.7 million release in 2011 due to payments received on provisioned exposures.

The size of the balance sheet increased by 16 percent or EUR 578 million. This increase fully relates to the asset items cash (EUR 315 million) and loans and advances (EUR 446 million), whereas the asset item banks decreased by EUR 161 million. On the liability side of the balance sheet the increase is attributable to the items banks (EUR 184 million), funds entrusted (EUR 274 million) and accruals and deferred income (EUR 90 million).

The contingent liabilities showed an increase of EUR 47 million, which was mainly realized in irrevocable letters of credit (EUR 26.0 million) and other commitments (EUR 18.7 million).

The image features a dense, textured background of dried, brown clover leaves. Each leaf is a four-leaf clover, and they are scattered across the entire frame. In the center of the image, there is a single, vibrant green four-leaf clover, which stands out prominently against the monochromatic brown background. The lighting is soft, highlighting the intricate vein patterns on the leaves and the glistening texture of the dried foliage.

# BOUTIQUE

HEALTHY BUSINESS GROWTH THROUGH  
REFINED SOLUTIONS TO CUSTOMER NEEDS

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FAST, ACCURATE,  
INNOVATIVE, TAILOR-MADE  
AND COUNTRY SPECIFIC  
SOLUTIONS AIMED UTMOST  
CLIENT SATISFACTION

BEING A RELIABLE BOUTIQUE FINANCIAL SERVICES PROVIDER, GBI STAYED AHEAD OF COMPETITION BY QUICKLY ADAPTING TO NEW MARKET CONDITIONS. THE BANK'S EXPERTISE IN LOW RISK NICHE MARKET SEGMENTS AND FOCUS ON CUSTOMER ORIENTED TRANSACTION BANKING ENSURED EXCELLENT PERFORMANCE IN 2011.

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

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**BUSINESS DEVELOPMENTS**

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**TRADE FINANCE**

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GBI Trade Finance (“TF”) is a “global boutique” facilitating and supporting trade flows around the world. GBI’s trade financing solutions are fast, accurate, innovative, tailor-made and country specific. Other banks in developed and emerging markets, physical commodity traders, importers, exporters, producers and other service providers engaged in international trade form a substantial part of the client base of “TF”.

The competitive advantage of GBI lies in its commodities expertise, regional expertise, risk management expertise and its well-established relationships with the trade finance market actors. Such competitive advantages are harnessed and delivered in such a unique “global boutique” style that our clients and counterparties instantly experience the benefits of our fast decision-making and seamless execution while they appreciate that GBI is not a swing-financier but a reliable and comforting trade-financing partner that they can trust. As a result, GBI stays resilient during market downturns while maintaining valued relationships and adding new ones. And during growth episodes, the Bank benefits commercially by quickly responding to the expanding requirements of its clientele and add value to the global trade flows and their participants.

For 2011, WTO estimates the volume of global merchandise exports to grow in real terms by 5.8 percent while the value of such exports in 2010 was USD 14.9 trillion. Research reveals that emerging markets’ exports in world trade is reaching to the half of the volume while intra emerging market trade is about to take 15 percent share. Clearly, the weight of emerging markets in world trade is a fact. And such weight is set to advance further unless natural disasters, disturbing geopolitical or protectionist events take place. Owing to its in-depth expertise in emerging markets, GBI has been well-placed for future growth opportunities.

2011, and especially its second half, witnessed unprecedented macro-economical challenges. While peripheral eurozone countries’ sovereign debt problems spilled over to the rest of the eurozone and pressurized the single currency and its member states, USA lost its AAA sovereign credit rating. US dollar funding costs soared and many prominent European financial institutions’ capital adequacy and liquidity positions were severely deteriorated. As a result of such systemic challenges, the

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## 20% ASSET GROWTH

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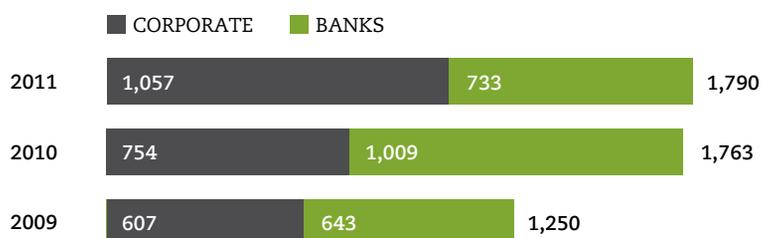
AVERAGE TRADE FINANCE ASSETS DURING 2011 GREW BY MORE THAN 20 PERCENT OVER 2010, RIVETING GBI'S ENHANCED CAPABILITY IN SUPPORTING ITS CLIENTELE.

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availability of liquidity for trade financing has become an issue. Throughout these extraordinarily challenging times, GBI successfully managed to support its trade financing clients and counterparties in a robust manner by constantly allocating required liquidity and expertise.

CHART-1 TOTAL TF ASSETS BY COUNTERPARTY (EUR MILLION)

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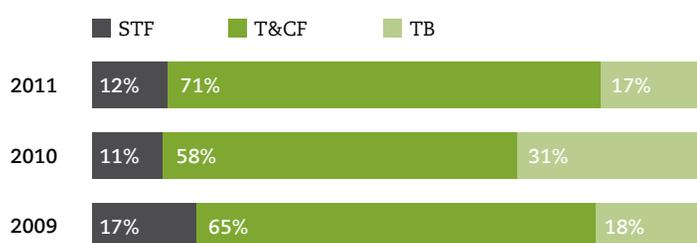
The size of total “TF” assets per borrowing counterparty including on and off balance sheet assets as per the end of the last three years is displayed in Chart-1. Although the total assets at the end of 2011 in comparison to the previous year seem not to have changed significantly, corporate counterparty allocations increased remarkably. In further detail, the average “TF” assets during 2011 grew by more than 20 percent over 2010, riveting GBI’s enhanced capability in supporting its clientele during a year of unprecedented macro-economic challenges.

At GBI, trade finance universe consists of two strategic business units (“SBUs”): Origination and Distribution (“O&D”) which is composed of Trade Banking (“TB”) and Structured Trade Finance (“STF”), and Trade & Commodity Finance (“T&CF”). “TB” mainly deals with financial institutions’ credit risk and extends support to local and global banks in syndicated loans and bilateral trade related facilities. Furthermore, “TB” is also responsible for risk distribution to various counterparties. “STF” is purely corporate risk driven and is mostly a syndicated lending activity covered by the borrower’s trade flows next to its financial strength. At “T&CF”, the clients are corporate entities. Through this window, trade finance solutions are constructed for each individual trade flow and thus self-liquidating short-term transactional lending is provided to physical commodity traders and other corporate clients while securing the risk with underlying merchandise and trade receivables such as letters of credit.

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## REPORT OF THE MANAGING BOARD

CHART-2: TOTAL TF ASSETS BY SBUs



As graphically illustrated in Chart-2, “TF” did prioritize “T&CF” business in 2011. Increasing demand of GBI’s valued corporate clients for “T&CF” products coupled with the Bank’s well-established and appreciated capabilities in this field, regulatory constraints related to “O&D” segment and yield differentials across product groups are the chief reasons of 2011 allocation. Having said that, the risk profiles for “TB”, “STF” and “T&CF” activities did not significantly change compared to 2010.

CHART-3: CORPORATE LENDING BY COMMODITIES

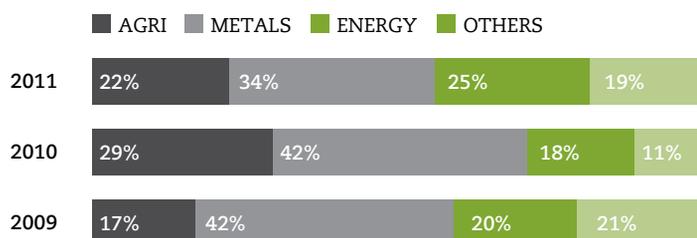


Chart-3 displays the progress of commodity finance related corporate lending, the engine of trade financing at GBI, offered through “T&CF” and “STF” windows. 2011’s composition demonstrates a better sector diversification owing to our efforts to expand further into energy, such as coal and fuels, and other commodities such as chemicals and electronics.

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# GLOBAL BOUTIQUE

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GBI TRADE FINANCE WILL CONTINUE SERVING ITS VALUED CLIENTELE WITH PASSION AND MODESTY, PURSUING ITS CRISES-TESTED, GROWTH-PROVEN, RESILIENT AND REWARDING “GLOBAL BOUTIQUE” APPROACH.

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As a result of asset allocation decisions shifting risk counterparties from financial institutions to corporate entities (see Chart-1) , product allocation decisions prioritizing “T&CF” (see Chart-2) and through better sector diversification (see Chart-3), “TF” not only achieved average asset growth in excess of 20 percent but also delivered pre-tax profit growth in excess of 80 percent. Next to the aforementioned strategic decisions boosting earnings, loan loss provision recoveries within 2011 also had a significant impact on the profitability. The level of 2011 pre-tax “TF” profits surpassed 2008’s peak by more than 50 percent and thus set a new internal record for future challenge. In summary, 2011 has been the best-ever performance of “TF” since GBI’s establishment 21 years ago.

While being profitable, GBI has always prioritized the satisfaction of its clients’ and counterparties and considered being worthy of their trust as non-negotiable because they are the sole reason of the Bank’s existence. Especially during volatile 2011, it was apparent to its clientele that GBI has been a resilient trade financier with a strong, uninterrupted and unaltered commitment to their requirements coupled with equal emphasis on punctual and flawless execution. It is also happy to see GBI winning four medals in Trade & Forfating Review polls during 2011. As an outcome of the precious votes of its clients and counterparties, GBI was awarded with a silver medal in “Best Trade Bank in Forfating” category and with three bronze medals in “Best Trade Bank in Western Europe”, “Best Trade Bank in Eastern Europe” and “Best Trade Bank in Soft Commodities” categories. “TF” is sincerely thankful to each of its clients and counterparties for their votes and trust in GBI.

“TF” will continue serving its valued clientele with passion and modesty, pursuing its crises-tested, growth-proven, resilient and rewarding “global boutique” approach. Pledging itself to provide continuing liquidity and expertise for trade financing, “TF” is committed to deliver best value-adding solutions and constructive risk mitigation techniques to its present and future relationships with high ethical standards.

**GBI PRIVATE BANKING SERVES ITS HIGH NET WORTH CLIENTELE AS A SPECIALIZED SERVICE PROVIDER AIMING AT VALUE CREATION, CAPITAL PROTECTION AND UTMOST CLIENT SATISFACTION.**

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**PRIVATE BANKING**

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GBI Private Banking (“PB”) serves its high net worth clientele as a specialized service provider aiming at value creation, capital protection and utmost client satisfaction.

Services are delivered in two forms: advisory and brokerage, with a high degree of sophistication. All products and services are streamlined to meet each client’s needs, which are identified by the specialist team through an elaborate process. Developing innovative solutions and personalizing them to maximize client satisfaction is the most distinctive feature of the business model which is boutique by its nature. The differentiation is further achieved through high expertise and drive of the team, quality of investment advisory, technological edge in product development and fast, accurate execution in a broad array of products.

“PB” caters to both individual and institutional high net-worth customers, located in various countries, who are active investors in emerging as well as developed markets. Pursuing a customer centric strategy, GBI deems integrity, prudence, reliability and coherency as the basis of long-term relationship with the customers. GBI’s aim is to position as the home-bank of core customers providing a complete set of financial advisory services.

Owing to its enhanced returns, coherent advisory and transparency in relationships, the Bank enjoys very high customer loyalty.

The wealth management sector faced strong headwinds in 2011. It was a year of further recuperation following the sub-prime crisis and adjusting strategies to fast changing regulatory landscape. The cataclysmic events of the past two years have left the industry reeling from what could be termed a perfect storm of widespread investment losses, scandals and clampdowns from governments and regulators. But perhaps the most worrying issue facing the sector has been the erosion of client trust.

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# STEADY GROWTH

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IN 2012, GBI PRIVATE BANKING WILL PURSUE A PRUDENT GROWTH STRATEGY THAT FOCUSES ON CLIENT RETENTION AND ACQUISITION AS WELL AS DYNAMIC PRODUCT DEVELOPMENT.

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GBI stood out; delivered good results and sustainable growth irrespective of market conditions in 2011, owing to its non-scattered performance during the crisis as well as its niche-player status.

The Bank's key expertise of Turkish financial markets enhanced its strong performance. GBI benefited from improved risk perceptions toward emerging markets in general and Turkey in particular. Strong Garanti brand recognition added to the competitive advantages of GBI in the process of new international customer acquisition. Cooperation with Garanti group entities gained momentum both in technical and commercial aspects. Continuous business development which involves finding and exploiting new niches within the market segment remained to be a crucial source of growth momentum.

"PB" kept the pace of product and service development with a view to adapt to changing market conditions and clients needs. Aiming at capital protection and yield enhancement with very limited market risks, more straight-forward products were favoured as opposed to structured and complicated ones. Transparency and liquidity were the most required features of both core as well as distinctive product offerings. Furthermore, product development process has been redefined and a dedicated committee has been established to oversee it.

GBI continued to put high emphasis on managing risks which is central to the Bank's reputation. In an effort to further improve risk management, internal procedures have been better integrated and upgraded with new layers of checks and balances put in place.

In 2012, "PB" will pursue a prudent growth strategy that focuses on client retention and acquisition as well as dynamic product development to deliver capital efficient returns.

## GBI TREASURY AIMS TO DELIVER STEADY REVENUES BY GROWING ITS TRANSACTION VOLUMES AND ENHANCING ITS PRESENCE IN FINANCIAL MARKETS WITHOUT INCREASING ITS RISK PROFILE.

### TREASURY

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GBI Treasury (“Treasury”) aims to deliver steady revenues by growing its transaction volumes and enhancing its presence in financial markets without increasing its risk profile.

“Treasury” carries out two responsibilities; Asset & Liability Management and Trading. GBI’s prudent approach in balance sheet risk management which involves adamant hedging of liquidity and interest risks is a factor strengthening the Bank’s solid performance irrespective of market conditions. GBI’s long established strategy of focusing on client flows instead of proprietary activities is proven to be a success under favourable as well as adverse market conditions.

The Asset & Liability Management is central to the management of the Bank’s resources and its balance sheet risks. VAR, duration, gap and sensitivity analysis reports that are prepared regularly by Risk Management Department are used for measuring and monitoring the balance sheet risks.

Treasury takes the lead in informing the Asset & Liability Committee (ALCO) on market movements, trends and makes proposals as to hedging strategies. It further executes the ALCO’s decisions effectively.

Internal Transfer Pricing (ITP) mechanism which ensures efficient use of the Bank’s resources and prudent liquidity management, is very effective in the implementation of ALCO’s strategic priorities. One of those, prudent funding policy, rests on two pillars; diversification and high liquidity buffer. GBI stands out in the European banking sector with its non-reliance to a single market, wholesale or retail and healthy diversification of funding sources. Substantial liquidity buffer entails a cost of opportunity but enhances GBI’s financial strength.

“Treasury” has a strong market position in its niche markets, owing to its highly technical and professional team, broad network of international counterparts and advanced technological infrastructure. It does not only serve as a key market maker

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# PRUDENT STRATEGY

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IN 2012, GBI WILL CONTINUE SERVING ITS INTERNAL AND EXTERNAL CUSTOMERS WITH A VIEW TO ADD VALUE AND TO MANAGE RISKS IN A PRUDENT WAY.

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in its core markets to a large number of reputable financial market counterparts but also provides competitive pricings to customers through other commercial departments.

“Treasury” constantly generates trade, investment ideas and hedging strategies based on its views on market trends and risk perceptions. These ideas are proactively communicated to Private Banking and other commercial departments to assist marketing efforts of those and to enhance commercial transaction volumes.

2011 was characterised by low predictability along with high volatility in financial markets. Focusing on customer driven transactions with very limited proprietary trading activity “Treasury” increased its transaction volumes and made a significant contribution to the Bank’s net income. Contrary to prevailing market trend, “Treasury” managed to increase its volumes in Foreign Exchange and Derivatives markets by 38 percent and 35 percent respectively in 2011. Furthermore, cross selling revenues went up, owing to its proactive support to all commercial departments and new idea generation on main product categories of Foreign Exchange, Foreign Exchange Derivatives, Fixed Income and Credit Derivatives.

GBI maintained its Reuters live quotation pages; UGBIEURO, UGBIEURP and UGBIEURQ and strengthened its market maker position by providing liquidity in Turkish government and corporate bonds as well as a number of other fixed income instruments. High grade credit segment played a more important role within the coverage with a focus on top notch issuers.

High quality asset creation was another task of “Treasury” both for the purpose of liquidity management as well as revenue generation. With zero sovereign exposure to peripheral Europe at any time, GBI was spared from the troubles that shook the financial sector.

In 2012, “Treasury” will continue serving its internal and external customers with a view to add value and to manage risks in a prudent way.

### FINANCIAL INSTITUTIONS

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GBI Financial Institutions (“FI”) pursues a strategy of developing long-term key relationships with reliable and well-positioned banks aiming to facilitate and enhance GBI’s transactional banking activities.

In 2011, “FI” maintained close communication with existing and potential correspondent banks aiming to fully accommodate the dynamic requirements of the business lines as well as to improve and diversify GBI’s wholesale funding capabilities. While intermediating GBI’s transactional banking activities via a broad network of correspondents, “FI” guided the commercial business lines to concentrate their business to main relationship banks to ensure sufficient reciprocity, which plays a crucial role in continuation of their support to GBI through adequate credit lines, bilateral financing facilities and syndicated loan participation.

As an important component of its relationship management function, “FI” also provided up-to-date information about significant developments at GBI and its performance to all correspondents, the rating agencies as well as all other external bodies including the press.

Owing to these efforts, “FI” surpassed its targets in a year marked by crisis in the Eurozone and extremely volatile financial markets, achieving a significant improvement in GBI’s interbank transaction volumes and borrowing facilities including the successful renewal of its yearly syndication which was doubled to EUR 200 million with the participation of 18 banks from 8 countries.

In 2012, “FI” will strive to support GBI’s transactional banking activities through increased wholesale funding, strengthened relationship network and excellent services to both internal and external customers.

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# SPECIALIZATION

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## GBI STRUCTURED FINANCE ADDS VALUE IN THREE SPECIALIZED AREAS OF FINANCE AND CASH MANAGEMENT.

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### STRUCTURED FINANCE

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GBI Structured Finance (“SF”) adds value in terms of revenues and market recognition in the activities of Islamic Finance, Shipping Finance, Project/Corporate Finance and Cash Management, while providing excellent services to its clients.

“SF” continued to grow in three specialized areas of finance and cash management, steadily increasing its contribution to GBI’s revenues.

#### **Islamic Finance**

Notwithstanding the global financial crisis, general slowdown of the world markets, and Arab spring events, the global growth of Islamic finance remained strong over the last few years. Islamic finance assets are estimated to total about USD 1 trillion globally and forecasted to grow with USD 1.6 trillion by 2012. Although Islamic Finance represents a small proportion of the global finance market (estimated at 1-5 percent), the industry has been showing 15-20 percent growth in the recent years. Islamic finance has become an important and niche sector with high growth potential for many investors. Sukuk and other Islamic finance instruments give access to an alternative source of funding and the high liquidity of oil rich Middle East region. The global Sukuk issuance continued to grow and reached USD 84.4bn in 2011 increasing 62 percent from USD 51.6bn issued in 2010. Currently Europe expresses strong interest in Islamic assets and western investors make up about 70-80 percent of the buyers of Sukuks issued in the Middle East.

At the same time, driven by the diversification and higher profitability consideration as well as increased competition in local markets, conventional financial institutions have been very active in establishing new Islamic banks or entering the Islamic finance services market through opening Islamic windows under their existing operations.

## 2011 WAS A YEAR OF FURTHER HIGH GROWTH FOR GBI ISLAMIC FINANCE AND STRENGTHENING ITS COMPETITIVE POSITION IN TURKEY.

Turkey has been utilizing Islamic finance techniques since the late 1980s through financial institutions known as “Special Finance Houses” (Özel Finans Kurumları), which became the “Participation Banks” (Katılım Bankaları) with the enactment of the Banking Act No. 5411 (“Banking Act”) on 1 November 2005. Levels of Middle East investment in Turkey have been significantly increasing in recent years. The participation banks operating on Islamic principles represent a relatively small but rapidly expanding segment of the Turkish financial sector.

2011 was a year of further high growth for GBI Islamic Finance and strengthening its competitive position in Turkey. Strong results were achieved through expanding relationships with participation banks and conventional banks seeking for Islamic finance solutions for their customers. In a highly volatile 2011 environment GBI Islamic Finance was able to exploit a lot of opportunities in the market and make 2011 as another year of high added value to GBI.

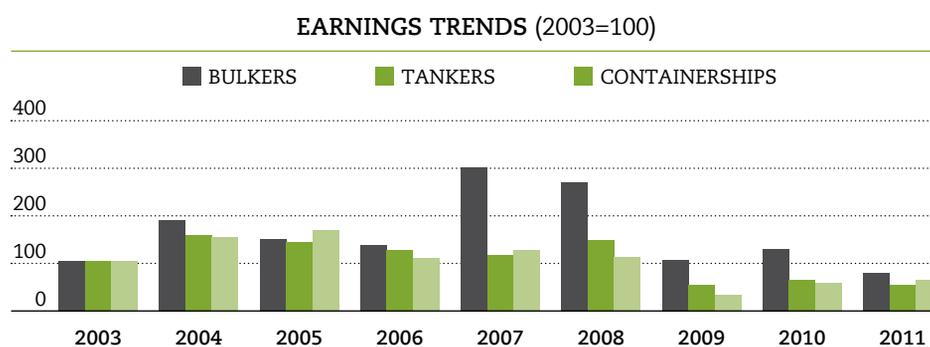
Although the industry is very dynamic and promising, the lack of generally accepted legislative, regulatory and tax frameworks as well as the lack of global standardization still remain to be the main challenges for the Islamic finance industry, especially in light of the global banking regulation deficiencies revealed after the crisis. Therefore, the extensive regulatory changes are urged and expected to happen in both conventional and Islamic banking in the coming years.

GBI Islamic Finance will remain to be one of the key growth segments of GBI in 2012.

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### Shipping Finance

In 2011, the earnings of ships remained under severe pressure, causing various financial casualties among shipping companies. The shipping markets experienced another year of too many ship deliveries from shipyards which outpaced increasing global demand for ships.



The earnings of ships in 2011 were low by historical standards for all three main shipping segments: bulkers, tankers and containerships. Another year of large influx of new ship deliveries (+14.7 percent of total fleet) will suppress 2012 earnings further while the global trade growth is expected to slow down from last year's growth (+5.3 percent).

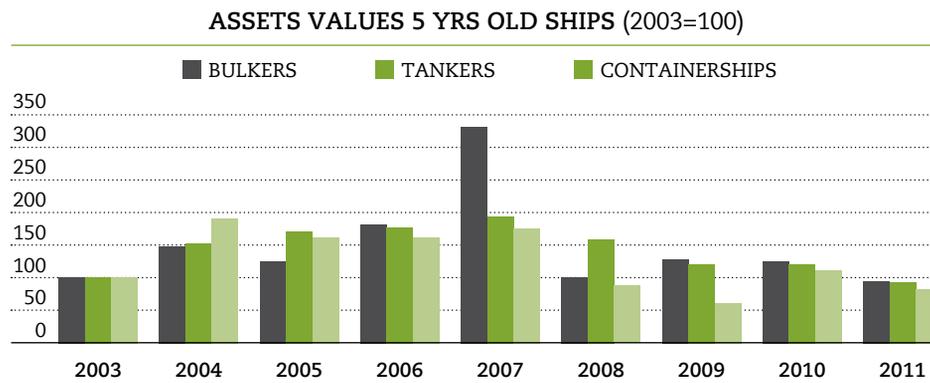
This imbalance will be offset to a certain extent by scrapping of older ships but the large supply of ships will cause the continuation of pressure on earnings.

Ship prices held up relatively well last years but fell in 2011, especially in the last

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## REPORT OF THE MANAGING BOARD

quarter. This trend is expected to continue in 2012 fuelled by the grim earnings outlook which will result in more financial casualties with distressed sales. Additionally, the reluctance of financial institutions to finance ships will also harm ship prices.



In 2011, GBI grew its ship-finance exposure by 30 percent, concentrating on clients with financial strength, being able to weather a prolonged downturn in the shipping markets. The shipping portfolio accrued a considerably higher yield compared to 2010.

GBI Shipping Finance will continue pursuing a prudent growth strategy in 2012.

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# NEW CUSTOMER ACQUISITIONS

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IN 2011, GBI CASH MANAGEMENT CONTINUED TO GROW THROUGH NEW CUSTOMER ACQUISITIONS FOCUSING PURELY ON SERVICE ORIENTED CUSTOMER MANAGEMENT.

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## **Project Finance/Corporate Finance**

In 2011, GBI Project Finance/Corporate Finance achieved its budget target and, as defined, continued its activities with Tier I and Tier II corporate client segment in medium tenor deals. GBI's relatively limited bilateral facilities have been supported by various participations to project finance deals especially in transportation and energy sectors. Bilateral and club type lending activity strengthened the Bank's credit portfolio with high rated companies and provided enrichment with various cross-sale opportunities including cash and non-cash products.

Following the same strategy in 2012, the main target of GBI Project Finance/Corporate Finance will be growing its portfolio in target countries and markets with prudent and innovative products.

## **Cash Management**

GBI provides deposit and payments services to its international customers supported by internet banking facility and dedicated account officers.

In 2011, GBI Cash Management continued to grow through new customer acquisitions focusing purely on service oriented customer management.

GBI Cash Management will continue to serve its international customers in 2012 with a specific focus on exporters, construction, shipping and tourism companies.

**GBI RETAIL BANKING STRIVES TO ACHIEVE CUSTOMER SATISFACTION THROUGH A WIDE SPECTRUM OF INNOVATIVE SAVING/DEPOSIT PRODUCTS AND COMPLIMENTARY SERVICES.**

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**RETAIL BANKING**

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GBI Retail Banking strives to achieve customer satisfaction through a wide spectrum of innovative saving/deposit products and complimentary services.

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

GBI's retail banking activities are executed in two countries; through the head office in The Netherlands and its branch in Germany. Both operations are performed through online channels. Our business model depends on simple processes and easy to use products.

In 2011, despite the challenging environment in savings markets, GBI Retail Banking has been a steady performer. Customer oriented, quality focused service approach of GBI has been appreciated by savings customers. Retail Banking deposits continued to be one of the main sources of GBI's funding base. Despite the highly competitive savings market conditions, retail funding volume increased and the customer base broadened.

GBI Retail Banking will aim to maintain its customer base through excellent services with a view to contribute to a healthy diversification of the Bank's funding sources in 2012.

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# CUSTOMER SATISFACTION

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“GBI GERMANY” RECEIVED AN AWARD FROM THE GERMAN TELEVISION CHANNEL N-TV AS “TOP TIME DEPOSIT BANK 2011”.

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## GERMANY BRANCH

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GBI’s Germany Branch (“GBI Germany”) provides high quality services in retail saving market aiming to gain a solid base of loyal clients.

“Kleeblatt-Sparkonto” (Cloverleaf-Call-account) and “Kleeblatt-Festgeld” (Cloverleaf-Time Deposit account) products are now well-known brand names in the German market. In 2011, GBI Germany increased its retail savings by a remarkable 10 percent despite fierce competition while new customer acquisitions continued. In 2011, almost half of all transactions were processed through GBI’s internet banking portal and in average, 52 percent of the customers were active users.

In recognition to its service quality and resulting customer satisfaction, “GBI Germany” received an award from the German television channel N-TV as “Top Time Deposit Bank 2011” for its 6 and 12 months products.

In 2012, “GBI Germany” will continue serving its clients while providing diversification to GBI’s funding base.

**GBI IS ALSO WELL-PLACED FOR THE UPCOMING REGULATIONS ON THE COMPOSITION OF OWN FUNDS AS IT MAINTAINS A STRONG TIER 1 RATIO OF 17.33 PERCENT.**

### RISK MANAGEMENT

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The emphasis on prudence, upheld by both financial institutions and regulators has continued in 2011. Banks in Europe and the US are setting their paths towards Basel III under the careful monitoring of supervisory authorities, and the translation of the new regulations into European law under CRD IV is still underway. These changes are all being played out against the backdrop of the sovereign debt crisis, the EBA 2011 Stress Test, and most recently the EBA 2011 Capital Exercise. Restoring confidence in the banking sector is paramount for the stability of the financial system and significant effort has been spent in order to achieve this.

In this shifting environment, GBI continues to sustain its prudent financial performance, thanks to a proven business model and agile balance sheet structure. The Bank has no exposure to peripheral European sovereigns, thus remaining immune to the direct impact of turmoil in the region. The asset quality stands strong with an NPL ratio of 1.77 percent owing to the GBI's conservative lending policy and improving credit quality in the key markets. Furthermore, GBI has continued its prudent strategy by maintaining a strong liquidity buffer and solvency level. Through a sustained capital conservation policy and cautious risk management approach, the solvency ratio has increased from 16.03 percent to 19.06 percent.

GBI is also well-placed for the upcoming regulations on the composition of own funds as it maintains a strong Tier 1 ratio of 17.33 percent. The strong liquidity buffer is maintained through placements to Central Banks and investments in high quality liquid assets. The well-balanced maturity mismatch and high level of stable funding together with well diversified funding base provide a strong foundation for meeting the upcoming liquidity requirements.

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# INTEGRATED RISK MANAGEMENT

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INTEGRATED RISK MANAGEMENT HAS LONG BECOME A KEY INGREDIENT IN THE BANK'S STRATEGY.

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GBI has successfully complied with the recent regulatory developments owing to the enhanced risk culture, supported by the strong risk governance structure and advanced risk control processes. The Bank was able to implement all regulatory requirements without any deferrals and additional transition periods. In addition, GBI has further streamlined its Risk Management and Control structure in a proactive manner to cope with the necessities of the new financial era.

2011 saw a restructuring of various control functions at GBI, with the resulting Risk Management, Control and Reporting (RMCR) Division serving as a center for the Risk Management Department (RMD), Internal Control Unit (ICU), Financial Control (FC), and Management Reporting (MR) Departments. The Bank aims to streamline the risk and control functions in the most effective manner and to further promote risk management throughout the organization. The new structure also provides an integration of previously overlapping functions in different departments, and promotes efficient handling of all types of reporting requirements and financial control processes.

## OVERVIEW ON THE GOVERNANCE AROUND THE RISKS

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The risk management culture at GBI supports value creation by providing insight into the levels of risk that can be absorbed, compared with the earnings power and the capital base. Integrated risk management has long become a key ingredient in the Bank's strategy.

Senior management holds the responsibility to ensure that GBI is operating with an adequate level of capital and liquidity in order to sustain the financial stability of the Bank. Risk management is structured as an integrated effort at various levels within the organization.

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## REPORT OF THE MANAGING BOARD

The Audit and Risk Management Committee of the Supervisory Board is the ultimate authority for the monitoring of all material risks, setting the risk appetite of the Bank and monitoring the adequacy of capital and liquidity at the board level.

The Risk Management Committee (RMC), which is chaired by the CEO, is responsible for the coordination and monitoring of the risk management activities within the Bank and reports directly to the Audit and Risk Management Committee of the Supervisory Board. Other risk committees are established to manage more specifically the key banking risks; the Credit Committee for credit risk, the Asset & Liability Committee (ALCO) for market, interest rate and liquidity risks, and the Compliance Committee for compliance risks.

The Internal Audit Department is responsible for the monitoring of the proper functioning of the governance framework around risks through regular audits and reports these to the Audit and Risk Management Committee of the Supervisory Board. The Risk Management Department (RMD) is an independent risk control unit, which does not have any involvement in commercial activities. RMD is responsible for the quantification and monitoring of the material risks in terms of economic capital and regulatory capital in order to limit the impact of potential events on the financial performance of the Bank.

Risks are continuously monitored through a well-established Internal Capital Adequacy Assessment Process (ICAAP) and reported comprehensively to the related committees and limits are established as per the risk appetite of the Bank. RMD develops and implements risk policies, procedures, methodologies and risk management infrastructures that are consistent with the regulatory requirements, best market practices and the needs of business lines. RMD also coordinates all the efforts for compliance of the Bank's risk management policies and practices with Basel principles and the Financial Supervision Act (FSA, Wet op het financieel toezicht/Wft). Following the integration of ICU under RMD, the department is involved in the monitoring and reporting of operational risks and establishing preventive control processes.

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## RISK APPETITE

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Risk Appetite is a key ingredient of the Bank's annual business planning cycle as GBI believes that the consideration of risk is a key component in the development of the strategy. The Risk Appetite Statement sets top-level principles and parameters for the strategy of the Bank.

GBI has a well defined risk appetite, which is set by the Supervisory Board based on a balanced combination of risk and return in a comprehensive manner. The risk appetite statement of the Bank is reviewed at least on an annual basis and all changes are approved by the Supervisory Board.

The Bank has always met an adequate level of solvency owing to its committed shareholder, high level of attention paid to prudent risk management practices and risk-averse strategies applied.

GBI aims to have a strong capital base with a high Tier 1 ingredient. The Bank has zero tolerance for any breach in following the regulations and strictly refrains from taking any risk that may hinder GBI's reputation as per its risk appetite statement.

## MARKET RISK

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GBI assumes limited market risk in trading activities by taking positions in debt, foreign exchange, other securities and commodities as well as in equivalent derivatives. The Bank has historically been conservative while running the trading book. Hence the main strategy is to keep the end of day trading positions at low levels.

ALCO bears the overall responsibility for the market risk and sets the limits on a product and desk level. The Treasury Department actively manages the market risk within the limits provided by ALCO. Middle Office and Internal Control Unit (ICU), which are both established as independent control bodies, monitor and follow-up all trading transactions and positions on an ongoing basis. Trading activities are followed-up as per the notional position, stop-loss and VaR limits set by ALCO. Single transaction and price tolerance limits have been established in order to minimize

## GBI HAS A LOW DURATION STRUCTURE BOTH IN ASSETS AND LIABILITIES AND HAS A VERY LIMITED DURATION GAP.

the operational risks involved in the trading processes. RMD monitors market risk through regulatory and economic capital models and reports to ALCO and Audit and Risk Management Committee of the Supervisory Board.

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

### INTEREST RATE RISK ON THE BANKING BOOK (IRRBB)

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Interest rate risk is defined as the risk of loss in earnings or in the economic value of banking book items as a consequence of movements in interest rates. GBI's asset and liability structure creates certain exposure to IRRBB. Business units are not allowed to run structural interest mismatch positions. As a result of this policy, all structural interest rate risks are managed by the Treasury Department in line with the policies and limits set by ALCO, with the help of a well defined internal transfer pricing process.

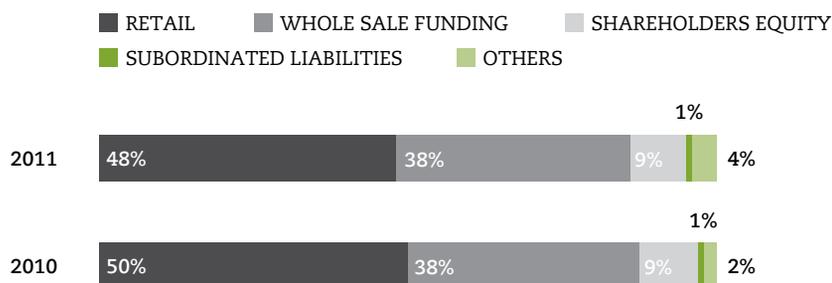
GBI uses duration, gap and sensitivity analyses for the quantification of interest rate risk. Sensitivity analyses are based on both economic value and earnings perspectives. Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation approach and user defined yield curve twist scenarios. The outcomes of these analyses are discussed at ALCO and are used effectively in decision making processes for hedging and pricing.

GBI has a low duration structure both in assets and liabilities and has a very limited duration gap. The Bank's sensitivity to interest rate shocks is limited. Net change in economic value of equity under regulatory interest rate shock scenario is closely monitored and lies considerably below the regulatory threshold of 20 percent.

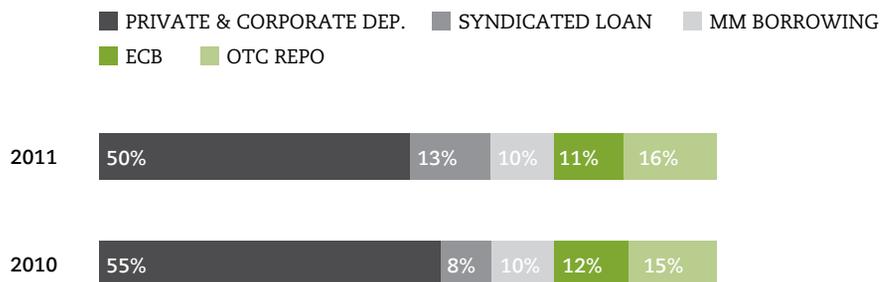
## LIQUIDITY RISK

The main objective of GBI's liquidity risk policy is to maintain sufficient liquidity in order to ensure safe and sound operations. ALCO bears overall responsibility for the liquidity risk strategy. ALCO has delegated day-to-day liquidity management to the Treasury Department, which is responsible for managing the overall liquidity risk position of the Bank. The Treasury Department monitors all maturing cash flows along with expected changes in core-business funding requirements to maintain the day-to-day funding.

## LIABILITY BREAKDOWN BY PRODUCT



## WHOLESALE FUNDING



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

GBI aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. The Bank monitors liquidity risk through gap analysis, which is supplemented by multiple stress tests designed based on different scenarios. These analyses allow the Bank to assess the impacts of shocks with different magnitudes on its liquidity position.

Scenarios are driven based on bank-specific and market-specific liquidity squeezes. Guidelines set by Basel Committee on Banking Supervision ('BCBS') on the management of liquidity risk have already been incorporated within the scope of liquidity stress testing framework, which enables the Bank to manage the liquidity risk in a prudent manner based on the prospective regulatory requirements as well.

GBI has a detailed contingency funding plan in place for the management of a liquidity crisis situation. All liquidity analyses are reported to ALCO on a regular basis. ALCO reviews and plans the necessary actions to manage the liquidity gaps.

GBI has not endured liquidity shortages owing to the prudent liquidity policy, which is based on balancing short-term and long-term liquidity gaps simultaneously, and maintaining a high quality liquidity buffer. The Bank places its excess liquidity to central banks or governments in Europe and to very limited number of selected creditworthy counterparties. GBI has a diversified mix of wholesale and retail funding sources. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up. The non-financial counterparties, with which the Bank has established long lasting relationships through offering various financial services, constitute the major part of the wholesale funding. Although the Bank makes use of secured funding sources from time to time in order to increase the diversity of resources, the main liquidity strategy is built on unsecured funding and building a stock of high quality assets that could be used under distressed conditions.

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## CREDIT RISK

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GBI is mainly involved in low default portfolios such as sovereigns, banks, large corporate companies and trade finance activities. The credit risk assessment and monitoring processes are designed in a way to reflect the credit risk profile of the Bank. A primary element of the credit approval process is a detailed risk assessment of every credit exposure associated with an obligor. The risk assessment process considers both the creditworthiness of the counterparty and the risks related to the specific type of credit facility or exposure.

Being a Foundation-IRB (Internal Ratings Based) Bank for calculating the required regulatory capital, GBI uses a series of credit-risk measurement models. The Bank has dedicated internal rating models for all asset classes for evaluating the creditworthiness of the counterparties. The rating models are integrated in the credit granting and monitoring processes. These models are validated by a third party on an annual basis.

Credit rating models capture all elements of country risk, including transfer and convertibility risk, at various levels. The inherent risk of the countries in which GBI operates is taken into account through the calibration of the rating models. Systemic risk factors are taken into account by using separate country factors within the rating models. Finally, the rating of the counterparty is effectively capped according to the rating of the sovereign.

The granular 22-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults, enables the Bank to compare the internal ratings between different subportfolios of the institution. Risk rating models serve as a basis for the calculation of the regulatory capital and economic capital that GBI needs to hold to cover possible losses from its lending activities. Ratings are also integral parts of pricing and risk-based performance measurement processes.

**SINCE INTEGRITY IS ONE OF THE CORE VALUES OF GBI, IT IS EMBEDDED IN THE BANK'S POLICIES AND SPECIFICALLY DESIGNED INTEGRITY AND COMPLIANCE PROCEDURES.**

GBI makes use of internal economic capital models in order to assess the adequacy of the regulatory capital for Pillar 1 risks and to determine the additional capital requirement for concentration risk. The economic capital model quantifies concentration risk based on concentrations in single name obligors, countries and industries. Modelling and risk components are reviewed periodically depending on the changes in the economic environment and business structure of the Bank and refined if necessary.

The Bank applies stress tests in order to assess the adequacy of the capital buffer after including all Pillar 1 and Pillar 2 risks. Additional scenario analyses are also used within the scope of the Capital Planning process.

The Credit Committee is responsible for the control of all the credit risks arising from the banking book, the trading book and concentration risks (single name, country and industry concentrations). Business lines, Corporate Credit Department and Credit FI and Sovereign Department perform credit assessments for all counterparties. The Credit Committee assigns the final limit based on these assessments together with the internal rating of the customer. RMD monitors the portfolio credit risk through rating models, economic capital models and regulatory capital model on a continuous basis and reports to RMC.

#### **OPERATIONAL RISK**

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Operational risk includes potential losses caused by a failure in information or transaction processing and settlement systems and procedures, human errors, non-compliance with internal policies or procedures, including the possibility of unauthorized transactions by employees. Such risks are managed through bank-wide or through business line specific policies and procedures, controls, and monitoring tools. GBI's policy to control operational risk is communicated with and implemented in all business lines. Key elements in this policy are Know Your

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Customer principles, delegating tasks and responsibilities, issuing clear policies, procedures and directives, segregation of duties, four-eyes principles, carrying out supervision, taking corrective action, maintaining highly responsive accounting systems, systematic internal controls and performing periodic internal audits.

ICU has been established as part of the RMD in 2011. While the business lines and operation departments are jointly responsible for the day-to-day operational risk management as the first line of defence, ICU ensures the compliance of activities of the Bank with regards to the internal policies, coordinates the internal control process of the Bank helped by centralized controlling tools and monitors the corrective actions on a consolidated basis.

IT risks are considered within the scope of operational risks. The Bank performs independent IT risk assessments by identifying the risks in relevant IT processes and validating the adequacy of the controls established around them. The assessments are performed based on the international (COBIT, Control Objectives for Information and related Technology) and national (FIRM, Financial Institutions Risk Analysis Method) standards. The control environment around the IT processes is considered as sufficient as a result of this analysis.

#### **LEGAL, INTEGRITY AND REPUTATIONAL RISK**

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GBI is committed to the preservation of its reputation in the markets it operates. Since integrity is one of the core values of GBI, it is embedded in the Bank's policies and specifically designed integrity and compliance procedures. Internal communication sessions support the proper understanding and effective compliance of these external and internal requirements. All legal issues are under the co-ordination of the Legal Committee. For each line of business, the Bank has established standardized legal documentation and procedures to ensure that GBI's rights and obligations are clearly documented and legally enforceable.

**GBI IS ONE OF THE FEW IRB COMPLIANT BANKS IN THE NETHERLANDS. THE BANK USES THE STANDARDIZED MEASUREMENT APPROACH FOR MARKET RISK AND THE BASIC INDICATOR APPROACH FOR OPERATIONAL RISK.**

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#### OTHER RISKS

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

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#### RISK-BASED PERFORMANCE MEASUREMENT

Risk-Based Performance Measurement is an important element at GBI in evaluating the risk and the capital allocated to each business unit. Return on Risk Adjusted Capital (RORAC) is used as a uniform measure for monitoring of economic value added based on the preset risk appetite. RORAC figures are monitored on a regular basis in order to find out the optimum way for using capital.

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#### REGULATORY CAPITAL

De Nederlandsche Bank N.V. (DNB) has approved GBI's application to use the Internal Rating Based Foundation (F-IRB) approach in the regulatory capital calculation starting from 1 January 2008. GBI is one of the few IRB compliant banks in the Netherlands. The Bank uses the Standardized Measurement Approach for market risk and the Basic Indicator Approach for operational risk. Concentration risk, interest rate risk and other Pillar II risks are also taken into account in the regulatory capital calculation within the context of ICAAP. During 2011, all rating models have been validated by independent third party experts. The Internal Audit Department has reviewed and ensured the proper use of the models and data quality.

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# BASEL III

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THE IMPACT OF THE CHANGES IN THE DEFINITION OF CAPITAL, AS WELL AS THE MINIMUM CAPITAL REQUIREMENTS, IS EXPECTED TO BE LIMITED.

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## BASEL III

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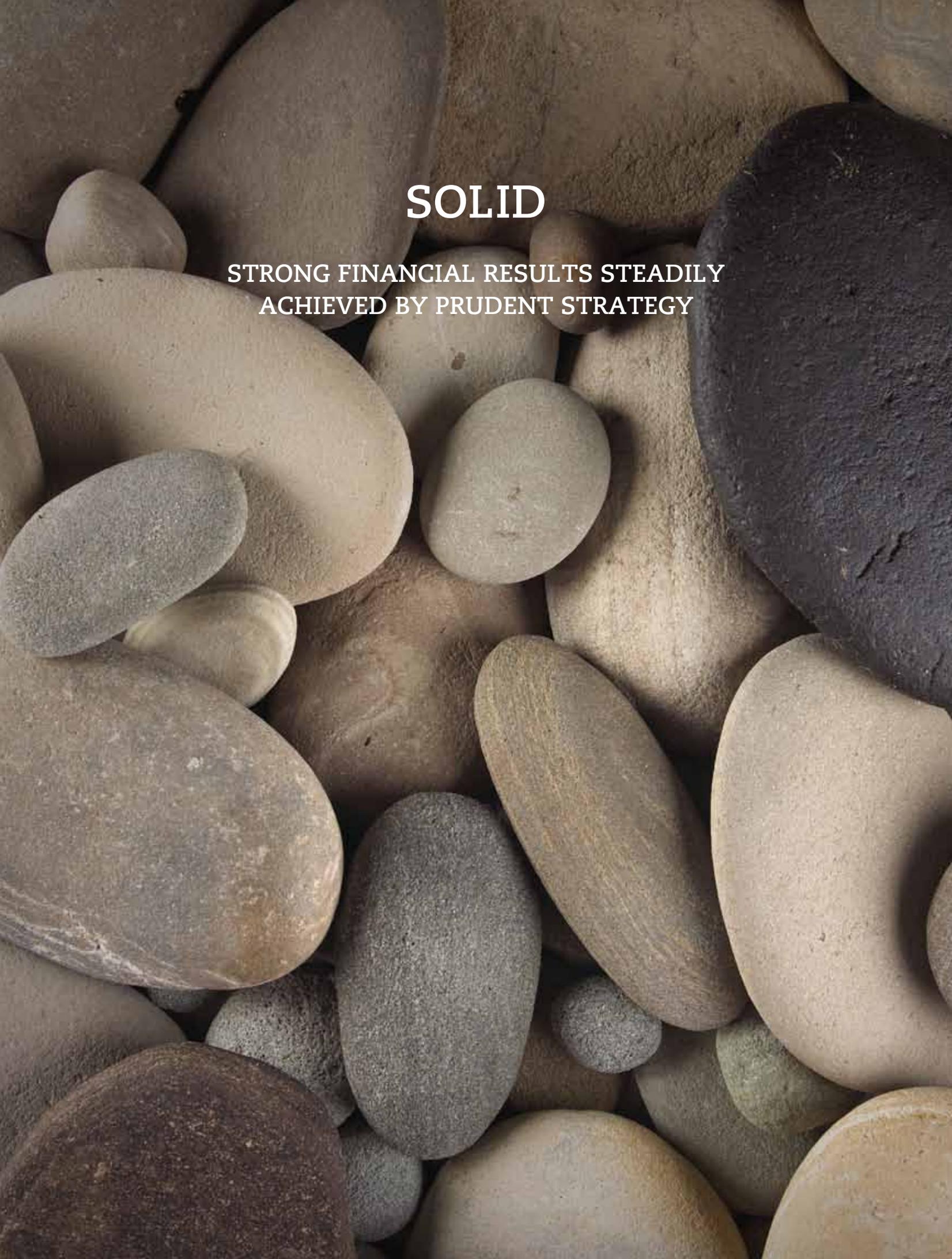
GBI has taken part in the two Basel III Monitoring Exercises in 2011, supervised by DNB and the Basel Committee. The results of these analyses indicate that GBI is well-placed for the regulatory changes. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is expected to be limited given that the Bank has a high common equity Tier I ratio and immaterial hybrid capital products. GBI comfortably meets the leverage ratio requirement, as determined in the monitoring exercises. Finally, the Bank maintains a high liquidity buffer and given its strong retail funding base, the Bank expects to have a smooth transition and meet both liquidity requirements.

More information on the risk management practices at GBI and risk profile of the Bank can be found in the “Report on capital Adequacy and Risk Management”, which is published on our internet website.

Amsterdam, 22 March 2012

### MANAGING BOARD

Mr. B. Ateş  
Mr. M.P. Padberg



**SOLID**

**STRONG FINANCIAL RESULTS STEADILY  
ACHIEVED BY PRUDENT STRATEGY**

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SOLID CAPITAL STRUCTURE  
SOLID ASSET QUALITY  
SOLID RISK MANAGEMENT

GBI'S AGILE, LOW-LEVERAGED BALANCE SHEET  
STRUCTURE ENSURED STRONG FINANCIAL  
PERFORMANCE AND EASY ADAPTATION TO  
CHANGING REGULATORY ENVIRONMENT.

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# FINANCIAL STATEMENTS

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# BALANCE SHEET AS AT 31 DECEMBER 2011

(before profit appropriation)

Thousands of Euros

		2011	2010
<b>Assets</b>			
Cash	3	580,998	266,255
Banks	4	948,042	1,109,343
Loans and advances	5	1,854,225	1,408,250
Interest-bearing securities	6	620,017	628,011
Shares	7	-	3,654
Participating interests	8	250	318
Property and equipment	9	21,724	29,988
Other assets	10	11,721	13,409
Prepayments and accrued income	11	72,729	72,783
<b>Total assets</b>		<u><u>4,109,706</u></u>	<u><u>3,532,011</u></u>
<b>Liabilities</b>			
Banks	12	781,381	596,972
Funds entrusted	13	2,760,777	2,486,422
Other liabilities	14	8,748	29,996
Accruals and deferred income	15	135,701	45,723
Provisions	16	809	1,390
		3,687,416	3,160,503
Subordinated liabilities	17	46,408	45,690
Paid-in and called-up capital		136,836	136,836
Revaluation reserves	1	1	3,559
Other reserves		185,423	138,426
Net profit		<u>53,622</u>	<u>46,997</u>
Shareholders' equity	18	<u>375,882</u>	<u>325,818</u>
<b>Total liabilities and shareholders' equity</b>		<u><u>4,109,706</u></u>	<u><u>3,532,011</u></u>
Off-balance sheet liabilities	19	<u>443,063</u>	<u>396,264</u>

## PROFIT AND LOSS ACCOUNT FOR THE YEAR 2011

Thousands of Euros

			2011		2010
Interest income	20	152,671		180,039	
Interest expense	21	<u>91,939</u>		<u>109,263</u>	
<b>Net interest</b>			<b>60,732</b>		<b>70,776</b>
Income from participating interests	22		631		–
Commission income	23	34,565		33,565	
Commission expense	24	<u>1,769</u>		<u>2,299</u>	
<b>Net commission</b>	25		<b>32,796</b>		<b>31,266</b>
Result on financial transactions	26		11,380		7,876
Other income	27		<u>–</u>		<u>7,902</u>
<b>Total income</b>			<b>105,539</b>		<b>117,820</b>
Administrative expenses:	29				
• Staff costs		25,063		28,914	
• Other administrative expenses		<u>8,352</u>		<u>15,396</u>	
			<b>33,415</b>		<b>44,310</b>
Depreciation	30		1,570		4,023
Value adjustments to tangible fixed assets	31		–		(1,483)
Value adjustments to receivables	32		<u>(735)</u>		<u>4,261</u>
<b>Total expenses</b>			<b>34,250</b>		<b>51,111</b>
<b>Operating result before tax</b>			<b>71,289</b>		<b>66,709</b>
Tax on result on ordinary activities	33		<u>17,667</u>		<u>19,712</u>
<b>Net result after tax</b>			<b><u>53,622</u></b>		<b><u>46,997</u></b>

# CASH FLOW STATEMENT FOR THE YEAR 2011

Thousands of Euros

	2011	2010
<b>Net cash flow out of operational activities</b>		
Net profit	53,622	46,997
Adjustments for depreciation	1,570	4,023
Adjustments for value adjustments to tangible fixed assets	-	(1,483)
Adjustments for value adjustments to receivables	(573)	4,261
Adjustments for other income	-	(5,319)
Adjustments for provisions relating to deferred tax	605	(14,787)
<b>Net cash flow from operating profit</b>	<b>55,224</b>	<b>33,692</b>
Changes in:		
• Due from banks, excluding due from banks demand and value adjustments to receivables	205,996	(310,897)
• Loans and advances, excluding value adjustments to receivables	(445,402)	179,754
• Available-for-sale portfolio	193,744	(72,055)
• Trading portfolio	2,619	23,891
• Other assets	1,688	65,612
• Prepayments and accrued income	54	(7,939)
• Due to banks, excluding due to banks on demand	237,792	130,530
• Funds entrusted	274,355	(118,718)
• Debt securities	-	(23,851)
• Other liabilities	(21,248)	17,932
• Accruals and deferred income	89,978	(12,479)
	<b>594,800</b>	<b>(94,528)</b>
<b>Net cash flow out of investment activities</b>		
Investments in:		
• Property and equipment	-	(2,315)
• Investment portfolio, excluding value adjustments to receivables	(186,680)	143,591
Divestments in:		
• Property and equipment	3,915	20,308
• Participating interests	68	-
	<b>(182,697)</b>	<b>161,584</b>
<b>Net cash flow out of financing activities</b>		
Subordinated liabilities	718	(8,059)
<b>Net cash flow</b>	<b>412,821</b>	<b>58,997</b>

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## CASH FLOW STATEMENT FOR THE YEAR 2011

	2011	2010
Cash and cash equivalents as at 1 January	299,256	240,259
Cash and cash equivalents as at 31 December	<u>712,077</u>	<u>299,256</u>
<b>Net cash flow</b>	<u><u>412,821</u></u>	<u><u>58,997</u></u>

	2011	2010
	EUR 1,000	EUR 1,000
<b>Specification of cash and cash equivalents as at 31 December</b>		
Cash	580,998	266,255
Due from banks on demand	<u>131,079</u>	<u>33,001</u>
	<u><u>712,077</u></u>	<u><u>299,256</u></u>

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 1. OVERVIEW OF GARANTIBANK INTERNATIONAL N.V.

### GENERAL

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

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

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

### ECONOMIC ENVIRONMENT

The financial position of GBI is to a large extent related to the economic developments in developed markets, i.e. the Netherlands and Germany as well as emerging markets, including Turkey. The accompanying financial statements reflect GBI's best assessment of the impact of these economic developments on the financial position of GBI. Actual future developments may however differ from management's best estimate as of the date of these financial statements and could have a financial impact. In the financial statements, judgement has been applied when estimating the necessary level of the provision for loan losses.

### BASIS OF PRESENTATION

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

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

### PRINCIPLES FOR CONSOLIDATION

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

For the year 2011 there were no subsidiaries that meet the abovementioned requirements for consolidation. The participating interests are not consolidated, but are included at their net asset value because they are not material to the balance sheet and profit and loss account of the Bank.

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 2. SIGNIFICANT ACCOUNTING POLICIES

### GENERAL

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

### FOREIGN CURRENCIES

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

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

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

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

### DERIVATIVES

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

#### Foreign exchange derivatives

Where GBI has entered into derivative contracts to cover its own currency positions, these are recognized in accordance with the accounting principles applicable to these positions, i.e. derivatives are converted at period-end rate (spot rate). The forward points on currency swaps are amortized to the profit and loss account on a linear basis over the duration of the currency derivative.

#### Interest rate derivatives

Where GBI has entered into derivatives to hedge its own interest rate exposure, GBI applies costprice hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own interest rate exposure are recorded at cost and the accrued interest on these instruments are recognized under 'Interest income' and/or 'Interest expense'. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account using the lower of cost or marked-to-market when valuing the derivative.

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

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

## LOANS AND ADVANCES TO BANKS/CUSTOMERS

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

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

Profits or losses on the sale of loans and advances to banks/customers (forfeiting) are recorded in the profit and loss account as 'Result on financial transactions'.

## INVESTMENT-, TRADING- AND AVAILABLE-FOR-SALE PORTFOLIO

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

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

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

## INTEREST-BEARING SECURITIES

Interest-bearing securities belonging to the investment portfolio are measured at redemption value. The difference between redemption value and acquisition price is deferred and included in the balance sheet under 'Prepayments and accrued income' and is amortized over the remaining life of the relevant securities.

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

Interest-bearing securities included in the available-for-sale portfolio are stated at fair value. Positive revaluation results are included under 'Revaluation reserves' in shareholder's equity until the moment of realization, taking into account the deferred tax liabilities. Negative revaluation results are directly taken to the profit and loss account as 'Result on financial transactions'. At the same time, interest calculated using the effective interest method is recognised in the profit and loss account.

## SHARES

Equity securities belonging to the trading portfolio are recorded at fair value. The resulting changes in valuation are accounted for in the profit and loss account as 'Result on financial transactions'.

Equity securities included in the available-for-sale portfolio are stated at market value. Positive revaluation results are included under 'Revaluation reserves' in shareholder's equity until the moment of realization taking into account the deferred tax liabilities. Negative revaluation results are directly taken to the profit and loss account as 'Result on financial transactions'.

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## PARTICIPATING INTERESTS

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

Participating interests in which GBI has a significant influence on the commercial and financial policy are stated at their net asset value.

## PROPERTY AND EQUIPMENT

The valuation principles for tangible fixed assets are as follows:

### Land and buildings

Premises are recorded at fair value. Changes in this value are accounted for in the revaluation reserve, taking into account deferred tax liabilities.

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

Depreciation periods applied are as follows:

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

### Other fixed assets

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

Depreciation periods applied are as follows:

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

## PROVISIONS

### General

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

### Deferred tax

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

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## INCOME

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

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

Interest- and commission income from the extension beyond their contractual maturity of loans are not stated as income if the collection of the interest and commission is doubtful.

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

## OPERATING EXPENSES

Expenses are allocated to the period in which they arise.

## TAXES

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

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

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

## CASH FLOW STATEMENT

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

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

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

# NOTES TO THE 2011 FINANCIAL STATEMENTS

## NOTES TO THE BALANCE SHEET AS AT 31 DECEMBER 2011

	2011	2010
<b>3 CASH</b>	<b>580,998</b>	<b>266,255</b>
<p>This item includes all legal tender, as well as demand deposits held at the central bank and giro and retail clearing services in countries in which GBI is established.</p>		
<b>4 BANKS</b>	<b>948,042</b>	<b>1,109,343</b>
<p>This item comprises all loans and advances to banks falling under regulatory supervision and insofar as not embodied in the form of debt securities including fixed-income securities.</p>		
<b>5 LOANS AND ADVANCES</b>	<b>1,854,225</b>	<b>1,408,250</b>
<p>These include all loans and advances, excluding those to banks and those embodied in debt securities (including fixed-income securities). This amount is shown net of provisions amounting to EUR 25.5 million (2010: EUR 25.9 million).</p>		
<p>The changes in the provisions were as follows:</p>		
Position as at 1 January	25,891	31,925
Additions	6,203	11,535
Write-offs	(39)	(15,231)
Releases	(6,776)	(3,008)
Exchange rate differences	265	670
Position as at 31 December	<u>25,544</u>	<u>25,891</u>
<b>6 INTEREST-BEARING SECURITIES</b>	<b>620,017</b>	<b>628,011</b>
<p>Included under this item are debt securities with a fixed interest rate or an interest rate dependent on the prevailing interest rate.</p>		
<p>The breakdown by issuer is as follows:</p>		
Issued by public bodies and national governments	167,321	148,561
Issued by others	452,696	479,450
	<u>620,017</u>	<u>628,011</u>

## NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
Of the interest-bearing securities EUR 30.7 million will mature in 2012, EUR 16.9 million is unlisted (2010: EUR 65.6 million) and EUR 26.8 million has been issued by group companies (2010: EUR 3.3 million).		
The breakdown by portfolio is as follows:		
• Investment portfolio	614,751	428,071
• Available-for-sale portfolio	5,266	199,940
	620,017	628,011
The changes in the investment portfolio are as follows:		
Balance sheet value as at 1 January	428,071	577,578
Purchases	513,374	445,495
Sales	(259,814)	(504,089)
Redemptions	(70,446)	(117,658)
Exchange rate differences	3,566	26,745
Balance sheet value as at 31 December	614,751	428,071
The purchase price of the investment portfolio was EUR 9.6 million above the redemption value (2010: EUR 7.5 million).		
The difference between the redemption value and the market value of the interest-bearing securities in the investment portfolio amounts to EUR 11.4 million negative (2010: EUR 14.0 million positive).		
The changes in the available-for-sale portfolio are as follows:		
Balance sheet value as at 1 January	199,940	129,337
Purchases	101,193	803,591
Sales	(294,478)	(691,210)
Redemptions	-	(48,939)
Revaluations (including exchange rate differences)	(1,389)	7,161
Balance sheet value as at 31 December	5,266	199,940
The difference between the purchase price and the market value of the available-for-sale portfolio is EUR 0.4 million negative (2010: EUR 2.7 million negative).		
<b>7 SHARES</b>	-	3,654

# NOTES TO THE 2011 FINANCIAL STATEMENTS

2011 2010

## 8 PARTICIPATING INTERESTS

250 318

This item comprises the following equity participations:

- 100 percent Golden Clover Stichting Custody, Amsterdam, a custodian company.
- 100 percent United Custodian, Amsterdam, a custodian company.
- 100 percent Stichting Safekeeping, Amsterdam, the owner of the shares of Safekeeping Custody Company B.V., a custodian company.

The sole objective of the custodian companies is to hold, for the benefit of customers of GBI, rights with respect to securities, and to conclude agreements and perform or bring about the performance of all other acts conducive to the foregoing. Securities kept in custody amount to EUR 166.6 million as at 31 December 2011 (31 December 2010: EUR 134.6 million).

The participating interests are not consolidated, but included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

The changes in this item are as follows:

Balance sheet value as at 1 January	318	318
Sales	(66)	-
Liquidations	(2)	-
Balance sheet value as at 31 December	<u>250</u>	<u>318</u>

In 2011 Trifoi Investment SRL was liquidated and the participating interest in Trifoi Real Estate SRL was sold to Garanti Holding B.V., which is owned by GBI's 100 percent shareholder Türkiye Garanti Bankası A.Ş. As a result of the liquidation and sale GBI recorded a positive sale result of EUR 631 thousand (see also note 22).

## 9 PROPERTY AND EQUIPMENT

21,724 29,988

The changes in this balance sheet item are as follows:

	Land and buildings in use by GBI	Land and buildings not in use by GBI	Other fixed Assets	Total
Balance sheet value as at 1 January 2011	22,205	4,750	3,033	29,988
Investments	159	-	676	835
Revaluation*	(2,779)	-	-	(2,779)
Depreciation	(552)	-	(1,018)	(1,570)
Book value disposals**	-	(4,750)	-	(4,750)
Balance sheet value as at 31 December 2011	<u>19,033</u>	<u>-</u>	<u>2,691</u>	<u>21,724</u>
Accumulated depreciation	<u>4,331</u>	<u>-</u>	<u>4,437</u>	<u>8,768</u>

\* This revaluation relates to the building where the Bank's Head Office is located.

\*\* This disposal relates to the sale of the building where the Bank's German branch was previously located.

# NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
<b>10 OTHER ASSETS</b>	11,721	13,409
<p>This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet asset item. This concerns, for example, balances of payment transactions still to be settled. This item includes a current tax receivable of EUR 1.6 million.</p> <p>Furthermore a receivable of EUR 10.0 million is included with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank.</p>		
<b>11 PREPAYMENTS AND ACCRUED INCOME</b>	72,729	72,783
<p>This item includes the prepayments for costs to be charged to following periods, as well as accrued income, such as accrued interest.</p>		
<b>12 BANKS</b>	781,381	596,972
<p>This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates.</p>		
<b>13 FUNDS ENTRUSTED</b>	2,760,777	2,486,422
<p>Included under this item are all non-subordinated debts, insofar as these are not amounts owed to banks or embodied in debt certificates.</p> <p>This item can be specified as follows:</p>		
• Savings accounts	2,023,077	1,830,883
• Other funds entrusted	737,700	655,539
	<b>2,760,777</b>	<b>2,486,422</b>
<b>14 OTHER LIABILITIES</b>	8,748	29,996
<p>This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified under any other balance sheet liability item.</p>		

# NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
<b>15 ACCRUALS AND DEFERRED INCOME</b>	<b>135,701</b>	<b>45,723</b>
<p>This item includes prepayments received in respect of profits attributable to subsequent periods and amounts still to be paid, such as accrued interest. It also includes the negative value of forward foreign exchange contracts valued at the period-end rate (spot rate) amounting to EUR 128.5 million (2010: EUR 15.9 million) and the positive value of forward foreign exchange contracts valued at the period-end rate (spot rate) amounting to EUR 68.9 million (2010: EUR 35.3 million) as well as accrued expenses relating to derivative instruments recorded at cost, amounting to EUR 13.5 million (2010: EUR 7.1 million positive).</p>		
<b>16 PROVISIONS</b>	<b>809</b>	<b>1,390</b>
<p>This item relates to deferred tax liabilities. Please see note 33 for further details.</p>		
<b>17 SUBORDINATED LIABILITIES</b>	<b>46,408</b>	<b>45,690</b>
<p>This item comprises subordinated retail loans received and a subordinated loan received from GBI's shareholder Türkiye Garanti Bankası A.Ş. The subordinated liabilities are subordinate in respect of the other current and future liabilities of GBI. The subordinated retail loans received have a fixed yearly interest payment at a minimum rate of 4.75 percent or have been discounted at a rate of 4.4 percent. The original maturity of the retail loans is 5, 6, 7, 8 or 10 years. The subordinated loan was granted in 2011 and has a yearly interest payment at a fixed rate of 5.95 percent. The original maturity of the loan is 10 years. It replaced a previous subordinated loan, which matured in 2011. In the financial year the charges in respect of the subordinated loans amounted to EUR 1.7 million (2010: EUR 1.4 million).</p>		
<b>18 SHAREHOLDERS' EQUITY</b>	<b>375,882</b>	<b>325,818</b>
<b>Paid-in and called-up capital</b>	<b>136,836</b>	<b>136,836</b>
<p>The authorized share capital amounts to EUR 500 million and is subdivided into 500,000 shares with a nominal value of EUR 1,000 each, of which 136,836 shares have been issued and fully paid-in.</p>		

## NOTES TO THE 2011 FINANCIAL STATEMENTS

Revaluation reserves 1 3,559

This item comprises revaluation reserves for buildings and securities in the available-for-sale portfolio.

The changes in this item were as follows:

	As at 31 December 2011			As at 31 December 2010		
	Buildings	Available- for-sale portfolio	Total	Buildings	Available- for-sale portfolio	Total
Position as at 1 January	2,084	1,475	3,559	2,484	1,788	4,272
Release from deferred tax liability due to change in tax rate	-	-	-	14	-	14
Release due to sale of Romanian activities	-	-	-	(414)	(1,684)	(2,098)
Revaluations	(2,084)	(1,474)	(3,558)	-	1,371	1,371
Position as at 31 December	<u>-</u>	<u>1</u>	<u>1</u>	<u>2,084</u>	<u>1,475</u>	<u>3,559</u>

	2011	2010
<b>Other reserves</b>	<b>185,423</b>	<b>138,426</b>
Position as at 1 January	138,426	110,545
Profit appropriation	46,997	27,881
Position as at 31 December	185,423	138,426
<b>Net profit</b>	<b>53,622</b>	<b>46,997</b>

The changes in this item were as follows:

Position as at 1 January	46,997	27,881
Profit appropriation	(46,997)	(27,881)
Result after tax	53,622	46,997
Position as at 31 December	<u>53,622</u>	<u>46,997</u>

### CAPITAL ADEQUACY

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

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

# NOTES TO THE 2011 FINANCIAL STATEMENTS

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

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

	2011	2010
Tier 1 capital	371,197	317,083
Tier 2 capital	36,947	39,778
Total capital	<u>408,144</u>	<u>356,861</u>
Required pillar I capital	171,332	178,104
BIS ratio	19.06%	16.03%
Tier 1 ratio	17.33%	14.24%
<b>19 OFF-BALANCE SHEET LIABILITIES</b>	<b>443,063</b>	<b>396,264</b>

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

The off-balance sheet liabilities can be broken down into liabilities in respect of:

• Guarantees	68,181	66,098
• Irrevocable letters of credit	298,618	272,587
• Other commitments	76,264	57,579
	<u>443,063</u>	<u>396,264</u>

## 20 INTEREST INCOME

	152,671	180,039
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This includes income arising from the lending of funds and related transactions as well as commissions and other income, which have an interest characteristic.

This item comprises interest and similar income from:

• debt securities including fixed-income securities	38,719	65,415
• other	113,952	114,624
	<u>152,671</u>	<u>180,039</u>

## 21 INTEREST EXPENSE

	91,939	109,263
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This item includes the costs arising from the borrowing of funds and the interest-related result of derivatives as well as other charges, which have an interest characteristic.

# NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
<b>22 INCOME FROM PARTICIPATING INTERESTS</b>	<b>631</b>	<b>–</b>
<p>This item includes the result on the sale of Trifoi Real Estate SRL, the owner of the land where GBI's former Romanian branch was located (see also note 8).</p>		
<b>23 COMMISSION INCOME</b>	<b>34,565</b>	<b>33,565</b>
<p>This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have an interest characteristic. This relates primarily to trade finance activities.</p>		
<b>24 COMMISSION EXPENSE</b>	<b>1,769</b>	<b>2,299</b>
<p>This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the characteristics of interest.</p>		
<b>25 NET COMMISSION</b>	<b>32,796</b>	<b>31,266</b>
<p>Net commission comprises:</p>		
• Trade finance	26,429	23,663
• Payment services	825	1,850
• Security brokerage	336	482
• Private banking services	371	419
• Structured Finance	5,993	5,275
• Other	(1,158)	(423)
	<u>32,796</u>	<u>31,266</u>
<b>26 RESULT ON FINANCIAL TRANSACTIONS</b>	<b>11,380</b>	<b>7,876</b>
<p>This item covers value differences and profits and losses on the sale of securities belonging to the trading or available-for-sale portfolio and currency differences and price/rate differences arising from dealing in other financial instruments.</p>		
<p>This item comprises:</p>		
• Securities trading	3,534	92
• Foreign exchange dealing	5,564	5,202
• Forfaiting	231	741
• Other	2,051	1,841
	<u>11,380</u>	<u>7,876</u>
<b>27 OTHER INCOME</b>	<b>–</b>	<b>7,902</b>

# NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
<b>28 SEGMENTATION OF INCOME</b>	<b>199,247</b>	<b>221,480</b>
<p>The total of interest income, income from participating interests, commission income and result on financial transactions can be broken down into the following geographical areas based on customer domicile:</p>		
• The Netherlands	11,143	18,347
• Turkey	116,286	108,861
• CIS countries	25,505	23,025
• Rest of Europe	30,864	55,713
• Rest of the world	15,449	15,534
	<u>199,247</u>	<u>221,480</u>
<b>29 STAFF COSTS AND OTHER ADMINISTRATIVE EXPENSES</b>	<b>33,415</b>	<b>44,310</b>
<p>This includes:</p>		
• Staff costs	25,063	28,914
• Other administrative expenses	8,352	15,396
	<u>33,415</u>	<u>44,310</u>
<p>The staff costs comprise:</p>		
• Wages and salaries	20,992	24,119
• Pension costs	2,662	1,915
• Other social costs	629	1,966
• Other staff costs	780	914
	<u>25,063</u>	<u>28,914</u>

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

The nature and substance of the plans are decisive for their treatment in the financial statements. Contributions to the pension schemes are charged directly to the profit and loss account in the year to which they relate. A pension provision needs to be included in the balance sheet for pension premiums payable and possible additional obligations to the pension plan or employees outstanding as per the balance sheet date. As of the end of 2011 no premiums payable and possible additional obligations were outstanding.

## NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
The average number of full-time equivalent employees was 209 (2010: 413), which can be split as follows:		
• Netherlands	172	164
• Romania	–	211
• Other	37	38
	209	413

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

These can be broken down as follows:

	KPMG Accountants N.V.	2011 Other KPMG network	Total KPMG network	KPMG Accountants N.V.	2010 Other KPMG network	Total KPMG network
Audit on the financial statements						
	139	34	173	173	68	241
Other audits	166	–	166	191	29	220
Fiscal advice	–	40	40	–	61	61
Other non-audit expenses	2	28	30	33	–	33
	307	102	409	397	158	555

<b>30 DEPRECIATION</b>	2011	2010
	1,570	4,023

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

<b>31 VALUE ADJUSTMENTS TO TANGIBLE FIXED ASSETS</b>	–	(1,483)
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<b>32 VALUE ADJUSTMENTS TO RECEIVABLES</b>	(735)	4,261
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This item consists of additions to and releases from provisions for loans and advances to customers.

## NOTES TO THE 2011 FINANCIAL STATEMENTS

	2011	2010
<b>33 TAX ON RESULT ON ORDINARY ACTIVITIES</b>	<b>17,667</b>	<b>19,712</b>

The corporate income tax has been calculated using the nominal tax rate of 25 percent over the Dutch taxable income and the local applicable tax rate for taxable income in Germany (30 percent). The overall effective tax rate decreased from 29.5 percent in 2010 to 24.8 percent in 2011.

Dutch tax rate	25.0%	25.5%
Effect of deviating tax rates in foreign countries	0.0%	0.1%
Other	(0.2%)	3.9%
<b>Effective tax rate on operating income</b>	<b>24.8%</b>	<b>29.5%</b>

The 2011 taxes amounted to EUR 17,667 thousand (2010: EUR 19,712 thousand). The provision for deferred tax liabilities relates to tax liabilities that will arise in the future owing to the difference between the book value of specific assets and liabilities and their valuation for tax purposes.

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

Foreign branches	611	–
Buildings	198	898
Available-for-sale portfolio	–	492
	<b>809</b>	<b>1,390</b>

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## FURTHER DISCLOSURES

### 34 PLEDGED ASSETS

EUR 485.1 million (31 December 2010: EUR 404.4 million) of 'Interest-bearing securities' and EUR 5.6 million of 'Banks' (31 December 2010; EUR 11 thousand) has been pledged as collateral for EUR 420.2 million (31 December 2010: EUR 359.6 million) of liability item 'Banks'. Furthermore EUR 107.9 million (31 December 2010: EUR 12.5 million) of 'Banks' has been pledged as collateral for derivative trades. These assets are consequently not freely available.

# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 35 RISK MANAGEMENT

### 35.1 CREDIT RISK

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

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

#### 35.1.a Breakdown by geographical regions

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

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
<b>As at 31 December 2011:</b>				
• The Netherlands	31,075	87,659	57,534	55,428
• Turkey	596,146	870,255	185,546	111,452
• CIS countries	100,308	39,130	157,359	–
• Rest of Europe	194,073	476,772	169,039	145,626
• Rest of the world	26,440	405,953	50,539	130,557
	<u>948,042</u>	<u>1,879,769</u>	<u>620,017</u>	<u>443,063</u>
• Provisions	–	(25,544)	–	–
	<u>948,042</u>	<u>1,854,225</u>	<u>620,017</u>	<u>443,063</u>
<b>As at 31 December 2010:</b>				
• The Netherlands	30,699	98,323	56,905	7,346
• Turkey	749,417	630,724	138,140	139,651
• CIS countries	150,622	57,001	212,082	3,846
• Rest of Europe	95,736	446,933	127,728	136,117
• Rest of the world	82,869	201,160	93,156	109,304
	<u>1,109,343</u>	<u>1,434,141</u>	<u>628,011</u>	<u>396,264</u>
• Provisions	–	(25,891)	–	–
	<u>1,109,343</u>	<u>1,408,250</u>	<u>628,011</u>	<u>396,264</u>

## NOTES TO THE 2011 FINANCIAL STATEMENTS

### 35.1.b Breakdown by collateral

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

	2011	2010
Substitution collateral (bank guarantees)	102,253	42,952
Financial collateral (securities and cash)	177,692	125,419
Other collateral and unsecured	1,599,823	1,265,770
	1,879,769	1,434,141
Provisions	(25,544)	(25,891)
	1,854,225	1,408,250

### 35.1.c Breakdown by sector and industry

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

	2011	2010*
Agriculture	101,469	62,645
Basic materials	527,357	390,749
Chemicals	145,026	90,042
Construction	103,509	40,609
Consumer products	66,048	66,530
Financial services	386,518	256,392
Food, beverages & tobacco	27,484	77,154
Leisure and tourism	8,168	1,400
Media	40,515	8,634
Oil & gas	90,821	87,814
Private individuals	22,683	10,633
Public sector	1,546	22,495
Retail	10,580	675
Services	4,833	6,077
Telecom	60,839	83,023
Transport & logistics	207,835	159,754
Utilities	22,905	26,904
Other	51,633	42,611
	1,879,769	1,434,141
Provisions	(25,544)	(25,891)
	1,854,225	1,408,250

\* Adjusted for reasons of comparison

# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 35.1.d Non-performing loans and NPL ratio

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

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

The NPL ratio is calculated as follows:

	2011	2010
Banks	948,042	1,109,343
Loans and advances	1,854,225	1,408,250
Provisions	25,544	25,891
Gross loans	<u>2,827,811</u>	<u>2,543,484</u>
Non-performing loans (after deduction of financial collateral)	50,013	46,117
NPL ratio	1.77%	1.81%

## 35.1.e Derivatives

Derivatives are financial instruments taking the form of contracts whose value depends on one or more underlying assets, reference prices or indices. Examples of derivatives are forward exchange contracts, swaps, options and forward rate agreements. Transactions in derivatives are contracted by GBI to hedge interest rate risks and foreign exchange risks on GBI's own positions and on behalf of clients.

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

## NOTES TO THE 2011 FINANCIAL STATEMENTS

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The positive replacement value is the loss that would arise if a counterparty were to default. In calculating the positive replacement value shown in the following table, netting agreements have been taken into consideration.

As at 31 December 2011:		Notional amounts <= 1 year	Notional amounts >1<= 5 years	Total	Positive replacement value
<b>Interest rate contracts</b>					
OTC	Swaps	61,829	331,857	393,686	-
<b>Currency contracts</b>					
OTC	Swaps	3,125,481	-	3,125,481	60,110
	Forwards	366,486	193	366,679	1,929
	Options	1,162,518	-	1,162,518	29,876
<b>Other contracts</b>					
OTC	Options	13,963	1,546	15,509	2,193
		<u>4,730,277</u>	<u>333,596</u>	<u>5,063,873</u>	<u>94,108</u>
As at 31 December 2010:		Notional amounts <= 1 year	Notional amounts >1<= 5 years	Total	Positive replacement value
<b>Interest rate contracts</b>					
OTC	Swaps	44,903	164,646	209,549	-
<b>Currency contracts</b>					
OTC	Swaps	1,932,083	10,000	1,942,083	35,669
	Forwards	130,718	-	130,718	384
	Options	506,939	1,496	508,435	9,425
<b>Other contracts</b>					
OTC	Options	4,756	7,110	11,866	960
		<u>2,619,399</u>	<u>183,252</u>	<u>2,802,651</u>	<u>46,438</u>

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

# NOTES TO THE 2011 FINANCIAL STATEMENTS

The figures allow for the downward impact of collateral on risk exposure and capital adequacy.

	As at 31 December 2011		As at 31 December 2010	
	Unweighted*	Weighted**	Unweighted*	Weighted**
Interest rate contracts	5,238	826	3,893	511
OTC currency contracts	115,540	27,340	82,952	11,011
Other contracts	496	120	827	142
	<u>121,274</u>	<u>28,286</u>	<u>87,672</u>	<u>11,664</u>

\* Exposure value before deduction of collateral

\*\* Risk weighted exposure value after deduction of collateral

## 35.2 MARKET RISK

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

### 35.2.a Currency risk

The total equivalent of assets in foreign currencies is EUR 2,663 million, while the total equivalent of liabilities in foreign currencies is EUR 1,006 million. The currency position is reduced to acceptable levels through off-balance sheet instruments.

Currency	As at 31 December 2011				As at 31 December 2010			
	Gross long position	Gross short position	Net long position	Net short position	Gross long position	Gross short position	Net long position	Net short position
USD	4,011,543	4,012,923	-	1,380	2,405,938	2,407,134	-	1,196
TRY	1,718,190	1,714,449	3,741	-	449,301	455,066	-	5,765
GBP	252,946	253,200	-	254	127,941	118,336	9,605	-
JPY	62,387	62,388	-	1	28,041	28,503	-	462
AUD	57,282	57,301	-	19	101,076	101,500	-	424
CHF	35,697	35,720	-	23	3,297	3,260	37	-
ZAR	21,198	21,230	-	32	6,905	7,080	-	175
SEK	10,618	10,614	4	-	3,512	3,750	-	238
RON	8,301	8,275	26	-	8,357	8,394	-	37
KRW	5,775	5,758	17	-	-	-	-	-
Other	9,517	9,549	19	51	15,699	15,668	51	20

## NOTES TO THE 2011 FINANCIAL STATEMENTS

### 35.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2011, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable	< = 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Assets	169,128	2,609,303	624,056	557,190	190,604	4,150,281
Liabilities	(216,227)	(2,056,689)	(761,679)	(448,348)	(47,364)	(3,530,307)
Derivatives	-	288,207	(30,154)	(344,727)	-	(86,674)
<b>Net interest position</b>						
<b>31 December 2011</b>	<b>(47,099)</b>	<b>840,821</b>	<b>(167,777)</b>	<b>(235,885)</b>	<b>143,240</b>	<b>533,300</b>
Net interest position						
31 December 2010	(37,379)	241,538	131,850	(25,987)	193,473	503,495

The calculation of the sensitivity analysis as at 31 December 2011 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the yield curves for all currencies, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 1,609 thousand (31 December 2010: EUR 12,547 thousand decrease).

## NOTES TO THE 2011 FINANCIAL STATEMENTS

### 35.3 LIQUIDITY RISK

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

	On demand	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Provisions	Total
<b>Assets</b>							
Cash	580,998	-	-	-	-	-	580,998
Banks	136,512	382,881	401,520	27,129	-	-	948,042
Loans and advances	72,175	1,164,520	316,170	314,615	12,289	(25,544)	1,854,225
Interest-bearing securities	-	4,093	26,568	418,095	171,261	-	620,017
Participating interests	250	-	-	-	-	-	250
Property and equipment	-	-	-	-	21,724	-	21,724
Other assets	1,716	-	-	10,005	-	-	11,721
Prepayments and accrued income	72,729	-	-	-	-	-	72,729
<b>Total assets</b>							
31 December 2011	864,380	1,551,494	744,258	769,844	205,274	(25,544)	4,109,706
<b>Liabilities</b>							
Banks	5,433	453,627	322,321	-	-	-	781,381
Funds entrusted	1,016,457*	661,562	524,973	556,917	868	-	2,760,777
Other liabilities	8,748	-	-	-	-	-	8,748
Accruals and deferred income	135,701	-	-	-	-	-	135,701
Provisions	-	-	-	-	809	-	809
Subordinated liabilities	-	1,346	1,775	6,624	36,663	-	46,408
Shareholders' equity	-	-	-	-	375,882	-	375,882
<b>Total liabilities</b>							
31 December 2011	1,166,339	1,116,535	849,069	563,541	414,222	-	4,109,706
<b>Net liquidity</b>							
31 December 2011	(301,959)	434,959	(104,811)	206,303	(208,948)	(25,544)	-
<b>Total assets</b>							
31 December 2010	479,936	1,074,650	1,070,035	674,677	258,604	(25,891)	3,532,011
<b>Total liabilities</b>							
31 December 2010	1,248,037	984,748	587,452	342,569	369,205	-	3,532,011
<b>Net liquidity</b>							
31 December 2010	(768,101)	89,902	482,583	332,108	(110,601)	(25,891)	-

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

# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

These financial instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks and other short-term assets and liabilities which are of a contractual nature. The carrying amount of these particular assets and liabilities approximates their fair value, partially due to the fact that it is market practice to renegotiate interest rates to reflect current market conditions.

The fair value of the interest-bearing securities in the investment portfolio amounts to EUR 603.4 million (2010: EUR 442.0 million), whereas the book value amounts to EUR 622.2 million (2010: EUR 436.1 million). The fair value of hedging derivatives as at 31 December 2011 amounts to EUR 64.2 million negative on a net basis (2010: EUR 13.8 million positive). The book value of these derivatives is EUR 65.0 million negative (2010: EUR 18.7 million positive).

## 37 GROUP RELATED BALANCES

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

### 37.1 OUTSTANDING BALANCES

GBI has the following outstanding group related balances:

	Parent company	2011 Other	Parent company	2010 Other
Banks (assets)	35,121	81,753	53,448	19,920
Loans and advances	-	57,767	-	16,913
Interest-bearing securities	11,822	15,000	3,289	30,731
Shares	-	-	2,619	-
Banks (liabilities)	2,648	842	2,628	971
Funds entrusted	-	6,719	-	2,175
Subordinated liabilities	30,000	-	-	-
Income from participating interests	631	-	-	-

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# NOTES TO THE 2011 FINANCIAL STATEMENTS

## 38 REMUNERATION OF MANAGING BOARD DIRECTORS AND SUPERVISORY BOARD DIRECTORS

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

The remuneration policy for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 12 April 2012. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mindset and background.

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

The remuneration of current and former members of the Managing Board amounted to EUR 2,421,801 in 2011 (2010: EUR 2,102,064).

The remuneration of current and former members of the Supervisory Board amounted to EUR 695,113 in 2011 (2010: EUR 674,870).

Amsterdam, 22 March 2012

### Managing Board

Mr. B. Ateş

Mr. M.P. Padberg

### Supervisory Board

Mr. S. Sözen (Chairman)

Mr. A. Acar (Vice-Chairman)

Mr. H. Akhan

Mr. T. Gönensin

Mr. E. Özen

Mr. F. Şahenk

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## OTHER INFORMATION

### PROFIT APPROPRIATION

In the Annual General Shareholders' Meeting, it will be proposed to add the net profit of 2011 (EUR 53,622,000) to the other reserves.

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

#### Article 31

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

### INDEPENDENT AUDITOR'S REPORT

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

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## OTHER INFORMATION

### INDEPENDENT AUDITOR'S REPORT

To the Managing Board, the Supervisory Board and the Shareholders of GarantiBank International N.V.

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2011 as included on page 54 to page 83 which are part of the annual report 2011 of GarantiBank International N.V., Amsterdam, which comprise the balance sheet as at 31 December 2011, the profit and loss account and the cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### MANAGEMENT'S RESPONSIBILITY

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

#### AUDITOR'S RESPONSIBILITY

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

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

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

#### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of GarantiBank International N.V. as at 31 December 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Amstelveen, 22 March 2012

KPMG ACCOUNTANTS N.V.

E. Bleekrode RA

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# SUPERVISORY BOARD AND MANAGING BOARD

## SUPERVISORY BOARD

### **Mr. S. Sözen (Chairman)**

Chairman of GBI Supervisory Board since 2006.

Vice-Chairman of Türkiye Garanti Bankası Supervisory Board.

### **Mr. A. Acar (Vice-Chairman)**

Chairman of Doğuş Automotive.

Holds several Board Member positions in various Doğuş Group companies.

Previously served as CEO of Osmanlı Bankası in Turkey and as CEO of Bank Ekspres.

### **Mr. H. Akhan (Member)**

CEO of Doğuş Holding A.Ş.

Previously served as CEO of Körfezbank in Turkey.

### **Mr. T. Gönensin (Member)**

Holds Senior Management position in Türkiye Garanti Bankası.

Previously served as CEO of Osmanlı Bankası in Turkey and as Senior Managing Director of GBI.

### **Mr. E. Özen (Member)**

CEO of Türkiye Garanti Bankası since April 2000.

Previously held several Senior Management positions at Türkiye Garanti Bankası.

### **Mr. F. Şahenk (Member)**

Previously held the position of Chairman between 2002 and 2006.

Presently Chairman of Türkiye Garanti Bankası.

## MANAGING BOARD

### **Mr. B. Ateş**

CEO, since 24 March 2000.

### **Mr. M. P. Padberg**

Managing Director, since 1 January 1993.

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## SENIOR MANAGEMENT

<b>Trade Finance</b>	<b>Treasury, Private Banking &amp; Financial Institutions</b>	<b>Structured Finance, Retail Banking</b>
Mr. C.O. Draman Executive Director	Ms. Ö. Etker-Simons Executive Director	Mr. E. Zeyneloğlu Executive Director
<b>Operations, Information &amp; Communication Technology, Information Security</b>	<b>Credits, Legal &amp; Compliance</b>	<b>Risk Management, Control &amp; Reporting</b>
Mr. G. Salman Executive Director	Mr. S. Kanan Executive Director	Dr. M.Ö. Şişman Executive Director
<b>Internal Audit Services</b>	<b>Human Resources</b>	<b>Germany Branch</b>
Mr. T. Aksoy Manager	Ms. M.S. Van Tilburg - Van Alfen Manager	Mr. F. Birincioğlu Executive Director

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