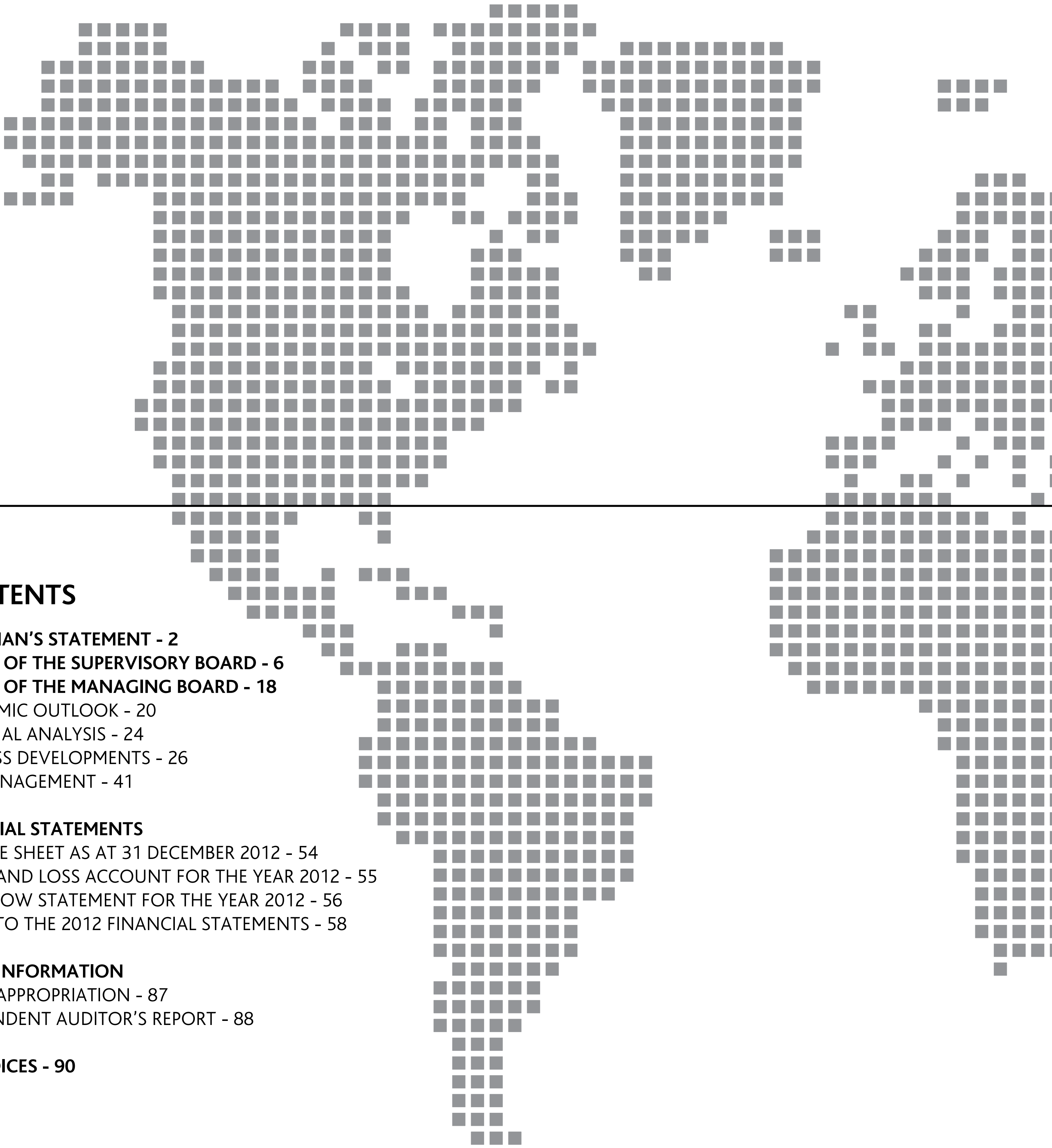
GarantiBank
International N.V.

ANNUAL REPORT 2012

22 YEARS OF SUSTAINABLE VALUE CREATION



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our vision

Our vision is to be the best bank in our niche markets.

Our mission is to sustain solid value creation for our clients, employees, shareholders and society by pursuing prudent strategies with organisational agility and operational excellence, as a reliable niche financial services provider.

our mission

Chairman's Statement

I am pleased to report that GarantiBank International NV (GBI) completed another financial year with excellent results. Although 2012 was a year full of challenges in the banking sector, GBI stood out with its strong performance.

This was achieved through continued implementation of GBI's prudent and coherent business strategy which is based on offering traditional banking services to our clientele. Our strategy remained valid under various market conditions including crisis periods and it was proven once again in 2012. Furthermore, our strong risk management policy and practices enabled us to stay immune to various headwinds in the financial sector. Being stakeholder-centric, we strived, and I believe, achieved to strike a healthy balance between commercial pursuits and responsibilities towards all of our stakeholders.

In 2012, we recorded a net profit of EUR 54.6 million which is higher than 2011's result. The operating result before tax and value adjustments amounted to EUR 83.5 million, which is 18 percent higher than in 2011. The main contributor to the growth in the 2012 operating result was net commission income, whereas net interest income also increased though more moderately. The size of the balance sheet grew by 9 percent, which mostly relates to loans and advances.

Focusing on our core commercial activities, we achieved healthy growth on all fronts in 2012.

Banking on top of our robust 2011 results and franchise value, GBI Trade Finance showed the best-ever performance in 2012, excelling in areas such as client acquisition, asset quality, revenues, profits, return on allocated capital, winning awards and earning the appreciation of our stakeholders. Including on- and off-balance sheet assets, Trade Finance assets have advanced by about 5 percent and reached EUR 1.9 billion level at the end of the year under review. In a year of strategy revisions at major financial institutions that raised concerns with regards to the degree of support of the lenders to trade financing, GBI's up-beat approach stemming from its franchise value in trade financing earned the appreciation of its clientele. As a result, we maintained high client acquisition rates and expanded on existing clients.

In 2012, GBI Private Banking achieved a revenue growth of 13 percent compared to the previous year. GBI's coherency in private banking helped the Bank to differentiate itself in a year of change and repositioning in the sector. While major players were focusing on rebuilding client trust which was eroded during the crisis, GBI just continued building on its already healthy position. The Bank's key expertise in Turkish financial markets enhanced its strong performance further.

2012 was another successful year for GBI Islamic Finance with 10 percent growth in loan portfolio despite uncertainty and tough competition in the market. GBI also grew its ship finance exposure albeit modestly by 6 percent in 2012 in spite of the harsh market circumstances in the shipping industry. GBI Project Finance/Corporate Finance continued to grow and add value to the Bank's results. Our Cash

strong performance

Although 2012 was a year full of challenges in the banking sector, GBI stood out with its strong performance.

Management activity delivered good results; with a commission income growth of 29 percent, mainly through customer acquisitions.

Risk management has been at the forefront of developments in the financial industry for yet another year, in 2012, and it seems set to remain so for the foreseeable future. While there are divergent views on the state of the global economy and whether or not the worst is over, financial institutions and regulators agree on the need to enforce a strong risk culture and sound risk management practices, to ensure that all players are better prepared for potential future crises.

The lessons learned in the recent past are being embedded in regulatory requirements as well as in banks' risk awareness.

In this context, GBI proactively targets prudent financial performance and full regulatory compliance, and continues to achieve these through a proven business model, combined with a strong risk governance structure and advanced risk control processes. The risk management culture at GBI has been established as a key ingredient of the Bank's strategy, with an emphasis on risk awareness at all levels of the organization. GBI's Risk Management adds value by identifying risks to which the Bank is exposed and providing insight into the levels of risk that can be absorbed, compared with the earnings power and the capital base.

Although the immediate threat in peripheral Europe appears to have abated, GBI has no exposure to peripheral European sovereigns. The Bank's overall asset quality remains high with an NPL ratio of 1.98 percent, owing to the cautious lending policy and improving credit quality in the key markets. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio calculated as per the Capital Requirements Directive (CRD) has increased from 19.06 percent to 19.30 percent. GBI is also well-positioned for the upcoming regulations on the composition of own funds as it maintains a Tier 1 ratio of 18.23 percent. The well-balanced maturity profile and high level of stable funding together with the diversified funding base provide a strong foundation for meeting the upcoming liquidity requirements.

As a direct consequence of the above, GBI neither needed any government support nor faced any penalties in its history. I am delighted to say that GBI displayed an example of traditional banking at its best with utmost integrity and responsibility.
On behalf of the Supervisory Board, I would like to express my sincere thanks to the GBI team for their diligence and successful performance which added value to GBI's stakeholders during the past year. I also thank our shareholder for its continued support to GBI.

Amsterdam, 20 March 2013

S. Sözen (Chairman of the Supervisory Board)

GBI proactively targets prudent financial performance and full regulatory compliance, and continues to achieve these through a proven business model, combined with a strong risk governance structure and advanced risk control processes.

STAKEHOLDER-CENTRIC

value creation

We are stakeholder-centric; we strive to strike a healthy balance between our commercial pursuits and responsibilities. Our prudent and coherent business model is based on offering traditional banking services to our clientele in our niche market segments. Building on our robust and stable performance throughout our history, we aim to maintain high asset quality and solid return on equity through our award-winning franchise.

Our risk management culture has been established as a key ingredient of our strategy, with an emphasis on risk awareness at all levels of the organization. We proactively target prudent financial performance and full regulatory compliance combined with a strong risk governance structure and advanced risk control processes.

responsibility

Report of the Supervisory Board

Annual accounts

The annual accounts were drawn up by the Managing Board and audited by KPMG Accountants N.V. who issued an unqualified opinion dated 20 March 2013. 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 of the year 2012. The Supervisory Board advises and proposes that the Shareholder adopts the 2012 annual accounts at the Annual General Meeting of Shareholders on 11 April 2013.

The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharges the members of the Managing and Supervisory Board for their respective management and supervision during the financial year 2012.

Financial statements and proposed dividend

This annual report includes the financial statements as drawn up by the Managing Board. In accordance with Article 27, paragraph 4 of the Articles of Association, these accounts were audited by KPMG Accountants N.V. and in accordance with Article 29, they will be adopted at the Annual General Meeting of Shareholders on 11 April 2013. The Supervisory Board has voted to adopt the Managing Board's proposal to transfer the net profit of 2012 (EUR 54.6 million) to the other reserves rather than paying a dividend.

Composition of the Supervisory Board

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

In 2012 the Supervisory Board is composed of the following members:

Name	Year of Birth	Position	Membership Since	End of Term
S. Sözen	1947	Chairman	1998	2015
A. Acar *	1954	Vice-Chairman	2002	2012
H. Akhan *	1953	Member	2003	2012
M. Galatas **	1962	Member	2012	2015
R. van der Linden **	1943	Member	2012	2015
B. Meesters **	1954	Member	2012	2015
E. Özen *	1960	Member	2001	2012
F. Şahenk	1964	Member	2002	2015

In March 2013, Mr. W.F.C. Cramer has been appointed as a member of the Supervisory Board.

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* On 10 December 2012 Messrs Acar, Akhan and Özen resigned from their duties as member of the Supervisory Board.
** On 12 July 2012 Messrs van der Linden, Galatas and Meesters attended their first meeting of the Supervisory Board.

Members of the Supervisory Board are elected for a term of three years. Mr. Sözen was due to resign by rotation. The Supervisory Board considered Mr. Sözen to be nominated for reappointment by the Shareholder for a new term of three years. This was adopted by the Shareholder in the extra-ordinary meeting of shareholders of 15 June 2012. GBI likes to continue benefiting from the broad international banking experience and know-how of Mr. Sözen. Furthermore, Mr. Sözen's strong leadership as the Chairman of the Board and his valuable contributions as the Chairman of the Extended Credit Committee will continue to enhance GBI's sound business and risk management practices at the current challenging economic environment. In the Annual General Meeting of the Shareholders of 12 April 2012, Mr. Gönensin requested the Shareholder to accept his resignation from the Supervisory Board as of the date of that meeting. GBI would like to thank Mr. Gönensin for his twelve years of valuable contributions at the Supervisory Board and for his continuous support for the Amsterdam Credit Committee as member of the Extended Credit Committee. Also on behalf of the Supervisory Board, the Shareholder requested Mr. Gönensin the continuation of his membership of the Extended Credit Committee of GBI, as Executive Vice President Domestic & Overseas Subsidiaries Coordination of Garanti Bank Turkey, which he accepted.

Report of the Supervisory Board

In the Annual General Meeting of Shareholders of 12 April 2012, the Shareholder accepted the proposal of the Supervisory Board to nominate Mr. P.R.H.M. van der Linden and Mr. M.P. Galatas Sanchez-Harguindey as members of the Supervisory Board upon approval of the Dutch Central Bank (De Nederlandsche Bank N.V., 'DNB'). In the extra-ordinary meeting of Shareholders of 15 June 2012, the Shareholder accepted the proposal of the Supervisory Board to nominate Mr. B.J.M.A. Meesters as member of the Supervisory Board upon approval of the DNB. Messrs. van der Linden, Galatas and Meesters joined the Supervisory Board at its meeting of 12 July 2012. GBI is pleased to welcome Mr. van der Linden as a member of the Supervisory Board and is looking forward to benefit from his broad international business and political experience as well as his domestic and international network. Also a warm welcome was expressed to Mr. Galatas as the member of the Supervisory Board representing BBVA, the co-shareholder of our parent bank. GBI is confident to benefit from Mr. Galatas' broad international banking experience and is looking forward to a professional cooperation also in the areas of risk and compliance management. The third new member of the Supervisory Board who participated to the meeting on 12 July was Mr. Meesters. Mr. Meesters is a well-known lawyer with many years of international and domestic banking law experience and took advisory positions at many domestic and international financial institutions. GBI is looking forward to teaming up with Mr. Meesters as a member of the Supervisory Board and to benefiting from his broad international banking know-how.

In the extra-ordinary meeting of Shareholders of 10 December 2012, Messrs. Acar, Akhan and Özen requested the shareholder to accept their resignation as member of the Supervisory Board. GarantiBank benefited greatly from the international banking experience and know-how of Mr. Acar and even more as Vice-Chairman of the Board and as Chairman of the Audit and Risk Management Committee of the Supervisory Board for which he guided the Bank to further mitigate the risks and to meet the revised international risk management requirements. GBI would also like to thank Mr. Özen for his twelve years valuable guidance to the Managing Board and for his excellent support to the Amsterdam Credit Committee as member of the Extended Credit Committee.

The Shareholder approved the request of the Supervisory Board on the continuation of the membership of Mr. Özen to the Extended Credit Committee as CEO of Garanti Bank Turkey. Last but not least, GBI would like to thank Mr. Akhan for his ten years valuable contribution as supervisor to our Bank.

GBI benefited greatly from the banking know-how of Mr. Akhan in general and from his audit and risk management guidance to the Bank also as member of the Audit and Risk Management Committee of the Supervisory Board.

The composition of the Supervisory Board will be in line with DNB regulation that 50 percent of the members should be independent i.e. not related to GBI's shareholders. The Bank met this requirement by the appointment of Mr. W.F.C. Cramer in March 2013. Mr. Cramer is a well-known banker with many years of domestic and international banking experience and has fulfilled executive positions in different banks in the Netherlands and abroad. GBI is enthusiastic to welcome Mr. Cramer as a member of the Supervisory Board and is looking forward to an inspiring cooperation. The definition and composition of the subcommittees will be discussed and determined in the meeting of the Supervisory Board in March 2013.

In November 2012, Ernst & Young performed an assessment of the functioning of the Supervisory Board as stated in principle 2.1.10 of the Dutch Banking Code. The assessment comprised the composition and role of the Managing and Supervisory Board, the role of the Supervisory Board versus the Managing Board, the role of the Chairman, the dependent and independent members and the subcommittees, the conduct of meetings and the information sharing and communication within the Supervisory Board and with the Managing Board. Ernst & Young presented their report in the meeting of the Supervisory Board on 11 January 2013. Ernst & Young recommended among others to assign independent members of the board to the subcommittees, to organize a permanent education session on regulatory changes, to update the Dutch and Corporate website with relevant information of supervisory board members, define roles and responsibilities of new board members and another member than the chairman of the supervisory board should be assigned as chairman of a subcommittee.

Composition of the Managing Board

The Managing Board is composed of the following members:

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

Report of the Supervisory Board

Supervisory Board meetings

The Supervisory Board met on 7 occasions in the reporting period and all members of the Supervisory Board participated regularly. The Managing Board was present in all meetings. In each meeting the current business developments and performance were discussed thoroughly and considerable time was devoted to talk about the Bank's strategy, the current and future economic challenges, the Euro, unstable southern eurozone countries, increased supervision, increased international and national regulations, continuous focus on a prudent and risk aware credit management and the good relation with our clients. The budget was discussed in detail and ultimately approved in the first meeting of the Supervisory Board on 10 January 2012. The 2011 annual figures were commented in presence of the external auditor in the supervisory board meeting of 22 March 2012 including 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

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

Audit and Risk Management Committee

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

The Audit and Risk Management Committee assists the Supervisory Board in 1) monitoring GBI's systems of financial risk management and internal control; 2) compliance issues regarding domestic and international regulations and internal policies; 3) internal and external audits and the content of the financial statements and reports and 4) advising the Managing Board on corporate governance and social corporate 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 2012, the Audit and Risk Management Committee met twice, in which meetings the external auditor participated. In the second meeting of the committee, the external auditor presented its plan for the audit of the 2012 financial statements. In both meetings, the Internal Auditor presented and explained the internal audit reports, the audit status report, the audit planning, the progress on it and the audit charter. The Risk Manager of the Bank presented and explained to the committee in its meetings the impact of the revised regulations, 2011 validation results on GBI's rating models, the Basel III migration plan, ICAAP and ILAAP and all correspondences with DNB regarding risk management issues. GBI's position vis-à-vis DNB regarding lower tier 2 instruments have been discussed as well. The Compliance Officer presented the Compliance Charter in the second meeting of the committee and discussed in detail DNB's thematic examination report on Anti-Money Laundering and Anti-Terrorist Financing.

Extended Credit Committee

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 ECC paid many visits to the Bank in 2012 to discuss the Bank's corporate credit portfolio and possible loan provisions. These discussions took place in joint meetings with the Amsterdam Credit Committee with the presence of the related account managers and credit officers.

Report of the Supervisory Board

Remuneration Committee

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

The Remuneration Committee of the Supervisory Board met two times in 2012. In the first meeting, personnel issues of the past year such as turn-over, new recruits and promotions have been discussed. Currently, the composition of the staff is as such that approximately for one front-office person, 8 back-office persons are employed. Over the last years, the regulatory and reporting requirements have been increased to an extent that such an unbalanced composition is needed. 2012 salary increases, some variable allowances and promotions have been discussed and approved. In both meetings, the developments on the collective labour agreement have been discussed in detail. In the second meeting of the Remuneration Committee, KPMG's review on the salary administration, the new VAT rule on salary of some members of the Supervisory Board and the proposed salary increases of 2013 have been discussed and approved. The Committee evaluated the two pension schemes of the Bank and supported the alignment of both schemes in terms of type, conditions, accrual rate and retirement age.

Effective corporate governance in accordance with high international standards is fundamental to our existence.

Dutch Banking Code

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

Governance

Effective corporate governance in accordance with high international standards is fundamental to our existence. The Supervisory Board will ensure a responsible, value-driven management and control of GBI through strong corporate governance, which has four key-elements: good relations with stakeholders, effective cooperation between Managing and Supervisory Board, a sound remuneration policy for all staff and a transparent reporting system. The Charter Governing the Supervisory Board, that has been approved in the meeting of the Supervisory Board of 10 January 2012, contains all the 'Supervisory Board principles' of the Dutch Banking Code. The content of this charter is taken from the articles of association, the Dutch Corporate Governance Code, the Dutch Civil Code and, as said, from the Dutch Banking Code. The charter is about the responsibilities and integrity of the board, the approval of decisions of the Managing Board and about the composition and structure of the Supervisory Board (such as (re)appointment, rotation plan, retirement, meeting schedule, adoption of resolutions, conflict of interests, permanent education). The charter describes the different committees of the board, the co-operation with the Managing Board and includes a Supervisory Board profile. Also the individual personal details of each board member are described. GBI meets the requirement that at least half of the board is composed of independent members.

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

Moral and ethical conduct declaration

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

Risk Management

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

Risk Management is a constant topic in the meetings of the Supervisory Board and in the meetings of the Supervisory Board's Audit and Risk Management Committee. The risk appetite of the Bank is discussed yearly and approved in the January meeting of the Supervisory Board. Any material change in the risk appetite during the year will be discussed and approved by the Supervisory Board (principle 4.1 of the Dutch Banking Code). GBI has established a Risk Management Committee

integrated risk management

To ensure measured risk taking, GBI has integrated risk management in its daily activities and strategic planning.

Report of the Supervisory Board

which supervises the Risk Management Department. The Committee consists, among others, of members of the Managing Board and for each decision quorum is required (principles 3.1.7 and 3.1.8 of the Dutch Banking Code).

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

Product Approval Process

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

Audit

GBI meets all 'audit principles' as mentioned in the Dutch Banking Code. An independent Audit Department reporting directly to the Managing Board and the Audit and Risk Management Committee of the Supervisory Board was already in place. The Manager of the Audit Department is always present in the meetings of the Audit and Risk Management Committee. Also, the external auditor takes part in the Audit and Risk Management Committee meetings. Principle 5.6 of the Dutch Banking Code refers to the tri-partite meeting between the Dutch Central Bank, the external auditor and GBI. In 2012, two tri-partite meetings have been organized to improve the communication and information sharing amongst these parties. The meeting which will be held close to the fiscal year-end will be for discussing the key areas for the management of the Bank, DNB and the external auditor in a forward looking manner. After the finalization of the financial statement audit, another meeting will be held to focus on the external audit findings and to hear the point of view and attention points of DNB.

Remuneration

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

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

Amsterdam, 20 March 2013

Board of Supervisory Directors

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

two decades of success

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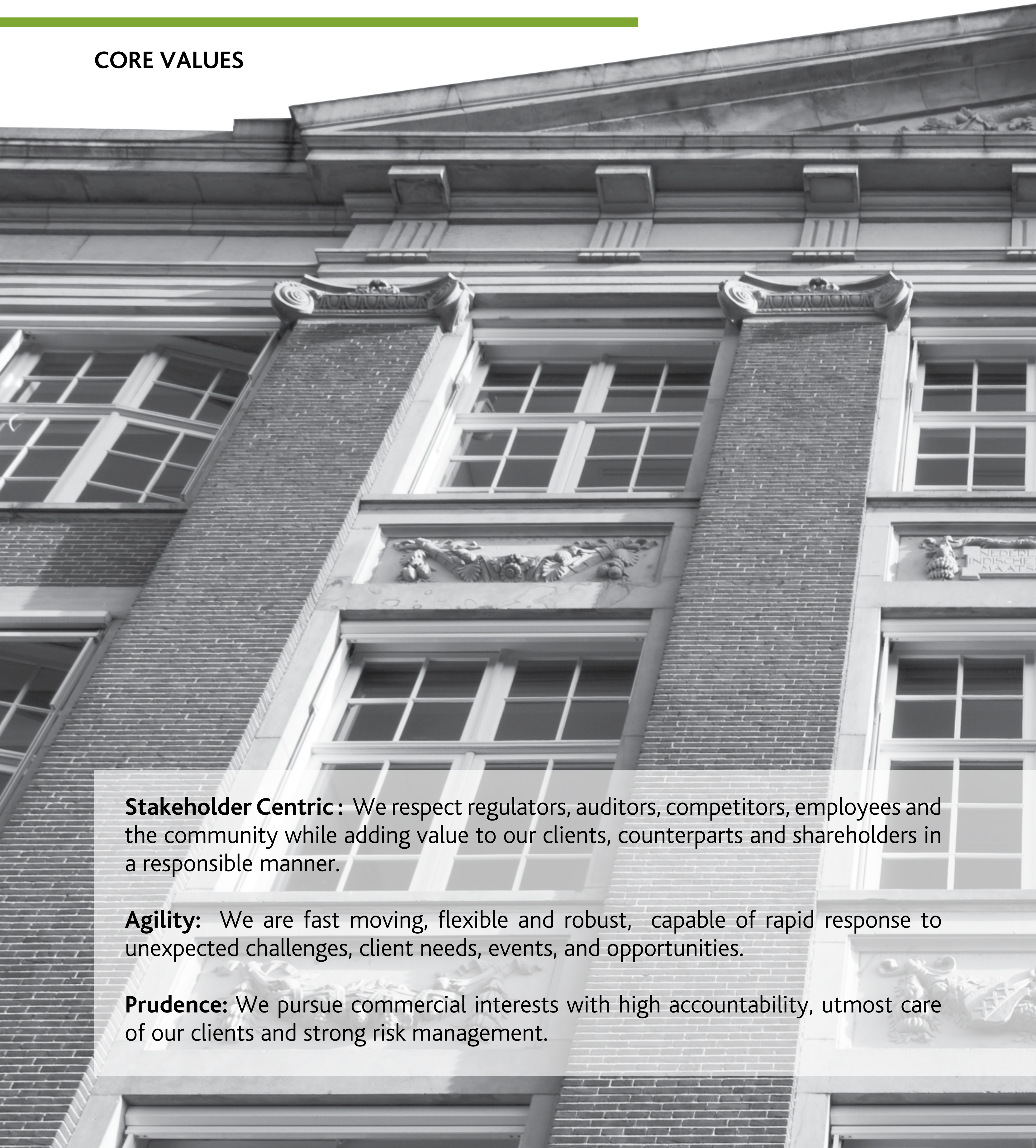
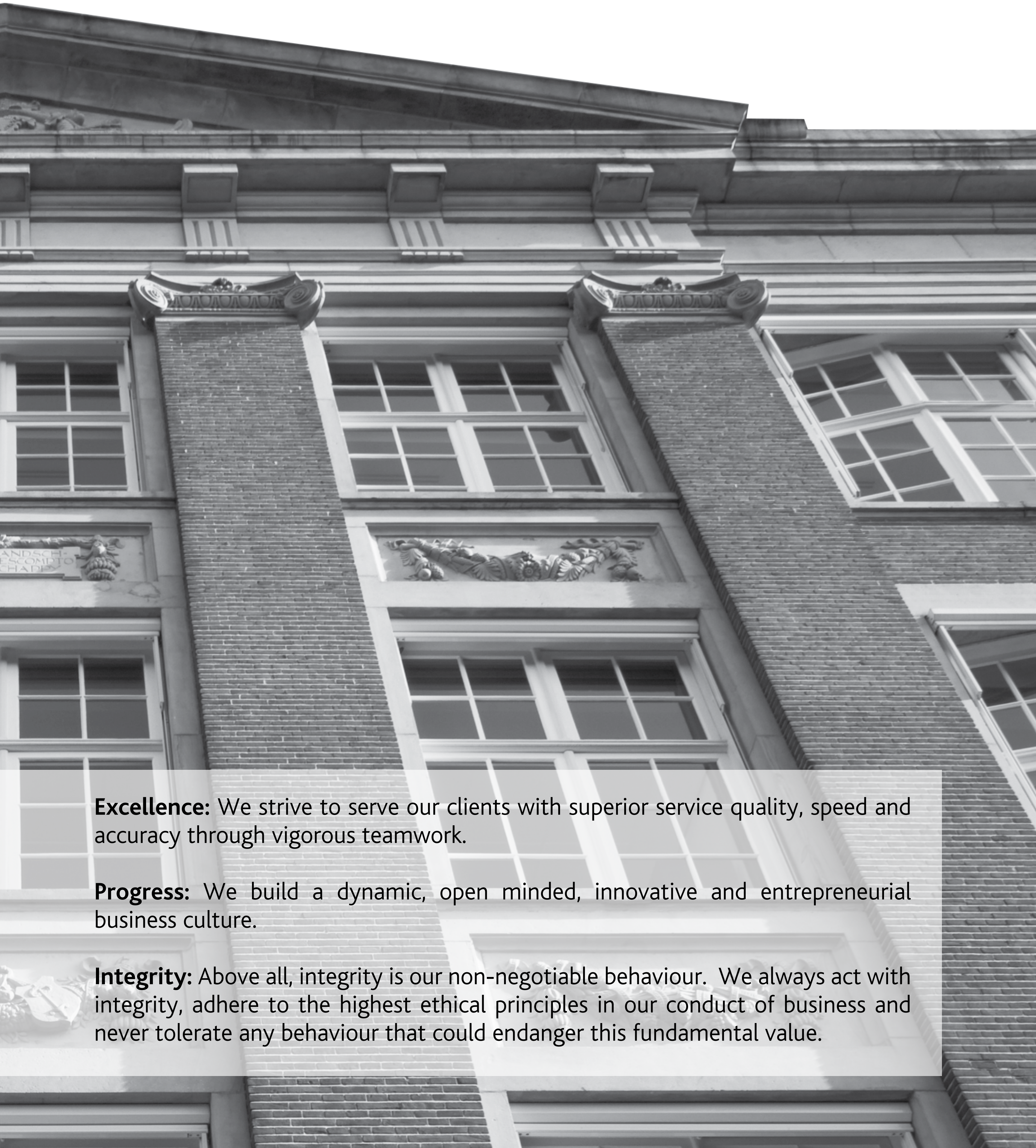
CORE VALUES



Stakeholder Centric : We respect regulators, auditors, competitors, employees and the community while adding value to our clients, counterparts and shareholders in a responsible manner.

Agility: We are fast moving, flexible and robust, capable of rapid response to unexpected challenges, client needs, events, and opportunities.

Prudence: We pursue commercial interests with high accountability, utmost care of our clients and strong risk management.



Excellence: We strive to serve our clients with superior service quality, speed and accuracy through vigorous teamwork.

Progress: We build a dynamic, open minded, innovative and entrepreneurial business culture.

Integrity: Above all, integrity is our non-negotiable behaviour. We always act with integrity, adhere to the highest ethical principles in our conduct of business and never tolerate any behaviour that could endanger this fundamental value.

Report of the Managing Board

KEY FIGURES

(in thousands of EURO)	**2012**	**2011***	**2010**	**2009**	**2008**
Total assets	4,575,269	4,178,606	3,532,011	3,657,295	3,626,714
Banks (assets)	919,449	948,042	1,109,343	719,880	1,099,027
Loans and advances	2,325,995	1,854,225	1,408,250	1,593,198	982,645
Banks (liabilities)	654,056	781,381	596,972	608,327	915,453
Funds entrusted	3,377,879	2,760,777	2,486,422	2,605,140	2,217,134
Subordinated liabilities	30,000	46,408	45,690	53,749	78,007
Shareholders' equity (including result after tax)	430,446	375,882	325,818	279,534	252,301
Operating result before tax and value adjustments	83,529	70,554	69,487	63,132	52,565
Result after tax and value adjustments	54,565	53,622	46,997	27,881	34,827
Foreign branches and representative offices	4	4	4	5	6
Capital adequacy ratio %	19.30	19.06	16.03	13.78	12.08
Cost to income ratio % **	31	33	31	38	41
Return on average equity ***	14.52	16.55	16.83	11.06	16.03
Return on average assets	1.25	1.39	1.31	0.77	0.99
Total average number of employees****	218	209	413	847	763

* Adjusted for reasons of comparison

** 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

**** 2008, 2009 and 2010 include GBI's former Romania Branch which was sold in 2010

Credit Ratings

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

Capital Adequacy Ratio (%)

2012	19.30
2011	19.06
2010	16.03
2009	13.78
2008	12.08

19.30%

CAR increased to 19.30 percent.

Cost to Income Ratio (%)

2012	31
2011	33
2010	31
2009	38
2008	41

31%

C/I ratio remained low at 31 percent.

Return on Average Equity (%)

2012	14.52
2011	16.55
2010	16.83
2009	11.06
2008	16.03

14.52%

Return on average equity stood at 14.52 percent.

Economic Outlook

2012 followed a similar pattern to the preceding few years. The sentiment altered between risk off and risk on as the divergence between economic reality and the financial asset prices grew further. The global economy recorded below trend growth as consumer demand remained weak and event risks were high. On the other hand, financial asset markets performed very well; with credit spreads tightening and stocks rallying across all major markets.

In 2012, the global economy grew by an estimated rate of 3.0 percent, while the US and Eurozone growth rates were around 2.2 percent and 0.5 percent respectively. Developing markets are estimated to have recorded a growth rate of 5.1 percent and developed markets' growth rate was around 1.3 percent. China led the growth by 7.9 percent among major markets.

At the outset of the year, an unexpected risk rally sent asset returns up from where they ended 2011. A string of positive US economic data released through the earlier part of the quarter and continued ECB life support for peripheral Europe encouraged investors and led to strong performance particularly in emerging market assets. The most important catalyst for increased risk appetite and falling equity volatility was the European Central Bank's (ECB) three-year long-term refinancing operations (LTROs). ECB, with its LTROs, provided Eurozone banks with more than EUR 1 trillion in low-interest loans. This essentially allowed banks to redeem some market debt and to purchase sovereign bonds with some significant coupons (in the case of peripheral economies), financed at very attractive short-term rates.

The global economy recorded below trend growth as consumer demand remained weak and event risks were high.

US economic data released during the first quarter was mostly positive, and reflected an improved short-term outlook for the economy. Consumer confidence continued to rise as the unemployment rate fell to 8.3 percent, the lowest level in three years. Geopolitical concerns and a spike in energy prices led to a modest rise in headline inflation, although the Federal Reserve (Fed) maintained that over the long-term, inflation was likely to run at or below its now-explicit 2 percent target. While keeping the federal funds rate in the range of zero to 0.25 percent during the quarter, the Federal Reserve also indicated that economic conditions were likely to warrant exceptionally low rates at least through late 2014, in an effort to provide continued support for the nascent recovery.

The Greek government and private sector holders of Greek government bonds agreed to a debt restructuring deal, in exchange for another round of austerity measures. Financial markets took comfort in the short-term prevention of a disorderly default by a European sovereign, leading risky assets to rally through the quarter. Markets reflected optimism over measures taken by European policymakers to prevent an expansion of the European sovereign debt crisis.

All that said, a lot of uncertainty remained; Greek elections put in doubt the country's commitment to the policy actions agreed on as part of the bailout package, and resulting in further and more violent social unrest. Most importantly, the uncertainty over the growth trajectory meant that predictions relating to the debt-to-GDP ratio currently estimated at just above 120 percent by 2020, was judged as unsustainable by most market participants. The markets were also preoccupied with the Iran nuclear question looming ever larger, keeping a high risk premium added to the price of oil, although commodity prices by and large remained range bound.

In the second quarter, economic data releases became markedly softer, indicating slower growth throughout the world. In Europe, although ECB's three-year LTROs increased risk appetite and stabilized financial markets, neither they nor other unorthodox liquidity providing actions taken by the ECB were enough to support the economic activity in a sustained manner. Consumer confidence was weakening in core Europe while southern countries slipped into recession one by one.

Similarly, US Economy started to disappoint, in spite of much prompter crisis resolution and rehabilitation of banking sector compared to Europe as well as extremely accommodative monetary policy, since the outset of the crises. The Fed kept ensuring the markets about their willingness and ability to respond further economic weakness.

Large emerging markets also showed dramatic slowdown, following relatively robust growth rates in earlier, which caused sharp declines in commodity prices particularly in energy and industrial metals. Most notably, China was suffering a mini crisis of its own. It started a new rate cut cycle and reduced reserve requirements of banks. Worries about Chinese property bubble and bad debt problems of the banks intensified.

Consumer confidence was weakening in core Europe while southern countries slipped into recession one by one.

Economic Outlook

In July 2012 monetary policy meeting, ECB decided to cut its policy rate to 0.75 percent from 1.00 percent. At the end the same month, ECB took a bold stance and threw its full weight making a verbal intervention in favor of the Euro and sustenance of European Union. Amid increased market tensions and deteriorating economic data ECB announced the Outright Monetary Transactions program. Involving short term government bond purchases issued by Eurozone member states, the program caused a marked turn in market sentiment. It was seen as a game changer in the sense that to a large extent it removed financial tail risks. Sovereign risks have abated from the large systemic countries, and volatility came down. Overall, the ECB backstop restored financial market stability, but did not alter the three fundamental forces driving growth: fiscal adjustment, bank deleveraging and exports. Given that banking system problems mostly affect periphery countries, and allowing for slow improvement in competitiveness.

In the US it was an election year, although the markets were more preoccupied by the so-called fiscal cliff, the end of Bush era, tax cuts and sequestration(automatic spending cuts) and debt ceiling. Following the elections, after lengthy discussions, both the Republican and Democratic parties sought compromise to limit the immediate fiscal tightening which would almost certainly push the economy to recession.

September elections in the Netherlands resulted in a Pro-European vote; economically liberal VVD remained the strongest party in the Dutch parliament. The Eurosceptic parties on the extreme left and on the right (SP and PVV, respectively) lost support. This sent a positive message regarding the future handling of the European crisis.

In the Netherlands, growth outlook remained grim, driven by negative consumption and investment growth in the second half year of 2012, as fiscal adjustment proceeds. In 2012, the Dutch economy shrank by 1 percent, worse than consensus expectations. Although 2013 should witness an improvement in the economic outlook, the recovery is likely to be slower than in Germany. The fiscal deficit is likely to decline to -4.0 percent of GDP in 2012 and -3.4 percent of GDP in 2013. Foreign demand has remained positive and the Netherlands has a strong external balance, with a trade surplus of about 10 percent of GDP in 2012.

Before the global financial crisis, the Netherlands experienced a property price boom and a ‘bubble’ in the housing market. Property prices peaked in the summer of 2008 and since then have declined by about 16 percent. The Banking sector of the country, with structural problems associated with of excessive leverage and concentration to local real estate market, was singled out as one of the weakest in core Europe.

Turkey remained one of the fastest growing economies in the world with an estimated growth rate of 3.2 percent in 2012. The current account deficit improved significantly coming down to 6.1 percent of GDP from 10 percent in the year before. Fiscal performance was impressive; Turkey's budget deficit is expected to be 2.3 percent of the GDP. Turkey managed to attract higher amount of foreign direct investment (FDI) in 2012, despite challenging global macroeconomic environment. Consumer price inflation also came down and ended the year at 6.16 percent.

Turkey remained one of the fastest growing economies in the world with an estimated growth rate of 3.2 percent in 2012.

CDS spread difference of Turkey and core AAA European countries which stood 400 basis points 5 years ago came down steadily to under 100 basis points at the end of 2012, reflecting dramatic change in risk perceptions as well as strengthening macro fundamentals of Turkey.

The positive sentiment was further enhanced by Turkey's Medium Term Program (MTP) for the 2012-2015 period. On the whole, the targets set forth in the program were based on reasonable assumptions and deemed achievable by the analysts. The government has adjusted down its growth forecasts, targeting 3.2 percent, 4.0 percent and 5.0 percent growth in 2012, 2013 and 2014. GDP is expected to reach to USD 858 billion in 2013, USD 919 billion in 2014 and 998 billion in 2015. Budget balance is forecasted -2.3 in 2012, gradually coming down to -1.8 in 2015. According to the MTP, the public debt to GDP ratio is expected to decline to 36.5 percent of GDP this year and to 31 percent by 2015 from 39 percent in 2011.

President of Turkish Central Bank was elected the 'Best Central Banker of the World' in 2012 by 'The Banker', owing to a very successful performance of the Bank in rebalancing the economy as well as outstanding regulatory performance regarding Turkish Banking sector.

Perhaps, the most obvious change in global macroeconomic environment is the paradigm shift regarding risk perceptions towards emerging markets. Following years of reform and macro-economic improvements, their fundamentals stand now at enviable levels in comparison to developed markets. Furthermore, their share in world economy has become very significant.

2013 will start with an optimistic tone due to excessive liquidity created by major central banks. However, the state of the real economy and unresolved structural problems, particularly in Europe, cause concern as to sustainability of this optimism.

Financial Analysis

In 2012, the operating result before tax and value adjustments amounted to EUR 83.5 million, which is 18 percent higher than in 2011 (EUR 70.6 million). Net result after tax stood at EUR 54.6 million, which is an increase of almost two percent compared to 2011 (EUR 53.6 million).

The main contributor to the growth in the 2012 operating result was net commission income, whereas net interest income also increased though more moderately. The result on financial transactions showed a slight decrease. The increase in total income was partially offset by an increase in administrative expenses.

The net interest income increased by EUR 5.9 million. Results on sales of interest-bearing securities from the investment portfolio amounted to EUR 16.2 million which is EUR 10.7 million higher than in 2011 (EUR 5.5 million). This was partially offset by a decreased interest margin in spite of a higher average loan book during 2012 compared to 2011. The decrease in the interest margin was mostly due to the improvement in the economic performance of the markets in which GBI operates.

18% higher operating result

In 2012, the operating result before tax and value adjustments amounted to EUR 83.5 million, which is 18 percent higher than in 2011 (EUR 70.6 million).

Net commission income amounted to EUR 44.8 million which is 36.7 percent or EUR 12.0 million higher compared to the 2011 figure. This increase is attributable to the Bank's trade finance activities (EUR 9.5 million) and structured finance activities (EUR 2.7 million) resulting from higher volumes throughout 2012 compared to 2011.

Result on financial transactions decreased from EUR 11.4 million in 2011 to EUR 10.3 million in 2012, a decrease of EUR 1.1 million. This is mainly derived from securities trading, which showed a decrease of EUR 1.7 million, while other results on financial transactions increased by EUR 0.6 million.

Total administrative expenses amounted to EUR 36.7 million which is EUR 3.3 million higher than in 2011. This is mainly attributable to staff costs, which increased by EUR 2.6 million compared to 2011 due to one-off items amounting to EUR 1.5 million.

Value adjustments to tangible fixed assets amounted to EUR 1.8 million negative in 2012. This relates to a revaluation of the building where the Bank's head office is located. In 2011, the revaluation amounted to EUR 2.8 million negative and was charged to the revaluation reserve. In 2012, the fair market value of the building is lower than its cost price resulting in a charge to the profit and loss account for the difference between both.

Value adjustments to receivables increased from a net release of EUR 0.7 million in 2011 to an addition to the loan loss provisions of EUR 9.3 million in 2012, which is mainly accounted for by provisions recorded for loans to the shipping sector.

The size of the balance sheet increased by 9 percent or EUR 397 million. This increase fully relates to the asset items loans and advances (EUR 472 million) and interest-bearing securities (EUR 15 million), whereas the asset items cash (EUR 41 million), banks (EUR 29 million) and prepayments and accrued income (EUR 17 million) decreased. On the liability side of the balance sheet the increase is mainly attributable to the item funds entrusted (EUR 617 million), whereas the items banks (EUR 127 million) and accruals and deferred income (EUR 131 million) decreased.

The contingent liabilities showed an increase of EUR 31 million, which was mainly realized in irrevocable letters of credit (EUR 14 million) and other commitments (EUR 29 million), whereas guarantees showed a decrease of EUR 12 million.

The size of the balance sheet increased by 9 percent or EUR 396 million.

Business Developments

Trade Finance

GBI Trade Finance functions as a 'global boutique' facilitating and supporting trade flows around the world. Our trade financing solutions are fast, accurate, innovative, tailor-made and country-specific.

Other financial institutions in developed and emerging markets, physical commodity traders, importers, exporters, producers and other service providers engaged in international trade form a substantial part of our client base.

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

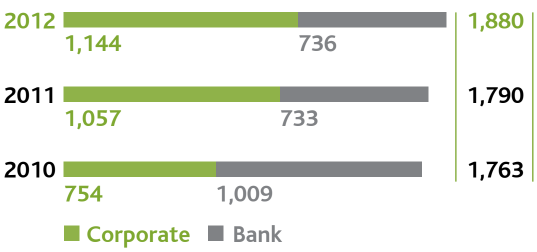
global boutique

GBI Trade Finance functions as a "global boutique" facilitating and supporting trade flows around the world.

Parallel to global economic slowdown and structural weaknesses in developed-markets, the World Trade Organization reduced its global trade expansion expectation for 2012 from 3.7 percent to 2.5 percent. Repercussions of 2011 second-half macro-challenges, such as the USA losing its AAA sovereign credit rating and US dollar funding scarcity at major European financial institutions, continued throughout the first half of 2012 albeit in a fading fashion and resulted in fundamental strategy revisions at major financial institutions. Yet again, the second-half of 2012 signaled some recovery in developed markets and continuing strength in most emerging markets. On the physical commodity markets front throughout 2012, weakness loomed on steel and steel making raw materials whereas agri-commodities showed resilience and energy commodities inherited volatility.

Banking on top of our robust 2011 results and franchise value, 2012 showed the best-ever performance of GBI Trade Finance which excelled in areas such as client acquisition, asset quality, revenues, profits, return on allocated capital, winning awards and earning the appreciation of our stakeholders.

Chart-1 Total TF Assets by Counterparty (EUR million)



The assets as shown on Chart-1, including on- and off-balance sheet assets, managed under GBI Trade Finance assets have advanced by about 5 percent and reached the EUR 1.9 billion level at the end of the year under review. The relative weight of counterparty clusters, namely Banks and Corporates, in total the assets of GBI Trade Finance remained practically the same as the previous year whereas our support to corporate counterparties further advanced by 25 percent as evidenced by the change of annual average asset allocation to corporate counterparties. In a year of strategy revisions at major financial institutions that raised concerns with regard to the degree of support of the lenders to trade financing, GBI's up-beat approach stemming from its franchise value in trade financing earned the appreciation of its clientele. As a result, we maintained high client acquisition rates and expanded on existing clients.

At GBI, the trade finance universe consists of three strategic business units (SBUs): Trade Banking (TB), Structured Trade Finance (STF), and Trade & Commodity Finance (T&CF). Clients and counterparties of TB are other financial institutions and TB extends support to local and global banks in syndicated loans and bilateral trade related facilities. Furthermore, TB is also responsible for risk distribution to various counterparties. STF is purely corporate risk driven through syndicated lending products and its relationship coverage spans other financial institutions and corporates engaged in international trade. Due to similarities, GBI clusters TB and STF activities under Origination & Distribution Department within Trade Finance Division. At T&CF, the clients are corporate entities with international trade-flows with whom GBI has strong bilateral relationships. Through this window, GBI conventionally offers self-liquidating, short-term, and transactional lending backed by trade receivables and underlying merchandise.

2012 showed the best-ever performance of GBI Trade Finance which excelled in areas such as client acquisition, asset quality, revenues, profits, return on allocated capital, winning awards and earning the appreciation of our stakeholders.

Business Developments

Chart-2 Total TF Assets by SBU (%)

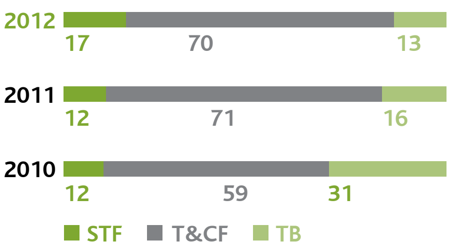


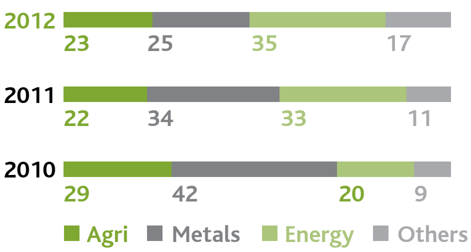
Chart-2 illustrates the year-end allocation of GBI Trade Finance assets to strategic business units. As displayed, the relative weight of T&CF has remained practically the same while annual average of T&CF assets, in further detail, expanded in excess of 20 percent. By all measures, T&CF is the backbone of the Bank's trade financing and we are appreciative to our clientele in this segment for choosing our offerings over the past two decades.

As it comes to the asset allocations for TB and STF, 2012 apparently favored STF. In continuation of 2011 dynamics, regulatory constraints related to originating assets where emerging market financial institutions are borrowers, and yield differentials between STF and TB assets reinforced GBI's allocation decisions.

With regards to the quality of assets managed under TB, STF and T&CF, we need to underline a number of major positive developments: Turkey's upgrade to investment grade rating by Fitch, the World Trade Organization's welcoming of the Russian Federation as its 156th member, and general appreciation of emerging market assets in a wider global finance universe. As a result, GBI's assets managed under GBI Trade Finance improved their quality profile in view of country risk perspective.

Chart-3 demonstrates corporate lending by main commodity clusters. For the year under review, GBI reclassified oil derivatives commodities under 'Energy' commodities instead of grouping them under 'Others' as done in earlier years. As a result of this reclassification and owing to our support towards coal and other energy related commodities traded by our valued clients, 'Energy' has now become the largest segment of corporate lending in GBI Trade Finance while 'Metals' weight was further eroded and 'Agri' commodities signaled strength. The growth in 'Other' commodities is chiefly because of T&CF involvement in pulp and paper, machinery and equipment, textile raw materials and consumer electronics.

Chart-3 Corporate Lending by Commodities (%)



As a consequence of the factors outlined above, GBI Trade Finance revenues advanced in excess of 30 percent and pre-tax profit allocation further improved by more than 20 percent when compared to the previous year. In addition, the return on risk adjusted capital for trade financing at GBI has attained its highest level.

While being profitable, we have always prioritized the satisfaction of our clients and counterparties as they are our stakeholders and the sole purpose of our existence. In appreciation of such dedication, commitment and flawless execution in the field of global trade financing, readers of two different periodicals, namely Trade & Forfaiting Review and Trade Finance Magazine, ranked GBI in top-five financial institutions globally in several categories. To name a few, GBI earned its first gold medal in the field of Agri-commodities financing and collected silver medals at Structured Trade Finance and Forfaiting fields. Furthermore, GBI was globally ranked as the fourth in 'Best Trade Finance Bank' and the third in 'Best Overall Commodity Bank' categories. In comparison to the previous year, the number of awards we received and the rankings we were placed at demonstrated progress. We are sincerely thankful to each of our clients and counterparties for their votes and trust in GBI.

On the basis of the recent indications, the competitive environment in 2013 will be rather challenging for trade financing which may result in pressure on margins. Nevertheless, with our crises-tested, growth-proven, resilient and awarded 'global boutique' approach, we will continue serving our valued clientele with passion and modesty. Pledging ourselves to provide continuing liquidity and expertise for trade financing, we are committed to deliver best value-adding solutions and constructive risk mitigation techniques to our present and future relationships with high ethical standards.

customer-centric

While being profitable, we have always prioritized the satisfaction of our clients and counterparties as they are our stakeholders and the sole purpose of our existence.

Business Developments

Private Banking

GBI Private Banking provides specialized financial intermediary services to high net worth clientele.

Following major trends of globalization and digitalization, we offer a platform that enables our clients to have access to international financial market instruments throughout the world. Services are delivered in two forms: brokerage and advisory, depending on each client's needs and preferences.

Our Brokerage Services are for those who seek prompt access to various markets through direct execution of orders, in a fast and accurate manner, whether they are private individuals or institutional clients. Our Advisory Services are designed for clients who would like to receive guidance in their decision making process. We provide tailored and portfolio based advice, investment ideas and risk management tools while sharing market information in a compact and timely manner. Owing to our coherent, traditional business model, we deliver good results under various market circumstances.

Our product and market coverage approach is holistic and dynamic, updated and reshaped in line with changing client preferences and market developments. Our ability to develop innovative personalized solutions ensures maximum client satisfaction. 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.

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

Our product and market coverage approach is holistic and dynamic, updated and reshaped in line with changing client preferences and market developments.

We aim to build such relationships with our clients that offer genuine human and cultural understanding. Our services are streamlined to meet each client's needs, which are identified by the specialist team through direct and regular communication with the clients. Our business model enables our specialists to work closely with the clients to develop tailor-made solutions that meet their evolving needs. Our clients respond very positively to strong guidance and high level of attention; consequently, we enjoy very high client loyalty.

Our services are streamlined to meet each client's needs, which are identified by the specialist team through direct and regular communication with the clients.

2012 was a year of change and repositioning in the private banking sector. While major players were focusing on rebuilding client trust which was eroded during the crisis, GBI just continued building on its already healthy position.

GBI Private Banking achieved a revenue growth of 13 percent compared to the previous year. Continuous business development which involves finding and utilizing new niches within the market segment remained a crucial source of growth momentum. 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 acquisitions.

We continued to put high emphasis on risk management which lies at the heart of our prudent business model. With close scrutiny to the changing regulatory environment, we kept improving our internal processes.

We expect 2013 to be another challenging year in light of the developments at the sector level as well as in terms of event risks that stem from the global macro-economic environment. Instability in the economy and financial markets continue to impact client risk appetite. We will aim to deliver revenue and asset growth in a prudent and sustainable manner, focusing on providing value to our clients and all stakeholders.

Business Developments

Treasury

GBI Treasury focuses on balance sheet risk management and flow driven revenue generation.

Asset & Liability Management is the prime responsibility of Treasury. GBI's prudent approach which involves maintaining an agile balance sheet structure and active monitoring and hedging of liquidity, interest rate and foreign exchange risks, is proven to be a major factor supporting the Bank's solid performance under various market conditions.

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

By way of implementing ALCO's strategic priorities, GBI Treasury conducts Internal Transfer Pricing (ITP) which is a mechanism that ensures efficient use of the Bank's resources and enhances prudent liquidity management. Business lines are guided, through Treasury pricing, to choose the assets that bring in the highest returns on equity within the risk appetite framework defined by ALCO. GBI stands out in European banking sector with its agile balance sheet and healthy diversification of funding sources.

In terms of revenue generation, GBI Treasury focuses on client flows instead of proprietary trading activities. This strategy is proven to be a success under various market conditions. Treasury has a strong position in its niche markets, owing to its highly professional team, broad network of international counterparties and strong commercial transaction volumes. It does not only serve as a key market maker in its core markets to a large number of reputable financial market counterparties but also provides competitive pricings to GBI's clients.

2012 was a year of two halves; the first part being highly volatile while the second increasingly more constructive with much reduced event risks. Focusing on client driven business with very limited proprietary trading activity Treasury increased its

strong market position

Treasury has a strong position in its niche markets, owing to its highly professional team, broad network of international counterparties and strong commercial transaction volumes.

transaction volumes and made a significant contribution to the Bank's net income. Contrary to prevailing market trend, Treasury managed to reach double digit growth in its Foreign Exchange and Derivatives markets volumes in 2012. 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.

Reuters live quotation pages; GBIEUR1, GBIEUR2 and GBIEUR3 were maintained and Treasury strengthened its market maker position by providing liquidity in Turkish government and corporate bonds as well as a number of other fixed income instruments.

Treasury remained very active in generating trade, investment ideas and hedging strategies based on its views on market trends and risk perceptions. These ideas were proactively communicated to Private Banking and other commercial departments to assist marketing efforts of those and to enhance flow trading volumes.

Training sessions on treasury products, continued with the aim of improving technical knowledge level of the other commercial and support divisions. This contributed to both risk management and cross selling.

Treasury carries out its task of asset generation by actively following up its core fixed income markets. Within the ALCO limits and upon the approvals of the Credit Committee, fixed income portfolio was managed successfully to yield excellent results. Same as previous years, in 2012, the Bank had zero sovereign exposure to peripheral Europe or any other troubled market or issuer, owing to the strong and prudent risk management policies.

Treasury reviewed its policies and procedures, where necessary, to adapt to changes in the regulatory and supervisory environment while maintaining its service quality and profitability.

In 2013, Treasury will continue pursuing its prudent risk management and revenue generating strategy to add value to the Bank's stakeholders.

In 2013, Treasury will continue pursuing its prudent risk management and revenue generating strategy to add value to the Bank's stakeholders.

Business Developments

Financial Institutions

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

In 2012, GBI Financial Institutions fully accommodated the dynamic requirements of the business lines via a broad network of correspondents while guiding the Bank's commercial units to concentrate their business to core relationship banks in order to generate sufficient reciprocity for their support. In addition to ensuring adequate credit lines for a wide variety of transactions, this effort enabled GBI to achieve its targeted level of wholesale funding through bank-to-bank loan facilities and its successfully renewed yearly syndication. The amount of the deal was increased by 10 percent to EUR 220 million with the participation of 19 banks from 9 countries.

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

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

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

In 2013, GBI Financial Institutions will continue to offer timely support and guidance internally while further strengthening GBI's relations and cooperation with core counterparties and other financial institutions worldwide.

long-term relationships

GBI Financial Institutions pursues a strategy of building long-term key relationships with strong, reliable banks.

Structured Finance

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

Islamic Finance

2012 was another successful year for GBI Islamic Finance despite the market uncertainty and competition. Our loan portfolio grew by 10 percent and strong results were achieved through expanded relationships with participation banks and conventional banks that seek Islamic finance solutions for their customers.

The growth of the Islamic finance industry continued in 2012 and showed strong results despite the turmoil in the Eurozone and negative effect of the Arab spring on the sector. Islamic finance has become an important and niche sector with a high growth potential for many investors. The industry extended its markets through new sukuk issuances and adjusting the legal and regulatory framework in new markets such as Egypt and Oman.

Islamic finance assets are estimated to total about USD 1.2 trillion globally and will reach USD 1.8 trillion in 2013 according to Ernst & Young. Although Islamic Finance represents a small proportion of the global finance market (estimated at 1-5 percent), the industry has been showing 15-20 percent growth in the recent years. While Islamic banking is expanding globally, the Middle East remains the industry's major hub. The largest market is Saudi Arabia, followed by Malaysia and UAE. Although the Islamic finance market prospects look bright, the industry may be affected by the trend in general economic indicators, the stability of key commodity prices and the size of foreign direct investments to the key markets.

The global sukuk market is expected to increase and extend in 2013 sourced by the growing interest from new markets, the refinancing need of the existing issuers and the increasing number of governments and corporates opting to issue international sukuk. 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.

Business Developments

Islamic banking in Turkey is expected to grow at an accelerated speed in 2013, following the debut sukuk issuances of sovereign international (USD 1.5 billion) and domestic (TRY 1.6 billion) in 2012. The Turkish Treasury is expected to issue another domestic sukuk in early 2013 and participation banks expressed their intention to issue sukuk in 2013 as well. These steps would stimulate banks to issue more Islamic bond instruments and broaden funding opportunities for Turkey through extended access to Islamic investors from the Middle East and Southeast Asia, as growth in Europe and the United States is slowing down. Bank issuances will likely be followed by the Turkish corporate sector, especially in the form of TRY denominated sukuk in the domestic market since most investors require investment grade rating for investing in international issuances.

These trends will fuel the sector further but the growth may be challenged by the changes in the Turkish banking environment due to the expected decrease in interest rates and regulatory changes. Participation banks will be under pressure of the urge to develop new Islamic finance products in order to meet new market requirements. On the other hand, the recent tax legislation amendments will limit the short-term financing opportunities for foreign lenders.

Murabaha and tawarruq will continue to be dominating products as they can be virtually used within the existing legal, tax and regulatory framework of the countries which are in the phase of developing their Islamic finance environment. Also the industry players are encouraged to shift from traditional debt based Islamic financing structures to equity based risk-sharing arrangements.

With an increasing demand and expansion of Islamic finance products to the new markets, the global alignment in legal, tax and regulatory framework interpretation will still be the main challenge for the Islamic finance industry, especially in light of the global banking regulation deficiencies revealed after the crisis. The governments of both mature Islamic finance markets and the countries that are in the early steps of entering the industry are working on adjusting their legal and tax systems to address the rapid growth and expansion of the industry as well as the respective standardization challenges.

GBI intends to grow and enhance its Islamic Finance business further and is prepared to face the new challenges in 2013.

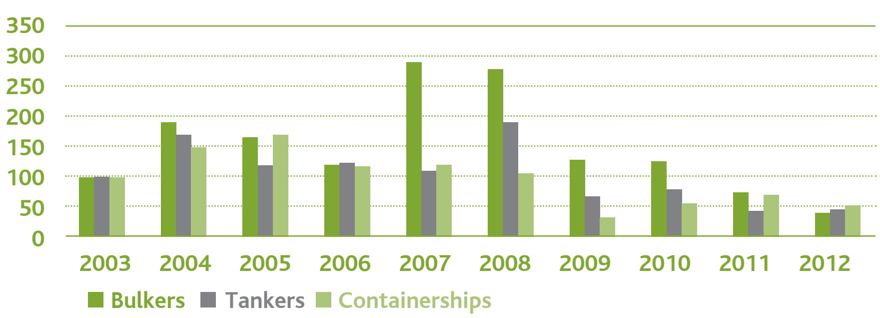
GBI intends to grow and enhance its Islamic Finance business further and is prepared to face the new challenges in 2013.

Shipping Finance

Despite the harsh market circumstances in the shipping industry, GBI grew its shipping finance exposure modestly by 6 percent in 2012 focusing on clients with a strong balance sheet and prudent risk management.

Since 2009, the main merchant shipping markets (bulkers, tankers and container ships) have faced deteriorating market conditions due to the discrepancy between a strong fleet growth and a more modest growth of demand for the same. Consequently, freight earnings of merchant ships have been under pressure ever since. Unfortunately, the year 2012 was no exception. In particular, the dry bulk segment was under severe pressure with earnings at a 25-year low. The tankers and container ships also faced severe pressure on the earnings. This caused various financial casualties among shipping companies, including some blue-chip names.

Earning Trends (2003=100)



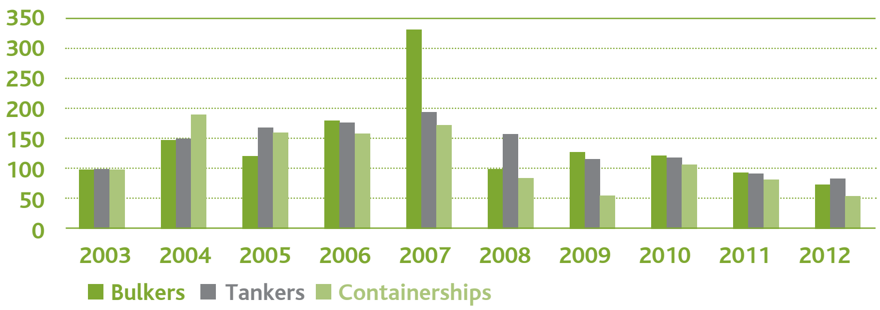
We are expecting that earnings in 2013 will continue hovering around the low levels seen in 2012 due to the continuation of a large influx of newly delivered ships. The aggregate order book of the world cargo fleet stands at 16.4 percent of the total fleet, the majority of which is scheduled to be delivered in 2013. Demand for ships is also forecast to increase, though more modestly. This imbalance between supply and demand will be offset to a certain extent by scrapping of older ships, which has been historically firm. An encouraging sign is that there will be fewer new deliveries in 2014 and the pressure on freight earnings are expected to mitigate by that time.

Despite the harsh market circumstances in the shipping industry, GBI grew its shipping finance exposure modestly by 6 percent in 2012 focusing on clients with a strong balance sheet and prudent risk management.

Business Developments

An interesting discussion of 2012 was the so-called Eco-design ships, which are marketed by shipyards around the globe that are eager to fill available slots as of 2014. The Eco-design ships are claimed to be more fuel efficient saving 15 percent to 30 percent in bunker consumption. Albeit some owners claim having realized such savings, other owners are critical attributing the result to slower steaming and other measures that could also make existing ships more fuel efficient. However, it is worthwhile to follow this development as more Eco-design ships are delivered. It may result in a 2-tier shipping market where the new Eco-design ships deliver better returns to their owners due to their fuel efficiency.

Assets Values 5-Year Old Ships (2003=100)



In 2012, the value of merchant ships continued its slide that started in 2009. We expect this trend to continue in 2013 fuelled by the bleak earnings outlook and the scarcity of capital for the shipping industry, which will keep the values under pressure. Additionally, it might be the case that ship financiers are restricted by their auditors/supervisors which would result in more distressed sales, thus sliding ship values.

Although 2013 will be a very challenging year for shipping finance, GBI Shipping Finance will continue pursuing a prudent strategy to further reinforce its shipping portfolio.

Project Finance/Corporate Finance

In 2012, GBI Project Finance/Corporate Finance continued to grow and add value to the Bank's activities. Extended focus on the Tier I and Tier II corporate client segments in medium tenor deals brought sizable returns due to our prudent approach to the risk allocation process. GBI's corporate loan portfolio was supported by new structured solutions offered to the customers as well as bilateral and club lending activity, which strengthened the Bank's portfolio with high rated companies and also increased cross-selling opportunities in both cash and non-cash products.

In 2013, sustaining the growth of our loan portfolio, GBI Project Finance/Corporate Finance will continue to improve its product solutions and expand its presence in target countries and markets.

Cash Management

GBI Cash Management provides worldwide payment services to its institutional clients. Our major competitive advantage is the ability to combine high quality service with internet based support functions. The clients have dedicated account officers at GBI Cash Management. In today's challenging business environment, prompt and efficient transfer of funds is a vital element of international trade, such as unloading a vessel in a remote part of the world without any delay and thus avoiding possible demurrage charges.

2012 was a very successful year for our Cash Management activity. Both our commission income and our customer deposits increased by 29 percent, mainly through new customer acquisitions. The total incoming and outgoing payment volume reached EUR 10.5 billion with more than 68,000 payment orders.

In 2013, GBI Cash Management is targeting further growth in business volumes and commission income with a strong focus on further increasing its service quality.

GBI Cash Management provides worldwide payment services to its institutional clients.

Business Developments

Retail Banking

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

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

In 2012, Retail Banking deposits continued to be the main source of GBI's funding base. Despite the highly competitive savings market conditions, our retail funding volume increased and our customer base broadened. The customer oriented, quality focused service approach of GBI has been appreciated by savings customers.

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 2013.

Germany Branch

GBI Germany Branch offers savings products in the retail market aiming to gain a solid base of loyal clients.

The Branch managed to establish itself firmly in the German market gaining a broad base of customers through its high quality services, offered since 1999. Our 'Kleeblatt-Sparkonto' (Cloverleaf - Call account) and'Kleeblatt-Festgeld' (Cloverleaf - Time Deposit account) products are well-known brands in the German market.

Despite many newly established savings banks in Germany in 2012, GBI Germany Branch increased its customer portfolio by 12 percent and its retail deposits by a remarkable 33 percent, reaching almost EUR 1.8 billion at the year-end, once again demonstrating its recognition as a reliable savings bank in Germany. Our Call-Money deposits, that represent 44 percent of our portfolio increased significantly by 36 percent and our Time-Deposits, that represent the remaining 56 percent, increased by 30 percent, while the majority of our customers preferred GBI's Internet Banking channel rather than communication via call-center or facsimile.

In 2013, GBI Germany Branch will continue to offer high quality services to its customers aiming to maintain a steady volume of deposits throughout the year.

innovative products

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

Risk Management

Risk management has been at the forefront of developments in the financial industry for yet another year, in 2012, and it seems set to remain so for the foreseeable future. While there are divergent views of the state of the global economy and whether or not the worst is over, financial institutions and regulators agree on the need to enforce a strong risk culture and sound risk management practices, to ensure that all players are better prepared for potential future crises. The lessons learned in the recent past are being embedded in regulatory requirements as well as in banks' risk awareness. In this context, GBI proactively targets prudent financial performance and full regulatory compliance, and continues to achieve these through a proven business model, combined with a strong risk governance structure and advanced risk control processes.

Although the immediate threat in peripheral Europe appears to have abated, GBI has no exposure to peripheral European sovereigns. The Bank's overall asset quality remains high with an NPL ratio of 1.98 percent, owing to the cautious lending policy and improving credit quality in the key markets. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio calculated as per the Capital Requirements Directive (CRD) has increased from 19.06 percent to 19.30 percent. GBI is also well-positioned for the upcoming regulations on the composition of own funds as it maintains a Tier 1 ratio of 18.23 percent. The liquidity buffer is composed of placements to Central Banks and investments in high quality liquid assets. The well-balanced maturity profile and high level of stable funding together with the diversified funding base provide a strong foundation for meeting the upcoming liquidity requirements.

GBI has continued to maintain a strong liquidity buffer and solvency level.

Overview on the Governance around the Risks

The risk management culture at GBI has been established as a key ingredient of the Bank's strategy, with an emphasis on risk awareness at all levels of the organization. Senior management holds the responsibility of ensuring that GBI operates with an adequate level of capital and liquidity in order to sustain the financial stability of the Bank. Risk Management adds value by identifying risks to which the Bank is exposed and providing insight into the levels of risk that can be absorbed, compared with the earnings power and the capital base.

Risk Management

The Audit and Risk Management Committee (A&RMC) of the Supervisory Board is the ultimate authority for approving the risk appetite of the Bank and monitoring all material risks, as well as the adequacy of capital and liquidity. The Risk Management Committee (RMC), chaired by the CEO, is responsible at the bank level for the coordination and monitoring of risk management activities, and reports directly to the A&RMC. 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 Legal & Compliance Committee for compliance risks.

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

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

The 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 Managing Board and A&RMC of the Supervisory Board.

Risk Appetite

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

strong risk governance

The risk management culture at GBI has been established as a key ingredient of the Bank's strategy, with an emphasis on risk awareness at all levels of the organization.

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

Market Risk

Governance

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

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

Approach

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

Risk Management

Interest Rate Risk on the Banking Book (IRRBB)

Governance

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

Net change in economic value of equity under regulatory interest rate shock scenario is closely monitored and lies considerably below the regulatory maximum of 20 percent.

Approach

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

Liquidity Risk

Governance

The main objective of GBI's liquidity risk policy is to maintain sufficient liquidity in order to ensure safe banking operations and a sound financial condition, in normal and stressed financial environments and a stable long term liquidity profile. The A&RMC bears the overall responsibility at the Board level for approving the liquidity risk appetite such that this objective can be met, and ensuring that effective risk management is conducted by the Bank. The Bank's funding strategy is determined by the Managing Board and approved by the Supervisory Board, in line with the risk appetite, and reviewed annually through the budget process while setting the funding plan. The Supervisory Board then monitors whether the Bank remains in line with the strategy and the plan.

At bank level, ALCO monitors liquidity risk, implements the appropriate policies, makes pricing decisions through an established FTP process and directs the Bank's overall liquidity strategy. In case of a liquidity squeeze or an emergency situation, GBI has a detailed contingency funding plan in place to enable the Bank to govern the crisis management.

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

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

Risk Management

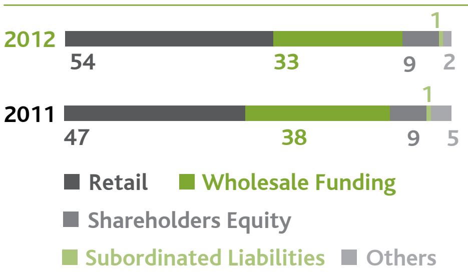
Approach

GBI aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up. The non-financial counterparties, with which the Bank has established long lasting relationships through offering various financial services, constitute the major part of the wholesale funding. The Bank also makes use of secured funding sources from time to time in order to increase the diversity of resources. The Bank primarily aims for a stable funding profile and conducts business activities that are characterised by short term lending, rather than assuming short term mismatches. This strategy enables the quick accumulation of a liquidity buffer in stressed financial environments, and the equally efficient build-up of short term assets once the stress is past. The Bank also places its excess liquidity to central banks or governments in Europe and to a very limited number of selected creditworthy counterparties.

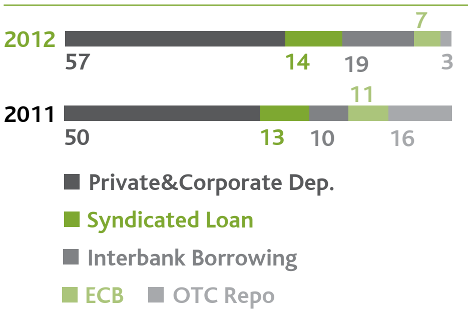
healthy funding structure

GBI aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies.

Liability Breakdown by Product (%)



Wholesale Funding (%)



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

GBI monitors liquidity risk through various reports including contractual maturity gap analyses, supplemented by stress tests designed based on different scenarios. These analyses allow the Bank to assess the impacts of diverse shocks on its liquidity position. Shock factors are based on bank-specific or market-specific liquidity squeezes. Guidelines set by the Basel Committee on Banking Supervision (BCBS) on the management of liquidity risk have already been incorporated within the scope of liquidity stress testing framework.

Credit Risk

Governance

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

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

Risk Management

Approach

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

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

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

Operational Risk

Governance

GBI applies the Basel II definition for operational risk, which is 'the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error or external events'. It also encompasses IT, legal, business, integrity, reputational, and settlement risk.

The Bank has embedded the 3 Lines of Defence model in its day-to-day activities, with the first line being the business as the experts in their field, ICU as the second line responsible for creating and implementing the relevant tools, in addition to challenging and advising the business, and finally Internal Audit acting as the third line by performing independent audits throughout the year and reporting directly to the Managing Board and A&RMC. The operational risk framework of GBI is based on the principle that senior management, in addition to the Managing Board and Supervisory Board, are actively involved in risk management, and that the risk management system is independent, sound and implemented with integrity.

Approach

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

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

IT risk assessments are performed by an independent external party based on the international Control Objectives for Information and Related Technology (COBIT) and national FIRM standards. The Bank has accepted ISO 27001 as its IT security standard and is currently in the implementation stage.

Risk Management

Legal, Integrity and Reputational Risk

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

Other Risks

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

Capital Management

As a demonstration of the importance GBI places on measuring and managing both regulatory capital and economic capital, the Bank uses several models that are advanced market practices. Indeed, GBI is one of the few banks in the Netherlands that uses the F-IRB approach for calculating regulatory capital, having received the approval from DNB as of 1 January 2008. The Bank uses the Standardized Measurement Approach for market risk and the Basic Indicator Approach for operational risk. Concentration risk, interest rate risk and other Pillar II risks are also taken into account in the regulatory capital calculation within the context of ICAAP.

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

As a demonstration of the importance GBI places on measuring and managing both regulatory capital and economic capital, the Bank uses several models that are advanced market practices.

Basel III

GBI has taken part in four Basel III Monitoring Exercises in 2011 and 2012, supervised by DNB and the Basel Committee. In addition, the Bank has prepared a migration plan to outline the projected transition towards Basel III, although the implementation of the CRD IV / CRR in Europe has been postponed.

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

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

Outlook 2013

For 2013, we made very conservative budget projections against the backdrop of the current economic and regulatory environment in Europe. Consequently, we do not plan to grow our staff size other than filling a few vacancies in the supporting departments. The Dutch banking sector will continue facing strong headwinds following the nationalization of SNS Reaal. We are aware of its implications for Dutch banks in general but the exact financial impact is yet to be calculated as per institution. In 2013, cost management and efficiency improvements will carry high priority as capital becomes more expensive while credit spreads shrink particularly in our core markets.

Amsterdam, 20 March 2013

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

Financial Statements

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Balance sheet as at 31 December 2012
(before profit appropriation)

		2012		2011*	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Assets					
Cash	*4*		**539,754**		580,998
Banks	*5*		**919,449**		948,042
Loans and advances	*6*		**2,325,995**		1,854,225
Interest-bearing securities	*7*		**635,028**		620,017
Participating interests	*8*		**250**		250
Property and equipment	*9*		**19,910**		21,724
Other assets	*10*		**9,925**		11,721
Prepayments and accrued income	*11*		**124,958**		141,629
Total assets			**4,575,269**		4,178,606
Liabilities					
Banks	*12*		**654,056**		781,381
Funds entrusted	*13*		**3,377,879**		2,760,777
Other liabilities	*14*		**7,888**		8,748
Accruals and deferred income	*15*		**74,090**		204,601
Provisions	*16*		**910**		809
			4,114,823		3,756,316
Subordinated liabilities	*17*		**30,000**		46,408
Paid-in and called-up capital		**136,836**		136,836	
Revaluation reserves		**–**		1	
Other reserves		**239,045**		185,423	
Net profit		**54,565**		53,622	
Shareholders' equity	*18*		**430,446**		375,882
Total liabilities and shareholders' equity			**4,575,269**		4,178,606
Off-balance sheet liabilities	*19*		**473,903**		443,063

* Adjusted for reasons of comparison

Profit and loss account for the year 2012

		2012		2011	
		EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Interest income	*20*	209,696		152,671	
Interest expense	*21*	143,113		91,939	
Net interest			66,583		60,732
Income from participating interests	*22*		–		631
Commission income	*23*	46,794		34,565	
Commission expense	*24*	1,970		1,769	
Net commission	*25*		44,824		32,796
Result on financial transactions	*26*		10,284		11,380
Total income			121,691		105,539
Administrative expenses:	*28*				
• Staff costs		27,692		25,063	
• Other administrative expenses		9,046		8,352	
			36,738		33,415
Depreciation	*29*		1,424		1,570
Value adjustments to tangible fixed assets	*30*		1,766		–
Value adjustments to receivables	*31*		9,252		(735)
Total expenses			49,180		34,250
Operating result before tax			72,511		71,289
Tax on result on ordinary activities	*32*		17,946		17,667
Net result after tax			54,565		53,622

Cash flow statement for the year 2012

	2012 EUR 1,000	2011* EUR 1,000
Net cash flow from operational activities		
Net profit	54,565	53,622
Adjustments for depreciation	1,424	1,570
Adjustments for value adjustments to tangible fixed assets	1,766	–
Adjustments for value adjustments to receivables	9,375	(573)
Adjustments for exchange rate differences on investment portfolio	8,338	(3,566)
Adjustments for provisions relating to deferred tax	101	605
Net cash flow from operating profit	75,569	51,658
Changes in:		
• Due from banks, excluding due from banks demand and value adjustments to receivables	(2,839)	205,996
• Loans and advances, excluding value adjustments to receivables	(481,145)	(445,402)
• Available-for-sale portfolio	5,265	193,744
• Trading portfolio	(457)	2,619
• Other assets	1,796	1,688
• Prepayments and accrued income	16,671	(68,846)
• Due to banks, excluding due to banks on demand	(252,520)	237,792
• Funds entrusted	603,815	274,355
• Other liabilities	(860)	(21,248)
• Accruals and deferred income	(130,511)	158,878
	(165,216)	(591,234)
Net cash flow from investment activities		
Investments in:		
• Property and equipment	(1,376)	–
• Investment portfolio, excluding value adjustments to receivables	(460,317)	(513,374)
Divestments in:		
• Property and equipment	–	3,915
• Participating interests	–	68
• Investment portfolio due to sales, excluding value adjustments to receivables	390,337	259,814
• Investment portfolio due to redemptions, excluding value adjustments to receivables	41,822	70,446
	(29,534)	(179,131)
Net cash flow from financing activities		
Subordinated liabilities	(3,121)	718
Net cash flow	(197,871)	412,821

* Adjusted for reasons of comparison

Cash flow statement for the year 2012

	2012 EUR 1,000	2011 EUR 1,000
Cash and cash equivalents as at 1 January	712,077	299,256
Cash and cash equivalents as at 31 December	514,206	712,077
Net cash flow	(197,871)	412,821

Specification of cash and cash equivalents as at 31 December

	2012 EUR 1,000	2011 EUR 1,000
Cash	539,754	580,998
Due to/from banks on demand	(25,548)	131,079
	514,206	712,077

Notes to the 2012 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.

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 euro's, unless otherwise indicated.

Principles for consolidation

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which GBI has the power to determine the financial and operating policies, whether directly or indirectly, 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 2012 there were no subsidiaries that meet the abovementioned requirements for consolidation. The participating interests are not consolidated, but are included at their net asset value because they are not material to the balance sheet and profit and loss account of the Bank.

2 Changes in accounting policies

Foreign exchange derivatives

As of 1 January 2012, several Dutch financial reporting standards (NL GAAP) changed, including standards 122 and 290 with respect to foreign currency principles. The Dutch Accounting Standards (RJ) expression 2011-3 included amendments with respect to foreign exchange derivatives. As of 1 January 2012 the notional amounts of foreign exchange derivatives can no longer be considered as monetary items.

Consequently, these notional amounts should be measured at 'cost price or lower market value'. This means that the notional amounts of these contracts are no longer measured at the spot rate as per the reporting date, except if the Bank chooses to apply cost price hedge accounting and the derivatives are part of an effective hedge accounting relationship.

Notes to the 2012 financial statements

GBI management is of the opinion that spot revaluation for foreign exchange derivatives gives a more appropriate reflection of the financial risk position than cost price or lower market value, because GBI holds these derivatives for hedging purposes. GBI has therefore decided to apply cost price hedge accounting (RJ 290) for foreign exchange derivatives. This will create the same situation as before the RJ amendment 2011-3, when hedge accounting was not applied. The change in accounting for foreign exchange derivatives, in combination with the application of cost price hedge accounting did not result in a significant impact on the result for 2012.

3 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.

Financial instruments

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

Derivatives

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

Currency contracts

For derivative contracts concluded to mitigate currency risk GBI applies costprice hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own currency positions are recognized in accordance with the accounting principles applicable to these

Notes to the 2012 financial statements

positions, i.e. derivatives are measured at spot rate. The forward points on currency swaps are amortized to the profit and loss account on a linear basis over the duration of the currency derivative. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account using the lower of cost or fair value when valuing the derivative.

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

Interest rate contracts

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

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

Other contracts

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

Loans and advances to banks/customers

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

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

Profits or losses on the sale of loans and advances to banks/customers (forfaiting) 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 'Shares' 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 'Shares' comprises all investments which are neither intended to be held on a permanent basis or to maturity, nor intended to be used to gain transaction results on a short-term basis.

Notes to the 2012 financial statements

Interest-bearing securities

Interest-bearing securities belonging to the investment portfolio, are measured at amortized cost. 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 in the 'Revaluation reserve' as part of 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

Shares 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'.

Shares 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 Realized gains or losses on the sale of shares are recorded under 'Results on financial transactions'. Negative revaluation results are directly taken to the profit and loss account as 'Result on financial transactions'.

Participating interests

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

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

Property and equipment

The accounting principles for tangible fixed assets are as follows:

Land and buildings

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

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

Notes to the 2012 financial statements

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.
• Intangibles	2 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 recorded using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets are accounted for only if it is probable that they will be realized.

Income

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

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

Interest and commission income from the extension of loans beyond their contractual maturity 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'.

Notes to the 2012 financial statements

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

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

Cash flow statement

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

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

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

Notes to the 2012 financial statements

Notes to the balance sheet as at 31 December 2012

	2012	2011
4 Cash	**539,754**	580,998

This item includes all legal tender, as well as demand deposits held at the central bank and retail clearing services in countries in which GBI is established.

5 Banks	**919,449**	948,042

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).

There are no provisions related to this item.

6 Loans and advances	**2,325,995**	1,854,225

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 31.5 million (2011: EUR 25.5 million).

The changes in the provisions were as follows:

Position as at 1 January	**25,544**	25,891
Additions	**10,785**	6,203
Write-offs	**(2,659)**	(39)
Releases	**(1,410)**	(6,776)
Exchange rate differences	**(718)**	265
Position as at 31 December	**31,542**	25,544

7 Interest-bearing securities	**635,028**	620,017

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

The breakdown by issuer is as follows:

Issued by public bodies and national governments	**166,789**	167,321
Issued by others	**468,239**	452,696
	635,028	620,017

Notes to the 2012 financial statements

	2012	2011
Of the interest-bearing securities EUR 40.2 million will mature in 2013, EUR 14.3 million is unlisted (2011: EUR 16.9 million) and EUR 9.9 million has been issued by a group company (2011: EUR 26.8 million).		
The breakdown by portfolio is as follows:		
• Investment portfolio	**634,571**	614,751
• Available-for-sale portfolio	**–**	5,266
• Trading portfolio	**457**	–
	635,028	620,017

The difference between the purchase price and the market value of the trading portfolio is negligible.

The changes in the investment portfolio are as follows:	2012	2011
Balance sheet value as at 1 January	**614,751**	428,071
Purchases	**460,317**	513,374
Sales	**(390,337)**	(259,814)
Redemptions	**(41,822)**	(70,446)
Exchange rate differences	**(8,338)**	3,566
Balance sheet value as at 31 December	**634,571**	614,751

The purchase price of the investment portfolio was EUR 9.8 million above the redemption value (2011: EUR 9.6 million).

The difference between the redemption value and the market value of the interest-bearing securities in the investment portfolio amounts to EUR 44.7 million positive (2011: EUR 11.4 million negative).

The changes in the available-for-sale portfolio are as follows:	2012	2011
Balance sheet value as at 1 January	**5,266**	199,940
Purchases	**–**	101,193
Sales	**(5,693)**	(294,478)
Redemptions	**–**	–
Revaluations (including exchange rate differences)	**427**	(1,389)
Balance sheet value as at 31 December	**–**	5,266

Notes to the 2012 financial statements

	2012	2011
8 Participating interests	**250**	250

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

The sole objective of the custodian companies is to hold, for the benefit of customers of GBI, rights with respect to securities, and to conclude agreements and perform or bring about the performance of all other acts conducive to the foregoing. Securities kept in custody amount to EUR 160.4 million as at 31 December 2012 (31 December 2011: EUR 166.6 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.

	2012	2011
9 Property and equipment	19,910	21,724

The changes in this balance sheet item are as follows:

	Land and buildings in use by GBI	Other fixed assets	Total
Balance sheet value as at 1 January 2012	19,033	2,691	21,724
Investments	84	1,292	1,376
Value adjustments*	(1,766)	–	(1,766)
Depreciation	(410)	(1,014)	(1,424)
Balance sheet value as at 31 December 2012	16,941	2,969	19,910
Accumulated depreciation	3,954	4,465	8,419

* This value adjustment relates to the building where the Bank's Head Office is located. The bookvalue before value adjustment amounted to EUR 18.8 million

Notes to the 2012 financial statements

	2012	2011
10 Other assets	**9,925**	11,721

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.

It primarily consists of a receivable of EUR 9.8 million (2011: EUR 10.0 million) with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank. This receivable is recorded at its notional amount and netted for provisions which amount to EUR 2.9 million (2011: EUR 3.4 million).

11 Prepayments and accrued income	**124,958**	141,629

This item includes the prepayments for costs to be charged to following periods, as well as accrued income, such as accrued interest amounting to EUR 37.8 million (2011: EUR 20.2 million). It also includes the valuation of derivative contracts amounting to EUR 75.7 million (2011: 109.1 million).

12 Banks	**654,056**	781,381

This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates.

13 Funds entrusted	**3,377,879**	2,760,777

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

This item can be specified as follows:

• Savings accounts	**2,611,090**	2,023,077
• Other funds entrusted	**766,789**	737,700
	3,377,879	2,760,777

Notes to the 2012 financial statements

	2012	2011
14 Other liabilities	**7,888**	8,748

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.

	2012	2011
15 Accruals and deferred income	**74,090**	204,601

This item includes prepayments received in respect of profits attributable to subsequent periods and amounts still to be paid, such as accrued interest amounting to EUR 35.5 million (2011: EUR 22.2 million). It also includes valuation of derivative contracts amounting to EUR 17.5 million (2011: 174.3 million).

	2012	2011
16 Provisions	**910**	809

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

	2012	2011
Position as at 1 January	809	1,390
To/from current tax position	101	(581)
Position as at 31 December	910	809

Please see note 32 for further details.

	2012	2011
17 Subordinated liabilities	**30,000**	46,408

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

In 2012 the subordinated retail loans have been reclassified to funds entrusted as they are no longer considered subordinated.

In the financial year the charges in respect of the subordinated liabilities amounted to EUR 0.7 million (2011: EUR 1.7 million).

Notes to the 2012 financial statements

	2012	2011
18 Shareholders' equity	**430,446**	375,882
Paid-in and called-up capital	**136,836**	136,836

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

Revaluation reserves	**–**	1

The changes in this item were as follows:

	As at 31 December 2012			As at 31 December 2011		
	Buildings	**Available-for-sale portfolio**	**Total**	Buildings	Available-for-sale portfolio	Total
Position as at 1 January	**–**	**1**	**1**	2,084	1,475	3,559
Revaluations	**–**	**(1)**	**(1)**	(2,084)	(1,474)	(3,558)
Position as at 31 December	**–**	**–**	**–**	–	1	1

	2012	2011
Other reserves	239,045	185,423
Position as at 1 January	185,423	138,426
Profit appropriation	53,622	46,997
Position as at 31 December	239,045	185,423

Net profit	54,565	53,622

The changes in this item were as follows:

Position as at 1 January	53,622	46,997
Profit appropriation	(53,622)	(46,997)
Result after tax	54,565	53,622
Position as at 31 December	54,565	53,622

Notes to the 2012 financial statements

	2012	2011
19 Off-balance s heet liabilities	473,903	443,063

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:

	2012	2011
• Guarantees	55,745	68,181
• Irrevocable letters of credit	312,559	298,618
• Other commitments	105,599	76,264
	473,903	443,063

	2012	2011
20 Interest income	209,696	152,671

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:

	2012	2011
• banks	35,354	32,727
• loans and advances	125,966	81,225
• debt securities including fixed-income securities	48,376	38,719
	209,696	152,671

	2012	2011
21 Interest expense	143,113	91,939

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.

	2012	2011
22 Income from participating interests	–	631

	2012	2011
23 Commission income	46,794	34,565

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.

	2012	2011
24 Commission expense	1,970	1,769

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.

Notes to the 2012 financial statements

	2012	2011
25 Net commission	**44,824**	32,796
Net commission comprises:		
• Trade finance	**34,829**	25,468
• Structured Finance	**8,698**	5,993
• Payment services	**742**	825
• Security brokerage	**359**	336
• Private banking services	**187**	371
• Other	**9**	(197)
	44,824	32,796

	2012	2011
26 Result on financial transactions	**10,284**	11,380

This item covers unrealized and realized profits and losses belonging to the trading or available-for-sale portfolio and currency differences and price/rate differences arising from dealing in other financial instruments. The impact of ineffectiveness of hedging derivatives is nil (2011: nil).

	2012	2011
This item comprises:		
• Securities trading	**1,827**	3,534
• Foreign exchange dealing	**5,802**	5,564
• Forfaiting	**211**	231
• Other	**2,444**	2,051
	10,284	11,380

	2012	2011
27 Segmentation of income	**266,774**	199,247

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:

	2012	2011
• The Netherlands	**13,290**	9,731
• Turkey	**136,916**	93,910
• CIS countries	**25,343**	23,916
• Rest of Europe	**56,590**	45,892
• Rest of the world	**34,635**	25,798
	266,774	199,247*

* Breakdown adjusted for reasons of comparison

Notes to the 2012 financial statements

	2012	2011
28 Staff costs and other administrative expenses	**36,738**	33,415
This includes:		
• Staff costs	**27,692**	25,063
• Other administrative expenses	**9,046**	8,352
	36,738	33,415
The staff costs comprise:		
• Wages and salaries	**21,322**	20,992
• Pension costs	**2,875**	2,662
• Other social costs	**1,998**	629
• Other staff costs	**1,497**	780
	27,692	25,063

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 2012 no premiums payable and possible additional obligations were outstanding.

Notes to the 2012 financial statements

	2012	2011
The average number of full-time equivalent employees was 218 (2011: 209), which can be split as follows:		
• Netherlands	**181**	172
• Other	**37**	37
	218	209

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

These can be broken down as follows:

	2012			2011		
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
Audit of the financial statements	**152**	**34**	**186**	139	34	173
Audit related services	**170**	**10**	**180**	166	–	166
Fiscal advice	**–**	**33**	**33**	–	40	40
Other non-audit expenses	**–**	**21**	**21**	2	28	30
	322	**98**	**420**	307	102	409

	2012	2011
29 Depreciation	**1,424**	1,570

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

30 Value adjustments to tangible fixed assets	**1,766**	–

This item relates to the revaluation of the building where GBI's head office is located. Please also see note 9, property and equipment.

Notes to the 2012 financial statements

	2012	2011
31 Value adjustments to receivables	**9,252**	(735)

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

	2012	2011
• Additions	**10,785**	6,203
• Releases	**(1,410)**	(6,776)
• Repayments after write-off	**(123)**	(162)
	9,252	(735)

	2012	2011
32 Tax on result on ordinary activities	**17,946**	17,667

The corporate income tax has been calculated using the nominal tax rate of 25 percent over the Dutch taxable income and the local applicable tax rate for taxable income in Germany (30 percent). The overall effective tax rate in 2012 was 24.8 percent, which is equal to 2011.

	2012	2011
Dutch tax rate	**25.0%**	25.0%
Effect of deviating tax rates in foreign jurisdictions	**0.1%**	0.0%
Effect of tax credit	**(0.3%)**	–
Other	**–**	(0.2%)
Effective tax rate on operating income	**24.8%**	24.8%

The 2012 taxes amounted to EUR 17,946 thousand (2011: EUR 17,667 thousand).

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

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

	2012	2011
Foreign branches	**716**	611
Buildings	**194**	198
	910	809

Notes to the 2012 financial statements

Further disclosures

33 Pledged assets

EUR 157.6 million (31 December 2011: EUR 485.1 million) of 'Interest-bearing securities' has been pledged as collateral for EUR 150.7 million (31 December 2011: EUR 420.2 million) of funding included as liability under 'Banks'. Furthermore EUR 3.4 million (31 December 2011: EUR 107.9 million) of placements included under 'Banks' has been pledged as collateral for derivative trades. These assets are consequently not freely available.

34 Risk management

34.1 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.

34.1.a Breakdown by geographical regions

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

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2012:				
• The Netherlands	**5,042**	**132,248**	**43,469**	**86,397**
• Turkey	**590,316**	**1,261,683**	**289,326**	**119,679**
• CIS countries	**172,089**	**104,594**	**181,673**	**2,344**
• Rest of Europe	**127,736**	**538,980**	**120,000**	**132,479**
• Rest of the world	**24,266**	**320,032**	**560**	**133,004**
	919,449	**2,357,537**	**635,028**	**473,903**
• Provisions	**–**	**(31,542)**	**–**	**–**
	919,449	**2,325,995**	**635,028**	**473,903**
As at 31 December 2011:				
• The Netherlands	31,075	87,659	57,534	55,428
• Turkey	596,146	870,255	185,546	111,452
• CIS countries	100,308	64,253	157,359	–
• Rest of Europe	194,073	451,649	169,039	145,626
• Rest of the world	26,440	405,953	50,539	130,557
	948,042	1,879,769	620,017	443,063
• Provisions	–	(25,544)	–	–
	948,042	1,854,225*	620,017	443,063

* Breakdown adjusted for reasons of comparison

Notes to the 2012 financial statements

34.1.b Breakdown by collateral

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

	2012	2011
Substitution collateral (bank guarantees)	**50,824**	102,253
Financial collateral (securities and cash)	**254,628**	177,692
Other collateral and unsecured*	**2,052,085**	1,599,824
	2,357,537	1,879,769
Provisions	**(31,542)**	(25,544)
	2,325,995	1,854,225

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

34.1.c Breakdown by sector and industry

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

Agriculture	**167,942**	101,469
Basic materials	**438,868**	527,357
Chemicals	**198,918**	145,026
Construction	**103,135**	103,509
Consumer products	**58,349**	66,048
Financial services	**633,673**	386,518
Food, beverages & tobacco	**31,694**	27,484
Leisure and tourism	**8,137**	8,168
Media	**1,749**	40,515
Oil & gas	**196,662**	90,821
Private individuals	**10,449**	22,683
Public sector	**505**	1,546
Retail	**12,129**	10,580
Services	**4,701**	4,833
Telecom	**164,698**	60,839
Transport & logistics	**257,439**	207,835
Utilities	**23,305**	22,905
Other	**45,184**	51,633
	2,357,537	1,879,769
Provisions	**(31,542)**	(25,544)
	2,325,995	1,854,225

Notes to the 2012 financial statements

34.1.d Non-performing loans and NPL ratio

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

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

The NPL ratio is calculated as follows:

	2012	2011
Banks	**919,449**	948,042
Loans and advances	**2,325,995**	1,854,225
Provisions	**31,542**	25,544
Gross loans	**3,276,986**	2,827,811
Non-performing loans (after deduction of financial collateral)	**64,742**	50,013
NPL ratio	**1.98%**	1.77%

34.1.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. GBI applies costprice hedge accounting for its hedging derivatives. Hedge effectiveness was achieved except for one foreign exchange hedge relationship. This ineffectiveness did not affect the profit and loss account as the fair values of the related hedging derivatives were positive (see also note 26).

Notes to the 2012 financial statements

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.

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

As at 31 December 2012:		Notional amounts <= 1 year EUR 1,000	Notional amounts >1<= 5 years EUR 1,000	Total EUR 1,000	Positive replacement value EUR 1,000
Interest rate contracts					
OTC	Swaps	**106,109**	**221,267**	**327,376**	**–**
Currency contracts					
OTC	Swaps	**4,251,042**	**–**	**4,251,042**	**68,065**
	Forwards	**300,298**	**332**	**300,630**	**1,162**
	Options	**1,153,432**	**–**	**1,153,432**	**5,266**
Other contracts					
OTC	Options	**6,511**	**–**	**6,511**	**518**
		5,817,392	**221,599**	**6,038,991**	**75,011**
As at 31 December 2011:					
Interest rate contracts					
OTC	Swaps	61,829	331,857	393,686	–
Currency contracts					
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
Other contracts					
OTC	Options	13,963	1,546	15,509	2,193
		4,730,277	333,596	5,063,873	94,108

Notes to the 2012 financial statements

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

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

	As at 31 December 2012		As at 31 December 2011***	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
	Unweighted*	**Weighted****	Unweighted*	Weighted**
Interest rate contracts	**1,106**	**175**	1,660	254
OTC currency contracts	**131,558**	**20,392**	122,186	20,428
Other contracts	**908**	**584**	1,284	845
	133,572	**21,151**	125,130	21,527

* Exposure value before deduction of collateral
** Risk weighted exposure value after deduction of collateral
*** Adjusted for reasons of comparison

34.2 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.

Notes to the 2012 financial statements

34.2.a Currency risk

The total equivalent of on-balance assets in foreign currencies is EUR 2,998 million, while the total equivalent of on-balance liabilities in foreign currencies is EUR 969 million. The currency position is reduced through derivative instruments.

	As at 31 December 2012				As at 31 December 2011			
Currency	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000
USD	3,742,333	3,739,569	2,764	–	4,011,543	4,012,923	–	1,380
TRY	1,386,921	1,387,575	–	654	1,718,190	1,714,449	3,741	–
GBP	297,483	297,488	–	5	252,946	253,200	–	254
AUD	59,732	59,773	–	41	57,282	57,301	–	19
CHF	43,621	43,661	–	40	35,697	35,720	–	23
ZAR	35,299	35,294	5	–	21,198	21,230	–	32
JPY	10,667	11,448	–	781	62,387	62,388	–	1
CAD	9,894	9,894	–	–	2,851	2,864	–	13
Other	25,755	25,485	313	43	31,360	31,332	66	38

Notes to the 2012 financial statements

34.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2012, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable EUR 1,000	< = 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Total EUR 1,000
Assets	33,003	2,687,840	990,382	566,004	248,415	4,525,644
Liabilities	(68,523)	(2,530,553)	(915,487)	(375,936)	(41,129)	(3,931,628)
Derivatives	–	287,160	(17,693)	(227,116)	–	42,351
Net interest position 31 December 2012	**(35,520)**	**444,447**	**57,202**	**(37,048)**	**207,286**	**636,367**
Net interest position 31 December 2011	(47,099)	840,821	(167,777)	(235,885)	143,240	533,300

The calculation of the sensitivity analysis as at 31 December 2012 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 15,715 thousand (31 December 2011: EUR 1,609 thousand decrease).

34.3 Liquidity risk

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

Notes to the 2012 financial statements

	On demand EUR 1,000	<= 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Assets							
Cash	539,754	–	–	–	–	–	539,754
Banks	105,080	239,356	502,446	72,567	–	–	919,449
Loans and advances	220,813	1,173,861	580,834	363,632	18,397	(31,542)	2,325,995
Interest-bearing securities	–	8,375	31,867	395,220	199,566	–	635,028
Participating interests	250	–	–	–	–	–	250
Property and equipment	–	–	–	–	19,910	–	19,910
Other assets	102	–	–	9,823	–	–	9,925
Prepayments and accrued income	124,958	–	–	–	–	–	124,958
Total assets 31 December 2012	990,957	1,421,592	1,115,147	841,242	237,873	(31,542)	4,575,269
Liabilities							
Banks	130,628	132,290	291,138	100,000	–	–	654,056
Funds entrusted *	1,357,004	848,149	625,174	545,781	1,771	–	3,377,879
Savings accounts	*1,091,927*	*547,476*	*468,231*	*501,685*	*1,771*	–	*2,611,090*
Other funds entrusted	*265,077*	*300,673*	*156,943*	*44,096*	–	–	*766,789*
Other liabilities	7,888	–	–	–	–	–	7,888
Accruals and deferred income	74,090	–	–	–	–	–	74,090
Provisions	–	–	–	–	910	–	910
Subordinated liabilities	–	–	–	–	30,000	–	30,000
Shareholders' equity	–	–	–	–	430,446	–	430,446
Total liabilities 31 December 2012	1,569,610	980,439	916,312	645,781	463,127	–	4,575,269
Net liquidity 31 December 2012	(578,653)	441,153	198,835	195,461	(225,254)	(31,542)	–
Total assets 31 December 2011	864,380	1,551,494	744,258	769,844	205,274	(25,544)	4,109,706
Total liabilities 31 December 2011	1,166,339	1,116,535	849,069	563,541	414,222	–	4,109,706
Net liquidity 31 December 2011	(301,959)	434,959	(104,811)	206,303	(208,948)	(25,544)	–

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

Notes to the 2012 financial statements

34.4 Capital adequacy

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

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

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

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

	2012	2011
Total Risk Weighted Assets	**2,333,388**	2,141,650
The required pillar I capital can be broken down as follows:		
Credit risk	**172,276**	158,496
Market risk	**320**	504
Operational risk	**14,075**	12,332
Total required pillar I capital	**186,671**	171,332
The actual capital can be broken down as follows:		
Tier 1 capital	**425,346**	371,197
Tier 2 capital	**24,900**	36,947
Total capital	**450,246**	408,144
BIS ratio	**19.30%**	19.06%
Tier 1 ratio	**18.23%**	17.33%

Notes to the 2012 financial statements

35 Fair value of financial instruments

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

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

The fair value of the interest-bearing securities in the investment portfolio amounts to EUR 679.2 million (2011: EUR 603.4 million), whereas the book value amounts to EUR 643.0 million (2011: EUR 622.2 million). The fair value of hedging derivatives as at 31 Decem¬ber 2012 amounts to EUR 46.9 million positive on a net basis (2011: EUR 64.2 million negative). The book value of these derivatives is EUR 58.2 million positive (2011: EUR 65.0 million negative).

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

	Notional amount EUR 1,000	Fair value EUR 1,000
As at 31 December 2012:		
Interest rate contracts	**327,376**	**(10,806)**
Currency contracts	**4,551,672**	**57,699**
	4,879,048	**46,893**
As at 31 December 2011:		
Interest rate contracts	393,686	(9,504)
Currency contracts	3,492,160	(54,735)
	3,885,846	(64,239)

Notes to the 2012 financial statements

36 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 Doğuş 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.

36.1 Outstanding balances

GBI has the following outstanding group related balances:

	As at 31 December 2012		As at 31 December 2011	
	Parent company	**Other**	Parent company	Other
	EUR 1,000	**EUR 1, 000**	EUR 1,000	EUR 1,000
Assets				
Banks	**47,391**	**36,167**	35,121	81,753
Loans and advances	**–**	**159,865**	–	57,767
Interest-bearing securities	**9,853**	**–**	11,822	15,000
Total assets	**57,244**	**196,032**	**46,943**	**154,520**
Liabilities				
Banks	**3,711**	**1,907**	2,648	842
Funds entrusted	**–**	**3,268**	–	6,719
Subordinated liabilities	**30,000**	**–**	30,000	–
Total liabilities	**33,711**	**5,175**	32,648	7,561

Notes to the 2012 financial statements

37 Remuneration of Managing Board Directors and Supervisory Board Directors

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

The remuneration policy for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 11 April 2013. 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 2,628,704 in 2012 (2011: EUR 2,421,801). In addition to this remuneration, the Bank booked a crisis charge of EUR 322,961.

The remuneration of current and former members of the Supervisory Board amounted to EUR 55,893 in 2012 (2011: EUR 695,113). As of 1 January 2012 group related members of the Supervisory Board no longer receive a remuneration.

Amsterdam, 20 March 2013

BOARD OF MANAGING DIRECTORS:
Mr. B. Ateş
Mr. M.P. Padberg

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

Other Information

Profit appropriation

In the Annual General Shareholders' Meeting, it will be proposed to add the net profit of 2012 (EUR 54,565,000) to the other reserves.

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

Article 31

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

Subsequent events

There have been no significant events between the end of the year 2012 and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.

Independent auditor's report

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

Independent auditor's report

To: The Shareholders of GarantiBank International N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 as included on page 54 to page 86 which are part of the Annual Report of GarantiBank International N.V., Amsterdam, and comprise the balance sheet as at 31 December 2012, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

The Managing Board's responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Managing Board, as well as evaluating the overall presentation of the financial statements.

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

Independent auditor's report

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 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

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

Amstelveen, 20 March 2013

KPMG Accountants N.V.
D. Korf RA

Supervisory Board and Managing Board

Supervisory Board

Mr. S. Sözen (Chairman)
Chairman of GBI Supervisory Board since 2006. Vice-Chairman of Türkiye Garanti Bankası Supervisory Board.

Mr. W.F.C. Cramer (Member) *
Member of the directorate of Unicef. Former Chairman of Friesland Bank and previously held the Managing Director position at Rabobank Amsterdam.

Mr. M.P. Galatas Sanchez-Harguindey (Member)
Board Member of Türkiye Garanti Bankası and General Manager of BBVA Turkey.

Mr. P.R.H.M. van der Linden (Member)
Member of the Dutch Parliament between 1977 and 1998. Held Chairman positions at the Dutch Senate and European Council's European People's Party and Parliamentary Assembly.

Mr. B.J.M.A. Meesters (Member)
Dutch qualified lawyer and partner at Loeff Claeys Verbeke which merged into Allen & Overy in 2000.

Mr. F. Şahenk (Member)
Previously held the position of Chairman between 2002 and 2006. Presently Chairman of Türkiye Garanti Bankası.

* *appointed March 2013*

Managing Board

Mr. B. Ateş
CEO, since 24 March 2000.

Mr. M.P. Padberg
Managing Director, since 1 January 1993.

Senior Management

Trade Finance
Mr. C.O. Draman
Executive Director

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

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

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

Credits
Mr. S. Kanan
Executive Director

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

Internal Audit Services
Mr. T. Aksoy
Manager

Human Resources
Ms. M.S. Van Tilburg - Van Alfen
Manager

Germany Branch
Mr. F. Birincioğlu
Executive Director

Legal & Compliance
Ms. Manolya Koprülü
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