ANNUAL REPORT 2011

ANADOLUBANK NEDERLAND

CONTENTS

BANK PROFILE

Anadolubank Nederland N.V. almost doubled its paid-in capital while it fully meets Basel III requirements several years before the implementation date.

Established in 2006, Anadolubank Nederland N.V. was granted a full banking license by De Nederlandsche Bank (Dutch Central Bank) in early August 2007. As of December 31, 2011, the balance sheet closing date for the Bank's operations in 2011, Anadolubank Nederland N.V. has a paid-in capital of EUR 55,000,000. On April 1, 2011, the Bank's share capital was raised by EUR 10,000,000 to EUR 40,000,000 and on 15th December 2011, by EUR 15,000,000 as part of the plan to double its paid-in capital in the coming years.

The bank maintains a high solvency and liquidity. The bank meets fully all requirements of Basel III several years before the implementation date.

Anadolubank Nederland N.V. is a Dutch bank with a Dutch banking license as well as part of one of the largest conglomerates in Turkey, as a result of which it is able to offer attractive tariffs to its customers and meet their needs. Anadolubank Nederland N.V. is a wholly-owned subsidiary of Anadolubank A.S., a Turkish bank owned by the Habas Group, one of the largest industrial conglomerates in Turkey that operates in industrial and medical gas production, LPG and natural gas distribution, electricity generation, iron and steel manufacturing and industrial facilities construction sectors.

Anadolubank A.S. is a commercial bank with an 86 strong and still expanding branch network in Turkey. Even though it is relatively new in the industry, it is already among the leading and pioneering institutions in the Turkish financial services industry thanks to the strength of

BANK PROFILE

its shareholders, its hand-picked and seasoned management team and diligent employees. Anadolubank A.S. offers short-term working capital and trade finance facilities to small and medium size enterprises.

Launching its operations at the beginning of 2008 as a new actor in the Dutch financial sector, Anadolubank Nederland N.V. uses its experience and know-how that were obtained in the innovative and dynamic Turkish financial sector to render the best and fastest service to its customers. Innovative and well-designed products help the Bank to maximize customer satisfaction while also creating a loyal customer base.

Anadolubank Nederland N.V.'s solid funding base, coupled with a robust capital structure, is the primary factor underlying its success. The Bank's core competencies include financing small and medium size enterprises as well as funding international trade throughout Europe.

Specializing in business and retail banking segments Anadolubank Nederland N.V. has a particular interest in risk management products asset-backed lending, international projects and structured trade finance transactions. The Bank currently provides commercial banking services and products, with a particular focus on supporting small and medium size enterprises.

The Bank's Management Board revise a new Corporate Plan for the period of 2011-2016. In the years ahead, Anadolubank Nederland N.V. will expand its activities while maintaining a high level of customer service, liquidity and solvency. The synergy created with the Bank's parent company, Anadolubank A.S., and with the ultimate owner, Habas Group, is the primary assurance in achieving this goal.

A key component of the Bank's operating strategy is to maintain a highly-efficient, risk-sensitive asset structure. The Bank caters to select retail banking customer segments and offers tailor-made financial product alternatives designed particularly for its retail clientele. Anadolubank Nederland N.V. follows the international best practices with regard to corporate governance commensurate to the size of the Bank.

KEY FIGURES

in thousand of EUR	**2011**	**2010**	**2009**	**2008**
Total assets	370,362	332,362	306,842	206,754
Loans	278,839	247,342	224,054	142,392
Deposits	277,744	272,629	248,250	167,136
Shareholders' equity	60,770	40,088	33,013	30,263
Profit before provisions and tax	4,979	9,480	3,683	949
Provisions	(10,797)	-	-	-
Net profit	(4,318)	7,074	2,750	879

%				
RoE before provisions and tax	9.9	26.1	11.6	6.05
RoE after tax	- 8.6	19.48	8.7	5.61
RoA	- 1.2	2.2	1.1	0.8
Loans/deposit	100.4	90.7	90.3	85.2
Efficiency ratio	34.9	23.6	45.6	73.5
Cost /average assets	0.8	0.9	1.2	2.4
Capital adequacy ratio	23.2	17.0	13.1	18.0

SUPERVISORY BOARD REPORT

Even during the recession and the sovereign debt crisis in 2011, thanks to the extremely capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on long-term value creation.

We are pleased to present the Annual Report of Anadolubank Nederland N.V. for the year ended December 31, 2011. The Annual Report includes the statement of financial position as of this date and the income statement for the year. The Bank's financial statements have been prepared by the Management Board and they have been audited by KPMG Accountants N.V. The opinion with the independent auditors is attached to the Annual Report. The Annual Report has been reviewed with the Management Board as well as within the Audit Committee.

The Bank reported a pre-tax profit before the provisions amounting to EUR 4,9 million for 2011. We recommend to the General Assembly of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2011 and propose that the loss after tax be deducted of the Bank's reserves. Approval of the Bank's accounts by the Annual General Meeting of Shareholders will discharge the Management Board from liability with respect to management activities and the Supervisory Board with regard to its supervision thereof.

The Supervisory Board regularly took up pertinent issues throughout the year including risk management, portfolio management and the impact of changing global conditions in core markets around the world. During the year under review the Supervisory Board met periodically with the Management Board to review the interim figures, management reports and reports of the internal and external auditors and audits by DNB.

SUPERVISORY BOARD REPORT

The Supervisory Board receives updates regarding the Bank's operation results at least on a quarterly basis. The Supervisory Board is also responsible for approving the credit lines that exceed the authority of the Credit Committee. All members share equal responsibility for the execution of the Supervisory Board's functions while Mr. Pulat Akcin has a particular focus on risk management and internal audit.

Even during the recession and the sovereign debt crisis in 2011, thanks to the extremely capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on long-term value creation. The loss 2011 is solely caused by an impairment of the Greek Government Bonds. As the underlying profit over 2011 is good, this will not affect the strategy of the Bank and the long term value creation. The Supervisory Board has confidence in the strategies, financial and operational expertise of the Management Board. Together with their broad understanding of industry dynamics and global economic conditions, the Bank's long-term health, growth and profitability will be ensured well into the future.

In a meeting of the shareholders, hold in February 2012, the shareholders decided to bring the number of the Supervisory Board to four: Mr. M. Basaran, Mr. P. Akcin, Mr. G. Gunay and Mr. F.M.C.L.G.J. de Pierpont. In the meeting of the Supervisory Board on 28th of February 2012 Mr. P. Akcin was assigned as Chairman.

We would like to take this opportunity to express our appreciation for the management and staff of Anadolubank Nederland N.V. for their dedication and thank them for their hard work during the year under review.

Even during the recession and the moderate economic growth in 2011, thanks to the extremely capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on long-term value creation.

Amsterdam, 27 April 2012
Mehmet Rustu Basaran,
Chairman (until 28 February, 2012)
Pulat Akcin*,*
Chairman (as of 28 February, 2012)
Engin Turker*,*
Member (until 28 February, 2012)
Bulent Gokhan Gunay*,*
Member
Francois M.C.L.G.J. de Pierpont*,*
Member

MANAGEMENT BOARD REPORT

The bank has established a loyal customer base in a short period of time and differentiates itself from the competition by providing superior quality of services to its customers.

In its fourth year of operation of Anadolubank Nederland N.V., the sovereign debt crisis effected the macro economic developments negatively.

The sovereign debt crisis primarily started with Greek, and later Ireland and Portugal, but also large economies as Italy and Spain were heavily affected. The European council met several times during 2011.

The European council decided the establishment of the EFSF (European Financial Stability Facility) created after the decisions of 9 May 2010. The sovereign debt crisis negatively affected the economic growth and the financial markets.

Although the negative developments in the economy as Anadolubank Nederland N.V. we managed our business and operations very well.

In last years' report we mentioned that the shareholders will double the share capital the coming years to facilitate the planned expansion of the bank. To effectuate this, in the year under review the shareholders increased the share capital already by EUR 25,000,000, to EUR 55,000,000.

Due to the negative market developments the Board of Management maintained a conservative approach in expanding the activities and expanding loan granting to corporate. Subsequently the asset total increased to EUR 370 million, which was lower than expected but in line with the conservative approach of the Board of Management.

As Anadolubank Nederland N.V. we are maintaining a strong Risk Management.

MANAGEMENT BOARD REPORT

Thanks to the conservative approach of the Board of Management and the conservative risk management, the profit before tax and provisions was EUR 4.9 million.

The European council took several decisions to push the Greek state debt down. Subsequent these decisions a large part of the Greek state debt was written-off by the bond holders. Also Anadolubank Nederland N.V., as a bond holder, had to book the impairment of EUR 10.8 million. Therefore the net result of the bank after tax and provisions was EUR 4.3 million losses.

We are maintaining a strong liquidity and solvency. We are proud to state that we already fulfill all Basel III requirements, namely the solvency, liquidity and leverage ratios.

The bank has established a loyal customer base in a short period of time and differentiates itself from the competition by providing superior quality of services to its customers.

For the year under review, no bonuses are paid to the Management or other staff, similar to former years.

MANAGEMENT BOARD REPORT

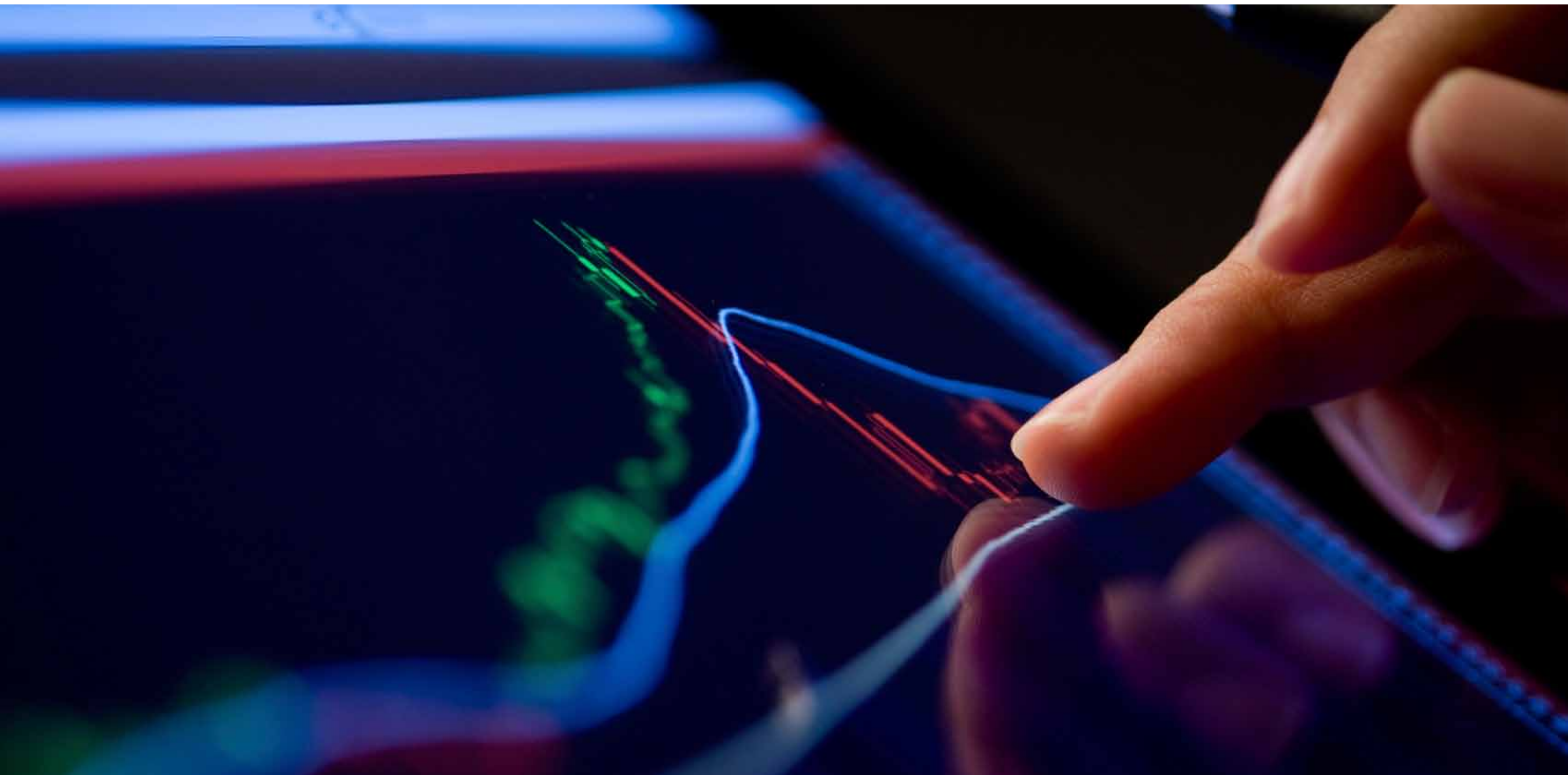
European sovereign debt crisis and Arap Spring were the two main issues that dominated world economy in 2011.

ECONOMIC DEVELOPMENT

The main worry in global scale has been the European sovereign debt crisis along with the deepening recession worries in Europe. Whilst we have started the year 2011 with worries limited with Ireland, Greece and Portugal, this has spread to countries which considered too big to default such as Italy and Spain.

Even though European Central Bank has tried to calm markets through market interventions such as bond purchases through secondary bond market and ''Long Term Refinancing Operations'' in which ECB offered funds at 1% for 3 years at the end of November, the 10 year borrowing rates for the countries under spot lights have not eased. This has pushed the ECB Asset size to a record level of EUR 2.7 trillion while pushing Euro to low levels against currencies such as Yen, AUD and CHF. Along with ECB, FED also continued their low rate policy boosting the liquidity in the markets which also made their balance sheet to reach all time highs.

One of the key developments in global markets have been the changes in Middle East and Northern African political scene, so called 'Arab Spring', which along with increasing stress in Iran boosted the oil prices. Despite the weak growth, increasing oil prices created inflationary pressures in some countries. All these effects combined, safe heaven assets such as US Treasuries, Gold, Japanese Yen and Swiss Franc have witnessed high levels.



MANAGEMENT BOARD REPORT

THE DUTCH ECONOMY

The Dutch economy grew by 1.4% in 2011, well in line with the growth rates of the Euro-zone which were expected to be at 1.5%. Although the fact that the economic growth was over 2.4% in 2010 and first two quarters of 2011 were strong, Dutch economy contracted in the third quarter of 2011 for the first time in 2 years.

The Dutch inflation rate rose to a three year high of 2.25% around 1% higher than earlier two years reflecting the pressure arising from the surging commodity prices, mainly oil and petrochemical. In the Euro Area, inflation was 2.7% in December 2011 down from 3.0% in November 2011.

In the third quarter Dutch economy contracted 0.3% despite the fact that Euro-zone growth was 0.3%. One of the main reasons for this is the downward pressure on global trade volumes which also put pressure on the exports of the Netherlands. The economic sentiment is also at one of the lowest level since 2 years.

The GDP growth for 2012 is expected to almost zero percent due to the negative contribution from domestic spending. Net exports will be the only growth driver which is expected to rise by 5.5%. An important aspect here is the assumption that the growth in world trade, after falling from 5.9% in 2011 to 3.6% in 2012, will recover again to 5.8% in 2013.

The corporate investment growth in year 2011 has been 6.4% but is expected to be less than 1% in 2012. Producer sentiment in the Netherlands is more negative than Euro-zone along with the decline in industrial production and low capacity utilization. As Dutch enterprises are targeting to compensate this through better management in expenses, the unemployment will be affected in a negative way

Unemployment in the Netherlands in year 2012 is set at 4.4% and will increase in 2013.

MANAGEMENT BOARD REPORT

TURKISH ECONOMY

2011 has been another successful year for the Turkish economy with the real GDP growth expecting to be exceeding 8% in line with medium term program (OVP) announced in October. Aside from the rapid recovery from the global financial crisis, in 2011 Turkish economy continued its resilient stance and keeps its promising growth prospects in the near future.

Amid overheating and hard landing concerns, policy makers and banks displayed strong determination to keep growth on a sustainable track. With exports growing by 18.1% at $134,6 billion and FDI inflow covering 15% of GDP, Turkish economy has been transforming into one of the major recipients of FDI in its region. Regarding the banking industry, 25% year-on-year credit growth has been expecting by the authorities of which again falls in line with the level targeted by TCMB and 20% credit growth is expected for 2012 with a more intensified competition in credit expansion for Turkish SMEs that are considered as the engine of growth in Turkish economy.

On the unemployment side, 9.1% and 6-7% intervals are expected in 2011 year-end and 2012 respectively. Through continuous growth projections and FDI flows, policy makers and businesses are confident that a gradual decrease in unemployment will be achieved.

On the risks side, current account deficit and inflationary pressures have been the flaring aspects of the Turkish economy in 2011. Inflation rose to 10.45% year-on-year and current account deficit is expected to become 10% of the GDP in 2011 despite this figure is expected be around 7% in 2012. However, Turkish policy makers and business community are well aware of the necessities and are continuously taking steps to curb those concerns. TCMB has been using its tools in an efficient manner through actively managing the interest rate corridor currently covering 12.50%- 5.75% (one week repo rate) interval. Even though at its initiation, such move interpreted as an additional uncertainty by the international community, TCMB officials reiterate that further monetary tightening may be underway to contain 5% inflation target by the end of 2012.

The banking sector has another successful year despite decreasing profits, the non-performing loans in the banking sector in 2011 has been lower compared to 2010. The rollover ratio for international borrowings has been over 100% along with new bonds issuances by systemic banks in the country.

MANAGEMENT BOARD REPORT

REVIEW OF ANADOLUBANK NEDERLAND N.V.'S OPERATIONS IN 2011

INFORMATION TECHNOLOGY

The IT Department has put significant effort into developing both hardware and software systems during 2011. More than 100 user requirements are completed including the Deposit Guarantee Scheme, tax report implementation, Installment screens for credits, SANDD - Anasys Implementation, opening time deposit account over internet banking, each of which is a milestone for Anadolubank Nederland N.V.

For redundancy reasons and for a better data quality in 2011 Anadolubank Nederland N.V. changed its internet service provider. For a better performance, ESX servers have been updated with the latest version. Also IBM blade chassis firmware has been updated during this period.

In the last quarter of 2011 IT Department has started to work on a new project called PORTALIM. PORTALIM is a lotus based intranet application to manage internal applications, regulations, procedures, internal correspondences and user requirements.

The IT Department also expended significant effort in updating and improving documentation of the procedures and policies and implementing the IT procedures of Anadolubank Nederland N.V. In 2011 Anadolubank Nederland N.V IT Department was audited by the external auditor of its parent company, as well as the Bank's Internal Audit Department. No critical comments were made by the auditors.

Due to the new projects and additional responsibilities, 2012 will be a challenging year for the IT Department. However, we are confident in the IT Department's capability to cope with these projects and responsibilities.

The IT Department expended significant effort in updating and improving documentation of the procedures and policies and implementing the IT procedures of Anadolubank Nederland N.V. In 2011.

MANAGEMENT BOARD REPORT

Financial Institution basis. 2011 was a stellar year for the Bank, as demonstrated by more than EUR 1.38 billion of bilateral and syndicated loans processed.

FINANCIAL INSTITUTIONS

The Bank's Financial Institutions Department is responsible for participating in syndications, purchasing of bank and corporate syndications from the secondary market and forfeiting of these assets and the origination of bank-to-bank loans via various products.

The Department also administers the Bank's relationships with its correspondent banks, which encompasses expanding and optimizing the correspondent network, increasing the range of products for international business and improving the cost of external funding; all of which are integral parts of bolstering these relationships.

In 2011 the Financial Institutions Department has participated in syndicated loans in the Middle East, European Union, Turkey and Russia, both at the corporate level and on the Financial Institution basis. 2011 was a stellar year for the Bank, as demonstrated by more than EUR 1.38 billion of bilateral and syndicated loans processed. In addition, trade-related promissory notes have also been a major area of focus in which the Bank dealt with more than 60 different counter parties.

The origination activities account for more than 80% of the Bank's portfolio, which significantly contributes to the Bank's profitability, along with other departments. Anadolubank Nederland N.V. also assists Central and Eastern European Turkish and CIS banks with debt origination. The Department also serves as an intermediary between the Bank's customers and the international financial institutions for the issuance of LCs, Letter of Guarantees and borrowings from international banks.

MANAGEMENT BOARD REPORT

TRADE FINANCE

In 2011 Trade Finance business has been one of the key business lines consistently adding value to Anadolubank Nederland N.V financially and reputation-wise. While diversifying Trade Finance product range, execution and understanding of customer requirements have also improved drastically.

In 2010, target commodities were determined as a first step to Trade Finance. Steel & scrap, petrochemicals and coal were selected as the first priority commodities. In 2011, agricultural business was added to these focus commodities. Trade finance team kept focusing on the pre-determined commodities and prospect customers during 2011. The counter parties who sell raw materials and semi-finished products to Habas Group and buy end-products from Habas Group constitute a natural target group for the Trade Finance Department. The Department paid visits to the Turkey representation offices of the traders and acquired the contact details of key employees responsible for finance at their European Headquarters. Business meetings have been arranged and credit packages are being prepared for these commodity traders.

Trade Finance team introduced Anadolubank Nederland N.V. to more than 40 new clients (beneficiary or applicant basis) in 2011, mostly European based commodity traders. Coupled with increasing presence in commodity finance, Anadolubank Nederland N.V. vastly involved in origination of export LCs and bank avalised Bill of exchanges from these commodity traders. In 2011, the total volume of these export LCs and B/Es generated by Trade Finance team already exceeded USD 100 million, an increase of 140% compared with 2010 figures.

Wider involvement in international trading has also paid off in generating new credit customers.

MANAGEMENT BOARD REPORT

Anadolubank Nederland N.V. continues to successfully utilize solid and healthy possibilities to provide geographical diversification for the application of different strategies for retail banking activities.

RETAIL BANKING

In 2011, Anadolubank Nederland N.V. Retail Banking Department kept its focus on fast, reliable and consistent customer service and competitive pricing.

The Bank continued to enhance customer-oriented lines of communication and straightforward solutions to customer requests. Reaping the benefits of a cost efficient direct banking business model supported by centralized workflow systems, retail banking was able to offer competitive interest rates throughout 2011. 2011 was a year of restructuring in Retail Banking. All processes pertaining to the segment were thoroughly reviewed and redesigned to enable better delivery of fast, high quality service. As part of the restructuring effort, internally developed CRM applications were deployed during 2011 to further support the Bank's commitment to delivering high quality service to its customers. The internet continued to be the main channel of customer acquisition and activity in 2011. Anadolubank Nederland N.V. continues to successfully utilize solid and healthy possibilities to provide geographical diversification for the application of different strategies for retail banking activities. The Department maintains its short- and long-term plans for ongoing augmentation of its customer base and deposits volume.

COMPLIANCE

Compliance Department provides independent oversight with respect to policies and procedures to ensure Anadolubank Nederland N.V. complies with related laws and regulations. Compliance function of the Bank performs in coordination with the Audit & Risk& Compliance Committee of the Supervisory Board to keep the board informed and updated on developments in compliance issues related to the Bank.

Compliance Department is responsible to identify, monitor and report on the compliance risks faced by the Bank. The Management Board is the main responsible for compliance with all relevant laws and regulations, management of the risks attached to our banking activities. Compliance function supports and advice management on ensuring its compliance responsibilities.

MANAGEMENT BOARD REPORT

FINANCIAL PERFORMANCE SUMMARY

The profit before provisions amounting to EUR 4.9 million which was in line with the budgeted figures despite 47% lower than in 2010 (EUR 9.5 million). This result was largely affected by a difficult market environment in 2011, following European sovereign debt concerns, and a sharp deterioration in the overseas economic environment. Due to the necessity of provisions for Greek Government bonds, Anadolubank Nederland N.V. charged EUR 10.8 million provisions 75% over the notional amounts- and announced EUR 4.3 million net losses on 2011.

The Banks total assets at 31 December 2011 were EUR 370 million which is 11% higher than last year.

Cash and cash equivalents slight increased to EUR 47 million at the end of 2011 from EUR 46 million at the end of 2010. The Bank keeps maintaining the good level of liquidity.

In 2011 total loans grew by 13% over the previous year to EUR 279 million (EUR 247 million in 2010). Majority of loans have less than 1 year maturity.

The held-to-maturity portfolio increased to EUR 40 million at the end of 2011 from EUR 38 million at the end of 2010. The increase is related to new purchases of ECB eligible bonds. The majority part of the portfolio is eligible for refinancing at the ECB, improving the Bank's liquidity.

Diversifying the funding sources, the bank has increased in total due to banks and repo transactions with 79% to EUR 27 million at the end of 2011 from EUR 15 million at the end of 2010. Respectively total deposits was relatively unchanged, representing EUR 277 million at the end of 2011 with 2% increase compared to EUR 273 million at the end of 2010. It shows the stability of the strong customer base of the Bank.

Net interest income of EUR 7 million was EUR 0.6 million or 8% lower than 2010. The decrease was largely driven by low prices in Business Banking due to the market conditions. This decrease was also related to the rising funding and deposit costs, as average term funding costs increased and competition for deposits remained high. Net interest margin has positively been influenced in last quarter of 2011 by the reprising of the lending portfolio during this period.

Total operating expenses of EUR 2.6 million were EUR 0.3 million or 10% lower than 2010, reflecting disciplined cost management across all lines of business, while continuing to invest in key strategic initiatives.

MANAGEMENT BOARD REPORT

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND SOLVENCY RATIO

The solvency ratio of Anadolubank Nederland N.V. at year-end 2011 stands at 23.20%, up from 16.95% at the end of 2010. Including fresh capital injection of EUR 25 million in 2011, the increase in BIS ratio marks that the Bank is having one of the highest solvency rates compared to most of banks in the Netherlands.

The Bank monthly performs calculation of its ICAAP. We define risks the Bank is exposed to such as credit, liquidity, interest, reputational, market and operational risk, and calculate the impact on the Bank's profitability, equity position and solvency ratio. Extensive stress tests are conducted to analyze the worst case scenario. An extensive ICAAP report with disclosure report of Pillar II and Pillar III risks are presented to Management Board every quarter end. Currently, the Bank is following Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach for market risk for computing capital adequacy ratio. The Bank computes the Capital Adequacy Ratio on a parallel run for Basel II and Basel III as per the DNB guidelines.

The Solvency ratio of the Bank is summarized as follows:

Capital Requirements

In thousands of euro	BIS Dec-11	BIS Dec-10
Common Equity Tier 1	60,770	40,088
Paid-in capital	55,000	30,000
Retained earnings	10,088	3,014
Profit/(loss) for the year	(4,318)	7,074
Tier 2	-	-
Total capital	60,770	40,088
Tier 1 ratio %	23.20	16.95
Solvency ratio %	23.20	16.95

NEW SOLVENCY AND LIQUIDITY REGULATION (BASEL III)

The bank is working on the implementation of the new solvency and liquidity regulation issued by the Bank of International Settlements, Basel III. These new rules have to be fully implemented before 1 January 2019. Anadolubank Nederland N.V. already fully comply the new rules, several years before the required implementation date.

In conformity with the Pillar II guidelines of DNB under the Basel II framework, the Bank submits a document containing the ICAAP and Stress Test results, duly approved by the Management Board, to DNB on a yearly basis. The ICAAP exercise based on a year outlook is prepared on semi-annual basis.

Basel III ratios

	Minimum requirements	Dec-11
Tier 1 ratio	6%	23.20%
Capital ratio	8%	23.20%
Total capital plus conservation buffer	10.5%	23.20%
Leverage ratio	3%	16.03%
Liquidity coverage ratio (LCR)	100%	216%
Net stable funding ratio (NSFR)	100%	241%

The minimum required ratios in the table are the ratios which are required latest by 1 January 2019.

MANAGEMENT BOARD REPORT

RISK MANAGEMENT

RISK COMMITTEE

The Risk Management Committee is chaired by a member of the Supervisory Board and is composed among two members of the Management Board, head of Risk Department and all head of business units. The Management Board and executive management team implement the strategy and frameworks, and develop policies and processes for identifying and managing risk in all of the bank's activities.

Our approach to risk management is that "risk is everyone's business" and that responsibility and accountability for risk begins with the business units that originate the risk. The bank adopts a "Three Lines of Defense" approach to our management of risk.

1st Line of Defense	Risk identification, risk management and self-assurance
2nd Line of Defense	Establishment of risk management frameworks and policies and risk management oversight
3rd Line of Defense	Internal Audit Department

CREDIT COMMITTEE

The Credit Committee is comprised of two members of the Management Board, head of Treasury & Financial Institutions, head of Trade Finance, head of Risk Management and the head of the Credit Management Department. Credit proposals are discussed at length by the Committee members before reaching a decision. The Credit Management Department analyses credit applications independently from the commercial departments before they are submitted to the Credit Committee.

It is responsible for ensuring the maintenance of strong internal credit risk controls and management of credit concentration risk. Analyses performed include the financial position of the counter party, the quality of its management, collateral requirements and market conditions. Reviews are held on an annual or biannual basis depending on the credit.

ASSET & LIABILITY COMMITTEE

The Asset & Liability Committee (ALCO) is comprised of two members of the Management Board, head of Treasury & Financial Institutions, head of Trade Finance, head of Retail Banking, head of Risk Management and head of Financial Control & Accounting departments. The Committee convenes on a biweekly basis. It has overall responsibility for managing the bank's balance sheet within the defined risk/return preferences set by the Board. It will provide the bank with the ability to continuously assess current asset and liability management (ALM) direction and balance sheet structure. The ALCO discusses a wide variety of issues at its meetings throughout the year including projected solvency, liquidity and results of the bank, projected loans and loan repayments, interest rate risk, foreign currency risk, foreign exchange and main equity markets, macro economic developments in the main markets where the bank operates and the savings market.

The bank finds it prudent to keep a high level of liquidity and maintains liquidity significantly above the minimum requirements of the Dutch Central Bank.

MANAGEMENT BOARD REPORT

RISK MANAGEMENT

AUDIT COMMITTEE

The Audit Committee is comprised of one member of the Supervisory Board and the two members of the Management Board. It is responsible for ensuring the bank adheres to all policies and procedures set by the Board. Its more detailed responsibilities involve the review of the internal audit scope and annual program, the review of the external audit scope, and the analysis of audit reports and proposals to amend operating procedures.

The Audit Committee met once with the External Auditor in 2011 to discuss the Annual Report and Annual Accounts for 2010.
The following subjects were discussed in depth at the Audit Committee meetings

- Annual report and results 2010
- Status Business Plan
- Banking Code
- Administrative organization and internal control
- Report Internal audit department
- Report KPMG

CORPORATE GOVERNANCE, BOARD OF SUPERVISORY DIRECTORS AND THE MANAGEMENT BOARD

The bank follows the best international practices with regard to corporate governance, considering the size of the bank. Both the Board of Supervisory Directors and the Management Board are appointed by the Bank's parent company.

The Board of Supervisory Directors is comprised of five members, four of which also hold positions on the Board of Directors of the parent company: M.R. Basaran, P. Akcin, E. Turker and B. Gokhan Gunay. One member is external: Francois M.C.L.G.J. de Pierpont.

In February 2012 the Shareholders meeting decided to bring the members of the Supervisory Board to four. The members are: Mr. M. Basaran, Mr. P. Akcin, Mr. G. Gunay and Mr. F.M.C.L.G.J. de Pierpont.
In February 2012 Mr. P. Akcin was assigned as Chairman of the Supervisory Board, to succeed Mr. Basaran who was Chairman until that date.

The Board of Supervisory Directors met several times during the year together with the Board of Management. The Board discussed a diverse range of matters at these meetings including strategy, the crisis, customer base, solvency, liquidity, credits, profitability and reports issued by the regulator.

MANAGEMENT BOARD REPORT

OUTLOOK FOR 2012

We expect that the economy will slightly improve during 2012.

We expect that the bank's current total assets of circa EUR 370 million will increase to EUR 450 million at the end of 2012. This will mainly be realized by increase of corporate loans and investment securities maintained in the Hold-to-Maturity Portfolio.

The profit before the Greek impairment and tax over 2011 was EUR 4.9 million which almost equal to the profit excluding non-recurring items over 2010.

Due to the provision on Greek bonds after impairment and tax there is a loss of EUR 4.3 million.

Over 2012 we expect a profit before provision and tax which is slightly better than the profit before provisions and tax over 2011.

Amsterdam, 27 April 2012

Sarp Akkartal,
Managing Director &
General Manager

Dirk van Leeuwen RA,
Managing Director &
General Manager

BANKING CODE

The Dutch Banking Code was drawn up by the Netherlands Banking Association (Nederlandse Vereniging van Banken, NVB) and determined on 9th of September 2009, it came into effect on 1 January 2010.

The Banking Code includes the set of principles on corporate governance, remuneration, risk management and audit issues that apply to all Dutch banks possessing a banking license granted under the Financial Supervision Act (Wft). The bank complies with the main principles of the Code. Further improvements were made in 2011 to remedy the non-compliance issues that explained in Annual Report 2010. First of all, external assessment which has to be done once in three years and the self-assessment of the Supervisory Board was completed. The Moral and Ethical Statement has been signed by both existing and new employees of the Bank along with the members of the Management Board.

Although the Internal Audit function remained outsourced to shareholder bank, the requirements of "Section 5 of the Banking Code: Guidance notes to the activities undertaken by the internal auditor ", has been fulfilled. Internal Audit specifically prepared a report regarding to Banking Code compliance that have been specified in the aforementioned guidance notes regarding to section 5 of the Banking Code. Early 2012 we recruited an in-house Internal Auditor, who will commence his responsibility during the course of May 2012. This means that we fully comply to the Banking Code. Please refer to the website for an overview of all Banking code requirements and our implementation.

MANAGEMENT AND STAFF

BOARD OF SUPERVISORY DIRECTORS

Mehmet R. Basaran, Chairman (until 28 February, 2012)

Pulat Akcin, Chairman (as of 28 February, 2012)

Engin Turker, Member (until 28 February, 2012)

Bulent Gokhan Gunay, Member

Francois M.C.L.G.J. de Pierpont, Member

MANAGEMENT BOARD

Sarp Akkartal, General Manager

Dirk van Leeuwen RA, General Manager

RISK MANAGEMENT

Nuriye Plotkin, Assistant General Manager

COMPLIANCE

Oguz Yilmaz, Compliance Officer

BUSINESS RELATIONS

Nedim Sabah, Senior Vice President

Oguz Kavafoglu, Manager, Retail Banking Department

Yusuf Sariinci, Manager, Trade Finance

OPERATIONS GROUP

Fusun Yaksi, Senior Vice President

FINANCIAL CONTROL & ACCOUNTING

Ayse Basdemir, Manager

INFORMATION TECHNOLOGIES

Suat Savasli, Manager

CREDIT RISK MANAGEMENT

Zeynep Ulusoy, Supervisor

Anadolubank
Nederland N.V.
Financial Statements
2011

INDEPENDENT AUDITOR'S REPORT

To: the Supervisory Board of Anadolubank Nederland N.V

Report on the financial statements

We have audited the accompanying financial statements 2011 of Anadolubank Nederland N.V., Amsterdam, which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report, in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Anadolubank Nederland N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and 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 management board report, to the extent we can assess, has been prepared in accordance with part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 27 April 2012
KPMG Accountants N.V.

M. A. Huiskers RA

Statement of Financial Position
As at 31 December 2011
(Thousands of Euros)

	Note	2011	2010
Assets			
Cash and cash equivalents	5	46,862	46,204
Derivative financial assets	6	-	97
Loans and advances to banks	7	218,343	194,838
Loans and advances to customers	8	60,496	52,504
Investment securities	9	40,192	38,346
Financial assets at fair value through profit or loss	10	2,772	-
Property and equipment	11	155	293
Intangible assets		-	3
Current tax assets	26	1,501	-
Other assets	12	41	77
Total assets		**370,362**	**332,362**
Liabilities			
Derivative financial liabilities	6	4,074	3,695
Deposits from banks	13	27,413	15,335
Deposits from customers	14	277,744	272,629
Current tax liabilities	26	122	122
Other Liabilities	15	239	493
Total liabilities		**309,592**	**292,274**
Equity			
Share capital and share premium	16	55,000	30,000
Retained earnings	16	10,088	3,014
Other reserves	16	(4,318)	7,074
Total equity attributable to equity holder of the Bank		**60,770**	**40,088**
Total Liabilities and equity		**370,362**	**332,362**
Commitment and contingencies	17	**1,714**	**782**

The notes on pages 26-56 are an integral part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 December
(Thousands of Euros)

	Note	2011	2010
Interest income	20	15,588	15,694
Interest expense	20	(8,533)	(8,010)
Net interest income	20	**7,055**	**7,684**
Fee and commission income	21	814	509
Fee and commission expense	21	(438)	(158)
Net Fee and Commission income	21	**376**	**351**
Net trading income	22	30	4
Results from Financial Operations	23	185	4,367
Operating income		**7,646**	**12,406**
Net impairment loss on financial assets		(10,797)	-
Personnel expenses	24	(1,687)	(1,787)
Depreciation and amortisation		(142)	(145)
Other expenses	25	(839)	(994)
Profit before income tax		**(5,819)**	**9,480**
Income tax income	26	1,501	
Income tax expense	26	-	(2,406)
Profit/(loss) for the period		**(4,318)**	**7,074**
Attributable to:			
Equity holders of the Bank	16	(4,318)	7,074
Profit/(loss) for the period and total comprehensive income		**(4,318)**	**7,074**
Earnings/(loss) per share		**(0.0785)**	**0.2358**

The notes on pages 26-56 are an integral part of these financial statements.

Statement of Cash Flow
For the Year Ended 31 December
(Thousands of Euros)

	Note	2011	2010
Cash flows from operating activities			
Profit/(loss) for the period		(4,318)	7,074
Adjustments for:			
Depreciation and amortization	10, 11	142	145
Net interest income	20	(7,431)	(6,484)
Net impairment loss on investment securities	9	10,797	-
Income tax income/(expense)	26	(1,501)	2,406
		(2,311)	**3,141**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	97	416
Change in loans and advances to banks	7	(23,505)	(59,792)
Change in loans and advances to customers	8	(7,992)	36,504
Change in financial assets at fair value through profit/(loss)	10	(2,772)	
Change on other assets	12	36	139
Change in derivative financial instrument (liabilities)	6	379	3,000
Change in deposits from banks		12,078	(8,453)
Change in deposits from customers	14	5,115	24,379
Change in other liabilities and provisions	15	(254)	(479)
		(19,128)	**(1,145)**
Interest received		15,885	17,970
Interest paid		(9,034)	(16,257)
Income tax paid	26	-	(2,284)
Net cash from/used in operating activities		**(12,277)**	**(1,716)**
Cash flows from investing activities			
Acquisition of investment securities	9	(12,643)	10,518
Proceeds from sale of investment securities	22	-	4,367
Acquisition of property and equipment	10	(1)	(1)
Net cash used in investing activities		**(12,644)**	**14,884**
Cash flows from financing activities			
Increase in share capital	16	25,000	-
Net cash from financing activities		**25,000**	**-**
Net increase in cash and cash equivalent		**78**	**13,168**
Cash and cash equivalents at 1 January	5	46,204	32,899
Effect of exchange rate fluctuations on cash and cash equiva-lents held		580	137
Cash and cash equivalents at 31 December	5	**46,862**	**46,204**

The notes on pages 26-56 are an integral part of these financial statements.

Statement of Changes in Equity for the Years Ended 31 December 2011 and 31 December 2010

(Thousands of Euros)

	Share capital	Retained earnings	Profit for the year	Total
Balance at 1 January 2010	30,000	264	2,750	33,014
Share capital increase	-	-	-	-
Profit/(loss) allocation	-	2,750	(2,750)	-
Net income for the year	-	-	7,074	7,074
Balance at 31 January 2010	**30,000**	**3,014**	**7,074**	**40,088**
Balance at 1 January 2011	30,000	3,014	7,074	40,088
Share capital increase	25,000	-	-	25,000
Profit/(loss) allocation	-	7,074	(7,074)	-
Net income for the year	-	-	(4,318)	(4,318)
Balance at 31 January 2011	**55,000**	**10,088**	**(4,318)**	**60,770**

The notes on pages 26-56 are an integral part of these financial statements.

1. Overview of the Bank

Anadolubank Nederland N.V. (the "Bank") is a public limited liability company domiciled in the Netherlands. The Bank was established on 5 April 2006 and was granted a full banking licence by De Nederlandsche Bank (Dutch Central Bank) on 2 August 2007. The Bank has been operational since early 2008. The Bank primarily is involved in corporate and retail banking – retail banking deposit activities. The registered office of the Bank is De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands.

The Bank is 100% owned by Anadolubank A.S incorporated in Turkey. Anadolubank A.S. belongs to the Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AS, which is one of the biggest industrial conglomerates of Turkey, operating in industrial and medical gases production, LPG and natural gas distribution, electricity generation, iron and steel manufacturing and industrial facilities construction. Anadolubank A.S. is a commercial bank with 88 branches. Its branch network is still expanding. This Bank is comparatively young in the industry, but already has reached a leading position in the sector, thanks to the strength of its shareholders, well-chosen experienced management team and most diligent employees.

The Bank provides small to medium sized companies with short-term working capital and trade finance facilities. The financial information of the Bank will be consolidated in the financial statements of Anadolubank A.S.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Netherlands Civil Code.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for financial assets designated at fair value through profit and loss and derivative financial instruments that have been measured at fair value. The financial figures and tables are stated in thousands.

(c) Functional and presentation of currency

The financial statements are presented in Euros, which is the Bank's functional and presentation currency and all values are rounded to the nearest thousand euro unless otherwise is stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

3. Significant Accounting Policies

(a) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

(b) Interest

Interest income and expense are recognized in the income statement using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received regarding transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

Net trading income consists of the results arising from any trading activity including related interest income and expense and gains and losses from changes in fair value.

(e) Lease payments made

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(f) Income taxes

The effective tax rate is determined with consideration of all material timing differences between the profit before tax per commercial accounts and the fiscal profit described per the tax legislation. Tax is calculated according to the current Dutch nominal tax rate of 20% for the first EUR 200,000 and 25% of the remaining amount.

(g) Financial instruments

(i) Recognition

The Bank initially recognizes loans and advances, deposits, and held-to-maturity investment securities on the date at which they are originated. Financial assets designated at fair value through profit or loss is recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized.

(ii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition. The principal repayment is deducted and cumulative amortization is applied by using the effective interest method of any difference between the initial amount recognized and the maturity amount. Any reduction for impairment is deducted. Financial instruments are measured initially at cost, including transaction costs. All non-trading financial liabilities, loans and receivables and held-to-maturity investment securities are measured at amortized cost less impairment losses.

(v) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates. The discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are recognized in the income statement as interest income.

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

Level 1 – Financial instruments with quoted market prices:

This level comprises financial instruments with quoted prices in an active market that can be used directly. It notably includes liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded on organised markets (futures and options, etc.), and units in funds with net asset value calculated on a daily basis.

Level 2 - Financial instruments measured using valuation techniques based on observable inputs:

This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily and available on the market or, lastly, instruments measured using valuation techniques based on observable inputs.

This level notably includes illiquid shares with low liquidity and bonds, particularly those of certain sovereign issuers, borrowings and short sales of these instruments, short-term repurchase agreements not measured based on a quoted price directly observed in the market, units in civil property companies (SCIs) held in unit-linked contract portfolios, where the underlying assets are appraised from time to time using observable market data, units in funds for which liquidity is provided on a regular basis, derivatives traded in OTC markets measured using techniques based on observable inputs and structured debt issues measured using only observable inputs.

Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs:

This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations based neither on observable transaction prices in the identical instrument at the measurement date nor observable market data available at the same date. An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs. This level notably comprises unlisted shares, bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market (such as CDO, CLO and ABS units), long-term or structured repurchase agreements, units in funds undergoing liquidation or quotation which have been suspended, complex derivatives with multiple underlyings (hybrid instruments, synthetic CDOs, etc.) and the structured debt underlying these derivatives.

(vi) Identification and measurement of impairment

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised against loans and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Once an asset has been impaired, income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognised under "Interest income" in the profit and loss account.

Loans and receivables are presented net of specific allowance for uncollectability. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivables to their recoverable amounts.

The Bank has fully evaluated its financial assets according to the above-mentioned principles. There has been an impairment expectation calculated in the period, but no loss provision on loans and receivables has been made in the income statement. The Bank made provision on held-to-maturity Greek Bonds in the income statement in 2011. For detailed information about this impairment, refer to Note 9.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

(i) Derivatives held for risk management purposes

Derivative financial instruments consisting of foreign currency forward contracts and currency swaps are initially recognized at cost, with subsequent measurement to their fair value at each balance sheet date. Fair values are obtained or determined from quoted market prices in active markets. All derivatives are separately evaluated and carried as assets when each transaction's fair value is positive and as liabilities when each transaction's fair value is negative. Derivative contracts are included in derivative financial instruments lines of assets and liabilities and changes in the fair value are included in the income statement, under net trading income. No hedge accounting has been applied.

(j) Loans and advances to banks and customers

These are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides funds directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method less any impairment in value. Interest income and gains and losses with respect to the amortization of the financial assets as well as derecognition and impairment costs are recognized in the income statement.

(k) Investment securities

Investments held for the purpose of short-term profit taking are classified as trading instruments.

Debt investment securities which the Bank has the intent and ability to hold to maturity, are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank had to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. Interest earned whilst holding held-to-maturity investments is reported as interest income in the income statement.

(l) Property and equipment

The property and equipment purchased are recorded at their historical costs. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses, if any.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the income statement in the year in which the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The yearly depreciation percentages are as follows:

	Years
IT equipment	20%
Furniture, fixtures and vehicles	20%

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

(m) Intangible assets

Intangible assets mainly comprise acquired computer software. Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. They are recorded at acquisition cost and are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(n) Repurchase transactions

The Bank enters into purchases/(sales) of investments under agreements to resell/(repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for assets held-to-maturity. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income.

(o) Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in the provision reflecting the passage of time is recognized as interest expense.

(p) Employee benefits

The Bank has a defined contribution plan for the majority staff.

(q) Share capital & reserves

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the balance sheet date are disclosed in the events after balance sheet date note, if any.

The Bank presents basic earnings per share (EPS) for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the year.

(r) Off balance sheet engagements

Transactions that are not currently recognised as assets or liabilities in the balance sheet but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission, which is recognised as and when transactions are executed.

(s) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

Segment information is presented in respect of the Bank's business and geographical segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of Anadolubank Nederland NV, with the exception of:

IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9') which introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 relating to financial liabilities. Together, these changes represent the first phase in the IASB's planned replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments.

The standard is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. IFRS 9 is required to be applied retrospectively. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, Anadolubank Nederland NV is unable to provide a date by which it plans to apply IFRS 9.

The main changes to the requirements of IAS 39 are summarised below.

- All financial assets that are currently in the scope of IAS 39 will be classified as either amortised cost or fair value. The available-for-sale, held-to-maturity and loans and receivables categories will no longer exist.

- Classification of financial assets is based on an entity's business model for managing the financial assets and their contractual cash flow characteristics. Reclassifications between the two categories are prohibited unless there is a change in the entity's business model.

- A financial asset is measured at amortised cost if two criteria are met: i) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows; and ii) the contractual cash flows of the instrument are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Movements in the fair value of financial assets classified at fair value are recognised in profit or loss, except for equity investments where an entity takes the option to designate an equity instrument that is not held for trading at fair value through other comprehensive income. If this option is taken, all subsequent changes in fair value are recognised in other comprehensive income with no recycling of gains or losses to the income statement. Dividend income would continue to be recognised in the income statement.

- An entity is only permitted to designate a financial asset otherwise meeting the amortised cost criteria at fair value through profit or loss if doing so significantly reduces or eliminates an accounting mismatch. This designation is made on initial recognition and is irrevocable.

- Financial assets which contain embedded derivatives are to be classified in their entirety either at fair value or amortised cost depending on whether the contracts as a whole meet the relevant criteria under IFRS 9.

- Most of IAS 39's requirements for financial liabilities are retained, including amortised cost accounting for most financial liabilities. The guidance on separation of embedded derivatives will continue to apply to host contracts that are financial liabilities. However, fair value changes attributable to changes in own credit risk for financial liabilities designated under the fair value option other than loan commitments and financial guarantee contracts are to be presented in the statement of other comprehensive income unless the treatment would create or enlarge an accounting mismatch in profit or loss. These amounts are not subsequently reclassified to the income statement but may be transferred within equity.

The second and third phases in the IASB's project to replace IAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's project to replace IAS 39. As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements.

(Thousands of Euros)

4. Segment reporting

Segment reporting is a distinguishable component of the Bank. It is engaged in providing products or services in which is called a business segment. Providing products or services within a particular economic environment, is called a geographical segment. The Bank's primary format for segment reporting is based on operating segments. Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes. For geographical segments, refer to Note 28 (b) Credit risk.

Operating segments

31 December 2011	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total Operations of Bank
Net interests, fees, and commissions income	(8,118)	12,784	2,765	0	**7,431**
Other operating income and expenses, net	-	-	(10,611)	(2,639)	**(13,250)**
Profit/(loss) before taxes	**(8,118)**	**12,784**	**(7,846)**	**(2,639)**	**(5,819)**
Segment assets	-	278,839	89,826	1,697	**370,362**
Total Assets	**-**	**278,839**	**89,826**	**1,697**	**370,362**
Segment liabilities	277,744	-	31,487	362	**309,593**
Shareholders' equity and minority interest	-	-	-	60,769	**60,770**
Total Liabilities	**277,744**	**-**	**31,487**	**61,131**	**370,362**

31 December 2010	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total Operations of Bank
Net interests, fees, and commissions income	(7,690)	11,439	4,285	-	**8,034**
Other operating income and expenses, net	-	-	4,371	(2,926)	**1,446**
Profit/(loss) before taxes	**(7,690)**	**11,439**	**8,656**	**(2,926)**	**9,480**
Segment assets	-	247,342	84,647	373	**332,362**
Total Assets	**-**	**247,342**	**84,647**	**373**	**332,362**
Segment liabilities	272,629	-	19,031	614	**292,274**
Shareholders' equity and minority interest	-	-	-	40,087	**40,088**
Total Liabilities	**272,629**	**-**	**19,031**	**40,702**	**332,362**

(Thousands of Euros)

5. Cash and cash equivalents

	2011	2010
Cash and balances with banks	5,279	5,733
Unrestricted balances with central banks	582	5,165
Money market placements within one month	41,001	35,306
Total cash and cash equivalents in the balance sheet	**46,862**	**46,204**

The amounts of blocked deposits with banks are EUR 60 as at 31 December 2011 (31 December 2010: EUR 59).

6. Derivatives held for risk management purposes

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

Derivative financial instruments include forwards and swaps. The Bank uses derivative financial instruments to manage its exposure to foreign currency risk. The notional amounts of long positions in currency forwards and currency swaps are:

	31 December 2011					
	Notional Amounts	**Up to 1 months**	**Up to 3 months**	**Up to 1 year**	**Fair value assets**	**Fair value liabilities**
Forward purchase contract	272	272	-	-	-	-
Forward sale contract	274	274	-	-	-	2
Currency swap purchase	85,276	19,276	62,249	3,750	-	-
Currency swap sale	89,347	19,489	65,850	4,009	-	4,072
Total	**175,169**	**39,311**	**128,099**	**7,759**	**-**	**4,074**

	31 December 2010					
	Notional Amounts	**Up to 1 months**	**Up to 3 months**	**Up to 1 year**	**Fair value assets**	**Fair value liabilities**
Forward purchase contract	1,524	1,524	-	-	14	-
Forward sale contract	1,512	1,512	-	-	-	1
Currency swap purchase	74,533	74,533	-	-	83	-
Currency swap sale	78,144	78,144	-	-	-	3,694
Total	**155,713**	**155,713**	**-**	**-**	**97**	**3,695**

(Thousands of Euros)

7. Loans and advances to banks

	2011	2010
Bank loans	218,343	179,442
Reverse repo	-	15,396
Total	**218,343**	**194,838**

8. Loans and advances to customers

	2011	2010
Corporate loans	60,496	52,504
Total	**60,496**	**52,504**

9. Investment Securities

	2011	2010
Held-to-maturity investment securities	40,192	38,346
	40,192	**38,346**

Held-to-maturity investment securities	**2011**	**2010**
Government	24,078	18,273
Corporate	9,551	4,878
Credit Institutions	13,451	11,405
Multilateral Bank	3,909	3,790
Less specific allowances for impairment	(10,797)	-
	40,192	**38,346**

The Bank has given the ECB eligible bonds with carrying values of EUR 34,728 as collateral to DNB (De Nederlandsche Bank) for compulsory minimum cash reserve requirements (2010: EUR 38,346). EUR 13,460 of which ECB eligible bonds were under repo transactions.

In May 2010, the euro zone governments and the IMF undertook to provide Greece with a EUR 110 billion support plan in exchange for a commitment to reduce its budget deficit. During the first half of 2011, the European authorities restated their support for Greece and talks were held to put in place a second plan including participation by private investors. On 21 July 2011, representatives from the 17 euro zone member states drew up a second assistance plan for Greece worth close to EUR 160 billion overall. This plan was confirmed in a meeting of the same representatives on 26 October 2011, subject to Greece reaching an agreement with representatives of private-sector creditors under which those creditors would waive 50% of the nominal value of Greek government securities they hold, in return for the reimbursement of around 15% of securities held in a form to be determined, along with the issue of new securities to be exchanged for existing securities and representing 35% of their nominal value. This agreement was defined and supplemented on 21 February 2012 after talks between representatives of the Greek government, private-sector investors and the Eurogroup.

(Thousands of Euros)

On 21 February 2012, the agreement was defined and supplemented between the representatives of the Greek government, private-sector investors and the Eurogroup, to enable Greece to achieve a debt ratio of 120.5% in 2020 as opposed to 160% in 2011, and to achieve the financial stability sought through the plan. The offer involves private-sector investors waiving 53.5% of the nominal value of their Greek bonds, reducing Greece's debt by around EUR 107 billion, in return for a public-sector contribution of EUR 30 billion.

The main characteristics of the Greek exchange offer are as follows:

- For each bond held by the private sector, 53.5% of the principal will be waived, 31.5% will be exchanged for 20 bonds issued by Greece with maturities of between 11 and 30 years, and 15% will be redeemed immediately in the form of short-term securities issued by the European Financial Stability Facility (EFSF), repayment of which will be guaranteed by the EUR 30 billion public-sector contribution.

- The coupon on new bonds will be 2% from 2012 to 2015, rising to 3% from 2015 to 2020 and 4.3% until 2042.

- Accrued interest on the exchanged Greek debt, up to the date of the exchange, will be settled through the issue of short-term EFSF securities.

- Each new bond issued by Greece will be accompanied by a security linked to movements in Greece's gross domestic product over and above those expected in the plan.

On the basis of these conditions, the final value of the securities will be determined on the basis of the final offer terms and market conditions on the date of the exchange. As a result, the Bank has written down its Greek bonds by 75% and the loss with respect to 2011 amounts to EUR 10,797.

10. Financial assets at fair value through profit or loss

	2011			2010		
	Trading book	Assets designated at fair value through profit or loss	Total	Trading book	Assets designated at fair value through profit or loss	Total
Government bonds	2,776	(4)	2,772	-	-	-
	2,776	**(4)**	**2,772**	**-**	**-**	**-**

Banks holds government bonds in trading securities.

(Thousands of Euros)

11. Property and equipment

	IT equipment	Fixtures and fittings	Total
Cost			
Balance at 1 January 2010	320	377	697
Acquisitions	1	-	1
Balance at 31 December 2010	**321**	**377**	**698**
Balance at 1 January 2011	321	377	698
Acquisitions	1	-	1
Balance at 31 December 2011	**322**	**377**	**699**
Depreciation and impairment losses			
Balance at 1 January 2010	114	151	265
Depreciation for the period	76	64	140
Balance at 31 December 2010	**190**	**215**	**405**
Balance at 1 January 2011	190	215	405
Depreciation for the period	52	87	139
Balance at 31 December 2011	**242**	**302**	**544**
Carrying Amounts			
Balance at 31 December 2010	131	162	293
Balance at 31 December 2011	**80**	**75**	**155**

12. Other assets

	2011	2010
Prepaid expenses	41	77
	41	**77**

13. Deposits from banks

	2011	2010
Obligations under repurchase agreements	14,094	12,434
Due to banks	13,319	2,901
Total money market deposits	**27,413**	**15,335**

(Thousands of Euros)

14. Deposits from customers

	2011	2010
Retail customers		
Term deposits	110,920	97,916
Current deposits	148,395	142,956
Corporate customers		
Term deposits	15,345	27,901
Current deposits	3,084	3,856
	277,744	**272,629**

EUR 3,289 of term deposits served as cash collateral as of 31 December 2011 (2010: EUR 3,058).

15. Other liabilities

	2011	2010
Transfer orders	101	241
Taxes other than income	95	73
Provisions for retirement pay liability and liability for unused vacations	5	112
Short-term employee benefits	30	50
Others	8	17
Total	**239**	**493**

16. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings	Profit/(Loss) for the year	Total
Balance at 1 January 2010	30,000	264	2,750	33,014
Share capital increase	-	-	-	-
Profit/(loss) allocation	-	2,750	(2,750)	-
Net income for the year	-	-	7,074	7,074
Balance at 31 January 2010	**30,000**	**3,014**	**7,074**	**40,088**
Balance at 1 January 2011	30,000	3,014	7,074	40,088
Share capital increase	25,000	-	-	25,000
Profit/(loss) allocation	-	7,074	(7,074)	-
Net income for the year	-	-	(4,318)	(4,318)
Balance at 31 January 2011	**55,000**	**10,088**	**(4,318)**	**60,770**

(Thousands of Euros)

The first capital increase 10 million euro on 1st April 2012, the last capital 15 million euro increase was registered on 15 December 2011. The authorized nominal share capital of the Bank is EUR 55,000 as at 31 December 2011 (EUR 30,000 as at 31 December 2010).

As at 31 December 2011, Anadolubank A.S is the owner of 100% of the shares issued by Anadolubank Nederland N.V.

17. Contingencies

	2011	2010
Guarentee issued	44	49
Letter of Credits Issued	1,670	366
Commitment to DGS for 2011	-	367
	1,714	**782**

Commitment to DGS for 2011 amounting to 367 was paid to DNB at 15 February in 2011.

18. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party making financial and operating decisions. The Bank is controlled by Anadolubank A.S. which owns 100 % of the ordinary shares. Anadolubank belongs to Habas Group controlled by Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AS. For the purpose of consolidated financial information, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Board of Directors and their families.

The following significant balances exist and transactions have been entered into with related parties:

		31 December 2011			
Outstanding balances	**Parent**	**Significant influence over the entity**	**Related parties**	**Key management**	**Total**
Cash and cash equivalent	504	-	-	-	504
Loans and advances to banks	11,209	-	-	-	11,209
Deposit taken	-	6,570	3,789	-	10,359
	11,713	**6,570**	**3,789**	**-**	**22,072**

		31 December 2011			
Transactions	**Parent**	**Significant influence over the entity**	**Related parties**	**Key management**	**Total**
Interest income	259	-	-	-	259
Interest expense	-	138	98	-	236
	259	**138**	**98**	**-**	**495**

(Thousands of Euros)

	31 December 2010				
Outstanding balances	**Parent**	**Significant influence over the entity**	**Related parties**	**Key management**	**Total**
Cash and cash equivalent	44	-	-	-	44
Loans and advances to banks	14,899	-	-	-	14,899
Deposit taken	-	2,489	2,901	-	5,390
	14,943	**2,489**	**2,901**	**-**	**20,333**

	31 December 2010				
Transactions	**Parent**	**Significant influence over the entity**	**Related parties**	**Key management**	**Total**
Interest income	206	-	222	112	540
Interest expense	43	47	9	-	99
	249	**47**	**231**	**112**	**639**

The Bank enters into transactions with its parent company and other related parties in the ordinary course of business at arm's-length conditions.

The remuneration and fees of the members of Board of Supervisory Directors and the Management Board for the year ended 31 December 2011 are as follows:

	2011	**2010**
Board of Supervisory Directors	20	20
Board Management	402	385
	422	**405**

The Board of Management is paid a fixed remuneration.

19. Lease commitments

The Bank has entered into a long-term financial obligation in 2007 with duration of 10 years for the rent of the office amounting to EUR 239 a year in 2011 (EUR 231 a year in 2010).

(Thousands of Euros)

20. Net interest income

	2011	2010
Interest income		
Cash and cash equivalent	141	129
Loans and advances to banks	10,421	7,171
Loans and advances to customers	2,101	3,918
Investment securities	2,925	4,476
Total interest income	**15,588**	**15,694**
Interest Expense		
Deposit from banks	414	320
Deposit from customers	8,119	7,690
Total interest expense	**8,533**	**8,010**
Net interest income	**7,055**	**7,684**

21. Net fee and commission income

	2011	2010
Fee and commission income		
Retail banking customer fees	-	1
Corporate/banking credit related fees	479	366
Other	335	142
Total fee and commission income	**814**	**509**
Fee and commission expense		
Corporate/banking credit related expense	256	-
Interbank transaction fees	182	158
Total fee and commission expense	438	158
Net fee and commission income	**376**	**351**

22. Net trading income

	2011	2010
Net income from securities held for trading	30	4
Net trading income	**30**	**4**

(Thousands of Euros)

23. Results from financial operations

	2011	2010
Net income from securities held to maturity	-	4,367
Foreign exchange gain (net)	155	-
Other	30	-
Other operating income (net)	**185**	**4,367**

24. Personnel expenses

	2011	2010
Wages and salaries	1,319	1,233
Compulsory social security obligations	192	224
Contributions to defined contribution plans	170	301
Other fringe benefits	6	29
	1,687	**1,787**

The number of staff is 22 employed by the Bank as of 31 December 2011. (2010; 20)

The Bank has a defined contribution plan for the majority of staff; the pension scheme is insured at an insurance company.

25. Other expenses

	2011	2010
Operating lease expense	239	231
Communication expenses	85	289
Business travel & Accommodation	37	23
Audit fee	75	68
Software licensing and other information technology expenses	192	106
Paid taxes other than income	19	13
Other	192	264
Total	**839**	**994**

Audit-related fees	**2011**	**2010**
Audit fees related to the annual report	75	68
Tax advisory services	10	39
Total	**85**	**107**

(Thousands of Euros)

26. Income tax expense

Major components of income tax expense:

	2011	2010
	Amount	**Amount**
Profit/(loss) before taxation	(5,819)	9,480
Taxable profit(loss)	(5,819)	9,480
Tax (20.0% for EUR 200)	-	40
Tax (25.5% for remaining)	-	2,366
Income tax expense	-	2,406
Prepaid tax	-	2,284
Tax refund	1,501	-
Current tax assets/liabilities (-/+) in the year end	**(1,501)**	**122**

For the year 2011 the Bank has no tax burden (2010: EUR 2,406 or 25.38% of the result before taxation). Due to the loss in 2011, the Bank has decided to use 'extension of carry back period' option introduced by Dutch government for corporate income tax payers. As of 31 December 2011, the Bank applied EUR 1,501 tax refund as a result of extension of carry back period. EUR 122 current tax liability of 2010 was still remained in 2011 to be paid to tax office.

27. Fair value information

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Bank using available market information, and generally accepted valuation methodologies where there is not an appropriate market data. However, judgement is required to interpret market data to determine the estimated fair value.

Current period investment securities comprise interest-bearing assets held-to-maturity. The fair value of the held to maturity assets is determined by market prices or quoted market prices of other marketable securities which are subject to redemption with same characteristics in terms of interest, maturity and other similar conditions when market prices cannot be determined.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their fair values due to their short-term nature. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair value of loans and advances is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The following table compares the carrying amount of financial assets and liabilities at amortized cost to estimated fair values as of 31 December 2011 and 31 December 2010 respectively.

(Thousands of Euros)

As at 31 December 2011	Note	Carrying Value	Fair Value	Level 1	Level 2
Financial Assets					
Cash and cash equivalent	5	46,862	46,862	46,862	
Derivative financial assets	6	-	-	-	-
Loans and advances	7/8	278,839	286,009	-	286,009
Investment securities	9	40,192	44,596	44,596	-
Financial assets at fair value through profit or loss	10	2,772	2,772	2,772	-
		368,665	**380,239**	**94,230**	**286,009**
Financial Liabilities					
Derivative financial liabilities	6	4,074	4,074	-	4,074
Due to banks	13	27,413	27,326	-	27,326
Due to customers	14	277,744	288,897	-	288,897
		309,231	**320,297**	**-**	**320,297**

As at 31 December 2010	Note	Carrying Value	Fair Value	Level 1	Level 2
Financial Assets					
Cash and cash equivalent	5	46,204	46,204	46,204	
Derivative financial assets	6	97	97	-	97
Loans and advances to banks	7/8	194,838	198,757	-	198,757
Loans and advances to customers	7/8	52,504	55,390	-	55,390
Investment securities	9	38,346	44,546	44,546	-
		331,989	**344,994**	**90,750**	**254,244**
Financial Liabilities					
Derivative financial liabilities	6	3,695	3,695	-	3,695
Due to banks	13	15,335	15,335	-	15,335
Due to customers	14	272,629	274,867	-	274,867
		291,660	**293,898**	**-**	**293,898**

28. Financial risk management

(a) Introduction and overview

This note presents information about the Bank's exposure to each of the below mentioned risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- currency risk

Risk management framework

The Board of Management has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Management monitors the effectiveness of the risk management system through the several committees. The Risk Management Committee which includes one member of the Board of Supervisory Directors and two members of the Board of Management takes the main decisions in this framework.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, such as Basel III, are carried out.

Audit Committee: The Audit Committee is including one member of the Board of Supervisory Directors who does not have any executive function and two members of the Board of Management. The Audit Committee, established to assist the Board of Management in its auditing and supervising activities, is responsible for providing the efficiency and effectiveness of the internal control and risk management of the Bank, the functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated.

(b) Credit risk

Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

(Thousands of Euros)

Exposure to credit risk

	Loan and advances to customers		Loan and advances to banks		Investment securities	
Assets at amortised cost	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Neither past due nor impaired:	-	-	-	-	-	-
Grade 1-3: low-fair risk	60,496	52,504	218,343	194,838	24,259	34,346
Grade 4: medium risk	-	-	-	-	7,696	4,000
Grade 6: impaired		-	-	-	8,237	-
Carrying amount	60,496	52,504	218,343	194,838	40,192	38,346

The Bank has issued Letter of Credit contracts in respect of debtors in grade 1-3 at the amount of EUR 1,671 outstanding as of 31 December 2011 (EUR 366 as of 31 December 2010).

Impaired loans and investment debt securities

Impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). These loans are graded 6-8 in the Bank's internal credit risk grading system. As of 31 December 2011, the Bank has written down its Greek bonds by 75% and the loss with respect to 2011 amounts to EUR 10,797.

Past due but not impaired loans

As of 31 December 2011, the Bank has no past due loans and advances.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. However, the Bank has no loans and advances with renegotiated terms as of 31 December 2011.

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

(Thousands of Euros)

The breakdown of performing cash loans and advances by type of collaterals is as follows:

	Loan and advances to customers		Loan and advances to banks	
Collateral analysis	**2011**	**2010**	**2011**	**2010**
Against neither past due nor impaired:	-	-	-	-
Secured by cash collateral	2,977	3,033	-	-
Secured by cash bonds	-	-	-	-
Secured by mortgages	1,168	3,778	-	-
Other collateral (pledges on assets, corporate and personel guarentees, promissory notes)	29,661	27,067	76,878	51,757
Uncollateralized exposure	26,690	18,626	141,465	143,081
Carrying amount	60,496	52,504	218,343	194,838

Sectoral and geographical concentration of loans & advances and investment securities

The Bank monitors concentrations of credit risk by sector and geographic location. An analysis of concentrations of credit risk from loans and advances and investments securities at balance sheet date is shown below:

	Loan and advances to customers		Loan and advances to banks		Investment securities	
Concentration by sector	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Corporate:			-	-	-	-
Bacis materials	3,680	9,871	-	-	-	-
Consumer products non-food	8,011	9,302	-	-	-	-
Non-bank financial intermediation	10,724	11,675	-	-	9,551	4,878
Construction & infrastructure	2,859	4,134	-	-	-	-
Automotive	-	5,292	-	-	-	-
Transport & logistic	2,737	3,062	-	-	-	-
Food & beverages & tobacco	-	644	-	-	-	-
Building materials	-	331	-	-	-	-
Capital goods	592	-	-	-	-	-
Chemicals	8,476	1,154	-	-	-	-
Oil & Gas	14,828	5,127	-	-	-	-
Telecom	7,023	-	-	-	-	-
Others	1,565	1,912	-	-	-	-
Government	-	-	-	-	13,281	18,273
Banks	-	-	218,343	194,838	17,360	15,195
	60,496	**52,504**	**218,343**	**194,838**	**40,192**	**38,346**

(Thousands of Euros)

	Loan and advances to customers		Loan and advances to banks		Investment securities	
Concentration by location	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Turkey	23,702	31,315	123,689	90,750	1,555	-
United Kingdom	4,653	7,567	-	7,552	-	-
Germany	-	5,331	-	-	-	-
Russia	6,861	3,988	43,194	29,631	-	-
Saudi Arabia	2,859	2,941	-	-	-	-
Netherlands	1,467	958	16,397	17,069	16,471	11,444
Antigua barbuda	-	404	-	-	-	-
Kingdom of Bahrain	-	-	-	19,881	-	-
Luxembourg	-	-	21,250	8,448	-	-
Egypt	-	-	6,994	6,956	-	-
Austria	7,023	-	5,031	5,029	-	-
Slovenia	-	-	-	4,897	-	-
Azerbaijan	5,528	-	1,790	4,625	-	-
Greece	-	-	-	-	12,146	22,063
Ireland	-	-	-	-	4,976	4,839
Switzerland	672	-	-	-	-	-
Cayman Islands	2,845	-	-	-	-	-
Hong Kong	205	-	-	-	-	-
United Arab Emirates	4,682	-	-	-	-	-
Italy	-	-	-	-	5,044	-
	60,496	**52,504**	**218,343**	**194,838**	**40,192**	**38,346**

Concentration by location for loans and advances is measured based on the location of the Bank holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

	Loan and advances to customers		Loan and advances to banks		Investment securities	
Credit Quality Analysis	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Rated A to AAA	4,659	-	-	-	13,459	-
Rated BBB to A-	1,405	3,988	54,313	62,404	10,799	20,073
Rated B+ to BBB-	3,641	-	161,362	126,415	7,696	18,273
Rated CCC to B	-	-	-	-	8,238	-
Unrated	50,791	48,516	2,668	6,019	-	-
	60,496	**52,504**	**218,343**	**194,838**	**40,192**	**38,346**

(c) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

Management of liquidity risk

The Bank management is very conservative on maintaining an acceptable level of immediately available funds on hand, both in Euros as well as in foreign currencies. The Treasury Department is responsible for keeping either cash on hand or liquid assets that could be exchanged into cash immediately by making use of instruments in financial markets in consideration of cash outflows within the next two weeks. To mitigate the liquidity risk, the Bank diversifies funding sources and assets are managed with liquidity in mind, maintaining balance of cash and cash equivalents. Within the risk management framework, the Treasury Department manages the liquidity position of the Bank and the liquidity ratios are monitored closely by the top management of the Bank. In order to manage the liquidity risk, the Treasury Department receives information from other business departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department maintains a portfolio of short-term liquid assets, short-term loans and placements to domestic and foreign banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored by the Treasury Department. The prepared daily reports cover the liquidity position of the Bank. All liquidity policies and procedures are subject to review and approval of ALCO. A summary report, including any exceptions and remedial actions taken, is submitted regularly to ALCO.

Residual contractual maturities of financial assets and liabilities

The previous tables show the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2011 figures with those of 31 December 2010. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or an increasing balance. EUR 1,387 under non-distributable item is related to DGS apportionment about DSB Bank which will be disbursed by DNB due to the payment of distribution of assets of DSB Bank.

Daily liquidity and the liquidity maturity calendar are part of the Bank's Risk Management. Liquidity tests and stress test scenarios are made under ICAAP.

The liquidity test and the stress test scenario show that the liquidity is sufficiently above the requirements.

In thousands of euro	Carrying amount	Gross nominal inflow	Demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Not Distributable
31 December 2011									
Assets									
Cash and cash equivalents	46,862	46,862	5,861	41,001	-	-	-	-	-
Loans and advances to banks	218,343	228,558	-	4,728	22,132	148,131	52,180	-	1,387
Loans and advances to customers	60,496	66,931	-	536	12,800	18,593	25,959	9,043	-
Investment securities	40,192	49,698	-	-	5,031	6,834	30,458	7,375	-
Financial assets at fair value through profit or loss	2,772	2,772	-	-	-	2,772	-	-	-
Other assets	1,697	1,697	-	1,697	-	-	-	-	-
Total Assets	**370,362**	**396,518**	**5,861**	**47,962**	**39,963**	**176,330**	**108,597**	**16,418**	**1,387**

(Thousands of Euros)

	Carrying amount	Gross nominal outflow	Demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Not Distributable
Liabilities									
Other money market deposits	27,413	27,499	-	19,736	5,677	2,086	-	-	-
Deposits from customers	277,744	288,937	151,479	15,528	7,447	49,809	64,674	-	-
Current tax liabilities	122	122	-	-	-	122	-	-	-
Other liabilities	4,313	4,313	-	4,000	-	313	-	-	-
Equity	60,770	60,770	-	-	-	-	-	-	60,770
Total Liabilities	**370,362**	**381,641**	**151,479**	**39,264**	**13,124**	**52,330**	**64,674**	**-**	**60,770**
Liquidity Surplus/Deficit	-	14,877	(145,618)	8,698	26,839	124,000	43,923	16,418	(59,383)

	Carrying amount	Gross nominal inflow	Demand	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	More than 5 years	Not Distributable
31 December 2010									
Total Assets	**332,362**	**349,610**	**10,898**	**41,170**	**15,446**	**154,460**	**121,252**	**6,384**	**-**
Total Liabilities	**332,362**	**350,375**	**146,812**	**22,007**	**28,731**	**51,797**	**60,940**	**-**	**40,088**
Liquidity Surplus/Deficit	-	(765)	(135,914)	19,163	(13,285)	102,663	60,311	6,384	(40,088)

(d) Market risk

Market risk is the risk of changes in market prices. Interest rate, equity prices, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Department, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

(Thousands of Euros)

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury Department in its day-to-day monitoring activities. As of 31 December 2011 the Bank has no figures subjected to interest rate risk exposure. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Carrying amount	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Non interest**
31 December 2011						
Cash and cash equivalents	46,862	46,862	-	-	-	-
Loans and advances to banks	218,343	99,077	79,467	32,634	7,165	-
Loans and advances to customer	60,496	35,937	14,692	6,784	3,083	-
Investment securities	40,192	24,243	8,184	1,165	6,600	-
Financial assets at fair value through profit or loss	2,772	-	-	-	-	2,772
Other assets	1,697	-	-	-	-	1,697
Total assets	**370,362**	**206,119**	**102,343**	**40,583**	**16,848**	**4,469**
Other money market deposits	27,413	27,413	-	-	-	-
Deposits from customers	277,744	173,588	24,040	22,623	57,493	-
Current tax liabilities	122	122	-	-	-	-
Other liabilities and provisions	4,313	3,740	315	259	-	-
Total liabilities	**309,592**	**204,863**	**24,355**	**22,882**	**57,493**	**-**
Surplus/deficit	60,770	1,256	77,988	17,701	(40,645)	4,469

	Carrying amount	**Less than 3 months**	**3-6 months**	**6-12 months**	**Over 1 year**	**Non interest**
31 December 2010						
Total assets	**332,362**	**220,030**	**49,918**	**47,439**	**14,602**	**373**
Total liabilities	**292,274**	**189,262**	**20,896**	**27,453**	**54,663**	**-**
Surplus/deficit	40,088	30,768	29,022	19,986	(40,061)	373

(Thousands of Euros)

Interest rate sensitivity is the effect of assumed changes in the interest rates to the income statement and the equity of the Bank. The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 bp parallel fall and rise in all yield curves over the present value of balance sheet reported and 200 bp parallel fall and rise in all yields curves over projected net interest income after 1 year and 2 years respectively. An analysis of the Bank's sensitivity to an increase or decrease in market rates, assuming no asymmetrical movement in yield curves and a constant balance sheet position, is as follows:

Sensitivity of projected net interest income

	200 bp parallel increase after 1 year	200 bp parallel decrease after 1 year	200 bp parallel increase after 2 year	200 bp parallel decrease after 2 year
At 31 December 2011	(2,878)	(121)	(9,351)	1,148
At 31 December 2010	(1,010)	1,208	(6,740)	3,719

Sensitivity of reported equity to interest rate movements

	200 bp parallel increase	200 bp parallel decrease
At 31 December 2011	1,427	(1,684)
At 31 December 2010	(3,316)	4,436

Currency risk

Currency risk arises when an entity's equity is under threat as a result of exchange rate fluctuations. Naturally, a bank doing business in multiple currencies would be exposed to currency risk unless these risks are properly hedged. Any sizeable transaction that would be causing currency risk is immediately hedged with a banking counterpart, or smaller transactions are gathered until they form a sizeable amount for hedging.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement except for foreign exchange gain/loss arising from the conversion of the net investments in subsidiaries in foreign countries into EUR.

(Thousands of Euros)

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk at 31 December 2011, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

31 December 2011

	EURO	USD	TRY	JPY	OTHER	TOTAL
Assets						
Cash and cash equivalents	42,048	4,386	406	7	15	46,862
Derivative financial assets	-	-	-	-	-	-
Loans and advances to banks	138,659	79,684	-	-	-	218,343
Loans and advances to customers	25,518	28,489	5,634	-	855	60,496
Investment securities	37,500	5,464	-	-	-	42,964
Property and equipment	155	-	-	-	-	155
Intangible assets	-	-	-	-	-	-
Other assets	1,539	3	-	-	-	1,542
Total assets	**245,419**	**118,026**	**6,040**	**7**	**870**	**370,362**
Liabilities						
Derivative financial liabilites	4,074	-	-	-	-	4,074
Deposits from banks	10,437	9,307	-	-	-	19,744
Other money market deposits		7,669	-	-	-	7,669
Depostis from customers	259,424	18,320	-	-	-	277,744
Current tax liabilites	122	-	-	-	-	122
Other Liabilites	61,006	2	1	-	-	61,009
Total liabilities	**335,063**	**35,298**	**1**	**-**	**-**	**370,362**
Net on Balance sheet position	(89,644)	82,728	6,039	7	870	-
Net notional amount of derivatives	85,548	(82,722)	(6,038)	-	(861)	(4,073)

31 December 2010	**EURO**	**USD**	**TRY**	**JPY**	**OTHER**	**TOTAL**
Total assets	**228,058**	**103,971**	**3**	**329**	**1**	**332,362**
Total liabilities	**288,772**	**43,589**	**1**	**-**	**-**	**332,362**
Net on Balance sheet position	(60,714)	60,382	2	329	1	-
Net notional amount of derivatives	57,110	(60,382)	-	(326)	-	(3,598)

For purposes of the evaluation of the table above, the figures present the EUR-equivalent of the related currencies.

(Thousands of Euros)

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks, and control frequencies are determined.

The data and amount of operational losses to which the Bank is exposed during its activities, are collected and analyzed regularly by the Risk Management Department and reported to the Board of Directors, Auditing Committee and senior management.

(f) Capital management – regulatory capital

From 1 January 2008, the Bank is required to comply with the Basel II framework in respect of regulatory capital. The regulatory solvency ratio is calculated in a standardized approach in accordance with the directive of De Nederlandsche Bank N.V. (DNB), which requires measurement as 8% of risk-weighted assets.

As at 31 December 2011 the BIS solvency ratio of the Bank is 23.20%.

	2011		**2010**	
	Required	**Actual**	**Required**	**Actual**
Total own funds	20,952	60,770	18,921	40,084
Tier 1 capital	20,952	60,770	18,921	40,084

Management uses regulatory capital ratios in order to monitor its capital base and the capital ratios remain within the international standards for measuring capital adequacy. The Bank ensures that regulatory capital requirements are met during its business planning process and as such controls compliance throughout the year. In 2011, within the Basel II framework, the Bank complied with the BIS and additional regulatory capital requirements entirely throughout the periods. The management of the Bank observes and supervises the effective use of capital at its business operations throughout the year.

29. Other information

Provisions of the articles of association concerning the appropriation of the result

Profits are at the disposition of the General Meeting of Shareholders. Distribution of profit will only take place if the shareholder's equity of the company exceeds the issued share capital, plus the reserves which have to be kept pursuant to the law.

Proposed appropriation of result

Addition accumulated results	(EUR 4,318)