Annual Report 2012

Anadolubank
Nederland

Bank Profile

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, 2012, the balance sheet closing date for the Bank's operations in 2012, Anadolubank Nederland N.V. has a paid-in capital of EUR 55,000,000.

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 more than 100 branches. The Bank has a 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 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 sized 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.

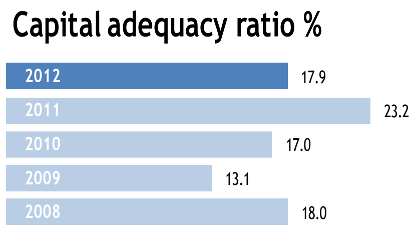
The Bank's Management Board revised a new Corporate Plan for the period of 2013-2015. In the years ahead, Anadolubank Nederland N.V. will expand its activities while maintaining a high level of customer service, liquidity and solvency.

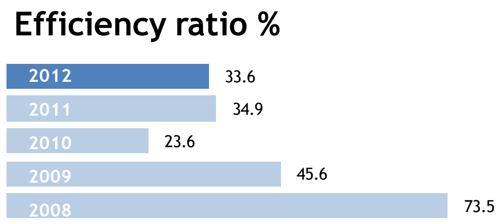
A key component of the Bank's operating strategy is to maintain a highly-efficient, risk-sensitive asset structure. The Bank caters to select retail banking customer segments and offers tailor-made financial product alternatives designed particularly for its retail clientele.

The Bank has traditionally adopted a prudent banking culture that complies fully with national and international risk management standards, corporate governance principles and sound ethical values of the banking profession.

Five-year Key Figures

Key figures	2012	2011	2010	2009	2008
in thousands of EURO					
Total assets	460,686	370,362	332,362	306,842	206,754
Loans	325,440	278,839	247,342	224,054	142,392
Deposits	312,031	277,744	272,629	248,250	167,136
Shareholders' equity (including results after tax)	56,350	60,769	40,087	33,013	30,263
Operating result before tax and impairments	6,812	4,979	9,480	3,683	949
Provisions	(12,981)	(10,797)	-	-	-
Result after tax and impairments	(4,419)	(4,318)	7,074	2,750	879
%					
Return on average equity before impairments and tax	11.6	9.9	26.1	11.6	6.1
Loans/deposit	104.3	100.4	90.7	90.3	85.2
Efficiency ratio	33.6	34.9	23.6	45.6	73.5
Cost /average assets	0.8	0.8	0.9	1.2	2.4
Capital adequacy ratio	17.91	23.2	17.0	13.1	18.0





Supervisory Board Report

We are pleased to present the Annual Report of Anadolubank Nederland N.V. for the year ended December 31, 2012. 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 profit before tax and value adjustment amounting to EUR 6.8 million for 2012. We recommend to the General Assembly of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2012 and propose that the loss after tax and value adjustment (EUR 4.6 million) will 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. 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. In the Supervisory Board meeting of 18 June 2012 Mr. F. de Pierpont is assigned as chairman of the Audit, Risk and Compliance Committee. Mr. F. de Pierpont is independent member of the Supervisory Board. Mr. P. Akcin is appointed member of this committee.

Even during the economic crisis and recession during the last years and during 2012, thanks to the extremely capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on 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.

Mr. E. Turker (February 2012), Mr. Gunay (April 2013), and Mr. Basaran (April 2013) had resigned from their duties as member of the Supervisory Board. We would like to thank all members for their contribution to the Bank during the period they were members of the Supervisory Board.

The shareholder of the Bank decided in close coordination with the Supervisory Board to bring more balance in the composition of the Supervisory Board. In 2013 the structure of the Supervisory Boards has changed. Supervisory Board is formed of four persons with the inclusion of two new members with necessary backgrounds in order to fulfill the independence criteria of the Supervisory Board on the one hand, and to carry the audit and risk control functions appropriately on the other.

Members of the Supervisory Board are elected for a term of four years. The composition of the Supervisory Board will be in line with DNB regulation that 50 percent of the members should be independent i.e. not related to Anadolubank NV’s shareholders. The Bank met this requirement by the appointment of Mr. A.J. Smith in April 2013.

Composition of the Supervisory Board:

Name	Position	Membership Since	End of Term
P. Akcin	Chairman	2007	2017
A.J. Smith	Member	2013	2017
C. Dogru	Member	2013	2017
F. Pierpont	Member	2009	2017

In the shareholders meeting in April 2013 Mr. Akkartal and Mr. Dirk Van Leeuwen stepped down as member of the Management Board. We would like to thank both of them for their contribution to the Bank during the period they served.

The Supervisory Boards has decided to make a revision on the structure of the Management Board. In the new composition the positions of CEO and two new board members are held by three separate persons in order to maintain effective segregation of duties. The Supervisory Board proposed this revision to be an appropriate blend of commercial skills of CEO and experience to govern and to ensure the Management Board works effectively.

Composition of the Managing Board:

Name	Position	Membership Since
S. Yakar	CEO	2013
N. Plotkin	Managing Director	2013
A. Otten	Managing Director	2013

The Management Board members have full executive responsibilities over the business direction and operational decisions of managing the Bank. The Supervisory Board supports the separation of the roles in the Management Board.

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 2012, thanks to the extremely capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on long-term value creation.

Amsterdam, 30 May 2013

P. Akcin, Chairman
A.J. Smith RA, CIA, Member
C. Dogru BA, MBA, CA, Member
F.M.C.L.G.J. de Pierpont, Member

Management Board Report

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

Due to the negative market developments the Board of Management maintained a conservative approach in expanding the activities. Subsequently the asset total increased to EUR 461 million, which is slightly higher than our expectation. The Bank has recorded EUR 4.6 million losses after tax and value adjustment.

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

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.

Economic Developments

Global economic growth continued to weaken in 2012, as real gross domestic product (GDP) grew in US and the most other emerging markets, but contracted in many European countries and Japan. Concerns about European sovereign debt crisis continued to weigh down markets sentiments. However, the progress has been made as far as the necessary balance-sheet repair is concerned. Moreover, European Central Bank (ECB) promise to do 'whatever it takes' to save the single currency calmed down the markets. Bond yields in peripheral economies declined. During the last months of 2012, concerns about the fiscal cliff in the US emerged, contributed to higher volatility levels.

The euro zone economy was contracted by 0.5% in 2012, compared with an increase of 1.5% in 2011. The contraction reflected tighter policies, increased unemployment rates and reduced growth in consumer expenditure and exports, and deteriorated the business and consumer confidence indices. Core inflation slightly decreased during the year. Concerns about euro zone debt crisis and a potential Spanish bailout contributed to a higher volatility in the market. The European governments and ECB took range of policy measures to address these issues. In September 2012, the ECB announced Outright Monetary Transactions program, committing to unlimited government securities purchases, focused on the shorter part of the yield curve. Moreover, the euro zone's leaders started to work on Banking Union by agreeing to set up a Single Supervisory Mechanism. However, fundamental problems stayed: financial system continues to fragment and the euro zone economy shrank.

US GDP increased by 2.2% in 2012, compared with an increase of 1.8% in 2011. Growth accelerated slightly, primarily reflecting housing market stabilization and decreased the unemployment ratios. Moreover, debt stabilized in the US. The US debt-service ratio of private households reached a thirty year low in 2012. Solvency ratios of US banks improved significantly and reached ten year highs. However, the US government debt has been rising. In addition, decrease in export constrained the economic growth in 2012. US Federal Reserve announced the third round of quantitative easing.

Emerging markets and developing economies increased by 5.3% in 2012, compared with an increase of 6.2% in 2011. The growth moderated, primary reflecting a slow growth and uncertainty in developed economies. Policy makers took measures to stimulate economies, although in most cases they were quite weak. The effects of that easing on economic activity started to show up at the end of the year.

The Dutch Economy

The Dutch economy contracted by 0.7% in 2012, compared with 1.0% growth in 2011. Unexpectedly sharp contraction was recorded in the third quarter, when GDP shrank by 1.1% compared with the second quarter. The growth contraction reflected financial uncertainty, rising unemployment and historically low consumers confidence. Households consumption has shrank for seven successive quarters in a row, and reached the 2003 year-end level. Inflation reached 2.9% in October up from 2.3% in September, due to the VAT increase from 19% to 21%. Export grew by 2.0% in 2012. The unemployment in the Netherlands jumped to 7.2% from 6% at year-end 2011.

The Dutch government signed the government Accord, which states that the mortgage interest tax deduction will only apply for new mortgages redeemed on an annuity basis. Moreover, the maximums income tax tariff at which homeowners can deduct mortgage tax will be reduced gradually from 2014. The loan-to-value ratio of homes will be gradually reduced to 100% in 2018. In addition, the temporary reduction in the property transfer tax rate to 2% was made permanent, which cuts transaction costs.

Turkish Economy

Turkey economy was increased by 4.1% in 2012, compared with an increase of 8.6% in 2011. In the third quarter the growth reached three-year low of 1.6% yoy. The growth slowdown was welcomed as it was needed to rebalance the large current account deficit and the high inflation rate. Inflation felt quickly in the autumn from 9.2% yoy in September to 6.4% yoy in November. Overall, inflation reached 9% level in 2012 comparing with 6.5% in 2011. The current account deficit felt to 7% of GDP in 2012 compared with 10% in 2011. Following the economic slowdown Central Bank of Turkey started policy easing by lowering ceiling of the interest rates corridors. The overnight lending rate was reduced by 250 bps, to 9% in November. The benchmark 1-week repo rate was lowered by 25 bps to 5.5% in December. The unemployment rate has declined to 9.1% from 10.2% which was in the year end 2011.

In early November Turkey was upgraded to the investment grade, to BBB-, by Fitch, reflecting a moderate and declining government debt burden, a sound banking system, favorable medium-term growth prospects and a relatively wealthy and diverse economy.

Information Technology

The IT Department has put significant effort into developing both hardware and software systems during 2012. More than 100 user requirements are completed including LC Import-Export, Discounting Loans and Securities modules. Also at the end of 2012 we have announced our new savings product.

IT Department has finished PORTALIMNL implementation. PORTALIMNL is a lotus based intranet application to manage internal applications, regulations, procedures, internal correspondences and user requirements.

Information Security Management Self Assessment has been done according to COBIT, based on which an action plan has been prepared. According to this action plan missing policies and procedures have been written.

In terms of security; all the servers and client computers have been updated with latest security patches. McAfee Host Intrusion Prevention System has been implemented, McAfee VirusScan Enterprise has been upgraded to the latest version and Check Point Firewall has been upgraded to the latest version.

IT Risk and business impact analyse has been done in May 2012 and according to the RTO and RPO values we have started to work on our disaster recovery center. We purchased new hardware. Application servers, database servers and storage systems were replaced with the new hardware. Disaster recovery installations and implementation finished end of November. Business Continuity Test will be done in the first quarter of 2013.

In 2012 Anadolubank Nederland N.V. Information Technologies Department finished its digital backup project also. We have decided to work with Iron Mountain. Iron Mountain will give service to Anadolubank Nederland N.V. both in scanning documents and storing the hard copies.

Due to the new projects and additional responsibilities, 2013 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.

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 2012 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. Promissory notes were conducted in forfaiting market. In addition, the department also expanded businesses with customers in leasing and factoring sectors. For issuance of LCs, LGs, FI offered intermediary between Bank's customers and the International financial institutions. The department also began with TRS transactions (Total Return SWAP).

The origination activities account for more than 50% of the Bank's portfolio, the department has always strived for paramount profitability meanwhile assisted other departments. Anadolubank Nederland N.V. also assists Central and Eastern European Turkish and CIS banks with debt origination.

Trade Finance

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. 2011 was the infancy period for Trade Finance Department. Many steps have been taken to expand the Trade Finance business at Anadolubank Nederland N.V. Compared to 2011, 2012 was a growth year for the Trade Finance Department. The main drivers behind this growth were greater marketing efforts during years supported by the favorable dynamics in the world commodity markets. Addition of new clients to the customer portfolio, activation of some existing inactive customers and increased efforts had a strong positive impact on trade finance volumes.

In 2011, target commodities were determined as a first step to Trade Finance. Steel & steel scrap, petrochemicals and coal were selected as the first priority commodities. In 2012, agricultural business and fertilizer were added to these focus commodities. Trade finance team kept focusing on the pre-determined commodities and prospect customers during 2012. 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.

Our efforts to broaden our customer base and sector coverage during 2012 resulted in a greater sector diversification and decreasing country concentration in our non-bank exposures. This strategy will be further pursued during 2013 and new customers from various new geographies as well as existing and prospect sectors will contribute in further reducing concentrations.

Retail Banking

In 2012, 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 2012. All processes pertaining to the segment were thoroughly reviewed and redesigned to enable better delivery of fast, high quality service. The internet continued to be the main channel of customer acquisition and activity in 2012. Within 2012 we launched our new environmental friendly product 'Alfa Slimmer Sparen Account' which can be opened and managed only through internet and prevents waste of paper consumption. 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 Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) policies and Know Your Customer (KYC), Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) procedures to ensure Anadolubank Nederland N.V. complies with related laws and regulations such as; Wwft (Wet Ter Voorkoming Van Witwassen En Financieren Van Terrorisme), Sanctions Act 1977, Wft (Wet op het financieel toezicht), Code Banken, FATF Recommendations, EU Directives, OFAC Statements and UN Resolutions. Compliance function of the Bank performs in coordination with the Audit, Risk and 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 briefly responsible to;

- identify and verify the customer at customer acceptance stage (KYC and CDD Procedures);
- carry out monitoring and controlling activities (both AML and Sanction);
- report to the Management Board (weekly controls and monitoring activities of the Compliance Department);
- report suspicious activities (Suspicious Activity Report/ Suspicious Transaction Report) to the Financial Intelligence Unit on the compliance risks faced by the Bank.

Compliance Department directly reports to the Management Board.

Compliance tools have been purchased and implemented to the core system to enable the AML and CFT risk of the Anadolubank Nederland N.V. minimum such as; Dow Jones's Sanction and PEP data list and Pay Gate Inspector module.

Compliance Department created new reporting mechanisms to raise the awareness of the staff. A long term compliance action plan has also been prepared.

Financial Performance Summary

The profit before tax and value adjustments amounting to EUR 6.8 million was 39% higher than in 2011 (EUR 4.9 million).

The Bank's total assets at 31 December 2012 were EUR 461 million which is 24% higher than last year.

Cash and cash equivalents slightly increased to EUR 48 million at the end of 2012 from EUR 47 million at the end of 2011. The Bank keeps maintaining the good level of liquidity.

In 2012 total loans grew over the previous year to EUR 325 million from EUR 279 million in 2011. Majority of loans have less than 1 year maturity. Bank loans has reduced to EUR 199 million from EUR 218 million, corporate loans has increased to EUR 128 million from EUR 60 million in 2011.

The held-to-maturity portfolio increased to EUR 69 million at the end of 2012 from EUR 40 million at the end of 2011. 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 wholesale funding with 234% to EUR 92 million at the end of 2012 from EUR 27 million at the end of 2011. Total deposits were EUR 312 million at the end of 2012 with 12% increase compared to EUR 278 million at the end of 2011. It shows the strong customer base of the bank.

Net interest income of EUR 12 million was EUR 5 million higher than 2011.

Total operating expenses of EUR 3.4 million were EUR 0.8 million or 28 % higher than 2011.

Internal Capital Adequacy Assessment Process (ICAAP) and Solvency Ratio

The solvency ratio of Anadolubank Nederland N.V stands at 17.91% at year-end 2012.

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 is presented to Management Board every quarter end.

The shareholder decided to increase paid-in capital with EUR 15 million in February 2013, so that the total paid-in capital of the Bank increased to EUR 70 million.

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-12	BIS Dec-11	BIS 2010
Common EquityTier 1	56,235	60,769	40,087
Paid-in capital	55,000	55,000	30,000
Reatined earnings	5,770	10,087	3,013
Profit/loss for the year	(4,419)	(4,318)	7,074
Regulatory adjustments	- 116	-	-
Additional Tier 1 capital	-	-	-
Tier 2	-	-	-
Revaluation reserves	-	-	-
Subordinated debt	-	-	-
Total capital	**56,235**	**60,769**	**40,087**
Tier 1 ratio %	**17.91%**	**23.20%**	**16.95**
Solvency ratio %	**17.91%**	**23.20%**	**16.95**

Risk Management

The Bank uses the ‘three lines of defence’ principle, in which the business units have primary responsibility for the management of risk. Second-line specialised departments, such as Risk Management Department is responsible for the supervision of the market, credit, liquidity and operational risk control activities. Monitoring and reporting activities of limits, interest rate sensitivity and currency risk of all positions, gathering operational loss data to set up operational risk database are among the responsibilities of the department.

Credit Committee

Two Management Board members are voting members of the Credit Committee, while the Credit Department, Risk Management Department, Financial Institutions Department and Trade Finance Department are the non-voting members of the Committee. The Credit Committee has the authority to make a final decision on approval or rejection of proposals in accordance with its powers. For credit limits exceeding the authority level of the Management Board, the approval of the Supervisory Board members is required.

The Credit Department analyses credit applications independently from the commercial departments before they are submitted to the Credit Committee. Credit Committee is responsible for ensuring the maintenance of strong internal credit risk controls. The Committee extensively discusses, judge and evaluates the counterparty wide risk profile before reaching a decision. The outcome of the financial structures of the counterparty, the quality of its management, collateral requirements, market conditions, sectors, operations, credibility of the current/prospected customers as well as all the other components of the credit proposal are discussed in the Credit Committee meetings.

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 to set and review strategies on ALM. If necessary, additional meetings may be convened.

The ALCO is a decision making unit responsible for balance sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks. 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 and market outlook in the main markets where the bank operates and the savings market. ALCO reviews the results of and progress in implementation of the decisions made in the previous meetings.

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. It also keeps an eye on diversification, cost robustness of funding sources and current and new funding structure.

Corporate Governance, Board of Supervisory Directors and the Management Board

The Bank follows the sound international practices with regard to corporate governance, considering the size of the Bank. The Bank has a two-tiered management structure, the Management Board and the Supervisory Board.

The Board of Supervisory Directors is comprised of four members, three of which also hold positions on the Board of Directors of the parent company: Mr. P. Akcin, and Mr.C. Dogru. Two members are external: Mr. A.J. Smith and Mr. F. de Pierpont.

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.

Each independent member is expected to be a member of at least one committee. Presently, all SB members are participants of at least one standing committee. Committee composition complies with all Dutch Corporate Governance Code, applicable Corporate Governance Rules for director independence and the Bank Act provisions for members.

Committees of the board assist the board in fulfilling its responsibilities and duties, and allow members to share responsibility and devote sufficient time and attention to issues. There are two committees of the SB:

1. Audit, Risk and Compliance Committee
2. Remuneration and Nomination Committee

Mr. P. Akcin is chairman of the Supervisory Board. Mr. C. Dogru is appointed chairman of the Audit, Risk and Compliance Committee (ARCC) in April 2013.

The Management Board, composed of three members, is responsible for the day-to-day management of the Bank, for the development of strategies and for the fulfillment of the Bank's obligations towards regulatory bodies.

Members from SB and MB and head of departments took part in lifelong learning training organized in December 2012. In the seminar that was facilitated by external consultants, the subjects covered were Banking Supervision, Corporate Governance, Compliance Risk Management (Customer Due diligence/Anti Money Laundering, Anti-Bribery & Corruption, and Sanctions).

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance monitors and advises the adequacy and appropriateness of financial statements, accounting policies and practices, the independence and performance of the internal and external audit functions, internal and external/regulatory compliance and the risk management structure.

The Committee consists of three members of the Supervisory Board, Mr. C. Dogru, chairman, Mr. F. de Pierpont and Mr. A.J. Smith who are two independent members of the Supervisory Board since April 2013.

Audit, Risk and Compliance Committee met twice in 2012. The main matters discussed are with financial reporting, internal audit, internal control systems and risk management policies and practices, the other subjects regularly reviewed included credit risk, corporate governance and its applications, compliance.

The Committee focuses on supervising the activities of the Management Board with respect to:

- Review the implementation and maintenance of the Risk Management Framework and internal control system throughout the Bank;
- Review risk appetite, limits and authority levels;
- Review the compliance activities, ensuring it addresses all key areas of risks;
- Review the engagement of the external auditor annually, particularly in respect of their independence;
- Monitor the establishment and maintenance of an appropriate independent internal audit framework aligned with relevant standard;
- Review the annual internal audit plan, including scope and materiality level of the audit plan, ensuring it addresses all key areas of risks.

Internal Audit

Anadolubank Nederland N.V. ceased to outsource its Internal Audit function to parent bank, and established an Internal Audit function which has local presence to contribute to corporate governance structure in a proactive manner. An independent and objective Internal Audit function has been designed to help Anadolubank Nederland N.V. accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

During the course of the establishment of Internal Audit function, legal foundations and operating procedures of all institutional bodies which contributes to the control environment of Anadolubank Nederland N.V. have been created. Precisely, charters of Internal Audit and Audit, Risk and Compliance Committee have been published. The policies related to External Auditor's Independence and Internal Audit Ethics are prepared. Internal Audit and Fraud Investigation policies and operating procedures are defined. A quality assessment program has been implemented for Internal Audit function. All the adjustments and regulations have been approved by Supervisory

Board or Audit, Risk and Compliance Committee and are published via the website of Anadolubank Nederland NV based on the classification of document.

State of the art audit tools and applications have been employed to enable a competent and competitive Internal Audit function. A set of tools has been created over a web application platform to manage Internal Audit engagements, organize work programs, prepare MIS reports and follow up internal and external audit findings. The industry leader computer aided audit tool has been acquired to facilitate audit field work, advance sampling methodology and measure the audit risk. The forensic toolkit of a world-wide known institute has been deployed to enable internal auditors to extract legal evidence found in computers and digital storage during the course of fraud investigations. Finally, a world famous IT audit and penetration testing tool has been employed to deeply investigate the IT infrastructure besides the IT processes.

Internal Audit department, in collaboration with other stakeholders and business lines, identified the audit universe of Anadolubank Nederland N.V., defined the business processes, created risk and control catalogs with determining key risks/controls and prepared risk & control matrixes for the identified processes. The Internal Audit plan is based on this robust risk assessment framework accompanying with a training plan which enables auditors to stay keen and competent to perform the planned engagements. A long term audit strategy has also been prepared with taken business plan of the bank and future risk projections into account.

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. Establishment of the Internal Audit function and the revision of the New Product Policy were the further improvements performed in 2012 to leverage the alignment of the processes with the Banking Code. Please refer to the website for an overview of all Banking Code requirements and our implementation.

Outlook for 2013

We expect that the economy will slightly improve during 2013 and after 2013 the economy in the Netherlands and European countries will grow again.

We expect that the Bank’s current total assets of circa EUR 461 million will increase to EUR 500 million at the end of 2013. This will mainly be realized by increase of corporate loans and investment securities maintained in the Hold-to-Maturity Portfolio.

For 2013 we expect a profit before tax and value adjustments in line with our Business Plan 2013-2015.

Developments in 2013

- The 2008 banking crisis highlighted that banks failed to have effective plans in place to deal with financial stresses and potential failure. As a reaction, regulatory authorities require financial institutions to prepare and sustain Recovery and Resolution Plans ("RRPs"). In line with these international developments, the Dutch Central Bank requires majority of Dutch banks to prepare a recovery plan. The Bank will build and embed the recovery plan by the end of 2013. In this respect the Bank is now working out a recovery plan to submit to the Dutch Central Bank in June 2013. The management appointed external advisors in developing a recovery plan.

- The Bank has been operating surrounded by a controlled environment. However, partly due to the current adverse economic circumstances and partly due to the Bank's motivation to grow, it has become apparent that an advanced Risk Management Framework will be needed for the Bank's day-to-day business model. Reviewing everything in-house was not an option for the Bank. The management started to work with Zanders Group as an external advisor based on its industry expertise and the ability to provide a comprehensive assessment that the Bank can improve the current framework. The Bank will create the integrated risk & control framework, update the policies and educate all involved parties within Anadolubank in this project. All improvements of risk assessments and control activities which are undertaken by business units will be implemented in 2013. The results of these assessments will be used for further strengthening the internal control structure and our risk control procedures.

- The Bank will continue to concentrate on driving operational efficiency and effectiveness of processes of its business activities by using its core IT system. Banks adopted IT portfolio to make the new SEPA payment products available to our customers since establishment of the Bank. In 2013 the Bank will continue to make all necessary preparations to become fully SEPA compliant with the due diligence rules for new accounts under FATCA which will become effective as of 2014. All these arrangements need considerable adjustments to our core IT system and related procedures. The management thinks more importantly, operational efficiency should go hand in hand with a better customer experience and revenue growth initiatives in order to create a successful long-term business.

Amsterdam, 30 May 2013

S. Yakar, CEO
N. Plotkin, Managing Director
Ab Otten, Managing Director

ANADOLUBANK NEDERLAND NV

Statement of financial positions
as at 31 December

thousands of Euros

Assets	Note	2012	2011
Cash and cash equivalents	5	47,588	46,862
Derivative financial assets	6	1,710	-
Banks	7	199,236	218,343
Loans and advances	8	127,501	60,496
Interest bearing securities	9	76,108	42,964
Property and equipment	10	159	155
Intangible assets	10	116	-
Current tax assets	25	2,170	1,501
Deferred tax assets	25	1,473	-
Other assets	11	4,625	41
Total assets		460,686	370,362
Liabilities			
Derivative financial liabilites	6	424	4,074
Banks	12	91,502	27,413
Funds entrusted	13	312,031	277,744
Current tax liabilites	25	-	122
Other liabilites	14	379	240
Total liabilities		404,336	309,593
Equity			
Share capital and share premium	15	55,000	55,000
Retained earnings	15	5,769	10,087
Revaulation of reserves	15	208	-
Profit for the year	15	(4,627)	(4,318)
Shareholders' equity		56,350	60,769
Total liabilities and equity		460,686	370,362
Off-balance sheet liabilities	16	9,374	1,714

The notes on pages 19-47 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND NV

Statement of comprehensive income

For the year end 31 december

thousands of Euros

	Note	2012	2011
Interest income	19	22,461	15,588
Interest expense	19	(10,429)	(8,533)
Net interest income/expense (+/-)	19	12,032	7,055
Fee and commission income	20	1,105	814
Fee and commission expense	20	(268)	(438)
Net commission	20	837	376
Net trading income	21	(6)	30
Results from financial transactions	22	(2,628)	185
Operating income		10,235	7,646
Net impairment loss on financial assets	9	-	(10,797)
Net impairment loss on loan and advances	8	(12,981)	-
Personnel expenses	23	(2,165)	(1,687)
Depreciation and amortisation		(187)	(142)
Other expenses	24	(1,071)	(839)
Profit/(loss) before income tax		(6,169)	(5,819)
Tax income	25	1,542	1,501
Tax expense	25	-	-
Profit/(loss) for the period		(4,627)	(4,318)
Attributable to:			
Equity holders of the Bank	15	(4,627)	(4,318)
Movement in Available for Sale reserve (after tax)	15	208	-
Profit/(loss) for the period and total comprehensive income		(4,419)	(4,318)
Earnings/(loss) per share		(0.0803)	(0.0785)

The notes on pages 19-47 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND NV
Statement of cash flow
For the year end 31 december

Thousands of Euros	Note	2012	2011
Cash flows from operating activities			
Profit/(loss) for the period		(4,627)	(4,318)
Adjustments for:			
Depreciation and amortisation	10	187	142
Net interest income	19	(12,869)	(7,431)
Results from financial transactions	22	2,628	-
Net impairment loss on loans and advances	8	12,981	-
Net impairment loss on investment securities	9	-	10,797
Income tax income/expense (-/+)	25	(1,542)	(1,501)
		(3,242)	(2,311)
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	(1,710)	97
Change in loans and advances to banks	7	19,107	(23,505)
Change in loans and advances to customers	8	(79,986)	(7,992)
Change in financial assets at fair value through profit or loss		(4,205)	(2,772)
Change on other assets	11	(4,515)	36
Change in derivative financial instrument (liabilities)	6	(3,650)	379
Change in deposits from banks	12	64,089	12,078
Change in deposits from customers	13	34,287	5,115
Change in other liabilities and provisions	14	139	(254)
		20,314	(19,128)
Interest received		19,961	15,885
Interest paid		(9,732)	(9,034)
Tax paid		(791)	-
Net cash from/used in operating activities		29,752	(12,277)
Cash flows from investing activities			
Acquisition of investment securities	9	(28,939)	(12,643)
Proceeds from sale of investment securities	21	252	-
Acquisition of property and equipment	10	(153)	(1)
Acquisition of intangible assets	10	(153)	-
Net cash used in investing activities		(28,840)	(12,644)
Cash flows from financing activities			
Increase in share capital	15	-	25,000
Net cash from financing activities		-	25,000
Net increase in cash and cash equivalent		912	78
Cash and cash equivalents at 1 January	5	46,862	46,204
Effect of exchange rate fluctuations on cash and cash equivalents held		(186)	580
Cash and cash equivalents at 31 December	5	47,588	46,862

The notes on pages 19-47 are an integral part of these financial statements.

Statement of changes in equity
For the years ended 31 December 2012 and 31 December 2011
thousands of Euros

	Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolio	Total
Balance at 1 January 2011	30,000	3,014	7,073	-	40,087
Share capital increase	25,000	-	-	-	25,000
Profit/(loss) allocation	-	7,073	(7,073)	-	-
Net income for the year	-	-	(4,318)	-	(4,318)
Balance at 31 December 2011	55,000	10,087	(4,318)	-	60,769
Balance at 1 January 2012	55,000	10,087	(4,318)	-	60,769
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	(4,318)	4,318	-	-
Net income for the year	-	-	(4,627)	-	(4,627)
Revaulation of reserves	-	-	-	208	208
Balance at 31 December 2012	55,000	5,769	(4,627)	208	56,350

The notes on pages 19-47 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 and its branch network is still expanding. The 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, AFS portfolio 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, AFS 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, AFS and held-to-maturity financial assets 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 Banks made loss 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 and available for sale

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 AFS portfolio and held-to-maturity investments is reported as interest income in the income statement. Available-for-sale financial assets are measured at fair value, with changes in fair value recognized in equity in balance sheet and other comprehensive income in the income statement. For available-for-sale securities, interest is recognized in income using the 'effective interest method'.

(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 N.V. 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

(thousands of Euros)

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.

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 2012	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total Operations of Bank
Net interests, fees, and commissions income	(9,049)	20,219	(935)	-	10,235
Other operating income and expenses, net	-	(12,981)	-	(1,881)	(14,862)
Profit after taxes	(9,049)	7,238	(935)	(1,881)	(4,627)
Segment assets	-	326,737	125,406	8,543	460,686
Total Assets	-	326,737	125,406	8,543	460,686
Segment liabilities	312,031	-	91,926	379	404,336
Shareholders' equity and minority interest	-	-	-	56,350	56,350
Total Liabilities	312,031	-	91,926	56,729	460,686

(thousands of Euros)

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)	(1,138)	(11,749)
Profit after taxes	(8,118)	12,784	(7,846)	(1,138)	(4,318)
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	60,769
Total Liabilities	277,744	-	31,487	61,131	370,362

5. Cash and cash equivalents

Cash and cash equivalents	2012	2011
Cash and balances with banks	16,067	5,279
Unrestricted balances with central banks	30,800	582
Money market placements within one month	721	41,001
Position as at 31 December	47,588	46,862

The amounts of blocked deposits with banks are EUR 62 as at 31 December 2012 (31 December 2011: EUR 60).

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 2012					
	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Fair value assets	Fair value liabilities
Forward purchase contract	12,245	745	11,500	-	390	-
Forward sale contract	11,855	743	11,112	-	-	-
Currency swap purchase	186,118	80,917	64,290	40,911	1,320	-
Currency swap sale	186,043	80,806	63,665	41,572	-	424
Total	396,261	163,211	150,567	82,483	1,710	424

(thousands of Euros)

	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

7. Banks

Banks	**2012**	**2011**
Bank loans	199,236	218,343
	199,236	218,343

8. Loans and advances

Loans and advances	**2012**	**2011**
Corporate loans	127,501	60,496
	127,501	60,496

Loan impairment charges and allowances	**2012**	**2011**
Balance at 1 January	-	-
New impairment allowances	12,981	-
Reversal of impaired loans	-	-
Amounts written off(-)	(12,981)	-
Currency translation differences	-	-
Balance at 31 December	-	-

Impairment losses on loans and advances	**2012**	**2011**
Impairment losses on loans and advances	12,981	-
Reversal of impaired loans	-	-
Impaired loans at 31 December	12,981	-

In 2012, EUR 12,981 (2011: None) of impairment losses recognized in income statement is related to corporate loans and advances.

(thousands of Euros)

9. Interest bearing securities

	2012	2011
Government	13,840	26,850
Corporate	6,456	9,551
Credit institutions - FI	38,814	13,451
Credit institutions - Other	16,998	-
Multilateral bank	-	3,909
Less specific allowances for impairment	-	(10,797)
	76,108	42,964

The Bank had written down its Greek Government Bonds by 75% and the loss with respect to 2011 amounts to EUR 10,797. The Greek exchange on 21 February 2012 waived 53.5% of the principal of each bond held by the private sector. The Bank keeps the exchanged Greek Government Bonds in the available for sale portfolio and re-pricing due to the market conditions.

The Bank has given the ECB eligible bonds with carrying values of EUR 43,356 as collateral to DNB (De Nederlandsche Bank) (2011: EUR 34,728).

EUR 30,513 of the securities was under repo transactions, EUR 18,624 of this securities are ECB eligible bonds.

Portfolio breakdown	2012	2011
Investment portfolio	69,131	40,192
AFS portfolio	6,977	-
Trading portfolio	-	2,772
	76,108	42,964

Net impairment loss on financial assets	2012	2011
Impairment losses on financial assets	-	10,797
Reversal of impaired financial assets	-	-
Impaired financial assets at 31 December	-	10,797

In 2012 no impairment losses recognized in income statement related to interest bearing securities (2011: EUR 10,797).

(thousands of Euros)

10. Property and equipment

Property and equipment	2012	2011
Balance sheet value as of 1 January	155	293
Investments	153	1
Revaluation	-	-
Depreciation	149	139
Balance sheet value as of 31 December	159	155

Intangible assets	2012	2011
Balance sheet value as of 1 January	-	3
Investments	153	-
Revaluation	-	-
Depreciation	37	3
Balance sheet value as of 31 December	116	-

11. Other assets

Other assets	2012	2011
Margin calls paid for derivative transactions	4,463	-
Prepaid expenses	162	41
	4,625	41

12. Banks

Banks	2012	2011
Repo	27,763	14,094
Due to banks	63,739	13,319
	91,502	27,413

13. Funds entrusted

Funds entrusted	2012	2011
Saving accounts	293,711	259,315
Other funds entrusted	18,320	18,429
	312,031	277,744

EUR 3,257 of term deposits served as cash collateral as of 31 December 2012 (2011: EUR 3,289).

(thousands of Euros)

14. Other liabilities

Other liabilities	2012	2011
Transfer orders	104	101
Taxes other than income	119	94
Provisions for retirement pay liability and liability for unused vacations	18	5
Short-term employee benefits	46	30
Others	92	10
	379	240

15. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolio	Total
Balance at 1 January 2011	30,000	3,014	7,073	-	40,087
Share capital increase	25,000	-	-	-	25,000
Profit/(loss) allocation	-	7,073	(7,073)	-	-
Net income for the year	-	-	(4,318)	-	(4,318)
Balance at 31 December 2011	55,000	10,087	(4,318)	-	60,769
Balance at 1 January 2012	55,000	10,087	(4,318)	-	60,769
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	(4,318)	4,318	-	-
Net income for the year	-	-	(4,627)	-	(4,627)
Revaluation of reserves	-	-	-	208	208
Balance at 31 December 2012	55,000	5,769	(4,627)	208	56,350

16. Contingencies

Commitment and contingencies	2012	2011
Guarentee issued	600	44
Letter of Credits Issued	8,774	1,670
	9,374	1,714

17. 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 Habas 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.

(thousands of Euros)

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

		31 December 2012			
Outstanding balances	Parent	Significant influence over the entity	Related parties	Key management	Total
Cash and cash equivalent	115	-	-	-	115
Loans and advances to banks	6,614	-	1,869	-	8,483
Deposit taken	-	7,446	3,907	-	11,353
	6,729	7,446	5,776	-	19,951

		31 December 2012			
Transactions	Parent	Significant influence over the entity	Related parties	Key management	Total
Interest income	53	-	238	-	291
Interest expense	-	206	138	-	344
	53	206	376	-	635

		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

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 2012 are as follows:

(thousands of Euros)

Keymanagement personnel compensation

	2012	2011
Board of Supervisory Directors	21	20
Board Management	396	402
	417	422

The Board of Management is paid a fixed remuneration.

18. Lease commitments

The Bank has entered into a long-term financial obligation in 2007 with duration of 5 years for the rent of the office amounting to EUR 227 a year in 2012 (EUR 239 a year in 2011). The rent contract has been renewed for 5 more years in July 2012.

19. Net interest income

Interest income	2012	2011
Cash and cash equivalent	85	141
Loans and advances to banks	10,353	10,421
Loans and advances to customers	9,029	2,101
Investment securities	2,994	2,925
Other	-	-
Total interest income	22,461	15,588

Interest expense	2012	2011
Deposit from banks	1,380	414
Deposit from customers	9,049	8,119
Total interest expense	10,429	8,533

(thousands of Euros)

20. Net fee and commission income

Fee and commission income	2012	2011
Corporate/banking credit related fees	974	479
Other	131	335
Total fee and commission income	1,105	814

Fee and commission expense	2012	2011
Corporate/banking credit related expense	250	256
Interbank transaction fees	18	182
Total fee and commission expense	268	438

21. Net trading income

	2012	2011
Net income from securities held for trading	(6)	30
Net trading income	(6)	30

22. Results from financial operations

	2012	2011
Foreign exchange gain (net)	(2,628)	155
Other	-	30
Other operating income (net)	(2,628)	185

23. Personnel expenses

	2012	2011
Wages and salaries	1,584	1,319
Compulsory social security obligations	288	192
Contributions to defined contribution plans	276	170
Other fringe benefits	17	6
	2,165	1,687

The number of staff is 29 employed by the Bank as of 31 December 2012. (2011; 22)

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

(thousands of Euros)

24. Other expenses

	2012	2011
Operating lease expense	227	239
Communication expenses	135	85
Business travel & acommodation	49	37
Audit fee	83	75
Sofware licening and other information technology expe	124	192
Paid taxes other than income	38	19
Other	415	192
Total	1,071	839

Audit-related fees	2012	2011
Audit fees related to the annual report	83	75
Tax advisory services	10	10
Total	93	85

25. Income tax expense

Major components of income tax expense:

Current tax assets / (liabilities)	2012	2011
Profit before taxation	(6,169)	(5,819)
Use of compensable loss		-
Taxable profit(loss)	(6,169)	(5,819)
Statutory tax rate (25%)	1,542	-
Other (not analysed)	-	-
Income tax expense(income)	1,542	-
Prepaid tax in 2012	1,855	-
Tax refund	-	1,501
Tax receivable from 2011	315	
Current tax assets / (liabilities) in the year end	2,170	1,501
Tax income/(expense) of unrealized gain in equity	(69)	-
Deferred tax assets / (liabilities) in the year end	1,473	-

For the year 2012 the Bank has no tax burden. Due to the loss in 2011, the Bank has decided to use ‘extension of carry forward period’ option introduced by Dutch government for corporate income tax payers. As of 31 December 2012, the Bank applied EUR 1,473 tax refund as a result of extension of carry forward period. EUR 2,170 current tax assets (EUR 1,855 of 2012 and EUR 315 of 2011) were still remained in 2012 to be received from tax office. (2011: EUR 1,501 tax refund applied as ‘extension of carry back period)

(thousands of Euros)

26. 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 2012 and 31 December 2011 respectively.

31 December 2012	Carrying value	Fair value	Level 1	Level 2
Assets				
Cash and cash equivalents	47,588	47,588	47,588	-
Derivative financial assets	1,710	1,710	1,710	-
Loans	326,737	331,514	-	331,514
Interest bearing securities	76,108	79,227	79,227	-
Total assets	452,143	460,039	128,525	331,514
Liabilities				
Derivative financial liabilites	424	424	-	424
Banks	91,502	91,615	-	91,615
Funds entrusted	312,031	324,393	-	324,393
Total liabilities	403,957	416,432	-	416,432

(thousands of Euros)

31 December 2011	Carrying value	Fair value	Level 1	Level 2
Assets				
Cash and cash equivalents	46,862	46,862	46,862	-
Derivative financial assets	-	-	-	-
Loans	278,839	286,009	-	286,009
Interest bearing securities	42,964	47,368	47,368	-
Total assets	368,665	380,239	94,230	286,009
Liabilities				
Derivative financial liabilites	4,074	4,074	-	4,074
Banks	27,413	27,326	-	27,326
Funds entrusted	277,744	288,897	-	288,897
Total liabilities	309,231	320,297	-	320,297

27. 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 Audit, Risk and Compliance Committee (ARC) which includes two members 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.

(thousands of Euros)

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 II and Basel III, are carried out.

Audit, Risk and Compliance Committee (ARC): Supervisory Board of the Bank has appointed from among its members an Audit, Risk and Compliance Committee to assist the Supervisory Board in its auditing and supervising activities. The charter of the ARC has been revised, operating procedures and related governance structure has been improved. ARC is responsible for providing the efficiency and effectiveness of the internal audit, 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).

Exposure to credit risk

	Loan and advances to customers		Loan and advances to banks		Securities	
Assets at amortised cost	Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11
Neither past due nor impaired:						
Grade 1-3: low-fair risk	127,501	60,496	199,236	216,956	67,315	24,259
Grade 4: medium risk	-	-	-	-	-	7,696
Grade 5: watch list	-	-	-	-	8,793	-
Grade 6: impaired	-	-	-	-	-	8,237
Carrying amount	**127,501**	**60,496**	**199,236**	**216,956**	**76,108**	**40,192**

Impaired loans

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. In 2012, EUR 12,981 (2011: None) of impairment losses recognized in income statement is related to corporate loans and advances. (for details please see disclosure 8.)

Past due but not impaired loans

As of 31 December 2012, with the exception of the fully impaired loan, the Bank had no past due loans and advances as of 31 December 2012.

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 2012.

(thousands of Euros)

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.

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

	Loan and advances to		Loan and advances	
Collateral analysis	**Dec-12**	**Dec-11**	**Dec-12**	**Dec-11**
Against neither past due nor impaired:				
Secured by cash collateral	3,333	2,977	-	-
Secured by cash bonds	-	-	-	-
Secured by mortgages	522	1,168	-	-
Other collateral (pledges on assets, corporate and personel guarentees, promissory notes)	77,495	29,661	50,676	76,878
Uncollateralized exposure	46,152	26,690	148,560	140,078
Carrying amount	**127,501**	**60,496**	**199,236**	**216,956**

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		Securities	
Concentration by sector	**Dec-12**	**Dec-11**	**Dec-12**	**Dec-11**	**Dec-12**	**Dec-11**
Corporate:						
Basic materials	31,582	3,680	-	-	-	-
Consumer products non-food	13	8,011	-	-	-	-
Financial intermediation	39,621	10,724	-	-	16,998	9,551
Construction& Infrastructure	-	2,859	-	-	-	-
Automotive	13,243	-	-	-	-	-
Transport&Logistics	2,480	2,737	-	-	-	-
Food, Beverages&Tobacco	2,397	-	-	-	-	-
Capital goods	97	592	-	-	-	-
Chemicals	23,756	8,476	-	-	-	-
Oil&Gas	6,433	14,828	-	-	6,456	-
Telecom	7,013	7,023	-	-	-	-
Others	868	1,565	-	-	-	-
Government	-	-	-	-	13,840	13,281
Bank	-	-	199,236	216,956	38,814	17,360
Carrying amount	**127,501**	**60,496**	**199,236**	**216,956**	**76,108**	**40,192**

(thousands of Euros)

	Loan and advances to customers		Loan and advances to banks		Securities	
Concentration by country	Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11
Turkey	62,174	23,702	118,685	123,689	5,388	1,555
Russia	20,778	6,861	47,630	43,194	-	-
United Kingdom	13,445	4,653	-	-	-	-
Netherlands	1,240	1,467	18,755	15,009	34,270	16,471
Slovenia	12,399	-	-	-	-	-
Switzerland	6,648	672	4,989	-	-	-
Austria	7,013	7,023	-	5,031	-	-
Egypt	-	-	4,954	6,994	-	-
Belgium	1,730	-	-		-	
Cayman Islands	1,522	2,845	-	-	14,359	-
Azerbaijan	-	5,528	1,239	1,790	3,911	-
Marshall Islands	379	-	-		-	
Germany	172	-	-	-	2,144	-
Saudi Arabia	-	2,859	-	-	-	-
France	-	-	-	-	2,196	-
Luxembourg	-	-	2,983	21,250	-	-
Greece	-	-	-	-	8,793	12,146
Ireland	-	-	-	-	-	4,976
Hong Kong	-	205	-	-	-	-
United Arab Emirates	-	4,682	-	-	-	-
Italy	-	-	-	-	5,048	5,044
Carrying amount	**127,501**	**60,496**	**199,236**	**216,956**	**76,108**	**40,192**

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		Loan and advances		Securities	
Credit quality analysis	Dec-12	Dec-11	Dec-12	Dec-11	Dec-12	Dec-11
Rated BBB- to AA-	4,910	15,233	86,988	79,140	60,283	24,259
Rated B- to BB+	-	-	106,058	137,816	9,299	7,696
CCC	-	-	-	-	6,525	8,237
Unrated	122,591	45,263	6,190	-	-	-
Carrying amount	**127,501**	**60,496**	**199,236**	**216,956**	**76,108**	**40,192**

(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 tables below show the undiscounted cash flows on the Bank’s financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2012 figures with those of 31 December 2011. 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 1,297 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 and ILAAP.

(thousands of Euros)

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

31 December 2012	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not Distributable
Assets								
Cash and cash equivalents	47,588	16,068	31,520	-	-	-	-	-
Banks	199,236	-	15,375	39,665	93,467	49,432	-	1,297
Loans and advances	127,501	-	10,352	36,784	32,673	40,679	7,013	-
Interest bearing securities	76,108	-	-	1,131	3,020	56,345	15,612	-
Current tax assets	2,170	-	-	-	2,170	-	-	-
Deferred tax assets	1,473	-	-	-	1,473	-	-	-
Other assets	6,610	-	6,610	-	-	-	-	-
Total assets	460,686	16,068	63,857	77,580	132,803	146,456	22,625	1,297
Liabilities								
Banks	91,502	-	38,301	28,518	10,565	14,118	-	-
Funds entrusted	312,031	145,760	12,291	10,862	55,806	86,851	461	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	803	-	803	-	-	-	-	-
Total liabilities	404,336	145,760	51,395	39,380	66,371	100,969	461	-
Shareholders' equity	56,350	-	-	-	-	-	-	56,350
Total liabilities and equity	460,686	145,760	51,395	39,380	66,371	100,969	461	56,350
Net liquidity	-	(129,692)	12,462	38,200	66,432	45,487	22,164	(55,053)

31 December 2011	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not Distributable
Total assets	370,362	5,860	46,256	39,477	168,671	96,644	12,067	1,387
Total liabilities	370,362	151,478	34,776	16,350	49,495	57,494	-	60,769
Net liquidity	-	(145,618)	11,480	23,127	119,176	39,150	12,067	(59,382)

(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’s 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. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

31 December 2012	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Assets		-	-	-	-	-
Cash and cash equivalents	47,588	47,588	-	-	-	-
Banks	199,236	120,542	40,327	31,373	5,697	1,297
Loans and advances	127,501	76,584	21,232	17,272	12,413	-
Interest bearing securities	76,108	50,315	10,910	14,883	-	-
Current tax assets	2,170	-	-	2,170	-	-
Deferred tax assets	1,473	-	-	1,473	-	-
Other assets	6,610	-	-	-	-	6,610
Total assets	460,686	295,029	72,469	67,171	18,110	7,907
Liabilities						
Banks	91,502	66,819	3,199	7,366	14,118	-
Funds entrusted	312,031	168,913	25,145	30,661	87,312	-
Current tax liabilites	-	-	-	-	-	-
Other liabilites	803	-	-	-	-	803
Total liabilities	404,336	235,732	28,344	38,027	101,430	803
Surplus/deficit	56,350	59,297	44,125	29,144	(83,320)	7,104

31 December 2011	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	370,361	206,119	102,343	40,583	16,848	4,469
Total liabilities	309,592	204,863	24,355	22,882	57,491	-
Surplus/deficit	60,769	1,256	77,988	17,701	(40,643)	4,469

Sensitivity of reported equity to interest rate movements

Sensitivity of reported equity to interest rate movements	200 bp parallel increase	200 bp parallel decrease
At 31 December 2012	(768)	3,445
At 31 December 2011	1,427	(1,684)

(thousands of Euros)

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.

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 2012, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

31 December 2012	Euro	USD	TRY	JPY	Other	Total
Assets						
Cash and cash equivalents	31,396	15,411	773	6	2	47,588
Loans	163,570	126,747	36,420	-	-	326,737
Interest bearing securities	64,704	11,404	-	-	-	76,108
Current tax assets	2,170	-	-	-	-	2,170
Deferred tax assets	1,473	-	-	-	-	1,473
Other assets	6,610	-	-	-	-	6,610
Total assets	269,923	153,562	37,193	6	2	460,686
Liabilities						
Banks	55,233	26,824	9,445	-	-	91,502
Funds entrusted	294,296	17,735	-	-		312,031
Current tax liabilites	-	-	-	-	-	-
Other liabilites	57,153	-	-	-	-	57,153
Total liabilities	406,682	44,559	9,445	-	-	460,686
Net on balance sheet position	(136,759)	109,003	27,748	6	2	0
Net notional amount of derivatives	153,030	(124,844)	(27,739)	-	18	465
Net position	16,271	(15,841)	9	6	20	465

(thousands of Euros)

31 December 2011	Euro	USD	TRY	JPY	Other	Total
Total assets	245,419	118,026	6,040	7	870	370,362
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)
Net position	(4,096)	6	1	7	9	(4,073)

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

(e) Capital management - regulatory capital

As at 31 December 2012 the BIS solvency ratio of the Bank is 17.91%.

	2012		2011	
	Required	Actual	Required	Actual
Total own funds	25,162	56,350	20,952	60,769
Tier 1 capital	25,162	56,350	20,952	60,769

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 2012, 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.

The Bank has taken part in the Basel III Monitoring Exercises since 2011, supervised by DNB and the Basel Committee. The results of these analyses indicate that the Bank is well-placed for the regulatory changes. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is expected to be limited given that the Bank has a high common equity Tier I ratio. The Bank comfortably meets the leverage ratio requirement, as determined in the monitoring exercises. Finally, the Bank maintains a high liquidity buffer and given its strong retail funding base, the Bank expects to have a smooth transition and meet both liquidity requirements. The parent bank injected EUR 15 million additional fresh capital in the beginning of 2013 due to the 100% impairment related to trade finance exposure in 2012.

28. Other information

The resolution levy with respect to SNS REAAL

By letter of 1 February 2013, the Minister of Finance informed the Second Chamber of Parliament on the nationalization of SNS Reaal. The Minister also announced the imposition, in 2014, of one-off 'resolution levy' of EUR 1 billion on the Dutch banking community, for the benefit of the Treasury.

The levy will be apportioned according the deposit base, or each bank's share in the total deposits guaranteed under the Dutch Deposit Guarantee Scheme (DGS). The reference date for determining the deposit base will be the date on which SNS Reaal was nationalized (1 February 2013). The Bank contribution to the resolution levy is calculated around EUR 1 million which will be seen in the Bank's accumulated results in 2013.

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

After deducting appropriate impairment, the net loss for the year reported in the annual financial statements of the Bank amounts to EUR 4.627.

Due to the net loss, there will not be any dividend for the financial year.