GarantiBank International N.V.

annual report 2010

celebrating 20 years of
sustainable value creation

Our Mission

Is to be recognized, by our stakeholders and even competitors, as the most reliable and respectable bank within our niche markets by:

- offering speedy and accurate services,
- providing tailor made, innovative and country specific solutions,
- investing in cutting-edge technology and in our human resources.

Contents

Chairman's statement

20th year

2010 was the 20th year of GBI's existence. It was another year of strong financial results, solid asset quality and sustainable value creation.

It is with great pleasure that I present to you our 2010 Annual Report which shows the very positive performance and key achievements of GarantiBank International N.V. (GBI). 2010 was the 20th year of GBI's existence. It was another year of strong financial results, solid asset quality and sustainable value creation which were consistently delivered by GBI during each one of the past 20 years. This strong track record which was not interrupted during various episodes of financial turmoil, including the 2008-2009 period, was a direct reflection of GBI's prudent approach and risk aversive strategy.

2010 also marked the highest net profit recorded since the establishment of the Bank in 1990. In 2010, our operating result before tax and value adjustments was EUR 69.5 million, which is 10 percent higher than in 2009. Our net profit was EUR 47.0 million, which is 69 percent more than in 2009. Main contributors to the remarkable increase in net profit are the net interest and net commission incomes. Balance sheet size contracted by 3 percent, however, if we exclude our former branch in Romania, the balance sheet shows an increase of 18 percent.

In 2010, the global economic recovery continued to strengthen at varying paces across the world although there were several setbacks and periods of pessimism as to growth. Emerging economies, particularly China, India and Turkey and Germany, among developed markets, provided positive surprises of growth. GBI benefited from this recovery and normalization, as well.

On 29 May 2010, GBI sold its Romanian Operations to a new Romanian bank owned by Dogus GE BV for an amount of EUR 68.0 million. Dogus GE BV is a Dutch Holding company of which the shareholders are Türkiye Garanti Banks A.Ș. and General Electric. On 17 December 2010, Türkiye Garanti Banks A.Ș. bought all the shares of General Electric in Dogus GE BV and is therefore the sole owner of the new Romanian bank, Garanti Bank A.S. The transaction did not have a significant impact on the result of GBI.

On 29 May 2010, GBI sold its Romanian Operations for an amount of EUR 68.0 million.

All business lines of GBI performed well to reach the very good 2010 overall result. Trade Finance remained one of the key business lines with on-balance sheet assets of EUR 1.5 billion, which is 35 percent more than the previous year's figure. Private Banking continued its growth in customer assets and revenues by providing specialized financial intermediary services to its institutional and individual customers in its niche markets. Treasury made significant and consistent contributions to GBI's revenues and carried out its risk management functions effectively. As part of the well-functioning Structured Finance Division, Islamic Banking has strengthened its position in Islamic financing facilities in Turkey; GBI is the first bank in the Netherlands that offers Islamic Banking services. Corporate and Commercial Banking Division concentrated its activities mainly on non-bank financial institutions and blue chip companies in Turkey.

GBI Retail Banking strived to ensure customer satisfaction through a wide spectrum of innovative products and services while contributing to the stable funding base of the Bank.

GBI has successfully finalized the implementation of CRD II regime. The Bank has applied several impact studies throughout 2010 to analyze the financial impact of the regulatory changes in detail and has already taken the necessary measures to sustain the sound financial position and strong business franchise.

As the Chairman of the Board, I would like to thank my fellow members of the Board, the Managing Board and all staff for the excellent results over our 20 years of operation in the Netherlands. I am confident that GBI is well-positioned to maintain its long-term competitive edge in its niche markets and will continue delivering value to its stakeholders in 2011 and beyond.

Amsterdam, 29 March 2011

S. Sözen
Chairman of the Supervisory Board

Report of the Supervisory Board

The Managing Board proposed to transfer the net profit of 2010 (EUR 47.0 million) to the other reserves, to be approved by the shareholder.

Annual accounts

The annual accounts were drawn up by the Managing Board and the financial statements were audited by KPMG Accountants N.V. who issued an unqualified audit opinion dated 29 March 2011. In compliance with the provisions of the Articles of Association of GarantiBank International N.V., the Supervisory Board has examined the auditor's report and the financial statements of the year 2010. The Supervisory Board advises and proposes that the Shareholder adopts the 2010 annual accounts at the Annual General Meeting of Shareholders on 14 April 2011.

The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharge the Managing and Supervisory Board for their respective management and supervision during the financial year 2010.

Financial statement and proposed dividend

This annual report includes the financial statements as drawn up by the Managing Board. In accordance with Article 27, paragraph 4 of the Articles of Association, these financial statements were audited by KPMG Accountants N.V. and in accordance with Article 29. The Supervisory Board has voted to adopt the Managing Board's proposal to transfer the net profit of 2010 (EUR 47.0 million) to the other reserves, which will be proposed to be approved by the shareholder in the Annual General meeting of Shareholders to be held on 14 April 2011.

Composition of the Supervisory Board

The Supervisory Board is composed of the following members:

Name	Year of birth	Position	Membership since	End of term
S. Sözen	1947	Chairman	1998	2013
A. Acar	1954	Vice-Chairman	2002	2011
H. Akhan	1953	Member	2003	2012
T. Gönensin	1962	Member	2000	2012
E. Özen	1960	Member	2001	2013
F. Şahenk	1964	Member	2002	2012

Members of the Supervisory Board are elected for a term of three years. Mr. Acar is due to resign by rotation on 14 April 2011. This board member is nominated by the Supervisory Board for reappointment by the Shareholder for a new term of three years, effective 14 April 2011. GBI benefited greatly from the international banking experience and know-how of Mr. Acar and even more as Vice-Chairman of the Board and as Chairman of the Audit and Risk Management Committee of the Supervisory Board for which he guided the bank to further mitigate the risks and to meet the (international) revised risk regulations. GBI would like to continue to benefit from the professional support and guidance of Mr. Acar as a board member and as Vice-Chairman in the next three years.

Composition of the Managing Board

The Managing Board is composed of the following members:

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

Supervisory Board meetings

The Supervisory Board met on 6 occasions in the reporting period and all members of the Supervisory Board participated frequently. Meetings were held to discuss the corporate strategy, the internal risk management and control systems, the sale of the Romanian Operations in May 2010, the progress on the implementation of the Banking Code and above all the financial and the economical conditions of the countries and markets the bank is operating in. The 2009 annual figures were commented in presence of the external auditor in the Supervisory Board meeting of 25 March 2010 including all the related reports and the management letter. Also in that meeting the capital position of the bank was discussed.

The Chairman of the Board (and at the same time the Chairman of the Credit Committee of the Supervisory Board), paid in 2010 many visits to discuss the bank and corporate credit portfolio and possible loan provisions. These discussions took place with the Amsterdam Credit Committee in the presence of the related account managers and credit officers.

Supervisory Board Subcommittee meetings

The Supervisory Board is currently supported by three committees consisting of members of the Supervisory Board: The Audit and Risk Management Committee (in which also compliance issues are discussed), The Credit Committee and the Remuneration Committee.

The Audit and Risk Management Committee assists the Supervisory Board in monitoring GBI's systems of financial risk management and internal control.

Audit and Risk Management Committee

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

The Audit and Risk Management Committee assists the Supervisory Board in monitoring GBI's systems of financial risk management and internal control; in compliance issues in relation with legislation and regulations; in the internal and external audits and the content of the financial statements and reports and advising the bank in governance and social corporate matters. The Audit and Risk Management Committee discussed the reports of the external auditor KPMG, the main findings and conclusions of the internal audit reports, the audit status report, financial and non-financial risk management reports and the bank's pension plan. In 2010, the Audit and Risk Management Committee met twice, one in which the external auditor participated. The Committee was updated on the impact of the revised risk management regulations such as the new large exposure rules and the concentration risk policy on emerging markets.

Credit Committee

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

The Credit Committee of the Supervisory Board (Extended Credit Committee (ECC)) is the ultimate body that takes a final decision on a credit proposal which has been approved by the Amsterdam Credit Committee (ACC) but of which the proposed credit limit is beyond the authority of the ACC. Approval of two out of three members of ECC is mandatory for the granting of the facility. The Chairman of the Extended Credit Committee paid many visits to the bank to discuss different credit portfolios in detail.

Remuneration Committee

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

The Remuneration Committee of the Supervisory Board met two times in 2010. In the first meeting, the implementation of the Banking Code, a draft copy of the revised remuneration policy and the progress on the collective labour agreement, among others, were discussed. The Chairman emphasized the utmost importance of a good and sound remuneration policy. It must show a clear balance between the interests of the customers, the employees, the shareholder and the society and must support the objectives of the bank. The current remuneration policy has been reviewed by the committee and it has been decided to amend the policy to be in line with the Banking Code. In the second Remuneration Committee meeting, this new policy has been discussed and approved.

However, the new amended policy should be in line with the Guidelines on Controlled Remuneration Policy ("Regeling beheerst beloningsbeleid Wft 2011") which became effective as of 1 January 2011. All the banks should have implemented the new guidelines by the end of the first quarter of 2011. In the first Remuneration Committee meeting of 2011, which was held in March 2011, these new guidelines were discussed and each article was considered for implementation. In the second meeting in 2010, the Committee stood still at the permanent education program of the Supervisory and Managing Boards. Following other small to medium-sized banks in the Netherlands, it has been decided to touch upon an important subject each year in the form of a workshop/training to be given by a reputable internal/external party.

Banking Code

On 9 September 2009, the Dutch Banking Association issued the Banking Code. The Banking Code, which became effective on 1 January 2010, makes explicit reference to the roles of managing and supervisory boards with regard to risk management. The Banking Code applies to all activities in the Netherlands performed by banks that have a banking license granted under the Financial Supervision Act. The Banking Code uses the 'comply or explain' principle, which means that banks in principle shall apply the principles of the Banking Code. The application of the principles is partly subject to the activities and other specific characteristics of the bank and the group which it is part of. GBI has implemented the Banking Code to the extent it will fit the special and international characteristics and activities of the bank, which is explained below.

Governance

The Corporate Governance Code Supervisory Board has been amended which also includes the Supervisory Board profile and the individual profile of each member of the Supervisory Board. The Supervisory Board consists of 6 members and this is a sufficient number to properly perform its function. All members are active senior executives in banking and industrial businesses and they have thorough knowledge of the bank's functions and have specific expertise to support the Managing Board in decision making processes.

The Managing Board regularly provides the Supervisory Board with information on the risk profile of the bank, the capital allocation and new Basel rulings implementation.

Moral and Ethical Conduct Declaration

The members of the Managing Board have signed the moral and ethical conduct declaration. By this declaration the members declare to perform their duties as a banker with integrity and care and they will give importance to the customers' interests.

Permanent Education

GBI has decided to follow medium-sized banks in the Netherlands regarding the implementation of a permanent education program for supervisory and managing boards. After a regular meeting of the Supervisory Board, an important subject in the form of a workshop will be highlighted by a reputable external party. In November 2010, a workshop was organized in which the Dutch Corporate Governance structure was extensively discussed.

Risk Management

Risk Management is an ongoing subject in the meetings of the Supervisory Board and the Audit and Risk Management Committee. The Managing Board regularly provides the Supervisory Board with information on the risk profile of the bank, the capital allocation and new Basel rulings implementation. This year, a special workshop for the Audit and Risk Management Committee of the Supervisory Board was arranged by the Manager of the Risk Management Department on the implementation of the revised risk management regulations on large exposure ruling and new country concentration rules on emerging markets. The Risk Management Department has been further staffed due the importance given by the Managing Board.

Audit

GBI meets all audit requirements as mentioned in the Banking Code. An independent Audit Department reporting directly to the Managing Board and the Audit and Risk Management Committee of the Supervisory Board was already in place. The Manager of the Audit Department is always present in the meetings of the Audit and Risk Management Committee. Also, the external auditor takes part in the Audit and Risk Management meeting, preceding the meeting of the Supervisory Board in which the reports of the external auditor are discussed. The audit on the implementation of the Banking Code will be part of the yearly audit, starting in 2011.

Remuneration

The Remuneration policy has been revised and is sufficient in line with the principles of the Banking Code and the new Guidelines on Controlled Remuneration Policy of the Dutch Central Bank. In the first meeting of 2011, the Remuneration Committee discussed the new Guidelines on Controlled Remuneration Policy, which will become effective as of 31 March 2011, as declared in DNB's letter of February 2011. Also in that meeting the revised remuneration policy has been discussed. This policy will be proposed to be approved by the shareholder in the Annual General meeting of Shareholders of April 2011. In the meetings of the Remuneration Committee, subjects like variable remuneration, base salaries, collective labour agreements are also extensively discussed.

2010 has been a very successful year for GBI as can be read in this annual report. The Supervisory Board would like to extend special thanks to the members of the Managing Board for their work and commitment to the bank. The Supervisory Board would also like to express its appreciation to the employees of GBI who have served the interests of the customers, the shareholder and other stakeholders of GBI and have shown great commitment and devotion to GBI. A special thanks will go to the employees of GBI Romania who in May of 2010 left our organization and were transferred to the new Romanian bank, Garanti Bank S.A.

Amsterdam, 29 March 2010
Board of Supervisory Directors


GarantiBank International N.V.

strength lies in the right strategy

GBI implements its prudent growth strategy that is proven to be a success throughout the Bank's history, based on three pillars: expertise in low risk niche market segments, focus on customer oriented transaction banking as well as agile and low-leveraged balance sheet structure.

Report of the Managing Board

Key figures

(in thousands of EURO)	2010	2009	2008	2007	2006
Total assets	3,532,011	3,657,295	3,626,714	3,394,847	2,856,183
Banks (assets)	1,109,343	719,880	1,099,027	1,195,132	1,253,020
Loans and advances	1,408,250	1,593,198	982,645	1,107,733	1,014,838
Banks (liabilities)	596,972	608,327	915,453	892,658	862,803
Funds entrusted	2,486,422	2,605,140	2,217,134	2,025,362	1,689,090
Subordinated liabilities	45,690	53,749	78,007	78,007	78,004
Shareholders' equity (including result after tax)	325,818	279,534	252,301	217,140	182,129
Operating result before tax and value adjustments	69,487	63,132	52,565	46,075	36,979
Result after tax and value adjustments	**46,997**	**27,881**	**34,827**	**35,011**	**23,501**
Foreign branches and representative offices	4	5	6	6	4
Capital adequacy ratio % *	16.03	13.78	12.08	14.38	15.06
Cost to income ratio % **	31	38	41	40	44
Return on average equity ***	16.83	11.06	16.03	19.22	13.48
Return on average assets	1.31	0.77	0.99	1.12	0.92
Total average number of employees	413	847	763	422	243

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

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

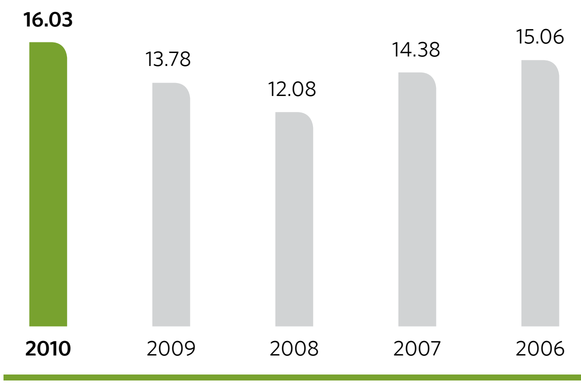
*** Return on average equity is calculated using average shareholders' equity excluding result after tax

Credit ratings

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

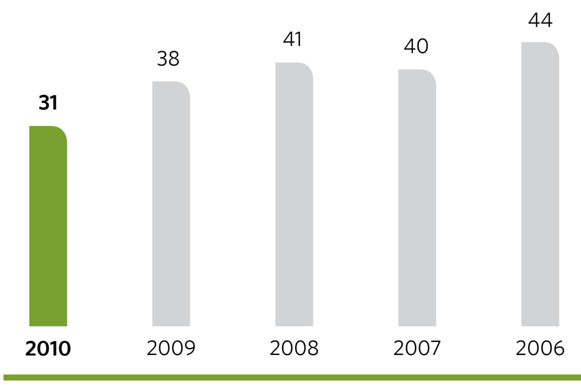
Customer focus and process discipline produced a set of strong financial and operational results in 2010.

Capital Adequacy Ratio (%)



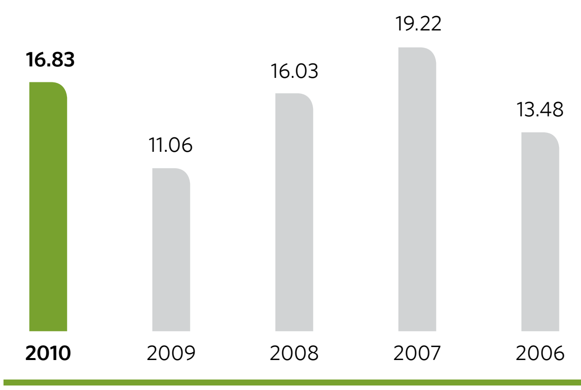
16.03%
CAR increased to 16.03 percent.

Cost to Income Ratio (%)



31%
C/I ratio is down to 31 percent.

Return on Average Equity (%)



16.83%
ROAE was 16.83 percent.

68.6%

Result after tax and value adjustments increased 68.6 percent in 2010.

Financial analysis

In 2010, the operating result before tax and value adjustments amounted to EUR 69.5 million, which is 10 percent higher than in 2009 (EUR 63.1 million). Net result after tax stands at EUR 47.0 million, which is an increase of 69 percent compared to 2009 (EUR 27.9 million).

Main contributors to the growth in the operating result were net interest income and net commission income which were partially offset against a decrease in result on financial transactions. Value adjustments to receivables showed a sharp decrease compared to 2009 representing the improved economic conditions in GBI's markets.

Net interest income reached EUR 70.8 million, from EUR 46.5 million in 2009. Excluding the effect of the Romanian expansion activities, the net interest income increased by EUR 20.8 million. This increase was caused by positive results on sales of interest-bearing securities from the investment portfolio amounting to EUR 20.1 million (EUR 4.3 million in 2009) and by higher average interest margins in 2010 compared to 2009.

Net commission income amounted to EUR 31.3 million, of which EUR 3.5 million related to the expansion activities of GBI Romania. Excluding the expansion related commissions, the net commission income increased by 18 percent or EUR 4.2 million compared to 2009. This increase is attributable to the Bank's trade finance activities (EUR 4.7 million) and structured finance activities (EUR 1.9 million). Private banking commissions showed a decrease of EUR 1.3 million.

Result on financial transactions decreased from EUR 30.1 million in 2009 to EUR 7.9 million in 2010. Excluding the Romanian expansion related result, the decrease amounted to EUR 15.0 million. This is mainly caused by a decrease of EUR 11.2 million in the result on sales of interest-bearing securities from the available-for-sale portfolio and a decrease of EUR 4.2 million in the result on foreign exchange dealing.

In May 2010, the Bank sold its Romanian operations to a new Romanian bank owned by Dogus GE BV, which is a Dutch Holding company of which the shareholders are Türkiye Garanti Banks A.Ş. and General Electric for an amount of EUR 68.0 million. The effect on the profit and loss account was not significant. Through the sale, GBI has been reimbursed for the expansion cost and income incurred by GBI Romania for the years 2007 until and including 2010 in anticipation of the take-over. In 2010, the negative result of the expansion activities amounted to EUR 7.9 million (2009: EUR 23.8 million). The reimbursement for the year has been included in the profit and loss account as other income.

Total administrative expenses amounted to EUR 44.3 million, of which EUR 12.7 million relates to the expansion activities of GBI Romania. Excluding these expansion expenses, the total administrative expenses amounted to EUR 31.7 million which is EUR 0.7 million lower than in 2009.

Value adjustments to receivables decreased from EUR 25.1 million in 2009 to EUR 4.3 million in 2010. Excluding the expansion expenses, the value adjustments to receivables decreased by EUR 16.7 million.

The size of the balance sheet decreased by 3 percent or EUR 123 million. However, excluding the items of our former Romania branch from the comparative figures of 2009, the balance sheet shows an increase of 18 percent or EUR 545 million. This increase fully relates to the asset items banks (EUR 247 million) and loans and advances (EUR 354 million). On the liability side of the balance sheet, the items banks and funds entrusted increased by EUR 362 million and EUR 161 million respectively.

In 2010, the global economy grew by an estimated rate of 4 percent while US and Euro-16 growth rates were around 3.3 percent and 2.0 percent respectively.

Economic outlook

Global financial markets welcomed 2010 with a lot more confidence and investor optimism than the previous year. Government interventions and unprecedented fiscal and monetary stimuli seemed to give the world economy the desired kick-start while the first phase of the recovery had taken the financial asset prices sharply up from March 2009 lows. Although the generally accepted phrase of "the New Normal" which refers to half sized economic growth induced by deleveraging and re-regulation signaled weak prospects, the first quarter witnessed an increased risk appetite in the financial markets.

The crisis of the past two years has mostly damaged the western economies and western prestige. It revealed deep fault lines not only within the western world but also in the global economy as a whole. The economic models of full employment and high consumption in the United States, state provided welfare and ever shorter working weeks in Europe and export dependent growth in Japan, Germany and China are not likely to be sustainable in medium term. Yet the recovery was not built on rectification of the underlying fault lines.

It was Europe's turn to have its problems surfaced during the second quarter. With the Euro collapsing and credit spreads of peripheral European countries particularly that of Greece sharply going up, the EU had to interfere and come up with an unprecedented rescue package, European Financial Stability Facility, which was further enhanced by the IMF. Although it succeeded to calm down the markets' nerves, credit spreads remained elevated.

The third quarter of the year was a period of consolidation. Weakening economic indicators in developed markets, most notably in the US, caused concern as to sustainability of the recovery. The US Federal Reserve embarked upon a new quantitative easing program, so called QE2, amid mixture of criticism and applauds, aiming to battle risk of deflation. The Japanese Central Bank followed suit as the country's economy is considered to be facing deflation already. The enormous amount of liquidity emitted by central banks was intended to support real estate markets and the national economies, though a good part of it went elsewhere.

Emerging markets where debt dynamics are very positive, as opposed to the developed world, were on the receiving end of the cash flows. They became a critical part of the global economic equation, much more than any other time before. Any hope of the world economy returning to a healthy growth path is resting on emerging markets' keeping up their strong economic performances. The biggest challenge facing the emerging markets is the influx of abundant liquidity and resulting overheating of their economies with rising inflation. Policy makers in various emerging markets, such as Brazil and South Africa took measures to control or discourage short term capital inflows.

The Turkish economy grew vigorously after going through a severe recession in 2009. It recorded a growth rate of 8.9 percent, being one of the highest among the world's major economies.

challenge

The main challenge of the global policy makers will be to conduct a delicate balancing act between raising inflation threat and vulnerable economic recovery.

In 2010, global inflation is expected to be at average 2.4 percent, with 1.4 percent and 5.7 percent in developed and emerging markets respectively. In the last quarter of the year, rising inflation started to be considered as a serious threat to world economy. In spite of a high level of slack in the advanced economies, overhang of debt and anemic demand, emerging markets started to export inflation through various channels. Next to elevated commodity prices, excess liquidity in the system was seen to be another cause that pushed the headline inflation readings to disturbing levels at the year-end. Most notably in the Eurozone, year-end consumer price inflation was 2.4 percent, above the target of ECB.

In 2010, the global economy grew by an estimated rate of 4 percent while US and Euro-16 growth rates were around 3.3 percent and 2.0 percent respectively. Emerging markets are estimated to have recorded a growth rate of 7.4 percent while developed markets' growth rate was around 2.6 percent. China led the growth by 10 percent. In terms of major surprises to growth, Germany delivered growth rates that surpassed all expectations, possibly reaching to 3.5 percent.

The Turkish economy grew vigorously after going through a severe recession in 2009. It recorded a growth rate of 8.9 percent, being one of the highest among the world's major economies. Budget deficit was around 3 percent of GDP. Debt to GDP ratio is expected to be approximately 40 percent. The deficit of merchandise trade widened to USD 56.3 billion for the full year in 2010 while the current account deficit went up to USD 48.6 billion or 6.5 percent of GDP. FDI flows were USD 7.1 billion, thus covering only 15 percent of the current account deficit in 2010. CPI inflation ended the year at 6.4 percent, just under the Central Bank's year-end target of 6.5 percent, while PPI stood at 8.87 percent.

As we move into 2011, there is more evidence of improving economic recovery, further increases in global bond yields and a wave of upwards GDP forecast revisions for 2011. Global GDP is likely to grow around 4 percent, while US growth is forecasted to be 3 percent or higher. Next to the emerging markets, the US is estimated to have a rather robust rate of growth performance. 2011 is likely to witness more dilemmas surrounding the indebted countries and structures of EMU. Resolving short term liquidity and solvency issues and establishing the mechanisms for sound governance will be the focus of the region.

In 2011, the main challenge of the global policy makers will be to conduct a delicate balancing act between raising inflation threat and vulnerable economic recovery in a multi-speed growth environment with huge discrepancies between various advanced and emerging economies.

Since 2006, GBI Trade Finance has been a "global boutique" adding value to trade flows around the world on a selective basis.

Business developments

Trade Finance

Owing to its diversified and rich product range, seamless execution and thorough understanding of customer requirements, GBI Trade Finance has well-established competitive advantages.

Since GBI's establishment 20 years ago, GBI's Trade Finance Division has been one of the key business lines consistently adding value to GBI financially and reputation-wise. In 1990, GBI started providing correspondent banking services to the banks in Turkey. In 1997, activities were expanded towards delivering value to Turkish commodity traders while the Bank emerged as one of the influential market makers of trade-related Turkish debt. In 2001, GBI Trade Finance diversified its product range, sharpened markets expertise and widened geographic coverage so as to fully support the foreign trade of countries around Black Sea, Caspian Sea and Mediterranean Sea with the rest of the world.

Since 2006, GBI Trade Finance has been a "global boutique" adding value to trade flows around the world on a selective basis. The Division provides fast, accurate, innovative, tailor-made and country specific financing and risk mitigation solutions with a holistic view. Other banks in the emerging and developed markets, physical commodity traders, importers, exporters and other service providers engaged in international trade form part of our customer base. GBI Trade Finance has been active in Transactional Commodity Finance (T&CF), Structured Trade Finance (STF) and Origination & Distribution (O&D) of trade related debt issued by financial institutions or other reputable issuers.

The competitive advantage of GBI Trade Finance lies in its commodity expertise, regional expertise, risk management expertise and its well-established relationships with the trade finance market actors. As a result, GBI stays resilient during volatile periods while keeping valued relationships and adding new ones. And during growth episodes, the Division benefits commercially as it expands on its sphere of activity and keeps on adding value to the trade flows as well as its agents.

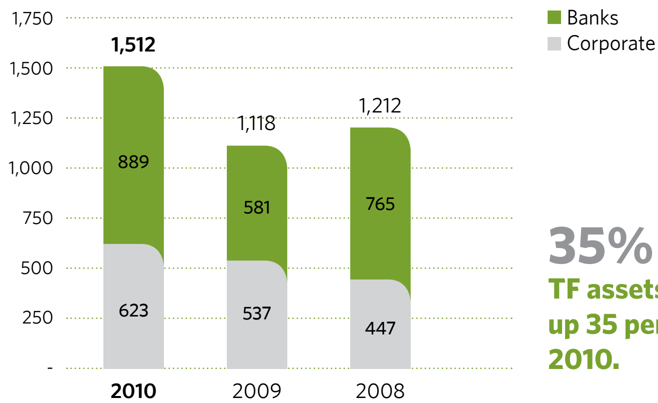
Following a severe 12.2 percent contraction of 2009, World Trade Organization reckons global merchandise trade to grow at 13.5 percent for 2010, the highest growth rate since 1950. Such global trade growth is certainly positive and leads us to infer that pre-crisis 2008 levels in merchandise trade may almost be attained by the end of 2010.

trade

Trade Finance remained one of the key business lines with on-balance sheet assets of EUR 1.5 billion.

The link between the economic growth at the emerging markets and the growth in the global merchandise trade has been getting more and more clear and intra-emerging markets trade have been gaining further weight. In consideration of its intense emerging markets expertise, GBI considers such phenomenon as an opportunity.

Chart-1: **Trade Finance Assets by Counterparty** EUR million



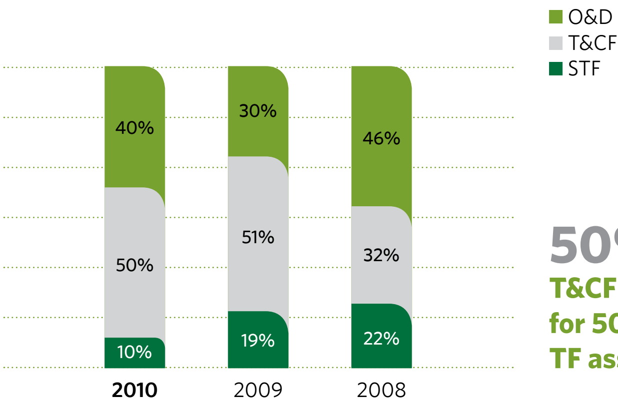
35%
TF assets was up 35 percent in 2010.

On-balance sheet trade finance assets with underlying risk counterparty is displayed in Chart-1. In response to the strong global and regional demand for trade financing in 2010, GBI's on-balance sheet assets regarding trade finance activity reached EUR 1,512 million. Such level, which represents 35 percent growth over 2009, is also the highest in GBI's history.

GBI Trade Finance has three strategic business units (SBUs): Origination and Distribution (O&D), Trade & Commodity Finance (T&CF) and Structured Trade Finance (STF). O&D mainly consists of credit risk on financial institutions, where GBI extends its support to local and global banks in the form of syndicated loans or bilateral trade related facilities. At T&CF, the risk counterparty may be corporates or financial institutions. Through this window, the Division provides very short term lending to physical commodity traders and other corporates while securing underlying inventory and trade receivables such as letters of credit issued by financial institutions. STF is purely corporate risk and mostly a syndicated lending activity to support global trade.

With its resilient and rewarding "global boutique" approach, GBI Trade Finance shall continue expanding to serve to its valued clients and counterparties.

Chart-2: **Trade Finance Assets by Strategic Business Units (SBUs)**

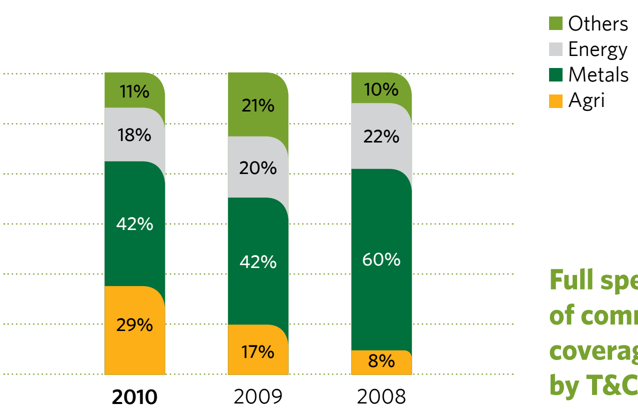


50%
T&CF accounted for 50 percent in TF assets.

During 2010, the only contracting segment was STF due to early repayments and risk distributions, while the new business flow mostly entailed developed market borrowers' risk. Both in O&D and T&CF, the Bank has achieved sizable and profitable growth as a result of reviving demand for trade financing. While T&CF dominated 2010 revenues, O&D further supported the risk profile with modest yet rewarding revenues contribution. It is worthwhile to mention that secondary market distribution volumes more than tripled in 2010 as GBI's network expanded and counterparties' risk appetite has improved.

Chart-3 puts light on the Division's commodity finance related corporate lending, the locomotive of trade financing at GBI, provided through T&CF and STF windows. The composition demonstrates sector diversification owing to the efforts of GBI Trade Finance to expand further into energy, such as coal and fuels, agri-commodities such as fertilizers, grains and edible oil, and other commodities such as chemicals and electronics.

Chart-3: **Corporate Lending by Commodities**



Full spectrum of commodities coverage served by T&CF and STF.

GBI has further built up on its well-established reputation and was awarded by Trade & Forfaiting Review, a well-respected periodical, in two categories of global trade banking.

Notwithstanding such diversification efforts, metals related lending remains as the core of commodity finance. In this segment, the Division provides dedicated support to its valued clientele being active in non-ferrous metals and ferrous metals such as flat steel, long steel other finished and semi-finished steel products and steel making raw materials including steel scrap, pig iron, ferro-alloys and others. As a result of global trade recovery, growth in the metals segment has been 57 percent.

As envisaged in GBI's 2009 Annual Report, 2010 has been a quite favorable and rewarding year. The Division has expanded on its asset portfolio and acquired new valuable counterparties while advancing the existing portfolio. As a result, Trade Finance Division's pre-tax profit after operational expenses and provisions registered a growth in excess of 50 percent. Also in 2010, GBI has further built up on its well-established reputation and was awarded by Trade & Forfaiting Review, a well-respected periodical, in two categories of global trade banking: silver medal in "Best Trade Bank for Eastern Europe, Russia and CIS" category and bronze medal in "Best Trade Bank in Soft Commodities". Both of such awards stimulate us further to create even a better "global boutique" experience for GBI's valued clients and counterparties.

2011 presents a challenging environment. On one side, there is a global recovery going. On the other, there are simultaneous and interrelated issues such as increasing weight of China in world trade bringing up concentration issues, continuing debt refinancing challenges of some peripheral Eurozone countries and so called "currency-wars".

With its crises-tested, growth-proven resilient and rewarding "global boutique" approach, GBI Trade Finance shall continue expanding on its sphere of activities so as to serve to its valued clients and counterparties while delivering value.

For the last two decades since its establishment, GBI Trade Finance owes its successful results and well-established reputation to its valued customers and counterparties, for whom we are sincerely thankful and supportive. GBI pledges itself to provide continuing liquidity for trade financing and the Bank is committed to deliver best value-adding solutions and constructive risk mitigation techniques to its present and future relationships with high ethical standards.

GBI Private Banking aims to achieve sustainable growth in customer assets and revenues by positioning itself as a specialised boutique service provider in its niche markets.

Private Banking

GBI Private Banking aims to achieve sustainable growth in customer assets and revenues by positioning itself as a specialised boutique service provider in its niche markets.

GBI's Private Banking Division serves to both individual and institutional high net-worth target customers in a tailored fashion to meet each customer's individual requirements. Customer centric approach which GBI places at the heart of value creation is proven to be a winning strategy since the establishment of the bank 20 years ago. GBI Private Banking, being one of the core business lines of the Bank, consistently delivers good results and sustainable growth irrespective of volatile market conditions.

The services are delivered in two categories; advisory and brokerage, with a high level of customized service sophistication. The differentiation is achieved through high expertise and drive of the team, quality of investment advisory, technological edge in product development and fast, accurate execution in a broad array of products. The specialist team identifies the advisory needs of its customers to streamline offered products and services and to develop innovative solutions. Furthermore, the principles of integrity, prudence, reliability and coherency are deemed to be the basis of the long-term relationship with the customers.

value

GBI places customer centric approach at the heart of value creation.

2010 was yet another challenging year in wealth management business. Adapting to fast changing landscape both in terms of regulatory framework and commercial trends with an equally fast pace required a very agile institutional structure. GBI could cope with the headwinds such as contracting profit margins and increased competition and deliver results surpassing its targets.

One of the prominent trends of the year was an increased demand for emerging financial markets as a result of changing risk perceptions among investors in favor of them. GBI Private Banking benefited from this trend owing to its emerging markets expertise and active market making position in Turkish financial markets. Strong Garanti brand recognition added to the competitive advantages of GBI in the process of new international customer acquisition which continued with a fast pace. Cooperation with Garanti group entities gained momentum both in technical and commercial aspects.

GBI Private Banking aimed to position as the home-bank of core customers providing a complete set of financial advisory services. Owing to its enhanced returns, coherent advisory and transparency in relationships the Bank enjoyed very high customer loyalty.

competitive

As a key market maker in its core markets, GBI provides competitive pricings to its counterparts and customers.

Product innovation and a dynamic product focus played a key role in the performance. GBI's product range included a complete range of financial products such as deposits, foreign exchange spot and forwards, DMA's, non-deliverable forwards, securities, equities, over-the-counter and exchange traded derivatives, structured products, capital guaranteed structures, commodities, exchange traded funds, portfolio loans, Islamic finance products and investment funds. GBI also cooperated with other financial institutions in the distribution of third party products where its own expertise is limited.

In an effort to increase operational efficiency, GBI Private Banking invested in new technologies and implemented more evident and efficient transaction processes.

In 2011, GBI Private Banking will continue striving to create value through providing high quality services to its clientele in a consistent and competitive manner.

Treasury

GBI Treasury aims to achieve revenue growth through commercial transaction volumes and to manage the Bank's balance sheet risks effectively.

GBI's Treasury Division has two business units; Trading and Asset & Liability Management. Owing to its highly technical and professional team, broad network of international counterparts and advanced technological infrastructure, GBI Treasury has a strong market position in its niche markets. It does not only serve as a key market maker in its core markets to a large number of reputable financial market counterparts but also provides competitive pricings to the Bank's customers through other commercial departments.

Treasury Trading Unit constantly generates trade, investment ideas and hedging strategies based on its analysis on market trends and risk perceptions. These ideas are proactively communicated to Private Banking and other commercial departments to assist marketing efforts of those and to increase treasury transaction volumes. A strong sense of confidence has been created in customers through the years in terms of accuracy and timeliness of this advisory.

The Unit further focuses on new product development to remain in the forefront of new market trends and to obtain the advantages of early comers. Product development is sometimes led by the Treasury itself and at times in response to customer demands.

trust

GBI aims to build mutually beneficial long-term relationships with trusted partners.

2010 was a year of normalization, albeit with high volatility, in financial markets. Benefiting from market movements, Trading Unit attained high transaction volumes and revenues and made a significant contribution to the Bank's net income. Focusing on customer driven transactions was at the heart of the strategy, while proprietary trading activity was largely restricted to intraday and carried a market neutral/non-directional bias. Furthermore, thanks to the Division's in-house training programs on main product categories; Foreign Exchange, Foreign Exchange Derivatives, Fixed Income and Credit Derivatives cross selling revenues by all commercial departments went up.

Strengthening its market maker position by providing liquidity in Turkish and a number of other fixed income instruments, GBI increased its Reuters live quotation pages to three; UGBIEURO, UGBIEURP and UGBIEURQ. While staying totally clear of troubled peripheral bonds, GBI Treasury further developed its know-how and market coverage in high grade segment, with increasing volumes. It also played a pivotal role in high quality asset creation through fixed income markets.

The Asset and Liability Management Unit plays a key role in management of the Bank's resources and its balance sheet risks. The Unit uses VAR, duration; gap and sensitivity analysis reports prepared regularly by Risk Management Division to measure and monitor the balance sheet risks. It works very closely with the Asset & Liability Committee (ALCO); taking the lead in updating the Committee on market movements, trends, making strategy proposals and executing its decisions effectively.

The Unit used "Internal Transfer Pricing (ITP)" mechanism as a strong tool to implement ALCO's strategy with the aim of ensuring the most efficient use of the Bank's resources. Liquidity buffer, maintained at high levels, was managed well to keep the cost of it at optimum levels. Funding sources were diversified and balanced between different segments of wholesale and retail markets. The share of wholesale funding went somewhat up with the new club deal and additional bilateral and REPO facilities. Interest mismatches were hedged to a large extent and the Bank pursued a strategy with very low interest risk appetite.

In 2011, GBI Treasury will strive to reach and exceed its short term budgetary targets while serving as a trusted partner to market counterparts, a reliable bank for its clientele and a crucial part of the Bank's balance sheet management.

Financial Institutions

GBI Financial Institutions aims to build mutually beneficial long-term relationships with trusted partners.

The main strategy of GBI's Financial Institutions Division is to focus on key relationship banks by means of routing reciprocal business as well as keeping close communication.

Maintaining this strategy in 2010, GBI Financial Institutions also further improved GBI's overall FI relations resulting in increased transaction volumes and facilities. While performing its major function of relationship management and marketing activities, the Division continued to duly inform all counterparties as well as the rating agencies about GBI's performance and significant developments in the Bank.

Internally, GBI Financial Institutions provided timely support and guidance to front offices as well as operational units by promoting GBI's core activities among target counterparties, facilitating smooth processing of transactions, accelerating bank-to-bank procedures, assisting with problems or disputes and providing up-to-date data and information about other banks and the financial sector.

In 2011, GBI Financial Institutions aims to increase and further diversify the Bank's wholesale funding. While exploring ways to expand GBI's cooperation with the bank's existing counterparties into additional business areas and extended facilities, the Division will also strive to broaden GBI's correspondent network in line with the Bank's strategy and requirements by initiating new relationships with potential counterparties.

GBI Structured Finance Division adds value in terms of financial achievement and market recognition.

Structured Finance

GBI Structured Finance Division adds value in terms of financial achievement and market recognition in four segments of activity: Islamic Finance, Shipping Finance, Project/Corporate Finance and Cash Management.

GBI's Structured Finance Division continued to grow in three special areas of finance and cash management, gradually increasing its contribution to the Bank's revenues.

Islamic Finance

Increasingly becoming an important segment of the global financial system, Islamic Finance has reached the critical volume of USD 1 trillion in 2010. Although Islamic Finance still has a rather small portion within the financial system, the segment has achieved a remarkable annual growth rate of 20 percent.

In 2010, GBI Islamic Finance has strengthened its position in Islamic financing facilities in Turkey. Working both with participation banks and the corporate segment, 2010 was a year of increase in Murahaba deals. GBI has also cooperated with conventional banks in providing Islamic Finance products to its customer base.

The biggest challenge for the market still remains to be standardization. The lack of common Sharia governance framework negatively influences the market's effectiveness. This lack of efficiency is translated into cost on structuring and documentation. Despite these issues, Sukuk is expected to be one of the main drivers of the market. The global Sukuk issuance for 2011 is expected to surpass the peak record of 2007. Although the syndicated finance market has diminished in 2010, a big leap is expected in 2011.

innovative

GBI offers a wide spectrum of innovative products and services.

Shipping Finance
As already expected in 2009, the activities of GBI Shipping Finance increased during the year 2010.

Customers pursued the opportunities in order to benefit from lower ship prices while sea-borne trade rebounded from its crisis levels, mainly driven by Asian economies.

Customers, as well as GBI realize that the shipping markets are still vulnerable to global market uncertainties and more importantly, an increasing supply of ships. There will be a high number of new ship deliveries from shipyards in 2011 and 2012. Consequently, the supply of ships will outpace the demand in 2011 for many ship types.

Project Finance/Corporate Finance
In 2010, GBI Project Finance/Corporate Finance managed to meet its budget target and, as defined, continued its activity with Tier I and Tier II corporate client segment in medium tenor deals. GBI's relatively limited bilateral facilities have been supported by various participations to project finance deals especially in transportation and energy sectors. Bilateral and club type lending activity strengthened the Bank's credit portfolio with high rated companies and provided enrichment with various cross-sale opportunities including cash and non-cash products.

Following the same strategy in 2011, the main target of the Unit will be growing its portfolio in target countries and markets with prudent, but creative products.

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

In 2010, GBI Cash Management continued to grow through new customer acquisitions focusing purely on service oriented customer management. The commission income generated by payment services went up by a remarkable 63 percent, while customer deposits showed an increase of 49 percent.

In 2011, the Unit will continue to serve its international customers with a specific focus on exporters, construction, shipping and tourism companies.

customer

GBI constantly explores ways to improve its services and customer satisfaction.

Corporate and Commercial Banking

GBI Corporate and Commercial Banking delivers high quality services to its target customers.

GBI's Corporate and Commercial Banking Division targets high rated large corporations and mid-sized companies based in Turkey. The Division provides a broad range of corporate and commercial banking products and services to these customers delivering exceptional, high quality customer service. GBI Corporate and Commercial Banking reached its targets in 2010 by concentrating on non-bank financial institutions and blue chip companies in Turkey, and gradually increased its business volume and number of customers. At year-end 2010, Corporate and Commercial Banking assets reached to EUR 478 million showing an annual growth of 20 percent. In 2011, GBI Corporate and Commercial Banking will deepen its concentration on its target segment with a scope to improve the Division's contribution to GBI's revenues.

Retail Banking

GBI Retail Banking strives to improve customer satisfaction through a wide spectrum of innovative products and services while generating a stable funding base for the Bank.

GBI's Retail Banking Division constantly explores ways to improve its services and customer satisfaction. The direct banking channels namely call centre and internet banking; give GBI Retail Banking the opportunity to offer customers prompt and accurate services, in a cost efficient manner. A highly dedicated team, simplified processes, transparent business model and efficient use of technology are the key components of GBI's high service quality in retail banking.

The savings markets in The Netherlands and Germany have been affected from the funding requirement of mainstream banks and other financial institutions also in 2010. Despite the challenging environment in savings markets, GBI Retail Banking has been a steady performer. Customer oriented, quality focused service approach of GBI has been appreciated by savings customers.

The Division has further extended its product and service spectrum in 2010. One of the important contributions from service perspective was the introduction of new websites for both Dutch and German retail markets. Streamlined navigation, informative page structure and modern design elements have provided a more user-friendly experience. In addition, the system infrastructure has been improved to attain higher efficiency levels in system management.

best

Kleeblatt-Festgeld product was selected one of the "Best Time Deposits" by "Finanztest" magazine.

There were also important developments on the internet banking side. The services now include 'urgent payment option', 'transaction download facility' and 'enhanced password structure' to increase security. Moreover, yearly financial overview statement has been made available through internet banking.

In 2011, GBI Retail Banking will continue to deliver high quality services and products to its customers while ensuring a stable funding base for GBI.

Germany Branch

GBI's Germany Branch offers high quality services to its customers while diversifying the Bank's funding base geographically.

In 2010, GBI Germany has maintained its market share in the German retail market without widening its offered spreads. GBI's strong brand recognition and focus on service quality enabled this success despite the fierce competition in the market.

GBI Germany's website was re-designed and the new version was launched in the third quarter of 2010, which received many positive feedbacks from its customers. The new website also attracted new customers. In 2010, 48 percent of the transactions were processed through GBI's Internet Banking portal and in average, 41 percent of the customers were active users.

In addition, GBI Germany's Kleeblatt-Sparkonto (Call-Money) product was ranked "Stable-Good" while its Kleeblatt-Festgeld product was selected one of the "Best Time Deposits" together with six other Banks by "Finanztest" magazine.

In 2011, the Branch will aim to preserve its customer base and market position without compromising its service quality.

prudence

GBI has maintained its strong liquidity buffer and improved its solvency to 16.03 percent with a 14.24 percent core Tier 1.

GBI has successfully complied with the recent regulatory developments owing to the enhanced risk culture, supported by the strong risk governance structure and advanced risk control processes.

Risk Management

2010 has been a remarkable year in terms of developments on the redesign of the regulatory landscape for the financial system. Regulators and industry participants have spent tremendous efforts in the implementation of strengthened regulations, while working on further enhancement of the new rules at the same time. Basel Committee on Banking Supervision (BCBS) has published the new set of rules for the international financial system following several quantitative impact studies and stress tests. The implementation of CRD II has been finalized and the implementation of CRD III has started. In addition to these efforts spent on international level, several new regulations have been designed and implemented on national level as well.

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

GBI has continued its prudent strategy by maintaining a strong liquidity buffer and solvency level. The solvency ratio has increased from 13.78 percent to 16.03 percent. Internal capital generation as a result of strong financial results has been the leading factor for the increase in solvency, next to the prudent risk management approach of the Bank. Upcoming regulations on the composition of own funds is not a threat for GBI as the Tier 1 ratio is already well above the target levels with 14.24 percent.

Overview on the governance around the risks

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

Senior management holds the responsibility to ensure that the Bank is operating with an adequate level of capital in order to sustain the financial stability of the Bank. Risk management is structured as an integrated effort at various levels within the organization. The Audit and Risk Management Committee of the Supervisory Board is the ultimate authority for the monitoring of risks and capital adequacy at the board level.

The Bank has a well defined risk appetite, which is set by the Supervisory Board based on the balanced combination of risk and return in a comprehensive manner.

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

Internal Audit Department is responsible for the monitoring of these risks through regular audits and reporting them to the Audit and Risk Management Committee of the Supervisory Board. The Risk Management Department (RMD) is an independent risk control unit, which does not have any involvement in commercial activities. RMD is responsible for the quantification and monitoring of the material risks in terms of economic capital and regulatory capital in order to limit the impact of potential events on the financial performance of the Bank. Risks are continuously monitored through a well-established Internal Capital Adequacy Assessment Process (ICAAP) and reported comprehensively to the related committees. RMD develops and implements risk policies, procedures, methodologies and risk management infrastructures that are consistent with the regulatory requirements, best market practices and the needs of business lines. RMD also coordinates all the efforts for compliance of the Bank's risk management policies and practices with Basel principles and the Financial Supervision Act (FSA, Wet op het financieel toezicht/Wft).

Risk appetite

The Bank has a well defined risk appetite, which is set by the Supervisory Board based on the balanced combination of risk and return in a comprehensive manner. GBI has always achieved to meet an adequate level of solvency owing to its committed shareholder, high level of attention paid to prudent risk management practices and risk-averse strategies applied. The Bank aims to have a strong capital base with a high Tier 1 ingredient. GBI has a zero tolerance for any breach in following the regulations and strictly refrains from taking any risk that may hinder the reputation of the Bank as per the risk appetite statement of the Bank.

GBI has a low duration gap and limited sensitivity to interest rate shocks.

Market risk

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

ALCO bears the overall responsibility for the market risk and sets the limits for the trading positions and stop loss levels on product and desk level. Treasury Department actively manages the market risk within the limits provided by ALCO. Middle Office and Internal Control Unit (ICU), which are both established as independent control bodies, monitor and follow-up all trading transactions and positions on an ongoing basis. RMD monitors market risk through regulatory and economic capital models and reports to ALCO and Audit and Risk Management Committee of the Supervisory Board.

GBI uses Value-at-Risk (VaR) methodology as a risk measure for the market risk on the trading book. VaR quantifies the maximum loss that could occur due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, etc.) for a time interval of one day, with a confidence level of 99.9 percent. VaR is supplemented by stress tests to determine the effects of potentially extreme market developments on the value of market risk sensitive exposures.

Interest Rate Risk on the Banking Book (IRRBB)

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

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

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

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

Liquidity risk

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

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

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

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

The Bank has not endured liquidity shortages owing to the prudent liquidity policy, which is based on balancing short-term and long-term liquidity gaps, and maintaining a high quality liquidity buffer. The Bank places its excess liquidity to central banks or governments in Europe and to very limited number of selected credible counterparties. GBI has a diversified mix of wholesale and retail funding sources. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up.

GBI is mainly involved in low default portfolios such as sovereigns, banks, large corporate companies and trade finance activities.

Credit risk

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

Being a Foundation-IRB Bank, GBI is using a series of credit-risk measurement models. The Bank has dedicated internal rating models for all asset classes for evaluating the creditworthiness of the counterparties. The rating models are integrated in the credit granting and monitoring processes. These models are validated by a third party on an annual basis.

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

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

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

integrity

Being one of the core values of GBI, integrity is embedded in the Bank's policies.

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

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

Operational risk

Operational risk includes potential losses caused by a failure in information or transaction processing and settlement systems and procedures, human errors, non-compliance with internal policies or procedures, including the possibility of unauthorized transactions by employees. Such risks are managed through bank-wide or through business line specific policies and procedures, controls, and monitoring tools. GBI's policy to control operational risk is communicated with and implemented in all business lines. Key elements in this policy are Know Your Customer principles, delegating tasks and responsibilities, issuing clear policies, procedures and directives, segregation of duties, four-eyes principles, carrying out supervision, taking corrective action, maintaining highly responsive accounting systems, systematic internal controls and performing periodic internal audits.

Legal, integrity and reputational risk

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

GBI is one of the few IRB compliant banks in the Netherlands.

Other risks

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

Risk-Based Performance Measurement

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

Regulatory Capital

De Nederlandsche Bank N.V. (DNB) has approved GBI's application to use the Internal Rating Based Foundation (F-IRB) approach in regulatory capital calculation starting from 1 January 2008. GBI is one of the first IRB compliant banks in the Netherlands and the only bank among its peers. The Bank uses the Standardized Measurement Approach for market risk and the Basic Indicator Approach for operational risk. Concentration risk, interest rate risk and other Pillar II risks are also taken into account in the regulatory capital calculation within the context of ICAAP. During 2010, all rating models have been validated by independent third party experts. The Internal Audit Department has reviewed the use of the models and the data quality. DNB has reviewed the ICAAP within the scope of Supervisory Review Process and concluded that GBI's capital base provides adequate cover for the current and potential future risks.

GBI is well positioned for a smooth transition to Basel III.

CRD II

The changes in the treatment of large exposures and the new liquidity risk monitoring framework have been the most important regulatory changes for GBI within the CRD II package. The Bank has successfully finalized the implementation of these new regimes, together with the other aspects of CRD II. GBI has applied several impact studies throughout 2010 to analyze the financial impact of the regulatory changes in detail and has already taken the necessary measures to sustain the sound financial position and strong business franchise.

Basel III

GBI has actively taken part in BCBS/CEBS Comprehensive Quantitative Impact Study for the implementation of Basel III. It has been observed that the impact of the upcoming regulations is at a very limited level since the Bank has: a high common equity Tier I ratio, no hybrid capital products, high liquidity buffer, strong retail funding base, limited trading portfolio, no exotic products and strong risk governance structure. The initial analysis has revealed that GBI is already equipped and well positioned for the smooth transition to the regulatory environment.

Amsterdam, 29 March 2011

Board of Managing Directors:
Mr. B. Ateș
Mr. M.P. Padberg

keeping pace with change

GBI stays ahead of competition by exploiting new market opportunities, increasing use of technology and being in compliance with the upcoming regulatory changes.

Financial statements

Contents

Balance sheet: Assets

Balance sheet: Liabilities

Off-balance sheet information

Profit and loss account

Further disclosures

Balance sheet as at 31 December 2010

(before profit appropriation)

	Note	2010 EUR 1,000	2010 EUR 1,000	2009 EUR 1,000	2009 EUR 1,000
Assets					
Cash	3		**266,255**		425,757
Banks	4		**1,109,343**		719,880
Loans and advances	5		**1,408,250**		1,593,198
Interest-bearing securities	6		**628,011**		722,898
Shares	7		**3,654**		2,531
Participating interests	8		**318**		318
Property and equipment	9		**29,988**		48,848
Other assets	10		**13,409**		79,021
Prepayments and accrued income	11		**72,783**		64,844
Total assets			**3,532,011**		3,657,295
Liabilities					
Banks	12		**596,972**		608,327
Funds entrusted	13		**2,486,422**		2,605,140
Debt securities	14		**-**		23,851
Other liabilities	15		**29,996**		12,078
Accruals and deferred income	16		**45,723**		58,202
Provisions	17		**1,390**		16,414
			3,160,503		3,324,012
Subordinated liabilities	18		**45,690**		53,749
Paid-in and called-up capital		**136,836**		136,836	
Revaluation reserves		**3,559**		4,272	
Other reserves		**138,426**		110,545	
Net profit		**46,997**		27,881	
Shareholders' equity	19		**325,818**		279,534
Total liabilities and shareholders' equity			**3,532,011**		3,657,295
Off-balance sheet liabilities	20		**396,264**		231,125

Profit and loss account for the year 2010

	Note	2010 EUR 1,000	2010 EUR 1,000	2009 EUR 1,000	2009 EUR 1,000
Interest income	21	**180,039**		194,017	
Interest expense	22	**109,263**		147,515	
Net interest			**70,776**		46,502
Commission income	23	**33,565**		31,818	
Commission expense	24	**2,299**		2,925	
Net commission	25		**31,266**		28,893
Result on financial transactions	26		**7,876**		30,064
Other income	27		**7,902**		23,794
Total income			**117,820**		129,253
Administrative expenses:	29				
• Staff costs		**28,914**		33,385	
• Other administrative expenses		**15,396**		26,307	
			44,310		59,692
Depreciation	30		**4,023**		6,429
Value adjustments to tangible fixed assets	31		**(1,483)**		487
Value adjustments to receivables	32		**4,261**		25,106
Total expenses			**51,111**		91,714
Operating result before tax			**66,709**		37,539
Tax on result on ordinary activities	33		**19,712**		9,658
Net result after tax			**46,997**		27,881

Cash flow statement for the year 2010

	2010 EUR 1,000	2009 EUR 1,000
Net cash flow out of operational activities		
Net profit	**46,997**	27,881
Adjustments for depreciation	**4,023**	6,429
Adjustments for value adjustments to tangible fixed assets	**(1,483)**	487
Adjustments for value adjustments to receivables	**4,261**	25,106
Adjustments for other income	**(5,319)**	(12,149)
Adjustments for provisions relating to deferred tax and pension	**(15,024)**	11,330
Net cash flow from operating profit	**33,455**	59,084
Changes in:		
Due from banks, excluding due from banks demand and value adjustments to receivables	**(310,897)**	363,367
Loans and advances, excluding value adjustments to receivables	**179,754**	(618,085)
Available-for-sale portfolio	**(71,951)**	(127,549)
Trading portfolio	**23,891**	25,031
Other assets	**65,612**	(36,215)
Prepayments and accrued income	**(7,939)**	(10,830)
Due to banks, excluding due to banks on demand	**130,530**	(484,814)
Funds entrusted	**(118,718)**	388,006
Debt securities	**(23,851)**	(22,037)
Other liabilities	**17,932**	(1,249)
Accruals and deferred income	**(12,479)**	(41,318)
	(92,798)	(506,609)
Net cash flow out of investment activities		
Investments in:		
• Property and equipment	**(2,182)**	390
• Investment portfolio, excluding value adjustments to receivables	**143,591**	-
Divestments in:		
• Property and equipment, due to the sale of the Bank's Romanian operations	**20,308**	-
• Investment portfolio, excluding value adjustments to receivables	**-**	(86,624)
	161,717	(86,234)
Net cash flow out of financing activities		
Subordinated liabilities	**(8,059)**	(24,258)
Net cash flow	**58,997**	(617,101)
Cash and cash equivalents as at 1 January	**240,259**	857,360
Cash and cash equivalents as at 31 December	**299,256**	240,259
Net cash flow	**58,997**	(617,101)
Specification of cash and cash equivalents as at 31 December		
Cash	**266,255**	425,757
Due from banks on demand	**33,001**	(185,498)
	299,256	240,259

Notes to the 2010 financial statements

1 Overview of GarantiBank International N.V.

General

The financial information of GarantiBank International N.V. (hereafter: “GBI” or “the Bank”) is included in the financial statements of Türkiye Garanti Bankası A.Ş., incorporated in Turkey. GBI works in close cooperation with its 100 percent shareholder Türkiye Garanti Bankası A.Ş.

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

Economic environment

The financial position of GBI is to a large extent related to the economic developments in developed markets, i.e. Netherlands and Germany, and emerging markets, including Turkey. The accompanying financial statements reflect GBI’s best assessment of the impact of these economic developments on the financial position of GBI.

Basis of presentation

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

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

Principles for consolidation

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

2 Significant accounting policies

General

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

Foreign currencies

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

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

Other outstanding forward transactions in foreign currencies are valued at the applicable forward rate for the residual term to maturity as at balance sheet date.

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

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

The results of the branch in Romania are translated at the rates prevailing at the date of sale of the Romanian operations.

Derivatives

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

Where GBI has entered into derivatives to cover its own currency positions, these are recognized in accordance with the accounting principles applicable to these positions, i.e. derivatives are converted at period-end rate (spot rate). The forward points on currency swaps are amortized to the profit and loss account on a linear basis. Where GBI has entered into derivatives to cover its own interest positions, GBI applies the possibility of cost price hedge accounting as stated in the Dutch Accounting Standard RJ 290. Derivative instruments used to hedge the Bank's own interest positions are recorded at cost and the interest results on these instruments are recognized under 'Interest income' and/or 'Interest expense'.

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

Loans and advances to banks/customers

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

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

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

Investment-, trading- and available-for-sale portfolio

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

The trading portfolio shown in the items 'Interest-bearing securities' and 'Shares' consists of investments which are intended to be used to gain transaction results on a short-term basis.

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

Interest-bearing securities

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

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

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

Shares

Shares belonging to the trading portfolio are stated at market value. The resulting differences in value are accounted for in the profit and loss account as ‘Result on financial transactions’.

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

Participating interests

Participating interests in which GBI has a significant influence on the commercial and financial policy are stated at their invested equity amount.

Property and equipment

The valuation principles for tangible fixed assets are as follows:

Land and buildings

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

A debit balance of the revaluation reserve is taken to the profit and loss account. Incidental revaluations of GBI’s premises held for sale are released to the profit and loss account upon realization. Properties not in use and land are not being depreciated.

Depreciation periods applied are as follows:

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

Other fixed assets

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

Depreciation periods applied are as follows:

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

Provisions

General

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

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are accounted for only if there is sufficient assurance about their collectability.

Pensions

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

The nature and substance of the plans are decisive for their treatment in the financial statements. Contributions to the pension schemes are charged directly to the profit and loss account in the year to which they relate. A pension provision needs to be included in the balance sheet for pension premiums payable and possible additional obligations to the pension plan or employees outstanding as per the balance sheet date.

Income

All income items are attributed to the period in which they arise or in which the service was provided, with the exception of value differences in respect of trading positions stated at market value. The latter are added or charged directly to the result for the year.

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

Interest- and commission income from the extension of credits are not stated as income if the collection of the interest and commission is doubtful.

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

Operating expenses

Expenses are allocated to the period in which they arise.

Taxes

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

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

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

Cash flow statement

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

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

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

Notes to the balance sheet as at 31 December 2010

	2010	2009
3 Cash	**266,255**	425,757

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

4 Banks	**1,109,343**	719,880

This item comprises all loans and advances to banks falling under regulatory supervision as well as to central banks, which are not included in the 'Cash' item and insofar as not embodied in the form of debt securities including fixed-income securities.
This amount is shown net of provisions amounting to EUR 0 million (2009: EUR 2.4 million).

The changes in the provisions were as follows:

Position as at 1 January	**2,406**	-
Additions	**-**	2,406
Write-offs	**(472)**	-
Repayments	**(1,952)**	-
Exchange rate differences	**18**	-
Position as at 31 December	**-**	2,406

5 Loans and advances	**1,408,250**	1,593,198

These include all loans and advances, excluding those to banks and those embodied in debt securities including fixed-income securities.
This amount is shown net of provisions amounting to EUR 25.9 million (2009: EUR 31.9 million).

The changes in the provisions were as follows:

Position as at 1 January	**31,925**	18,210
Additions	**11,535**	14,795
Write-offs	**(15,231)**	(983)
Repayments	**(3,008)**	-
Exchange rate differences	**670**	(97)
Position as at 31 December	**25,891**	31,925

EUR 11.6 million of write-offs relate to the transfer of provisioned loans as part of the sale of the Romanian operations (see note 27)

	2010	2009
6 Interest-bearing securities	**628,011**	722,898

Included under this item are debt securities with a fixed interest rate or an interest rate dependent on the prevailing interest rate.
This amount is shown net of provisions amounting to EUR 0 million (2009: EUR 8.0 million).

	2010	2009
The changes in the provisions were as follows:		
Position as at 1 January	**7,996**	-
Additions	**-**	7,905
Write-offs	**(6,519)**	-
Repayments	**(2,081)**	-
Exchange rate differences	**604**	91
Position as at 31 December	**-**	7,996

	2010	2009
The breakdown by issuer is as follows:		
Issued by public bodies	**148,561**	323,117
Issued by others	**479,450**	407,777
	628,011	730,894
Provisions	**-**	(7,996)
	628,011	722,898

Of the interest-bearing securities EUR 103.4 million will mature in 2011, EUR 65.6 million is unlisted (2009: EUR 139.7 million) and EUR 3.3 million has been issued by a group company (2009: EUR 9.8 million).

	2010	2009
The breakdown by portfolio is as follows:		
Investment portfolio	**428,071**	577,578
Available-for-sale portfolio	**199,940**	129,337
Trading portfolio	**-**	23,979
	628,011	730,894
Provisions	**-**	(7,996)
	628,011	722,898

	2010	2009
The changes in the investment portfolio are as follows:		
Balance sheet value as at 1 January – before provisions	**577,578**	490,863
Purchases	**445,495**	348,018
Sales	**(504,089)**	(90,887)
Redemptions	**(117,658)**	(160,593)
Exchange rate differences	**26,745**	(9,823)
Balance sheet value as at 31 December – before provisions	**428,071**	577,578
Provisions	**–**	(7,996)
Balance sheet value as at 31 December – after provisions	**428,071**	569,582

The purchase price of the investment portfolio was EUR 7.5 million above the redemption value (2009: EUR 16.8 million).
The difference between the redemption value and the market value of the interest-bearing securities in the investment portfolio amounts to EUR 14.0 million positive (2009: EUR 9.5 million positive).

The changes in the available-for-sale portfolio are as follows:

	2010	2009
Balance sheet value as at 1 January	**129,337**	–
Purchases	**803,591**	140,430
Sales	**(657,801)**	–
Transferred (as part of the sale of the Romanian operations)	**(33,409)**	–
Redemptions	**(48,939)**	(12,229)
Revaluations (including exchange rate differences)	**7,161**	1,136
Balance sheet value as at 31 December	**199,940**	129,337

The difference between the purchase price and the market value of the available-for-sale portfolio is EUR 2.7 million negative (2009: EUR 1.8 million positive).

	2010	2009
7 Shares	**3,654**	2,531
The breakdown by portfolio is as follows:		
Available-for-sale portfolio	**1,035**	-
Trading portfolio	**2,619**	2,531
	3,654	2,531

All shares are unlisted. The difference between the acquisition price and the market value of the shares in the available-for-sale portfolio is EUR 821.7 thousand positive (2009: none).
The shares in the trading portfolio are issued by an investment fund which is managed by a related party. The difference between the acquisition price and the market value of these shares is EUR 225.6 thousand positive (2009: EUR 210.7 thousand positive).

	2010	2009
8 Participating interests	**318**	318

This item comprises the following equity participations:
• 100 percent Trifoi Real Estate SRL, the owner of the land where the Bank's Romanian branch was located.
• 100 percent Trifoi Investment SRL, Bucharest, a financial services company.
• 100 percent Golden Clover Stichting Custody, Amsterdam, a custodian company.
• 100 percent United Custodian, Amsterdam, a custodian company.
• 100 percent Stichting Safekeeping, Amsterdam, the owner of the shares of Safekeeping Custody Company B.V., a custodian company.

The sole objective of the custodian companies is to hold, for the benefit of customers of GBI, rights with respect to securities, and to conclude agreements and perform or bring about the performance of all other acts conducive to the foregoing. Securities kept in custody amount to EUR 134.6 million as at 31 December 2010 (31 December 2009: EUR 159.1 million).
The participating interests are not consolidated, but included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

	2010	2009
9 Property and equipment	**29,988**	48,848

9 Property and equipment

The changes in this balance sheet item are as follows:

	Land and buildings in use by GBI	Land and buildings not in use by GBI	Other fixed assets	Total
Balance sheet value as at 1 January 2010	32,670	3,267	12,911	48,848
Investments	111	-	3,877	3,988
Revaluation*	-	1,483	-	1,483
Depreciation**	(1,763)	-	(2,260)	(4,023)
Book value disposals***	(8,813)	-	(11,495)	(20,308)
Balance sheet value as at 31 December 2010	22,205	4,750	3,033	29,988
Accumulated depreciation	8,148	741	5,163	14,052

* The revaluation relates to the building where the Bank's German branch was previously located. This is a reversal of an impairment booked in previous years.
** EUR 2,220 thousand of depreciation expenses relate to the expansion result of GBI's former Romania branch. GBI has been reimbursed for these expenses through the sale of its Romanian operations (see note 27).
*** These disposals relate to the sale of the Bank's Romanian operations.

10 Other assets

	2010	2009
10 Other assets	**13,409**	79,021

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet asset item. This concerns, for example, balances of payment transactions still to be settled.
This item also includes an advance of EUR 16.0 million paid to the Dutch Central Bank (DNB) with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank. The advance is used by DNB to finance the payments to the deposit holders of DSB Bank which are covered by the Deposit Guarantee Scheme. Furthermore a provision of EUR 2.7 million has been included which represents the actual expected loss on the advance. Together they represent the expected receivable of EUR 13.3 million from the sale and/or redemption of DSB Bank assets. The timing of the repayment is at this time uncertain.
The decrease in this item is largely due to the sale of the Bank's Romanian operations in 2010. As at 31 December 2009 a reimbursement right amounting to EUR 62.6 million was included in relation to the planned sale, which has been settled in May 2010 (see also note 27).

	2010	2009
11 Prepayments and accrued income	**72,783**	64,844

This item includes the prepayments for costs to be charged to following periods, as well as uninvoiced amounts still to be received, such as accrued interest. It also includes the net positive value of forward foreign exchange contracts and other off-balance sheet instruments stated at cost value amounting to EUR 27.1 million (2009: EUR 3.8 million negative).

	2010	2009
12 Banks	**596,972**	608,327

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

	2010	2009
13 Funds entrusted	**2,486,422**	2,605,140

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

	2010	2009
• Savings accounts	**1,830,883**	1,825,644
• Other funds entrusted	**655,539**	779,496
	2,486,422	2,605,140

	2010	2009
14 Debt securities	**-**	23,851

This item includes issued notes that are fully linked to securities that are kept in the Bank's trading portfolio.

	2010	2009
15 Other liabilities	**29,996**	12,078

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified under any other balance sheet liability item.
This concerns, for example, current taxes payable amounting to EUR 23.2 million.

	2010	2009
16 Accruals and deferred income	**45,723**	58,202

This item includes prepayments received in respect of profits attributable to following periods and amounts still to be paid, such as accrued interest.

	2010	2009
17 Provisions	**1,390**	16,414

This item relates to deferred tax liabilities. Please see note 33 for further details.

	2010	2009
18 Subordinated liabilities	**45,690**	53,749

This item comprises subordinated retail loans received and subordinated lower Tier 2 notes issued. The subordinated liabilities are subordinate in respect of the other current and future liabilities of GBI.
The subordinated retail loans received have a fixed yearly interest payment or a variable yearly interest payment at a rate of EURIBOR plus 3 percent at a minimum rate of 5.5 percent. The original maturity of the retail loans is 5, 6, 7, 8 or 10 years.
The subordinated lower Tier 2 notes issued have a quarterly interest payment at a variable rate of EURIBOR plus 1.5 percent. The original maturity of the notes is 10 years.
In the financial year the charges in respect of the subordinated loans and subordinated notes issued amounted to EUR 1.4 million (2009: EUR 3.7 million).

	2010	2009
19 Shareholders' equity	**325,818**	279,534
Paid-in and called-up capital	**136,836**	136,836

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

	2010	2009
Revaluation reserves	**3,559**	4,272

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

The changes in this item were as follows:

	As at 31 December 2010			As at 31 December 2009		
	Buildings*	**Available-for-sale portfolio**	**Total**	Buildings*	Available-for-sale portfolio	Total
Position as at 1 January	**2,484**	**1,788**	**4,272**	4,920	–	4,920
Release from deferred tax liability due to change in tax rate	**14**	**–**	**14**	–	–	–
Release due to sale of Romanian operations	**(414)**	**(1,684)**	**(2,098)**	–	–	–
Revaluations	**–**	**1,371**	**1,371**	(2,436)	1,788	(648)
Position as at 31 December	**2,084**	**1,475**	**3,559**	2,484	1,788	4,272

* Includes buildings in the Netherlands and Romania.

	2010	2009
Other reserves	**138,426**	110,545
Position as at 1 January	**110,545**	15,987
Transfer from paid-in and called-up capital	**-**	59,731
Profit appropriation	**27,881**	34,827
Position as at 31 December	**138,426**	110,545
Net profit	**46,997**	27,881
The changes in this item were as follows:		
Position as at 1 January	**27,881**	34,827
Profit appropriation	**(27,881)**	(34,827)
Result after tax	**46,997**	27,881
Position as at 31 December	**46,997**	27,881

Capital adequacy

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

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

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

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

	2010	2009
Tier 1 capital	**317,083**	275,262
Tier 2 capital	**39,778**	44,679
Total capital	**356,861**	319,941
Required pillar I capital	**178,104**	185,753
BIS ratio	**16.03%**	13.78%
Tier 1 ratio	**14.24%**	11.85%

Notes to the 2010 financial statements

	2010	2009
20 Off-balance sheet liabilities	**396,264**	231,125

This includes all liabilities arising from transactions in which GBI has guaranteed the commitments of third parties.
The off-balance sheet liabilities can be broken down into liabilities in respect of:

	2010	2009
• guarantees	**66,098**	94,011
• irrevocable letters of credit	**272,587**	109,514
• other commitments	**57,579**	27,600
	396,264	231,125

Notes to the profit and loss account for the year 2010

	2010	2009
21 Interest income	**180,039**	194,017

This includes income arising from the lending of funds and related transactions as well as commissions and other income, which have an interest characteristic.
This item comprises interest and similar income from:

	2010	2009
• debt securities including fixed-income securities	**65,415**	61,853
• other	**114,624**	132,164
	180,039	194,017

	2010	2009
22 Interest expense	**109,263**	147,515

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

	2010	2009
23 Commission income	**33,565**	31,818

This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have an interest characteristic. This relates primarily to trade finance activities.

	2010	2009
24 Commission expense	**2,299**	2,925

This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the characteristics of interest.

	2010	2009
25 Net commission	**31,266**	28,893
Net commission comprises:		
• Trade finance	**23,663**	21,089
• Payment services	**1,850**	2,218
• Security brokerage	**482**	825
• Private banking services	**419**	1,684
• Structured Finance	**5,275**	3,423
• Other	**(423)**	(346)
	31,266	28,893

26 Result on financial transactions

	2010	2009
26 Result on financial transactions	**7,876**	30,064

This item covers value differences and profits and losses on the sale of securities belonging to the trading or available-for-sale portfolio and currency differences and price/rate differences arising from dealing in other financial instruments.
This item comprises:

	2010	2009
• Securities trading	**92**	17,248
• Foreign exchange dealing	**5,202**	9,408
• Forfaiting	**741**	712
• Other	**1,841**	2,696
	7,876	30,064

27 Other income

	2010	2009
27 Other income	**7,902**	23,794

Through the sale of GBI's Romanian operations to a joint venture of TGB and General Electric as per 29 May 2010, by means of transferring the assets and liabilities, GBI has been reimbursed for the expansion cost and income incurred by GBI's former Romania branch until that date. As a result, the reimbursement right included under other assets (2009: EUR 62.6 million) has been settled (see also note 10) and an amount of EUR 7.9 million (2009: EUR 23.8) million has been reimbursed for the expansion cost and income incurred by GBI's former Romania branch during the first five months of 2010, which is accounted for as other income. The overall impact of the sale on the operating result of the Bank is limited and is included under Result on Financial transactions.
In line with previous years the incurred expansion results have been included in the related items of the profit and loss accounts as follows:

Notes to the 2010 financial statements

Expansion result, accounted for in the profit and loss account	1 Jan. 2010 – 28 May 2010	1 Jan. 2009 – 31 Dec 2009
Interest income	**19,712**	28,788
Interest expense	**10,835**	23,401
Net interest	**8,877**	5,387
Commission income	**4,589**	7,005
Commission expense	**1,119**	1,665
Net commission	**3,470**	5,340
Result on financial transactions	**(2,186)**	5,022
Total income	**10,161**	15,749
Administrative expenses:		
• Staff costs	**6,633**	12,494
• Other administrative expenses	**6,111**	14,900
Total administrative expenses	**12,744**	27,394
Depreciation	**2,220**	4,886
Value adjustments to receivables	**3,099**	7,263
Total expenses	**18,063**	39,543
Operating result before tax	**(7,902)**	(23,794)

	2010	2009
28 Segmentation of income	**221,480**	255,899

The total of interest income, commission income and result on financial transactions can be broken down into the following geographical areas based on customer domicile:

	2010	2009
• The Netherlands	**18,347**	19,871
• Turkey	**108,861**	117,913
• CIS countries	**23,025**	30,780
• Rest of Europe	**55,713**	77,278
• Rest of the world	**15,534**	10,057
	221,480	255,899

Other income is not included in this segmentation as it fully relates to the expansion result of GBI's former Romania branch for which the Bank has been reimbursed through the sale of its Romanian operations (see also note 27).

	2010	2009
29 Staff costs and other administrative expenses	**44,310**	59,692

This includes:

	2010	2009
• Staff costs	**28,914**	33,385
• Other administrative expenses	**15,396**	26,307
	44,310	59,692

EUR 6.6 million of staff costs (2009: EUR 12.5 million) and EUR 6.1 million of other administrative expenses (2009: EUR 14.9 million) relate to the expansion activities of GBI Romania (see note 27).

The staff costs comprise:

	2010	2009
• Wages and salaries	**24,119**	26,678
• Pension costs	**1,915**	2,078
• Other social costs	**1,966**	3,547
• Other staff costs	**914**	1,082
	28,914	33,385

The average number of full-time equivalent employees was 413 (2009: 847), which can be split as follows:

	2010	2009
• Netherlands	**164**	163
• Romania	**211**	643
• Other	**38**	41
	413	847

Other administrative expenses include expenses related to services provided by KPMG Accountants N.V. (the auditor of these financial statements) and other members of the international KPMG network.
These can be broken down as follows:

	2010			2009		
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
Audit on the financial statements	**148**	**68**	**216**	114	72	186
Other audits	**216**	**29**	**245**	211	31	242
Fiscal advice	**-**	**61**	**61**	-	73	73
Other non-audit expenses	**33**	**-**	**33**	-	-	-
	397	**158**	**555**	325	176	501

	2010	2009
30 Depreciation	**4,023**	6,429

30 Depreciation

The depreciation expenses include EUR 2,220 thousand (2009: EUR 4,886 thousand) which relates to the expansion activities of GBI's former Romania branch for which the Bank has been reimbursed through the sale of its Romanian operations (see also note 27).
For a further breakdown of this item, please see the overview of changes in property and equipment in note 9.

31 Value adjustments to tangible fixed assets

	2010	2009
31 Value adjustments to tangible fixed assets	**(1,483)**	487

This item relates to the revaluation of the building where the Bank's German branch was previously located. Please also see note 9, property and equipment.

	2010	2009
32 Value adjustments to receivables	**4,261**	25,106

32 Value adjustments to receivables

This item consists of additions to and releases from provisions for loans and advances to credit institutions and customers. EUR 3,099 thousand (2009: EUR 7,263 thousand) relates to the expansion activities of GBI's former Romania branch for which the Bank has been reimbursed through the sale of its Romanian operations (see also note 27).

33 Tax on result on ordinary activities

	2010	2009
33 Tax on result on ordinary activities	**19,712**	9,658

The corporate income tax has been calculated using the nominal tax rate of 25.5 percent over the Dutch taxable income and the local applicable tax rates for taxable income in Germany (30 percent) and Romania (16 percent). The overall effective tax rate increased from 25.7 percent in 2009 to 29.5 percent in 2010.

	2010	2009
Dutch tax rate	**25.5%**	25.5%
Effect of deviating tax rate in foreign countries	**0.1%**	(1.1)%
Other	**3.9%**	1.3%
Effective tax rate on operating income	**29.5%**	25.7%

The 2010 taxes amounted to EUR 19,712 thousand (2009: EUR 9,658 thousand), including a deferred tax expense of EUR 324 thousand (2009: EUR 1,905 thousand) and an additional current tax expense amounting to EUR 1,734 thousand following from the settlement of the Romanian loss carry forward position due to the sale of the Bank's Romanian operations.

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

	2010	2009
The sources of deferred tax liabilities can be specified as follows:		
Foreign branches	**-**	14,486
Buildings	**898**	1,587
Available-for-sale portfolio	**492**	341
	1,390	16,414
The sources of deferred tax assets can be specified as follows:		
Foreign branches	**-**	1,258

Further disclosures

34 Pledged assets

EUR 404.4 million (31 December 2009: EUR 108.0 million) of 'Interest-bearing securities' has been pledged as collateral for EUR 359.6 million (31 December 2009: EUR 100.5 million) of liability item 'Banks'. These assets are consequently not freely available.

35 Risk management

35.1 Credit risk

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

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

35.1.a Breakdown by geographical regions

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

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2010:				
• The Netherlands	**30,699**	**98,323**	**56,905**	**7,346**
• Turkey	**749,417**	**630,724**	**138,140**	**139,651**
• CIS countries	**150,622**	**57,001**	**212,082**	**3,846**
• Rest of Europe	**95,736**	**446,933**	**127,728**	**136,117**
• Rest of the world	**82,869**	**201,160**	**93,156**	**109,304**
	1,109,343	**1,434,141**	**628,011**	**396,264**
• Provisions	**-**	**(25,891)**	**-**	**-**
	1,109,343	**1,408,250**	**628,011**	**396,264**

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2009:				
• The Netherlands	46,407	16,947	46,477	7,537
• Turkey	439,784	762,628	235,025	106,594
• CIS countries	43,022	187,065	99,310	35
• Rest of Europe	83,007	620,259	263,117	74,901
• Rest of the world	110,066	38,224	86,965	42,058
	722,286	1,625,123	730,894	231,125
• Provisions	(2,406)	(31,925)	(7,996)	-
	719,880	1,593,198	722,898	231,125

35.1.b Breakdown by collateral

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

	2010	2009
Substitution collateral (bank guarantees)	**42,952**	70,740
Financial collateral (securities and cash)	**125,419**	52,453
Other collateral and unsecured	**1,265,770**	1,501,930
	1,434,141	1,625,123
Provisions	**(25,891)**	(31,925)
	1,408,250	1,593,198

35.1.c Breakdown by sector and industry

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

	2010	2009
Agriculture	**62,645**	80,230
Basic materials	**390,749**	332,384
Capital goods	**154,038**	63,503
Chemicals	**90,042**	19,045
Construction	**40,609**	87,131
Consultancy	**-**	22,414
Consumer products	**143,684**	108,817
Financial services	**256,392**	282,200
Leisure and tourism	**1,400**	6,764
Media	**8,634**	21,908
Oil & gas	**87,814**	60,413
Pharmaceuticals	**-**	4,327
Private individuals	**10,633**	245,595
Public sector	**22,495**	13,405
Retail	**675**	5,819
Telecom	**83,023**	31,755
Transport & logistics	**5,716**	8,089
Utilities	**26,904**	29,533
Other	**48,688**	201,791
	1,434,141	1,625,123
Provisions	**(25,891)**	(31,925)
	1,408,250	1,593,198

35.1.d Derivatives and capital adequacy requirement

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

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

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The positive replacement value is the loss that would arise if counterparty were to default. In calculating the positive replacement value shown in the following table, netting agreements and other collateral have not been taken into consideration.

As at 31 December 2010:		**Notional amounts <= 1 year EUR 1,000**	**Notional amounts >1<= 5 years EUR 1,000**	**Total EUR 1,000**	**Positive replacement value EUR 1,000**
Interest rate contracts					
OTC	Swaps	**44,903**	**164,646**	**209,549**	**-**
Currency contracts					
OTC	Swaps	**1,932,083**	**10,000**	**1,942,083**	**35,669**
	Forwards	**130,718**	**-**	**130,718**	**384**
	Options	**506,939**	**1,496**	**508,435**	**9,843**
Other contracts					
OTC	Options	**4,756**	**7,110**	**11,866**	**960**
		2,619,399	**183,252**	**2,802,651**	**46,856**

As at 31 December 2009:		Notional amounts <= 1 year EUR 1,000	Notional amounts >1<= 5 years EUR 1,000	Total EUR 1,000	Positive replacement value EUR 1,000
Interest rate contracts					
OTC	Swaps	-	197,182	197,182	24
Currency contracts					
OTC	Swaps	1,631,816	62,409	1,694,225	15,490
	Forwards	246,599	-	246,599	748
	Options	305,098	-	305,098	5,253
		2,183,513	259,591	2,443,104	21,515

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

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

	As at 31 December 2010		As at 31 December 2009	
	EUR 1,000 Unweighted	**EUR 1,000 Weighted**	EUR 1,000 Unweighted	EUR 1,000 Weighted
Interest rate contracts	**3,893**	**511**	5,167	3,230
OTC currency contracts	**82,952**	**11,011**	55,330	7,164
Other contracts	**827**	**142**	-	-
	87,672	**11,664**	60,497	10,394

35.2 Market risk

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

35.2.a Currency risk

The total equivalent of assets in foreign currencies is EUR 2,132 million, while the total equivalent of liabilities in foreign currencies is EUR 874 million. The currency position is reduced to acceptable levels through off-balance sheet instruments.

	As at 31 December 2010				As at 31 December 2009			
Currency	**Gross long position EUR 1,000**	**Gross short position EUR 1,000**	**Net long position EUR 1,000**	**Net short position EUR 1,000**	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000
USD	**2,405,938**	**2,407,134**	**-**	**1,196**	1,913,320	1,903,319	10,001	-
TRY	**449,301**	**455,066**	**-**	**5,765**	548,555	553,998	-	5,443
GBP	**127,941**	**118,336**	**9,605**	**-**	65,708	65,789	-	81
AUD	**101,076**	**101,500**	**-**	**424**	39,980	40,028	-	48
JPY	**28,041**	**28,503**	**-**	**462**	7,544	8,399	-	855
RON	**8,357**	**8,394**	**-**	**37**	237,640	265,242	8,398	-
CHF	**3,297**	**3,260**	**37**	**-**	22,648	22,728	-	80
Other	**26,116**	**26,498**	**51**	**433**	858	694	164	-

35.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2010, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable EUR 1 mln	**< = 3 months EUR 1 mln**	**> 3 months <= 1 year EUR 1 mln**	**> 1 year <= 5 years EUR 1 mln**	**> 5 years EUR 1 mln**	**Total EUR 1 mln**
Assets	**26,027**	**2,171,573**	**645,136**	**492,094**	**206,808**	**3,541,638**
Liabilities	**(63,406)**	**(2,117,238)**	**(503,095)**	**(349,876)**	**(13,335)**	**(3,046,950)**
Derivatives	**-**	**187,203**	**(10,191)**	**(168,205)**	**-**	**8,807**
Net interest position 31 Dec. 2010	**(37,379)**	**241,538**	**131,850**	**(25,987)**	**193,473**	**503,495**
Net interest position 31 Dec. 2009	36,662	(51,736)	386,365	(132,149)	57,157	296,299

The calculation of the sensitivity analysis as at 31 December 2010 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the yield curves for all currencies, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 12,547 thousand (31 December 2009: EUR 782 thousand decrease).

35.3 Liquidity risk

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

	On demand	<= 3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Provisions	Total
	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000	EUR 1,000
Assets							
Cash	266,255	-	-	-	-	-	266,255
Banks	91,817	244,643	683,655	89,228	-	-	1,109,343
Loans and advances	44,996	793,598	314,616	242,647	38,284	(25,891)	1,408,250
Interest-bearing securities	-	31,659	71,764	329,506	195,082	-	628,011
Shares	3,654	-	-	-	-	-	3,654
Participating interests	318	-	-	-	-	-	318
Property and equipment	-	4,750	-	-	25,238	-	29,988
Other assets	113	-	-	13,296	-	-	13,409
Prepayments and accrued income	72,783	-	-	-	-	-	72,783
Total assets 31 Dec. 2010	479,936	1,074,650	1,070,035	674,677	258,604	(25,891)	3,532,011
Liabilities							
Banks	58,816	398,136	130,520	9,500	-	-	596,972
Funds entrusted	1,113,502*	586,612	456,932	329,128	248	-	2,486,422
Other liabilities	29,996	-	-	-	-	-	29,996
Accruals and deferred income	45,723	-	-	-	-	-	45,723
Provisions	-	-	-	-	1,390	-	1,390
Subordinated liabilities	-	-	-	3,941	41,749	-	45,690
Shareholders' equity	-	-	-	-	325,818	-	325,818
Total liabilities 31 Dec. 2010	1,248,037	984,748	587,452	342,569	369,205	-	3,532,011
Net liquidity 31 Dec. 2010	(768,101)	89,902	482,583	332,108	(110,601)	(25,891)	-

	On demand EUR 1,000	<= 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Total assets 31 Dec. 2009	609,041	838,376	1,017,123	906,146	328,936	(42,327)	3,657,295
Total liabilities 31 Dec. 2009	1,527,938	921,259	475,820	400,338	331,940	–	3,657,295
Net liquidity 31 Dec. 2009	(918,897)	(82,883)	541,303	505,808	(3,004)	(42,327)	–

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

36 Fair value of financial instruments

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

These financial instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks and other short-term assets and liabilities which are of a contractual nature. The carrying amount of these particular assets and liabilities approximates their fair value, partially due to the fact that it is market practice to renegotiate interest rates to reflect current market conditions. The fair value of the interest-bearing securities in the investment portfolio amounts to EUR 442.0 million (2009: EUR 589.3 million), whereas the book value amounts to EUR 436.1 million (2009: EUR 579.8 million). The fair value of hedging derivatives as at 31 December 2010 amounts to EUR 13.8 million (positive) on a net basis (2009: EUR 22.3 million negative). The book value of these derivatives is EUR 18.7 million positive (2009: EUR 17.6 million negative).

37 Related parties

Related parties include the 100 percent shareholder Türkiye Garanti Bankası A.Ş., its major shareholders Doğuş Holding A.Ş. and GE Capital Corporation (which together have a controlling interest over Türkiye Garanti Bankası A.Ş.), all its subsidiaries and the Supervisory and Managing Board of Directors of GBI and all the entities on which the shareholders have a significant influence. During the course of the business, GBI has made placements with and granted loans to related parties and also received deposits from them at commercial terms.

As a result of the sale of GBI's Romanian operations to a joint venture of TGB and General Electric as per end of May 2010, the reimbursement right included under other assets (2009: EUR 62.6 million) has been settled and an amount of EUR 7.9 million (2009: EUR 23.8) million has been reimbursed for the expansion cost and income incurred by GBI's former Romania branch during the first five months of 2010 (see also note 10 and note 27). The transaction has taken place at arm's length.

37.1 Outstanding balances

GBI has the following balances outstanding from and transactions with related parties:

	As at 31 December 2010		As at 31 December 2009	
	Related parties with a participating interest in the Bank EUR 1,000	**Other related parties EUR 1, 000**	Related parties with a participating interest in the Bank EUR 1,000	Other related parties EUR 1,000
Banks (assets)	**53,448**	**19,920**	48,090	350
Loans and advances	**16,913**	**31,410**	–	43,228
Interest-bearing securities	**3,289**	**30,731**	9,778	45,990
Shares	**2,619**	**–**	2,531	–
Other assets	**–**	**–**	62,608	–
Banks (liabilities)	**2,628**	**971**	245,327	5
Funds entrusted	**–**	**2,175**	–	41,518
Interest income	**3,675**	**1,822**	2,251	1,095
Interest expense	**445**	**558**	2,615	324
Commission income	**633**	**522**	595	252
Result on financial transactions	**–**	**1,565**	–	–
Other income	**7,902**	**–**	23,794	–

37.2 Remuneration of Managing Board Directors and Supervisory Board Directors

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

The remuneration policy for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 14 April 2011. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mindset and background.

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

The remuneration of current and former members of the Managing Board amounted to EUR 2,102,064 in 2010 (2009: EUR 2,135,050).

The remuneration of current and former members of the Supervisory Board amounted to EUR 674,870 in 2010 (2009: EUR 674,870).

Amsterdam, 29 March 2011

Board of Managing Directors:

Mr. B. Ateș
Mr. M.P. Padberg

Board of Supervisory Directors:

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

Other information

Profit appropriation

In the Annual General Shareholders' Meeting, it will be proposed to add the net profit of 2010 (EUR 46,997,000) to the other reserves.

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

Article 31

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

Independent auditor's report

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

Other information

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2010 as included on page 42 to page 71 which are part of the annual report 2010 of GarantiBank International N.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account and the cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of GarantiBank International N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amstelveen, 29 March 2011

KPMG ACCOUNTANTS N.V.

E. Bleekrode RA

Supervisory Board and Managing Board

Supervisory Board

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

Mr. A. Acar (Vice-Chairman)
Chairman of Doğuş Automotive. Holds several Board Member positions in various Doğuş Group companies. Previously served as CEO of Ottoman Bank in Turkey and as CEO of Bank Ekspres.

Mr. H. Akhan (Member)
CEO of Doğuş Holding A.Ş. Previously served as CEO of Körfezbank in Turkey.

Mr. T. Gönensin (Member)
Holds Senior Management position in Türkiye Garanti Bankası A.Ş. Previously served as CEO of Ottoman Bank in Turkey and as Senior Managing Director of GBI.

Mr. E. Özen (Member)
CEO of Türkiye Garanti Bankası A.Ş. since April 2000. Previously held several Senior Management positions at Türkiye Garanti Bankası A.Ş.

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

Managing Board

Mr. B. Ateş
CEO, since 24 March 2000.

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

Senior Management

Trade Finance

Mr. C.O. Draman
Executive Director

Treasury, Private Banking & Financial Institutions

Ms. Ö. Etker-Simons
Executive Director

Structured Finance

Mr. E. Zeyneloğlu
Executive Director

Corporate & Commercial Banking

Mr. B. İçinsel
Executive Director

Operations, Information & Communication Technology

Mr. G. Salman
Executive Director

Credits

Mr. S. Kanan
Executive Director

Financial Control & Reporting

Ms. M.F.C. Koomen
Manager

Risk Management

Mr. M.Ö. Şişman
Manager

Internal Audit Services

Mr. T. Aksoy
Manager

Legal & Compliance

Ms. M. Köprülü
Manager

Human Resources

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

Retail Banking

Mr. O. Küpçü
Manager

Germany Branch

Mr. F. Birincioğlu
Executive Director

Contact information

Head Office
Keizersgracht 569-575
1017 DR Amsterdam
The Netherlands
Tel: +31 20 553 97 00
Fax: +31 20 624 24 66
Swift: UGBINL2A
www.garantibank.eu
info@garantibank.eu

Germany Branch
Heinrich Heine Allee 1
40213 Dusseldorf
Germany
Tel: +49 211 86 22 20
Fax: +49 211 86 22 23 50
www.garantibank.de
info@garantibank.de

Representative Offices

Turkey
Iz Plaza Giz, Eski Buyukdere Cad.
No: 19 Kat: 18 Maslak
34398 Sisli, Istanbul Turkey
Tel: +90 212 290 71 60
Fax: +90 212 290 7169
Representative: Mr. B. İçinsel

Switzerland
P.O. Box 6304
1002 Lausanne
Switzerland
Tel: +41 21 351 50 00
Fax: +41 21 351 50 01
Representative: Mr. P.A. Polikar

Ukraine
172 Gorkogo Str. 13th Floor
03150 Kiev
Ukraine
Tel: +387 044 492 90 58
Fax: +387 044 492 90 59
Representative: Ms. O. Kovtonyuk

Produced by Tayburn Kurumsal
Tel: (90 212) 227 04 36 Fax: (90 212) 227 88 57
www.tayburnkurumsal.com