

ANNUAL REPORT 2012





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We have been expending enormous amounts of effort towards making Odeabank an organization that in just a very short time has started to stand out from its competitors and is marching ahead with firm steps. Further to the challenges inherent from building a bank from scratch, we have been working to rapidly becoming a bank resting on solid foundations and compatible with the concept of sustainable growth. We are certainly proud to have made our mark of distinction in service felt in the banking sector within such a short period of time.



## Odeabank Overview

### **We've Only Just Begun ...**

Odeabank, the youngest player of the Turkish banking sector has become the first commercial bank in Turkey to receive the foundation permit from the Banking Regulation and Supervision Agency after an interlude of fifteen years with regulation numbered 4432 dated 27th of October 2011, published in the Official Gazette dated 28th of October 2011

Again the operational license was obtained from the Banking Regulation and Supervision Agency with the regulation numbered 4963 dated 28th of September 2012, published in the Official Gazette dated 2nd of October 2012.

It is the Turkish subsidiary of the Bank Audi Group-one of the leading banks of the Middle East, the largest, most reputed and strongest financial institution of Lebanon dating back to 1830.

Factors such as capital structure, the power of the shareholder, the team and high quality of human resources play a key role in the success of a bank. The principal advantage of Odeabank is to have a young, dynamic, ambitious and achievement-oriented team alongside the strength and support of our shareholder.

Within an organization focused to serve rapidly and efficiently in all segments of banking, we structured our service processes by a notion where every customer will feel special. We believe that our investments in technology, our human resources, our diversified product range and our high service quality we aspire to offer will constitute consistent and reliable platforms for our customers. Aiming to contribute continually to the financing of the Turkish economy, our bank will provide considerable employment opportunities for young bankers.

**We look forward to and are delighted with the contribution we will make to Turkey.**



## Our Mission

**Investing in the best in banking to aim for the happiness of our stakeholders; presenting them a conception that prioritizes their lives.**

## Our Vision

**To become the first bank that comes to mind regarding the banking needs of everyone who cares about their life and time.**

## Our Values

### **Transparency**

- Integrity
- Open communications with all stakeholders

### **Human Capital**

- Encouraging diversity
- Providing equal opportunities to our employees
- Rewarding talent
- Having a high regard for teamwork
- Investing in the best people
- Being an organization where individuals hear each other out

### **Speed**

- Respecting the time of our customers

### **Quality**

- Understanding our customers in every business
- Centering on the sustenance of customer satisfaction

### **Social Sensitivity**

- Being good citizens for the communities we live in and work with

### **Innovation**

- Encouraging creativity
- Optimization of technology use
- Thinking outside the box



## Strategic Targets

### **For the Sector:**

- To become a bank that holds sustainable equity returns on solid grounds in the medium term, serving 95% of the Turkish economy in all segments of banking.

### **For the Bank:**

- To be able to activate an efficient service infrastructure that can offer all products as mandated by competition in all segments of banking;
- To act as mediator in trade projects particularly with the Middle East and North Africa; to be the leading bank of Turkey for this region.
- To become a bank providing speedy service by its technological infrastructure and experienced human resources, contributing to the life quality of customers and being an indispensable part of their lives.

### **For Customers:**

- To make sure that customers are aware and convinced that they are able to receive quality service in all segments of banking;
- Leveraging on the credibility and strength of our main shareholder in the region, raising funds from international markets will be offered into the use of manufacturing/production sectors.

### **For Employees:**

- To be an organization in which every employee will be proud to be a part of and work with a high level of fulfillment and satisfaction;
- To make employees feel the sense that they have chosen the right organization, they are valued, rewarded, appreciated, are able to self-improve and have the opportunity to reach their career goals.

### **For Society:**

- To become a bank that manages to transfer what it earns to the society, sensitive towards the needs of the society in which it exists, undertaking corporate social responsibility projects, a responsible business concept and activities for ameliorating the welfare of society.



## About Bank Audi Group

Bank Audi Group is a full fledged regional bank with a presence in 11 countries. Based on a diversified universal model, it operates principally in Lebanon and the Middle East North Africa ("MENA") region and offering a full range of products and services that cover principally commercial and corporate banking, retail and individual banking, on-line brokerage, private banking and investment banking. As of end-December 2012, based on unaudited financial statements, the Bank's total assets reached US\$ 31.3 billion, shareholders' equity US\$ 2.7 billion, customers' deposits US\$ 26.8 billion, loans and advances US\$ 10.5 billion and profit US\$ 375 million. Based on rankings of top Arab banking groups operating in the MENA region, Bank Audi Group is also positioned among top regional banking institutions. In addition to its historic presence in Lebanon, Switzerland and France, the Group is currently present in Jordan, Egypt, Saudi Arabia, Qatar, Abu Dhabi (through a representative office) and recently in Turkey.

As of December 31, 2012, Bank Audi Group had one of the largest branch networks in Lebanon, with 80 branches covering the Greater Beirut area and other strategic regions in Lebanon, as well as a network of 82 branches outside Lebanon. The Bank has three principal subsidiaries in Lebanon, three principal subsidiaries in Europe and six principal subsidiaries in the MENA region outside Lebanon and one in Turkey.

Founded in 1830, the Bank was incorporated in its present form in 1962 as a private joint stock company with limited liability (société anonyme libanaise) with a duration of 99 years. The Bank is registered on the Beirut Commercial Registry under number 11347 and on the Lebanese List of Banks as number 56. The initial shareholders of the Bank were members of the Audi family, together with Kuwaiti investors. Since 1983, the shareholder base has expanded. The shareholders' base encompasses more than 2,500 holders of common shares and / or holders of Global Depositary Receipts (GDRs), representing common shares. The Bank's GDRs are listed on both the Beirut Stock Exchange and the London Stock Exchange and its Common Shares are listed on the Beirut Stock Exchange.

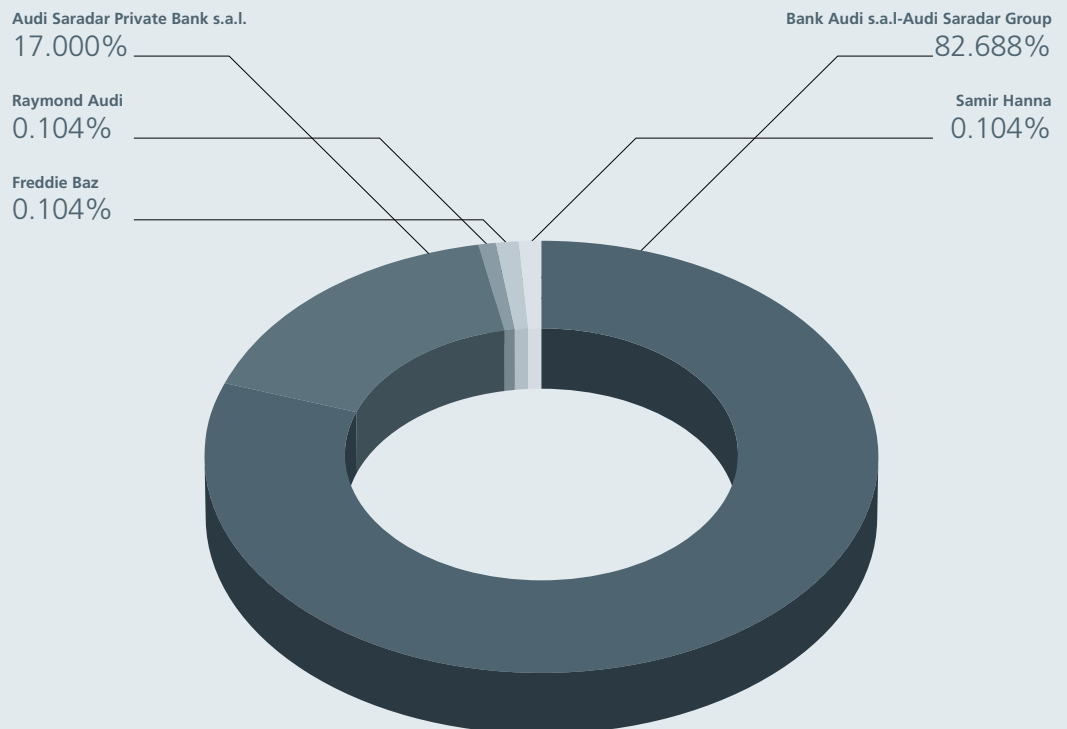


## Amendments to the Articles of Association and Capital Structure

Shareholders	Number of Shares	Value of Shares (TL)	Shareholding Rate (%)
Bank Audi s.a.l –Audi Saradar Group	4,411,570,176	441,157,017.60	82.688
Audi Saradar Private Bank s.a.l.	906,984,000	90,698,400.00	17.000
Raymond Audi	5,548,608	554,860.80	0.104
Samir Hanna	5,548,608	554,860.80	0.104
Freddie Baz	5,548,608	554,860.80	0.104
<b>Total</b>	<b>5,335,200,000</b>	<b>533,520,000.00</b>	<b>100</b>

Among the Board of Directors, senior management and auditors, only Raymond Audi, Samir Hanna and Freddie Baz have shareholding in the bank at the rate of 0.104% separately.

No amendments were made on the provisions of Odeabank's Articles of Incorporation in 2012.







## Bank Info

Trade Name	Odea Bank Anonim Şirketi
Head Office Address	Maslak Mahallesi Ahi Evran Caddesi No:11 Olive Plaza Kat: 6-7-8-9 Şişli-İSTANBUL
Phone No	0212 304 84 44
Fax No	0212 304 84 45
Internet Address	<a href="http://www.odeabank.com.tr">www.odeabank.com.tr</a>
Electronic Mail Address	<a href="mailto:info@odeabank.com.tr">info@odeabank.com.tr</a>



## Key Financial Highlights as of 31 December 2012

Assets

TL **3.6** billion

Loans

TL **1.7** billion

Customer Deposits

TL **2.5** billion

Shareholder's Equity

TL **0.5** billion

Capital Adequacy Ratio

**36.42** %



## Economic Developments of 2012 and Expectations for 2013

In the Turkish economy, the first unnamed program following the Transition Program to a Strong Economy Program of Transition to a Strong Economy was put into effect by the end of 2010. The recognition of the measures taken principally by the Turkish Central Bank of Turkey, as well as the Government and the Banking Regulation and Supervision Agency for financial stability since then will be critical for the upcoming period. In the Turkish economy, 2010 and 2011 were the years for the construction of this program; 2012 was the year of testing in which the first fruits were born. In 2012, relative to inflation and GDP, the current accounts deficit fell from 10% (2011) to 6% and the economy displayed a mild growth of almost 3%. This verified that a predicament apprehended since the second half of 2011 was adeptly overridden. Perhaps for the first time, Turkey had navigated a "soft landing".

In 2012, food prices plummeted to record low-levels due to weather conditions above seasonal averages. Hence, inflation subsided to 6.2%, the lowest level since 1968. It was the third time in the last four years that inflation had stayed within the  $\pm 2$  interval of uncertainty band set by the 5.0% target, which served to brace the credibility of the Central Bank. Weakened domestic demand pulled inflation down and tightened the grip on the current accounts deficit. As a result, economic growth stayed slightly below under 3%.

In spite of the stagnation in the global economy, particularly the recession in our main trade partner Europe, exports grew by 20% (in real terms) and 13% (in dollars) in 2012, reaching a new record level of US\$ 152.6 billion. Even if soaring gold exports-not expected to stay high permanently-had a substantial impact on export growth, exports of goods excluding gold also rose by 5% (in dollar terms) whereby Turkey became one of the countries with higher export growth than the neighboring economies. At the same time, 2012 was a year when service exports were stimulated by a 7% rise to over US\$ 40 billion-another record. In a year of recession for our main trade partner, the European economy, the record in exports was garnered sustained by the diversity of markets. The drop in the share of the European Union in exports of 2012 was more than compensated by the shares of Middle Eastern countries: 5% fall versus 52% growth in exports to the Middle East and 41% growth in exports to North Africa. In the forthcoming years, while the European economy recovers, the continuation of exports to the Middle East area will be of critical importance. The way to do this is by grasping the needs of the area in the light of local experiences and building sound commercial ties.

Low interest rates and the improvement of the disequilibrium in the balance of payments and macroeconomic stability positively impacted

the employment market. The rise of potential growth ameliorates the future outlook. In 2012, unemployment rates were quite below government (10.4%), IMF (10.3%) and market (10%) expectations, but in tandem with our projection of 9.3% announced at the end of June. The rise in the participation rate of the labor force and the decline in informal employment confirmed the structural improvement in the employment market.

The banking sector preserved its relatively profitable and soundly capitalized structure; fiscal discipline was mostly intact. After the global crisis, the number of countries with primary surplus was by and large reduced but Turkey had a rather high primary surplus of almost 1.4% relative to GDP in 2012.

Across the globe, 2013 is set to be a year of low volatility, more positive though limited growth and flat inflation. This year, the impact of two core political actions will be closely watched on a global scale. The first is the discourse of setting a nominal growth target mentioned by some central banks to achieve higher growth rates, which (that means they can better tolerate inflation than the period before the crisis). The second is "exchange rate currency wars" that have been waged by many central banks including Turkey, Japan and Switzerland to protect their exporters and raise the share of exports in growth. Accordingly, we foresee a more difficult time in the first half of the year due to enduring continuing ambivalences uncertainties but a better second half owing to lower risk premiums and economic recoveries.

In terms of the Turkish economy, we consider 2013 as a stronger year for both prices and financial stability. In a conjuncture where global economic conditions make Turkey gain time, even though risks are every bit alive, we predict new rating upgrades (in credit ratings) accompanied by this picture. The major hurdle for 2013 will be about driving domestic demand and exports to contribute positively to growth in concert. We expect the Central Bank to pursue a monetary policy to stimulate domestic demand with control and to sustain the ongoing cumulative depreciation of the Turkish lira against developing countries. In the same context, in 2013, we project a higher 4.6% growth than 2012 in the Turkish economy, as 6.3% of inflation remains close to 2012-level and a limited increase rise in the current accounts deficit to GDP ratio to approximately 6.9% relative to GDP with on the back of the recovery in domestic demand.

In 2013 and beyond, the Turkish economy will try to conserve the gains of the new economic program, and land on a path of sustainable growth. In this way, de-coupled positively in the last decade by strengthening its public sector finance and banking sector balances, the Turkish economy will again be positively de-coupled by virtue of its current and future discipline in financial stability. Stronger macroeconomic stability will be instrumental for the national income per capital to be multiplied by 2.5 in 2023, and reach the target of US\$ 25,000.





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## Chairman's Statement

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Last year was a most exhilarating year for us. We were gratified when Odeabank-constructed by our group from scratch- commenced operations, and performed outstandingly in the two months just after opening its doors to business.

**Samir Hanna**  
*Chairman of the Board*



## Chairman's Statement

Dear Stakeholders,

I am pleased to join you in the first annual report of Odeabank, the most recent subsidiary of Bank Audi sal-Audi Saradar Group.

Last year was a most exhilarating year for us. We were gratified when Odeabank-constructed by our group from scratch- commenced operations, and performed outstandingly in the two months just after opening its doors to business. To begin with, I wish to talk to you about how Odeabank came into being.

In the past decade, Bank Audi has enjoyed many new accomplishments with the strategy of practicing banking in disparate segments, and evolved from being a commercial bank operating domestically into being a Lebanese universal bank covering commercial, private, retail and investment banking services with the biggest and most diffuse network. Through our regional expansion plan implemented since 2005, we had the opportunity to shift the new segment strategy to distinct markets. This organic growth resulting from the Bank's policy of expansion elicited remarkable escalation in our activity and earning power.

In the subsequent periods, Bank Audi shored up its position as the Top Bank in Lebanon, and by developing new products to respond to inter-market needs in its new regions, by creating cross selling opportunities, the bank embraced its regional presence.

In this process, we emphasized on retail banking activities in our operations in Lebanon, buttressed our presence in corporate banking, and implanted the banking concept that would deepen relations with reference to our work on SMEs. With our operations in Europe, we aim to mediate transactions between the Middle East and European countries, and to branch out our private banking operations at the same time. On a regional basis, we wish to induce the business penetration corresponding to each particular region, consistently expand our network, subsequently raise the number of customers, and ultimately be ranked among the top five banks in our countries of presence.

Our desire to set up a subsidiary in Turkey is the culmination of this perspective.

In the past decade, Bank Audi has enjoyed many new accomplishments with the strategy of practicing banking in disparate segments, and evolved from being a commercial bank operating domestically into being a Lebanese universal bank covering commercial, private, retail and investment banking services.

Characterized as a bridge between the East and the West, Turkey is one of the pivotal developing markets of the world with a high potential. It has grown by 5.2% on average in the last decade, boasting a GDP of approximately US\$ 800 billion with a population of 76 million.

The political and economic stability secured for years attracted many foreign companies from a wide spectrum of sectors to invest in Turkey. It has therefore emerged as one of the most attractive markets of recent times. In addition to the local economy's success in tempting foreign investors, the busy foreign trade transactions and the Customs Union strengthened relations with European Union members. Economic and political stability was confirmed by the credit ratings of international rating agencies. The radical reforms put into action to build up macroeconomic stability in the aftermath of the 2001 economic crisis gave rise to a financial system that retains one of the sturdiest capital structures of the world today. Thanks to its robust public finances, the Turkish economy did not even need to harness IMF support during the global crisis. Funding was raised both with ease and at record-low interest rates from international markets while credibility was augmented.

Likewise, household income and flourishing welfare enlarged the part of the population using financial products. Given that Turkey has one of the highest populations in its region, the growth of financial products sparked off new opportunities in the Turkish financial sector.

The Turkish economy has been positively decoupled in the past decade owing to its stalwart public finance and well capitalized banking sector. It is our opinion that in the forthcoming decade starting from 2012, it will stay on the same path with financially stable returns. Nurturing this



belief, in spite of the global economic challenges and geopolitical risks, we placed our trust in the Turkish economy, and were the first group to receive a banking license after a break of 15 years as a major bank of the Middle East and North Africa. Following the decision of investment taken about one year before the evaluation of Fitch, we put together a team of the top bankers in their respective fields, rapidly completed infrastructure work, and launched our first branch in November 2012. The performance recorded in such a short period of time of a mere two months illustrates that we are well placed to readily achieve our medium term targets.

Notwithstanding, concomitant with the fragility of the balance of savings in the Turkish economy, more blatant since 2012, the retarded growth of saving deposits in the Turkish banking sector is testament to the importance of new licenses for the progress of the sector. Odeabank and other banks to arrive will supply the sector with value added to curtail the present intensification risk common to the sector and to offer more special services to customers. The accomplishments we have had in a short time despite the difficulties of building a bank from nil are important not just from our standpoint but also in showing the opportunities and potential of the Turkish financial sector for other candidates seeking to obtain a license.

The Bank is taking firm steps forward and breaking new grounds in the Turkish banking sector. In 2013, the Bank aims at growing in the domestic market by virtue of Turkey's important position. Management believes that 2013 will witness the enhancement of Odeabank's domestic recognition and highlight its reliability. Odeabank's biggest advantage is a young, dynamic, ambitious, success-oriented team and a continuous search for perfection with the purpose of reaching top level customer satisfaction. To achieve that, the Bank has equipped all its branches with top of the range technologies in a way to enhance quick quality service, and has opted for recruiting the most experienced and specialised personnel in the sector.

It is worth noting that Bank Audi's interest to expand its banking operations there has been based on the strong historic ties between Turkey and the Arab World, supported by an increasing yearly trade turnover (reaching US\$ 47 billion today), offering enticing opportunities for cross-border transactions between the two geographic areas. The Turkish expansion will particularly drive the Bank towards the Turkish middle corporate segment, which is still under-covered by large dominant market players. Furthermore, the Group, which enjoys a high liquidity level, will also benefit

In spite of the global economic challenges and geopolitical risks, we placed our trust in the Turkish economy, and were the first group to receive a banking license after a break of 15 years as a major bank of the Middle East and North Africa.

from the high quality financing opportunities that large creditworthy Turkish corporations provide allowing the Bank to build a captive market share. On the longer run, the group will explore the possibility to develop targeted retail products for specific segments, which would build a new value added franchise.

We are actually experiencing one of the most exciting eras of our contemporary history thanks to our newest subsidiary Odeabank. On behalf of our Executive Board, I thank all our employees who have contributed in bringing the success of our bank to fruition and our customers who have placed their trust in us, who have chosen to be with us.

**Samir Hanna**  
*Chairman of the Board*







## Message from the General Manager

By the end of the first half of 2012, we began to expend massive effort to see Odeabank marked out from competitors quickly and we marched ahead with firm steps. We aimed to demonstrate our Bank's technological, innovative and productive structure.

**Hüseyin Özkaya**  
*General Manager & Board Member*



## Message from the General Manager

Dear Business Partners and Customers,

I am pleased to address you with our Bank's first annual report. The decision of our parent capital holder Bank Audi Group to invest in Turkey presented my colleagues and me a wonderfully unique experience that many would rarely encounter in their careers: To build a corporation from scratch.

This experience is very special certainly for me and I know that the same is the case for each and every individual at Odeabank. We have all worked very hard to be able to set up the Odeabank structure that will usher in a new breath and distinction to the sector. We will always maintain the same faith and dedication as we work, as we grow. From deep within ourselves we are all thrilled at the prospect of creating a new organization and to establishing a formidable brand. I wish to speak to you briefly about this process.

By the end of the first half of 2012, we began to expend massive effort to see Odeabank marked out from competitors quickly and we marched ahead with firm steps. We were aware that in the initial phase, physical recognition was fundamentally imperative. In setting up the organization, we chose as our stakeholders foreign organizations for the creation of our brand and the design of our branches. The architecture of our brand was contrived by different ways of positioning the capital letter ("O") of our bank's name, and its "multi-functionality" was highlighted. The main colors of our corporate identity are black and white; the usage of the full color spectrum in the secondary colors in our logo depicts our product and service diversity.

In our branches, we aimed to demonstrate our Bank's technological, innovative and productive structure to our customers. The soft lines inside our interiors illustrate our flexibility and the unbounded nature of our services. In both work areas and waiting lounges for customers, we utilized our investments in technology, to make customers more comfortable and happy. Among our goals were speeding up business processes and providing our customers with unparalleled advantages and the most opportune service. All of our branches were designed and put into service with this purpose in mind. We intended to make every customer feel special in the service they receive from us and at our branches.

We have all worked very hard to be able to set up the Odeabank structure that will usher in a new breath and distinction to the sector.

It was quite an excitement for all of us to move to our headquarters in October. The move allowed the whole team to work in unison at the right norms, and had a positive bearing on our ways of conducting business. We were more of a "bank" after the move. In this process, I have to say, everyone fulfilled their responsibility to the ultimate point and beyond all expectations. Then, a new page was turned, a new chapter embarked upon. We received our operational license from the Banking Regulation and Supervision Agency on the 2nd of October. After an interlude of 15 years, Odeabank became the first bank to obtain a deposit banking license in Turkish banking. We went into operation as the 49th player of the sector. For about a month, we finalized our technological infrastructure and filled in organizational shortcomings in collaboration with our business partners. Our branch concept, the actual face of our brand, was assumed with great enthusiasm and brought into reality from paper on the 1st of November: The first branch was opened on the ground floor of our headquarters building in Maslak on the 1st of November 2012.

Besides the challenges imposed by building a bank from scratch, we have been working to become a bank resting on solid foundations and agreeable with sustainable, healthy growth. We believe we will soon make the differences of our services felt in the banking sector owing to our service model engineered with well-thought out processes, technological infrastructure, high-quality and our team of experienced human resources.

I would like to state that in this process the positive developments in our country have added positive value to all our work. As you are aware, in the Turkish economy, the first unnamed program following the Program of Transition to a Strong Economy was put into force at the end of 2010. The first fruits of this program of measures taken principally by the Turkish Central Bank, as well as the Government and the Banking Regulation and Supervision Agency for financial stability were harvested in 2012. In 2012, relative to inflation and GDP, the Current Accounts deficit fell from 10% (2011) to 6% and the economy displayed mild growth of 3%.



Inflation remained within the  $\pm 2$  uncertainty band set by the 5% target for the third time in the last four years. In spite of the stagnation in the global economy, particularly the recession in our main trade partner Europe, exports grew by 20% (in real terms) and 13% (in dollar terms) in 2012, reaching a new record high of US\$ 152.6 billion. In a year of recession for our main trade partner, the European economy, the record in exports was garnered by the diversity of markets. The drop in the share of the European Union in exports of 2012 was more than compensated by the rise in the shares of Middle Eastern countries: 5% fall versus 52% growth in exports to the Middle East and 41% growth in exports to North Africa. In the forthcoming years, while the European economy is expected to recover and grow, the continuity of exports to the Middle East area will be of critical prominence. The way to do this is to clearly grasp the demands of the area in the light of local experiences and to build sound commercial ties.

We have no doubt that the strength and reputation of our Bank's main capital holder Bank Audi Group in this region will spawn tremendous advantages for commercial relations with the region and for supporting our manufacturing/production sectors.

If we are to take a glance at the overall state of the banking sector during this time period, the total assets of the sector rose by 12.6% in 2012 to TL 1.371 billion. After the slowdown in the third quarter of the year, overall credits re-gained momentum when the upper limit of the interest corridor was relaxed in the last quarter, credit interest rates fell and Turkey's rating was elevated by an international rating agency to investment grade. As of December 2012, there was a 16.4% surge in credits to TL 794.8 billion. Parallel with the moderate slowdown in the economy, total liabilities of the banking sector were constrained to a 12.6% rise in 2012 and the growth in Time deposits was 11%. The decline of the share of deposits since 2009 was influenced by the deceleration in the domestic savings growth, besides the banks' use of foreign markets and repo opportunities and pursuit of alternative sources of finance such as issues of security.

Dear Stakeholders;

Within this conjuncture, we have zealously focused on creating an organization acting with speed and efficiency in all segments of banking, from which our customers will reap maximum benefit; we have structured our service processes with a concept to make every customer feel special. It is my firm belief that coupled with our product range, the value we ascribe both to human resources and technology, will pave the way for platforms on which we can build sustainable relations with our customers based on trust and integrity.

The challenges imposed by building a bank from scratch, we have been working to become a bank resting on solid foundations and agreeable with sustainable, healthy growth.

At this point, I wish to delineate our work and inform you as such. In this short period of time, we adopted touch screens, wireless and integrated systems in the infrastructure of our bank both to offer our employees a more conducive work setting, and to serve our customers more rapidly and efficiently. To complete the business processes of our customers faster and more proficiently, we completed the video conference infrastructure by which all branches are able to speak with each other and with the headquarters, the integrated communications infrastructure allowing voice and image communications by mobile devices independent of location, the IPTV infrastructure allowing watching of the TV from PCs and wireless image transfers from mobile phones and tablets to meeting rooms. We made it possible to obtain print-outs by wireless connections to printers, and set up automation systems in meeting rooms. We harmonized our Intranet (staff) portal to enable touch screen features.

We expended painstaking effort in the password and security systems of our Bank which fuses banking and technology in all functions. In the framework of our concept that aims to deliver practical and secure services to our customers, we created the opportunity to transact in telephone banking by card passwords without other passwords.

We were demarcated from our competitors by touch screens in our branch windows that can be used by everyone to receive banking information. We are able to present numerous services to our customers via multimedia support from examples of pricing tables to existing campaigns. Furthermore, customers who are interested in our services can speak with our call center via voice and image.

We designed the waiting areas in our branches to make our customers feel most comfortable. To make the time they spend inside the branch resourceful and enjoyable, we placed touch screen tables installed with interactive applications and games as well as tablet devices demonstrating information. We introduced other novelties to the sector such as informative screens not just limited to queue numbers and promotions but displaying market information and news on the agenda, electronic billboard screens loaded with the required documents and wireless Internet access.



## Message from the General Manager

We thought out all services down to the finest of details. Our branches were also singled out among our competitors by our environmental approach. We were careful not to use paper in branches except for documents requiring signatures. In our office environment, too we are genuinely paper-free and equipped with environment-friendly business processes with performance and score cards viewed online and business intelligence applications where analyses can be conducted with the relevant data on hand.

We built a communications system where all employees can speak with each other in the presence of video images. Our cash tellers were able to work 40% more efficiently and reliably with our automatic cash counting and admission systems.

The majority of our work for our debit card and credit card, one of the most important products of the sector, was completed in 2012. These cards are to be launched under the umbrella brand of "Bank'O". For the credit card, we signed an agreement with a pioneer in the Turkish market "Axess" on a "Joint Brand Sharing Program". We handed debit cards to our customers instantly in branches to allow them instant access to their accounts.

We began to take applications of personal loans starting from November. By the last quarter of 2012, All General Purpose Loans, Personal Financing Loans (commission free, discounted) and Home Decoration/Renovation Loans were on offer. We worked equally proactively in Vehicle and Housing loans to put into action various alternatives.

Our "Founding Customer" package developed especially to fortify our deposit base offered diverse opportunities to the first 1000 customers of our bank.

Our commercial and corporate teams recorded critical achievements through marketing activities in the same time period. In Corporate Banking, we disbursed cash and non-cash loans to our corporate customers added to our portfolio by virtue of our sector-oriented approach and experienced staff since our first day in operation. Likewise, we mediated other banking transactions for them including deposits, foreign trade, project financing, cash management and derivative products. We served customers in 5 different corporate centers: Maslak, Güneşli, Kozyatağı, İzmir and Ankara. By

Thanks to the confidence and support of our customers, by the end of 2012, our asset size had expanded to TL 3.6 billion and loans to TL 1.7 billion.

the end of 2012, our corporate deposits totaled US\$ 453 million and cash loans totaled US\$ 521 million. Our Commercial Banking segment, with a significant share in our bank's asset size, worked with the objective of being one of the most successful and lasting actors of the sector excelling in the management of costs, profitability, risk and relations. By the end of 2012, Commercial Banking had registered 947 customers, TL 324 million in commercial deposits and TL 801 million in cash loans.

Consequently, we closed 2012 brilliantly. The formula for the success of a bank is really quite straightforward; factors like capital structure, the strength of the capital owner, the team and human quality play leading roles. Apart from the strength and support of our capital owner, Odeabank's greatest asset is our young, dynamic, ambitious and achievement-oriented team.

We are delighted to have surpassed our targets as a result of our operations executed merely in the last two months of 2012.

To browse through our figures: thanks to the confidence and support of our customers, by the end of 2012, our asset size had expanded to TL 3.6 billion and loans to TL 1.7 billion. Our deposit savings leaped to TL 2.5 billion. We completed the year with six branches opened in Maslak, Güneşli, Kozyatağı, Caddebostan, İzmir and Ankara.

The number of our employees-each meticulously selected, devoted to work with us, experienced and accomplished-became 396 by the end of the year. We are extremely glad to have recorded such achievements with a team so small relative to the banking sector. I take this opportunity to thank our dynamic team who do banking not just as a job but work fervently, our capital holder who is always by our side with unrelenting support and above all, our precious customers all of whom trust us and underpin our strength.

We hope our Bank will elicit favorable returns to our stakeholders and country, and wish the future to bring us all excellent health, happiness, success and the very best of everything.

**Hüseyin Özkaya**  
General Manager & Board Member







## Corporate Banking

Benefiting from the regional strength and strong network of Bank Audi Group mainly in the MENA region, Odeabank provides services to corporate customers with all products available in the Corporate Banking product range and with the necessary system infrastructure, as well as its highly capable human resources. In addition to offering cash and non-cash loans to corporate customers that the Corporate Banking Business Line added to its portfolio with its sector-based approach and experienced personnel, it also mediates other banking transactions of the customers like deposit transactions, trade finance transactions, project financing, cash management and various derivative products. It started providing services through 5 different centers respectively in Maslak, Güneşli, Kozyatağı, İzmir and Ankara Corporate Centers in 2012. As of 2012 year-end, corporate deposits have reached USD 453 million and cash loans reached USD 521 million as a result of intense marketing activities carried out with a branch headcount reaching 34 personnel and 9 personnel in the Head office, totaling 43 since October 2012 when it commenced operations. Corporate Banking has aimed to diversify its loan portfolio in a way to include mainly real estate development and investment, construction and commitment, iron and steel, energy, telecom and retail. The primary goal for 2013 is to raise customer numbers rapidly and to carry the position of its customers to top ranges within the Bank portfolio with the tailor-made products structured to meet customer needs and to become one of the top-of-mind Bank for customers in need of long term loans requiring appraisal and extensive knowledge as in the case of purchasing and project financing.

As of 2012 year-end, corporate deposits have reached USD 453 million and cash loans reached USD 521 million as a result of intense marketing activities carried out with a branch headcount reaching 34 personnel and 9 personnel in the Head office, totaling 43 since October 2012 when it commenced operations.







## Commercial Banking

Odeabank Commercial Banking has been established to create a platform, which will provide sustainable growth and profitability to the Turkish banking sector and the Bank Audi Group; it provides services to all customer segments with an annual turnover of up to USD 75 million. Aiming to meet all financial needs of the customers and to support their healthy growth, it operates through 5 Corporate and Commercial Centers in total, located in İstanbul, Ankara and İzmir.

In spite of the economic fluctuations and intense competition in the Turkish banking sector, Odeabank has successfully commenced its commercial banking activities in 2012 with its robust capital structure, qualified human resources and high quality of service. Having a significant share in the asset size of Odeabank, the Commercial Banking Business Line expends effort to be one of the most successful and permanent actors of the sector with its success in controlling costs, profitability, risk and relation management. In addition to the commercial companies, Commercial Banking offers products to fulfill the varying segment-based needs of the small and medium sized enterprises. Commercial Banking has gone through a year, in which it has gained customers in all segments with its rapid and efficient sense of work, as well as its approach centralizing on customer experience and needs. As of the 2012 year-end, there are 947 customers in Commercial Banking with commercial deposits of TL 324 million and cash loans of TL 801 million.

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## Retail Banking

Adopting the concept of caring for customers' lives and time, Odeabank has invested in the best in all areas of banking. The first branch was opened on the first of November. Retail Banking was kicked off with the vision "We Are Not Everybody's But Your Bank".

In the months of operation until the closing of 2012, rising on the shoulders of the dynamic and experienced Retail Banking team of 56 employees, Odeabank evolved into 6 branches, growing steadily. In spite of being a new entrant to the sector and vicious competition, the department spurred considerable momentum in drawing retail customers. The privileged "Founding Customer" status offered to the first 1000 retail customers attracted substantial attention. In that period, the innovative and solution-oriented strategy resulted in a retail deposit volume of TL 1.4 billion by nearly 2000 customers.

Odeabank set it a priority for 2013 to expand the customer base through privileged services, enlarging the product spectrum and building the ground for long-standing relations with customers.

Odeabank's Retail Banking is divided into 3 branches of business: Asset Management, Debit and Credit Cards, Consumer Loans.

### ASSET MANAGEMENT

Asset Management is comprised of the products and services for maintaining and growing deposits. Deposits are invested in fixed income instruments, stocks, derivative products, mutual funds, etc. taking into consideration customers' expectations of risk and return. Asset Management services are segmented into 5 main axes.

**Team-based Relation Management:** Asset Management Relation Managers in branches are experienced branch managers (certified by the Capital Markets Board) and customer representatives. The team is completed at the headquarters by the treasury team, investment strategists, investment and insurance product managers who work in cooperation to meet all asset management needs of customers impeccably.

**Rich Portfolio of Investment Products:** Alongside special deposit products and basic investment products, a gamut of investment funds corresponding to all kinds of markets and risks are on offer. Several options and forward products and new derivatives generated from these bring constant dynamism to the product portfolio in step with the volatility of markets.

Odeabank set it a priority for 2013 to expand the customer base through privileged services, enlarging the product spectrum and building the ground for long-standing relations with customers.

### Customer Consultancy and Portfolio

**Management:** A paramount expectation of customers is receiving maximum research and consultancy support regarding markets and investment products. The privilege of working with a large team collaborating with numerous portfolio management companies and brokerage houses to channel customer investments will be the chief distinction of Odeabank in this area.

**Rewards and Privileges:** Special services are planned to make Odeabank customers feel that the Bank is by their side in their private lives, too. Some examples are special welcoming services in airports, extraordinary discounts for concerts/cinemas/game tickets, etc.

### Asset Management with Customer

**Participation:** A key prerogative that will be introduced in Turkey is a new asset management concept that will create an environment for customers, who have maintained and enhanced their assets for many years, to share their knowledge and experiences with Odeabank and other Odeabank customers.

### DEBIT AND CREDIT CARDS

In the market for debit and credit cards, innovative services and technological approaches are at the fore. To be attuned to the dynamics of the Turkish market and serve customers at the best possible level, Odeabank conceived its core strategy in credit cards to respond to key customer expectations such as "installments, reward points and cash in advance". A "Joint Brand Sharing Program" was signed with a pioneer of the Turkish market "Axess" after which Odeabank is to knock resiliently on the world of debit and credit cards under the umbrella brand "Banko" in 2013.

In the final quarter of 2012, technical developments and branding work got underway with speed to be finished by the first quarter of 2013 with the upshot of the Bank'O Axess credit card: installments in over one hundred thousand Axess members, chip-point earning reward system, assertive marketing communications, campaign diversity and unique concept of products/services.



## Retail Banking

In 2013, the goals concerning Bank'O Axxess credit cards are to launch a brand new credit card program that present special solutions not just for shopping but also for emergency cash needs, constantly aid customers with unique campaigns, and provide the best services through alternative distribution channels. Special needs of card holders can be satisfied through yellow line, valet parking and lounge services.

The Bank'O Axxess Card aims to assist customers by integrating technology in its products (i.e. different products such as the NFC, paypass card used by market leaders). Services will be provided to customers from different segments through pre-paid cards and debit cards. Initially, the Bank'O Axxess Card will be present in the market in classic, gold and platinum product-types. Nonetheless, it will excel in the market to better serve the upper segment customer groups, as a product that will seal customer satisfaction in the true sense, including miles, flight programs, experimental marketing, concessions in a host of special venues and reward points.

The Debit and Credit Cards Management will initiate CRM, loyalty and commitment management programs. It will handle Customer Experience Management in the best way by its perceptions of customer feedback from outside and through complaint management. In this way, with the target "customer first", the right customers will be served through the right channel, by the right product.

For commercial usage and credit cards of corporate executives, the Bank'O Card Business and Bank'O Card Corporate Executive products have been slated to be in service after the first quarter of 2013.

Another product under the umbrella brand of Bank'O is the debit card. In the last quarter of 2012, as accounts were being opened, these cards were immediately presented to customers at the branch so that they could access their accounts instantly. By the first quarter of 2013, customers will be able to use their Mastercard Bank cards issued in their name, to access their Odeabank accounts, withdraw cash from all ATMs in Turkey and abroad, and use the card instead of cash to shop.

### CONSUMER LOANS

Odeabank swiftly completed its new installation and infrastructure investments, and activating an innovative and high-quality service notion, began to receive applications for consumer loans starting from November 2012. Exercising a pioneering, technology-oriented and sincere stance, the Bank will improve its product diversity within 2013, and move on with its aim to expand the base.

Odeabank swiftly completed its new installation and infrastructure investments, and activating an innovative and high-quality service notion, began to receive applications for consumer loans starting from November 2012.

All general purpose loans catering to all needs, Personal Financing Loans (commission free, discounted) and Home Decoration/Renovation Loans were available by the last quarter of 2012. Odeabank is motivated to provide special services to customers in Vehicle and Housing Loans. Loans are being issued for residences both completed and in project stage in 2012. Odeabank vehicle loans come with all kinds of services, including second-hand cars. Employing plenty of distributor agreements, Odeabank shall be able to satisfy customer choices with upper and middle segment car brands.

For all consumer loans, it is possible to draft a payment plan most suitable for individual budgets at long terms and low re-payments. The overdraft facility that can be used for emergency cash needs 24/7 is another product.

Aside from the stress laid on branching, Odeabank is going to lead the way in taking its services right up to the customers. Hence, by being perceived as the "loan key" in the pockets of customers, it will be possible to serve them instantly without needing to go all the way to the branch. Upon customer requests for a loan, the reply mechanism will immediately be set off to share with them how much could be paid with the length of maturity, thus focusing on a customer-oriented service concept at convenient and flexible re-payment plans.

In Housing loans, a mass of products (Mortgages where customers determine their own payment plans, ladder-type mortgages with increasing re-payments, interim payment mortgages, transfer mortgages to finance existing loans of customers, etc.) have been in use with the Odeabank expertise. Surprise gifts and advantageous conditions were offered to Housing loan customers. The ultimate objective has been to give customers an exceptional customer experience from the start to the end. For 2013, Odeabank has set its sights on becoming one of the first brands that come to mind in housing loans and serving customers on-line through a "housing loan platform".

Odeabank injected trust in the sector in 2012, and has made a rapid entry into the Banking sector of Turkey. The target for 2013 is to enrich the world of loans through business partners, enlarge the customer portfolio and grow credit volumes profitably.



## Direct Banking

By creating efficient channels in terms of profitability and efficiency, the Direct Banking unit ensures that both Bank customers and prospective customers carry out transactions and obtain products / services in a rapid, simple and secure way and with a high level of satisfaction.

The Direct Banking unit is responsible for stepping up the utilization of the Direct Banking Channels (internet, mobile / SMS, communications center, ATM and self-service, social media etc.) and thus facilitating the work load of the branches. In addition, the Unit ensures that the customers of the Bank and prospective customers execute rapid, simple and secure transactions and obtain services / information / products by means of such channels while creating bilateral communications with the Bank on issues such as satisfaction, complaints, suggestions and requests.

### INTERNET BANKING VE WEB SITE

Odeabank had its Internet Banking operational in November 2013, at the same time with its first branch. In line with the developing technology, Internet Banking has a structure enabling accession through PC, tablet and mobile devices.

Customers are able to monitor their assets and debts on Odeabank Internet Banking and retrieve their account activities and execute transactions such as regular Money transfers / EFT, SWIFT entry as well as open time deposit accounts at advantageous interest rates, buy/sell foreign exchange, monitor loan payment plans. Odeabank Internet Banking usage rate increases rapidly in parallel with the rate of customer growth.

The Odeabank Web Site, through which the details of Bank products can be reached and the calculation tools like loan interest rate calculations are offered to customers and prospective customers, recorded 50,000 hits in 2012, although the Bank had not yet been launched at that time.

### 444 8 444 COMMUNICATIONS CENTER

Offering full time services, 444 8 444 Communications Center has been offered for the use of customers since November 2012. Banking transactions and customer notifications are managed over a single line. Odeabank Communications Center is established in a structure not only for voice calls but also for video calls. Video calls can be performed with the communications center through the Kiosks located at all branches and via tablet applications.

All of the Communications Center employees offer both Turkish and English services maintaining identical standards of quality and over a single line.

Odeabank Internet Banking usage rate increases rapidly in parallel with the rate of customer growth.

### ODEABANK ATMS AND SELF-SERVICE BANKING

Opening its first ATMs in October 2012, Odeabank has raised its ATM number to 8 as of the year-end. Withdrawals from and card / card-free deposits to accounts in TL, USD, Euro can be executed from all Odeabank ATMs. Moreover, transactions like monitoring account activities, foreign exchange buy / sell, Money transfers, registered EFTs can be executed therefrom.

With the temporal cards, which can be obtained from the branches, Bank customers can receive their card PIN codes on the day they come to Odeabank and execute transactions immediately via ATMs.

Innovative and technological opportunities within the scope of self-service like "Touch Screen Information Screens" including campaigns / products / services information and calculators, "Self-Service Kiosks" enabling Internet Banking usage and video calls with Communications Center, "Digital Posters" providing campaign banners without the need to use paper, "Smart Tablet Corners" from which the current contents like news can be monitored, "Digital Screens" from where the sequence numbers, news and market information can be monitored while waiting on queue and "Touch Screen Desktop Computers" offering various interactive applications are offered to customers in the branches.

### SOCIAL MEDIA

Odeabank actively has a presence in social media. Sharing its banking products as well as its non-financial sector notifications on Facebook, Twitter and LinkedIn pages, Odeabank communicates with all users of these social media platforms.





## Business Solutions

The Business Solutions unit acts as a bridge between Information Technologies and the end-user to provide the best fit and secured technological service to all employees and customers in an efficient, effective and uninterrupted manner.

The Business Solutions unit is responsible for designing processes within the framework of efficiency, operational risk, legal obligations, changing needs under the banking regulations and legal obligations and is responsible for maintaining efficiency at the topmost level; within this scope it is also responsible for developing solutions.

In addition, the Unit analyzes and identifies the needs of senior management of the Bank, business lines and support units related to business intelligence products and it designs and develops solutions to cater for these needs.

The Business Solutions unit ensured that all the technology needs of the Bank were evaluated and resolved during and after the process of obtaining the operational license and selected credit card system, completed purchasing and contract stages and supported the project to bring it to the end-user test stage. In order to prevent frauds, the Business Solutions unit provided support for the selection, purchasing and installment of a Fraud System and activating the said system at all branches, the call center and for internet banking transactions. The Unit has completed the projects of purchasing, installment and realization of the systems oriented to prevent money laundering as well as the installment and functioning of TCR (Teller Cash Recycler) devices enabling automated cash counting / identifying and maintaining in branch counters. The Unit has completed the process of selecting and purchasing the Basel 2 reporting system. It further ensured that the new EFT system and rate publishing system are put into service. Projects for the installment of Moody's Risk Analytics' application, which is the credit risk evaluation system for Corporate and Commercial loans; selection, purchasing and putting the self-service reporting application into use; purchasing and installment of the SMS Banking systems were also executed. The Unit has integrated the system of Bantaş Cash transfer and the operations company with the banking system and the integration projects for the systems of the contractual insurance companies and the core banking system has been performed. The Business Solutions unit has selected Qlikview business intelligence application among the alternative solutions to meet the needs of the Bank related to Business Intelligence and completed the whole compliance process. In addition to all these achievements, a management panel, showing the financial status on a daily basis, has been created for the senior management of the Bank.

The Business Solutions unit ensured that all the technology needs of the Bank were evaluated and resolved during and after the process of obtaining the operational license and selected credit card system, completed purchasing and contract stages and supported the project to bring it to the end-user test stage.



## Transactions Banking

Due to the fact that margins of Transaction Banking products have narrowed and commission incomes have gained significance, these products have taken prominence in 2012 more than ever. Thus, Odeabank concentrates on highly value added and efficient solutions for the collection, payment and financing needs with a structure and perspective, which will provide service to all segments from a single point in this environment. Within this scope, it aims to offer best fit products and solutions creating value not only for the needs of customers but also for the needs of all shareholders within the value chain by means of the cutting edge technologies.

2012 has become the year in which new products and channels have been put into use in Transactions Banking, and for this purpose high-tech based applications and projects have taken the lead. Products and services are structured to enhance new customer acquisition and cross selling activities and in line with the strategy to maintain cash flows of the current customers within the Bank. Within the scope of Odeabank Transaction Banking activities, it is aimed to reduce operational costs, collection risks of the customers in their transactions and to provide them the opportunity of gaining from having the competitive edge. With this purpose in mind, products and services are developed accordingly.

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## Technology for Customers and Employees

To take customer and employee satisfaction to topmost levels, and to maximize speed and service quality, Odeabank taps on advanced technologies at every sphere of life.

In 2012, the following new technologies were put into place around the concept “everything at the tips of your fingers”:

- All ATMs have touch screens
- It is possible to send wireless print jobs to printers, as well as from mobile phones and tablet PCs
- “Call congestion” is re-routed to outsourced call centers in the event that access to customer representatives at the Contact Center is delayed for over a certain period of time
- Teller Cash Recyclers (TCRs) in all branches, self-service banking corners and tellers integrated with the teller cashboxes
- Paper-free, environment-friendly Board Room equipped with touch screens and tablet PCs
- Automation systems in meeting rooms for instant booking and online agenda integration
- Business intelligence applications where the Bank, unit, branch and customer representative performances, score cards, etc can be viewed; data analyses can be carried out at the touch of a button
- Video conference infrastructure between all branches (inter-branch communications) and the headquarters
- Standard use of tablet PCs instead of laptops; transfer of wireless views from mobile phones and tablets to meeting room screens, meeting room automation systems that can be managed from mobile devices
- Phones distributed to the entire staff in which image calls are integrated with mobile phones, tablets and PCs
- Touch screen PCs distributed to the entire staff, touch screen intranet and online forms accessible from mobile devices
- Closed circuit broadcasting between the headquarters and branches; IPTV infrastructure allowing headquarters staff to watch TV broadcasting from their PCs

To take customer and employee satisfaction to topmost levels, and to maximize speed and service quality, Odeabank taps on advanced technologies at every sphere of life.



## Treasury and Capital Markets

The Treasury and Capital Markets Group is structured under three units namely, Balance Sheet Management Unit, Markets Unit and Treasury Sales Unit.

The Balance Sheet Management Unit is responsible, within the framework of the general policies of the Bank, for ensuring that the TL and FX liquidity of the Bank is maintained in a sustainable and healthy way and for meeting the obligations (balance sheet ratios, required reserves etc.) as stipulated by regulations and legislations. It manages the Bank's positions stemming from excess liquidity or the lack of it that might arise in the short or long term.

It is under the responsibilities of this Unit to manage the balance sheet items of the Bank such as the assets, liabilities and equity, considering maturity and interest rate risks and to take the necessary positions.

The Markets Unit trades in interbank markets in line with the profit goals and within the limits determined by the Board of Directors of the Bank. These transactions include derivatives such as spot and forward foreign exchange transactions, arbitrage, FX / interest rate swaps, Treasury Bills, Government bonds, Eurobonds, Cross Currency Swaps and options. The Markets unit also provides price quotations for all products it trades through the Treasury Sales unit for branch and direct Treasury customers. It disseminates prices to the Bank's branches and to the alternative distribution channels for such products as the Bank provides pricing services to customers, the foreign exchange buying/selling, arbitrage, Treasury bills, Government Bonds, Eurobonds.

The Treasury Sales Unit has basically the functions of pricing transactions like spot FX, forward FX, arbitrage, forward arbitrage, FX / interest rate swaps, Treasury bills, Government bonds, Eurobonds, Cross Currency Swaps for bank customers; designing and offering customers of structured products for managing foreign exchange and / or interest rate risks. Along with the portfolio representatives working in the branch, the Unit identifies the needs of customers for Treasury products in a healthy way and provides them with the best fit products to manage their foreign exchange and interest rate risks in the competitive market. The Treasury Sales Unit visits the Branches and customers regularly; updates the customers of the Bank and branch personnel with the new trends occurring in the financial markets; explains the technical features of the financial products, to establish product information.

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Following the establishment, the Treasury and Capital Markets Unit of Odeabank has started to provide services with a rich and diversified product range. By connecting to the interbank and organized markets, relations with banks were initiated and liquidity raising operations were realized. A temporary infrastructure has been set up to monitor all positions and risks related to the Unit and for daily reporting. The tests of "Murex", the leader in treasury systems specializing in the area of competitive pricing, have been successfully completed and its installation and the integration process to the banking system have been planned. The Treasury Sales Team visits customers in the corporate, commercial and retail business lines and a range of available products have been introduced and necessary operations have been carried out to offer a complete range of treasury products to customers, just as in the case of the other banking products.

In addition, the necessary training has been provided to introduce treasury products to all the business lines of the Bank; and apart from the customers that the Unit makes direct transactions with, the pricing of treasury products has been done through branches and channels.

Being responsible for informing corporate and commercial customers in the area of risk management, the Treasury Marketing Unit has realized the structuring of necessary products by offering solutions to customers on balance sheet management and possible/likely financial risks.

In order to provide advantageous pricing to all business lines and distinguished customers in the realm of treasury products, international markets have been continuously monitored and buying - selling transactions have been carried out for profit-making. By providing updated market information to customers and business lines, new products and solutions have been developed and priced in line with customers' needs.

A state-of-the-art systems infrastructure has been established and the pricing of structured as well as conventional products has been realized and issued to customers, in order that an advantageous position in competition is ensured.



## Financial Institutions and Funding

The Financial Institutions and Funding Department is responsible for the establishment and carrying out of the relations with financial institutions and providing non-deposit funding to the Bank. Within the framework of the relations with Financial Institutions, correspondent banking relationships have been established with 160 banks under the marketing activities performed after the Bank started its operations and nostro accounts are maintained in 10 different currency types. During these marketing activities, Odeabank met with and conducted negotiations with almost 150 banks in 9 different countries spanning the Gulf, Europe and Asia. Funding to the tune of USD 100 million in total was provided from 5 different banks in 2012, thus creating resources for the Bank.

While creating a correspondent banking network, international banks have been prioritized to meet the needs of customers in the most efficient way and the products and services aimed to be offered in 2012 have also been prioritized by benefiting from the strong banking network of the shareholder, Bank Audi Group, operating in 12 countries. Within this framework, while creating the correspondent banking relationships, the needs of customers in the field of trade finance are closely examined and countless banks mainly in the Middle East, Europe and Asia have been visited for the purpose of establishing a structure, which will meet these needs in the fastest possible way.

Within the framework of the relations with Financial Institutions, correspondent banking relationships have been established with 160 banks under the marketing activities performed after the Bank started its operations and nostro accounts are maintained in 10 different currency types.



## Foreign Trade

The Foreign Trade department provides product support to Odeabank's corporate and commercial centres on sales and marketing to raise the volume for financing foreign trade, deepen relations with corporate and commercial customers, carry out customer visits in coordination with branches in a way that would attract new customers and extend penetration, organize activities and trainings. It has a revenue target, and is obliged to maximize the revenue made from foreign trade transactions. Furthermore, the department eyes global and local foreign trade corridors, trends and market needs so that the Bank can offer new products echoing market dynamics in addition to conventional foreign trade products on financing foreign trade.

Parallel with the strong presence, ample experience and durable relations of the Shareholder Bank Audi Group in North Africa and the Middle East, there will be special focus on these regions. The Middle East and North Africa, which have had larger shares in Turkey's foreign trade in the last few years occupy a significant place among the strategic expansion targets of Odeabank's foreign trade operations, standing as one of the major factors distinguishing the Bank from local competition.

Turkey recorded US\$ 153 billion of exports and US\$ 237 billion of imports in 2012. In 2000, these figures were US\$ 25 billion and US\$ 44 billion, respectively. Thus, Turkey's exports were multiplied by 6 times, and imports were multiplied by 5 times in 12 years.

With respect to the import volumes of Turkey in 2000 as opposed to 2012, imports from the Middle East and North Africa climbed by 5 times to US\$ 24 billion in 2012. The import volume vis-à-vis EU countries (US\$ 87 billion in 2012) was merely triple the level of 2000. Among the import markets of 2012, the EU and the Far East (US\$ 50 billion) is followed in third place by Eastern Europe (US\$ 37 billion), and by the Middle East and North Africa in fourth place (US\$ 24 billion).

In the export domain, from 2000 to 2012, Turkey's exports to the Middle East and North Africa rocketed by 13 times to US\$ 51 billion. These exports constitute the sole positive impact on Turkey's current accounts deficit, and are getting more and more essential for the country every day. The same area comes up as the zone with the highest increase in foreign trade volume in recent years. We observe that the dependency on EU countries-the largest export market- is being diminished: the export figure of US\$ 59 billion in 2012 is only four times the figure of 2000. The foremost export markets as of 2012 are the EU,

followed by the Middle Eastern and North African region (US\$ 51 billion), Eastern Europe in third place (US\$ 14 billion) and the Far East in fourth place (US\$ 11 billion).

Although the primary target area consists of countries buttressing Turkey's positive foreign trade balance such as the African continent and Middle Eastern nations-the foreign trade targets for the upcoming years-developed and developing markets are crucial for Odeabank, too.

The chief sectors in Odeabank's foreign trade transactions are: iron and steel and raw materials, petroleum and petroleum products, chemical products, coal, agricultural products and other products that influence commodity trade on top of letters of guarantee needs for foreign subcontracted operations and infrastructure projects.

Subsequent to the acquisition of the Bank's operation permit, the Foreign Trade team embarked on visits to customers operating in the corporate, commercial and small & medium sized enterprise segments, and was met with a high level of interest. Besides all conventional foreign trade products, Odeabank sells a broad range of products regarding the financing of imports and exports. On the other hand, the Bank's team specializing on letters of guarantee aim to assist customers to participate in tenders especially in the Middle East and North Africa on infrastructure, construction, machinery and energy projects.

A series of diverse activities are being conducted to bring corporate and commercial customers new business opportunities and partnerships particularly in the Middle East and North Africa, and to better promote commercial corridors in the region. The foreign trade team is likewise keen on taking part as a panelist in leading foreign trade organizations such as Exporta, EBRD Trade Forum, the Turkish Arabian Economic Forum to share the most up-to-date information on foreign trade and the Odeabank foreign trade vision with participants. The Bank sponsored the 2023 export strategy kit study by the Turkish Exporters Assembly (2012), the 2012 Letter of Credit Annual Survey of Law and Practice Conference; the Bank Audi Group acted as the main sponsor of the 2012 Turkish Arabian Economic Forum.



## Project and Structured Finance

The Odeabank Project and Structured Finance department works out long-term financing solutions at international standards geared towards the needs of corporate, commercial customers and private equity funds. Project and Structured Finance department works with a focus of result-oriented, speedy and innovative approach in an effort to build long-term customer ties. Operations are carried out with a wide product spectrum in the fields of Project Financing, Acquisition Financing, Privatization Financing, Syndications and Long-Term Structuring so as to bolster Turkey's sustainable growth. With a burgeoning volume of transactions, the department has made claim to position Odeabank as one of the leading banks in the sector in just a short time.

Further to Odeabank's advantage of being a new organization, its capability to make decisions very rapidly, policy to respond to customer demands promptly and skill to offer the right financing solution at international standards by highly experienced team members will set the Bank apart in this field.

After the receipt of the Bank's operational license, the Project and Structured Finance department reviewed 35 different transactions up until the end of 2012 in over 10 sectors, primarily energy, commercial real estate and construction.

Of these, mandates were awarded for three transactions worth US\$ 140 million. One of them was Euro 130 million syndicated senior secured term loan of a leading Turkish holding. Odeabank had a share of Euro 37.5 million in this transaction acting as mandated lead arranger, facility agent and security agent.

Up next, analogous with the Bank's growth strategy and rising customer demand, Odeabank Project and Structured Finance department will continue its financing support increasingly with special emphasis regarding sectors/projects in various fields as mentioned below:

- Renewable energy projects –particularly geothermal and hydroelectric,
- Natural gas distribution projects,
- Private equity acquisitions,
- Privatization transactions,
- Commercial real estate projects – shopping centers, hotels, offices,
- Hospital projects with public-private-partnership.

Further to Odeabank's advantage of being a new organization, its capability to make decisions very rapidly, policy to respond to customer demands promptly and skill to offer the right financing solution at international standards by highly experienced team members will set the Bank apart in this field.



## Economic Research and Strategic Planning

This department formulates the right strategies in cooperation with top management and conducts economic research needed for these strategies so that Odeabank's profitability and growth performance can be on target. Responsible for drawing up the balance sheet, investment and corporate sheet strategies of Odeabank, the department puts together economic research and forecast sets to help evaluate the Bank's status with respect to economic variables and market conditions. Regular reports are produced to provide information on the state of the economy; The Turkish banking sector is analyzed to identify market trends and lay out projections. The Bank's performance is analyzed by periodic comparisons with competitor banks, and the top management is notified of the national and international developments that might precipitate a change of strategy. Apart from the top management, this department also provides support by producing reports, analyses, data, interviews and presentations in response to the demands of domestic and foreign customers.

The Economic Research and Strategic Planning Department started its activities at the end of June 2012. In less than six months, a range of value added studies were completed commensurate with the growth target of Odeabank. The department played a huge part in offering special services to customers and making Odeabank one of the rare organizations in the whole sector publishing economic research reports simultaneously in Turkish and English. The department was soon widely heard by virtue of its insightful analyses, commentaries and forecasts with value added, and contributed to the promotion of Odeabank by being extensively featured in the national and international press.

The Economic Research and Strategic Planning Department started its activities at the end of June 2012. In less than six months, a range of value added studies were completed commensurate with the growth target of Odeabank.



## Central Operations

Since its establishment, Odeabank has carried out all operations – from the simple and routine to the most complex and sophisticated - in a centralized manner. Keeping pace with advances in technology and their applications in banking operations, Odeabank developed a centralized operation and functions at the Head Office have been brought together under one Division to create a synergy, while expending a minimum of resources. In addition, by maintaining experienced employees in the branches for operations, Odeabank has the flexibility to serve customers in the best possible way.

With this approach, Centralization of operations has transformed branch offices into marketing centers, improving customer satisfaction through excellent services provided by experienced personnel, thus raising operational effectiveness and efficiency.

This flexible structure of centralized operations coupled with the contribution of Odeabank's cutting edge technological infrastructure easily copes with the increasing volume of transactions in all business lines without any flaws or delays in the functioning of all transactions.

Centralized Operations under Operations umbrella are as follows: Trade Operations, Loans Operations, Treasury Back Office & Investment Product Operations, Payment Systems (TL & FX), Branch Network Management, Cards & Transactional Banking Operations.

By maintaining experienced employees in the branches for operations, Odeabank has the flexibility to serve customers in the best possible way.



## Organization

The Organization Department drafts the Bank's various policies, procedures, forms, other documents/processes, proceeds with their announcements and publications. In 2012, 239 processes, 106 procedures and 25 policies were prepared and published.

The Processes Portal was put in use to allow access to processes, relations between them, relevant documents and control points in integration; enabling the view of steps taken for these processes, those who execute them, the system/screens used.

77 memos were sent to implement the new procedures, encourage the usage of existing ones and facilitate internal communications within the Bank. Users are sent daily questions and answers as notices/reminders under the heading "Did You Know?", sharing the gist of information they might need to know on different subjects.

The Bank's role and authorization matrix was prepared to set job descriptions and authorization levels of users and to enable the IT department to set definitions accordingly. As the organizational structure is expanded and new applications are brought in use, the rights of access related to superstructure are updated; the current number of authorization groups became 67; the number of different roles in application became 64.

From an organizational perspective, the department effectively contributes to projects run by other departments, development work and process designs, and provides opinions. The department worked on the coordination of branch simulations prior to inspections by the Banking Regulation and Supervision Agency, and took an active role during the inspection.

The department collaborated with the Human Resources Department for training programs aimed at the system adaptation of newly recruited employees, and joined the 14-day training programs. A new concept called "Branch Quality Visits" was activated to be informed about whether processes are properly applied in branches (as defined), to specify the bottlenecks in processes/customer experiences and possible areas of development, and to poll thoughts/opinions/feedback from employees. Branch visits were organized for this purpose.

The department collaborated with the Human Resources Department for training programs aimed at the system adaptation of newly recruited employees, and joined the 14-day training programs.





## Corporate Communications and Marketing

Corporate Communications and Marketing is responsible for publicizing the Bank to the public through advertising and PR activities, conveying clear and accurate news and information about the Bank to the public and communications within the organization in compliance with the main targets and strategy of Odeabank.

It manages marketing and corporate communication activities in conformity with the Bank's mission, vision, short and long-term targets and policies; develops new communication strategies, and puts them into action.

In addition to being responsible for running market analyses, competitor analyses, brand management, reputation management and public relations processes, Corporate Communications and Marketing oversees the communication budgets of marketing units, as well.

In 2012, the department actively administered all activities to contribute to the Bank's recognition and visibility. The Bank's corporate identity was crafted in cooperation with an international brand consultancy company, Wolff Olins.

The branch concept work was carried out in association with I-am Istanbul Branding Agency; graphic designs were prepared for the brand expression, interior decoration and spaces that would serve the use of a single and consistent language in branches with the Odeabank brand identity.

In Odeabank's sponsorships, PR activities and all other activities-public or open to certain groups-the department directed projects representing the Bank in the most proper way to the intended target group. All digital work for the branding of branches was done and put into force.

All digital projects regarding Odeabank's website, Intranet portal and other marketing projects were completed in cooperation with the MagiClick Digital Agency.

The department acted as a bridge in the press communications of the General Manager and Deputy General Managers. By means of planning, the Bank's recognition was facilitated through communication activities.

The department organized the design and manufacture of all required printed documents of the Bank in addition to the design and manufacture of materials requested by other departments for marketing needs.

In 2012, the department actively administered all activities to contribute to the Bank's recognition and visibility.



## Information Technologies

Odeabank's main banking system, third party software products and infrastructure were selected on the 23rd of November 2011; as of today the Bank has an expandable, scalable, rapid, reliable and state-of-the art web-based infrastructure in its Data and Emergency Center.

The Main Banking Platform has a multi-layer architecture developed by Microsoft, NET Framework Common Language Runtime. Software products are available in branches, ATMs, Internet banking and Contact Centers to serve customers relevant to the Investment, Star, Retail, SME, Commercial and Corporate areas.

The short-term IT strategy embodies finding external funding to provide services such as hosting management, network management, main banking software development and management, help desk and user support management, hardware installation-maintenance.

The IT department was engaged in the following tasks in 2012.

The selection, installation, testing and application of the Main Banking Platform (Intertech Integrated Banking Platform). As requested, the system is being developed on multiple settings. The selection and installation of the Server, Disk and Back-up units on which the main Banking platform will operate has been completed, and are being maintained and managed. About 50 3rd Party Technical and Business Applications were selected, and installed integrated with the Main Banking Platform, and are upgraded. All Communications Networks and security components of the Main Banking Platform and Third Party software were selected, installed, maintained and supported with upgrades.

During the same process, nearly 300 physical and virtual servers were installed and are being managed. Multiple storage units with High Availability were selected and set up in various locations. A world leader product was adapted to monitor all these hardware and software from a single control unit. The mobile communications infrastructure was put in use across the Bank by choosing the safest technologies. Bank employees were enabled to work when mobile both in Bank offices and from outside.

A strong communications infrastructure with back-up was installed in Odeabank using cutting-edge technology and the highest connection capacities in the sector.

A strong communications infrastructure with back-up was installed in all offices using cutting-edge technology and the highest connection capacities in the sector. The security of the Bank's network was guaranteed with the most modern technologies. In all active and passive network hardware and software, world leader products are used as standards. Database security and log products are installed and managed by upgrades. The electronic mailing system inside and outside the Bank (e-mail, electronic fax, swift, EFT, EMKT payment systems) was configured.

Bearing in mind all business partners, suppliers and the regulations of the Banking Regulation and Supervision Agency, contracts were signed, and are checked periodically. The Emergency Center and Business Continuity Center were set up in different locations. The policies and procedures outlining Odeabank IT processes and standards were drawn up taking into account the COBIT 4.1 Governance Framework and pertinent regulations of the Banking Regulations and Supervision Agency.

BT committees have been set up and are in operation. An instantly monitored product for the treasury front desk sales and risk platform was chosen, and is being adapted. A special telephone infrastructure system was selected for the Treasury Group, and was installed with a recording system. A universally recognized product was selected to instantly follow the risks and advantages of loans granted to customers, and are being adapted. The infrastructure for the transfer of financial data from Reuters and Bloomberg was concluded. The Headquarters cabling, layout, infrastructure and standard desktop hardware/software was completed. The technological infrastructure of six branches was completed, and the branches commenced with providing services. The HP BTO product range was selected for information systems follow-up and help desk service management (SLA Management, call management, event management, change management), installations were completed and the system was put into operation.



## Legal Department

The department draws up, negotiates and concludes contracts with regard the banking products presented by the Bank's headquarters units and branches and the contracts concerning the purchase of all goods and services needed by the Bank to execute its operations.

Submits legal opinions/studies to headquarters units and branches on subjects where needed; sends notices for the harmonization of daily banking transactions with the respective legal legislations.

Represents the Bank at judicial authorities through directly employed or contracted lawyers; takes legal action when necessary for the protection of the Bank's rights. Follows up the drafting and examination of the contracts with domestic and foreign organizations on issues of interest to the Bank; if needed, coordinates and cooperates with foreign legal firms for the settlement of legal conflicts abroad. Pursues the files decided to be legally proceeded and the court cases filed by or against the Bank. The department also Screens the changes in legislation and precedents and informs related business units accordingly. Peruses the Bank's instructions, regulations, forms and general information sets in legal aspects, and updates them. Lays out the legal groundwork for all products, services and projects embodied by the Bank. Fulfills duties to do with branch opening, moving and closing of transactions.

In corporate management, the Legal department, handles the process for the passing of executive board resolutions, and organizes ordinary and extraordinary general assemblies.

In this framework, during the foundation of the Bank, the Legal Department worked on the composition of all credit and guarantee agreements needed by the Bank, the negotiation and signature of all contracts for the purchase of goods and services; supported the drafting of the agreements/ documents necessary for developing banking products, brand and domain name registrations and provided opinions to related units.

In this framework, during the foundation of the Bank, the Legal Department worked on the composition of all credit and guarantee agreements needed by the Bank, the negotiation and signature of all contracts for the purchase of goods and services; supported the drafting of the agreements/documents necessary for developing banking products, brand and domain name registrations and provided opinions to related units.

The department ensured that the appointment of the Bank's executive board members were in line with the provisions of the Banking legislation and the amended provisions of the Turkish Commercial Code. It played a part in the organization of the board meetings and coordinating extraordinary general assemblies on two occasions. It worked on the notice of information /documents pertaining to the individuals appointed to senior management to the Banking Regulation and Supervision Agency. It supported branch openings by supervising legal registration activities, the signature of rental agreements, board resolutions and the issuance of signature circulars.

The legal department expended it efforts to ensure the foundation of a firm legal groundwork and the provision of relevant documentations so that the Bank could be established in line with the respective legislations.



## Management and Corporate Governance Policies

Name	Position	Assignment Date	Education
Samir Hanna	Board Chairman, Shareholder	24.05.2012	High School
Marwan Ghandour	Deputy Chairman of the Board	24.05.2012	PhD
Raymond Audi	Board Member, Shareholder	24.05.2012	High School
Freddie Baz	Board Member, Shareholder	07.06.2012	PhD
Hatem Ali Sadek	Board Member	24.05.2012	PhD
Imad Itani	Board Member	24.05.2012	PhD
Abdullah A. Alhobayb	Board Member	24.05.2012	Master Degree
Hüseyin Özkaya	Board Member, General Manager	07.06.2012	Master Degree
Ayşe Korkmaz	Board Member	07.06.2012	Bachelor's Degree
Erol Sakalioğlu	AGM in charge of Commercial Banking, Deputy General Manager	07.06.2012	Bachelor's Degree
Fevzi Tayfun Küçük	AGM in charge of Direct Banking, Business Solutions and Transactions Banking	07.06.2012	Master Degree
Serkan Özcan	AGM in charge of Economic Research and Strategy	07.06.2012	Master Degree
Cem Muratoğlu	AGM in charge of Retail Banking	18.06.2012	Master Degree
Alpaslan Yurdagül	AGM in charge of Financial Institutions and Investment Banking	07.06.2012	Master Degree
Yalçın Avcı	AGM in charge of Corporate Banking	07.06.2012	Master Degree
Gökhan Erkıralp	AGM in charge of Treasury and Capital Markets	07.06.2012	Bachelor's Degree
Antoine Boufarah	AGM in charge of Operations	15.06.2012	Bachelor's Degree
Naim Hakim	AGM in charge of Finance	15.06.2012	Master Degree

Egemen Selçuk Karaduman, Auditor Appointed by the General Assembly resolution dated 07.06.2012

Serkan Yiğit, Auditor Appointed by the General Assembly resolution dated 07.06.2012

Güney Independent Auditing and Certified Public Accountant Consultant Co. (Ernst & Young member), Independent Audit Company.

### Resignations from Board Membership:

Maurice Sayde: (Appointed: March 2012 - Resigned: September 2012)

Youssef Nasr: (Appointed: June 2012 – Resigned: December: 31.12)



## Board Members, Senior Management and Auditors



### **Samir Hanna**

*Chairman of the Board of Directors  
Chairman of the Remuneration Committee*

Samir Hanna, joined Bank Audi Group / Lebanon (Bank Audi) in January 1963. He held several managerial and executive positions across various departments of the Bank and the Group. He was appointed General Manager of Bank Audi in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking powerhouse offering universal banking products and services including Corporate, Commercial, Retail, Investment, and Private Banking.

He grew Bank Audi Group to its current position as the largest bank in Lebanon (and among the top 20 Arab banking groups), with presence in 12 countries, consolidated assets exceeding USD 28 billion, consolidated deposits exceeding USD 24 billion, group staff headcount exceeding 5,000 employees, and a shareholders' base of more than 2,000 holders of common shares and/or holders of global depository receipts (GDRs) representing common shares.

Samir Hanna is also member of the Board of Directors of several affiliates and sister companies of Bank Audi Group.

He currently serves as the Group Chief Executive Officer and the Chairman of the Group Executive Committee of Bank Audi Group, and heads all aspects of the Group's Executive Management.

Since its establishment in 2012, he has been a shareholder and Chairman of the Board of Directors of Odea Bank A.Ş. and founding member.

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### **Dr. Marwan Ghandour**

*Vice Chairman of the Board of Directors  
Chairman of Audit, Corporate Governance,  
Risk Committees Member of the Remuneration  
Committee and Associate /alternate Member of the  
Credit Committee*

Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (Post-doctorate research at Stanford University).

Between 1990 and 1993, Marwan Ghandour held the position of Vice Governor of the Central Bank of Lebanon with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission in Lebanon and various other Lebanese government committees involved in economic policy. In this capacity, he liaised with various international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). Marwan Ghandour is an Independent Member of the Board of Directors of Bank Audi Group / Lebanon (Bank Audi) since March 2000 and Vice- Chairman of the Board since December 2009 he is also the Chairman of its Group Audit Committee and member of its Group Risk Committee and Corporate Governance and Remuneration Committee. From 1995 until 2011, Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal / Lebanon, a leading financial services group in the region whose holding company merged with Bank Audi Group in 2000. He also served as Chairman of the Board of Directors of Audi Saradar Investment Bank sal / Lebanon from 2005 until 2011. He was elected Chairman of the Board of Directors of Banque Audi (Suisse) sa in March 2011 and is also member of the Board of Directors of several affiliates and sister companies of Bank Audi Group.

Since its establishment in 2012, he has been a shareholder and Vice-Chairman of the Board of Directors of Odea Bank A.Ş.



## Board Members, Senior Management and Auditors



### **Raymond Audi**

*Board Member, Shareholder*

Between 1998 and 2008, and since 2009, Raymond Audi has been the Chairman of the Board of Directors and General Manager of Bank Audi Group / Lebanon (Bank Audi). He started his Banking career in 1962, when, together with his brothers and with prominent Kuwaiti businessmen, he founded Banque Audi sal (now Bank Audi sal - Audi Saradar Group), building on a successful long-standing family business. In 1994, he served as the President of the Association of Banks in Lebanon. Between 2008 and 2009 he was appointed Minister of the Displaced in the Lebanese government.

Raymond Audi has played an active role in leading Bank Audi Group through both prosperous and challenging times to its current status as a widely recognized leading Lebanese and regional bank. He is also member of the Board of Directors of several affiliates and sister companies of Bank Audi Group.

Raymond Audi is the recipient of several honours and awards, including in July 2007, an Honorary Doctorate in Humane Letters from the Lebanese American University.

Since its establishment in 2012, he has been a founding member of the Board of Directors and shareholder of Odea Bank A.Ş.



### **Freddie Baz**

*Board Member, Shareholder*

*Member of the  
Remuneration Committee  
Chairman of the Credit Committee*

Freddie Baz holds a State PHD Degree in Economics in University of Paris I (Panthéon – Sorbonne).

Since 1985, Freddie Baz is the Managing Director of Bankdata Financial Services WLL (Lebanon) which publishes "bilanbanques", the only reference in Lebanon that provides an extensive structural analysis on all banks located in Lebanon. He joined Bank Audi sal – Audi Saradar Group / Lebanon (Bank Audi) in 1991 as advisor to the Chairman and founded the Secretariat for Planning and Development at the Bank. As the Group Chief Financial Officer and Strategy Director of Bank Audi, he now has overall authority over the finance and accounting, MIS and budgeting functions throughout the Group, and is responsible for the development of the Group strategy. He is also the Chairman of the Board of Directors of Bank Audi Saradar France sa, a fully owned subsidiary of Bank Audi Group and is also member of the Board of Directors of several affiliates and sister companies of Bank Audi Group. Additionally, since 2007 he is the Vice Chairman of the Group Executive Committee.

Since its establishment in 2012, he has been a shareholder and founding member of the Board of Directors of Odea Bank A.Ş.



**Hatem Ali Sadek**

*Board Member  
Member of the Credit Committee*

Hatem Sadek graduated with a BSc in Economics & Political Science from Cairo University.

He started his career in 1964 as assistant to the Chief Executive Officer at the Information Bureau of the President of Egypt at that time. From 1968 to 1974, Hatem Sadek became the Manager of the Research Center for Strategic Studies and Editor at Al Ahram Newspaper. He then joined the Bureau of the Secretary General of the League of Arab States for one year.

His banking career began in 1976 when he established the Arab Bank PLC regional office and its branches in Egypt, where he held the position of Senior Executive VP & Chief Country Manager; in addition to becoming the Chairman of the Strategic Planning Committee for the Arab Bank Group between 2000 and 2001.

He then moved to Misr International Bank (MIBank) in 2001 where he held the position of Deputy Executive Chairman as well as Deputy Chairman, Supervisory Board of Banque Misr Europe GmbH, Frankfurt, Germany. From 2003 till 2005, he was MIBank's Executive Chairman where he launched and supervised MIBank's 5-year total restructuring program, till the bank was acquired by National Société Generale in September 2005. He then became a Consultant to Bank Misr's Board of Directors for Change and Restructuring Programs before joining Bank Audi sae (Egypt) in 2006, till present, as Chairman & Managing Director.

Since its establishment in 2012, he has been a Member of the Board of Directors of Odea Bank A.Ş.



**Imad Itani**

*Board Member  
Associate/alternate Member of the Credit Committee*

Imad Itani holds a PHD degree from the University of Chicago (USA).

Prior to joining Bank Audi sal – Audi Saradar Group / Lebanon (Bank Audi), he held several key positions in Corporate Finance for major energy companies in Canada. In parallel, he taught Economics and Finance to graduate students at the American University of Beirut. Between 1995 and 1997 he was the Head of the Research and Statistics Department of the Association of Banks in Lebanon. He joined Bank Audi Group in 1997 and headed the team that successfully launched the Bank's Retail business line, today a major pillar of the Bank's innovative and leading position. In 2002, Imad Itani was appointed Deputy General Manager and Member of the Board of Directors of Bank Audi Group. He was later appointed General Manager. Imad Itani is also the Chairman of the Bank's Sudanese Islamic Banking subsidiary acquired within the context of the Bank's regional expansion, in addition to his responsibilities as Head of Group Retail Banking and Head of Group Islamic Banking.

Since its establishment in 2012, he has been a Member of the Board of Directors of Odea Bank A.Ş.



## Board Members, Senior Management and Auditors



**Abdullah A. Alhobayb**  
*Board Member*

Abdullah Alhobayb holds a Master's degree in Electrical Engineering from Karlsruhe University in Germany.

Between 1970 and 1978, Abdullah Alhobayb served as an Engineer in major electrical and industrial companies in Saudi Arabia. He is the chairman of several leading companies in Saudi Arabia comprising ABB Saudi Arabia (a leader in power and automation technologies), General Lighting Company Ltd (one of the largest manufacturers in the Middle East lighting industry), Ink Products Company Ltd (manufacturer of industrial ink) and United Industrial Investments Company Ltd (a leading paint manufacturing company).

He is also the Chairman of Audi Capital (KSA) (an Investment Banking subsidiary of Bank Audi sal – Audi Saradar Group / Lebanon (Bank Audi), incorporated in the Kingdom of Saudi Arabia) and a member of the Board of Directors of Bank Audi sae in Egypt. He also was an advisor to the previous Board of Directors of Bank Audi Group. He is an Independent member of the Board of Directors of Bank Audi Group since 2006, a member of its Corporate Governance and Remuneration Committee and its Group Audit Committee.

Since its establishment in 2012, he has been a Member of the Board of Directors of Odea Bank A.Ş.



**Hüseyin Özkaya**  
*Board Member, General Manager  
Credit Committee Member*

Born on the 14th of June 1962 in Tarsus, Hüseyin Özkaya is a graduate of Tarsus American High School (1980).

After receiving his Undergraduate degree in Management Engineering from the Istanbul Technical University in 1985, he completed an MBA at the University of Wisconsin (1987).

His banking career commenced in 1989-1990 as Assistant Manager of Impexbank A.Ş., went on as the Corporate Banking Marketing/Sales Manager of Midland Bank A.Ş in 1991-1994 where he also assumed responsibilities at the bank's syndication and product development units.

In 1994, he worked at HSBC Bank plc London as the Fixed Income Products Sales Manager; subsequently, from 1995 to 2010, he served as the Deputy GM in charge of corporate, commercial and investment banking and Board Member of HSBC Bank A.Ş.

He was the General Manager and Chairman of the Management Committee at the Russian subsidiary of HSBC Bank- HSBC Bank RR- between 2010 and 2012.

Since 2012, he has been the General Manager and Board Member of Odea Bank A.Ş.





**Ayşe Korkmaz**

*Board Member*

*Audit Committee Member*

Born in 1973 in Aydın, Ayşe Korkmaz graduated from the Ankara Anadolu High School in 1991. She graduated from the Business Administration Department of the Political Sciences Faculty of Ankara University in 1995. Her career began in 1996 as an Assistant Certified Auditor of banks at the Banking Regulation and Supervision Agency. In 1999, she was appointed as a Certified Auditor of banks, which she held until September of 2003.

In September 2003, she was employed as the Auditing Coordinator of TEB Financial Investments A.Ş., and then headed the Harmonization Internal Control Group of Türkiye Ekonomi Bankası A.Ş. from 2006 to 2012. Since June 2012, she has been in charge of Internal Systems and is a Board Member of Odea Bank A.Ş.

## Board Members, Senior Management and Auditors



### FROM LEFT TO RIGHT

**Antoine Boufarah**  
*Assistant General Manager*

**Alpaslan Yurdağul**  
*Assistant General Manager*

**Hüseyin Özkaya**  
*General Manager*  
*Board Member*

**Serkan Özcan**  
*Assistant General Manager*

**Fevzi Tayfun Küçük**  
*Assistant General Manager*

**Ayşe Korkmaz**  
*Board Member*  
*Audit Board Member*



**FROM LEFT TO RIGHT**

**Naim Hakim**  
*Assistant General Manager*

**Erol Sakalliođlu**  
*Assistant General Manager*

**Yalçın Avcı**  
*Assistant General Manager*

**Gökhan Erkıralp**  
*Assistant General Manager*

**Cem Muratoglu**  
*Assistant General Manager*



## Board Members, Senior Management and Auditors

### **Fevzi Tayfun Küçük** AGM

Born on the 19th of August 1970 in Ankara, Tayfun Küçük received his Undergraduate degree in Mine Engineering at the Middle East Technical University (1993) and his Masters in Electronic Business at the Social Sciences Institute of Yeditepe University (2000). He worked at Garanti Bankası A.Ş. as executive in charge of fixed income securities and TL money market transactions in the Treasury Directorate (1993-1999) and as Cash Management Unit Manager (1999-2005). Then, he was the head of the Payments and Cash Management Group at HSBC Bank A.Ş. (2005-2012). In 2012, he was appointed as the Assistant General Manager in charge of Direct Banking, Business Solutions and Transactions Banking in Odea Bank A.Ş.

### **Alpaslan Yurdagül** AGM

Born on the 6th of January 1971 in Izmir, he completed his Undergraduate study at the Industrial Engineering Department of Boğaziçi University (1994), and his MBA at the University of Illinois at Chicago (1994-1996). He played an active role in the establishment of Polimeks Foreign Trade Co. in 1997-1998. Then, he was transferred to Midland Bank A.Ş. as a Corporate Banking Marketing Analyst in 1998. Following the takeover of Midland Bank by the HSBC Group in 1999, he was appointed as a manager to the Corporate Marketing Department of the HSBC Bank A.Ş. In 2006, he was promoted as the Group Head of the same department. In 2011, he was appointed as the Group Head of the Global and Investment Banking Department. In 2012, he was appointed as the Assistant General Manager in charge of Financial Institutions and Investment Banking in Odea Bank A.Ş.

### **Cem Muratoğlu** AGM

He was born on the 16th of August in 1967 in Erzurum. He studied Petroleum Engineering at the Engineering Faculty of the Middle East Technical University (1989), and completed his MBA at Ankara Bilkent University (1992). Muratoğlu worked as Deputy General Manager in charge of Retail Banking in Akbank T. A.Ş. (2001–2008), Deputy General Manager in charge of Retail Banking in ING BANK A.Ş. (2008-2010) and Deputy General Manager in charge of Strategy and Corporate Banking in Şekerbank Türk A.Ş. (2010-2012). In 2012, he was appointed as the Assistant General Manager in charge of Retail Banking in Odea Bank A.Ş.

### **Erol Sakallıoğlu** AGM

He was born in 1967 in Adapazarı. He graduated from the Public Administration Department of the Middle East Technical University in 1989. His career began in 1989-1990 in Esbank A.Ş. He served as the Assistant Inspector of Türk Dış Ticaret Bankası A.Ş. from 1991 to 1994. In 1994, he was hired to the marketing department of the Gayrettepe Branch of Türkiye Ekonomi Bankası A.Ş., where he became a branch manager in Ankara in 1996. Sakallıoğlu was a branch manager in Ankara in Demirbank T.A.Ş. (1998) and Deputy General Manager in charge of Corporate Banking (2000), which lasted until 2012 following Demirbank's acquisition by HSBC A.Ş. Within this period, he was the head of the Commercial and Corporate Anatolian Branches Group (2001-2005); SME Banking Group (2005-2011) and Deputy General Manager in charge of SME Banking (2011-2012). In 2012, he was appointed as the Assistant General Manager in charge of Commercial Banking in Odea Bank A.Ş.

### **Gökhan Erkıralp** AGM

He was born on the 23rd of December in 1972 in Adana. He completed his undergraduate degrees in Mathematics and Economics in 1995 in Wabash College /Crawfordsville, Indiana. He was employed as the Treasury and Capital Markets Director of Ulusalbank T.A.Ş. (1997-2001). He later moved to HSBC Bank A.Ş. in 2001 as the Balance Sheet Management Manager. In 2003 and 2004, he headed the Portfolio Management Group of HSBC Investment Securities Co. Erkıralp worked as the Derivatives Markets Deputy General Manager at TEB Investment Securities Co. from January to May 2005. From May 2005 to May 2006, he was the head of the Strategic Planning and Organization Group at HSBC Bank A.Ş. where he later took on the position to head the Derivatives Markets and Structured Products Group from May 2006 to July 2007. From July 2007 to December 2011, he was the Markets Director of Türk Ekonomi Bankası A.Ş. In 2012, he was appointed as the Assistant General Manager in charge of Treasury and Capital Markets in Odea Bank A.Ş.

**Yalçın Avcı***AGM*

He was born on the 30th of July 1972 in Ankara. He completed his undergraduate degree in Metalurgical Engineering at the Middle East Technical University (1995) and his MBA at Ankara Bilkent University (1997). He was a credit analyst and customer representative in Türk Boston A.Ş. (1995-1997); a customer representative in the Ankara Branch of İktisat Bank (1997-1998). He spent the years 1997 through 2012 in HSBC Bank A.Ş as: specialist customer representative (1998-2000), Assistant Manager (2000-2002), Corporate Banking Group Manager (2002-2005), Corporate Banking Sector Head (2005-2010) and Corporate Banking Group Head (2010-2012). In 2012, he was appointed as the Assistant General Manager in charge of Corporate Banking in Odea Bank A.Ş.

**Antoine Boufarah***AGM*

He was born on the 7th of February in 1970 in Hammana, Lebanon. He is a graduate of the Executive Management Program at the Harvard Business School (2010) and holds a Bachelor's Degree in Finance and Accounting from the University of Ottawa (1995). He is a Chartered Accountant (CA) and has also obtained the Certified Internal Auditor (CIA) designation from the Institute of Internal Auditors. Antoine Boufarah career started with Ernst & Young where he has served in various positions in in Canada, Bermuda and Beirut offices. He joined Bank Audi Group in 2001 where he served as Head of Group Internal Audit until being appointed as Project Manager on the Audi Group Turkish expansion in 2011. Antoine Boufarah is currently serving as Assistant General Manager – Chief Operation Officer at Odea Bank A.Ş .

**Naim Hakim***AGM*

Born in Beirut, Lebanon in 1971, Hakim obtained in 1992 his bachelor degree in Economics from Univesité Saint-Joseph in Beirut and completed his master degree at Ecole Supérieure de Commerce de Nice-Sophia-Antipolis/Ceram in France between 1992 and 1994, majoring in corporate finance. He obtained the Chartered Financial Analyst (CFA) designation from the CFA institute in the USA in 2004. He started his banking career at Banque Saradar sal in 1995 occupying several managerial positions in the bank's branches. In 2000 he founded the Financial control department in Banque Saradar sal and became the Chief Financial Officer (CFO) of the bank in 2002. After the merger-acquisition of Banque Saradar sal with Banque Audi sal, Hakim moved to Banque Audi sal in 2004 where he established the Management Information System (MIS) department and headed it till mid-2012. As of June 2012, he has been working as Assistant General Manager in charge of Finance in Odea Bank A.Ş.

**Serkan Özcan***AGM*

He was born on the 4th of December in 1977 in Konya. He completed his undergraduate degree at the Economics Department of the Economic and Political Sciences Faculty of the Middle East Technical University and his graduate degree in Finance at the University of Illinois. He served from 1999 to 2006 as a specialist in the Turkish Central Bank's Banking and Financial Organizations Department; from 2006 to 2009 as advisor to the Chairman in the Banking Regulation and Supervision Agency; from 2009 to 2012 as Chief Economist and Strategist in Türkiye Vakıflar Bankası T.A.O. He also acted as a Board Member of Vakıf Portfolio Management in 2010. In 2012, he was appointed as the Assistant General Manager in charge of Economic Research and Strategy in Odea Bank A.Ş.



## Committees

### CREDIT COMMITTEE

The Credit Committee is responsible for creating guidelines for the credit allocation activities of the Bank in accordance with the credit policy, economic goals and the general risk profile of the credit portfolio of the Bank. The Credit Committee is a consultancy and decision making body in charge of credit allocations, provided that it is limited to ten percent of the equity of the Bank. In addition, the Committee also provides opinions and recommendations to the Board for loans where the amounts are above the delegated authority of the Committee and execution of the duties related to loans assigned by the Board.

The composition of the Credit Committee of Odea Bank A.Ş. is as follows

Chairman of the Committee	Freddie Baz	Board Member
Committee Member	Hatem Ali Sadek	Board Member
Committee Member	Hüseyin Özkaya	Board Member, GM
Committee Associate Member	Marwan Ghandour	Board Member
Committee Associate Member	Imad İtani	Board Member

### AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the efficiency and effectiveness of the Internal Control, Risk Management and Internal Audit systems on behalf of the Board and for monitoring the processing of these systems, as well as the accounting and reporting systems under the Banking Law and related regulations. The Committee is also responsible for following the integration of the information generated; it is further responsible for making the necessary preliminary assessment for the selection of Independent Audit Institutions by the Board and regularly monitoring the activities of the Independent Audit Institutions selected by the Board. The Audit Committee pursues whether the provisions of the Regulations concerning internal control, internal audit and risk management as stipulated in the "Regulation on Banks' Internal Systems", in-Bank Policies and Implementing Procedures approved by the Board are abided by or otherwise and the Committee makes recommendations to the Board regarding the precautions to be put into place, which are deemed necessary. In addition, it is among the duties and responsibilities of the Audit Committee to supervise whether the Internal Audit system covers the Bank's current and planned activities and the risks arising therefrom; to examine in-house regulations concerning the internal audit to be validated upon the approval of the Board; to maintain the communication channels, which will enable the notification of irregularities that may arise within the Bank to the Audit Committee or Internal Audit unit or otherwise to Auditors. The Audit Committee obtains reports from the relevant units and Independent Audit Institutions related to the execution of such duties and carries out its evaluations and findings in respect thereof.

The composition of the Audit Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Marwan Ghandour	Vice-Chairman of the Board
Committee Member	Ayşe Korkmaz	Board Member

### CORPORATE GOVERNANCE COMMITTEE

The Committee provides appropriate communication channels and thus they ensure that the appropriate actions and transactions are securely delivered to the related authorities in the Bank in line with the corporate values and ethical rules to the relevant authorities within the Bank; designs a system that will enable the possible deviations to be reported and by monitoring their compliance with the Corporate Governance Principles the Committee makes enhancement efforts and offers suggestions to the Board of Directors in respect thereof. The Committee revises annually the Corporate Governance Framework of the Bank and presents a report to the Board of Directions related thereto. It monitors regularly the compliance of the Bank with the Corporate Governance Principles; manages the creation and implementation of the acceptance of a new member (manager) to the Board of Directors and oversees the implementation of the manager development program if necessary; ensures that Board Member distribution, structure, policies and processes meet the relevant legal and regulatory requirements and further ensures the correct implementation of the Corporate Governance framework and provides opinions in the event problems or deviations should arise.



Pursuant to the relevant regulations, the Chairman of the Committee is a Board Member, who does not have executive duties.

The composition of the Corporate Governance Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Marwan Ghandour	Vice-Chairman of the Board
Committee Member	Ayşe Korkmaz	Board Member

#### **RISK COMMITTEE**

The Risk Committee is responsible for and in charge of identifying, measuring, monitoring and controlling of all risks, which the Bank may be exposed to, by means of the policies, implementing procedures and limits determined for the monitoring, controlling and when necessary changing the risk – return structure involved based on the future cash flows of the Bank, and in accordance with the nature and the level of activities. The Risk Committee supports the Board of Directors in fulfilling the responsibilities of the Board such as maintaining the risk appetite, examining and approving the risk framework and policies of the Bank, examining periodic risk reports and monitoring risk functions within the Bank.

The composition of the Risk Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Marwan Ghandour	Vice-Chairman of the Board
Committee Member	Ayşe Korkmaz	Board Member

#### **REMUNERATION COMMITTEE**

The Committee evaluates the remuneration policy and its applications within the framework of risk management and submits annually its suggestions related to these evaluations and findings to the Board of Directors via periodic reports. The Committee further ensures that the salaries to be approved for Board Members, Senior Managers and other Bank personnel are in compliance with the ethical values, internal balances and strategic goals of the Bank.

The composition of the Remuneration Committee of Odea Bank A.Ş. is as follows:

Chairman of the Committee	Samir Hanna	Chairman of the Board
Committee Member	Marwan Ghandour	Vice-Chairman of the Board
Committee Member	Freddie Baz	Board Member



## Information on the Participation of the Board of Directors and Committee Members at the Respective Meetings

### MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors of Odea Bank A.Ş. convened per se on 7 June 2012, 31 August 2012, and 29 November 2012 in 2012 and on 9 January 2013 in 2013.

On 7 June 2012, the Board of Directors convened under the Chairmanship of Mr. Samir Hanna and Chairman of the Board Mr. Samir Hanna and Board Members Mr. Marwan Ghandour, Mr. Raymond Audi, Mr. Freddie Baz, Mr. Hatem Ali Sadek, Mr. Imad Itani, Mr. Abdullah Ibrahim A. Alhobayb, Mr. Maurice Sayde, Mr. Hüseyin Özkaya and Mrs. Ayşe Korkmaz were present at the meeting.

2 (two) Board Resolutions were passed at this meeting.

On 31 August 2012, the Board of Directors convened under the Chairmanship of Mr. Samir Hanna and Chairman of the Board Mr. Samir Hanna and Board Members Mr. Marwan Ghandour, Mr. Raymond Audi, Mr. Freddie Baz, Mr. Hatem Ali Sadek, Mr. Imad Itani, Mr. Abdullah Ibrahim A. Alhobayb, Mr. Maurice Sayde, Mr. Youssef Nasr, Mr. Hüseyin Özkaya and Mrs. Ayşe Korkmaz were present at the meeting.

7 (seven) Board Resolutions were passed at this meeting.

On 29 November 2012, the Board of Directors convened under the Chairmanship of Mr. Samir Hanna and Chairman of the Board Mr. Samir Hanna and Board Members Mr. Raymond Audi, Mr. Freddie Baz, Mr. Hatem Ali Sadek, Mr. Imad Itani, Mr. Abdullah Ibrahim A. Alhobayb, Mr. Hüseyin Özkaya and Mrs. Ayşe Korkmaz were present at the meeting.

Mr. Marwan Ghandour and Mr. Youssef Nasr were unable to attend the meeting and provided valid excuses.

12 (twelve) Board Resolutions were passed at this meeting.

35 (thirty five) resolutions were passed by the Board of Directors in 2012 as per Article 390/4 of the Turkish Commercial Code without conducting a meeting per se.





## Committee Meetings

### **CREDIT COMMITTEE**

Upon Board Resolution no. 2012/4 and dated 7 June 2012, it was resolved that Mr. Samir Hanna will be assigned as Chairman of the Committee and Mr. Youssef Nasr and Mr. Hüseyin Özkaya will be appointed as Committee Members and Mr. Imad Itani and Mr. Freddie Baz were appointed as Committee Associate Members.

Upon Board Resolution no. 2012/06 and dated 15 June 2012, it was resolved that Mr. Freddie Baz will be appointed as Chairman of the Committee and Mr. Hüseyin Özkaya and Mr. Youssef Nasr will be appointed as Committee Members, Mr. Imad Itani and Mr. Hatem Ali Sadek were appointed as Associate Members.

Upon Board Resolution no. 2012/020 and dated 27 September 2012, it was resolved that Mr. Freddie Baz will be appointed as Chairman of the Committee and Mr. Hüseyin Özkaya and Mr. Hatem Ali Sadek will be appointed as Committee Members; it was further resolved that Mr. Imad Itani and Marwan Ghandour will be appointed as Committee Associate Members.

The Credit Committee convened 13 times in 2012 wherein 145 resolutions were passed and the Committee convened 5 times in 2013 wherein 46 resolutions were passed.

All Credit Committee members were present at all the meetings.

### **AUDIT COMMITTEE**

Upon the Board Resolution no. 2012/04 and dated 7 June 2012, it was resolved that Mr. Marwan Ghandour will be appointed as Chairman of the Committee, Mr. Maurice Sayde and Mrs. Ayşe Korkmaz will be appointed as Committee Members; upon Board Resolution no. 2012/06 and dated 15 June 2012, the Audit Committee Memberships were regulated and it was resolved that Mr. Marwan Ghandour will be appointed as the Chairman of the Committee and Mrs. Ayşe Korkmaz will be appointed as Committee Member.

The Audit Committee passed one resolution in the only meeting in 2012, held on 31.08.2012.

### **CORPORATE GOVERNANCE COMMITTEE**

Upon the Board Resolution no. 2012/04 and dated 7 June 2012, it was resolved that Mr. Marwan Ghandour will be appointed as Chairman of the Committee, Mr. Maurice Sayde and Mrs. Ayşe Korkmaz will be appointed as Committee members.

The Corporate Governance Committee passed one resolution in the only meeting in 2012, held on 31.08.2012. All Corporate Governance Committee Members were present at the meeting.

### **RISK COMMITTEE**

Upon the Board Resolution no. 2012/04 and dated 7 June 2012, it was resolved that Mr. Marwan Ghandour will be appointed as the Chairman of the Committee, Mr. Youssef Nasr and Mrs. Ayşe Korkmaz will be appointed as Committee Members.

The Risk Committee passed one resolution in the only meeting in 2012, held on 31.08.2012.

All Risk Committee Members were present at this meeting.

Mr. Youssef Nasr resigned as Member of the Committee with effect 29 November 2012.

### **REMUNERATION COMMITTEE**

Upon the Board Resolution no. 2012/04 and dated 7 June 2012, it was resolved that Mr. Samir Hanna will be appointed as the Chairman of the Committee, Mr. Youssef Nasr and Mr. Freddie Baz will be appointed as the Committee Members.

Mr. Youssef Nasr resigned as Member of the Committee with effect 29 November 2012.

The Remuneration Committee passed one resolution in the only meeting in 2012, held on 31.08.2012.

The Committee passed one resolution in 2013 by convening on 08.01.2013.

All members were present at all the meetings.



## Managers of the Units Reporting to Internal Systems

### LEGAL

#### Director, Attorney Denel Şehriban Balcı

The Chief Legal Advisor of Odea Bank A.Ş. and responsible for consultancy, legal cases and is head of the Legal Department. At the same time, she is the Board Secretariat. Balcı graduated in 1994 with a Bachelor's degree from Istanbul University in Environmental Engineering and obtained her Bachelor's degree from the Faculty of Law at 9 Eylül University in 2000. She worked as an independent lawyer for two years and afterwards took office at the legal department of T. Garanti Bankası A.Ş. in 2003. After working for four years in T. Garanti Bankası A.Ş. and five years in Deutsche Bank A.Ş., she started her career at Odea Bank A.Ş. as of April 2012.

### COMPLIANCE

#### Manager, Tuğba Ayıran Ekşioğulları

She received her Master's in International Economics from the Marmara University and Bachelor's Degree from the School of Economics in the same university. In her earlier years, Ekşioğulları studied at the Kadıköy Anatolian High School. She worked as Compliance Unit Analyst in Citibank A.Ş. between 2003 – 2007, took office as Risk Management Specialist in Diler Yatırım Bankası A.Ş. in 2007 and as Compliance Unit Manager in Akbank T.A.Ş. in 2008. As of April 2012, she has been working in the capacity of Compliance Officer at Odea Bank A.Ş. with the title of Manager.

### INTERNAL AUDIT

#### Director, Tolga Güler

He received his Bachelor's Degree from the School of Business Administration at the Istanbul University between 1990 – 1994 and received his high school education from the Ankara Atatürk Anatolian High School between 1983 – 1990. Güler worked as Auditor in Türk Ekonomi Bankası between 1997 – 2005. He took office at Türk Ekonomi Bankası as Treasury Control Manager between 2006 – 2007 and as Treasury Marketing Manager between 2008 – 2012 at the same Bank. As of June 2012, he was appointed to the position of Director at the Internal Audit Unit of Odea Bank A.Ş.

### INTERNAL CONTROL

#### Director, Mehmet Somer Ünsal

He received his PhD from the School of Economics of the Istanbul University in 2009, Master's from the School of Economics of Istanbul University in 2002 and Bachelor's degree from Ankara University, Faculty of Political Sciences, and Business Administration Department in 1998. He started his banking career in Esbank A.Ş. as assistant auditor in 1998. He continued with his career in banking in various banks with the title of auditor. Finally, he took office at Finansbank A.Ş. as Senior Auditor between 2005 – 2007 and as the Head of General Inspection and Unit Manager in the departments of Financial Control and Internal Control respectively between 2007–2012. Ünsal holds professional qualifications as a CIA (Certified Internal Auditor) and SMMM (Independent Accountant and Financial Advisor), and is a CFE (Certified Fraud Examiner).

### RISK MANAGEMENT

#### Credit Risk

#### Senior Manager, Kıvanç Eren

He received his MBA from Yeditepe University in 2002 and Bachelor's degree from the Mathematics Department of Hacettepe University in 1998. Eren started his banking career in 1999 and has worked at the Risk Management departments of Fortis, Finansbank and ING Bank before joining Odeabank A.Ş. Currently he is a Senior Manager of Risk Management in Odeabank A.Ş. He holds the certificate of Financial Risk Manager (FRM) awarded by the Global Association of Risk Professionals (GARP) and is specialized on Basel II, statistical analysis, Scorecard/rating modeling and economic capital.

#### Information Security and Operational Risk

#### Senior Manager, Ali Yalçın

He received his Bachelor's from the Middle East Technical University in Aerospace Engineering in 2001. He worked as an auditor and consultant at DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. between 2001 – 2007. Yalçın took Office as the Assistant Chairman of General Inspection in Pozitif Kredi ve Kalkınma Bankası A.Ş. between 2007 – 2012. As of 2012 he joined Odea Bank A.Ş. as a Senior Manager of Information Security and Operational Risk.



## INDEPENDENT AUDITORS

### **Egemen Selçuk Karaduman**

A graduate of the School of Business Administration of Ankara Bilkent University, Egemen Karaduman started his professional career as an Assistant Auditor at Mega YMM (Certified Public Accountants) between 1997 – 1998. Between 1999 – 2003 Karaduman worked as an Auditor at Erdikler Eratalar YMM (Arthur Andersen), as Manager and Senior Manager in Kuzey YMM (Ernst & Young) in 2003. As of 2009, he continued his career as Independent – Public Accountant – Financial Advisor.

### **Serkan Yiğit**

Graduating from the Faculty of Economics and Administrative Sciences of the Department of Business Administration of Abant İzzet Baysal University, Yiğit worked at Birleşik Uzmanlar Bağımsız Denetim ve YMM A.Ş. as an Auditor between 2007 – 2010; and as Auditor at Uzman Kadro YMM LTD.ŞTİ. between 2010 April – November. He still works independently at Batı SMMM Ltd Şti.



## Transactions of Odeabank with the Related Risk Group

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) December 31, 2012:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Interest and commission income	-	-	-	-	-	-

b.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
	December 31, 2012	December 31, 2012	December 31, 2012
Deposits			
Balance at beginning of period	-	-	-
Balance at end of period	-	-	9.040
Interest on deposits	-	-	69

The Bank has obtained Subordinated Loan amounting to TL 177.849 and short term loan amounting to TL 177.830 from risk group of the Bank and interest expense has realized amounting to TL 319 in 2012.

b.2) Information on forward and option agreements and other similar agreements made with related parties:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
	December 31, 2012	December 31, 2012	December 31, 2012
Financial assets at fair value through profit and loss			
Balance at beginning of period	-	-	-
Balance at end of period	-	821.874	-
Total Loss/ Profit	-	3.018	-



## Information on Outsourced Operations and the Individuals, Organizations Supplying the Outsourced Services

Only the following services are outsourced to which the provisions in the sixth paragraph of Article 5; in Articles 10 and 11; and in the first paragraph of Article 12 of the "Regulation on the Services Banks May Outsource and the Authorization of the Suppliers" are applicable.

Supplier	Service Outsourced
Active Bilgisayar Hizm. Tic. Ltd. Şti.	IT Software Sales and Service (Nova)
Aramex International Hava Kargo ve Kurye A.Ş.	Courier
Artekay Teknoloji Araştırma Sistemleri Tic. Ltd. Şti.	Cheque Automation Systems
Avrupa Gayrimenkul Değerlendirme Dan. A.Ş.	Real Estate Assessment
Bantaş Nakliyat ve Kıymetli Mal Taşıma ve Güvenlik Hiz. A.Ş.	Transportation and safekeeping of cash and negotiable instrument
BI Stratejik Yazılım Sanayi ve Tic. A.Ş.	IT Yazılım Satış Ve Hizmet (Clickview)
Bilin Yazılım ve Bilişim Danışmanlığı Ltd. Şti.	İnsan Kaynakları Sistemi Lisans, Yazılım Ve Destek Hiz.
C/S Enformasyon Teknolojileri Ltd. Şti.	E- Sequestration and E- Signature Contract
Fineksus & Eastern Networks Çözümleri Tic. A.Ş.	IT Software Sales and Service (Paygate_Swift)
İntertech Bilgi İşlem ve Pazarlama Tic. A.Ş.	Inter-Next Integrated Banking Platform
Mor Teknoloji Yazılım İletişim Bilişim Dan. ve Enerji San.Tic. Ltd. Şti.	EFT Interface Software
MTM Holografi Güvenlikli Basım ve Bilişim Tek. San. ve Tic. A.Ş.	Cheque printing and hologram production
Probil Bilgi İşlem Destek ve Danışman ve Tic. A.Ş.	IT Infrastructure and Service Contract
Refleks İletişim Lojistik Hiz. Tic. Ltd. Şti.	Postacı Courier Service Contract
Securverdi Özel Güvenlik Hizmetleri Sözleşmesi	Private Security Services
Sensormatic Güvenlik Hiz. A.Ş.- Ulusal Gözlem Merkezi ve Dan. A.Ş.	Alarm and Intelligence Service Contract
Taksim Kurumsal Gayrimenkul Değerlendirme ve Dan. A.Ş.	Real Estate Assessment Service Contract
Tepe Savunma ve Güvenlik Hizmetleri A.Ş.	Private Security Service Contract
Elit Gayrimenkul Değerleme A.Ş.	Real Estate Assessment Service Contract
Netlab Uluslararası Bilgi İşlem ve Haberleşme Hiz. San. ve Tic. A.Ş.	Website Design and Service Contract
CMC Bilgisayar İletişim Danışmanlık A.Ş.	Call Center



## Executive Board Summary Report Presented to the General Assembly

Welcome to our Bank's 2012 Ordinary General Assembly Meeting. We salute with our highest esteem our shareholders, their representatives and our guests, who have honored our meeting where we place in their assessment and approval the Executive Board and Auditors Reports and the Profit and Loss Statements for the fiscal year of 2012.

In 2012, because the Euro zone contracted again after an intermission of two years, the global economy put on the brakes (3.2% growth) in contrast to the 3.9% growth of 2011. The Euro zone economies shrank by 0.4%. This manifested the need to uphold expansionist policies to emerge out of the crisis of the century. In 2013, the global economy is expected to grow by 3.6%, a limited improvement from 2012. Nonetheless, the recovery in the US housing sector, which was the source of the crisis, the measures taken in Europe pertaining to public finance and the resurging risk premiums in connection with the political stand of the European Central Bank points to the possibility that the global economy is poised to be revived at a stronger pace than originally anticipated. Accordingly, we believe that projections of world growth may be gradually improved in the upcoming months.

As the global crisis completes its fifth year, we think that this period is the antecedent to the exit from the crisis, and foresee that the process may last around one and a half years. In this context, as central banks are globally maintaining low interest rates and high liquidity conditions with the concern of not being able to grow enough, they are also trying to raise predictability to dispel ambiguities with respect to the exit from the crisis. While global-scale financial policies are being implemented to dress the wounds of the crisis, monetary policies persevere in shouldering the world economy.

Across the globe, the final quarter of 2012 has recorded more feeble economic activity than foreseen. The Turkish economy similarly posted a more muted recovery than expected after the third quarter.

The appreciation of the value of measures taken towards financial stability principally by the Central Bank, the Government and the Banking Regulation and Supervision Agency since the end of 2010 will be critical for the next period. The first unnamed program in the Turkish economy after the Program of Transition to a Strong Economy was put into practice by the end of 2010. 2010 and 2011 were spent with the construction of the program; 2012 for testing and reaping the first fruits. In and after 2013, efforts will be made towards conserving returns, and obtaining productive results. Hence, we surmise that 2013 will be a year when the Turkish economy will move to a better point by re-balancing and stimulating domestic demand, and be stronger both with respect to price and financial stability. In a conjuncture where global economic conditions allow Turkey to gain time, even if risks are palpable, we anticipate new credit upgrades spurred by this picture.

The Turkish banking sector sets an example to advanced and developing nations both for its potential of profitability and growth at low risk. By the statistical data of the Banking Regulation and Supervision Agency, in 2012, compared to the year before, assets moved up by 12.6% to TL 1.4 trillion; loans climbed by 16.4% to TL 794.8 billion, and Time deposits swelled by 11.0% to TL 771.9 billion. As net profit shot up by 19% to TL 23.6 billion, the capital adequacy ratio rose from 16.6% by the end of 2011 to 17.9% regardless of the transition to the Basel-II regulations. We estimate that in 2013, the sector's net interest margin will slide, and remain relatively attractive; loans are projected to balloon by 20% and deposits/assets by 15%. Even if the rise of the ratio of loans to deposits may emerge as a risk, considering the rather recent growth of non-deposit resources in Turkey and comparative analyses, the moderate ascent of the credit/deposit ratio may be viewed as reasonable. At this juncture, we find the growth of non-deposit resources quite imperative. Linked with the re-salvaged borrowing maturities of the Treasury, short-term demands for bills are met especially by banks. The long-term bond issuance of banks both domestically and abroad contribute to macroeconomic stability and the sustainable profitability of banks. The repercussions of the Central Bank's policy of financial stability may be summed up as the goal of sustainable growth. Although the penetration of our banking sector is restricted compared with Europe, rather than tapping this potential quickly albeit in a volatile way, it is healthier to grow yearly by a steady 15-20% credit growth. As for a recap of recent developments, we observe that the credit boom has surpassed 20% whereas the Central Bank has been prudent in the process of loosening up in monetary policy seen since the middle of 2012. In this phase, the Central Bank bars extremities in TL liquidity and tightens restraining policies. In our opinion, in the upcoming period, cyclical policy measures to push down rises in credit rates because of the low interest setting and high financing



needs will be beneficial for macroeconomic stability. We view the practice of statutory reserves based on leverage (developed for this purpose and to be in force by 2014) positively. The Turkish banking sector has a solid capitalized structure. We are pleased to operate in an environment of such a strong and sustainable structure.

We are honored and pleased to have received the first banking licence from BRSB after an interlude of 15 years. We finalized the establishment of our infrastructure in a very short period of time and started our operations in late 2012. As of end of December 2012, our asset size had expanded to TL 3.6 billion and loans to TL 1.7 billion. Our deposit savings leaped to TL 2.5 billion.

Dear Stakeholders,

We have thus placed for your assessment and approval our Balance Sheet and Profit and Loss Statements in the content of our Annual Report sketching out our 2012 activities.

We express our gratitude to our public who has not spared their trust in our Bank and our State/Government authorities for their constant support; we thank our members whose superior and self-sacrificial contributions in our achievements are held above all esteem; we salute once again with our best regards, you, our venerable shareholders and representatives for honoring our General Assembly with your presence.

Odeabank A.Ş. Executive Board



## Human Resources

### NEW BANK – ESTABLISHMENT PROCESS

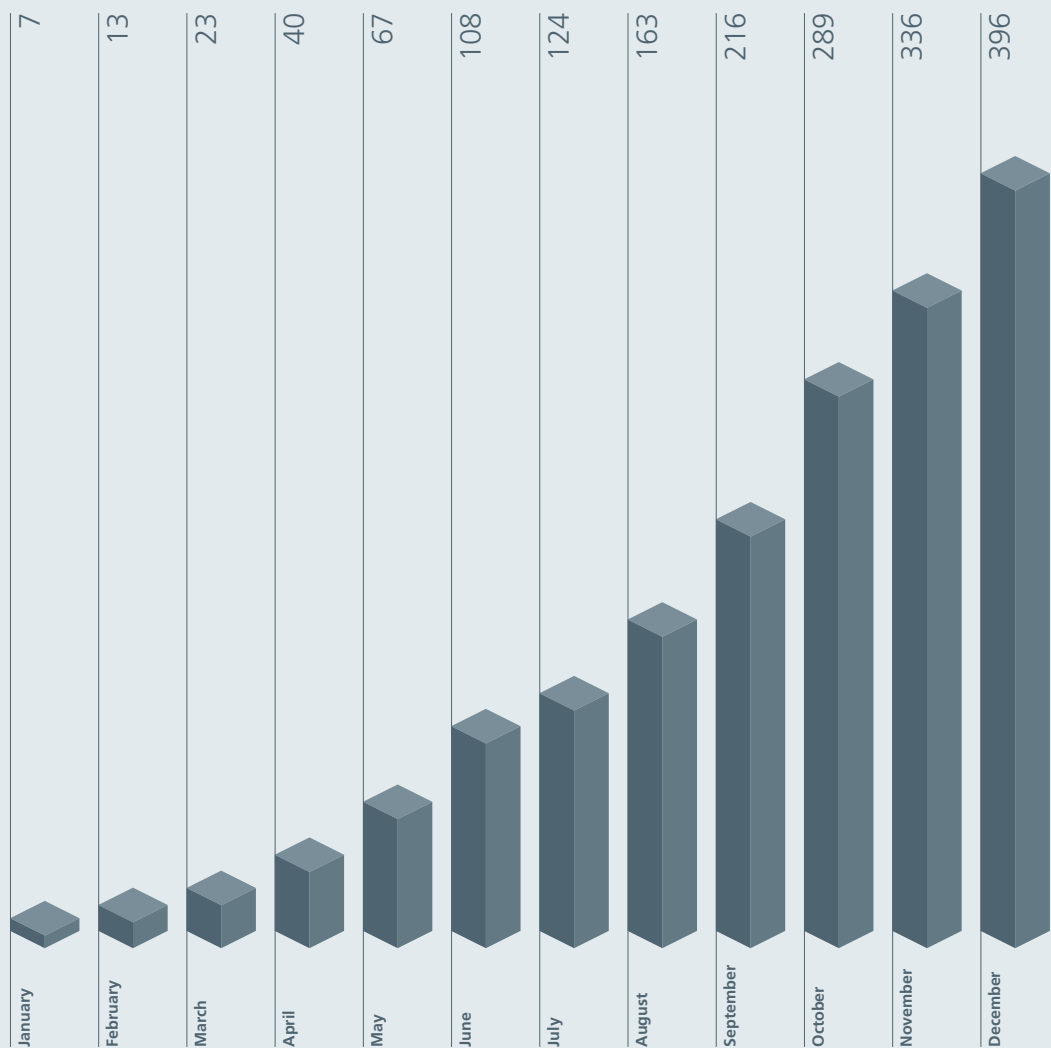
Bank Audi Group's Odeabank received the license to be established as a deposit bank on the 28th of October 2011, and officially became a corporate entity on the 15th of March 2012. A rapid Human Resources organization was set in motion commensurate with the establishment and growth strategy of the Bank.

Odeabank Human Resources, operating on the vision "Our essential value, our human resources", went into strategic cooperation in conjunction with the Bank's strategic objectives and policies, shoring up the foundation and growth.

The Bank's Human Resources policy was engineered in the framework of founding the Bank by hiring well-educated, experienced and competent staff, recruiting and keeping on board new talents with the aim of having a high performance organization shaped by a sustainable structure.

The establishment process got underway in January 2012 with 7 people, gaining momentum after the 15th of March 2012, when the Bank became a corporate entity. The total number of employees grew to 396 by the end of 2012.

### Number of Employees in 2012







The Odeabank Human Resources policy was developed in accord with the Bank's strategic aims and business plans, and was put into force after being approved. The policy was based on 5 basic elements for the initial years:

- Selection and Recruitment
- Fair Reward System
- Founding Corporate Culture and Ensuring Employee Commitment
- Performance Management and Career Management
- Training and Development

These basic elements shall be broadened and enriched in the coming years for the growth of the Bank and for underpinning its sustainable achievements.

Odeabank Human Resources offer a wide spectrum of services from recruitment practices of identifying experienced and the most suitable candidates in the market matching the requirements of the position to rewarding employees in a fair manner.

The common point in the recruitments at the stage of establishment was selecting staff who were leading experts in their particular field of finance, which made an extremely positive impact on Odeabank's rate of preference. Hence, a staff strength of experienced, effective and capable employees was assembled. The financial results achieved at the end of 2012 by these employees within just 3 months of operations after the reception of the operational license clearly demonstrated that the team consisted of talented individuals, target and result-oriented, on par with strategic plans.

The Human Resources team raised significant awareness among Odeabank's banking sector employees with its policies, and assumed a key role in the realization of the goal to induce recognition.

Aspiring to collect the best-equipped staff in the establishment and growth stage, Human Resources has taken a leadership position in the formation of a common corporate culture around a set of common values.

## SELECTION AND RECRUITMENT

Recruitment is aimed at meeting needs to hire staff in keeping with the strategic goals of the Bank and its business ventures. All selection and recruitment processes are completed by hiring the candidate in possession of the education, experience, proficiency and credentials to fulfill the requirements of the relevant position.

In the stage of establishment and growth, Human Resources acted as an effective leader of business branches respecting strategic goals, and managed the "selection and recruitment" process by way of recruitments for bringing together the right team and sustaining the accomplishments of the Bank.

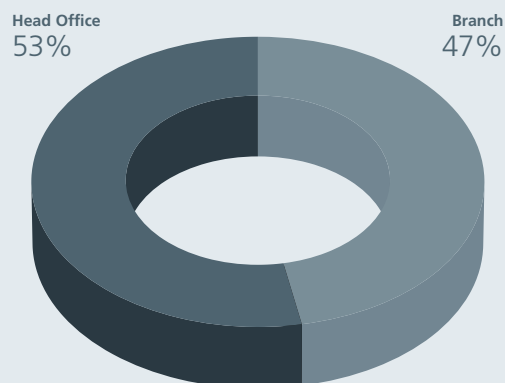
Candidates are evaluated at interviews in person attended by the Human Resources team and executives of the relevant branch. After all checks are completed, the suitable candidates are sent an offer. Candidates are hired upon their acceptance of the said offer.

### Employee Profile

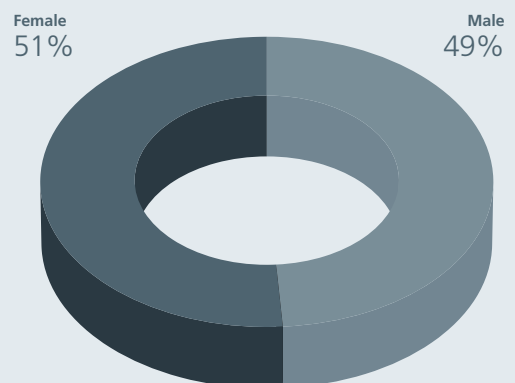
Odeabank's total number of employees in headquarters and branches at the end of 2012 stands at 396.

The average age of employees is 34; 95% have undergraduate and/or post-graduate qualifications.

47% of employees work in branches; 53% work in the headquarters.



49% of the Bank staff is male; 51% is female.





## Human Resources

### **FAIR REWARD SYSTEM – SALARIES AND BENEFITS**

A fair salary system is in force taking into account balances within the Bank, independent market research, benchmarking studies, the education/experiences/competencies of employees in agreement with group strategies and Bank policies.

Odeabank offers employees a comprehensive private health insurance covering spouses and children. Though varying by job title and requirements, some of the other benefits are lunch, transport, budgets for entertainment and attire, vehicles and GSM lines.

Taking heed in devising a detailed and fair premium system for sales teams, the individual and corporate performance will be bolstered, and employee satisfaction will be ensured compatible with internal balances.

Benefits offered to employees differ, running parallel to the financial sector, and to the favor of employees at certain points.

### **Human Resources Management System**

Odeabank Human Resources practices are offered to employees through an advanced system infrastructure to give easy access to human resources instruments.

Annual leave, other leave permits and approval processes are monitored electronically on the Intranet. Again on the Intranet, employees are able to view their e-payrolls. Technical work for effective management of other processes such as performance management and career management electronically are in the final stages of development.

### **PERFORMANCE MANAGEMENT**

Odeabank's Performance Management is oriented towards developing capabilities needed by employees to fully expose their potentials in addition to producing better results in the sector as a high performance institution. The fundamental performance management processes entail fair appraisal, encouragement of employee self-improvement and the support of teamwork to demonstrate sustainable high performance.

The concepts of setting targets, performance appraisal and development planning, among the central steps of performance management, are designed within a structure that would elevate Odeabank to the highest ranks in the sector by a Human Resources management aiming for high corporate performance, resting on individual performance in line with the Bank's strategies and priorities.

The Odeabank performance management strategy relies on measurable targets for all individuals and an effective one-to-one feedback system. Targets are set in congruence with Odeabank's vision, mission and values in a way that would assess and measure work results, individual development and proficiencies. In addition, the Human Resources team, as a strategic partner of the business units, determines whether stumbling blocks exist in achieving the set targets, and if so, how they may be eliminated. The results achieved in line with proficiencies and solid business goals contribute both to the objective of creating a common culture of success and the development of employees.

The performance management philosophy is designed to single out employees with high potential, provide input for efficient career and talent management and ultimately to bring together a team who possesses a sense of corporate loyalty and who strive for high corporate contributions. Moreover, performance appraisal results serve to designate training needs, weaknesses and strengths of employees, and are inputs for fair rewarding systems.



## **CAREER MANAGEMENT**

In line with its strategic goals and business needs, in the process of growth and expansion, Odeabank aims to offer employees a variety of career development opportunities i.e. recruitment from within, appointments, promotions, assignments and international postings.

Human Resources will improve employee commitment, guarantee efficient development and career management, and activate strategic talent management. Infrastructure work towards this purpose is on-going.

## **TRAINING AND DEVELOPMENT**

In the establishment stage, Human Resources prioritized the establishment of the system in general and technical training and legal training, and has thus managed the training and development process needed by the work force within the scope of the Bank's strategic growth plans.

Training programs are organized linked to job responsibilities to support performance, to meet the development needs of various roles/teams emphasizing executive, behavioral and technical skills. Moving from individual performance, these training programs give employees professional and individual development opportunities, and provide total support so that they can contribute to high corporate performance.

For newly joining employees, an orientation program is on offer so as to ensure their adaptability to the Bank, our values that are part of our corporate culture and our practices in the easiest possible way.

To support the academic development of employees, Odeabank makes agreements with a number of universities, and allows employees to further build on their qualifications by offering the opportunity to pursue graduate/PhD qualifications at a discount.



## Financial Highlights Evaluations of the Audit Committee on the Operation of Internal Control, Internal Audit and Risk Management Systems and Assessment of Their Activities in the Accounting Period

The Audit Committee is established within the frame of Banking Law No. 5411 and Regulation on Internal Systems of Banks. Internal Audit, Internal Control, Risk Management and Compliance Departments which are included in the internal systems, directly report to the Audit Committee.

On behalf of the Board of Directors, the Audit Committee,

has the authority and responsibility to supervise the efficiency and adequacy of the Bank's internal systems, the functioning of these systems and of the accounting and reporting systems in accordance with the Law and applicable regulations, and the integrity of the information that is generated, to carry out the necessary preliminary assessment for the selection of independent audit institutions and rating, valuation and support service institutions by the Board of Directors, to monitor regularly the activities of the institutions selected by the Board of Directors and with which contracts have been signed.

The Audit Committee convened once in 2012 and following observations and the relevant examinations, concluded that the internal systems of the Bank were efficient, functioning as planned and the internal controls on financial reporting were effective.

A summary of the activities performed by the units reporting to the Audit Committee is provided below:

### **INTERNAL AUDIT**

The Internal Audit fulfilled its responsibilities with 4 personnel including Internal Audit Head, 1 Information Systems Auditor and 2 Internal Auditors and reported its engagements to the Audit Committee in 2012. The purpose of the Internal Audit is to provide senior management independent objective assurance that the activities of the Bank are conducted in accordance with the Law and other applicable legislation and with the internal strategies, policies, and targets of the Bank and that the internal control and risk management systems are effective and adequate.

Department, process, information systems and branch opening audits are performed according to the annual audit plan in 2012. Apart from the planned audit engagements, such activities as incident-based examinations, participation in various projects and consultancy services initiated by the executive departments were also covered in the activities of 2012.

### **INTERNAL CONTROL**

The Internal Control fulfilled its responsibilities with 3 personnel as of 31.12.2012. ICU personnel acquire certificates as 2 Certified Internal Auditors (CIA), 1 Control Self-Assessment (CCSA), 2 Certified Fraud Examiners (CFE) and 1 Certified Public Accountant.

Internal Control is responsible for monitoring and independent evaluation of the financial, operational and other controls and timely and effectively reporting their results to senior management periodically in order to ensure that all banking activities are performed in accordance with current policies, methodologies, and related regulations.

The results achieved following the branch and headquarters controls executed by the Internal Control in 2012 were shared with the relevant units of the Bank. Design and operating effectiveness tests are performed and designated controls are assessed for each banking process within the scope of Management Declaration. In addition, all agreements are reviewed according to "Regulation on Bank's Procurement of Support Services".



## RISK MANAGEMENT

Credit risk management is considered as a cycle and is sited at every stage of the credit process from its origination. Each limit request is assessed by the credit allocation unit which is independent from profit centers. Moreover, Credit limits are determined based on product and total amount for each individual customer, corporate client and risk group. In addition, within the framework of credit limits of relative legislation and Risk Strategy, a variety of portfolio concentrations of products, and sectors are monitored. The Bank employs a rating system in limits allocation, monitoring the quality of the corporate loans portfolio, and taking the required action. The metrics and limits which are mentioned in Risk Strategy in order to measure quality of loan portfolio are reported directly to the Audit Committee on a monthly basis. The required actions are taken immediately to preserve the quality of the loans portfolio which is convenient in accordance to the risk appetite.

Market risk management is actively involved in the management of market risk arising out of trading activities, structural interest rate risk arising out of maturity mismatch and liquidity risk. These risks are measured in compliance with local regulations and Odea Bank/Banque Audi group risk policies, and are monitored, reported and managed within the framework of risk limits approved by the BoD.

Market risk of trading activities is measured by internationally recognized risk metrics, while volumes and p&l of treasury transactions are simultaneously monitored. In order to limit the exposure to risks, nominal volume limits, stop-loss limits are utilized along with sensitivity limits such as DV01 and vega limits.

To measure structural interest rate risk, interest rate repricing gap and duration analyses are performed and the economic value of equity (EVoE) is measured. Structural interest rate risk hedging transactions are evaluated by the Asset and Liability Committee (ALCO).

Measurement of liquidity risk encompasses determination of liquidity shortages in various time buckets and monitoring early warning indicators specified in the Bank's liquidity policy. Liquidity risk hedging transactions are evaluated by ALCO.

Information Security and Operational Risk fulfilled its responsibilities with four personnel as of 31.12.2012. Information Security and Operational Risk performs five main responsibilities: Information Security, Business Continuity, Operational Risk, Application Fraud Monitoring and Transaction Fraud Monitoring.

The Information Security function took the responsibility of Quest and Guardium monitoring tools, monitored suspicious activities that seem to bear risk for information security vulnerabilities, reported these activities to the relevant departments immediately, examined third party arrangements and assessed all information systems and business process activities from a security perspective.

The Business Continuity function coordinated all activities regarding sustained continuity of critical business processes in the event of possible disasters.

The Operational Risk function monitored, recorded and reported operational risk events in accordance with the requirements set out in Basel II and local regulations.

The Application Fraud Monitoring function examined retail loan applications and performed further necessary investigations to prevent fraudulent applications.

The Transaction Fraud Monitoring function successfully managed the implementation of the InterFraud monitoring tool, structured efficient scenarios to monitor suspicious money transfers and received confirmations from customers where necessary.



## Financial Highlights Evaluations of the Audit Committee on the Operation of Internal Control, Internal Audit and Risk Management Systems and Assessment of Their Activities in the Accounting Period

### COMPLIANCE

Odea Bank A.Ş. has an effective policy for countering the laundering of criminal proceeds and the financing of terrorism in compliance with national and international legislation. As part of this strategy, "Odeabank Anti-Money Laundering & Combating the Financing of Terrorism Policy" was prepared according to Masak regulations, and published with the approval of Board of Directors.

Additionally, Know Your Customer Policy and all the other Compliance policies are prepared in compliance with the methodologies pertaining to the implementation of standards published by the United Nations Security Council and Financial Action Task Force.

In order to enhance the level of awareness related to countering laundering of criminal proceeds and financing of terrorism, all Odea Bank A.Ş. staff attend regularly the training programs supported with the latest developments. The training programs are regularly revised by Odea Bank A.Ş. Board of Directors on an annual basis.

Odea Bank A.Ş. effectively manages its strategies on anti-money laundering and combating with the financing of terrorism through the business flows prepared in parallel with the technological opportunities and the Bank's policies.

Sincerely;

**Marwan Ghandour**  
*Vice Chairman of the Board of Directors  
Chairman of Audit, Corporate Governance,  
Risk Committees*

**Ayşe Korkmaz**  
*Board Member  
Audit Committee Member*



## Disclosure about Odeabank's Financial Position, Profitability and Solvency

Upon Banking Regulation and Supervision Agency's ("BRSA") resolution no. 4432 and dated October 27, 2011 and published in the Official Gazette no. 28098 and dated October 28, 2011; the Bank was granted a license to establish a deposit bank in Turkey with the amount of capital in Turkish Lira, equivalent to USD 300 million. Odea Bank A.Ş. was granted the operation license with the BRSA's resolution no. 4963 and dated September 28, 2012 and published in the Official Gazette no. 28429 and dated October 2, 2012. The Bank has commenced operations under the foreign-capital banking group established in Turkey.

As of 31 December 2012, the total assets of the Bank reached to TL 3.6 billion. The customer base has been built rapidly and thus the loans registered TL 1.7 billion and customers deposit portfolio TL 2.5 billion. Apart from the deposits, which are the main the funding source, the bank obtains medium and long term resource from the foreign markets. Additionally, by receiving subordinated loan of USD 100 million in 2012, the capital structure has been strengthened. As of year-end, the total liquid assets reached to TL 1.67 billion.

In the first year of the operations, the net loss before the provisions has reached TL 1.2 million, and the net loss as TL 19.6 million, including the general provisions. As of 31 December 2012, the shareholder's equity of the Bank registered TL 514 million, the capital adequacy ratio 36.42%, which is far above the sector average.



## Statutory Auditors' Report for 2012

### TO THE ATTENTION OF ODEA BANK A.Ş. GENERAL ASSEMBLY

As the legal auditors of Odea Bank A.Ş., we have hereby inspected 2012 books and relevant documents. It is our opinion that all books required to be kept by the company as per the Tax Procedure Law, Turkish Commercial Code and Banking Law have been maintained in line with the relevant laws, the Bank's Articles of Association and generally accepted accounting principles; all incomes and expenses are based on legal documents. We are of the opinion that the Balance Sheet prepared as at December 31, 2012 of the Bank's financial status at the said date, and the Income Statement for the period March 15, 2012 – December 31, 2012, and the results of activities for the same period show a true and fair view of the state of affairs of Odea Bank A.Ş. for the audited period.

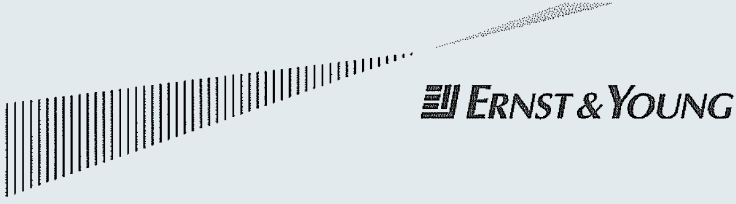
We submit for your approval the Balance Sheet as at December 31, 2012 and the Income Statement for the period March 15, 2012 – December 31, 2012.

Sincerely,

**Egemen Selçuk KARADUMAN**  
Auditor

**Serkan YİĞİT**  
Auditor





Güney Bağımsız Denetim ve  
SMMM AŞ  
Büyükdere Cad. Beytem Plaza  
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Fax: +90 212 230 82 91  
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**CONVENIENCE TRANSLATION OF  
THE REPORT ON COMPLIANCE OF ANNUAL REPORT  
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the General Assembly of Shareholders of Odea Bank A.Ş.:

We have audited the compliance and consistency of the financial information included in the Annual Report of Odea Bank A.Ş. ("the Bank") as of December 31, 2012 with the audited financial statements. The Annual Report is the responsibility of the Bank's management; our responsibility, as independent auditors, is to express an opinion about the report that we have audited.

We have conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual reports in the Banking Law No. 5411 and independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in an annual report is free from material errors. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial information presented in the accompanying Annual Report accurately reflects, in all material respects, the information regarding the financial position of Odea Bank A.Ş. as of December 31, 2012 in accordance with the principles and procedures set out by the regulations in conformity with Article 40 of the Banking Law No. 5411. It includes a summary of the Board of Directors' report and the independent auditor's report originally issued by us in Turkish; it is consistent with the audited financial statements originally issued in Turkish.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of Ernst&Young Global Limited

**Fatma Ebru Yücel**  
Partner, SMMM

March 15, 2013  
Istanbul, Turkey



# **ODEA BANK A.Ş.**

## **UNCONSOLIDATED FINANCIAL STATEMENTS AND RELATED DISCLOSURES AT DECEMBER 31, 2012 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

**(Convenience translation of unconsolidated  
financial statements and independent auditor's report  
originally issued in Turkish, See Note I. of Section three)**



To the Board of Directors of  
Odea Bank A.Ş. İstanbul

Güney Bağımsız Denetim ve  
SMMM AŞ  
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(Convenience translation of unconsolidated financial statements and independent auditor's report originally issued in Turkish, See Note I. of Section three)

#### Odea Bank Anonim Şirketi

#### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying unconsolidated balance sheet of Odea Bank A.Ş. ("the Bank") as at December 31, 2012, and the related unconsolidated income statement, unconsolidated statement of income and expense items accounted under shareholders' equity, unconsolidated statement of cash flows and unconsolidated statement of changes in shareholders' equity for the period of March 15 - December 31, 2012 and a summary of significant accounting policies and other explanatory notes to the financial statements.

#### Responsibility of the Bank's Board of Directors for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the "Communiqué on Banks' Accounting Practice and Maintaining Documents" published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency ("BRSA"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### 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 the regulation on "Licensing and Operations of Audit Firms in Banking" published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance 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 consideration of the effectiveness of internal control and appropriateness of accounting policies applied 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independent Auditor's Opinion

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Odea Bank A.Ş. as at December 31, 2012 and the results of its operations and its cash flows for the period of March 15 – December 31, 2012 in accordance with the prevailing accounting principles and standards set out as per Article 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the Banking Regulation and Supervision Agency in respect of accounting and financial reporting.

#### Additional paragraph for convenience translation to English:

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of the Banking Act No: 5411, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst&Young Global Limited

Fatma Ebru Yücel  
Partner, SMMM

İstanbul  
March 8, 2013



Translated into English from the original Turkish report and financial statements

**THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF  
ODEABANK A.Ş. AS OF DECEMBER 31, 2012**

Address : Maslak Mah. Ahi Evran Caddesi Olive Plaza No:11 Şişli/ İstanbul

Telephone : (0 212) 304 84 44, (0 212) 304 84 45

Web Site : <http://www.odeabank.com.tr>

The unconsolidated financial report for the year end designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The accompanying unconsolidated financial statements for the year end and notes to these financial statements which are expressed, (unless otherwise stated) in thousands of Turkish Lira, have been presented based on the accounting books of the Bank prepared in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations of these, and have been audited.

Samir HANNA  
Chairman of the Board  
of Directors

Hüseyin ÖZKAYA  
Member of Board of  
Directors and General  
Manager

Naim HAKİM  
Assistant General Manager  
Incharge of Finance

Hüseyin ARITKAN  
Financial Reporting  
Senior Manager

Ayşe KORKMAZ  
Member of Board of Directors and  
Audit Committee Member

Marwan GHANDOUR  
Member of Board of Directors  
and Audit Committee Member

Contact information of the personnel in charge of addressing questions about this financial report:

Name-Surname / Title : Hüseyin ARITKAN / Financial Reporting Senior Manager

Telephone Number : (0 212) 304 86 55

Fax Number : (0 212) 304 84 45



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Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### SECTION ONE

#### GENERAL INFORMATION

##### I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue

Odea Bank A.Ş. was established as a deposit bank with USD 300 Million capital with the permission of BRSA numbered 4432 dated October 27, 2011, which was published in the Official Gazette on October 28, 2011, numbered 28098. Odea Bank A.Ş. started its operations in the "foreign banks founded in Turkey" group, by taking operating permission from BRSA numbered 4963 on September 28, 2012, which was published in Official Gazette dated October 2, 2012 numbered 28429.

##### II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank

As of December 31, 2012, the shareholders' structure and their ownerships are summarized as follows:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
Bank Audi sal-Audi Saradar Group	441.157	82,688%	441.157	-
Audi Saradar Private Bank	90.698	17,000%	90.698	-
Raymond Audi	555	0,104%	555	-
Samir Hanna	555	0,104%	555	-
Freddie Baz	555	0,104%	555	-
	<b>533.520</b>	<b>100,00%</b>	<b>533.520</b>	-

As of December 31, 2012 the Bank's paid in capital consists of 5.335.200.000 shares which nominal value is TL 0,10.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Bank

Title	Name and Surname	Responsibility	Education
Chairman of the Board of Directors	Samir HANNA	Chairman	High school
Vice President Of The Executive Board	Marwan GHANDOUR	Member Of The Board Of Directors/Member Of Audit Committee	PHD Degree
Members of the Board of Directors	Raymond AUDI	Member Of The Board Of Directors	High school
	Imad ITANI	Member Of The Board Of Directors	PHD Degree
	Abdullah İbrahim A ALHOBAYB	Member Of The Board Of Directors	Master Degree
	Freddie Baz	Member Of The Board Of Directors	PHD Degree
	Youssef NASR (*)	Member Of The Board Of Directors	Master Degree
	Hatem Ali SADEK	Member Of The Board Of Directors	PHD Degree
	Ayşe KORKMAZ	Member Of The Board Of Directors/ Member Of Audit Committee	Bachelor's Degree
Member of the Board of Directors and General Manager	Hüseyin ÖZKAYA	Member of Board of Directors and General Manager	Master Degree
Deputy General Manager	Erol SAKALLIOĞLU	Commercial Banking	Bachelor's Degree
Assistant General Managers	Alpaslan YURDAGÜL	Financial Institutions and Investment Banking	Master Degree
	Antoine BOUFARAH	Operation and Information Technologies	Bachelor's Degree
	Cem MURATOĞLU	Retail Banking	Master Degree
	Fevzi Tayfun KÜÇÜK	Business Solutions , Direct Banking, Transactional Banking	Master Degree
	Gökhan ERKIRALP	Treasury and Financial Institutions	Bachelor's Degree
	Naim HAKİM	Finance	Master Degree
	Serkan ÖZCAN	Economic Research and Strategic Planning	Master Degree
	Yalçın AVCI	Corporate Banking	Master Degree
Statutory Auditors	Egemen Selçuk KARADUMAN	Auditor	Bachelor's Degree
	Serkan YİĞİT	Auditor	Bachelor's Degree

(\*) Resigned from his position as of December 31, 2012.

#### IV. Information About The Persons and Institutions That Have Qualified Shares:

Information about the persons and institutions that have qualified shares as of December 31, 2012:

Name of Shareholders	Share Amount	Share Ratios	Paid up Shares	Unpaid Shares
Bank Audi sal-Audi Saradar Group	441.157	82,688%	441.157	-
Audi Saradar Private Bank s.a.l.	90.698	17,000%	90.698	-

Among the Board of Directors, senior management and auditors, only Raymond Audi, Samir Hanna and Freddie Baz have shareholding in the bank at the rate of 0,104% separately.

#### V. Summary on the Bank's Functions and Areas of Activity

The headquarter of the Bank is located in Istanbul and as of December 31, 2012, there are 6 domestic branches with 396 employees. The Bank is organized to operate in all operational aspects of corporate, commercial and retail banking under the scope of 4th Article of the Banking Law. The Bank has no subsidiaries in the financial sector.

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**ODEA BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2012**  
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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- V. Statement of Changes in Shareholders' Equity
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- VII. Profit Distribution Table



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

	Note Ref (Section Five)	Audited Current Period 31.12.2012		
		TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	I-1	<b>271.873</b>	<b>137.904</b>	<b>409.777</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	I-2	<b>2.838</b>	<b>2.773</b>	<b>5.611</b>
2.1 Financial assets held for trading		2.838	2.773	5.611
2.1.1 Public sector debt securities		-	-	-
2.1.2 Share certificates		-	-	-
2.1.3 Derivative financial assets held for trading		2.838	2.773	5.611
2.1.4 Other marketable securities		-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
<b>III. BANKS</b>	I-3	<b>243.015</b>	<b>144.397</b>	<b>387.412</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>935.738</b>	<b>-</b>	<b>935.738</b>
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		935.738	-	935.738
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	I-4	<b>78.132</b>	<b>-</b>	<b>78.132</b>
5.1 Share certificates		-	-	-
5.2 Public sector debt securities		78.132	-	78.132
5.3 Other marketable securities		-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	I-5	<b>1.083.095</b>	<b>648.593</b>	<b>1.731.688</b>
6.1 Loans and receivables		1.083.095	648.593	1.731.688
6.1.1 Loans to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		1.083.095	648.593	1.731.688
6.2 Non-performing loans		-	-	-
6.3 Specific provisions (-)		-	-	-
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	I-6	<b>-</b>	<b>-</b>	<b>-</b>
8.1 Public sector debt securities		-	-	-
8.2 Other marketable securities		-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-7	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		-	-	-
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	I-8	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	I-9	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial subsidiaries		-	-	-
11.2.2 Non-financial subsidiaries		-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	I-10	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	I-11	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedge		-	-	-
13.2 Cash flow hedge		-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	I-12	<b>41.342</b>	<b>-</b>	<b>41.342</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-13	<b>17.790</b>	<b>-</b>	<b>17.790</b>
15.1 Goodwill		-	-	-
15.2 Other		17.790	-	17.790
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-14	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>	I-15	<b>7.100</b>	<b>-</b>	<b>7.100</b>
17.1 Current tax asset		5.423	-	5.423
17.2 Deferred tax asset		1.677	-	1.677
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-16	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held for sale		-	-	-
18.2 Discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	I-17	<b>18.272</b>	<b>1.317</b>	<b>19.589</b>
<b>TOTAL ASSETS</b>		<b>2.699.195</b>	<b>934.984</b>	<b>3.634.179</b>

The accompanying notes are an integral part of these financial statements.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### I. BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Note Ref. (Section Five)	Audited Current Period 31.12.2012		
		TL	FC	Total
<b>I. DEPOSITS</b>	<b>II-1</b>	<b>2.142.149</b>	<b>374.997</b>	<b>2.517.146</b>
1.1 Deposits from risk group of the Bank		9.083	26	9.109
1.2 Other		2.133.066	374.971	2.508.037
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>II-2</b>	<b>-</b>	<b>4.390</b>	<b>4.390</b>
<b>III. FUNDS BORROWED</b>	<b>II-3</b>	<b>-</b>	<b>360.942</b>	<b>360.942</b>
<b>IV. MONEY MARKET BALANCES</b>				
4.1 Interbank money market takings		-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Funds provided under repurchase agreements	II-4	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>				
5.1 Bills		-	-	-
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
<b>VI. FUNDS</b>				
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>1.226</b>	<b>-</b>	<b>1.226</b>
<b>VIII. OTHER LIABILITIES</b>	<b>II-5</b>	<b>16.511</b>	<b>4.928</b>	<b>21.439</b>
<b>IX. FACTORING PAYABLES</b>				
<b>X. LEASE PAYABLES (Net)</b>	<b>II-6</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses ( - )		-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>II-7</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value hedge		-	-	-
11.2 Cash flow hedge		-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-
<b>XII. PROVISIONS</b>	<b>II-8</b>	<b>26.041</b>	<b>7.357</b>	<b>33.398</b>
12.1 General loan loss provisions		11.132	7.357	18.489
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		859	-	859
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		14.050	-	14.050
<b>XIII. TAX LIABILITY</b>	<b>II-9</b>	<b>3.974</b>	<b>-</b>	<b>3.974</b>
13.1 Current tax liability		3.974	-	3.974
13.2 Deferred tax liability		-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>II-10</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale		-	-	-
14.2 Discontinued operations		-	-	-
<b>XV. SUBORDINATED LOANS</b>	<b>II-11</b>	<b>-</b>	<b>177.849</b>	<b>177.849</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-12</b>	<b>513.815</b>	<b>-</b>	<b>513.815</b>
16.1 Paid-in capital		533.520	-	533.520
16.2 Capital reserves		(133)	-	(133)
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities valuation differences		(133)	-	(133)
16.2.4 Tangible assets revaluation differences		-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-
16.2.6 Investment property revaluation differences		-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
16.2.10 Other capital reserves		-	-	-
16.3 Profit reserves		-	-	-
16.3.1 Legal reserves		-	-	-
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		-	-	-
16.3.4 Other profit reserves		-	-	-
16.4 Income or (Loss)		(19.572)	-	(19.572)
16.4.1 Prior years' income/ (loss)		-	-	-
16.4.2 Current year income/ (loss)		(19.572)	-	(19.572)
16.5 Minority shares	II-13	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2.703.716</b>	<b>930.463</b>	<b>3.634.179</b>

The accompanying notes are an integral part of these financial statements.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	TL	FC	Audited Current Period 31.12.2012 Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>500.564</b>	<b>942.869</b>	<b>1.443.433</b>
<b>I. GUARANTEES</b>	<b>III-1</b>	<b>61.948</b>	<b>28.066</b>	<b>90.014</b>
1.1 Letters of guarantee		61.948	14.126	76.074
1.1.1 Guarantees subject to State Tender Law		-	-	-
1.1.2 Guarantees given for foreign trade operations		-	-	-
1.1.3 Other letters of guarantee		61.948	14.126	76.074
1.2 Bank loans		-	-	-
1.2.1 Import letter of acceptance		-	-	-
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		-	13.940	13.940
1.3.1 Documentary letters of credit		-	13.940	13.940
1.3.2 Other letters of credit		-	-	-
1.4 Prefinancing given as guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-
1.5.2 Other endorsements		-	-	-
1.6 Securities issue purchase guarantees		-	-	-
1.7 Factoring guarantees		-	-	-
1.8 Other guarantees		-	-	-
1.9 Other collaterals		-	-	-
<b>II. COMMITMENTS</b>	<b>III-1</b>	<b>29.481</b>	<b>43.115</b>	<b>72.596</b>
2.1 Irrevocable commitments		29.481	43.115	72.596
2.1.1 Forward asset purchase and sales commitments		19.651	41.871	61.522
2.1.2 Forward deposit purchase and sales commitments		-	-	-
2.1.3 Share capital commitment to associates and subsidiaries		-	-	-
2.1.4 Loan granting commitments		9.547	-	9.547
2.1.5 Securities underwriting commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Payment commitment for checks		283	-	283
2.1.8 Tax and fund liabilities from export commitments		-	-	-
2.1.9 Commitments for credit card expenditure limits		-	-	-
2.1.10 Commitments for promotions related with credit cards and banking activities		-	-	-
2.1.11 Receivables from short sale commitments		-	-	-
2.1.12 Payables for short sale commitments		-	-	-
2.1.13 Other irrevocable commitments		-	1.244	1.244
2.2 Revocable commitments		-	-	-
2.2.1 Revocable loan granting commitments		-	-	-
2.2.2 Other revocable commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-2</b>	<b>409.135</b>	<b>871.688</b>	<b>1.280.823</b>
3.1 Derivative financial instruments for hedging purposes		-	-	-
3.1.1 Fair value hedge		-	-	-
3.1.2 Cash flow hedge		-	-	-
3.1.3 Hedge of net investment in foreign operations		-	-	-
3.2 Held for trading transactions		409.135	871.688	1.280.823
3.2.1 Forward foreign currency buy/sell transactions		15.835	157.896	173.731
3.2.1.1 Forward foreign currency transactions-buy		6.800	79.844	86.644
3.2.1.2 Forward foreign currency transactions-sell		9.035	78.052	87.087
3.2.2 Swap transactions related to foreign currency, and interest rates		270.817	592.099	862.916
3.2.2.1 Foreign currency swaps-buy		252.604	134.510	387.114
3.2.2.2 Foreign currency swaps-sell		18.213	366.589	384.802
3.2.2.3 Interest rate swaps-buy		-	45.500	45.500
3.2.2.4 Interest rate swaps-sell		-	45.500	45.500
3.2.3 Foreign currency, interest rate and securities options		122.483	121.693	244.176
3.2.3.1 Foreign currency options-buy		83.885	37.876	121.761
3.2.3.2 Foreign currency options-sell		38.598	83.817	122.415
3.2.3.3 Interest rate options-buy		-	-	-
3.2.3.4 Interest rate options-sell		-	-	-
3.2.3.5 Securities options-buy		-	-	-
3.2.3.6 Securities options-sell		-	-	-
3.2.4 Foreign currency futures		-	-	-
3.2.4.1 Foreign currency futures-buy		-	-	-
3.2.4.2 Foreign currency futures-sell		-	-	-
3.2.5 Interest rate futures		-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-
3.2.6 Other		-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>267.100</b>	<b>-</b>	<b>267.100</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>458</b>	<b>-</b>	<b>458</b>
4.1 Assets under management		-	-	-
4.2 Investment securities held in custody		-	-	-
4.3 Checks received for collection		458	-	458
4.4 Commercial notes received for collection		-	-	-
4.5 Other assets received for collection		-	-	-
4.6 Assets received for public offering		-	-	-
4.7 Other items under custody		-	-	-
4.8 Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>266.642</b>	<b>-</b>	<b>266.642</b>
5.1 Marketable securities		-	-	-
5.2 Guarantee notes		28.512	-	28.512
5.3 Commodities		-	-	-
5.4 Warrants		-	-	-
5.5 Properties		238.130	-	238.130
5.6 Other pledged items		-	-	-
5.7 Pledged items-depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>767.664</b>	<b>942.869</b>	<b>1.710.533</b>



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENTS OF INCOME FOR THE PERIOD OF MARCH 15 – DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### III. STATEMENT OF INCOME

	Note (Section Five)	Audited Current Period 15.03-31.12.2012
<b>I. INTEREST INCOME</b>	<b>IV-1</b>	<b>44.145</b>
1.1 Interest on loans		11.213
1.2 Interest received from reserve deposits		-
1.3 Interest received from banks		31.302
1.4 Interest received from money market placements		1.025
1.5 Interest received from marketable securities portfolio		605
1.5.1 Held-for-trading financial assets		123
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		482
1.5.4 Investments held-to-maturity		-
1.6 Finance lease income		-
1.7 Other interest income		-
<b>II. INTEREST EXPENSE</b>	<b>IV-2</b>	<b>12.518</b>
2.1 Interest on deposits		12.196
2.2 Interest on funds borrowed		322
2.3 Interest on money market borrowings		-
2.4 Interest on securities issued		-
2.5 Other interest expense		-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>31.627</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>5.280</b>
4.1 Fees and commissions received		5.407
4.1.1 Non-cash loans		59
4.1.2 Other	IV-12	5.348
4.2 Fees and commissions paid		127
4.2.1 Non-cash loans		-
4.2.2 Other	IV-12	127
<b>V. DIVIDEND INCOME</b>	<b>IV-3</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	<b>IV-4</b>	<b>24.922</b>
6.1 Securities trading gains/ (losses)		305
6.2 Gain/(losses) from derivative financial instruments		2.875
6.3 Foreign exchange gains/ (losses)		21.742
<b>VII. OTHER OPERATING INCOME</b>	<b>IV-5</b>	<b>-</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>61.829</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>IV-6</b>	<b>18.489</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>IV-7</b>	<b>63.073</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>(19.733)</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		<b>-</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>IV-8</b>	<b>(19.733)</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>IV-9</b>	<b>161</b>
16.1 Provision for current income taxes		(1.516)
16.2 Provision for deferred taxes		1.677
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>IV-10</b>	<b>(19.572)</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
18.3 Income on other discontinued operations		-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>
19.1 Loss from assets held for sale		-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
19.3 Loss from other discontinued operations		-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>
21.1 Provision for current income taxes		-
21.2 Provision for deferred taxes		-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		<b>-</b>
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>IV-11</b>	<b>(19.572)</b>

The accompanying notes are an integral part of these financial statements.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD OF MARCH 15 – DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

Audited  
Current Period  
15.03-31.12.2012

I. Additions to marketable securities revaluation differences for available for sale financial assets	(648)
II. Tangible assets revaluation differences	-
III. Intangible assets revaluation differences	-
IV. Foreign currency translation differences for foreign currency transactions	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-
VII. The effect of corrections of errors and changes in accounting policies	-
VIII. Other profit loss items accounted for under equity due to TAS	-
IX. Deferred tax of valuation differences	129
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(519)
XI. Profit/Loss	(19.186)
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	386
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-
1.4 Other	(19.572)
XII. Total Profit/Loss accounted for in the period (X±XI)	(19.705)



Translated into English from the original Turkish report and financial statements

## ODEA BANK ANONİM ŞİRKETİ

### UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

#### FOR THE PERIOD OF MARCH 15 – DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation	Share Certificate	Legal Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Assets Held for Sale and Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
		Effect Of Inflation Accounting On Capital and Other																
I.		Current period balance – 15.03.31.12.2012	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Prior period balance – 31.12.2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Changes in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		Marketable securities valuation differences	-	-	-	-	-	-	-	-	(133)	-	-	-	-	(133)	-	(133)
IV.		Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		Capital increase	533.520	-	-	-	-	-	-	-	-	-	-	-	-	533.520	-	533.520
	12.1	Cash	533.520	-	-	-	-	-	-	-	-	-	-	-	-	533.520	-	533.520
	12.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.		Period net income/(loss)	-	-	-	-	-	-	(19.572)	-	-	-	-	-	-	(19.572)	-	(19.572)
XVIII.		Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Closing Balance (I+II+III+...+XVI+XVII+XVIII)	533.520	-	-	-	-	-	(19.572)	-	(133)	-	-	-	-	513.815	-	513.815

The accompanying notes are an integral part of these financial statements.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENTS OF CASH FLOW FOR THE PERIOD OF MARCH 15 - DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### VI. STATEMENT OF CASH FLOW

	Note (Section Five)	Reviewed Current Period 15.03-31.12.2012
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(28.694)</b>
1.1.1 Interest received		37.829
1.1.2 Interest paid		(3.581)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		5.584
1.1.5 Other income		-
1.1.6 Collections from previously written off loans		-
1.1.7 Payments to personnel and service suppliers		(26.924)
1.1.8 Taxes paid		(3.346)
1.1.9 Others	VI-1	(38.256)
<b>1.2 Changes in operating assets and liabilities</b>		<b>1.209.540</b>
1.2.1 Net (increase) decrease in financial assets held for trading		-
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		(1.221)
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(134.956)
1.2.4 Net (increase) decrease in loans		(1.728.006)
1.2.5 Net (increase) decrease in other assets	VI-1	(19.589)
1.2.6 Net increase (decrease) in bank deposits		-
1.2.7 Net increase (decrease) in other deposits		2.508.513
1.2.8 Net increase (decrease) in funds borrowed		360.727
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities <sup>(*)</sup>	VI-1	224.072
<b>I. Net cash provided from banking operations</b>		<b>1.180.846</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II. Net cash provided from investing activities</b>		<b>(140.626)</b>
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-
2.3 Fixed assets purchases		(62.809)
2.4 Fixed assets sales		-
2.5 Cash paid for purchase of financial assets available for sale		(77.817)
2.6 Cash obtained from sale of financial assets available for sale		-
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others		-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net cash provided from financing activities</b>		<b>533.520</b>
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Capital increase		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		533.520
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	VI-1	<b>23.421</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>1.597.161</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>-</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>1.597.161</b>

<sup>(\*)</sup> Included Subordinated loan obtained in 2012.





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# ODEA BANK ANONİM ŞİRKETİ

## UNCONSOLIDATED STATEMENTS OF CASH FLOW FOR THE PERIOD OF MARCH 15 - DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

### VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2012 (*)
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME/(LOSS)</b>	-
1.1 CURRENT YEAR INCOME/(LOSS)	(19.572)
1.2 TAXES AND DUTIES PAYABLE (-)	-
1.2.1 Corporate tax (Income tax)	-
1.2.2 Income withholding tax	-
1.2.3 Other taxes and duties	-
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	-
1.3 PRIOR YEARS' LOSSES (-)	-
1.4 FIRST LEGAL RESERVES (-)	-
1.5 OTHER STATUTORY RESERVES (-)	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1 To owners of ordinary shares	-
1.6.2 To owners of preferred shares	-
1.6.3 To owners of preferred shares (preemptive rights)	-
1.6.4 To profit sharing bonds	-
1.6.5 To holders of profit and loss sharing certificates	-
1.7 DIVIDENDS TO PERSONNEL (-)	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1 To owners of ordinary shares	-
1.9.2 To owners of preferred shares	-
1.9.3 To owners of preferred shares (preemptive rights)	-
1.9.4 To profit sharing bonds	-
1.9.5 To holders of profit and loss sharing certificates	-
1.10 SECOND LEGAL RESERVES (-)	-
1.11 STATUTORY RESERVES (-)	-
1.12 EXTRAORDINARY RESERVES	-
1.13 OTHER RESERVES	-
1.14 SPECIAL FUNDS	-
<b>II. DISTRIBUTION OF RESERVES</b>	-
2.1 DISTRIBUTED RESERVES	-
2.2 SECOND LEGAL RESERVES (-)	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1 To owners of ordinary shares	-
2.3.2 To owners of preferred shares	-
2.3.3 To owners of preferred shares (preemptive rights)	-
2.3.4 To profit sharing bonds	-
2.3.5 To holders of profit and loss sharing certificates	-
2.4 DIVIDENDS TO PERSONNEL (-)	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
<b>III. EARNINGS PER SHARE</b>	-
3.1 TO OWNERS OF ORDINARY SHARES	-
3.2 TO OWNERS OF ORDINARY SHARES ( % )	-
3.3 TO OWNERS OF PREFERRED SHARES	-
3.4 TO OWNERS OF PREFERRED SHARES ( % )	-
<b>IV. DIVIDEND PER SHARE</b>	-
4.1 TO OWNERS OF ORDINARY SHARES	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )	-
4.3 TO OWNERS OF PREFERRED SHARES	-
4.4 TO OWNERS OF PREFERRED SHARES ( % )	-

(\*) As of December 31, 2012 the Bank has loss for the current year.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### SECTION THREE

#### ACCOUNTING PRINCIPLES

##### I. Basis of Presentation

The Bank prepares financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents published in the Official Gazette numbered 26333 dated November 1, 2006, Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures published in the Official Gazette numbered 28337 dated June 28, 2012, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiqués, circulars and pronouncements made by Banking Regulation and Supervision Agency (BRSA) in respect of accounting and financial reporting and maintains its books of accounts in Turkish Lira. The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

Changes of TAS/IFRS that have come into effect as from January 1, 2012 (IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment), IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)) do not have any effect on the accounting policies, financial position and performance of the Bank. These accounting policies and valuation principles are explained in Notes II to XXII.

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of December 31, 2012 as follows.

IAS 1 Presentation of Financial Statements (Amended)- Presentation of Items of Other Comprehensive Income, IAS 27 Separate Financial Statements (Amended), IAS 28 Investments in Associates and Joint Ventures (Amended), IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended) , IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine, Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), Improvements to IFRSs, IFRS 10 Consolidated Financial Statements (Amendment) – Investment Company ( The bank will not have any impact on financial position or the performance of the company), IAS 19 Employee Benefits (Amended), IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended), IFRS 9 Financial Instruments – Classification and Measurement ( The bank is in the process of assessing the impact of the new standards on the financial position or performance). Except for trading and available for sale assets and derivatives that are shown at fair values, financial statements are prepared based on historical cost.

##### Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.



Translated into English from the original Turkish report and financial statements

# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank uses financial assets intensely by its nature. The Bank's basic strategy regarding the use of financial assets is intended for ensuring the balance between the profits from and risk levels of assets.

The Bank's main funding source is the deposits accepted for various time periods and apart from deposits, the most important funding sources are equities and generally medium and long term borrowings obtained from foreign financial institutions. In order to use these sources in high-yield and high-quality financial assets, the Bank follows an asset-liability management strategy while managing interest rate risk, liquidity risk, exchange rate risk and credit risk within the framework of risk limits and legal limits determined by the Bank. With an effective asset-liability management strategy, it is aimed to ensure increasing profitability and strengthening equities.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

The Bank accounts for the transactions denominated in foreign currencies in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". As of December 31, 2012 foreign exchange gains and losses arising from transactions that are completed, are translated to TL by using historical foreign currency exchange rates. Balance of the foreign currency denominated monetary assets and liabilities are converted into TL by using foreign currency exchange rates of the Bank for the year end and the resulting exchange differences are recorded as foreign Exchange gains and losses.

#### III. Explanations on Forward and Option Contracts and Derivative Instruments

The Bank's derivative instruments consist of options, foreign currency and interest swaps and forward foreign currency buy/sell transactions. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39").

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

#### IV. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the statement of income on an accrual basis.

In accordance with the related regulation, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

#### V. Explanations on Fees and Commission Income and Expenses

All fees and commission income/expenses are recognized as income at the time of realization and during the period where the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted as such fees and commissions received as a result of the service agreements or arising from negotiating or participating in the negotiation of a transaction on behalf of a third party are recognized either in the period when the transaction is realized.



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# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VI. Explanations on Financial Assets

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects.

Basically, financial assets create the majority of the commercial activities and operations of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

##### *Cash, Banks, and Other Financial Institutions*

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets are their fair values.

##### *Financial Assets at Fair Value Through Profit and Loss*

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities" in balance sheet.

##### *Held to Maturity Investments*

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held to maturity investments are initially recorded at cost including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Held-to-maturity securities are carried at "amortized cost" using the "effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts in balance sheet.



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# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VI. Explanations on Financial Assets (continued)

##### *Financial Assets Available for Sale*

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs which represents the fair value at the time.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

##### *Loans and receivables*

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value including the related transaction costs. In subsequent periods, they are accounted in accordance with TAS.

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses in the statement of income.

#### VII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

The Bank classifies its loans by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006 as non performing loans in the existence of evidence for loans not be collected and classifies related loans and provides specific provision for related loans. Principals of related loans are collected primarily then interest receivables are collected

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

"Provision for Loans and Other Receivables" account in the income statement is closed by reversing of provisions for possible losses.

As of 31 December 2012, the Bank has not any specific provision for its loans.

The Bank provides general provision by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" ("Provisioning Regulation") published in the Official Gazette No. 26333 dated November 1, 2006.



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# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### VIII. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### IX. Explanations on Sales and Repurchase Agreements and Lending of Securities

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements.

The income and expenses from these transactions are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Money Market Borrowings" accounts in the income statement.

As of December 31, 2012, the Bank has TL 935.738 of reverse repo transactions

As of December 31, 2012, the Bank does not have any marketable securities lending transaction.

#### X. Explanations on Assets Held for Sale and Discontinued Operations

Assets held for sale with high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale as of December 31, 2012.

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.



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# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### XI. Explanations on Goodwill and Other Intangible Assets

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives.

As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

#### XII. Explanations on Tangible Fixed Assets

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

	%
Buildings	2
Safety box	2
ATM	10
Furniture, fixtures and others	20
Office equipments	25

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

#### XIII. Explanations on Leasing Transactions

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.



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# ODEA BANK ANONİM ŞİRKETİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

#### XIV. Explanations on Provisions and Contingent Liabilities

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

As of balance sheet date, there is not any case opened against to the Bank.

#### XV. Explanations on Liabilities Regarding Employee Benefits

##### *Defined Benefit Plans*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The Bank has no retirement fund or foundation that the employees are the member of.

##### *Defined Contribution Plans*

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

##### *Short-term Employee Benefits*

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

#### XVI. Explanations on Taxation

##### *Corporate tax:*

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.





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#### **XVI. Explanations on Taxation (continued)**

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities.

##### *Deferred Tax Liability / Asset:*

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

In accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the circular of BRSA numbered BDDK.DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on carryforward tax losses and all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The deferred tax resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income stated under the deferred tax provision amounting to TL1.677 in the statement of income.

#### **XVII. Additional Explanations on Borrowings**

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds

#### **XVIII. Explanations on Issued Share Certificates**

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank.

#### **XIX. Explanations on Avalized Drafts and Acceptances**

Avalized draft and acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.



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**XX. Explanations on Government Grants**

There are no government grants utilized by the Bank.

**XXI. Explanations on Segment Reporting**

Since the Bank is not listed, disclosure requirements of IFRS 8 are not applicable for the Bank.

**XXII. Explanations on Other Matters**

None, other than above explanations.

*Explanation for convenience translation to English*

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.



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#### SECTION FOUR

#### INFORMATION ON FINANCIAL STRUCTURE

##### I. Explanations Related to the Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio, the capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" (the "Regulation"), "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 ("Regulation") and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 26333 as of November 1, 2006. As of December 31, 2012 the Bank's capital adequacy ratio is 36,42 %.

In the computation of capital adequacy standard ratio, the information prepared in accordance with statutory accounting requirements is used. The credit risk amount and market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

In the computation of credit risk amount, the Bank classifies its loans in relevant risk weighted assets taking into considerations its risk class, and the remaining risk mitigating items. In taking into consideration of risk mitigation items, "comprehensive financial collateral" method is used.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating credit risk-weighted assets. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the 3rd clause of Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the Article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial the receivables from counterparties are multiplied by the rates defined in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the Article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.



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#### I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

##### I. Information related to the capital adequacy ratio:

	Risk Weights						150%	200%
	0%	10%	20%	%50	75%	100%		
<b>The amount subject to credit risk</b>								
Risk Types								
Contingent and Non-Contingent Receivables from central governments or central banks	481.574	-	-	-	-	153	-	-
Contingent and Non-Contingent Receivables on Regional or Local governments	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary				27.329		5.500	-	-
Contingent and Non-Contingent Corporate Receivables						1.568.311		
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	-	-	-	16.795		1.014		
Past Due Receivables	-	-	-	-	-	-	-	-
Receivables defined in high risk category by Regulator	-	-	-	-	-	-	1.342	526
Secured by mortgages	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and corporate	-	-	325.922	-	-	81.786	-	-
Investments similar to collective investment funds	-	-	-	-	-	-	-	-
Other Receivables	13.087	-	-	-	-	82.836		

##### Summary information related to the capital adequacy ratio:

	December 31, 2012
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	146.393
Capital requirement for market risk (II) (MRCR)	2.668
Capital requirement for operational risk (III) (ORCR)	-
<b>Shareholders' Equity</b>	<b>678.578</b>
<b>Shareholders' Equity/((CRCR+MRCR+ORCR) * 12.5) * 100</b>	<b>36,42</b>



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#### I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

Information related to the components of shareholders' equity:

	December 31 2012
<b>CORE CAPITAL</b>	<b>533.520</b>
Paid in Capital	533.520
Nominal capital	-
Capital commitments (-)	-
Inflation adjustment to share capital	-
Share premium	-
Cancellation profits	-
Legal reserves	-
Inflation adjustment of legal reserves	-
Profit	-
Current period net profit	-
Prior years' profit	-
Provision for possible losses up to 25% of the Core Capital	-
Profit on disposal of associates, subsidiaries and immovables	-
Primary subordinated debts up to 15% of the Core Capital	-
Losses that cannot be covered by reserves (-)	19.572
Current period loss (net)	19.572
Prior years' losses	-
Leasehold improvements (-)	13.696
Intangible assets (-)	17.790
Deferred tax asset exceeding 10% of the Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
<b>Total Core Capital</b>	<b>482.462</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General loan loss reserves	18.489
45% of the revaluation reserve for movable fixed assets	-
45% of the of revaluation reserve for properties	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-
Primary subordinated loans excluded in the calculation of the Core Capital	-
Secondary subordinated loans	177.760
45% value increase of available for sale financial assets and associates and subsidiaries	(133)
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	-
<b>Total Supplementary Capital</b>	<b>196.116</b>
<b>CAPITAL</b>	<b>678.578</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and Debt Instruments That Have Primary Secondary Subordinated Loan Nature Purchased From Them	-
Investment in Financial Institutions (Domestic, Foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	-
Loans extended as contradictory to the articles 50 and 51 of the law	-
The net book value of Bank's Immovables that are 50% of shareholders' equity and immovables or commodities that are received on behalf of the receivables from customers and are to be disposed according to banking law article 57 as they have been held for more than five years from the acquisition date	-
Other	-
<b>Total Shareholders' Equity</b>	<b>678.578</b>

#### Explanations on Internal Capital Management

To define Odea Bank's internal capital requirement assessment process; "Internal capital requirements assessment process" and "risk strategy" were prepared and approved by the Board of Directors in August 2012. In the related process and strategy; criterias are defined which provides maintaining of continuity of capital adequacy in compliance with risk profile and appetite. The assessment methodology of internal capital requirements is a developing process; accordingly the future improvement areas are determined and the working plans are set.

Capital adequacy ratio is calculated by Risk Management Group on a monthly basis, when requested by Senior Management capital requirement according to strategic plans is explained and studies on internal capital management is conducted. Capital requirement internal assessment process is designed and conducted by Risk Management Group. Risk Management Group informs Senior Management and Board of Directors about these issues directly or through Risk Committee.



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#### II. Explanations Related to Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

Risk Types <sup>(*)</sup>	Average Net Loan Amount After Provisions
Contingent and Non-Contingent Receivables from central governments or central banks	481.727
Contingent and Non-Contingent Receivables from regional or local governments	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-
Contingent and Non-Contingent Receivables from International Organizations	-
Contingent and Non-Contingent Receivables from banks and brokerage houses	38.632
Contingent and Non-Contingent Corporates	1.759.801
Contingent and Non-Contingent Retail Receivables	-
Contingent and Non-Contingent Receivables Secured by Mortgages	17.809
Past Due Receivables	-
Receivables defined in high risk category by Regulator	2.213
Secured by mortgages	-
Securitization positions	-
Short-Term Receivables from Banks, brokerage houses and corporates	464.831
Investments similar to collective investment funds	-
Other Receivables	95.923
<b>Total</b>	<b>2.860.936</b>

<sup>(\*)</sup> In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated June 28, 2012 from July 2012 on, Basel 2 has been applied in terms of capital adequacy

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquisitions related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

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#### II. Explanations Related to Credit Risk (continued)

As of December 31, 2012 the share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TL 1.281.437 and TL 1.506.611, the share of total cash loans are 73,99% and 81,6%.

As of December 31, 2012 the share of non-cash loans of the Bank from its total 49 customers in the total balance sheet is TL 90,014.

As of December 31, 2012, the general loan loss provision related with the credit risk is TL 18,489.

#### Significant Risks that are significant on the profile of the regions

	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Administrative Units and commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Brokerage Houses	Contingent and Non-Contingent Receivables Secured by Retail Mortgages	Contingent and Non-Contingent Receivables Secured by Past Due Mortgages	Receivables defined in high risk category by Regulator	Collateralized Mortgage Securities	Short-Term Receivables from Banks, brokerage houses and Corporates	Investment similar to collective investment funds	Total
Domestic	481.727	-	-	27.253	1.557.377	-	17.809	2.213	-	340.633	-	95.923	2.522.936
European Union Countries	-	-	-	54	27.995	-	-	-	-	37.648	-	-	65.697
OECD Countries	-	-	-	-	-	-	-	-	-	2.320	-	-	2.320
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	27.107	-	-	27.107
Other Countries	-	-	-	5.522	131.662	-	-	-	-	-	-	-	137.184
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>481.727</b>	-	-	<b>32.829</b>	<b>1.717.034</b>	-	<b>17.809</b>	<b>2.213</b>	-	<b>407.708</b>	-	<b>95.923</b>	<b>2.755.244</b>





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#### II. Explanations Related to Credit Risk (continued)

Sector concentrations for cash loans:

Sectors/Counterparties	Due from Central Governments or Governments	Regional Governments or Local Units and Non-Governmental Enterprises	Receivables on Multilateral Development Banks	Receivables on Banks and Non-Banks	Contingent and Non-Contingent Receivables	Contingent and Non-Contingent Receivables	Receivables on Banks and Non-Banks	Receivables on Houses and Corporates	Receivables defined in high risk categories	Collateralized Mortgage Securities	Short-Term Receivables from Banks, Brokerage Houses, Corporates	Investment similar to collective investments	Other funds Receivables	TL	FC	Total	
<b>1 Agriculture</b>	-	-	-	-	19.858	-	-	-	-	-	-	-	-	16.146	3.712	19.858	
1.1 Farming and Raising Livestock	-	-	-	-	19.708	-	-	-	-	-	-	-	-	15.996	3.712	19.708	
1.2 Forestry, Wood and Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1.3 Fishery	-	-	-	-	150	-	-	-	-	-	-	-	-	150	-	150	
<b>2 Manufacturing</b>	-	-	-	-	696.306	-	-	-	-	-	-	-	-	352.588	349.447	702.035	
2.1 Mining and Quarry	-	-	-	-	47.914	-	-	-	-	-	-	-	-	33.262	14.652	47.914	
2.2 Production	-	-	-	-	603.318	-	-	-	-	-	-	-	-	318.770	290.277	609.047	
2.3 Electricity, Gas and Water	-	-	-	-	45.074	-	-	-	-	-	-	-	-	556	44.518	45.074	
<b>3 Construction</b>	-	-	-	-	225.687	-	-	-	-	-	-	-	-	188.251	42.179	230.430	
<b>4 Services</b>	-	-	-	-	32.829	523.950	-	-	-	-	407.708	-	-	728.922	242.882	971.804	
4.1 Wholesale and Retail Trade	-	-	-	-	406.032	-	-	-	-	-	-	-	-	355.071	57.303	412.374	
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	40.631	-	-	-	-	-	-	-	-	39.739	892	40.631	
4.3 Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.4 Financial Institutions	-	-	-	-	32.829	26.751	-	-	-	-	407.708	-	-	291.600	175.688	467.288	
4.5 Real Estate and Renting Services	-	-	-	-	-	36.494	-	-	-	-	-	-	-	27.495	8.999	36.494	
4.6 Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4.7 Education Services	-	-	-	-	6.288	-	-	-	-	-	-	-	-	7.283	-	7.283	
4.8 Health and Social Services	-	-	-	-	7.734	-	-	-	-	-	-	-	-	7.734	-	7.734	
<b>5 Other</b>	481.727	-	-	-	251.254	-	-	-	2.213	-	-	-	-	95.923	519.900	317.217	831.117
<b>6 Total</b>	481.727	-	-	-	32.829	1.717.095	-	-	2.213	-	407.708	-	-	95.923	1.799.807	955.437	2.755.244





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#### II. Explanations Related to Credit Risk (continued)

##### Maturity Distribution of Remaining Maturities of time exposures:

Risk Types	Time to Maturity				
	1 Month	1–3 Months	3–6 Months	6–12 Months	Over 1 Year
Due from central governments or central banks	230.032	-	-	78.132	-
Regional or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-	-
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Brokerage Houses	-	-	7.740	19.589	5.500
Receivables from Corporates	132.218	39.193	310.491	533.011	698.899
Retail Receivables	-	-	-	-	-
Receivables Secured by Mortgages	-	-	8.619	3.650	5.540
Past Due Receivables	-	-	-	-	-
Receivables defined in high risk category by Regulators	-	-	-	-	2.213
Secured by mortgages	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporates	332.867	7.189	-	-	-
Investment similar to collective investment funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
<b>Total</b>	<b>695.117</b>	<b>46.382</b>	<b>326.850</b>	<b>634.382</b>	<b>712.152</b>

##### Risk by Risk Weights Balances:

Risk Weights <sup>(*)</sup>	0%	10%	20%	50%	75%	100%	150%	200%	1250%	Deductions from the shareholders' equity
Amount before the credit risk mitigation	494.661	-	325.922	44.124	-	1.888.324	1.482	731	-	-
Amount after the credit risk mitigation	494.661	-	325.922	44.124	-	1.739.600	1.342	526	-	-

<sup>(\*)</sup> Balances with financial collateral are shown as 0% risk weight.

As of balance sheet date; ratings determined by independent credit rating agencies are not considered in the capital requirement calculations.



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#### II. Explanations Related to Credit Risk (continued)

##### Important sectors or type of information according to counterparty

Sectors/ Counterparties	Loans <sup>(*)</sup>			Provisions
	Impaired	Non-Performing	Value Adjustments	
1 Agricultural	-	-	-	-
1.1 Farming and Raising Livestock	-	-	-	-
1.2 Fores TL, Wood and Paper	-	-	-	-
1.3 Fishery	-	-	-	-
2 Manufacturing	-	-	-	-
2.1 Mining and Quarry	-	-	-	-
2.2 Production	-	-	-	-
2.3 Electricity, Gas and Water	-	-	-	-
3 Construction	-	-	-	-
4 Services	-	-	-	-
4.1 Wholesale and Retail Trade	-	-	-	-
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-
4.3 Transportation and Communication	-	-	-	-
4.4 Financial Institutions	-	-	-	-
4.5 Real Estate and Renting Services	-	-	-	-
4.6 Self-Employment Services	-	-	-	-
4.7 Education Services	-	-	-	-
4.8 Health and Social Services	-	-	-	-
5 Other	-	-	-	-
Total	-	-	-	-

<sup>(\*)</sup> As of December 31, 2012 the Bank has not specific provision for its loans.

##### Information on Credit Value Adjustments and Change in loan loss provisions

	Opening Balance	The amount of provision in the period	Reversal of Provision	Other Provisions	Closing Balance
1 Specific Provisions	-	-	-	-	-
2 General Provisions	-	18.489	-	-	18.489

Below table represents maximum credit risk exposures of balance sheet accounts:

Gross Maximum Exposure	December 31, 2012
Receivables from Central Bank	403.596
Due from banks	387.412
Receivables from Money market transactions	935.738
Financial assets held for trading	-
Derivative financial instruments	5.611
Financial assets available-for-sale	78.132
Held to maturity investment	-
Loans	1.731.688
<b>Total</b>	<b>3.542.177</b>
Contingent liabilities	90.014
Irrevocable commitments	72.596
<b>Total</b>	<b>162.610</b>
<b>Total credit risk exposure</b>	<b>3.704.787</b>



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#### II. Explanations Related to Credit Risk (continued)

Credit quality per class of financial assets as of December 31, 2012 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	387.412	-	387.412
Financial assets designated at fair value through profit or loss	5.611	-	5.611
Loans to customers	1.731.688	-	1.731.688
<i>Corporate lending</i>	1.113.729	-	1.113.729
<i>Small business lending</i>	612.271	-	612.271
<i>Retail loans</i>	5.688	-	5.688
<i>Other</i>	-	-	-
<b>Total</b>	<b>2.124.711</b>	<b>-</b>	<b>2.124.711</b>
Financial Investments	78.132	-	78.132
<i>Quoted on a stock exchange -domestic public sector debt securities</i>	78.132	-	78.132
<i>Quoted on a stock exchange -Other debt securities</i>	-	-	-
<i>Unquoted on a stock exchange – Debt securities</i>	-	-	-
<b>Total</b>	<b>78.132</b>	<b>-</b>	<b>78.132</b>
<b>Total</b>	<b>2.202.843</b>	<b>-</b>	<b>2.202.843</b>

#### Internal credit rating system

Risk Class	Internal Rating Grade
High	
Risk rating class 1	1
Risk rating class 2	2
Good	
Risk rating class 3	3
Risk rating class 4	4
Standard	
Risk rating class 5	5
Risk rating class 6	6
Risk rating class 7	7
Risk rating class 8	8
Substandard	
Risk rating class 9	9
Risk rating class 10	10

Internal credit rating system is used by The Bank. As a basis for the rating classification; financial data of customers has been processed by the MRA - Moody's Risk Analyst software and output rate is considered.

On the basis of main groups collateral's, data compiled for the sub-standard of risk ratings, are as it follows:

- Risk rating class 9: The existing risk amount is USD 37,3 million for 9 customers in this class. Distribution of the risk among collaterals are; 53% mortgage, 7% deposit, 4 % cheques.

- Risk rating class 10 : The existing risk amount is USD 123 thousand for 1 customers in this class.



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#### III. Explanations Related to Market Risk

The Bank has defined market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" which was published in the Official Gazette on June 28, 2012 numbered 28337 and "Regulation Regarding Banks' Shareholders' Equity".

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to risk calculated by using the standard method (summarized below) is taken into consideration.

The risks of on-balance sheet and off-balance sheet accounts positions depending on fluctuations in the financial markets are measured by the bank. Information regarding market risk which has taken into account in the calculation of the regulatory capital is presented below:

#### Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	738
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
Standard Method For Specific Risk of Necessary Capital Requirement on Securitization Positions	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	989
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	1
(VII) Capital Requirement to be Employed For Counterparty Risk - Standard Method	940
(VIII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	2.668
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>33.350</b>

#### Average market risk table of calculated market risk at month ends:

	December 31, 2012 <sup>(*)</sup>		
	Average	Maximum	Minimum
Interest Rate Risk	944	1.767	327
Common Stock Risk	-	-	-
Currency Risk	2.021	3.668	988
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	1	1
Counterparty Risk	562	941	327
<b>Total Value Subject to Risk</b>	<b>3.527</b>	<b>6.377</b>	<b>1.643</b>

<sup>(\*)</sup>In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28/06/2012, from July 2012 on, Basel 2 has been applied in terms of capital adequacy. Up until July 2012, for capital adequacy ratio calculation, "Regulation on Procedures and Principles for Determination of Quantification of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette No.26333 dated November 1, 2006 was applied.



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### III. Explanations Related to Market Risk (continued)

#### Quantitative Counterparty Risk Information

	Amount
Interest Rate Based Contracts	80
Exchange Rate Based Contracts <sup>(*)</sup>	6.732
Commodity Based Contracts	-
Common Stock Based Contracts	-
Gross Profit Fair Value <sup>(**)</sup>	5.441
Benefits to Clarify	-
Net Amount of Current Risk	-
Guarantees Held	382
The Net Position of Derivatives <sup>(***)</sup>	11.871
Other	-

<sup>(\*)</sup>Principal

<sup>(\*\*)</sup>Positive Replacement Cost

<sup>(\*\*\*)</sup>Calculated Counterparty Credit Risk

For counterparty credit risks, limits are set by Board of Directors. Counterparty credit risk is managed by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes with the Bank. Within the scope Regulation on the Internal Systems of Banks and Regulation on Measurement and Assessment of Capital Adequacy of Bank's, published in the Official Gazette No. 28337 dated June 28, 2012, "Counterparty Credit Risk Management Policy" is prepared, approved by the Board of Directors and published in the Bank.

#### Other price risks:

The Bank does not have share certificates quoted on a stock exchange hence it is not subject to share price risk.

### IV. Explanations Related to Operational Risk

#### Basic indicators approach:

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

The value at operational risk is calculated according to the basic indicator approach of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette No. 28337 dated June 28, 2012.

	2 PY Amount	1 PY Amount	CY Amount	Total / Total number of years for which gross income is positive	Rate (%)	Total
Gross income	-	-	-	-	-	-
The amount subject to operational risk (Total*12,5) <sup>(*)</sup>	-	-	-	-	-	-

<sup>(\*)</sup> With the approval of BRSA dated November 19, 2012 and numbered 23254, the Bank did not calculate the amount subject to operational risk for interim periods of the year 2012.



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#### V. Explanations Related to Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The announced current foreign exchange buying rates of the Bank at December 31, 2012 and the previous five working days in full TL are as follows (Bank's FC evaluation rates):

	December 24, 2012	December 25, 2012	December 26, 2012	December 27, 2012	December 28, 2012	December 31, 2012
USD	1,7893	1,7877	1,7848	1,7829	1,7826	1,7776
CHF	1,9549	1,9516	1,9484	1,9544	1,9430	1,9394
GBP	2,895	2,8796	2,8787	2,8823	2,8708	2,8733
100 JPY	2,1151	2,1049	2,0866	2,075	2,0656	2,0605
EURO	2,3651	2,3586	2,3566	2,3657	2,3517	2,3452

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2012 are as follows:

	Monthly Average Foreign Exchange Rate
USD	1,7805
CHF	1,9283
GBP	2,871
100 JPY	2,12
EURO	2,3339
EURO	2,3339



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#### V. Explanations Related to Currency Risk (continued)

December 31, 2012	EUR	USD	OTHER	TOTAL
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	1.019	136.868	17	137.904
Banks	59.097	80.842	4.458	144.397
Financial Assets at Fair Value Through Profit and Loss	1.720	1.051	2	2.773
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-
Loans (*)	179.993	707.022	-	887.015
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-
Held-To-Maturity Investments	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	255	1.062	-	1.317
<b>Total Assets</b>	<b>242.084</b>	<b>926.845</b>	<b>4.477</b>	<b>1.173.406</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	130.993	243.988	16	374.997
Derivative financial liabilities	-	4.390	-	4.390
Funds Provided From Other Financial Institutions	23.461	337.481	-	360.942
Subordinated Loan	-	177.849	-	177.849
Miscellaneous Payables	48	4.880	-	4.928
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other Liabilities (***)	-	-	-	-
<b>Total Liabilities</b>	<b>154.502</b>	<b>768.588</b>	<b>16</b>	<b>923.106</b>
<b>Net Balance Sheet Position</b>	<b>87.582</b>	<b>158.257</b>	<b>4.461</b>	<b>250.300</b>
<b>Net Off-Balance Sheet Position</b>				
Financial Derivative Assets	(86.763)	(189.769)	(5.039)	(281.571)
Financial Derivative Liabilities	52.075	198.419	47.236	297.730
Forward deposit purchase commitments	129.457	394.009	50.492	573.958
Forward deposit sales commitments	-	18.264	-	18.264
Non-Cash Loans (**)	9.381	12.443	1783	23.607
	5.934	22.132	-	28.066

(\*) Foreign currency indexed loans amounting to TL 238.422 are included in the loan portfolio.

(\*\*) There are no effects on the net off-balance sheet position.

(\*\*\*) GLLP with FC were not included in currency risk calculation.

Foreign currency sensitivity:

The Bank holds EUR and USD currencies positions mainly. The following table details the Bank's sensitivity to a 10% increase or decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(Negative) number indicates a change in profit or loss and other equity where USD and EUR increase 10% against TL.

	Change in currency rate in %	Effect on profit or loss (*)	
		December 31, 2012	December 31, 2012
USD	10%	3.151	3.151
USD	(10)%	(3.151)	(3.151)
EUR	10%	82	82
EUR	(10)%	(82)	(82)

(\*) represents before tax amounts



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#### VI. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Management Group performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank monitors maturity mismatches very closely a significant interest rate risk exposure is not expected.

#### Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
<b>December 31, 2012</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	230.032	-	-	-	-	179.745	409.777
Banks	319.760	-	-	-	-	67.652	387.412
Financial Assets at Fair Value Through Profit and Loss	703	1.949	2.794	92	73	-	5.611
Money Market Placements	935.738	-	-	-	-	-	935.738
Available-For-Sale Financial Assets	-	-	78.132	-	-	-	78.132
Loans	325.718	202.403	751.578	365.120	86.869	-	1.731.688
Held-To-Maturity Investments	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	85.821	85.821
<b>Total Assets</b>	<b>1.811.951</b>	<b>204.352</b>	<b>832.504</b>	<b>365.212</b>	<b>86.942</b>	<b>333.218</b>	<b>3.634.179</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Customer Deposits	777.406	1.039.885	556.213	5.779	-	137.863	2.517.146
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	1.226	1.226
Subordinated Loans	-	-	-	-	177.849	-	177.849
Funds Provided From Other Financial Institutions	-	281.351	79.591	-	-	-	360.942
Other Liabilities (*)	35	3.177	1.179	-	-	572.625	577.016
<b>Total Liabilities</b>	<b>777.441</b>	<b>1.324.413</b>	<b>636.983</b>	<b>5.779</b>	<b>177.849</b>	<b>711.714</b>	<b>3.634.179</b>
Balance Sheet Long Position	1.034.510	-	195.521	359.433	-	-	1.589.464
Balance Sheet Short Position	-	(1.120.061)	-	-	(90.907)	(378.496)	(1.589.464)
Off-Balance Sheet Long Position	43.780	281.953	325.210	17.797	17.776	-	686.516
Off-Balance Sheet Short Position	43.223	283.005	264.523	3.555	-	-	594.306
<b>Total Position</b>	<b>1.035.067</b>	<b>(1.121.113)</b>	<b>256.208</b>	<b>373.675</b>	<b>(73.131)</b>	<b>(378.496)</b>	<b>92.210</b>

(\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 513.815, TL 3.974 tax liabilities, TL 33.398 provisions, and TL 21.438 other liabilities.





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#### VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	JPY %	TL %
<b>December 31, 2012</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	5,00
Banks	0,25	0,28	-	5,73
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-
Money Market Placements	-	-	-	5,90
Available-For-Sale Financial Assets	-	-	-	6,03
Loans	5,32	5,60	-	12,36
Held-To-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Customer Deposits	3,42	3,44	-	8,93
Subordinated Loans (Note II.11)	-	3,00	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1,20	1,18	-	-

#### Nature of interest rate risk resulted from banking book:

The interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

#### Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method.

Unit of Currency	Applicable Shock (+ / -)base point)*	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
TL	500	(42.702)	(6,3)%
	(400)	39.470	5,8%
EUR	200	(9.480)	(1,4)%
	(200)	3.131	0,5%
USD	200	(4.538)	(0,7)%
	(200)	1.018	0,1%
<b>Total (For Negative Shock)</b>		<b>(56.720)</b>	<b>(8,4)%</b>
<b>Total (For Positive Shock)</b>		<b>43.619</b>	<b>6,4%</b>

\*The intensity and direction of a currency different rows were entered separately for each shock.

#### VII. Explanations Related to Share Certificates Position Risk

The Bank has no outstanding share certificate position.



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#### VIII. Explanations Related to Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the maturity and interest rate structure of assets, and liabilities is always monitored. A positive difference is tried to be established between the yields of assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by Risk Management Group are presented to Senior Management and Audit Committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.

#### Presentation of assets and liabilities according to their remaining maturities:

December 31, 2012	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed <sup>(*)</sup>	Total
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	179.745	230.032	-	-	-	-	-	409.777
Banks	67.652	319.760	-	-	-	-	-	387.412
Financial Assets at Fair Value Through Profit and Loss	-	703	1.949	2.794	92	73	-	5.611
Money Market Placements	-	935.738	-	-	-	-	-	935.738
Available-For-Sale Financial Assets	-	-	-	78.132	-	-	-	78.132
Loans	-	140.859	41.131	851.941	665.111	32.646	-	1.731.688
Held-To-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	85.821	85.821
<b>Total Assets</b>	<b>247.397</b>	<b>1.627.092</b>	<b>43.080</b>	<b>932.867</b>	<b>665.203</b>	<b>32.719</b>	<b>85.821</b>	<b>3.634.179</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Customer Deposits	137.863	777.406	1.039.885	556.213	5.779	-	-	2.517.146
Funds Provided From Other Financial Institutions	-	-	281.351	79.591	-	-	-	360.942
Money Market Borrowings	-	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	177.849	-	177.849
Miscellaneous Payables	1.226	-	-	-	-	-	-	1.226
Other Liabilities <sup>(**)</sup>	35	3.177	1.179	-	-	-	572.625	577.016
<b>Total Liabilities</b>	<b>139.124</b>	<b>780.583</b>	<b>1.322.415</b>	<b>635.804</b>	<b>5.779</b>	<b>177.849</b>	<b>572.625</b>	<b>3.634.179</b>
<b>Liquidity Gap</b>	<b>108.273</b>	<b>846.509</b>	<b>(1.279.335)</b>	<b>(297.063)</b>	<b>659.424</b>	<b>(145.130)</b>	<b>(486.804)</b>	<b>-</b>

<sup>(\*)</sup> The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

<sup>(\*\*)</sup> Shareholders' equity is shown under other liabilities in undistributed column.



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#### VIII. Explanations Related to Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments <sup>(*)</sup>	Total
<b>As of December 31, 2012</b>							
Bank Deposits	-	-	-	-	-	-	-
Customer deposits	137.863	1.463.988	940.817	10.176	-	-	<b>2.552.844</b>
Subordinated Loans	-	-	-	-	239.131	-	<b>239.131</b>
Funds Provided From Other Financial Institutions	-	94.983	267.038	-	-	-	<b>362.021</b>
<b>Total</b>	<b>137.863</b>	<b>1.558.971</b>	<b>1.207.855</b>	<b>10.176</b>	<b>239.131</b>	<b>-</b>	<b>3.153.996</b>

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2012</b>						
Gross settled						
Foreign exchange forward contracts		5.895	144.680	23.156	-	173.731
Currency swaps		57.834	330.219	383.863	-	771.916
<b>Total</b>	<b>63.729</b>	<b>474.899</b>	<b>407.019</b>	<b>-</b>	<b>-</b>	<b>945.647</b>

#### IX. Explanations Related to Securitization Positions

None.



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#### X. Explanations Related to Credit Risk Mitigation Techniques

All available financial collaterals, which have been used in comprehensive financial collateral method, are used by the Bank according to the credit risk mitigation technique. As the Bank has only cash blockage, treasury bills and government bonds, as collateral only those types of collaterals are included in the calculation.

##### Collateral on the basis of risk classes

Risk Types	Current period risk amount <sup>(*)</sup>	Financial Collateral	Other / Physical Collateral	Guaranties and Credit Derivatives
Contingent and Non-Contingent Receivables from central governments or central banks	481.727	-	-	-
Contingent and Non-Contingent Receivables on Regional and Local governments	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	-
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-	-	-
Contingent and Non-Contingent Receivables on Banks and brokerage houses	38.682	-	-	-
Contingent and Non-Contingent receivables from corporates	1.759.801	148.723	-	-
Contingent and Non-Contingent Retail Receivables	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	17.809	-	-	-
Past Due Receivables	-	-	-	-
Receivables defined in high risk category by Regulator	2.213	345	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	464.831	-	-	-
Investment similar to collective investment funds	-	-	-	-
Other Receivables	95.923	-	-	-
<b>Total</b>	<b>2.860.936</b>	<b>149.068</b>	-	-

(\*) The figures represent total risk amounts before Credit Risk Mitigation and before credit conversion factor.

#### XI. Explanations Related to Risk Management Objectives and Policies

Risk management strategies and practices are defined as follows: The Bank's Risk Management Unit was established as an independent unit which reports to the Member of Audit Committee who is responsible for the Audit, Internal Control and Risk Management.

Risk management is committed to control processes in order to determine the limits and measurement of operational risks, including the risks comprising of credit, market, interest rate, concentration, counterparty, banking accounts and IT risks.

Objective of risk policies: In line with "Regulation on Internal Systems of Banks (published in the Official Gazette dated June 28, 2012 numbered 28337)", sustaining the Bank's operations in accordance with the Banks's strategic plans, mission, targets, profitability and productivity principles by determining Bank's risk strategy and maximum risk level in line with the volume, qualification and complexity of the Bank's operations. Moreover, ensuring to conserve the interests of depositors and the Bank's shareholder's interest at a maximum level.

Risk Management regularly reports to Senior Management and the Audit Committee all the risks the bank is exposed to and concentrations, and the Bank's own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of, market risk limits, liquidity and interest rate, credit risk analysis and capital adequacy analysis and daily value at risk (VAR) analysis. These reports are also presented to Asset-Liability Management Committee on a weekly and Audit committee on a monthly basis. Financial instruments in the Bank's portfolio are closely monitored and reported on a daily basis against volatility and market values of market risk instruments.



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#### XI. Explanations Related to Risk Management Objectives and Policies (continued)

Monthly scenario analyzes on economic capital, capital adequacy, liquidity and profitability scenarios and credit risk on Bank's loan portfolio including benchmark of similar banks are presented to the Audit Committee. Management follows the Bank's performance and the limits by using these detailed reports.

Risk Management Group calculates Basel II capital adequacy calculation, namely Credit Risk, Market Risk and Operational Risk, in accordance with "Regulation on Measurement and Assessment of Capital Adequacy of Bank's" published in the Official Gazette dated June 28, 2012 numbered 28337."

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 28337 dated June 28, 2012 banking processes and policies were established. Consequently, related procedures/policies are formed and then approved by the Board of Directors at August 2012.

In order to manage operational risks that the Bank is exposed to more effectively and form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated.

In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

Liquidity Risk is the risk that the Bank cannot fulfill its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows. In order to define, measure, follow, report the liquidity risk the Bank is exposed to and take necessary actions for the results, Liquidity Risk Policy is formed. When Liquidity Risk Policy is formed, to manage the net liquidity position and liquidity requirement on an ongoing and forward-looking basis is aimed at.

Concentration risk is the risk within credit risk that is exposed according to individual debtor and debtor groups, to debtor groups that indicate similar characteristics in terms of economic and regional sector qualities, on the basis of the assets subject to the collateral securities similar to the risk that is to be considered also within the scope of the market risk and operational risk. In order to define, measure, follow and manage the concentration risk the Bank is exposed to, Concentration Risk Policy is formed. Concentration limits are monitored in compliance with the credit, deposit and related policies.

Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings an obligation to both sides. In order to define, measure, follow and manage the counterparty credit risk the Bank is exposed to Counterparty Credit Risk and Clearing Risk Policy is formed. Counterparty credit risk management is conducted by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes. The limits for counterparties are determined by the Board of Directors.

"Banking Book" includes all Assets and Liabilities (including credit) except trading securities portfolio. In order to define, measure, follow, report the interest rate risk related to banking book risk the Bank is exposed to and take necessary actions for the results, interest rate risk policy related to banking book is formed. Interest rate risk is managed by senior management in order to avoid losses from adverse interest rate movements.

Regarding internal assessment process which aims at the Bank has capital requirement according to its risk profile, Capital Requirement Internal Management Procedure is prepared. Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market.



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#### XI. Explanations Related to Risk Management Objectives and Policies (continued)

Risk Management Procedure is formed in such a way that it includes all the definitions above.

Structure and organization of risk management system, in respect of Risk Management Unit is committed to board of directors. Commitment to the board of directors is realized through Audit Committee.

Hedging Risk and Process of Risk Mitigation Policies and Process Related to Control Their Effectiveness Continuously: Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies. Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect the limits are allocated by the Board of Directors. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

#### XII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value	Fair Value
	December 31, 2012	31 Aralık 2012 2012
<b>Financial Assets</b>	<b>3.132.970</b>	<b>3.132.970</b>
Money Market Placements	935.738	935.738
Banks	387.412	387.412
Available-For-Sale Financial Assets	78.132	78.132
Held-To-Maturity Investments	-	-
Loans	1.731.688	1.731.688
<b>Financial Liabilities</b>	<b>3.078.602</b>	<b>3.078.602</b>
Bank Deposits	-	-
Other Deposits	2.517.146	2.517.146
Funds Borrowed From Other Financial Institutions	360.942	360.942
Subordinated Loans	177.849	177.849
Miscellaneous Payables	22.665	22.665

The following methods and assumptions were used to estimate the fair value of the financial instruments:

##### i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2012 is the market rates available for the loan and security types. Because of the Bank has started its operations since October 2, 2012 it is assumed that fair value and book value of assets is close.

##### ii. Financial liabilities:

The fair value of bank deposits and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2012 is the market rates available for the borrowing and deposits types. Because of the Bank has started its operations since October 2, 2012 it is assumed that fair value and book value of liabilities is close.



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#### XII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

December 31,2012	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	-	5.611	-	-
Available-For-Sale Financial Assets	78.132	-	-	-
<b>Financial Liabilities</b>				
Derivative financial liabilities held for trading	-	4.390	-	-

#### XIII. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

#### XIV. Explanations Related to Hedge Accounting

None.



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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

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#### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS

##### I. Explanations and Disclosures Related to the Assets

##### 1. a) Information on Cash and Balances with the Central Bank of Turkey:

	December, 31 2012	
	TL	FC
Cash in Vault/Foreign Currency	3.386	2.795
Balances with the Central Bank of Turkey	268.487	135.109
Other	-	-
<b>Total</b>	<b>271.873</b>	<b>137.904</b>

##### b) Information related to the account of the Central Bank of Turkey:

	December, 31 2012	
	TL	FC
Unrestricted demand deposits	38.455	153
Unrestricted time deposits	230.032	-
Restricted time deposits	-	134.956
FC Reserve deposits	-	-
<b>Total</b>	<b>268.487</b>	<b>135.109</b>

##### c) Explanations related to reserve deposits:

The Banks operating in Turkey, according to Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank provide reserve requirements for TL, foreign currency liabilities in the rates for TL liabilities vary between 5% and 11% for TL deposits and other liabilities according to their maturities as of balance sheet date and for foreign currency liabilities vary between 6% and 11,5% for deposit and other foreign currency liabilities according to their maturities as of balance sheet date. The reserve requirements can be maintained as TL, USD, EUR and standard gold. Interest received from TL and foreign currency reserve deposits has been abolished.





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### AS OF DECEMBER 31, 2012

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#### I. Explanations and Disclosures Related to the Assets (continued)

#### 2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None.

a.2) Financial assets at fair value through profit and loss subject to repurchase agreements: None.

b) Positive differences related to derivative financial assets held-for-trading:

	December 31, 2012	
	TL	FC
Forward Transactions	111	1.590
Swap Transactions	2.610	779
Futures Transactions	-	-
Options	117	404
Other	-	-
<b>Total</b>	<b>2.838</b>	<b>2.773</b>

#### 3. a) Information on banks:

	December 31, 2012	
	TL	FC
Banks		
Domestic	243.015	77.322
Foreign	-	67.075
Branches and head office abroad	-	-
<b>Total</b>	<b>243.015</b>	<b>144.397</b>

#### b) Information on foreign bank accounts:

	Unrestricted Amount	Restricted Amount
	December 31, 2012	December 31, 2012
European Union Countries	37.648	-
USA and Canada	27.107	-
OECD Countries (*)	2.320	-
<b>Other</b>	-	-
<b>Total</b>	<b>67.075</b>	-

(\*) OECD countries other than European Union countries, USA and Canada

#### 4. Information on financial assets available-for-sale:

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	December 31, 2012	
	TL	FC
Share certificates	-	-
Bond, Treasury bill and similar securities	78.132	-
Other	-	-
<b>Total</b>	<b>78.132</b>	-



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#### I. Explanations and Disclosures Related to the Assets (continued)

##### a.2) Information on financial assets available for sale subject to repurchase agreements:

None:

##### b) Information on financial assets available for sale portfolio:

	December 31, 2012
Debt securities	78.132
Quoted on a stock exchange	78.132
Not quoted	-
Share certificates	-
Quoted on a stock exchange	-
Not quoted	-
Impairment provision (-)	-
<b>Total</b>	<b>78.132</b>

#### 5. Information on loans:

##### a) Information on all types of loans or advances given to shareholders and employees of the Bank:

	December 31, 2012	
	Cash	Non-cash
Direct loans granted to shareholders	-	-
Corporate shareholders	-	-
Real person shareholders	-	-
Indirect loans granted to shareholders	-	-
Loans granted to employees	191	-
<b>Total</b>	<b>191</b>	<b>-</b>



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**I. Explanations and Disclosures Related to the Assets (continued)**

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	168.370	-	-	-	-	-
Discount notes	7.752	-	-	-	-	-
Export loans	154.931	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	-	-	-	-	-	-
Foreign loans	-	-	-	-	-	-
Consumer loans	5.687	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	1.563.318	-	-	-	-	-
<b>Total</b>	<b>1.731.688</b>	-	-	-	-	-

c) Restructured or rescheduled loans according to their maturity structure: None.



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**I. Explanations and Disclosures Related to the Assets (continued)**

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	<b>459</b>	<b>5.037</b>	<b>5.496</b>
Housing Loans	-	3.005	3.005
Car Loans	-	-	-
General Purpose Loans	459	2.032	2.491
Other	-	-	-
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TL</b>	<b>11</b>	<b>180</b>	<b>191</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	11	180	191
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TL(Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>470</b>	<b>5.217</b>	<b>5.687</b>



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**I. Explanations and Disclosures Related to the Assets (continued)**

e) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TL</b>	<b>8.060</b>	<b>165.262</b>	<b>173.322</b>
Business Loans	-	-	-
Car Loans	-	3.109	3.109
General Purpose Loans	8.060	111.998	120.058
Other	-	50.155	50.155
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>1.002</b>	<b>95.581</b>	<b>96.583</b>
Business Loans	-	-	-
Car Loans	-	666	666
General Purpose Loans	1.002	94.915	95.917
Other	-	-	-
<b>Commercial loans with installment facility –FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TL(Legal Entities)</b>	<b>15.277</b>	<b>-</b>	<b>15.277</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>24.339</b>	<b>260.843</b>	<b>285.182</b>

f) Loans according to types of borrowers:

	December 31, 2012
Government	-
Private Sector	1.731.688
<b>Total</b>	<b>1.731.688</b>

g) Distribution of domestic and foreign loans:

	December 31, 2012
Domestic loans	1.573.273
Foreign loans	158.415
<b>Total</b>	<b>1.731.688</b>

h) Loans granted to subsidiaries and associates: None.

i) Specific provisions provided against loans :None.



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#### I. Explanations and Disclosures Related to the Assets (continued)

j) Information on non-performing loans (Net):

*j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:* None.

*j.2) The movement of non-performing loans:* None.

*j.3) Information on foreign currency non-performing loans and other receivables:* None.

*j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:* None.

k) Main principles of liquidation policies of nonperforming loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree. As of December 31, 2012 the Bank does not have non-performing loans and receivables.

l) Explanations on write-off policy:

As of December 31, 2012 there is no write-off amount evaluated according to decision of the Board of Directors.

#### 6. Information on held-to-maturity investments:

*a.1) Information on held-to-maturity investments given as collateral or blocked:* None.

*a.2) Held-to-maturity investments subject to repurchase agreements:* None.

b) Information on public sector debt investments held-to-maturity: None.

c) Information on held-to-maturity investments: None.

d) Movement of held-to-maturity investments: None.

#### 7. Information on associates (Net):

The Bank has no associates in the current period

#### 8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

#### 9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period.

#### 10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

#### 11. Information on derivative financial assets for hedging purposes:

The Bank has no financial assets for hedging purposes in the current period.



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#### I. Explanations and Disclosures Related to the Assets (continued)

##### 12. Information on tangible assets (Net) :

	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Land and buildings	-	9.174	-	-	-	9.174
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	-	34.727	-	-	-	34.727
<b>Total Cost</b>	-	<b>43.901</b>	-	-	-	<b>43.901</b>
	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Accumulated Depreciation:						
Land and buildings	-	(31)	-	-	-	(31)
Leased tangible assets	-	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	-	(2.528)	-	-	-	(2.528)
<b>Total Accumulated Depreciation</b>	-	<b>(2.559)</b>	-	-	-	<b>(2.559)</b>
<b>Net Book Value</b>	-	<b>41.342</b>	-	-	-	<b>41.342</b>

a) Disclosure for impairment losses or releases individually material for financial statements:

**a.1) Conditions for allocating/releasing any impairment:** None.

**a.2) Amount of impairment losses provided or released in financial statements during current period:** None.

b) Other impairment losses provided or released in current period that are immaterial for the financial statement individually: None.

c) Pledges, Commitments and other restrictions to acquire tangible assets: None.



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#### 13. Information on intangible assets:

	Closing Balance December 31, 2012	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Software cost	-	16.516	-	-	-	16.516
Other intangible assets	-	2.392	-	-	-	2.392
<b>Total Cost</b>	<b>-</b>	<b>18.908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.908</b>
	Closing Balance December 31, 2012	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Accumulated Depreciation:						
Software cost	-	(1.061)	-	-	-	(1.061)
Other intangible assets	-	(57)	-	-	-	(57)
<b>Total Accumulated Depreciation</b>	<b>-</b>	<b>(1.118)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1.118)</b>
<b>Net Book Value</b>	<b>-</b>	<b>17.790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17.790</b>





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**14. Investment Property (Net):** None.

**15. Explanations on deferred tax assets:**

a) As of December 31, 2012, there is no deferred tax asset calculated on tax losses and tax deductions or exemptions. Deferred tax asset is calculated on the other deductible temporary differences is TL 1.677.

b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.

c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

d) Movement of deferred tax:

**December 31, 2012**

<b>At January 1</b>	-
Effect of change in tax rate	-
Deferred tax (charge)/benefit	-
<b>Deferred tax income (Net)</b>	<b>1.677</b>
Deferred tax accounted for under Shareholders' Equity	-
<b>Deferred Tax Asset</b>	<b>1.677</b>



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#### I. Explanations and Disclosures Related to the Assets (continued)

	December 31, 2012	
	Tax Base	Deferred Tax
Reserve for Employee Benefits	859	172
Free reserves provided for possible risks	-	-
Other provisions	14.050	2.810
Net Book Value and Tax Value Differences of Assets:	-	-
Tangible Fixed Assets	-	-
Deferred Commissions	-	-
Financial Assets	5.666	1.133
Tax Losses	-	-
<b>Deferred Tax Assets</b>	<b>20.575</b>	<b>4.115</b>
Net Book Value and Tax Value Differences of Assets:	-	-
Tangible Fixed Assets	6.580	1.316
Financial Assets	5.611	1.122
Other	-	-
<b>Deferred tax liability (-)</b>	<b>12.191</b>	<b>2.438</b>
<b>Deferred tax Asset (Net)</b>	<b>8.384</b>	<b>1.677</b>

16. Information on assets held for sale and discontinued operations: None.

#### 17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2012
Settlement Accounts	2.226
Advances and Deposits Given	6.768
Prepaid Expenses	10.595
<b>Total</b>	<b>19.589</b>

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.



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### AS OF DECEMBER 31, 2012

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#### II. Explanations and Disclosures Related to the Liabilities

##### 1. Information on maturity structure of deposits:

###### a.1) December 31, 2012 :

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	4.075		5.720	590.746	535.552	203.348	9.306	-	1.348.747
Foreign currency deposits	84.851		4.790	216.556	64.648	4.153	-	-	374.998
Residents in Turkey	84.851		4.790	216.441	64.648	4.153	-	-	374.883
Residents abroad	-		-	115	-	-	-	-	115
Public sector deposits	-		-	-	-	-	-	-	-
Commercial deposits	48.937		124.336	558.051	54.417	2.018	-	-	787.759
Other institutions deposits	-		-	4.007	1.635		-	-	5.642
Precious metals deposits	-		-	-	-	-	-	-	-
Interbank deposits	-		-	-	-	-	-	-	-
Central Bank of Turkey	-		-	-	-	-	-	-	-
Domestic Banks	-		-	-	-	-	-	-	-
Foreign Banks	-		-	-	-	-	-	-	-
Participation Banks	-		-	-	-	-	-	-	-
Other	-		-	-	-	-	-	-	-
<b>Total</b>	<b>137.863</b>		<b>134.846</b>	<b>1.369.360</b>	<b>656.252</b>	<b>209.519</b>	<b>9.306</b>	<b>-</b>	<b>2.517.146</b>

###### b.1) Information on saving deposits under the guarantee of saving deposits insurance:

###### i. Information on saving deposits:

Saving Deposits (*)	Under the Guarantee of Insurance	Exceeding the Limit of Insurance
	December 31, 2012	December 31, 2012
Saving deposits	33.127	1.315.620
Foreign currency saving deposits	2.296	98.774
Other deposits in the form of saving deposits	-	-
Foreign branches' deposits under foreign authorities' insurance	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-
<b>Total</b>	<b>35.423</b>	<b>1.414.394</b>

(\*) Accruals were included to deposits under the guarantee of insurance in accordance with BRSA declaration numbered 1584 dated February 23, 2005.

As of reporting period Tasarruf Mevduatı Sigorta Fonu has not yet notified the Bank for the rate based on calculation of Saving Deposit Premium provision. Therefore; as of December 31, 2012 such calculation could not be performed by the Bank.



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#### II. Explanations and Disclosures Related to the Liabilities (continued)

ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

December 31, 2012

Deposits and accounts in branches abroad	-
Deposits of ultimate shareholders and their close families	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	9.109
Deposits obtained through illegal acts defined in the 282nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-

#### 2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

December 31, 2012

	TL	FC
Forward Transactions	-	2.073
Swap Transactions	-	1.669
Futures Transactions	-	648
Options	-	-
Other	-	-
<b>Total</b>	-	<b>4.390</b>

3. a) Information on banks and other financial institutions:

December 31, 2012

	TL	FC
From Domestic Banks and Institutions	-	-
From Foreign Banks, Institutions and Funds	-	360.942
<b>Total</b>	-	<b>360.942</b>

b) Maturity analysis of borrowings:

December 31, 2012

	TL	FC
Short-term	-	360.942
Medium and long-term	-	-
<b>Total</b>	-	<b>360.942</b>

c) Additional explanations related to the concentrations of the Bank's major liabilities:

The Bank has diversified its fund sources with customer deposits and funds borrowed from foreign banks.



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**II. Explanations and Disclosures Related to the Liabilities (continued)**

**4. Information on funds provided from repurchase agreement transactions :** None.

**5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:**

None.

**6. Explanations on lease obligations (Net):**

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank: None.

b) Explanations regarding operational leases: Bank has operational lease agreements for some branches.

c) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.



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#### II. Explanations and Disclosures Related to the Liabilities (continued)

7. Information on derivative financial liabilities for hedging purposes: None.

#### 8. Information on provisions:

a) Information on general provisions:

	December 31, 2012	31 Aralık 2012
General Provisions		
I. Provisions for First Group Loans and Receivables	18.074	18.074
- Additional provision for intentioned loans	-	-
II. Provisions for Second Group Loans and Receivables	-	-
- Additional provision for intentioned loans	-	-
Provisions for Non-cash Loans	415	415
<b>Total</b>	<b>18.489</b>	<b>18.489</b>

General provision movement for first, second group of loans and receivables and non-cash loans is as follows:

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
<b>January 1, 2012</b>	-	-	-
Additions	18.074	-	415
Disposals	-	-	-
December 31, 2012	18.074	-	415

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TL1.510 on the foreign currency indexed loans are netted off from loans on the balance sheet.

c) Provisions for non-cash loans that are not indemnified or converted into cash: None.

d) Information on employee termination benefits and unused vacation accrual:

According to statutory regulations since employees of the Bank have not yet deserve the employee termination benefit; the Bank has not calculated provision for employee termination benefit.

#### d.1) Movement of employee termination benefits:

None.



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#### II. Explanations and Disclosures Related to the Liabilities: (continued)

##### d.2) Information on employee termination benefits and unused vacation accrual:

December 31, 2012

Employee termination benefit provision	-
Unused vacation provision	859
<b>Total of provision for employee benefits</b>	<b>859</b>

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement. According to statutory regulations since employees of the Bank have not yet deserve the employee termination benefit; the Bank has not calculated provision for employee termination benefit.

##### e) Information on other provisions:

**e.1) Provisions for possible losses:** None.

**e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:** Other provisions consist of provision for personnel premium amounting to TL 14.050.

f) Liabilities on pension rights: None.

**f.1) Liabilities for pension funds established in accordance with "Social Security Institution":** None.

**f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees:** None.



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#### II. Explanations and Disclosures Related to the Liabilities: (continued)

##### 9. Explanations on taxes payable:

###### a) Information on current tax liability:

###### a.1) Information on corporate tax:

As of 31 December 2012, prepaid tax expenses has deducted from corporate tax liabilities. In the current period the Bank has tax asset amounting to TL 5.423 under the asset side of the balance sheet.

###### a.2) Explanations on taxes payable:

	December 31, 2012
Taxation on securities	520
BSMV	628
Corporate Tax Payable <sup>(*)</sup>	-
Payroll Tax	-
Property Tax	147
Value Added Tax Payable	566
Stamp Tax	-
Other	1.463
<b>Total</b>	<b>3.324</b>

<sup>(\*)</sup> As of December 31, 2012 corporate tax payable amounting to TL 1.482 has been netted off with prepaid tax.

###### a.3) Information on premiums:

	December 31, 2012
Social Security Premiums-Employer	283
Social Security Premiums-Employee	308
Bank Social Aid Pension Fund Premium-Employer	39
Bank Social Aid Pension Fund Premium-Employee	20
Pension Fund Membership Fees and Provisions-Employee	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employee	-
Unemployment Insurance-Employer	-
Other	-
<b>Total</b>	<b>650</b>

###### b) Explanations on deferred tax liabilities, if any: None.





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#### II. Explanations and Disclosures Related to the Liabilities (continued)

10. Information on liabilities regarding assets held for sale and discounted operations: None.

#### 11. Information on Subordinated Loans:

	December 31, 2012
From domestic banks	-
From foreign banks	177.849
<b>Total</b>	<b>177.849</b>

On December 27, 2012 the Bank obtained a subordinated loan from Parent Bank - Bank Audi SAL amounting to USD 100 million, with 10 years maturity and a repayment option at the end of five years. The interest rate was determined 3% for the first five years unless usage of repayment option interest rate to be 4%. With the written approval of BRSA dated 25 December 2012, the loan has been approved as subordinated loan and can be taken into consideration as supplementary capital within the limits of the Regulation Regarding Banks' Shareholders' Equity.

#### 12. Information on Shareholders' Equity:

##### a) Presentation of Paid-in capital:

As of December 31, 2012 the nominal value of the Bank's paid-in-capital is amounting to TL 533.520 and consists of 533.520 million shares.

TL	December 31, 2012
Common stock <sup>(*)</sup>	533.520
Preferred stock	-

<sup>(\*)</sup> Nominal Capital .

##### b) The Bank does not apply registered share capital system.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period: Bank has started its operation in 2012 and USD 300 million capital has been invested for establishment.

d) Information on share capital increases from revaluation funds in the current period: None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank has started its operations in 2012 and expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

g) Information on preferred shares: None.



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**II. Explanations and Disclosures Related to the Liabilities (continued)**

h) Information on marketable securities value increase fund: None.

December 31, 2012

From Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)	-
Valuation Difference	(133)
Foreign Exchange Difference	-
<b>Total</b>	<b>(133)</b>

**Information on legal reserves** :None.

**Information on extraordinary reserves**: None.

**13. Information on minority shares:**

None.



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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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### III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

#### 1. Information on off-balance sheet liabilities:

##### 1. a) Nature and amount of irrevocable loan commitments:

	December 31, 2012
Loan granting commitments	9.547
Commitments for checks	283
Forward asset purchase and sales commitments	61.522
Other irrevocable commitments	1.244
<b>Total</b>	<b>72.596</b>

##### b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

##### b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

	December 31, 2012
Bank acceptance loans	-
Letters of credit	13.940
Other guarantees and collaterals	76.074
<b>Total</b>	<b>90.014</b>

##### b.2) Guarantees, suretyships, and similar transactions:

	December 31, 2012
Definite letter of guarantess	58.682
Temporary letter of guarantees	6.023
Other letter of guarantees	11.369
<b>Total</b>	<b>76.074</b>

##### c) c.1) Total amount of non-cash loans:

	December 31, 2012
Non-cash loans given against achieving cash loans	
With maturity of 1 year or less than 1 year	1.327
With maturity of more than 1 year	-
Other non-cash loans	88.687
<b>Total</b>	<b>90.014</b>



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#### III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2012			
	TL	(%)	FC	(%)
Agricultural	-	-	-	-
Farming and raising livestock	-	-	-	-
Fores TL	-	-	-	-
Fishery	-	-	-	-
Manufacturing	7.151	11,54	12.104	43,13
Mining	-	-	889	3,17
Production	6.239	10,07	11.215	39,96
Electric, gas and water	912	1,47	-	-
Construction	27.716	44,74	11.899	42,40
Services	27.081	43,72	4.063	14,48
Wholesale and retail trade	8.334	13,45	3.569	12,72
Hotel, food and beverage services	212	0,34	-	-
Transportation and telecommunication	10	0,02	-	-
Financial institutions	11.550	18,64	379	1,35
Real estate and renting services	6.975	11,26	115	0,40
Self-employment services	-	-	-	-
Education services	-	-	-	-
Health and social services	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>61.948</b>	<b>100,00</b>	<b>28.066</b>	<b>100,00</b>

c.3) Information on I st and II nd group non-cash loans:

Non-cash loans	I st Group		II nd Group	
	TL	FC	TL	FC
Letters of guarantee	61.948	14.126	-	-
Bank acceptances	-	-	-	-
Letters of credit	-	13.940	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	-	-	-	-
<b>Total</b>	<b>61.948</b>	<b>28.066</b>	<b>-</b>	<b>-</b>



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### III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

#### 2. Information related to derivative financial instruments:

	Derivative transactions according to purposes	
	Trading December 31, 2012	Hedging December 31, 2012
<b>Types of trading transactions</b>		
Foreign currency related derivative transactions (I):		-
Forward transactions	173.731	-
Swap transactions	771.916	-
Futures transactions	-	-
Option transactions	244.176	-
Interest related derivative transactions (II) :		-
Forward rate transactions	-	-
Interest rate swap transactions	91.000	-
Interest option transactions	-	-
Futures interest transactions	-	-
Other derivative transactions for trade (III)	-	-
A. Total trading derivative transactions (I+II+III)	1.280.823	-
<b>Types of hedging transactions</b>		-
Fair value hedges	-	-
Cash flow hedges	-	-
Net investment hedges	-	-
B. Total hedging related derivatives	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>1.280.823</b>	<b>-</b>

Forward foreign currency and swap transactions are for protection from currency fluctuations. According to TAS, they do not qualify as hedging instruments but trading and are remeasured at fair value.

As of December 31, 2012 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Interest Swap Buy	Interest Swap Sell
December 31, 2012								
TL	6.800	9.035	252.604	18.213	83.885	38.598	33.774	33.774
USD	-	32.717	132.165	248.864	32.479	78.655	11.726	11.726
EUR	32.610	23.452	2.345	89.118	5.397	5.162	-	-
Other	47.234	21.883	-	28.607	-	-	-	-
<b>Total</b>	<b>86.644</b>	<b>87.087</b>	<b>387.114</b>	<b>384.802</b>	<b>121.761</b>	<b>122.415</b>	<b>45.500</b>	<b>45.500</b>

#### 3. Information related to credit derivatives and risk exposures:

None.



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#### III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)

##### 4. Explanations on contingent liabilities and assets:

*a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer:* None.

*a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities:* None.

*a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures):* None.

##### b) Accounting and presentation of contingent assets and liabilities in the financial statements:

*b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes:* None.

*b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes:* None.

##### 5. Custodian and intermediary services:

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.



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#### IV. Explanations and Disclosures Related to the Statement of Income

##### 1. a) Information on interest on loans:

Interest on loans <sup>(*)</sup>	December 31, 2012	
	TL	FC
Short term loans	6.290	744
Medium and long term loans	1.801	2.378
Interest on non-performing loans	-	-
<b>Total</b>	<b>8.091</b>	<b>3.122</b>

<sup>(\*)</sup> Includes fees and commissions obtained from cash loans.

##### b) Information on interest received from banks:

	December 31, 2012	
	TL	FC
The Central Bank of Republic of Turkey (CBRT)	1.854	5.390
Domestic banks	24.058	-
Foreign banks	-	-
Branches and head office abroad	-	-
<b>Total</b>	<b>25.912</b>	<b>5.390</b>

##### c) Interest received from marketable securities portfolio:

	December 31, 2012	
	TL	FC
Trading securities	123	-
Financial assets at fair value through profit and loss	-	-
Available-for-sale securities	482	-
Held-to-maturity securities	-	-
<b>Total</b>	<b>605</b>	<b>-</b>

d) Information on interest income received from associates and subsidiaries: None.

##### 2. a) Information on interest on funds borrowed:

Interest on funds borrowed <sup>(*)</sup>	December 31, 2012	
	TL	FC
Banks	-	-
The Central Bank of Turkey	-	-
Domestic banks	-	-
Foreign banks	-	322
Branches and head office abroad	-	-
Other financial institutions	-	-
<b>Total</b>	<b>-</b>	<b>322</b>

<sup>(\*)</sup> Includes fees and commission expenses for borrowings.



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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

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#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

- b. Information on interest expense to associates and subsidiaries: None.
- c. Information on interest expense to marketable securities issued: None.
- d. Distribution of interest expense on deposits based on maturity of deposits:

December 31, 2012								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
<b>TL</b>								
Bank deposits	-	3	-	-	-	-	-	3
Saving deposits	-	22	3.248	2.219	806	20	-	6.315
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	409	4.305	284	-	18	-	5.016
Other deposits	-	-	7	19	-	-	-	26
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>434</b>	<b>7.560</b>	<b>2.522</b>	<b>806</b>	<b>38</b>	<b>-</b>	<b>11.360</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	10	769	53	4	-	-	836
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>10</b>	<b>769</b>	<b>53</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>836</b>
<b>Grand Total</b>	<b>-</b>	<b>444</b>	<b>8.329</b>	<b>2.575</b>	<b>810</b>	<b>38</b>	<b>-</b>	<b>12.196</b>

3. Information on Dividend Income: None.

4. Information on net trading income:

December 31, 2012	
<b>Income</b>	<b>43.806</b>
Gains on capital market operations	329
Gains on derivative financial instruments	7.571
Foreign exchange gains	35.906
<b>Losses (-)</b>	<b>18.884</b>
Losses on capital market operations	24
Losses on derivative financial instruments	4.696
Foreign exchange losses	14.164

5. Information on other operating income: None.





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### AS OF DECEMBER 31, 2012

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#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

##### 6. Provision for impairment of loans and other receivables:

December 31, 2012

Specific provisions for loans and other receivables	-
III. Group Loans and Receivables	-
IV. Group Loans and Receivables	-
V. Group Loans and Receivables	-
General loan loss provision expenses	18.489
Provision expenses for possible losses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Investment securities available for sale	-
Impairment provision expense on investments	-
Associates	-
Subsidiaries	-
Jointly controlled entities	-
Investments held to maturity	-
Other	-
<b>Total</b>	<b>18.489</b>

##### 7. Information on other operating expenses:

December 31, 2012

Personnel expenses	27.461
Unused vacation provision	859
Taxes and duties	1.768
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	2.559
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Amortization expenses of intangible assets	1.118
Impairment for investments accounted for under equity method	-
Impairment expenses of assets to be disposed	-
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and discontinued operations	-
Other operating expenses	13.016
Rent expenses	3.839
Maintenance expenses	86
Advertisement expenses	1.041
Other expenses	8.050
Loss on sales of assets	-
Other(*)	16.292
<b>Total</b>	<b>63.073</b>

(\*) As of 31 December 2012, other operating expenses consist of other provision expenses amounting to TL 14.050.



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### AS OF DECEMBER 31, 2012

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#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

##### 8. Information on profit/(loss) from continued and discontinued operations before taxes:

As of 31 December 2012, the Bank' loss before tax from continued operations is TL 19.733.

##### 9. Information on tax provision for continued and discontinued operations:

a) As of December 31, 2012; current tax expense is TL 1.516 and deferred tax income is TL 1.677.

b) The Bank has deferred tax income amounting to TL 1.677 through the existence or closing of temporary differences except financial loss.

c) There is no deferred tax income calculated for temporary differences on carried forward tax losses or tax exemptions or deductions which is included in the current year statement of income.

c) Tax reconciliation:

December 31, 2012

<b>Loss before tax</b>	<b>19.733</b>
Tax at the domestic income tax rate of 20%	3.947
Disallowables and others, net	(3.786)
<b>Tax Expense Calculated</b>	<b>161</b>

##### 10. Information on net profit/(loss) from continued and discontinued operations:

As of December 31, 2012 the Bank's net loss from continued operations is TL 19.572.

##### 11. The explanations on net income / loss for the period:

a) The nature amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature , amount and repetition rate of such items is required for the understanding of the Bank's performance for the period : None.

b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

c) Profit or loss attributable to minority shares: None.



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### AS OF DECEMBER 31, 2012

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#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

12. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

Other fees and commission income amounting to TL 5.348 consist of commissions obtained from the Bank's loan intermediary service.

#### V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

a) Decrease resulting from revaluation of financial assets available for sale is TL 133.

b) Increase in cash flow risk hedging items: None.

c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.

d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

e) Amounts transferred to legal reserves: None.

f) Information on shares issued:

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank after the balance sheet date.



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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

### AS OF DECEMBER 31, 2012

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#### VI. Explanations and Disclosures Related To Statement Of Cash Flows

##### 1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:

"Others" line amounting to TL 38.255 in "Bank Operating profit before changes in operating assets and liabilities" consists of fees and commissions paid, gain/losses from derivative financial instruments and other operating expenses except for personnel expenses, unused vacation provision, depreciation expenses and taxes paid.

"Net increase/decrease in other liabilities" line amounting to TL 41.548 in "Changes in bank operations assets and liabilities" consists of changes in miscellaneous payables, other liabilities and tax liability.

"Net increase/decrease in other assets" line amounting to TL 19.589 consists of changes in other assets.

##### 2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

End of the period	December 31, 2012
<b>Cash</b>	<b>274.789</b>
Cash in TL/foreign currency	6.181
Central Bank of Republic of Turkey	268.608
Other	-
<b>Cash equivalents</b>	<b>1.322.372</b>
Receivables from banks and other financial institutions	387.372
Receivables from money market placements	935.000
<b>Total cash and cash equivalents</b>	<b>1.597.161</b>



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### AS OF DECEMBER 31, 2012

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#### VII. Explanations on the Risk Group of the Bank

##### 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) December 31, 2012:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	11.000	-	-
<b>Interest and commission income</b>	-	-	-	-	-	-

b.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
	December 31, 2012	December 31, 2012	December 31, 2012
<b>Deposits</b>			
Balance at beginning of period	-	-	-
Balance at end of period	-	-	9.040
<b>Interest on deposits</b>	-	-	69

The Bank has obtained Subordinated Loan amounting to TL 177.849 and short term loan amounting to TL 177.830 from risk group of the Bank and interest expense has realized amounting to TL 319 in 2012.

b.2) Information on forward and option agreements and other similar agreements made with related parties:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities	Direct and indirect shareholders of the Bank	Other entities included in the risk group
	December 31, 2012	December 31, 2012	December 31, 2012
<b>Financial assets at fair value through profit and loss</b>			
Balance at beginning of period	-	-	-
Balance at end of period	-	821.874	-
Total Loss/ Profit	-	3.018	-



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**VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches**

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches:

	Number	Employees			
Domestic branches	6	396			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

**2. Explanations on Branch and Agency Openings or Closings of the Bank:**

None.

**IX. Explanations and disclosures related to subsequent events**

None.



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**SECTION SIX**

**OTHER EXPLANATIONS**

**I. Other Explanations on the Operations of the Bank:**

None.

**SECTION SEVEN**

**INDEPENDENT AUDITOR'S REPORT**

**I. Explanations on the Independent Auditor's Report:**

The unconsolidated financial statements for the year ended December 31, 2012 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited). The independent auditor's report dated March 8, 2013 is presented preceding the unconsolidated financial statements.

**II. Explanations and notes prepared by independent auditor:**

None.









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