Annual Report 2016

Anadolubank
Nederland

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Vision

To become the bank of choice for customers

As the international banking arm of Habas Group/ Anadolubank A.S., our vision is to be recognized for our quality, reliability and excellence and to become the bank of choice for customers.

Mission

Setting new standards

In order to become the bank of choice for customers, we must set new standards for banking operations that benefit our customers, shareholders, society and our own organization. Our principal commitment is to deliver a return on equity on a sustainable basis.

New standards will therefore be at the core of everything we do in the future. The Bank will focus on setting new standards in four areas: the expertise of our team, our knowledge of local and global markets, by carefully building exceptional customer relations, and strong and conservative risk management.

Our Values

Integrity

Be fair, honest, and sincere in all of our business relationships.

Working together

We firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

Products and services

We will always strive for excellence in serving our internal and external customers, through professionalism, innovation and creativity.

Three-year Key Figures

in EUR thousand	2016	2015	2014
Total assets	552.491	650.768	620.662
Loans	310.414	374.425	381.312
Bank loans	74.075	109.290	124.888
Corporate loans	236.339	265.135	256.424
Securities	124.779	118.557	126.817
Deposits	340.783	381.520	409.285
Shareholders' equity (including results after tax)	82.624	79.327	79.712
Operating result before tax and impairments	5.434	6.716	7.698
Impairments	-	(6.065)	262
Result after tax and impairments	4.085	498	5.810
%			
Net return on average equity	5,0	0,6	7,5
Loans/deposit	91,1	98,1	93,2
Cost/income ratio	53,0	46,8	43,0
Cost/average assets	1,1	1,0	1,0
Capital adequacy ratio	19,9	18,7	18,8

Capital adequacy ratio %

Cost / income ratio %

Net return on average equity

Supervisory Board Report

General

The most important role of the Supervisory Board is ensuring effective governance. Among other duties, it is an impartial arbiter of corporate conduct and compliance. In general the Supervisory Board is very much involved in its advisory role in the risk appetite of the Bank, the strategy and the culture in the organization. Members of the Supervisory Board, in particular the Chairman of the Supervisory Board, have – next to the contacts with the members of the Management Board in the formal meetings – also many informal contacts with the Management Board as a whole or the individual members.

The Supervisory Board wishes to express its appreciation to our shareholders and clients for their trust, as well as to our Management Board and our employees for their ongoing commitment to create value and to participate in the long-term growth of our business.

Annual accounts 2016

We are pleased to present the Annual Report of Anadolubank Nederland N.V. for the year ended December 31, 2016. The Annual Report includes the statement of the financial position as of this date and the statement of profit or loss and other comprehensive income for the year. The Bank's financial statements have been prepared by the Management Board and they have been audited by Deloitte Accountants N.V.

The achievements and overall results of 2016 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability. This period has been quite intense and, at times somewhat difficult; as the world's financial systems were under pressure. Our goal is a continuing improvement year over year.

The Bank has a business model and a structure that are straightforward. The Bank reported net profit of EUR 4.085 thousand for 2016. We recommend to the Annual General Meeting of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2016 and propose that the profit after tax and impairments be added to the Bank's reserves. The Supervisory Board recommends to the Annual General Meeting of Shareholders that the Management Board be discharged from the liability with respect to its management activities and the Supervisory Board with regard to its supervision thereof.

Strategy

A new strategy has been defined to focus more on the Dutch and the European corporate market. The strategy has been developed by the Management Board in close cooperation with the Supervisory Board. In 2016 a start with made to implement this new strategy and we expect to see the first results of this new strategy in 2017. The effective implementation of the new strategy is a key priority for 2017.

The Supervisory Board has emphasized that one of the Bank's key objectives is to increase profitability in a sustainable and long-term manner, but that this would not be done to the detriment of prudent and stringent risk management. This effective spirit of cooperation, which is enthusiastically apparent in all relations with the Bank's management team, is fueled by a high degree of discipline and rigor.

The Bank continuously evaluates the design and effectiveness of risk management, compliance and internal controls. The Management Board has taken some measures to further strengthen this framework. The Management Board is responsible for the control framework and has been working in close collaboration with the Supervisory Board.

Banking may be considered one of the most heavily regulated industries. However, as Anadolubank Nederland N.V. is well capitalized and maintains high liquidity ratios, the Bank is well positioned to meet all necessary requirements.

Culture

The Supervisory Board and the Management Board consider an open and transparent communication structure in the Bank of utmost importance. With the support of an external advisor much time and effort have been spent to evaluate the culture in the Bank. Main topics of the culture program were communication, transparency, strategy, values and HR policy. All staff have been involved in this program and also the Supervisory Board and Management Boards have actively participated.

Dutch Corporate Governance Code

It should be noted that the code is applicable to listed companies. Anadolubank Nederland uses the provisions in the code as guideline for its structure, policies and procedures.

Supervisory Board structure and composition

The Supervisory Board consists of four Members of which two are independent and two are dependent according to the principles of the Governance Code. This composition is in line with the requirement of DNB. All members are jointly and severally liable for the execution of the Supervisory Board's functions. Due to the size of the Supervisory Board and its composition, no separate committees are established. Instead all members have been assigned specific attention areas. Each attention area is in principle assigned to two members, an independent member together with a dependent member.

Supervisory Board meetings

During the year under review the Supervisory Board met periodically (in principle once per two months) with the Management Board to review the interim figures, management reports, reports of the internal and external auditors and audits by DNB.

One of the principles of the Dutch Corporate Governance Code states that the Supervisory Board is collectively responsible for its own functioning and that an annual self-assessment needs to be conducted. One formal meeting was held in February 2017 without the presence of the Management Board to perform a self-assessment of the functioning of the Supervisory Board. From the self-evaluation emerged observations and recommendations will be followed up in the course of the year.

Life long training

Permanent education is essential in present turbulent times. Therefore Supervisory Board members, members of the Management Board and senior officers do participate in an education programme to stay on top of new developments in the industry.

In 2016 the Supervisory Board is composed of the following members:

Name	Position	Membership Since	End of Term
A.J. Smith	Chairman	2013	2021
P. Akcin	Member	2007	2021
A. Star	Member	2014	2018
T. Ayhan	Member	2015	2019

Amsterdam, May 30, 2017

A.J. Smith, *Chairman*
P. Akcin, *Member*
A. Star, *Member*
T. Ayhan, *Member*

Management Board Report

We are pleased to present our report for the financial year ended December 31, 2016. 2016 was a year of stagnation in global trade and the outcome of the Brexit vote and the US election results were surprising. As at December 31, 2016, despite the volatile operating environment, Anadolubank N.V.'s net profit is EUR 4.1 million. Operating income decreased to EUR 11.5 million in 2016, compared to EUR 12.6 million in 2015 notably due to economic uncertainty and low interest rates. Our performance is the result of staying focused on our strategy of diversification by business and geography.

In 2016, the Bank continued to focus into Dutch and EU market in line with its' business plan. We continue to balance expectations for growth and performance against acceptable levels of risk and capital. Our corporate loans share in assets has increased by 5% since last year from 38% to 43%, and we expect to maintain this momentum within our Dutch and EU market segments. For many years, we have been proactively managing our credit risk and benefited from a significant improvement in credit quality as a result, there are no impaired loans in 2016.

As at December 31, 2016, the Bank's net return on equity stood at 5%. Our liquidity position remains strong and we continue to maintain capital levels in excess of the well capitalized regulatory guidelines with a ratio of 19.9%. This performance is particularly noteworthy in view of the prevailing uncertain economic context and regulatory environment.

On another front, it is clear to us that bank regulation as a whole, particularly the rules arising from the CRDV/ CRR and Basel Accords and their impact on the Bank, is an important issue. Given the potential impact of regulation on the Bank's operations, the Management Board monitors closely.

Our business plan is based on a clearly targeted strategy, on effective implementation, and on our agility in part of because of our size. Given the particularly difficult environment in which we are operating, we have incorporated into our strategy five initiatives designed to adapt to this context.

- **Profitability**; the Bank's day-to-day operations, across its business segments, is the main source of revenue. Therefore, we will put emphasis on resources dedicated to diversify the balance sheet structure and to the development of operations with sustainable profitability.

- **Maintaining an essential presence in the EU and Dutch markets**; the Bank has a very clear plan to bring about its strategic repositioning to concentrate and grow in the EU Markets and the Dutch Market specifically. We are confident that this approach will deliver concrete results over the coming years. As an overall strategy, we continue to believe strongly in our diversified business model, and our geographic mix.

- **Operational efficiency**; to attain our objectives, it is important to optimize the efficiency of our operations at every level. Thus, in 2016 we will review our key processes and procedures to reduce operational costs, and will focus our efforts on growth-generating activities. Moreover, improved efficiency will further contribute to profitability.

- **Human resource**; our employees are the most valued asset of the Bank. We will implement measures to develop and promote their talent and skills, at every level of the organization, in order to optimize their contribution to the development and growth of our operations by implementing a new performance management approach in 2017 and a new Training & Development process. The number of staff employed by the Bank as of December 31, 2016 is 43. Our policy is not to discriminate by social origin, gender, age, background, sexual orientation, physical ability or religious beliefs. (42 percent were female and 58 percent male).

- **An effective corporate governance structure and risk culture into corporate strategy**; a strong risk capability is needed to be able to protect the organization from an unstable and fragile external environment. We have a very strict risk appetite supported by comprehensive risk frameworks, policies and standards. Responsibilities for the management of risk and control are aligned to a three lines of defense activity-based model.

We advanced on several important initiatives during 2016 that strengthened our risk management practices and maintained compliance with evolving regulatory requirements. Our comprehensive risk appetite framework incorporates risk principles aligned with business model, governing financial objectives and frequent risk appetite measures. Flexibility in executing our strategy is key to the Bank's success.

The support and contribution of our employees, clients and shareholders are the foundations of this confidence and we wish to thank every one of them for their continuing commitment to the future and to the success of Anadolubank N.V.

The Management Board is composed of the following members:

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

Outlook

Balancing expectations for growth and performance against acceptable levels of risk in every part of the organization. Building a strong culture of risk management across the business achieves the best results while keeping our number of employees on the same level. The Bank's projections are based on the challenging global economic environment.

The Bank is ensuring its long-term stability and growth through active capital, liquidity, funding management by reducing concentration risk.

Our main objectives are;

- Diversifying the asset structure by increasing EU assets exposure
- Cost efficiency
- Robust CET 1 ratio, new capital buffers and liquidity ratios
- Enhancement of operating performance and focus on asset quality
- Risk Culture framework to steer business motivation
- Diversifying funding sources

On the field of research and development, the Company is not initiating any actions. Management does not expect any significant developments that can have an impact on the performance or financial performance of the Bank.

Economic Developments

Global economic developments

Political developments of 2016 were the main driver of the global economy during last year. We had a risk assets selling off in the first month of the year while Brent Petrol hits below $30 (lowest since 2004).

Key subjects influenced the global outlook in 2016: (1) United Kingdom's unexpected vote to leave EU (Brexit) which ended up with prime minister David Cameron's resignation and new prime minister Theresa May's approach for Brexit (2) United States presidential election victory of Donald Trump (3) a tightening in monetary policy in the United States like 2015, (4) European Central Bank extended quantitative easing until 2017. (5) OECD cut the production in November and (6) US Federal Reserve made a 25 basis point of rate hike in December and (7) Italian Referendum.

Among all those factors which can be easily a game changer for a certain time of period, Donald Trump's election as United States president was the milestone of 2016. This lead us to be more focused on the last two months of 2016 than the whole year. After the result; US equity market rallied, bond yields have raised, growth expectation for 2017 increased. However emerging markets have suffered and had significant capital out flow.

The World Bank stated that growth in advanced economies is expected to edge up to 1.8% in 2017 from 1.6% in 2016, while emerging and developing economies will see growth accelerate to 4.2% this year from 3.4% last year. "After years of disappointing global growth, we are encouraged to see stronger economic prospects on the horizon," World Bank Group President Jim Yong Kim said in a statement. This statement is a proof of increasing global expectations on growth especially thanks to increase investments in infrastructure. On the other hand downside risk in China's growth is still in place and market expects 6.5% growth in 2017 compared to realized growth in 2016 was 6.7% while India's growth was 7% in 2016 and expectation for 2017 is 7.6%.

Eurozone developments

It seems that political surprises are not done yet and we could face new uncertainty during 2017. General Elections in France and Germany will be held during this year and these could lead a potential breakup of European Union. While Trump decisions and action plan will be critical for the markets we should also be prudent about how Theresa May will manage Brexit. Due to political uncertainty in the Euro Zone, market would expect the European Central Bank to keep the QE program ongoing through the year and well into 2018. Expectation from US Federal Reserve during 2017 is three rate hikes.

The Netherlands

In the Netherlands GDP growth is projected to remain around 2% in 2017. Thanks to increase in job market and low interest rates by European Central Bank we would expect strong private consumption and further strength in housing market. On the political scene, as we already mentioned, there was a new Parliament election on 15th of March. Prime Minister Mark Rutte's pro-market People's Party won the election by heading 8.2% (13 seats) over Geert Wilders' Party. The result was positive for EZ because after Trump election there was a fear that separatist names like Welders and Le Pen chances to be elected as PM and President was higher.

Turkey

In Turkey, another unexpected incident of 2016 happened: Army-coup attempt did not succeed. In addition to this attempt, ongoing war in Syria increased risk premium for Turkish geography. Turkey's rating was downgraded first by Moody's to non-investment grade in September 2016 and second by Fitch to non-investment grade in January 2017. After the Trump sell-off on emerging markets Turkish lira hits all-time lows in the very beginning of 2017. Due to political uncertainty caused by the referendum on presidential system we expect the Turkish Lira remains vulnerable for the first half the year. So far government attempt to boost the economy by massive public spending looks like failed.

Financial Institutions

The Bank's Financial Institutions Department (FI) is responsible for participating in bank and corporate syndications from primary and secondary market, forfeiting trade related assets, besides FI also generates bank-to-bank via various products.

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

In 2016, the Financial Institutions Department participated in syndicated loans in the CEE market and Turkey, both at corporate level and on a financial institution basis. Promissory notes and bills of exchange were released in the forfeiting market. For issuance of LCs, LGs, BA, FI acted as an intermediary between Bank's customers and International financial institutions. FI has generated wholesale funding with content rate. Origination activities account for some 15% of the Bank's portfolio. The Department has always strived for sustainable profitability while simultaneously assisting other departments.

Trade Finance

Trade Finance business has been one of the key business lines consistently adding value to Anadolubank Nederland N.V financially and reputation-wise. While diversifying Trade Finance product range, execution and understanding of customer requirements have also improved drastically. The Trade Finance team's expertise aims for applying the appropriate structure for each transaction with timely and efficient handling of the underlying financial instruments and other related documents. Many steps have been taken to expand the Trade Finance business at Anadolubank Nederland N.V. 2016 was full of adverse geopolitical developments and ever-changing regulatory landscape.

World trade grew more slowly than expected in 2016, expanding by just 1.7%, well below the forecast of 2.8%, according to the latest WTO estimates. The forecast for 2017 has also been revised, with trade now expected to grow between 1.8% and 3.1%, down from 3.6% previously. With expected global GDP growth of 2.2% in 2016, 2016 marks the slowest pace of trade and output growth since the financial crisis of 2009. Notwithstanding such an economic outlook, Anadolubank Nederland N.V Trade Finance team, successfully registered another profitable year in 2016. Trade Finance department excelled in areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. The commission income generated by Trade Finance department have reached EUR 1.5mn level at the end of the year. Addition of new clients to the customer portfolio as well as activation of some existing inactive customers had a strong positive impact on trade finance volumes. Our efforts to broaden our customer base and sector coverage during 2016 resulted in a greater sector diversification and decreasing country concentration in our non-bank exposures. This strategy will be further pursued during 2017 and new customers from various new geographies as well as existing and prospect sectors will contribute further to the success of the Trade Finance team.

Corporate Banking

Corporate Banking offers customers an extensive range of products and services, including corporate loans, trade finance, and project finance as well as treasury products.

The objective of the Bank's Corporate Banking Department is to create a solid customer portfolio both with its existing and prospective clients. The Corporate Banking Department works in line with other departments in order to offer tailor made corporate banking products, and provide the best service to its customers. Consequently, sustainable customer satisfaction is our ultimate goal.

Amid these entire developments Corporate Banking department continued to grow and added new customers to its portfolio. Our focus on Dutch and European customers stayed strong and this resulted in the increasing number of European clients.

Ultimately, as usual the Corporate Banking Department aims to maximize the customer satisfaction by meeting their needs with the best quality products and service level.

Retail Banking

Retail deposits provide us stable funding base and have been a key focus area for us since commencing operations. The retail banking products of Anadolubank NV are straightforward. The Bank offers its customers a savings account and a range of term deposit options with market rates. Retail deposits are collected from primarily via Internet and call center channels. In 2016, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

Compliance

Anadolubank Nederland N.V. has internal policies, rules and procedures to guarantee that management complies with relevant laws and regulations regarding customers and business partners. In addition, the compliance department independently monitors the extent to which the Bank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering and terrorism financing. Internal aspects primarily concern preventing, and, where necessary, transparently managing conflicts of interest and safeguarding confidential information. In addition, it concerns raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures.

The Bank has in place a general policy and Code of Conduct regarding conflicts of interest, which states that the attainment of commercial, financial, professional or personal objectives must not stand in the way of compliance with the following basic principles:

- Act fairly, honestly and transparently
- Respect others
- Comply with the law, the regulations and professional standards
- Comply with instructions
- Act in the best interest of the customer
- Ensure that market integrity is respected
- Manage conflict of interest
- Behave professionally
- Safeguard the interests of Anadolubank Nederland N.V.
- Report any irregularities observed

The compliance function is mandated in the Compliance Charter. The Compliance Monitoring Year Plan is created pursuant the outcome of the annually performed Systematic Integrity Risk Assessment.

There were no significant incidents in 2016 concerning compliance and integrity. Anadolubank Nederland N.V. was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

Financial Performance Summary

This Financial Performance Summary is a narrative explanation, through the eyes of management, of Anadolubank Nederland N.V.'s financial condition as at December 31, 2016 and how it performed during the year. This part should be read in conjunction with the Audited Annual Financial Statements for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (IFRS).

In 2016, net profit after tax amounted to EUR 4.1 million. Overall, total operating income closed the year 2016 with EUR 11.6 million versus EUR 12.6 million in 2015. The Bank's 2016 statement of profit or loss and other comprehensive income reported a pre-tax and provisions profit of EUR 5.4 million (2015: EUR 6.7 million). The Bank met its operational profit and capital objectives for the year 2016.

The Bank's total assets at December 31, 2016 were EUR 552 million. (2015: EUR 651 million). The main decrease on the bank loans (EUR 51 million) and the cash and cash equivalents (EUR 41 million).

Despite the fact that cash and cash equivalents has decreased significantly compared to year-end 2015, its share over total assets slightly decreased to 20% (2015: 23%). The Bank continues to focus on maintaining the good level of liquidity. High level of stable funding and with well managed maturity profile the Bank already meets the upcoming liquidity requirements.

The Bank continued focusing on increasing its share of corporate exposure over total assets. Corporate loans to total loans ratio is 80% as of year-end 2016 (2015: 72%).

Interest bearing securities closed the year with a balance of EUR 125 million (23% of the assets) at the end of 2016, which slightly increased compared to the previous year. The some part of the securities item was related to ECB eligible securities; 41% of securities were from the EU and 43% from Turkey.

Total liabilities decrease by 18%. Deposits from customers decreased by 11% to EUR 341 million (2015: EUR 382 million) whereas deposits from banks decreased by 26% to EUR 117 million (2015: EUR 158 million). Money market transactions remained around same level (EUR 40 million) and decrease is fully linked to the sale and repurchase, securities lending and similar agreements which was EUR 76 million. (2015: EUR 118 million). Deposits under deposit-guarantee-scheme were EUR 233 million. (2015: EUR 259 million) Total administrative expenses were EUR 6.1 million this year, an increase of EUR 0.2 million compared to financial year 2015.

Furthermore, the Bank maintained a solid financial position in 2016, as evidenced by capital ratios under the standardized approach well above minimum requirements. With sound liquidity and capital management, the Bank remains well positioned to invest in its key initiatives and to better serve its customer base.

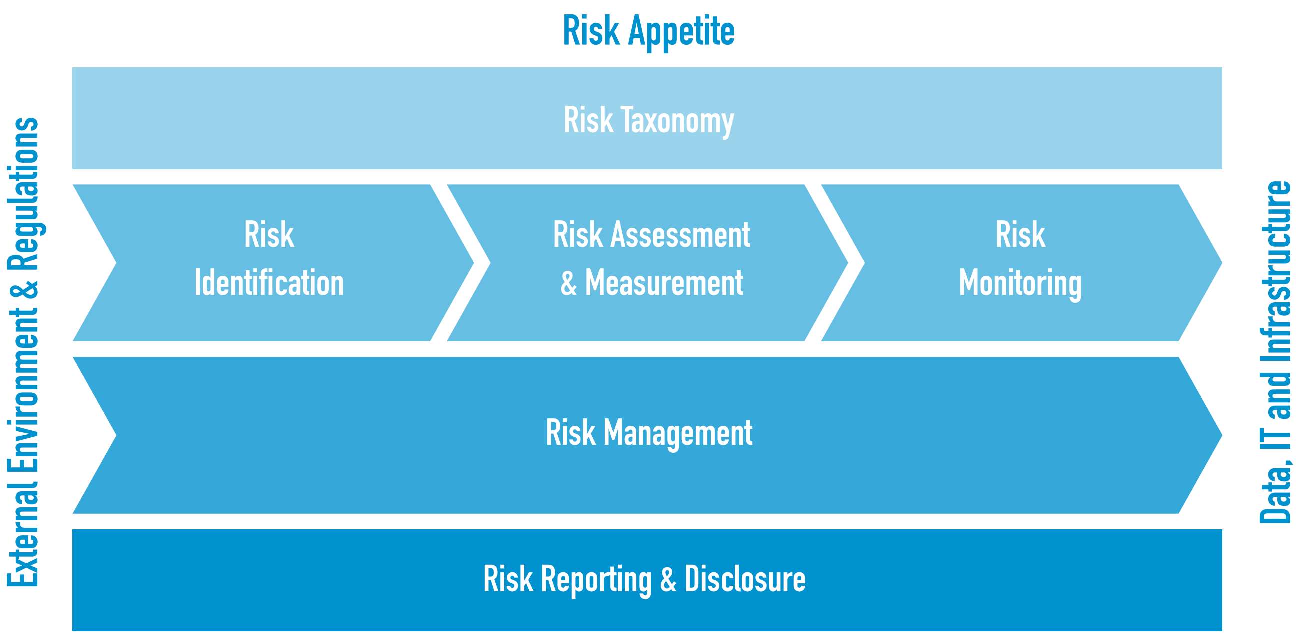
Risk Governance and Management

The Bank has two tier management systems, the Management Board (MB) that is responsible for the day-to-day running of the Bank and the Supervisory Board (SB) that is responsible for the supervision of the Bank. The Bank Supervisory and Management Boards have set policy-level standards in accordance with the regulations of the Dutch Central Bank (De Nederlandsche Bank – DNB) and European Union, and the guidelines published by the Basel Committee and the European Banking Authority.

The Bank's framework utilizes a 'three lines of defense' approach to managing risk: the first line is represented by business units: managing risk and having in place effective controls; the second line is comprised of an independent risk function which is responsible from monitoring the operation of those controls and ensuring risks are not overlooked and of the Compliance Department which monitors regulatory risks.

The third line is provided by Internal Audit, which operates and reports independently to the Supervisory Board and is responsible for assessing the effectiveness of controls and, where necessary, making recommendations for improvements and monitoring management action plans to implement such improvements.

The risk appetite is established upon the external environment and regulations and data, IT and infrastructure. The first covers the rules and regulations imposed by the national and international regulatory bodies and the latter provides data aggregation, transparency and consistency. Risk taxonomy is created in order to provide a common set of definitions on the risk types within the organization. As a result, definition and classification of the risks have a comparable attributes across the organization. Risk identification is performed to detect the external and internal events that might affect the realization of the strategic objectives. Identified risks are further analyzed through risk assessment & measurement. This process consists of assessing each identified risks using qualitative or quantitative techniques and also demonstrates the interaction of the risk types. Then, risk monitoring helps the business units and boards to understand whether the risks are within acceptable level. The Risk Management Department is responsible for the oversight of the process according to implemented policies and procedures. Risk Reporting & Disclosure ensures that the identified risks are accurately and timely communicated with the internal and external parties. The graph displayed below describes each building block of the risk management framework.



The Supervisory Board has the final authority to approve the risk appetite statement proposed by the Management Board, exercising its oversight of risk management. The Supervisory Board is responsible for the oversight of policies and processes by which risk assessment and management are carried out within the governance structure. The Supervisory Board also reviews internal control and financial reporting systems that are relied upon to ensure integrated risk measurement and disclosure processes.

In the area of risk management, the Management Board is supported by the various committees. Asset and Liability Committee (ALCO) and Credit Committee are also responsible for the structure of the risk organization and for determining and/or adjusting powers in the context of risk and capital policy. Within the Risk Appetite Framework, the Committees have the following duties.

- Assessing risk policies that are in line with the Bank's risk appetite;
- Assessing specific standards, authorizations and limits for various risks.

The risk appetite established by the Management Board provides the boundaries within which the Bank has to operate. The Management Board acknowledges that the regulators will continue to challenge the financial institutions and for that reason continuing effort is required to maintain high quality standards in the area of risk management. In this respect, the Bank puts an emphasis on the DNB Supervisory Themes. Also, the Bank initiates yearly objectives to improve the current framework. As a part of this, 2017 agenda will focus on promoting risk culture in the organization by improving risk knowledge and awareness and enhancing the operational risk management framework to increase the effectiveness of the internal controls.

Risk and Capital Management

The all-in Basel III Common Equity Tier 1 ratio was 19.9% as at December 31, 2016, compared to 18.7% last year, and remained well above the regulatory minimum. As of end-2016, while the capital requirement on market risk increased due to the trading position, significant decrease in the portfolio size and the diversification of the portfolio lead to a decrease in the credit risk. As a result, the Bank has maintained higher Tier 1 ratio as of December 31, 2016.

The Bank yearly performs calculation of its ICAAP. We define risks the Bank is exposed to such as credit, liquidity, interest, reputational, market and operational risk, and calculate the impact on the Bank's profitability, equity position and solvency ratio. Extensive stress tests are conducted to analyze the worst case scenario. A comprehensive ICAAP report is presented to the Management Board and the Supervisory Board every year end. But also in relation to liquidity risk management through its internal liquidity adequacy assessment process (ILAAP) as required by the Liquidity Policy Rule of DNB.

Currently, the Bank is following Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach for market risk for computing capital adequacy ratio. The Bank computes the Capital Adequacy Ratio on a parallel run for Basel II and Basel III as per the DNB guidelines.

The Bank carries out a financial recovery plan which describes recovery options and represents a well-diversified set of options in a financial or other crisis since 2013. The Bank's Recovery Plan framework is embedded in its business-as-usual operations, and is built on existing governance, frameworks, processes and plans. In this way one can regard it as a continuum of the ICAAP and ILAAP plans that include measures and strategic considerations to ensure the Bank's readiness to tackle crises on its own strength. The Supervisory Board reviewed and approved the Bank's Recovery Plan that was developed and improved by the Management Board in close consultation with DNB.

Anadolubank Nederland N.V.'s Capital and Risk Management Pillar III Disclosures contains information that enables an assessment of the risk profile and capital adequacy of Anadolubank Nederland N.V. This publication fulfils the requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV (CRR/CRDIV). The CRD IV was enforced in the Dutch law as amendments to the 'Wft, Wet Financieel Toezicht' and further accompanying regulations as well as Pillar III disclosures. For the detailed disclosure on main risk and uncertainties please refer to the Note 27 of these financial statements.

Anadolubank Nederland N.V. publishes its disclosures on its website. The next Pillar III disclosure will be available during the first half of 2017 based on December 31, 2016 figures.

Capital requirements	**2016**	**2015**
in EUR thousand		
Total risk weighted assets	414.252	424.396
Credit risk	390.408	404.380
Market risk	3.597	1.158
Operational risk	20.247	18.858
Tier 1 capital	**82.562**	**79.294**
Paid-in capital	70.000	70.000
Retained earnings	10.327	9.829
Revaluation reserves	(1.788)	(1.000)
Net profit	4.085	498
Regulatory adjustments	(62)	(33)
Tier 2 capital	**-**	**-**
Total capital	**82.562**	**79.294**
Tier 1 ratio %	19,9%	18,7%
Solvency ratio %	19,9%	18,7%

Credit Committee

Credit Risk Management expresses the usual three lines of defense model. Decisions about individual proposals stem from the Bank's own business analyses and independent risk assessments.

The Tier-1 Credit Committee (consisting of three managing directors, CRO and head of credit risk management as voting members) is concerned with both the approval of new credit proposals and the renewal of existing facilities (including any type of credit exposure such as loans and bonds), and also decides on sector & country risk proposals within its delegated authorities as well as discussing about the marketing plan on the proposal by applying Pricing Policy.

The committee recommends the Tier-2 Credit Committee (composed of a member of the Board of the Parent Bank, a manager of the Parent Bank's Credit Risk Department and Managing Director/CEO of the Bank) with respect to individual proposals that exceed its approval authorities.

As such, the Tier-2 Credit Committee is the highest approval authority regarding individual credit proposals. Regarding Credit Risk Policies, Tier-1 is the initiator and Tier-2 may be consulted for advice by the Supervisory Board.

Asset & Liability Committee

The Asset & Liability Committee's ("ALCO") typically comprise the member of management Board, CRO and head of finance, and the head of treasury, corporate and institutional banking activities and business heads. The ALCOs formally meet on a biweekly basis to review the exposures that lie within the balance sheet together with market conditions, and decide on strategies to mitigate any undesirable liquidity and market risk. If necessary, additional meetings may be convened.

The Treasury Department is mandated to holistically manage the liquidity mismatch and interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The Treasury Department are required to exercise tight control of funding, liquidity, concentration and interest rate risk on banking book within parameters defined by the board-approved risk appetite policy. The Risk Management Department monitors daily business operations according to risk appetite limits. Weekly reporting to ALCO and the Board includes details of performance against relevant Risk Appetite Statement and key metrics (breaches and trends).

The ALCO discusses a wide variety of issues at its meetings throughout the year including realization of business plan, solvency, liquidity and results of the Bank, projected loans and loan repayments, interest rate risk, foreign currency risk, foreign exchange and main equity markets, macro-economic developments and market outlook in the main markets where the Bank operates and the savings market. The ALCO reviews the results of and progress in implementation of the decisions made in the previous meetings.

The Bank finds it prudent to keep a high level of liquidity and maintains liquidity significantly above the minimum requirements of the Dutch Central Bank. It also keeps an eye on diversification, cost robustness of funding sources and current and new funding structure.

Corporate Governance, Supervisory Board and the Management Board

The Supervisory Board of Anadolubank Nederland N.V. is comprised of four members, two of which also hold positions on the Managing Board of Anadolubank Turkey, the shareholder. 50 percent of the Supervisory Board members are independent, including the chairman of this Board.

The Supervisory Board held seven formal meetings during the year 2016 of which six together with the Management Board. A diverse range of topics were discussed at these meetings, main topics were related to the strategy of the Bank including the political developments in Turkey and Europe specific, but also the solvency and liquidity, credits and in – and external audit and compliance reports were main topics on the agenda.

The Supervisory Board had a specific focus on supervising the activities of the Management Board with respect to:

- Review and further implementation and maintenance of the Risk Management Framework and internal control system;
- Review risk appetite, limits and authority levels;
- Review of the Compliance monitoring plan and the Internal Audit year plan;
- Review the engagement of the external Auditor, particularly in respect of their independence;

The Management Board of Anadolubank Nederland N.V. is comprised of three members. Each member has specific attention areas and together the Management Board is responsible for the day-to-day executive management of the Bank. This includes amongst others the development of strategies, active balance management and the fulfilment of the Bank's obligations towards regulatory bodies.

The Dutch Banking code (Code Banken) is initiated in 2009 by the Dutch Banking association (NVB). Anadolubank Nederland N.V. is a member of the NVB since its activities started in 2008 so the Banking code is followed by the Bank. One of the topics of this code is that both Supervisory Board and Management Board should have a life-long training education program in place every year. In 2016 all members together and senior managers of the Bank as well, took part of a life-long training session as conducted by the chairman of the Supervisory Board. For 2016 an external party was invited to perform the life-long training, the subjects covered were governance developments and coming – up changes in the Dutch Supervision act (WfT).

The Supervisory Board and the Management Board members participated actively in several sessions held, related to the Culture program of the Bank. This Culture program started mid- 2015 and by the end of 2016 several projects were ongoing. A bright range of topics are involved in this program.

The Supervisory Board was closely involved in the development of the Bank's new strategy. They advised and supported the Management Board on this subject actively.

Remuneration

The Bank's Remuneration Policy has been updated/ revised to comply with national and international regulations (such as the Banking Code, DNB's regulation on sound remuneration, the Financial Supervision Act and the relevant provisions included in CRDIV).

Remuneration policy complies with Dutch and European legislation, the regulations and guidelines issued by

De Nederlandsche Bank (DNB), the Authority for the Financial Markets (AFM) and the European Banking Authority (EBA) and self-regulation codes such as the Banking Code (Code Banken).

The report identifies the following four key principles:
Remuneration is:

- aligned with business strategy of the Bank;
- appropriately balanced between short term and long term;
- differentiated and relative to the realization of performance objectives and the results of the Bank;
- externally competitive and internally fair.`

Payments are made only in cash, based on the internal risk assessment which consists of;

- Bank remains unlisted and non-cash payments are not possible or convenient.
- Risks arising from the cash payment are adequately managed; using a calculation of variable remuneration which is based on the sustainable income of the Bank and safeguarding the Bank's right to claim back paid remuneration under certain circumstances.

For the variable remuneration, the Bank awards the relevant staff members, by payment in once and in cash.

Where employees do receive a variable remuneration, the average amounts remain relatively modest, while at the same time the variable remuneration remains below the maximum of 20% of the fixed income of the employee in question.

The variable remuneration pool is 4.1% of 2016 personnel expenses.

Internal Audit

The Internal Audit Department is an independent and objective assurance and advisory function designed to add value to the Bank. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the organization's governance, risk management, and control processes. With the key progress that the Bank is currently undergoing, the Internal Audit Department's mission is to continually support the management, to ensure that risks are appropriately identified, managed and monitored. The Internal Audit department is also focused on raising awareness of risks and controls, providing advice to management in developing control solutions, and monitoring the implementation of management's corrective actions to further mitigate risks and enhance controls.

The Internal Audit Department's approach to develop the annual Internal Audit plan and the related procedures has evolved over the past three years. The assurance and consultancy engagement reports delivered in the previous year, comprising reviews of key bank operations, core corporate and administrative processes, and information technology areas.

The Internal Audit Department provided assurance on several data requirements requested by DNB and the Tax Office. Outsourced processes fall also in the scope of Internal Audit Department and the key outsourced processes were also audited besides the internal processes.

Amsterdam, May 30, 2017

S. Yakar, *CEO*
N. Plotkin, *Managing Director*
A.H. Otten, *Managing Director*

Anadolubank Nederland

Financial Statements

As of December 31, 2016

Statement of financial position

in EUR thousand

Assets	Note	December 31, 2016	December 31, 2015
Cash and cash equivalents	5	113.106	154.201
Derivative financial assets	6	2.859	717
Loans and advances to banks	7	74.075	125.284
Loans and advances to customers	8	236.339	249.141
Interest bearing securities	9	124.779	118.557
Property and equipment	10	100	141
Intangible assets	10	62	33
Current tax assets		12	1.773
Deferred tax assets	25	600	333
Other assets	11	559	588
Total assets		**552.491**	**650.768**
Liabilities			
Derivative financial liabilities	6	11.172	11.487
Deposits from banks	12	117.083	157.752
Deposits from customers	13	340.783	381.520
Other liabilities	14	829	20.682
Total liabilities		**469.867**	**571.441**
Equity			
Share capital	15	70.000	70.000
Retained earnings	15	10.327	9.829
Revaluation reserves	15	(1.788)	(1.000)
Net profit	15	4.085	498
Shareholders' equity		**82.624**	**79.327**
Total liabilities and equity		**552.491**	**650.768**
Off-balance sheet liabilities	**16**	**18.188**	**17.278**

The notes on pages 21-54 are an integral part of these financial statements

Anadolubank Nederland

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	December 31, 2016	December 31, 2015
Interest income	19	20.111	23.435
Interest expense	19	(7.076)	(10.843)
Net interest income	**19**	**13.035**	**12.592**
Fee and commission income	20	1.391	1.401
Fee and commission expense	20	(125)	(128)
Net fee and commission	**20**	**1.266**	**1.273**
Net trading income	21	1.106	1.507
Results from financial transactions	22	(3.857)	(2.737)
Operating income		**11.550**	**12.635**
Net impairment loss on loan and advances	8	-	(6.065)
Personnel expenses	23	(4.085)	(3.673)
Depreciation and amortisation	10	(84)	(84)
Other expenses	24	(1.947)	(2.162)
Profit/(loss) before income tax		**5.434**	**651**
Tax expense	25	(1.349)	(153)
Profit for the period		**4.085**	**498**

Other comprehensive income		**December 31, 2016**	**December 31, 2015**
Fair value gain/(loss) from available for sale financial assets		(1.051)	(1.177)
Related tax		263	294
Total (after tax)		**(788)**	**(883)**

Other comprehensive income		**December 31, 2016**	**December 31, 2015**
Profit attributable to:			
Equity holders of the Bank		**4.085**	**498**
Total comprehensive income (after tax)			
Equity holders of the Bank		**3.297**	**(385)**

Anadolubank Nederland

Statement of cash flows

in EUR thousand

Cash flows from operating activities	Note	December 31, 2016	December 31, 2015
Profit for the year		4.085	498
Adjustments for:		-	-
- Depreciation and amortisation	10	84	84
- Net interest & commission income	19,20	(14.301)	(13.865)
- Results from financial transactions	22	2.751	1.230
- Net impairment loss on loans and advances	8	-	6.065
- Income tax income/expense (-/+)	25	1.349	153
Total		**(6.032)**	**(5.835)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	(2.142)	1.282
Change in loans and advances to banks	7	51.209	16.966
Change in loans and advances to customers	8	12.802	(16.144)
Change in available for sale and trading portfolio		(8.839)	7.983
Change in other assets	11	29	(246)
Change in derivative financial instrument (liabilities)	6	(315)	3.442
Change in deposits from banks	12	(40.669)	50.471
Change in deposits from customers	13	(40.737)	(27.765)
Change in other liabilities and provisions	14	(19.853)	4.513
Total		**(48.515)**	**40.502**
Interest received		20.172	23.405
Commissions received		1.391	1.401
Interest paid		(8.072)	(11.794)
Commissions paid		(125)	(128)
Realised result on financial transactions and trading income		(2.280)	(5.115)
Tax paid		412	(315)
Net cash from operating activities		**11.498**	**7.454**
Cash flows from investing activities			
Acquisition of investment securities	9	(14.126)	(2.760)
Redemptions of investment securities	21	17.813	6.000
Acquisition of property and equipment	10	(17)	(51)
Acquisition of intangible assets	10	(55)	(24)
Net cash used in investing activities		**3.615**	**3.165**
Net decrease/increase in cash and cash equivalent		**(39.434)**	**45.286**
Cash and cash equivalents at January 1	5	154.201	108.428
Effect of exchange rate fluctuations on cash and cash equivalents held		(1.661)	487
Cash and cash equivalents at December 31	**5**	**113.106**	**154.201**

The notes on pages 21-54 are an integral part of these financial statements

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolio	Total
Balance at January 1, 2015	**70.000**	**4.019**	**5.810**	**(117)**	**79.712**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	5.810	(5.810)	-	-
Net income for the year	-	-	498	-	498
Fair value gain/(loss) from available for sale financial assets	-	-	-	(883)	(883)
Balance at December 31, 2015	**70.000**	**9.829**	**498**	**(1.000)**	**79.327**

Balance at January 1, 2016	**70.000**	**9.829**	**498**	**(1.000)**	**79.327**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	498	(498)	-	-
Net income for the year	-	-	4.085	-	4.085
Fair value gain/(loss) from available for sale financial assets	-	-	-	(788)	(788)
Balance at December 31, 2016	**70.000**	**10.327**	**4.085**	**(1.788)**	**82.624**

Notes to the financial statements

As of December 31, 2016

1. Reporting entity

Anadolubank Nederland N.V. (the "Bank") is a public limited liability company domiciled in the Netherlands. The Bank was established on April 5, 2006 and was granted a full banking license by De Nederlandsche Bank (Dutch Central Bank) on August 2, 2007. The Bank has been operational since early 2008. The Bank primarily is involved in corporate and retail banking – retail banking deposit activities. The registered office of the Bank is De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands. Commercial Register of Amsterdam, number 34239060.

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

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

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Netherlands Civil Code. They were authorized for issue by the Bank's Management Board on May 30, 2017.

(b) Basis of measurement

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

(c) Functional and presentation currency

The financial statements are presented in Euros, which is the Bank's functional and presentation

(d) Use of estimates and judgments

The preparation of these solo financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant of judgments and estimates are as follows;

A Judgements

i. Fair value of financial instruments

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

ii. Deferred tax assets

Deferred tax assets are recognized for all tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilized.

iii. Impairment of financial instruments

The Bank evaluates the assets, which are accounted for at amortized cost, for impairment. The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on best estimate of the present value of the future cash flow. In estimating these cash flows, management makes judgments about a debtor's financial situation and net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Bank.

(e) Going concern

These financial statements have been prepared on the basis of the going concern assumption.

3. Significant accounting policies

(a) Foreign currency transactions

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

(b) Interest

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

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

Negative interest in relation to a financial asset is presented as interest expense and negative interest in relation to a financial liability is presented as interest income.

(c) Fees and commission

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

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

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

(d) Net trading income

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

The changes in fair value of an interest rate swap include accrued interest gains and losses arising from changes in interest rates. The entire fair value change on a derivative is presented on a net basis.

(e) Lease payments made

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

(f) Income tax

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

(g) Financial assets and financial liabilities

(I) Recognition

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

(II) Classification

Financial assets

The Bank classifies its financial assets into one of the following categories:

- loans and receivables
- held to maturity
- available-for-sale ; and
- at fair value through profit or loss; held for trading

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss.

(III) Derecognition

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

(IV) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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

(V) Amortized cost measurement

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

(VI) Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(VII Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- Restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- Disappearance of an active market for a security; or
- Observable data relating to a bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Bank considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to- maturity investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI. Any subsequent recovery in the fair value of an impaired available-for- sale equity security is always recognized in OCI.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank determines that there is no realistic prospect of recovery.

(h) Cash and cash equivalents

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

(i) Derivatives held for risk management purposes

Derivative financial instruments consisting of foreign currency contracts and currency swaps are measured at fair value. All derivatives are separately evaluated and carried as assets when each transaction's fair value is positive and as liabilities when each transaction's fair value is negative. Derivative contracts are included in derivative financial instruments lines of assets and liabilities, and changes in the fair value are included in the profit or loss, under net trading income. No hedge accounting has been applied.

(j) Loans and advances to banks and customers

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

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

(k) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss or available-for-sale.

I) Held-to-maturity

‚Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.

II) Available-for-sale

‚Available-for-sale investments' are non-derivative investments that are designated as available- for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss. Impairment losses are recognized in profit or loss.

Other fair value changes, other than impairment losses, are recognized in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

IIII) Trading

Trading assets are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

(l) Property and equipment

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

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

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

	%	Years
IT equipment	20%	5
Furniture, fixtures and vehicles	20%	5

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

(m) Intangible assets

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

(n) Repurchase transactions

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

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

(o) Provisions

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the rise in the provision reflecting the passage of time is recognized as cost. A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

(p) Employee benefits

The Bank's pension plan is based on defined contribution as a percentage of the annual salary depending on the age of the insured, whereby the terms and conditions of the plan are based on each individual's requirements, under a fixed scheme, also allowing the individual staff members to contribute to their own account. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefits expense when employees have rendered services entitling them to the contributions.

(q) Share capital & reserves

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

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

(r) Off balance sheet engagements

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

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

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

(s) Segment reporting

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

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

(t) New standards and interpretations not yet adopted

One of the main changes expected in the coming years is the replacement of IAS 39 Financial Instruments: recognition and measurements by IFRS 9. IFRS 9 will replace IAS 39 'Financial Instruments: Recognition and Measurement' and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and micro hedge accounting. The new requirements become effective as of January 1, 2018. IFRS 9 is effective for annual reporting for the periods beginning on or after January 1, 2018.

The Bank is assessing the potential impact of the application of IFRS 9 on its financial statements.

In January 2016, the IASB issued IFRS 16 'Leases' the new accounting standard for leases. The new standard is effective for annual periods beginning on or after January 1, 2019 and will replace IAS 17 'Leases' and IFRC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 is not yet endorsed by the EU. The new standard removes the classification of leases as either operating leases or finance leases, resulting in all leases for lessees being treated comparable to finance leases. All leases will be recognized on the statement of financial position with the exception of short-term leases with a lease term of less than 12 months and leases of low-value assets.

4. Operating segments

Segment reporting is a distinguishable component of the Bank. It is engaged in providing products or services in which is called a business segment. Providing products or services within a particular economic environment, is called a geographical segment. The Bank's primary format for segment reporting is based on operating segments. Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes. For geographical segments, refer to Note 27 (b) Credit risk.

The Bank has the following three divisions, which are reportable segments.

Retail Banking – Deposits and other transactions and balances with retail customers

Corporate and Commercial Banking – Loans, deposits and other transactions and balances with corporate customers and bank loans

Treasury – Funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities

December 31, 2016	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Operating income	(3.744)	12.428	2.856	10	11.550
Impairment and expenses	-	-	-	(6.116)	(6.116)
Net operating profit	**(3.744)**	**12.428**	**2.856**	**(6.106)**	**5.434**
Provision for taxes	936	(3.107)	(714)	1.536	(1.349)
Net Profit	**(2.808)**	**9.321**	**2.142**	**(4.570)**	**4.085**
Cash and cash equivalents	-	-	113.106	-	113.106
Loans and advances to banks	-	62.435	11.640	-	74.075
Loans and advances to customers	-	236.339	-	-	236.339
Interest bearing securities	-	-	124.779	-	124.779
Other assets	-	-	-	4.192	4.192
Total assets	**-**	**298.774**	**249.525**	**4.192**	**552.491**
Deposits from banks	-	-	117.083	-	117.083
Deposits from customers	230.614	110.169	-	-	340.783
Other liabilities	-	-	-	12.001	12.001
Shareholder's equity	-	-	-	82.624	82.624
Total liabilities	**230.614**	**110.169**	**117.083**	**94.625**	**552.491**

December 31, 2015	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(5.307)	13.107	4.833	2	12.635
Other operating income and expenses, net	-	(6.065)	-	(5.919)	(11.984)
Net operating profit	**(5.307)**	**7.042**	**4.833**	**(5.917)**	**651**
Provision for taxes	1.327	(1.761)	(1.208)	1.489	(153)
Net Profit	**(3.980)**	**5.281**	**3.625**	**(4.428)**	**498**
Cash and cash equivalents	-	-	154.201	-	154.201
Loans and advances to banks	-	123.182	2.102	-	125.284
Loans and advances to customers	-	249.141	-	-	249.141
Interest bearing securities	-	-	118.557	-	118.557
Other assets	-	-	-	3.585	3.585
Total assets	**-**	**372.323**	**274.860**	**-**	**650.768**
Deposits from banks	-	-	157.752	-	157.752
Deposits from customers	257.060	124.460	-	-	381.520
Other liabilities	-	-	-	32.169	32.169
Shareholder's equity	-	-	-	79.327	79.327
Total liabilities	**257.060**	**124.460**	**157.752**	**111.496**	**650.768**

5. Cash and cash equivalents

	2016	2015
Cash and balances with banks	17.981	1.910
Unrestricted balances with central banks	79.093	138.027
Money market placements within three months	16.032	14.264
Position as at December 31	**113.106**	**154.201**

In 2016, the decrease on the cash and cash equivalents with central banks is as a result of the decrease in the total assets. In December 2016 EUR 52 was pledged as collateral for the long-term lease agreement.

6. Derivatives held for risk management purposes

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

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

December 31, 2016

	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over 1 year	Fair value assets	Fair value liabilities
Currency swap purchase	224.529	60.172	13.181	52.025	99.151	2.859	-
Currency swap sale	234.088	60.624	13.050	57.769	102.645	-	11.172
Total	**458.617**	**120.796**	**26.231**	**109.794**	**201.796**	**-**	**11.172**

December 31, 2015

	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over 1 year	Fair value assets	Fair value liabilities
Currency swap purchase	167.714	62.445	25.495	40.174	39.600	717	-
Currency swap sale	179.371	62.608	27.081	45.636	44.046	-	11.487
Total	**347.085**	**125.053**	**52.576**	**85.810**	**83.646**	**-**	**11.487**

7. Loans and advances to banks

	2016	2015
Bank Loans	**74,075**	**125,284**

Loans and advances to banks include all sorts of exposures falling under regulatory supervision as not embodied in the form of debt securities or synthetic instruments.

8. Loans and advances to customers

	2016	2015
Corporate loans	236,258	248,576
Retail loans	81	565
Balance at December 31	**236,339**	**249,141**

In 2016, there were no impairment related to corporate loans and advances. (2015: 6,065)

Loan impairment charges and allowances	2016	2015
Balance at January 1	23.158	15.523
New impairment allowances	-	6.065
Reversal of impaired loans	-	-
Amounts written off(-)	(23.904)	-
Effect of foreign currency movements	848	1.570
Balance at December 31	**102**	**23.158**

Impairment losses on loans and advances	2016	2015
Impairment losses on loans and advances	-	6.065
Reversal of impaired loans	-	-
Balance at December 31	**-**	**6.065**

9. Interest bearing securities

	2016	2015
Held-to-maturity	67.123	69.740
Available-for-sale portfolio	55.591	48.817
Trading portfolio	2.065	-
Balance at December 31	**124.779**	**118.557**

In 2016, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 21,013 as collateral to DNB (De Nederlandsche Bank) (2015: EUR 6,099).

EUR 60,551 of the securities was under repo and total return swap transactions. (2015: EUR 95,297)

Held-to-maturity	2016	2015
Government bonds	8.150	8.168
Corporate bonds	7.408	10.357
Issued by others	51.565	51.215
Balance at December 31	67.123	69.740

Available-for-sale portfolio	2016	2015
Government bonds	13.257	21.888
Corporate bonds	6.784	6.057
Issued by others	35.550	20.872
Balance at December 31	55.591	48.817

Trading portfolio	2016	2015
Government bonds	-	-
Corporate bonds	-	-
Issued by others	2.065	-
Balance at December 31	2.065	-

10. Property and equipment

Tangible assets	2016	2015
Balance at January 1, 2016	141	140
Additions	17	51
Depreciation	58	50
Balance at December 31, 2016	**100**	**141**

Intangible assets	2016	2015
Balance at January 1, 2016	33	43
Additions	55	24
Depreciation	26	34
Balance at December 31, 2016	**62**	**33**

All property and equipment are stated at historical cost less depreciation. A historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life. For intangible assets amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives in 3 years.

11. Other assets

	2016	2015
Receivable with regard to DGS for DSB Bank	493	493
Suspense accounts	66	95
Balance at December 31	**559**	**588**

Receivable with regard to DGS for DSB Bank is expected to be received fully until 2027.

12. Deposits from banks

	2016	2015
Sale and repurchase, securities lending and similar agreements	75,722	117,510
Money market deposits	41,361	40,242
Total	**117,083**	**157,752**

13. Deposits from customers

	2016	2015
Retail customers	**230,614**	**257,060**
Savings	106,354	112,868
Time deposits	124,260	144,192
Corporate customers	**110,169**	**124,460**
Demand deposits	31,618	31,511
Time deposits	78,551	92,949
Total	**340,783**	**381,520**

EUR 8,549 of term deposits served as cash collateral for loans advances extended as of December 31, 2016. (2015: EUR 4,856)

14. Other liabilities

	2016	2015
Transfer orders	15	3
Taxes other than income	178	170
Other provisions	134	460
Short-term employee benefits	278	120
Irrevocable letter of credits	-	19,677
Others	224	252
Balance at December 31	**829**	**20,682**

In 2016 irrevocable letter of credits is reclassified to off balance as the contractual agreements to the credit facility agreements have been amended.

15. Capital and reserves

As at December 31, 2016, the total issued and fully paid-up share capital of the Bank amounted to EUR 70 million.

Dividend payments are subject to the approval of Dutch Central Bank as the regulatory body and are not accounted for until they have been ratified at the Annual General Meeting. No dividend will be proposed for the year 2016. The profit after tax will be added to 'Other reserves'.

16. Off balance sheet liabilities

December 31, 2016

	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Total
Guarantee issued	-	-	-	-	108	108
Irrevocable letter of credit	123	6.944	11.013	-	-	18.080
Other commitments	-	-	-	-	-	-
Total	**123**	**6.944**	**11.013**	**-**	**108**	**18.188**

December 31, 2015

	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Total
Guarantee issued	-	-	4	-	108	112
Irrevocable letter of credit	466	3.933	2.344	423	-	7.166
Other commitments	-	-	10.000	-	-	10.000
Total	**466**	**3.933**	**12.348**	**423**	**108**	**17.278**

17. Related parties

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

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

December 31, 2016

	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**3.238**	**1.249**	**-**	**-**	**4.487**
Cash and cash equivalent	184	-	-	-	184
Banks	3.054	-	-	-	3.054
Loans and advances	-	1.249	-	-	1.249
Liabilities	**-**	**9.279**	**-**	**-**	**9.279**
Banks	-	-	-	-	-
Funds Entrusted	-	9.279	-	-	9.279

Interest income	**66**	**-**	**325**	**-**	**391**
Interest expense	**83**	**186**	**3**	**-**	**272**
Other operating expenses	**300**	**-**	**-**	**-**	**-**

December 31, 2015

	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**1.896**	**-**	**439**	**-**	**2.335**
Cash and cash equivalent	447	-	-	-	447
Banks	1.449	-	-	-	1.449
Loans and advances	-	-	439	-	439
Liabilities	**-**	**10.208**	**-**	**-**	**10.208**
Banks	-	-	-	-	-
Funds Entrusted	-	10.208	-	-	10.208

Interest income	**505**	**-**	**505**	**-**	**1.010**
Interest expense	**110**	**205**	**-**	**-**	**315**
Other operating expenses	**360**	**-**	**-**	**-**	**-**

The Bank enters into transactions with its parent company and other related parties in ordinary course of business at arm's-length conditions. Balances are not secured.

Key management personnel transactions	2016	2015
Loans and advances	40	79
Deposits to customers	276	232

No impairment loses have been recorded against outstanding balances during the period with key management personnel, and no specific allowance have been made for impairment losses on balances with related parties.

Key management personnel compensation comprised the following.

Key management personnel compensations	2016	2015
Short-term employee benefits	1,760	1,609
Post-employment benefits	34	41
	1,794	**1,650**

18. Lease commitments

The Bank has entered into a long-term financial obligation in 2012 with duration of 5 years. In 2016, EUR 210 has been paid for the rent of the office.

	2016	2015
Less than one year	76	221
Between one and five years	-	97
	76	**318**

19. Net interest income

Interest income	2016	2015
Cash and cash equivalents	6	6
Loans and advances to banks	3.199	4.361
Loans and advances to customers	12.164	14.109
Interest bearing securities	4.742	4.959
Total interest income	**20.111**	**23.435**

Interest Expense	2016	2015
Cash and cash equivalents	351	-
Deposits from banks	1.308	800
Deposits from customers	5.417	10.043
Total interest expense	**7.076**	**10.843**

20. Net fee and commission income

Fee and commission income	2016	2015
Corporate/banking credit related fees	1,030	1,182
Other	361	219
Total fee and commission income	**1,391**	**1,401**

Fee and commission expense	2016	2015
Corporate/banking credit related expense	78	91
Interbank transaction fees	47	37
Total fee and commission expense	**125**	**128**

21. Net trading income

	2016	2015
Net income from securities held for trading	(433)	(130)
Net income from securities held for AFS	1,537	1,637
Net income from option	2	
Total trading income	**1,106**	**1,507**

22. Results from financial transactions

	2016	2015
Foreign exchange gain (net)	(3,857)	(2,737)
Other operating income (net)	**(3,857)**	**(2,737)**

Results from foreign currency exchange transactions' comprises all (un)realized gains and losses arising from foreign currency positions in relation to exchange rate changes. Foreign currency positions generally relate to assets, liabilities or derivative transactions. The mentioned gains and losses show the total result without indicating the underlying position.

23. Personnel expenses

	2016	2015
Wages and salaries	3,417	2,846
Compulsory social security obligations	396	374
Contributions to defined contribution plans	237	330
Other fringe benefits	35	123
Total	**4,085**	**3,673**

The number of staff employed by the Bank as of December 31, 2016 is 43 (2015:44).

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

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended December 31, 2016 are as follows:

2016

	Base salary	Other benefits	Variable renumeration	Total
Board of Supervisory Directors	97	-	-	97
Managing Board Directors	496	39	58	593

2015

	Base salary	Other benefits	Variable renumeration	Total
Board of Supervisory Directors	87	-	-	87
Managing Board Directors	496	39	-	535

The amounts are not disclosed individually since the Bank meets the criteria of article 383b of the Dutch Civil Code.

24. Other expenses

	2016	2015
Operating lease expense	238	230
Communication expenses	105	93
Business travel & acommodation	34	67
Sofware licening and other information technology expenses	551	595
Paid taxes other than income	68	132
Tax advisory	15	13
Other consultancy	217	100
Regulatory supervision expenses	278	298
Legal expenses	206	504
Deposit Guarantie Scheme	336	32
Release on provisions	(376)	(274)
Other	446	372
Total	**2.118**	**2.162**

Audit-related fees	2016	2015
Total audit fee expenses recognized in 2016	171	266
Expenses related to 2015	108	165
Expenses related to 2016	63	101
Financial statement audit fees	124	242
Audit-related fees	47	24
Total auditor's fee	**171**	**266**

In 2016, release on provisions is related to the receivable with regard to a legal case.

	2016	2015
	Deloitte Accountants B.V.	**KPMG Accountants N.V.**
Audit financial statement	55	242
Other audit services	86	24
Total auditor's fee	**141**	**266**

25. Income tax expense

Major components of income tax expense:

Reconciliation of income tax	2016	2015
Operating profit before tax	5.434	651
Weighted average statutory tax rate	24,8%	23,5%
Weighted average statutory tax amount	**1.349**	**153**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**1.349**	**153**
Effective tax rate	24,8%	23,5%

Tax is calculated according to the current Dutch nominal tax rate of 20% for the first EUR 200,000 and 25% of the remaining amount.

Deferred tax assets	2016	2015
Tax loss-carry forwards	-	-
Available for sale securities	600	333
	600	**333**

26. Fair value information

See accounting policy in Note 3 (g).

a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1**
  Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- **Level 2**
  Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- **Level 3**
  Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include benchmark interest rates, credit spreads, bond prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

As at December 31, 2016 and at December 31, 2015, the fair value of the securities measured at fair value represents closing bid price quoted in an active market. Actively traded quoted securities are classified as Level 1. The Bank also held financial instruments classified as level 2 of the fair value hierarchy. A description of the valuation technique(s) and the inputs used in the fair value measurements in included below.

b) Financial instruments measured at fair value

December 31, 2016	Total	Level 1	Level 2
Assets			
Derivative financial assets	2.859	-	2.859
Securities measured at fair value	57.656	16.546	41.110
Total assets	**60.515**	**16.546**	**43.969**
Liabilities			
Derivative financial liabilites	11.172	-	11.172
Total liabilities	**11.172**	**-**	**11.172**

December 31, 2015	Total	Level 1	Level 2
Assets			
Derivative financial assets	717	-	717
Securities measured at fair value	48.817	21.888	26.929
Total assets	**49.534**	**21.888**	**27.646**
Liabilities			
Derivative financial liabilites	11.487	-	11.487
Total liabilities	**11.487**	**-**	**11.487**

The Bank does not have any financial instrument measured at level 3 fair value as of December 31, 2016.

The following table sets out the fair values of financial instruments not measured fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

c) Financial instruments not measured at fair value

December 31, 2016	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets	**Assets**				
Cash and cash equilavents	113.106	113.106	-	-	113.106
Loans	310.392	-	-	310.392	310.414
Held-to-maturity	69.651	25.678	43.973	-	67.123
Total assets	**493.150**	**138.784**	**43.973**	**310.392**	**490.643**
Liabilities					
Banks	117.673	-	-	117.673	117.083
Funds entrusted	350.276	-	-	350.276	340.783
Total liabilities	**467.949**	**-**	**-**	**467.949**	**457.866**

December 31, 2015	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equilavents	154.201	154.201	-	-	154.201
Loans	396.623	-	-	396.623	374.425
Held-to-maturity	73.166	40.904	32.262	-	69.740
Total assets	**623.990**	**195.105**	**32.262**	**396.623**	**598.366**
Liabilities					
Banks	157.796	-	-	157.796	157.752
Funds entrusted	391.557	-	-	391.557	381.520
Total liabilities	**549.353**	**-**	**-**	**549.353**	**539.272**

27. Financial risk management

(a) Introduction and overview

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

- credit risk
- liquidity risk
- market risk
- operational risk
- currency risk
- capital management

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Management Board monitors the effectiveness of the risk management system through the several committees, such as Asset and Liability Committee and Credit Risk Committee. These committees are responsible for establishing and monitoring the relevant risk measures on a regular basis.

The Supervisory Board of the Bank supervise the risk management activities to ensure that such activities pursued by the Management Board are in line with the Bank's risk profile, long term strategies and goals. At least once a year, the risk appetite statement is reviewed by the Management Board and submitted to the Supervisory Board for approval.

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

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner.

(b) Credit risk

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

Impaired loans

Impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). These loans are graded 6-8 in the Bank's internal credit risk grading system.

Past due but not impaired loans

The Bank had no past due loans and advances as of December 31, 2016.

Forbearance loans

The Bank had no forbearance loans and advances as of December 31, 2016.

Collateral policy

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

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Collateral analysis	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**
Against neither past due nor impaired:								
Secured by cash collateral	7.823	5.037	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	33.526	24.764	-	-	-	-	-	-
Other collateral	158.616	180.371	-	-	-	-	-	-
Uncollateralized exposure	36.374	38.969	74.075	125.284	124.779	118.557	113.106	154.201
Carrying amount	**236.339**	**249.141**	**74.075**	**125.284**	**124.779**	**118.557**	**113.106**	**154.201**

Sectorial and geographical concentration of loans & advances and investment securities

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Concentration by sector	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**
Corporate:	236.339	249.141	-	-	25.000	16.413	-	-
Basic materials	7.857	15.125	-	-	-	-	-	-
Consumer products non-food	11.596	7.234	-	-	-	-	-	-
Building materials	-	17.974	-	-	-	-	-	-
Private individuals	81	565	-	-	-	-	-	-
Technology	-	13.071	-	-	-	845	-	-
Financial intermediation	39.230	38.317	-	-	8.615	3.552	-	-
Construction& Infrastructure	11.376	11.280	-	-	-	-	-	-
Automotive	6.257	8.507	-	-	-	-	-	-
Transport&Logistics	58.688	45.659	-	-	-	-	-	-
Food, Beverages&Tobacco	4.294	2.974	-	-	-	-	-	-
Agriculture &Fishing	11.279	3.089	-	-	-	-	-	-
Chemicals	38.633	46.935	-	-	-	-	-	-
Oil&Gas	8.359	11.239	-	-	11.424	8.293	-	-
Telecom	15.987	14.974	-	-	-	1.788	-	-
Others	2.641	765	-	-	4.961	1.935	-	-
Utilities	7.524	9.303	-	-	-	-	-	-
Healthcare (Inc. Social Work)	2.130	2.130	-	-	-	-	-	-
Real Estate	10.407	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	79.093	138.027
Government	-	-	-	-	21.407	30.056	-	-
Bank	-	-	74.075	125.284	78.372	72.088	34.013	16.174
Carrying amount	**236.339**	**249.141**	**74.075**	**125.284**	**124.779**	**118.557**	**113.106**	**154.201**

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Concentration by country	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**
Europe	96.625	77.859	27.819	32.110	51.735	58.744	89.544	144.921
Rest of the countries	139.714	171.282	46.256	93.174	73.044	59.813	23.562	9.280
Turkey	56.105	71.254	38.589	87.838	53.579	44.470	5.207	8.459
Russia	4.019	4.020	2.672	5.336	-	-	-	-
Switzerland	7.220	28.088	-	-	-	-	-	-
Egypt	8.120	6.595	4.995	-	-	-	-	-
Cayman Islands	-	-	-	-	2.561	2.565	-	-
Azerbaijan	-	-	-	-	4.846	4.686	-	-
Marshall Islands	28.680	30.909	-	-	-	-	-	-
United Arab Emirates	20.306	17.992	-	-	-	-	-	-
United States of America	5.654	3.272	-	-	-	-	16.465	821
Panama	1.841	3.455	-	-	-	-	-	-
Cook Islands	338	788	-	-	-	-	-	-
Brazil	-	-	-	-	3.042	3.037	-	-
Kazakhstan	-	-	-	-	465	433	-	-
Qatar	-	-	-	-	4.768	4.622	-	-
Macedonia	2.526	2.974	-	-	1.058	-	-	-
China	-	28	-	-	-	-	-	-
Bermuda	-	-	-	-	2.725	-	-	-
Malaysia	4.791	-	-	-	-	-	-	-
Virgin Islands, British	114	1.907	-	-	-	-	-	-
Carrying amount	**236.339**	**249.141**	**74.075**	**125.284**	**124.779**	**118.557**	**113.106**	**154.201**

Concentration by location for assets is measured based on the risk driven country of the asset, which has a high correlation with the location of the borrower.

The table below sets out the credit quality of the financial assets and based on the external rating of the borrower.

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Credit quality analysis	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**	**Dec-16**	**Dec-15**
Rated BBB- to AA	9.910	13.759	23.053	99.437	78.895	98.026	98.395	153.442
Rated B- to BB+	8.055	13.822	35.371	25.556	45.354	20.085	795	678
CCC	-	-	-	291	-	-	-	-
Unrated	218.374	221.560	15.651	-	530	446	13.916	81
Carrying amount	**236.339**	**249.141**	**74.075**	**125.284**	**124.779**	**118.557**	**113.106**	**154.201**

(*) The Bank makes use of vendor rating models provided by Bureau van Dijk in order to assign internal ratings to its customers.

(c) Liquidity risk

Liquidity risk is commonly defined as the ability of an institution to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

The Bank's liquidity risk is managed centrally by Treasury Department and is monitored by Risk Management Department while the Bank's Internal Audit function assesses whether the liquidity management process is designed properly and operating effectively.

The Bank monitors intraday liquidity risk, short-term 30 day liquidity risk, liquidity risk for one year horizon and risk arising from mismatches of longer term assets and liabilities. The Bank's liquidity management process includes: projecting expected cash flows in a maturity profile rather than relying merely on contractual maturities; monitoring balance sheet liquidity; monitoring and managing the maturity profile of liabilities and off-balance sheet commitments; monitoring the concentration of liquidity risk in order to avoid undue reliance on large financing counterparties projecting cash flows arising from future business; and, maintaining liquidity and contingency plans which outline measures to take in the event of difficulties arising from liquidity crisis.

The Liquidity Risk Policy is built on international standards on liquidity risk measurements developed by the Basel Committee on Banking Supervision (e.g. the Liquidity Coverage ratio (LCR) and the Net Stable Funding Ratio (NSFR)) and it also applies measurements that best suit the operating environment of the Bank.

Various stress tests have been constructed to measure how different scenarios affect the liquidity position and liquidity risk of the Bank. The stress tests are conducted monthly and measure the Bank's ability to withstand deposit withdrawals under various levels of adverse conditions. These stress tests are set up to measure the Bank's ability to operate in its current economic environment.

The Bank's ALCO sets limits for liquidity risk tolerance through the Liquidity Risk Policy by determining an acceptable level of liquidity position under normal and stressed business conditions. ALCO is also responsible for deciding on strategies, policies and practices on liquidity risk in accordance with the risk tolerance while taking into account key business units, products, legal structures and regulatory requirements.

Furthermore, the Bank has carried out an internal liquidity adequacy assessment process (ILAAP) based on DNB's ILAAP Policy Rule and submitted the required documentation to DNB for purposes of Supervisory Review and Evaluation Process (SREP). The internal process, governance and consultative dialogue with the regulatory supervisory body required to meet the ILAAP rules are similar to the ICAAP.

The ILAAP Supervision Manual is the main reference for the Bank's liquidity risk management. It gives an all-encompassing qualitative and quantitative guidance for liquidity risks management as well for the implementation of the liquidity regulation with the Basel III accord.

Residual contractual maturities of financial assets and liabilities

The tables below show the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing December 31, 2016 figures with those of December 31, 2015. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or an increasing balance. EUR 493 under non-distributable item is related to DGS apportionment about DSB Bank which will be disbursed by DNB due to the payment of distribution of assets of DSB Bank. Daily liquidity and the liquidity maturity calendar are part of the Bank's Risk Management. Liquidity tests and stress test scenarios are made under ICAAP, ILAAP and Recovery Plan.

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

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

December 31, 2016

Assets	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distributable
Cash and cash equivalents	113.106	97.073	16.033	-	-	-	-	-
Banks	74.075	-	2.847	4.151	43.073	24.004	-	-
Loans and advances	236.339	-	39.075	45.750	23.366	112.743	15.405	-
Interest bearing securities	124.779	-	-	14.749	10.847	61.190	37.993	-
Current tax assets	12	-	-	-	-	12	-	-
Deferred tax assets	600	-	-	-	-	600	-	-
Other assets	3.580	-	1.175	913	665	83	23	721
Total assets	**552.491**	**97.073**	**59.130**	**65.563**	**77.951**	**198.632**	**53.421**	**721**

Liabilities	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distributable
Banks	117.083	10.000	32.284	26.945	30.661	17.193	-	-
Funds entrusted *	340.783	106.354	96.624	23.604	47.009	67.192	-	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	12.001	-	1.569	775	6.033	2.795	-	829
Total liabilities	**469.867**	**116.354**	**130.477**	**51.324**	**83.703**	**87.180**	**-**	**829**
Shareholders' equity	82.624	-	-	-	-	-	-	82.624
Total liabilities and equity	**552.491**	**116.354**	**130.477**	**51.324**	**83.703**	**87.180**	**-**	**83.453**
Net liquidity		**(19.281)**	**(71.347)**	**14.239**	**(5.752)**	**111.452**	**53.421**	**(82.732)**

** Including on demand saving accounts which has on average a longer term characteristic*

December 31, 2015

	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distributable
Total assets	650.768	139.937	49.892	45.509	161.200	181.838	71.471	921
Total liabilities	650.768	45.510	240.260	89.389	105.395	89.682	653	79.879
Net liquidity		**94.427**	**(190.368)**	**(43.880)**	**55.805**	**92.156**	**70.818**	**(78.958)**

(d) Operational risk

The operational risk framework adopted by the Bank sets out a structured and consistent approach for the management of operational risk across the Bank. The comprehensive risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations, enabling a comprehensive view, analysis and reporting of the Bank's operational risk profile.

The objective in managing operational risk is to increase the efficiency and effectiveness of the Bank's resources, minimize operational losses and exploit opportunities. The Risk Management Department has initiated a project to the self-assessment processes and to enhance the resulting qualitative risk management information set. This will align, connect and integrate key non-financial risk assessment processes.

The Bank continuously collects the operational risk loss events, as a requirement for operational risk management, includes detailed analyses, the identification of mitigating actions, and timely information of the Management.

Business resilience includes business continuity management and crisis management is in place. The Bank reviews recovery of its business operations and supporting technology, Business Continuity Management ("BCM"), as a critical and fundamental part of its ability to fulfill its fiduciary responsibilities to clients every year. As such, significant resources and effort are dedicated to these programs.

(e) Market risk

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

Management of market risk

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

Exposure to interest rate risk – non-trading portfolios

Since IRRBB is not separately identified by Pillar I regulatory capital, the Bank captures this under Pillar II in the ICAAP. Anadolubank has, to a large extent, a linear interest position. The only significant behavioural elements in its balance sheet are the retail savings accounts. Assumptions are made on their interest sensitivity but essentially these will be short term and as a result will not have an undue large impact on its interest position.

Anadolubank measures interest rate risk both on an Economic Value of Equity (EVE) basis as well as an Earnings-at-Risk (EaR) basis. In 2016, the Bank has taken important steps in terms of managing, measuring and monitoring the interest rate risk. The Market Risk & ALM Policy outlines interest rate risks involved in the activities of the Bank and to establish mechanisms to control such risks. The Bank defines interest rate risk as the current or prospective risk to earnings and capital arising from adverse movements in interest rates.

Additionally, the Bank has „minor" risk tolerance towards interest rate risk in its banking book. The risk appetite is quantified such that „change in the fair value of the equity, under a 200 bps standard interest rate shock, should not exceed 10% of the total own funds. The interest rate risk position is discussed in the regular ALCO meetings by presenting the EVE and EAR results on currency basis. If necessary, ALCO takes necessary actions to adjust the on- and off- balance sheet asset and liability positions, so that the Bank is able to keep its liquidity and interest rate risk below the pre-determined limits. That said, as of December 2016 the gross IRRBB accounts for 7% of the total capital required.

Economic Value of Equity

The EVE basis measures value changes in the entire balance sheet as a result of interest rate changes. The below graph shows the interest position (in bpv) over the curve. Anadolubank's balance sheet is fairly well hedged except in the over 5 years' buckets. The over 5 years' position is primarily derived from the exposures in long dated securities in the Available-for-Sale portfolio. By nature, this portfolio represents a flexible position which can be adapted according to market conditions. The core assets, its loan book and the HTM securities portfolio, are fairly well hedged by its liabilities.

Earnings at Risk

The EaR basis measures earnings changes as a result of interest rate changes under the assumption of a stable portfolio. EaR should be limited to achieve stable earnings but it should not result in a large interest position (basis point value (bpv), an EVE measure).

The EaR is calculated over a 1 year and 2 year horizon, under an assumed stable portfolio.

Improvements in the management of the interest rate risk position decreased the volatility of the position in 2016.

The EaR is calculated with scenarios of 200 bps up and down and both in a scenario where the shift takes place gradually as well as instantly, while the EVE assesses the impact of flat upward and downward shift of 200 bps.

Per end 2016, a 200 bps sudden up shift results in a decrease in the equity of EUR 6.9 million (in 2015: EUR 4.5 million). From Earnings at Risk perspective, the sudden 200 bps down scenario results in a decrease of EUR 0.8 million in the P&L. This scenario includes a 0% as prescribed by DNB.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

December 31, 2016

Assets	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Cash and cash equivalents	113.106	16.034	-	-	-	97.072
Banks	74.075	22.435	15.228	21.846	14.566	-
Loans and advances	236.339	100.747	48.341	12.455	74.796	-
Interest bearing securities	124.779	19.731	-	5.865	99.183	-
Current tax assets	12	-	-	-	12	-
Deferred tax assets	600	-	-	-	-	600
Other assets	3.580	2.088	665	-	106	721
Total assets	**552.491**	**161.035**	**64.234**	**40.166**	**188.663**	**98.393**

Liabilities	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Banks	117.083	59.229	23.058	7.603	17.193	10.000
Funds entrusted	340.783	194.964	23.403	23.605	67.192	31.619
Current tax liabilities	-	-	-	-	-	-
Other liabilities	12.001	2.344	649	5.384	2.795	829
Total liabilities	**469.867**	**256.537**	**47.110**	**36.592**	**87.180**	**42.448**
Surplus/deficit	**82.624**	**(95.502)**	**17.124**	**3.574**	**101.483**	**55.945**

December 31, 2015

	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Total assets	650.768	186.219	93.067	71.084	158.823	141.575
Total liabilities	571.441	329.204	55.052	23.342	86.165	77.678
Surplus/deficit	**79.327**	**(142.985)**	**38.015**	**47.742**	**72.658**	**63.897**

(f) Currency risk

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. In case of a sudden weakening of EUR against the other currencies by 2%, then the impact on the equity will be limited to EUR 20 thousand down. A strengthening of EUR of the same amount would have resulted in an equal but opposite effect to the amount indicated. The Management Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk at December 31, 2016, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

December 31, 2016

Assets	Euro	USD	TRY	Other	Total
Cash and cash equivalents	91.492	18.827	2.155	632	113.106
Banks	47.850	26.225	-	-	74.075
Loans and advances	115.992	91.501	28.846	-	236.339
Interest bearing securities	57.474	67.305	-	-	124.779
Current tax assets	12	-	-	-	12
Deferred tax assets	600	-	-	-	600
Property and equipment	100	-	-	-	100
Derivative financial assets	2.859	-	-	-	2.859
Intangible assets	62	-	-	-	62
Other assets	559	-	-	-	559
Total assets	**317.000**	**203.858**	**31.001**	**632**	**552.491**

Liabilities	Euro	USD	TRY	Other	Total
Banks	66.089	49.534	-	1.460	117.083
Funds entrusted	240.416	87.337	8.357	4.673	340.783
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Derivative financial liabilites	11.172	-	-	-	11.172
Share capital	70.000	-	-	-	70.000
Retained earnings	10.327	-	-	-	10.327
Revaluation reserves	(353)	(1.435)	-	-	(1.788)
Net Profit	4.085	-	-	-	4.085
Other liabilities	678	151	-	-	829
Total liabilities	**402.414**	**135.587**	**8.357**	**6.133**	**552.491**

Net on balance sheet position	**(85.414)**	**68.271**	**22.644**	**(5.501)**	**-**
Net notional amount of derivatives	**77.928**	**(70.487)**	**(22.500)**	**5.501**	**(9.558)**
Net position	**(7.486)**	**(2.216)**	**144**	**-**	**(9.558)**

December 31, 2015

	Euro	USD	TRY	Other	Total
Total assets	364.345	264.100	21.791	532	650.768
Total liabilities	435.791	177.976	34.383	2.618	650.768
Net on balance sheet position	**(71.446)**	**86.124**	**(12.592)**	**(2.086)**	**-**

Net notional amount of derivatives	**60.868**	**(87.201)**	**12.593**	**2.084**	**(11.656)**
Net position	**(10.578)**	**(1.077)**	**1**	**(2)**	**(11.656)**

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

(g) Capital management

Management uses regulatory capital ratios in order to monitor its capital base and the capital ratios remain within the international standards for measuring capital adequacy. The Bank ensures that regulatory capital requirements are met during its business planning process and as such controls compliance throughout the year.

The Bank has taken part in the Basel III Monitoring Exercises since 2011, supervised by DNB and the Basel Committee. The results of these analyses indicate that the Bank is well-placed for the regulatory changes. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is expected to be limited given that the Bank has a high common equity Tier 1 ratio. The Bank comfortably meets the leverage ratio requirement, as determined in the monitoring exercises. Finally, the Bank maintains a high liquidity buffer and given its strong retail funding base, the Bank expects to have a smooth transition and meet both liquidity requirements.

	2016	2015
Tier 1 capital	**82.562**	**79.294**
Paid-in capital	70.000	70.000
Retained earnings	10.327	9.829
Revaluation reserves	(1.788)	(1.000)
Net profit	4.085	498
Regulatory adjustments	(62)	(33)
Tier 2 capital	**-**	**-**
Total capital	**82.562**	**79.294**
Tier 1 ratio %	**19,9%**	**18,7%**
Solvency ratio %	**19,9%**	**18,7%**

28. Subsequent events

There has been one significant subsequent event between the balance sheet date and the date of approval of these accounts which would be reported by the Bank.

A past due loan with an amount EUR 15.987 has been transferred to the parent bank in March 2017.

Other information

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

The appropriation of profit is governed by Article 23 of the articles of association, the profit is at free disposal of the general meeting. The general meeting may decide to pay dividend (if the Company is profitable), only after adoption of the annual accounts and if profit so permits

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Independent auditor's report

To the shareholder of Anadolubank Nederland N.V.

REPORT ON THE FINANCIAL STATEMENTS 2016 INCLUDED IN THE ANNUAL REPORT

Our Opinion

We have audited the financial statements 2016 of Anadolubank Nederland N.V., based in Amsterdam.

In our opinion the financial statements included in the Annual Report give a true and fair view of the financial position of Anadolubank Nederland N.V. as at December 31, 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

The financial statements comprise:

1. The statement of financial position as at December 31, 2016.
2. The following statements for 2016: the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Anadolubank Nederland N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Deloitte.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 600.000. The calculated materiality represents the equivalent of 10% of profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Overview materiality	
Materiality for the financial statements as a whole	EUR 600.000
Benchmark for materiality	Profit before tax
Threshold for clearly trivial misstatements	EUR 30.000

We agreed with the Supervisory Board that misstatements in excess of € 30.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Counterparty credit risk	
Description of key audit matter	**How our audit addressed the key audit matter**
Anadolubank Nederland N.V. has a loan portfolio without a significant loan loss provision. We refer to note 27b of the financial statements. Because of the remaining uncertainty and risk in a number of areas when determining the loan loss provisioning for the loan portfolio, loan impairment provisions continue to be an important estimate in determining Anadolubank Nederland N.V.'s results. The economic environment continues to be challenging. Determining appropriate provisions for loan impairments requires considerable judgment.	We have tested the controls over the credit function to ensure that such controls operate effectively and reviewed key judgments made as at year-end, including a review of a sample of loan files – both "performing" and "non-performing" loans - to assess the requirement for any specific impairment provisions. We also performed analytical procedures to compare and assess the appropriateness of provisioning levels compared to actual levels of default.

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Valuation of derivatives	
Description of key audit matter	**How our audit addressed the key audit matter**
Anadolubank Nederland N.V. has derivative positions. Majority of these positions is to financial institutions. We refer to note 6 of the financial statements. Client positions are limited and offset by external trades. Anadolubank has a model in place to calculate the Fair Value of the derivatives. The risk exists that the model is not updated properly and the fair value is not calculated correctly.	We assessed the design and implementation of the control measures relating to Independent Price Verification process of the derivatives. We used valuation experts in the valuation of financial instruments. We paid specific attention, on the model used to value the derivatives. This includes an evaluation of the model, the inputs like (multiple) interest curves, collateral assumptions and the application of CVA/DVA.

Regulatory reporting	
Description of key audit matter	**How our audit addressed the key audit matter**
Anadolubank Nederland N.V. is regulated by various regulators. Regulatory requirements may change over time which require management to align internal procedures to adhere to these changes. The risk exists that Anadolubank Nederland N.V. may not comply with regulatory requirements.	We have assessed communication between Anadolubank Nederland N.V. and its regulators. In addition we have assessed regulatory examination reports and met with regulators and management to get an understanding of current regulatory requirements, and assess Anadolubank Nederland N.V.'s compliance to these requirements.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report, the annual report contain other information that consists of:

- Supervisory Board Report.
- Management Board Report.
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of other information, including the Management Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We were engaged by the Management Board and Supervisory Board as auditor of Anadolubank Nederland N.V. as of the audit for year 2016.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory board for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the company’s ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company’s ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company’s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, May 30, 2017

Deloitte Accountants B.V.

Signed on the original: R.J.M. Maarschalk

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