Anadolubank
Nederland

'14 ANNUAL REPORT

Contents

Vision – to become the bank of choice for customers

As the international banking arm of Habaş Group/ Anadolubank A.Ş., 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, it is crucial that we 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.

In lieu of this, new standards will be at the core of everything we do in the future. The Bank will focus on setting new standards in four key areas: our team's expertise, our knowledge of local and global markets, meticulous building of exceptional customer relations, and robust and prudent risk management.

Our Values

Integrity: be fair, honest, and sincere in all of our business relationships.

Working together: we firmly believe that working together, and inspiring each other to generate 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.

CORPORATE GOVERNANCE, SUPERVISORY BOARD AND MANAGEMENT BOARD

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

The Supervisory members is comprised of three members, one of them also holds positions on Management Board of the parent company: Mr. P Akçin. Two members are independent: Mr. A.J. Smith and Mr. A.B. Star. (As of March 30, 2015 Mr. C Doğru resigned as a Member of the Supervisory Board)

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

Focus on supervising the activities of the Management Board with respect to:

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

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

Permanent training

The Bank has a permanent training program for its Supervisory Board, Management Board and executive management, thereby complying with principles 3.1.3 and 3.1.4 of the Banking Code. The permanent training program consists of various training programs and courses intended to maintain the level of expertise of executive directors, and improve this where necessary. In 2014, Ernst & Young drew up the life-long training program during a day's session. The governance of Management Board is in compliance with the 'Executive Board principles' of the Dutch Banking Code. The Management Board consists of three persons, and during the year all members attended external meetings/seminars and followed external trainings to maintain and improve their banking and managerial expertise.

Declaration of moral and ethical conduct

The members of the Supervisory Board and Management Board have signed the declaration of moral and ethical conduct (principle 3.2.3 of the Dutch Banking Code). By this declaration, the members are committed to perform their duties as a banker with integrity and care, and they will place importance on customers' interests. The declaration of moral and ethical conduct is published on the Bank's website (www.Anadolubank.nl).

Remuneration policy

The Management Board has implemented a remuneration policy that was approved by the Supervisory Board in 2014 and published in on our webpage. The principles of the Bank's remuneration policy reflect its objectives of good corporate governance and sustained, long-term value creation for shareholders. The Supervisory Board is responsible for amending the policy, if required, and for submitting amended versions of the policy to the general meeting for approval. Members of the Supervisory Board receive a fixed fee. They are not covered by incentive programs and do not receive performance-based compensation. The remuneration of the Supervisory Board (a fixed fee) is subject to the approval of the General Meeting of Shareholders. The Supervisory Board determines the Management Board's remuneration, which consists of a fixed salary, as the main remuneration component.

In compliance with the rules for reporting remuneration practices, the Bank has issued an internal remuneration report for 2014 outlining the principles for remuneration of staff covered by the rules. Note 17 of the financial statements provide individual remuneration and salary details for the members of the Supervisory Board and the Management Board.

On the basis of guidelines issued by the EBA, the rules on financial sector remuneration in the Netherlands, the rules on financial sector remuneration in the Netherlands in the Restrained Remuneration Policy Regulations (Financial Supervision Act) 2014 (RBB 2014), the Dutch Financial Supervision Act (Wft) and self-regulation such as the Banking Code have become more strict. Consequently, the Bank must comply with new remuneration rules and more extensive disclosure requirements regarding the remuneration of the Supervisory Board, the Management Board and other key staff. The Management Board will adopt a new remuneration policy in 2015 that will be approved by the General Meeting of shareholders in 2015.

MANAGEMENT BOARD REPORT

We are pleased to inform you that due to our approach in expanding activities, combined with a sustainable policy on client services handling, subsequently assets size grew by 16% in 2014 to EUR 621 million. Financial results improved significantly despite the challenging market environment. Net profit rose to EUR 5.8 million, and return on equity (before impairments and tax) rose 2.5 percentage points to 10.0%. Given the dynamic in the financial markets, in which numerous challenges crossed our path, we are rightly proud of the overall result.

The Bank has established new corporate values to further expand a loyal customer base by always acting honestly, sincerely and fairly. We will continue to focus relentlessly on meeting customer needs, simplifying operations, and becoming more efficient. A new strategic five-year plan was prepared by the Management Board and approved by the Supervisory Board. We have a strong management team and a clear strategy, and as a consequence the Management Board remains confident about our ability to respond and adapt to the environment, manage regulatory change and to innovate for customers. Thus, it is projected that our expansive approach will also lead to a larger staff quotient. At yearend, total FTE was 39 (Average: 37). For 2015 we expect to have 45 on board.

In 2014, we continued to maintain a strong risk management. To meet the challenges of the current environment and deliver on our strategy, we have a set of strategic priorities that are reviewed and refreshed each year. We will maintain strong levels of capital, to meet the needs of all our stakeholders and regulators, and we will continue to enhance our funding and liquidity position, including ensuring a diversity of funding pools. This includes preparation for Basel III requirements, and maintains a high quality asset portfolio. The Risk Management and Compliance functions were further enhanced, and related frameworks were further updated.

We would like to express our deepest gratitude to all our employees for their dedication and hard work during these challenging times.

Composition of the Management Board:

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

SUPERVISORY BOARD REPORT

We are pleased to present Anadolubank Nederland N.V.'s Annual Report for the year ended December 31, 2014. 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 KPMG Accountants N.V. The opinion of the independent auditors is discussed in the Supervisory Board.

The Bank reported a net profit EUR 5.8 million for 2014. We recommend to the General Meeting of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2014 and propose that the profit after tax and impairments (EUR 5.8 million) be added to the Bank's reserves. The Supervisory Board recommends the approval of the Bank's accounts by the Annual General Meeting of Shareholders and that the Management Board will be discharged from liability with respect to its management activities and the Supervisory Board with regard to its supervision thereof.

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

Thanks to all efforts and the experience of the Members of the Management Board, Anadolubank Nederland N.V. maintained a sustainable growth and has focused on long-term value creation. The Supervisory Board is confident about the strategy and that the Bank's long-term health, growth and profitability will be ensured well into the future.

Organizational Structure of Anadolubank Nederland N.V.

Both the Management Board and the Supervisory Board pay diligent attention to a strong but efficient organizational structure. Due to its relatively small size, Anadolubank faces key challenges in maintaining a robust risk control framework, in line with best practices. The Risk Management function and Compliance function were further enhanced and related frameworks were further updated. A strong Internal Audit function has already been in place for a number of years. Both the Internal Audit function and the Compliance function have a functional reporting line to the Supervisory Board. Despite all these efforts the Bank achieved substantially higher profit.

Culture within an organization has become a priority for DNB in recent years. As part of their audit, a culture check was performed by KPMG. The follow up on the results from the survey and subsequent interviews will be conducted during 2015.

Supervisory Board

During the year under review, the Supervisory Board met periodically (in principle at least once per quarter) with the Management Board to review the interim figures, management reports, and reports of the internal and external auditors and audits by DNB. These meetings were attended by all the Members of the Supervisory Board. Moreover, various meetings were held in the absence of the Management Board. The Chairman of the Supervisory Board and the other Board members also maintain regular contact with the Management Board (mostly individually, but also with the full Board) apart from formal meetings. Various meetings between the Management Board and the external auditor were attended by one or more Members of the Supervisory Board.

Mr. A.B. Star commenced duties as a Member of the Supervisory Board as per January 1, 2014.

The Supervisory Board consists of four members, of which two are independent and two are dependent, according to the Corporate Governance code. All members share equal responsibility for the execution of the Supervisory Board's functions.

Due to the size and composition of the Supervisory Board, no separate committees have been established. Instead, all members have been assigned specific fields of attention. Each field of attention is in principle assigned to two members, an independent member together with a dependent member.

The Supervisory Board performed a self-assessment without the support of an independent consultant.

Since January 1, 2013 the Dutch Civil Code, book 2 ('company law'), has been amended with a regulation on gender diversity in the Management Board and Supervisory Board of a 'large' public or private limited company. Anadolubank N.V. qualifies as a 'large' public limited company, and hence must satisfy the requirements of the said regulation, aiming for a minimum of 30% female board membership by 2016.

In 2014, the Supervisory Board of Anadolubank N.V. consisted, albeit unintentionally, of men only. This is a consequence of appointing the right talent and relevant expertize to the right position. Nevertheless, in this day and age, such representation is considered to be 'imbalanced' by the new regulation in the Dutch Civil Code. The respective Boards in Anadolubank N.V. are aware of this imbalance, and the non-compliance with the new regulation.

As of March 30, 2015 Mr. Cengiz Doğru resigned as a Member of the Supervisory Board. We would like to thank him for his contribution to the Bank during the period when he was a Member of the Supervisory Board.

Composition of the Supervisory Board:

Name	Position	Membership Since	End of Term
A.J. Smith	Chairman	2013	2017
P. Akçin	Member	2007	2017
C. Doğru	Member	2013	Resigned as of March 30, 2015
A.B. Star	Member	2014	2018

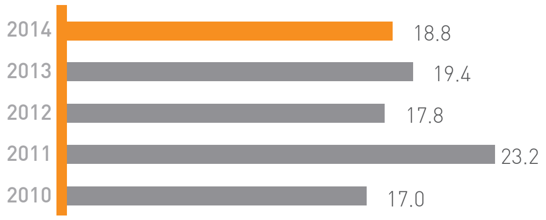
We would like to take this opportunity to express our deepest appreciation to the management and staff of Anadolubank Nederland N.V. for their dedication, and to thank them sincerely for their sterling work during the year under review.

Amsterdam, 11 June 2015
A. J. Smith, Chairman
P. Akçin, Member
A.B. Star, Member

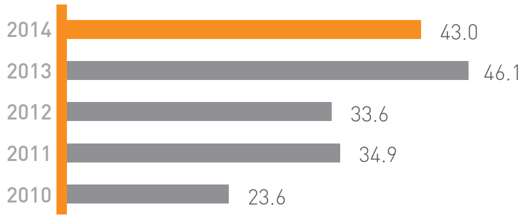
FIVE-YEAR KEY FIGURES

in thousands of EURO	2014	2013	2012	2011	2010
Total assets	620,662	534,055	460,686	370,362	332,362
Loans	381,312	359,626	325,440	278,839	247,342
Securities	126,817	99,439	76,108	42,964	52,504
Deposits	409,285	321,123	312,031	277,744	272,629
Shareholders' equity	79,712	73,780	56,350	60,769	40,087
Operating result before tax					
and impairments	7,698	5,326	6,812	4,979	9,480
Impairments	262	(1,504)	(12,981)	(10,797)	-
Result after tax and impairments	5,810	2,877	(4,419)	(4,318)	7,074
%					
Return on average equity					
before impairments and tax	10.0	7.5	11.6	9.9	26.1
Loans/deposit	93.2	112.0	104.3	100.4	90.7
Cost/income ratio	43.0	46.1	33.6	34.9	23.6
Cost /average assets	1.0	0.9	0.8	0.8	0.9
Capital adequacy ratio	18.8	19.4	17.8	23.2	17.0

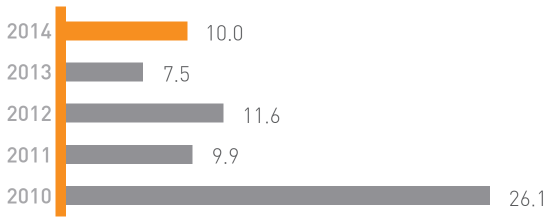
Capital adequacy ratio %



Cost / income ratio %



Return on average equity before impairments & tax %



ECONOMIC DEVELOPMENTS

The Global Economy in 2014 did not perform to expectation. World Economic Growth, which was 2.5% in 2013, grew only 1 basis point to 2.6% in 2014.

The United States and the United Kingdom (for part of the year at least) displayed some momentum as labor markets healed, unlike the other major economies. Particularly in the United States, the Housing Market also recovered more than expected, in addition to Labor Market data reaching the FED's desired level.

Unfortunately during 2014, the Euro-Zone and Japan were still struggling with the financial crisis due to structural dilemmas. China, on the other hand, was attempting to manage a slowdown, while other emerging markets tried to find solutions for disappointing growth.

One of the biggest surprises of 2014 was the huge decline in oil prices in the second half of the year from $ 110 to $ 55 (Brent). Lower oil prices in the 4th quarter had no major impact on energy importer countries due to average costs of 2014.

The IMF also deemed 2014 global growth "mediocre" in its latest outlook in October.

During 2014, the 5th largest economy and 3rd biggest exporter in the EU, the Netherlands, posted moderate growth. Dutch GDP went up by 0.5% compared to 2013, and unemployment fell from 7.3% (Feb 2014) to 6.5%. The export driven Dutch economy suffered less than expected from international sanctions against Russia. The boycott of agricultural products affects only 0.1% of total Dutch exports. The ECB's low interest rate policy helped the mortgage market to boost home sales in the Netherlands.

Turkey suffered from exacerbated volatility in capital flow and political uncertainties in 2014. The economy lost momentum in 2014 on the back of weakening domestic and external demand. GDP grew 2.8% considering the first three quarters (4.1% in 2013). The Turkish Lira plumbed fresh depths with severe pressure from politicians on the Central Bank to reduce interest rates, and the expectation of a FED rate hike in early 2015.

FINANCIAL INSTITUTIONS

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

The Department also administers the Bank's relationships with its correspondent banks, which encompasses expanding and optimizing the correspondent network, 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 2014, the Financial Institutions Department participated in syndicated loans in the European Union 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. In 2014, total transaction volume from FI was nearly EUR 1 billion, generating total profit of EUR 550K.

Origination activities account for some 35% of the Bank's portfolio. The Department has always strived for sustainable profitability while simultaneously assisting other departments.

TRADE FINANCE

Trade Finance has been one of the key business lines consistently adding value to the Bank, both financially and in terms of reputation. While diversifying the trade finance product range, execution and understanding of customer requirements have also improved dramatically. Many steps have been taken to expand the Bank's trade finance business. Although competition among lenders in providing trade financing to borrowers was intense, 2014 was the Trade Finance Department's best ever year, excelling in areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. The commission income generated by the Trade Finance Department has advanced by about 50%, reaching a level of EUR 2 million by the end of the year. The addition of new clients to the customer portfolio, as well as activation of some existing inactive customers, had a major positive impact on trade finance volumes.

Our efforts to broaden our customer base and sector coverage during 2014 resulted in greater sector diversification and reduced country concentration in our non-bank exposures. This strategy will be further pursued during 2015, and new customers from various new geographies, as well as existing and prospective sectors, will contribute further to the success of the Trade Finance team. One of the greatest challenges for 2015 will be acquiring new customers in the Dutch and European markets. In 2015, the Trade Finance team will intensify focus on the Dutch and European entities.

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.

2014 was the first whole year for the Corporate Banking Department, and indeed has been a successful year. We have disbursed corporate loans of EUR 65 million to our new clients (this figure excludes the Turkish currency loans portfolio).

Moreover, we have flavored our product mix with three new products; pool deposit, overdraft loans and export factoring loans.

In 2015 we expect to concentrate our focus on Dutch and European companies.

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

RETAIL BANKING

In 2014, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service and competitive pricing.

The Bank continued to enhance customer-oriented lines of communication and straightforward solutions to customer requests. Reaping the benefits of a cost efficient direct banking business model supported by centralized workflow systems, Retail Banking Department was able to offer competitive interest rates throughout 2014.

All processes pertaining to the segment were thoroughly reviewed and redesigned to enable better delivery of prompt, high quality service. The internet continued to be the main platform for customer acquisition and activity in 2014. The Retail Banking Department maintains its short- and long-term plans for ongoing expansion of its customer base and deposits volume.

COMPLIANCE

To comply with anti-money laundering laws, the Bank has developed and implemented an anti-money laundering program consisting of policies, procedures, and internal controls and systems. Among other things, the program includes customer identification and verification, Identification of Ultimate Beneficiary Owners, identification of Politically Exposed Persons, procedures for monitoring and reporting suspicious transactions and/or activities, and an anti-money laundering training program for all staff. The Bank has transaction monitoring systems in place to detect unusual transactions. Sanctions alerts are included in this system. The Compliance Department conducted anti-money laundering training for all staff.

The Compliance function is mandated in the Compliance Charter. The Compliance Monitoring Year Plan is created according to the outcome of at least annually performed risk assessments. In 2014, the Compliance Department invested in software tooling to assist with monitoring activities.

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. There were 8 engagement reports delivered in the previous year, comprising reviews of key Bank operations, core corporate and administrative processes, and information technology areas. A Payment Processor Report Review, Organizational Structure Review, Tax Data Delivery Process agreed upon Procedures, Information Security Audit, ILAAP, Credit Risk Management Audit and Corporate Governance Audit were conducted in 2014. Completed audit engagements were provided to Management Board and Supervisory Board and, when necessary, to related third parties.

The Internal Audit Department will also facilitate the establishment of the Internal Control department in the first quarter of 2015. Policies and procedures are prepared for this establishment. The system of internal controls will be supported by the Internal Audit department, which conducts periodic audits of all aspects of the Bank's operations.

INFORMATION TECHNOLOGY

The Information Technology (IT) Department has invested major effort into developing both hardware and software systems during 2014. More than 200 user requirements have been completed.

The IT Department successfully conducted the Bank's Disaster Recovery Test. The test report has been prepared and sent to DNB with the Test Certificate that we received from IBM.

In terms of security, the firewall has been upgraded to the latest version (both disaster and head office). We have separated the VLANs for additional security. We have expanded the capacity of hard disks and memory for more performance. CISCO switches IOS has been upgraded to the latest version.

The IT Department has also implemented Oracle Application Express for real time reporting, and created reports according to business needs.

In light of new projects, 2015 will be a challenging year for the IT Department. However, we are confident in the IT Department's ability to cope with these projects and responsibilities.

SUMMARY OF THE FINANCIAL PERFORMANCE

In 2014, net profit after tax amounted to EUR 5.8 million, double the figure for 2013 (EUR 2.9 million). The key factors behind this jump are the significantly reduced impairments on loans in 2014 (EUR 0.3 million compared to EUR (1.5) million in 2013), and a EUR 3.6 million increase on the operating income (EUR 13.5 million in 2014, as against EUR 9.9 million in 2013)

The Bank's total assets on December 31, 2014 were EUR 621 million, which is 16% higher than last year. (2013: EUR 534 million)

Cash and cash equivalents climbed to EUR 108 million at the end of 2014, from EUR 66 million at the end of 2013. The Bank continues to focus on maintaining a good level of liquidity. With a high level of stable funding, and a well-managed maturity profile, the Bank already meets the upcoming liquidity requirements.

Through a prudent risk appetite and strong capital structure, the Tier 1 ratio has decreased slightly from 19.4% to 18.8% in 2014.

Diversifying funding sources, the Bank has significantly expanded corporate funding to EUR 132 million at the end of 2014, from EUR 26 million at the end of 2013. In the meantime deposits from customers were slightly reduced, by 6%. Due to healthy diversification in the funding structure, the Bank already meets the 25% requirement (maximizing the deposits and exposures ratio under the Wft) as of 2014 year end. The Bank will continue to focus closely on this ratio in 2015.

Total administrative expenses amounted to EUR 5.8 million, which is EUR 1.2 million higher than in 2013. The Bank paid EUR 0.7 million for a one-off resolution levy (SNS Reaal) which had a significant effect on the hike.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) AND SOLVENCY RATIO

The Tier 1 ratio of Anadolubank Nederland N.V stands at 19.8% as of year-end 2014.

The Bank calculates its ICAAP quarterly. We define risks the Bank is exposed to such as credit, liquidity, interest, reputation, market and operational risk, and calculate their impact on the Bank's profitability, equity position and solvency ratio. Extensive stress tests are conducted to analyze the worst case scenario. An extensive ICAAP report is presented to Management Board at every quarter end.

Currently, the Bank follows the Standardized Approach for credit risk, the Basic Indicator Approach for operational risk, and the Standardized Duration Approach for market risk when computing the capital adequacy ratio. The Bank computes the Capital Adequacy Ratio in parallel with Basel II and Basel III as per the DNB guidelines.

Capital Requirements In thousands of EURO	2014	2013 Restated*
Total risk weighted assets	419,862	375,527
Credit risk	399,550	353,342
Market risk	1,449	3,229
Operational risk	18,863	18,956
Tier 1 capital	78,990	72,985
Paid-in capital	70,000	70,000
Retained earnings	4,019	1,142
Revaluation reserves	(117)	(239)
Net profit	5,810	2,877
Regulatory adjustments	(722)	(795)
Tier 2 capital	-	-
Regulatory capital	**78,990**	**72,985**
Tier 1 ratio %	**18.8%**	**19.4%**
Solvency ratio %	**18.8%**	**19.4%**

• See prior year restatement 2.e.ii

The calculation of the sensitivity analysis as of December 31, 2014 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest rate hike of two percent, taking into account a parallel movement of the yield curves for all currencies.

	200 bp parallel increase	200 bp parallel decrease
At 31 December 2014	(4,202)	1,907
At 31 December 2013	(1,438)	286

RISK MANAGEMENT

The Bank uses the 'three lines of defense' principle, which provides a clear division of activities and responsibilities in risk management at different levels within the Bank. This was achieved by initiating the 'Risk Management Review Project' in 2013. The Bank's risk governance framework was established according to the risk strategy and appetite, which is embedded in the risk policies and methodologies, such as Credit Risk Policy, Liquidity Risk Policy and Market Risk/ALM Policy. The framework defines the roles and responsibilities of each line of defense, safeguards and controls the Bank's risk profile, supports efficient and effective risk management throughout the Bank, and ensures consistency between the Bank's risk management processes and risk appetite.

Following that, 2014 was the year of 'implementation'. In order to manage risk more proactively, internal controls were improved and the number and scope of the risk dashboards were enlarged. To promote transparency, the 'Capital and Risk Management Pillar III Disclosure' report was published for the first time. This document provides a complete overview of the risks, risk measurements and management of the Bank. A 'Recovery Plan' was drawn up to improve the capacity of the Bank to withstand a severe financial crisis. The 'Recovery Plan' is a living document, and the Risk Management Department is responsible for monitoring recovery plan triggers and yearly updates of the document.

Management Board acknowledges that the regulators will continue to challenge financial institutions, and for that reason sustained effort is required to maintain high quality standards in the area of risk management. In this respect, the Bank places emphasis on the DNB Supervisory Themes. It also initiates yearly objectives to improve the current framework. As part of this, the 2015 agenda will focus on promoting risk culture in the organization by improving risk knowledge and awareness, and enhancing the operational risk management framework to boost the effectiveness of internal controls.

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 the Bank's top management) 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.

The committee recommends the Tier-2 Credit Committee (composed of a member of the Board of the Parent Bank plus two managers of the Parent Bank's Credit Risk Department) 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 (ALCO) is comprised of two members of Management Board, and the heads of the Treasury & Financial Institutions, Trade Finance, Corporate Banking, Retail Banking, Risk Management and Financial Control & Accounting departments. The Committee convenes on a biweekly basis to set and review strategies on asset and liability management (ALM). If necessary, additional meetings may be convened.

The ALCO is a decision-making unit responsible for balance sheet planning from a risk-return perspective, including the strategic management of interest rate and liquidity risks. It will provide the Bank with the ability to continuously assess current asset and liability management (ALM) direction and balance sheet structure. The ALCO discusses a wide variety of issues at meetings throughout the year, including the projected solvency, liquidity and results of the Bank, projected loans and loan repayments, interest rate risk, foreign currency risk, foreign exchange and main equity markets, macro-economic developments, market outlook in the main markets where the Bank operates, and the savings market. ALCO reviews the results of and progress in implementation of decisions made in the previous meetings.

The Bank deems 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 funding structure.

BANKING CODE

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

The Banking Code includes the set of principles on corporate governance, remuneration, risk management, and audit issues that apply to all Dutch banks possessing a banking license granted under the Financial Supervision Act (Wft). The Bank complies with the main principles of the Code. Establishment of the Internal Audit function and the revision of the New Product Policy were the further improvements implemented in 2013 to leverage the alignment of the processes with the Banking Code. Please refer to the website for an overview of all Banking Code requirements and our implementation.

EXPECTATIONS 2015

In 2015, global growth is expected to rise to 3.0%, and to reach 3.3% in 2017. Key economic factors at play are the FED's possible rate hike, which has already caused significant appreciation in the USD against every currency, and contrary to the FED, ECB's new quantitative easing program. In addition, there are high geopolitical uncertainties, both in Eastern Europe due to the Russia-Ukraine crisis, and in the Middle East.

Since 2010, the FED's main concern was the labor market. The United States unemployment rate declined from 9.93% (12/2009) to 6.17% (09/2014), which is considered a reasonable rate. As a result of this development in the jobs market, as of 29 October 2014, the FED finished in the third quarter. It is highly likely that the FED will start hiking rates during Q3 2015.

Unlike the US, the Eurozone is still languishing in the legacy of the 2008 crisis. The ECB's new program will lead to much lower rates. Greek withdrawal from the Eurozone is another key concern in the Eurozone. The IMF has warned about the probability of the Eurozone re-entering a recession in the next 6 months (probability of recession is 38%). The looming scenario of the Eurozone's economy contracting in the first half of 2015 is due in part to the three largest economies (Germany-France-Italy) facing lower growth prospects than the fund had previously estimated.

Turkey's economy is widely dependent on the EU and the United States. As stated in the OECD report; Growth is projected to remain subdued through mid-2015, while the current account deficit will remain very high. The decline in energy prices lowered consumer price index figures, but due to USD strength this effect will be limited during the year.

The Dutch 2015 Budget offered only limited new policy measures. With the improvement of the economic outlook, an additional austerity package was not deemed necessary. Both the economic outlook and the European rules do not provide much room for the government to improve short-term economic growth in a meaningful way.

The key word for the financial markets in 2015 will be 'FED rate hike' and the reality of the USD strength pressuring the United States and Emerging Markets economies.

The Bank is conservative in 2015 projections advisedly additional regulatory restrictions at national and European level. We will continue to closely monitor the developments in emerging markets, particularly in Turkey.

STATEMENT OF FINANCIAL POSITION

thousands of Euros Assets	Note	31.12.2014	31.12.2013
			Restated*
Cash and cash equivalents	5	108,428	66,362
Derivative financial assets	6	1,999	3,708
Loans and advances to banks	7	142,250	154,569
Loans and advances to customers	8	239,062	205,057
Interest bearing securities	9	126,817	99,439
Property and equipment	10	140	116
Intangible assets	10	43	76
Current tax assets		-	1,603
Deferred tax assets	25	1,581	1,622
Other assets	11	342	1,503
Total assets		**620,662**	**534,055**
Liabilities			
Derivative financial liabilities	6	8,045	28
Deposits from banks	12	107,281	128,075
Deposits from customers	13	409,285	321,123
Current tax liabilities		170	-
Other liabilities	14	16,169	11,049
Total liabilities		**540,950**	**460,275**
Equity			
Share capital and share premium	15	70,000	70,000
Retained earnings	15	4,019	1,142
Revaluation reserves	15	(117)	(239)
Net profit	15	5,810	2,877
Shareholders' equity		**79,712**	**73,780**
Total liabilities and equity		**620,662**	**534,055**
Off-balance sheet liabilities	**16**	**14,486**	**5,081**

• See prior year restatement 2.e

The notes on pages 19 to 46 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

thousands of Euros	Note	2014	2013
			Restated *
Interest income	19	24,486	22,556
Interest expense	19	(10,838)	(9,221)
Net interest income	**19**	**13,648**	**13,335**
Fee and commission income	20	1,118	796
Fee and commission expense	20	(211)	(118)
Net fee and commission	**20**	**907**	**678**
Net trading income	21	2,804	976
Results from financial transactions	22	(3,848)	(5,106)
Operating income		**13,511**	**9,883**
Net impairment loss on loan and advances	8	262	(1,504)
Personnel expenses	23	(3,344)	(2,909)
Depreciation and amortisation		(69)	(103)
Other expenses	24	(2,400)	(1,545)
Profit before income tax		**7,960**	**3,822**
Tax expense	25	(2,150)	(945)
Profit for the period		**5,810**	**2,877**
Other comprehensive income			
Movement in available for sale reserve	15	(156)	(319)
Related tax	15	39	80
Total comprehensive income (after tax)		**5,693**	**2,638**

	2014	2013
Profit attributable to:		
Equity holders of the Bank	**5,810**	**2,877**
Total comprehensive income (after tax)		
Equity holders of the Bank	**5,693**	**2,638**

• See prior year restatement 2.e.ii

The notes on pages 19 to 46 are an integral part of these financial statements.

STATEMENT OF CASH FLOW

thousands of Euros	Note	2014	2013
			Restated*
Cash flows from operating activities			
Profit/(loss) for the period		5,810	2,877
Adjustments for:			
- Depreciation and amortisation	10	69	103
- Net interest & commissions income	19	(14,555)	(14,013)
- Results from financial transactions	22	1,044	4,130
- Net impairment loss on loans and advances	8	(262)	1,504
- Net impairment loss on investment securities	9	-	-
- Income tax income/expense (-/+)	25	2,150	945
		(5,744)	**(4,454)**
Changes in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	1,709	(1,998)
Change in loans and advances to banks	7	12,319	47,832
Change in loans and advances to customers	8	(34,005)	(77,556)
Change in available for sale and trading portfolio		(28,085)	(14,890)
Change in other assets and deferred tax assets	11	1,202	(43)
Change in derivative financial instrument (liabilities)	6	8,017	(396)
Change in deposits from banks	12	(20,794)	36,573
Change in deposits from customers	13	88,162	9,092
Change in other liabilities and provisions	14	5,121	10,671
		27,902	**4,831**
Interest & commissions received		24,243	24,373
Interest & commissions paid		(10,436)	(9,449)
Realised result on financial transactions and trading income		(3,514)	(10,957)
Tax paid		(135)	(694)
Net cash from operating activities		**38,060**	**8,104**
Cash flows from investing activities			
Acquisition of investment securities	9	(5,914)	(12,608)
Proceeds from the sale and redemptions of investment securities	21	9,524	8,967
Acquisition of property and equipment	10	(61)	(12)
Acquisition of intangible assets	10	-	(9)
Net cash used in investing activities		**3,549**	**(3,662)**
Cash flows from financing activities			
Increase in share capital	15	-	15,000
Net cash from financing activities		**-**	**15,000**
Net increase in cash and cash equivalent		**41,609**	**19,442**
Cash and cash equivalents at 1 January	5	66,362	47,588
Effect of exchange rate fluctuations on cash and cash equivalents held		457	(668)
Cash and cash equivalents at 31 December	**5**	**108,428**	**66,362**

• See prior year restatement 2.e

The notes on pages 19 to 46 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolia	Total
Balance at 1 January 2013	**55,000**	**5,769**	**(4,627)**	**208**	**56,350**
Share capital increase	15,000				15,000
Profit allocation		(4,627)	4,627		-
Net income for the year			2,749		2,749
Revaluation of reserves				(447)	(447)
Correction of an error related to previous years			128		128
Balance at 31 December 2013 (Restated)	**70,000**	**1,142**	**2,877**	**(239)**	**73,780**
Balance at 1 January 2014	**70,000**	**1,142**	**2,877**	**(239)**	**73,780**
Share capital increase					-
Profit allocation		2,877	(2,877)		-
Net income for the year			5,810		5,810
Revaluation of reserves				122	122
Balance at 31 December 2014	**70,000**	**4,019**	**5,810**	**(117)**	**79,712**

• See prior year restatement 2.e.ii

The notes on pages 19 to 46 are an integral part of these financial statements.

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 is primarily involved in corporate and retail banking – retail banking deposit activities. The registered office of the Bank is at De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands.

The Bank is 100% owned by Anadolubank A.Ş. incorporated in Turkey. Anadolubank A.Ş. belongs to Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş., which is one of the biggest industrial conglomerates in Turkey, operating in industrial and medical gases production, LPG and natural gas distribution, electricity generation, iron and steel manufacturing, and industrial facilities construction. Anadolubank A.Ş. is a commercial bank, and its branch network is still expanding. The Bank is relatively young in the industry, but has already 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.Ş.

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 June 11, 2015.

(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 currency, and all values are rounded to the nearest thousand euro unless otherwise stated.

(d) Use of estimates and judgments

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

The most significant judgments and estimates are as follows;

A-Judgments

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 it is probable that taxable profit will be available against which the losses can be utilized.

B-Assumptions and estimate uncertainties

i. 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 the 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 own merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Management board.

(e) Prior period restatement

(i) The Bank has restated loans and advances to customers, other liabilities and contingent liaibilties in view of missapplication of accounting policies in relation to recognition of financial assets and financial liabilities.

A financial asset or financial liability is recognised in the statement of financial position when the entity becomes party to the contractual provisions of a financial instrument. At the financial yearend, it was noted that the Bank was party to contractual provisions of certain irrecovable letters of credit which were disclosed as contingent liabilties since the Bank committed to settle dues on determined maturity dates and all required conditions for settlement have been met.

The Bank corrected this material error retrospectively by recognising in the statement of financial position. The application of the adjustment on the prior year figures results in an increase of total assets and total liabilities, and a reduction in the contingent liabilities. Adjustment of error in prior year figures:

• Loans and advances	10,662
• Other liabilities	10,662
• Contingent liabilities	(10,662)

Recognition, measurement and disclosure of a Contingent Asset: Contingent assets should not be recognized, but should be disclosed.

(ii) Reversal of expenses pertaining to the previous financial year corrected retrospectively; a rise in the net profit for 2013 as a result. Impact of correction of error in prior year figures

• Profit current year	128
• Other liabilities	(170)
• Current tax liabilities	42

3. Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) Foreign currency transactions

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

(b) Interest

Interest income and expense are recognized in the profit or loss using the effective interest rate method. The effective interest rate is the rate that precisely 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 include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(c) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. (see 3b.)

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 expenses pertain mainly to transaction and service fees, which are expensed as the services are received.

(d) Net trading income

'Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all realized and unrealized fair value changes, and foreign exchange differences.

(e) Lease payments made

Payments made under operating leases are recognized in the profit or loss 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

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI Tax is calculated according to the current Dutch nominal tax rate of 20% for the first EUR 200,000 and 25% of all profits above this 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. All other financial instruments 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.

A financial asset or financial liability is measured initially at fair value plus, for an item note at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(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

Financial assets

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 all the risks and rewards of ownership of the financial asset are substantially transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(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 financial liability is the amount at which the financial asset or financial 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. All non-trading financial instruments, 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 in hand, unrestricted balances held with central banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

(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 according to 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 under 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.

iii) Fair value through profit or loss

The Bank designates some investment securities as at fair value, with fair value changes recognized immediately 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 accumulated 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 asset 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 profit or loss 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 property and equipment 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 when incurred. Intangible assets 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 against its recoverable amount.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(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 financial assets. 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 legal or constructive obligation 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 balance sheet, but which nonetheless give rise to credit risks, contingencies, and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

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

Income on off balance sheet engagements is in the 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

A number of new standards or amendments to standards are issued but not yet adopted which are not expected to have significant impact on the Bank's financial statements except for IFRS 9 Financial Instruments.

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting for the periods beginning on or after January 1, 2018.

4. Operating segments

Segment reporting is a distinguishable component of the Bank. It is engaged in providing products or services in what is referred to as 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 – Loans, 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

Other – Other is used for non-allocated items such as other liabilities, other assets, shareholder's equity and non-operational profit or loss for reconciliation purpose with the Bank's statement of financial position and the statement of profit or loss and other comprehensive income.

31 December 2014	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(6,418)	14,963	4,958	8	13,511
Other operating income and expenses, net	-	262	-	(5,813)	(5,551)
Net operating profit	**(6,418)**	**15,225**	**4,958**	**(5,805)**	**7,960**
Provision for taxes	1,605	(3,806)	(1,239)	1,290	(2,150)
Net Profit	**(4,813)**	**11,419**	**3,719**	**(4,515)**	**5,810**
Cash and cash equivalents	-	-	108,428	-	108,428
Loans and advances to banks	-	136,798	5,452	-	142,250
Loans and advances to customers	-	239,062		-	239,062
Interest bearing securities	-	-	126,817	-	126,817
Other assets	-	-	-	4,105	4,105
Total assets	**-**	**375,860**	**240,697**	**4,105**	**620,662**
Deposits from banks	-	-	107,281	-	107,281
Deposits from customers	277,175	132,110	-	-	409,285
Other liabilities	-	-	-	24,384	24,384
Shareholder's equity	-	-	-	79,712	79,712
Total liabilities and equity	**277,175**	**132,110**	**107,281**	**104,096**	**620,662**

31 December 2013 (Restated)	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(7,414)	15,783	1,502	12	9,883
Other operating income and expenses, net	-	(1,504)	-	(4,557)	(6,061)
Net operating profit	**(7,414)**	**14,279**	**1,502**	**(4,545)**	**3,822**
Provision for taxes	1,853	(3,570)	(375)	1,147	(945)
Net Profit	**(5,561)**	**10,709**	**1,127**	**(3,398)**	**2,877**
Cash and cash equivalents	-	-	66,362	-	66,362
Loans and advances to banks	-	154,569	-	-	154,569
Loans and advances to customers	-	205,057		-	205,057
Interest bearing securities	-	-	99,439	-	99,439
Other assets	-	-	-	8,628	8,628
Total assets	**-**	**359,626**	**165,801**	**8,628**	**534,055**
Deposits from banks	-	-	128,075	-	128,075
Deposits from customers	295,253	25,870	-	-	321,123
Other liabilities	-	-	-	11,077	11,077
Shareholder's equity	-	-	-	73,780	73,780
Total liabilities and equity	**295,253**	**25,870**	**128,075**	**84,857**	**534,055**

• See prior year restatement 2.e

5. Cash and cash equivalents

	2014	2013
Cash and balances with banks	7,717	5,905
Unrestricted balances with central banks	93,649	58,746
Money market placements within three months	7,062	1,711
Cash and cash equivalents as at 31 December	**108,428**	**66,362**

In December 2014 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 it's exposure to foreign currency risk. The notional amounts of long positions in currency and cross currency swaps are:

31 December 2014	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	232,199	98,539	35,813	46,876	50,971	1,999	-
Currency swap sale	239,039	97,833	35,781	49,832	55,593	-	8,045
Total	**471,238**	**196,372**	**71,594**	**96,708**	**106,564**	**1,999**	**8,045**

31 December 2013	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	281,407	210,857	10,200	51,693	8,657	3,708	-
Currency swap sale	277,982	208,993	9,907	50,505	8,577	-	28
Total	**559,389**	**419,850**	**20,107**	**102,198**	**17,234**	**3,708**	**28**

7. Loans and advances to banks

	2014	2013
Bank loans	142,250	154,569

Loans and advances to banks includes 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

	2014	2013
		Restated *
Corporate loans	238,577	204,691
Retail loans	485	366
Balance at 31 December	**239,062**	**205,057**

• See prior year restatement 2.e.i

In 2014, EUR 78 (2013: 1,504) of impairment losses and EUR 340 of reversal of impairment recognized in the profit or loss was related to corporate loans and advances.

Loan impairment charges and allowances

	2014	2013
Balance at 1 January	13,914	12,981
New impairment allowances	78	1,504
Reversal of impaired loans	(340)	-
Amounts written off (-)	-	-
Effect of foreign currency movements	1,871	(571)
Balance at 31 December	**15,523**	**13,914**

Impairment losses on loans and advances

	2014	2013
Impairment losses on loans and advances	78	1,504
Reversal of impaired loans	(340)	-
Balance at 31 December	**(262)**	**1,504**

9. Interest bearing securities

	2014	2013
Investment portfolio	70,017	70,724
Available-for-sale portfolio	51,493	22,880
Trading portfolio	5,307	5,835
Balance at 31 December	**126,817**	**99,439**

In 2014, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 19,758 as collateral to DNB (De Nederlandsche Bank) (2013: EUR 25,632).

EUR 73,689 of the securities was under repo and TRS transactions. (2013: EUR 55,597)

Investment portfolio	2014	2013
Government bonds	8,186	16,094
Corporate bonds	10,951	7,375
Issued by others	50,880	47,255
Balance at 31 December	**70,017**	**70,724**

Available-for-sale portfolio	2014	2013
Government bonds	18,163	4,297
Corporate bonds	5,186	1,958
Issued by others	28,144	16,625
Balance at 31 December	**51,493**	**22,880**

10. Property and equipment

Tangible assets	2014	2013
Balance at 1 January 2014	116	159
Additions *	61	12
Depreciation	(37)	(55)
Balance at 31 December 2014	**140**	**116**

* EUR 61 additions: EUR 22 computer equipment, EUR 27 power generator and EUR 12 furniture

Intangible assets	2014	2013
Balance at 1 January 2013	76	116
Additions	-	9
Depreciation	(33)	(49)
Balance at 31 December 2013	**43**	**76**

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 by the straight-line method to write off the cost of each asset against 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 against to their residual values over their estimated useful lives in 3 years.

11. Other assets

	2014	2013
Receivable with regard to DGS for DSB Bank	219	1,038
Suspense accounts	123	465
Balance at 31 December	**342**	**1,503**

12. Deposits from banks

	2014	2013
Sale and repurchase, securities lending and similar agreements	85,206	48,755
Money market deposits	22,075	79,320
Balance at 31 December	**107,281**	**128,075**

EUR 28,855 of the sale and repurchase, securities lending, loans, and similar agreements was total return swap agreements.

13. Deposits from customers

	2014	2013
Retail customers	**277,175**	**295,253**
Savings	113,718	131,886
Time deposits	163,457	163,367
Corporate customers	**132,110**	**25,870**
Demand deposits	35,381	3,071
Time deposits	96,729	22,799
Balance at 31 December	**409,285**	**321,123**

EUR 11,636 of term deposits served as cash collateral for loans and advances extended as of December 31, 2014 (2013: EUR 3,489).

14. Other liabilities

	2014	2013 Restated *
Transfer orders	35	65
Taxes other than income	143	140
Short-term employee benefits	323	85
Irrevocable letter of credits	15,459	10,661
Others	209	98
Balance at 31 December	**16,169**	**11,049**

• See prior year restatement 2.e

15. Capital and reserves

Dividend payments are subject to approval by the 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 2014. The profit after tax will be added to 'Other reserves'.

16. Contingencies

2014

	< = 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	7	-	7	-	37	51
Irrevocable letter of credit	2,811	1,171	453	-	-	4,435
Other commitments	-	-	-	10,000	-	10,000
Balance at 31 December	**2,818**	**1,171**	**460**	**10,000**	**37**	**14,486**

2013
Restated *

	< = 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	-	1	4	37	-	42
Irrevocable letter of credit	3,526	927	586	-	-	5,039
Other commitments	-	-	-	-	-	-
Balance at 31 December	**3,526**	**928**	**590**	**37**	**-**	**5,081**

• See prior year restatement 2.e.i

17. Related parties

Parties are deemed 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.Ş., which owns 100 % of the ordinary shares. Anadolubank belongs to Habaş Bank, controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.Ş. Related parties include members of key management personnel of the Bank or of the Bank's parents include close members of those person's families. Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Bank directly or individually, namely the Supervisory Board and Management Board.

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

31/12/2014	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**6,261**	**-**	**395**	**-**	**6,656**
Cash and cash equivalent	762	-	-	-	762
Banks	5,499	-	-	-	5,499
Loans and advances	-	-	395	-	395
Liabilities	**-**	**8,993**	**-**	**-**	**8,993**
Banks	-	-	-	-	-
Funds Entrusted	-	8,993	-	-	8,993
Interest income	**132**		**690**	**-**	**822**
Interest expense	**52**	**168**	**-**	**-**	**220**

31/12/2013	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**3,240**	**-**	**348**	**-**	**3,588**
Cash and cash equivalent	141	-	-	-	141
Banks	3,099	-	-	-	3,099
Loans and advances	-	-	348	-	348
Liabilities	**3,749**	**7,778**	**11,867**	**-**	**23,394**
Banks	3,749	-	-	-	3,749
Funds Entrusted	-	7,778	11,867	-	19,645
Interest income	**57**	**-**	**400**	**-**	**457**
Interest expense	**186**	**88**	**22**	**-**	**296**

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

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

Key management personnel compensation comprised the following.

Key management personnel compensations	2014	2013
Short-term employee benefits	1,623	1,513
Post-employment benefits	41	18
	1,664	**1,531**

18. Lease commitments

The Bank entered into a long-term financial obligation in 2012, with a duration of 5 years, for the rent of the office amounting to EUR 209 a year in 2014 (EUR 209 a year in 2013). The rent contract was renewed for 5 more years in July 2012.

	2014	2013
Less than one year	220	206
Between one and five years	330	515
Total lease commitments	**550**	**721**

19. Net interest income

Net interest income

Interest income	2014	2013
Cash and cash equivalents	13	181
Loans and advances to banks	5,423	8,064
Loans and advances to customers	14,373	10,644
Interest bearing securities	4,677	3,667
Total interest income	**24,486**	**22,556**

Interest Expense	2014	2013
Deposits from banks	1,366	1,578
Deposits from customers	9,472	7,643
Total interest expense	**10,838**	**9,221**

20. Net fee and commission income

Net fee and commission income

Fee and commission income	2014	2013
Corporate/banking credit related fees	970	679
Other	148	117
Total fee and commission income	**1,118**	**796**

Fee and commission expense	2014	2013
Corporate/banking credit related expense	187	112
Interbank transaction fees	24	6
Total fee and commission expense	**211**	**118**

21. Net trading income

Net trading income

	2014	2013
Net income from securities held for trading	674	(382)
Net income from securities held for AFS	2,130	1,358
Total trading income	**2,804**	**976**

EUR 2,130 is realized net income for the available-for-sale portfolio, whereas EUR 700 is realized gain and EUR 26 is unrealized loss for the trading portfolio.

22. Results from financial operations

	2014	2013
Foreign exchange gain (net)	(3,848)	(5,106)

The foreign exchange gain (net) includes the cost of the derivatives held for risk management purposes.

23. Personnel expenses

	2014	2013
Wages and salaries	2,682	2,237
Compulsory social security obligations	317	485
Contributions to defined contribution plans	217	156
Other fringe benefits	128	31
Total	**3,344**	**2,909**

The number of staff employed by the Bank as of December 31, 2014 is 39. (2013; 35)

The Bank has a defined contribution plan for the majority of staff. The pension scheme is insured through 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, 2014 are as follows:

2014	Base salary	Other benefits	Variable remuneration	Total
Board of Supervisory Directors	89	-	-	89
Managing Board Directors	495	42	65	602

2013	Base salary	Other benefits	Variable remuneration	Total
Board of Supervisory Directors	44	-	-	44
Managing Board Directors	756	31	-	787

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

24. Other expenses

	2014	2013 Restated *
Operating lease expense	238	238
Communication expenses	90	87
Business travel & accommodation	41	56
Audit fee	84	63
Software licensing and other information technology expenses	578	363
Paid taxes other than income	82	28
Tax advisory	21	8
Other consultancy	124	282
Regulatory supervision expenses	201	170
Legal expenses	107	123
Nationalisation of SNS REAAL	679	-
Expense related to previous year	30	-
Other	125	127
Total	**2,400**	**1,545**

• See prior year restatement 2.e.ii

Audit-related fees	2014	2013
Audit fees related to the annual report	84	63

25. Income tax expense

Major components of income tax expense:

Reconciliation of income tax	2014	2013 Restated
Operating profit before tax	7,960	3,822
Weighted average statutory tax rate	24.9%	24.7%
Weighted average statutory tax amount	**1,980**	**945**
Expenses not deductible for tax purposes	170	-
Effective tax amount	**2,150**	**945**
Effective tax rate	27.0%	24.7%

• See prior year restatement 2.e.ii

The corporate income tax has been calculated using the nominal tax rate of 25 % on the Dutch taxable income.

Recognition of deferred tax assets of EUR 1,581 is based on management's profit forecasts, which indicates that is probable that the Bank will have future taxable profits against which these assets can be used. Tax loss-carry forwards of EUR 1,542 are due to the net loss of the year 2012.

Deferred tax assets	2014	2013
Tax loss-carry forwards	1,542	1,542
Available for sale securities	39	80
	1,581	**1,622**

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 at 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 31 December 2014 and at 31 December 2013, 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.

Investment securities that are valued on the basis of price quotations from an orderly transaction between market participants provided by reputable dealers; and

Derivatives held for risk management that are based on valuation models and the methodology is to calculate the net present value of a series of expected cash flows, taking into account the different terms of each specific contract/instrument (discounted cash flow – DCF). These models use as their basis independently sourced market parameters including, for example, interest rate yield curves. Market parameters are either directly observable or are implied from instrument prices. The model may perform numerical procedures in the pricing such as interpolation when input values do not directly correspond to the most actively traded market trade parameters.

b) Financial instruments measured at fair value

31 December 2014	Total	Level 1	Level 2
Assets			
Derivative financial assets	1,999	-	1,999
Securities measured at fair value	56,800	19,032	37,768
Total assets	**58,799**	**19,032**	**39,767**
Liabilities			
Derivative financial liabilities	8,045	-	8,045
Total liabilities	**8,045**	**-**	**8,045**

31 December 2013	Total	Level 1	Level 2
Assets			
Derivative financial assets	3,708	-	3,708
Securities measured at fair value	28,715	17,757	10,958
Total assets	**32,423**	**17,757**	**14,666**
Liabilities			
Derivative financial liabilities	28	-	28
Total liabilities	**28**	**-**	**28**

The Bank does not have any financial instrument measured at level 3 fair value as of December 31, 2014.

In 2014, there were no transfers between the levels.

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

31 December 2014	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equivalents	108,428	93,657	14,771	-	108,428
Loans	395,687	-	-	395,687	381,312
Securities not measured at fair value	74,940	48,450	26,490	-	70,017
Total assets	**579,055**	**142,107**	**41,261**	**395,687**	**559,757**
Liabilities					
Banks	107,362	-	-	107,362	107,281
Funds entrusted	415,294	-	-	415,294	409,285
Total liabilities	**522,656**	**-**	**-**	**522,656**	**516,566**

31/12/2013 (Restated)	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equivalents	66,362	58,766	7,596	-	66,362
Loans	374,147	-	-	374,147	359,626
Securities not measured at fair value	73,824	46,644	27,180	-	70,724
Total assets	**514,333**	**105,410**	**34,776**	**374,147**	**496,712**
Liabilities					
Banks	129,038	-	-	129,038	128,075
Funds entrusted	326,692	-	-	326,692	321,123
Total liabilities	**455,730**	**-**	**-**	**455,730**	**449,198**

• See prior year restatement 2.e.

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses and interest rates. The fair values of cash and cash equivalents and payable on demand are represented by their carrying value as the reporting date.

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 capital management. 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 bears 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 several committees, such as the Asset and Liability Committee. These committees are responsible for establishing and monitoring the relevant risk measures on a regular basis. The Bank's Supervisory Board supervises 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, and 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 using internationally accepted methodologies in compliance with domestic and international regulations, the Bank's structure, policy, and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies are also carried out on compliance with international banking applications, such as Basel II and Basel III.

(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. In 2014, EUR 78 (2013: EUR1,504) of impairment losses and EUR 340 of reversal recognized in the profit or loss was related to corporate loans and advances. (See Note of impairment.)

Past due but not impaired loans

The Bank had no past due loans and advances as of December 31, 2014.

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 are generally not updated except when a loan is individually assessed as impaired.

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Collateral analysis	Dec-14	Dec - 13 Restated	Dec-14	Dec-13	Dec-14	Dec-13
Against neither past due nor impaired:						
Secured by cash collateral	11,636	2,362	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-
Secured by mortgages	1,237	162	-	-	-	-
Other collateral	160,304	140,744	-	-	-	-
Uncollateralized exposure	65,885	61,789	142,250	154,569	126,817	99,439
Carrying amount	**239,062**	**205,057**	**142,250**	**154,569**	**126,817**	**99,439**

• See prior year restatement 2.e.i

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 the balance sheet date is shown below:

Concentration by sector	Loans and advances to customers Dec-14	Dec - 13 Restated	Loans and advances to banks Dec-14	Dec-13	Interest bearing securities Dec-14	Dec-13
Corporate:						
Basic materials	29,231	21,826	-	-	-	645
Consumer products non-food	-	-	-	-	-	-
Building materials	35,605	19,116	-	-	-	-
Insurance & Pension Funds	-	167	-	-	-	-
Private individuals	493	373	-	-	-	-
Technology	12,423	13,575	-	-	2,207	632
Financial intermediation	57,466	58,891	-	-	13,207	6,772
Construction& Infrastructure	11,989	3,645	-	-	-	-
Automotive	9,912	17,933	-	-	-	-
Transport & Logistics	19,349	14,143	-	-	1,052	1,070
Food, Beverages & Tobacco	2,315	-	-	-	1,896	-
Capital goods	-	-	-	-	-	-
Chemicals	24,528	27,281	-	-	-	-
Oil & Gas	7,406	12,983	-	-	7,166	6,986
Telecom	9,295	16,275	-	-	-	-
Others	-	353	-	-	-	-
Utilities	18,288	-	-	-	-	-
Healthcare (Inc. Social Work)	2,129	-	-	-	-	-
Government	-	-	-	5	26,349	20,391
Bank	-	-	142,250	154,564	74,940	62,943
Provisions	(1,367)	(1,504)	-	-	-	-
Carrying amount	**239,062**	**205,057**	**142,250**	**154,569**	**126,817**	**99,439**

• See prior year restatement 2.e.i

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

	Loans and advances to customers Dec-14	Dec - 13 Restated	Loans and advances to banks Dec-14	Dec-13	Interest bearing securities Dec-14	Dec-13
Europe	83,387	61,121	37,930	28,372	65,440	55,913
Rest of the countries	155,675	143,936	104,320	126,197	61,377	43,526
Turkey	88,419	82,915	93,838	76,882	45,914	34,192
Russia	6,330	26,711	8,002	44,649	-	-
Switzerland	18,965	11,776	-	-	-	-
Cayman Islands	-	865	-	-	2,570	2,572
Azerbaijan	-	-	2,480	4,666	4,221	3,733
Marshall Islands	15,203	4,321	-	-	-	-
United Arab Emirates	9,295	10,518	-	-	-	-
United States of America	7,006	3,993	-	-	-	-
Panama	2,430	1,569	-	-	-	-
Cook Islands	2,675	1,268	-	-	-	-
Brazil	-	-	-	-	3,033	3,029
Kazakhstan	-	-	-	-	374	-
Qatar	-	-	-	-	4,138	-
Serbia	-	-	-	-	1,127	-
Brunei	3,037	-	-	-	-	-
Macedonia	2,315	-	-	-	-	-
Carrying amount	**239,062**	**205,057**	**142,250**	**154,569**	**126,817**	**99,439**

• See prior year restatement 2.e.i

The table below sets out the credit quality of the financial assets.

Credit quality analysis	Loans and advances to customers Dec-14	Loans and advances to customers Dec - 13 Restated	Loans and advances to banks Dec-14	Loans and advances to banks Dec-13	Interest bearing securities Dec-14	Interest bearing securities Dec-13
Rated BBB- to AA	14,242	8,582	110,059	120,701	91,451	73,049
Rated B- to BB+	8,327	2,913	30,831	28,974	32,044	23,270
CCC	-	-	399	-	-	-
Unrated[*]	217,860	195,066	961	4,894	3,322	3,120
Provisions	(1,367)	(1,504)	-	-	-	-
Carrying amount	**239,062**	**205,057**	**142,250**	**154,569**	**126,817**	**99,439**

- See prior year restatement 2.e.i
- The figures do not include the impairment.

[*] 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 the Treasury Department and is monitored by the 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 that outline measures to be taken 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 provides an all-encompassing qualitative and quantitative guidance for liquidity risk 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, 2014 figures with those of December 31, 2013. The Bank's expected cash flows on some of these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable balance. EUR 219 under non-distributable items pertains to the 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 conducted under ICAAP, ILAAP and the Recovery Plan.

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

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

31 December 2014

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	108,428	101,386	7,042	-	-	-	-	-
Banks	142,250	-	4,074	15,265	96,973	25,938	-	-
Loans and advances	239,062	-	43,913	25,903	41,530	103,310	24,406	-
Interest bearing securities	126,817	-	-	34	6,019	74,894	45,870	-
Other assets	4,105	-	-	-	-	-	-	4,105
Total assets	**620,662**	**101,386**	**55,029**	**41,202**	**144,522**	**204,142**	**70,276**	**4,105**
Liabilities								
Banks	107,281	-	38,765	32,065	25,474	10,977	-	
Funds entrusted	409,285	35,381	182,055	23,537	82,084	86,228	-	-
Current tax liabilites	170	-	-	-	-	-	-	170
Other liabilites	24,214	-	-	4,586	10,873	-	-	8,755
Total liabilities	**540,950**	**35,381**	**220,818**	**60,188**	**118,431**	**97,206**	**-**	**8,925**
Shareholders' equity	79,712	-	-	-	-	-	-	79,712
Total liabilities and equity	**620,662**	**35,381**	**220,820**	**60,188**	**118,431**	**97,206**	**-**	**88,637**
Net liquidity		**66,005**	**(165,791)**	**(18,986)**	**26,091**	**106,936**	**70,276**	**(84,532)**

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

31 December 2013(Restated)	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	534,055	64,651	53,957	42,173	144,196	180,799	42,789	5,490
Total liabilities	534,055	131,887	73,984	60,083	75,051	118,856	-	74,194
Net liquidity		**(67,236)**	**(20,027)**	**(17,910)**	**69,145**	**61,943**	**42,789**	**(68,704)**

• See prior year restatement 2.e

(d) Market risk

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

Management of market risk

The Bank divides 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

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:

31 December 2014	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non-interest
Assets		-	-	-	-	-
Cash and cash equivalents	108,428	7,042	-	-	-	101,386
Banks	142,250	34,306	49,179	40,828	17,937	-
Loans and advances	239,062	94,841	38,064	18,426	87,731	-
Interest bearing securities	126,817	20,561	6,019	2,081	98,156	-
Current tax assets	-	-	-	-	-	-
Deferred tax assets	1,581	-	-	-	-	1,581
Other assets	2,524	-	-	-	-	2,524
Total assets	**620,662**	**156,750**	**93,262**	**61,335**	**203,824**	**105,491**
Liabilities						
Banks	107,281	70,905	25,474	-	10,902	-
Funds entrusted	409,285	193,709	32,903	61,063	86,229	35,381
Current tax liabilities	170	-	-	-	-	170
Other liabilities	24,214	-	-	-	-	24,214
Total liabilities	**540,950**	**264,614**	**58,377**	**61,063**	**97,131**	**59,765**
Surplus/deficit	**79,712**	**(107,864)**	**34,885**	**274**	**106,693**	**45,726**

31 December 2013 (Restated)	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non-interest
Total assets	534,055	200,192	91,017	47,039	125,666	70,141
Total liabilities	460,275	263,385	31,833	34,907	119,073	11,077
Surplus/deficit	**73,780**	**(63,193)**	**59,184**	**12,132**	**6,593**	**59,064**

• See prior year restatement 2.e

Sensitivity of reported equity to interest rate movements

(e) 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 may incur currency risk is immediately hedged with a banking counterpart, while 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 the transaction dates. At the end of the periods, foreign currency assets and liabilities are evaluated with the Bank's spot purchase rates, and the differences are recorded as foreign exchange gain or loss in the profit or loss.

The Bank bears exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 as of December 31, 2014, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

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

31 December 2014

Assets	Euro	USD	TRY	Other	Total
Cash and cash equivalents	94,802	6,027	7,587	12	108,428
Banks	82,035	59,924	-	291	142,250
Loans and advances	91,792	121,005	25,493	772	239,062
Interest bearing securities	64,028	62,789	-	-	126,817
Current tax assets	-	-	-	-	-
Deferred tax assets	1,581	-	-	-	1,581
Property and equipment	140	-	-	-	140
Derivative financial assets	1,999	-	-	-	1,999
Intangible assets	43	-	-	-	43
Other assets	342	-	-	-	342
Total assets	**336,762**	**249,745**	**33,080**	**1,075**	**620,662**
Liabilities					
Banks	62,387	44,893	-	1	107,281
Funds entrusted	288,162	105,288	15,788	47	409,285
Current tax liabilities	170	-	-	-	170
Deferred tax liabilities	-	-	-	-	-
Derivative financial liabilities	8,045	-	-	-	8,045
Share capital and share premium	70,000	-	-	-	70,000
Retained earnings	4,019	-	-	-	4,019
Revaluation reserves	-	(117)	-	-	(117)
Net Profit	5,810	-	-	-	5,810
Other liabilities	710	15,459	-	-	16,169
Total liabilities	**439,303**	**165,523**	**15,788**	**48**	**620,662**
Net on balance sheet position	**(102,541)**	**84,222**	**17,292**	**1,027**	**-**
Net notional amount of derivatives	**95,253**	**(83,763)**	**(17,391)**	**(939)**	**(6,839)**
Net position	**(7,288)**	**459**	**(99)**	**88**	**(6,839)**

31 December 2013 (Restated)	Euro	USD	TRY	Other	Total
Total assets	257,398	224,292	44,978	7,387	534,055
Total liabilities	446,697	79,141	5,824	2,394	534,055
Net on balance sheet position	**(189,299)**	**145,151**	**39,154**	**4,993**	**-**
Net notional amount of derivatives	**191,606**	**(145,417)**	**(38,341)**	**(4,420)**	**3,429**
Net position	**2,307**	**(266)**	**813**	**573**	**3,429**

• See prior year restatement 2.e

(f) 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 on the definition of capital, as well as the minimum capital requirements, is expected to be limited given that the Bank has a high Common Equity Tier I ratio. The Bank 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.

	2014	2013
Tier 1 capital	**78,990**	**72,985**
Paid-in capital	70,000	70,000
Retained earnings	4,019	1,142
Revaluation reserves	(117)	(239)
Net profit	5,810	2,877
Regulatory adjustments	(722)	(795)
Tier 2 capital	-	-
Regulatory capital	**78,990**	**72,985**

The Bank's regulatory capital consists of the sum of Common Equity Tier 1 capital, which includes ordinary share capital, related share premiums, retained earnings, reserves, net profit and deductions for intangible assets and other regulatory adjustments relating to items that are included in equity but treated differently for capital adequacy purposes.

28. Comparative figures

Certain comparative figures have been updated, please refer to 2 (e) in the accounting policies.

29. Other information

Subsequent events

There has been no subsequent event in 2015 during the preparation of the annual accounts.

Proposed profit appropriation

The profit is appropriated is pursuant to Article 23 of the Articles of Association of the Bank; the relevant stipulations are as follows:

- The company may make distributions to the shareholders and to other persons entitled to distributable profits only to the extent that its shareholders' equity exceeds the sum of the amount of the paid and called up part of the capital and the reserves which must be maintained under the law.

- Every year the supervisory board shall adopt a resolution fixing the portion of the profits, as evidenced by the profit and loss accounts adopted by the general meeting of shareholders, which shall be reserved.

- Any profits which remain after application of the above shall be at the disposal of the general meeting of shareholders. The general meeting of shareholders may resolve to make interim distributions from profits or reserves, but only to the extent the provisions of section 1 of this article permits, provided that the provisions of Section 105 subsection 4 of book 2 of the Netherlands Civil Code have been observed, have been complied with and further provided that it has obtained the prior approval of the supervisory board.

- Distributions (including interim distributions) shall be made payable at the company's office on the date on which the distribution is declared, unless the resolution concerned shall provide for a different date or place.

- Any shareholder's claim for payment of distributions expires five years after the dividend has been made payable.

It is proposed to appropriate net profit pursuant to the Articles of Association, as follows;

Proposed profit appropriation	
Net profit	5,810
Addition to retained earnings pursuant to Article 23 of the Articles of Association	5,810

Independent auditor's report

To: the General Meeting of Anadolubank Netherlands N.V.
Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Anadolubank Netherlands N.V. (hereafter; 'Anadolubank'), based in Amsterdam.

In our opinion the financial statements give a true and fair view of the financial position of Anadolubank as at 31 December 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1 the statement of financial position as at 31 December 2014;

2 the following statements for 2014: the statements of profit and loss and comprehensive income, changes in equity and cash flows; and

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

Materiality

Misstatements can arise from fraud or errors 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.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 420 thousand. The materiality is determined with reference to the profit before tax. The materiality is 5% of this benchmark. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that unadjusted misstatements which are identified during the audit in excess of EUR 21 thousand, are 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 the 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.

Loan loss impairments

Certain aspects of the accounting for loan loss impairments require significant management judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment and the assessment of the recoverable amount. We have therefore identified loan loss impairments as a key audit matter.

Audit approach
We have reviewed a sample of the credit files of which we have tested the appropriateness of management's impairment assessment. We also inspected the impairment calculations for impaired loans as performed by management and engaged KPMG specialists of Corporate Finance to perform a sensitivity analysis on the calculation performed by management. In addition we have inspected the results of the delinquent payment monitoring.

Observation
We assess the valuation of loans including loan loss impairments as neutral and in accordance with the applicable accounting principles. We concur with the loan disclosures in the financial statements as included in Note 8.

Financial instruments

The Bank has entered into several financial instruments including interest bearing securities and derivative financial instruments. As this introduces valuation uncertainty, we have identified the fair value of financial instruments as a key audit matter.

Audit approach
As disclosed in note 26, Anadolubank has no financial instruments with level 3 fair values. Most part of the portfolio measured at fair value consists of level 1 valuations. We have tested all valuations with publicly available market data. For level 2 model based valuations, we tested the appropriateness of the model used and challenged the underlying assumptions and the reliability of the data used as input to these models by comparing this data with comparable publicly available market data.

Observation
Overall, we assess the valuation of the financial instruments as neutral and in accordance with the applicable accounting principles. We concur with the disclosures in the financial statements as included in note 26.

Responsibilities of the Management Board and the and Supervisory Board for the financial statements

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

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

We have exercised professional judgement 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 errors or fraud, 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 errors, 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 Bank's internal control.

• Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

• 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 Bank'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 ceasing to continue as a going concern.

• Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

• 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 the 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 the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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 mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the management board report and other information),:

• We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.

• We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the the General Meeting of Bank as auditor of Anadolubank on 6 May 2014, as of the audit for year 2014.We have been the auditor of Anadolubank since 2007.

Amsterdam, 11 June 2015
KPMG Accountants N.V.

M.A. Huiskers RA