Annual Report 2015

Anadolubank
Nederland

Anadolubank Nederland

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Vision

To become the bank of choice for customers

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

Mission

Setting new standards

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

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

Our Values

Integrity

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

Working together

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

Products and services

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

Three-year Key Figures

in EUR thousand	2015	2014	2013
Total assets	650.768	620.662	534.055
Loans	374.425	381.312	359.626
Securities	118.557	126.817	99.439
Deposits	381.520	409.285	321.123
Shareholders' equity (including results after tax)	79.327	79.712	73.780
Operating result before tax and impairments	6.716	7.698	5.326
Provisions	(6.065)	262	(1.504)
Result after tax and impairments	498	5.810	2.877
%			
Return on average equity before impairments and tax	8,4	10,0	7,5
Loans/deposit	98,1	93,2	112,0
Cost/income ratio	46,8	43,0	46,1
Cost/average assets	1,0	1,0	0,9
Capital adequacy ratio	18,7	18,8	19,4

Capital adequacy ratio %

Cost / income ratio %

Return on average equity before impairments & tax %

The notes on pages 22-55 are an integral part of these financial statements

Supervisory Board Report

We are pleased to present the Annual Report of Anadolubank Nederland N.V. for the year ended December 31, 2015. The Annual Report includes the statement of the financial position as of this date and the income statement for the year. The Bank's financial statements have been prepared by the Management Board and they have been audited by KPMG Accountants N.V. The outcome of the external audit is discussed in the Supervisory Board.

The achievements and overall results of 2015 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability. This period has been quite intense and, at times somewhat difficult; as the world's financial systems were under pressure. Our goal is a continuing improvement year over year.

We have a business model and a structure that are straightforward. The Bank reported net profit of EUR 498 thousand for 2015. We recommend to the Annual General Meeting of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2015 and propose that the profit after tax and impairments be added to the Bank's reserves. The Supervisory Board recommends to the Annual General Meeting of Shareholders that the Management Board be discharged from the liability with respect to its management activities and the Supervisory Board with regard to its supervision thereof.

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

Further on the subject of risk management, the Bank has implemented a number of measures related to the CRD IV. This framework provides even more specific requirements on the regulatory capital, liquidity and governance that banks must maintain in order to meet their obligations to their clients. On a related front, we have successfully evaluated the design of risk management, compliance and internal controls concerning framework as required by the regulators. The Management Board is responsible for these areas of concern and has been working in close collaboration with the Supervisory Board.

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

One of the principles of the Dutch Corporate Governance Code states that the Supervisory Board is collectively responsible for its own functioning and that an annual self-assessment needs to be conducted.

Following this, the Supervisory Board has asked an external consultant to guide the self-assessment process. This process took place in March 2016.

Next to a questionnaire for the Supervisory Board, individual interviews by the consultant with the members of the Managing Board and members of the Supervisory Board were held.

The results of the questionnaire and the interviews were discussed, such as the decision-making process within the Supervisory Board, the relationship with the Managing Board and the functioning of the Supervisory Board as a whole. From the self-evaluation emerged observations and recommendations which were discussed during a Supervisory Board meeting in March 2016.

Supervisory Board

During the year under review the Supervisory Board met periodically (in principle at least once every three months) with the Management Board to review the interim figures, management reports, reports of the internal and external auditors and audits by DNB. The meetings were attended by all Members of the Supervisory Board. Also various meetings were held in the absence of the Management Board. The Chairman of the Supervisory Board and the other Board members have also a regular contact with the Management Board (individually but also with the full Board) outside the formal meetings. Various meetings between the Management Board and the external auditor were attended by one or more Members of the Supervisory Board.

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

The most important role of the Supervisory Board is ensuring effective governance. Among other duties, it is an impartial arbiter of corporate conduct and compliance. Due to the size of the Supervisory Board and its composition, no separate committees are installed. Instead all members have been assigned specific attention areas. Each attention area is in principle assigned to two members, an independent member together with a dependent member.

In 2015 the Supervisory Board is composed of the following members:

Name	Position	Membership Since	End of Term
A.J. Smith	Chairman	2013	2017
P. Akcin	Member	2007	2017
A. Star	Member	2014	2018
T. Ayhan*	Member	2015	2019

* *Mr. Dogru resigned from his position in the Board as from 30 March 2015. We would like to thank him for the valuable inputs and contributions he provided during his tenure in the SB since 2013. In July 2015, Mr. Ayhan was appointed as a member of the Supervisory Board.*

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.

The Management Board is composed of the following members:

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

In conclusion, we would like to express our gratitude to our shareholders and clients for their trust, as well as to our Management Board and our employees for their ongoing commitment to create value and to participate in the long-term growth of our business.

Amsterdam, 10 May 2016

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

Management Board Report

We are pleased to present our report for the financial year ended 31 December 2015. Anadolubank Nederland N.V.'s balance sheet grew slightly, by 5% from EUR 621 million at the end of 2014 to EUR 651 million at the end of 2015. The growth was funded primarily by a planned increase in wholesale funds, while a 7% decrease was realized in deposits from retail customers. The Policy Rule on Maximizing the Deposits and Exposures Ratio under the Act on Financial Supervision is applicable since 1st of January 2016. This policy required alteration of the Bank's assets structure and funding activities in the coming years.

As at December 31, 2015, despite the volatile operating environment, Anadolubank N.V.'s total revenue had slightly decreased by 8% from 13.5 million to EUR 12.6 million. This result stems largely from a decrease in the net interest margin on loan portfolio due to economic consequences of a low interest rate environment and a higher level of liquidity portfolio.

Gain from trading income decreased to EUR 1.5 million in 2015, compared to EUR 2.8 million in 2014. Due to the unfavorable market conditions with fluctuating interest rates, the trading income had to show a lot of determination and rigor in order to offset the narrow interest margins of 2015 and 2014. During the year the bank stayed within our defined and approved risk appetite. Our performance is the result of staying focused on our strategy of diversification by business and geography.

In 2015, the Management Board looked into various subjects of great importance, namely, choosing to enter into the Dutch and EU markets, implementation of our three-year plan and performance of the business segments. We continue to balance expectations for growth and performance against acceptable levels of risk and capital.

As at December 31, 2015, the Bank's return on equity stood at 8.4% before provisions. Our liquidity position remains strong and we continue to maintain capital levels in excess of the well capitalized regulatory guidelines with a ratio of 18.7%.

Since 2014, the supervision of European Banks underwent major changes. Although Anadolubank N.V. remains under the supervision of the Dutch Central Bank (DNB), we expect these changes to continue having implications for us.

Our Priorities

In order to pursue the realization of the Bank's objectives, it is essential to strategically define the priorities to which we should commit our best resources. That is why in 2016 our focus will be on the following priorities:

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

- **Maintaining an essential presence in the EU and Dutch markets**; the Bank has a very clear plan to bring about its strategic repositioning to concentrate and grow in the Dutch and EU markets. We are confident that this approach will deliver concrete results over the coming years. Accordingly we will able to diversify Bank's exposures into different sectors and countries.

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

- **Human resource**; our employees are the most valued asset of the Bank. We will implement measures to develop and promote their talent and skills, at every level of the organization, in order to optimize their contribution to the development and growth of our operations by implementing a more effective performance management approach. 44 staff are employed by the Bank as of December 31, 2015.

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

More than a year after its adoption, our business plan – in its general principles as well as in its specific measures – has proven sound and relevant. The Bank's Supervisory Board, Management Board, managers and employees fully support its objectives and, most importantly, contribute actively to its implementation within our day-to-day operations. Our shareholders have expressed their support and loyalty through some demanding times and momentous changes. We wish to thank them for their patience.

We advanced on several important initiatives during 2015 that strengthened our risk management practices and maintained compliance with evolving regulatory requirements. Our comprehensive risk appetite framework incorporates risk principles aligned with the business model, governing financial objectives and frequent risk appetite measures.

Risk culture; In April 2014, the Financial Stability Board (FSB) stated that even though risk culture is a very complex issue, "... efforts should be made by financial institutions and by supervisors to understand an institution's culture and how it affects safety and soundness". The Bank recognizes that the risk culture is made up of several key elements: sufficient transparency of risks, acknowledgement of risks, responsiveness to risks, and respect for rules.

Our culture has helped to make us successful. Like people, culture is not static. It develops and matures with experience. However we want to reshape our risk culture. The culture model incorporates four fundamental elements that influence and help to determine a sound culture: leadership, organization, risk framework and incentives aligned with current regulatory FSB guidance and best practices. Each is tied to control mechanisms that need to be in place and work effectively. This transformation will be in five phases and takes at least two to three years with the help of external advisors.

As in the previous years, employees, managers and Management Board members alike showed the same determination and enthusiasm in carrying out our business plan in the best interests of our clients and shareholders.

"[...] the Bank has a very clear plan to bring about its strategic repositioning to concentrate and grow in the Dutch and EU markets."

Economic Developments

Global growth continued to disappoint and again fell short of expectations in 2015, slowing to 2.4% from last year's figure, which was 2.6%.

Key subjects influenced the global outlook in 2015: (1) the slowdown and rebalancing of economic activity in China, (2) lower prices for energy and other commodities and (3) a tightening in monetary policy in the United States, (4) a low interest rate policy by several Central Banks.

Bank of China continued to lower benchmark interest rates and also continued to inject liquidity into the financial system. Downside risks to Chinese growth have risen, debt levels are elevated and continue to increase despite decelerating credit growth. Total debt as a percent of GDP is now significantly larger than in most other emerging and developing economies.

Due to disappointing Global Growth and the slowing down of the biggest commodity buyer economy, China, Oil prices continued to drop in the 2nd half of 2015 and lost all the recovery of the 1st half. Energy prices put pressure on inflation and energy exporting economies. Prices of other commodities, especially metals, also fell during 2015 due to low growth expectations.

In the U.S., the labor market has recovered. Slightly strong growth and a remarkably good employment market helped FED governor Janet Yellen and, as expected, on the 16th December 2015 for the first time in nearly a decade, Janet Yellen raised the US interest rate by 0.25 percent. While the FED tightens its monetary policy, ECB tried to boost liquidity in the Eurozone financial market. A policy difference between two major central banks caused the EURUSD to fall sharply from 1.21 to 1.05 during the year (year-end 1.0866)

The Turkish economy was under pressure due to two general elections held in Turkey. Before the "planned" general elections in June, the real estate sector, including the housing market, which is the main driver of the economy, slowed down significantly. Increasing political uncertainty after the election and lack of government caused more slowing down until the November re-election. During 2015 tension in the Middle East was watched by the investors with Turkey focus. Declining energy prices had a remarkable positive affect on the Turkish economy both on inflation and budget deficit subjects.

The Dutch economy grew by about 2% in 2015 – twice as much as in 2014. This improvement was entirely driven by accelerating consumption and investment. Residential investment jumped by over 25% in 2015. Thanks to the sustained economic acceleration, the number of jobs has gradually been raised. Unemployment (6.9%), however, is falling slowly. Inflation (0.6%) was lower in 2015 than in the preceding year, partly due to the lower energy prices.

During 2015, major Central Banks; such as the ECB, Bank of Japan, Swiss National Bank continued their aggressive low interest rate policy. Further monetary expansion put pressure on net interest margins in the banking sector but it seems that it helped inflation to increase in some countries despite the low energy prices.

In 2016, Global growth is estimated at 3.4% by IMF. This figure could be under pressure due to low commodity prices, especially energy.

Once again 2 actors (actresses) will be under the spotlight: the FED and China. In 2015, the FED raised the BM interest rate by 25bp and stated that growth and unemployment as the main driver of US economy. China's economy will continue to slow down and the question will be; "Will it be a soft or hard landing?" China's slow down will put pressure on commodity prices and emerging markets during 2016. We expect further easing from ECB and (BoJ) Bank of Japan, but with a limited effect on the markets. Central Banks activities in the markets will leave both major FX and Rate markets unstable.

Rising geopolitical risks can affect the Turkish Economy in 2016 in which year, the growth expectation is 3%. While we face low inflation figures during the 2nd and

3rd quarter sof the year, with the help of energy prices and expanding economic slowing down, there is a possible chance of rate cut by CBoT (Central Bank of Turkey). We should keep in mind that the CBoT governor Mr. Basci's term will end in April 2016 and as yet, the new governor's name has not been published. Turkey is our concentrated country; we will be watching carefully all the developments concerning Turkey.

The Netherlands will keep benefiting from low interest rates, especially in housing market. The housing market was the main driver of 2015 in the Netherlands and it will be in 2016 too. NL House Price index started 2016 at 89.5 and we expect possible recovery to a level above 92.0. The growth expectation for the Dutch economy is 2.5% in 2016.

Financial Institutions

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

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

In 2015, FI 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 the Bank's customers and International financial institutions. FI has generated wholesale funding with content rate. In 2015, total transaction volume from FI was nearly EUR 680 million, generating total profit of 0.6 million.

The Department has always strived for sustainable profitability while simultaneously assisting other departments.

Trade Finance

Trade Finance business has been one of the key business lines consistently adding value to the Bank financially and reputation-wise. While diversifying the Trade Finance product range, execution and understanding of customer requirements have also improved drastically. Many steps have been taken to expand the Trade Finance business at the Bank. 2015 was full of adverse geopolitical developments such as the Crimean crisis, Russian sanctions, turmoil in the Middle East and an ever-changing regulatory landscape. World trade growth slowed significantly compared to the previous year and most commodities slumped sharply with considerable global side effects. Notwithstanding such an economic outlook, the Bank Trade Finance team successfully registered another profitable year in 2015. Trade Finance department excelled in areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. The commission income generated by the Trade Finance department reached EUR 1.5 million level at 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 strong positive impact on trade finance volumes.

Our efforts to broaden our customer base and sector coverage during 2015 resulted in a greater sector diversification and decreasing 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 prospect sectors will contribute further to the success of the Trade Finance team.

Corporate Banking

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

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

2015 was not a very good year with significant negative developments such as; continuing growth slowdown in emerging markets and developing economies, geographical distress in some parts of the world, declining oil prices, declining commodity prices and also elections in Turkey.

Under these circumstances Corporate Banking's strategy has been to grow soundly and slowly. Meanwhile, we have increased our focus on Dutch and European customers.

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

Retail Banking

Retail deposits provide us with a stable funding base and have been a key focus area for us since commencing operations. The retail banking products of Anadolubank N.V. are straightforward. The Bank offers its customers a savings account and a range of term deposit options with market rates. Retail deposits are collected primarily via Internet and call centre channels. In 2015, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

Compliance

The Bank has developed and implemented an anti-money laundering program consisting of policies, procedures and internal controls and systems. 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. Several training courses were held.

In 2015 new software was successfully implemented in order to enhance transaction monitoring to detect unusual transactions. The Compliance function is mandated in the Compliance Charter. Regular reporting to Management Board and Supervisory Board took place in 2015. The Compliance department initiated the annually integrity risk analysis and has been active in advising amongst others on results of sanctions checks. The Compliance Department completed anti-bribery and corruption training by an external party and held compliance awareness sessions for all employees.

The Compliance Monitoring Year Plan is created according to the outcome of at least annually performed integrity risk assessments.

Given the international business environment the Bank is operating in, specific attention is realized on Sanctions. The compliance department realized in cooperation with the marketing and back office departments, an enhanced process in order to effectively check on Sanctions regarding all relevant types of business. This process includes amongst others a compliance advise for each separate transaction. With this implemented process the bank complies with the Dutch Sanctions and anti-money laundering laws.

Financial Performance Summary

This Financial Performance Summary is a narrative explanation, through the eyes of management, of Anadolubank Nederland N.V.'s financial condition as at December 31, 2015 and how it performed during the year. This part should be read in conjunction with the Audited Annual Financial Statements for the year ended December, 2015 prepared in accordance with International Financial Reporting Standards (EU-IFRS).

In 2015, net profit after tax amounted to EUR 0.5 million. The total provision for credit losses was EUR 6 million in 2015. Overall, total operating income closed the year 2015 at EUR 12.6 million versus EUR 13.5 million in 2014. The decline was predominantly due to the negative effect of the low asset yield environment on the net interest income of the Bank and high liquidity. The Bank's 2015 income statement reported a pre-tax and provisions profit of EUR 6.7 million (2014: EUR 7.7 million). The Bank met its operational profit and capital objectives for the year 2015.

The Bank's total assets at December 31, 2015 were EUR 651 million which is 5% higher than last year. (2014: EUR 621 million).

Cash and cash equivalents increased to EUR 154 million at the end of 2015 from EUR 108 million at the end of 2014. The Bank continues to focus on maintaining the 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.

The 'Loans and advances to customers' item, which comprises corporate loans, posted an increase of EUR 10 million or 4% between 2014 and 2015.
Interest bearing securities closed the year with a balance of EUR 119 million (18% of the assets) at the end of 2015, slightly down compared to the previous year. Some part of the securities item was related to ECB eligible securities; 50% of securities were from the EU and 38% from Turkey. 61% were issued by banks, 14% by corporates and the remaining 25% by sovereigns.

Diversifying the funding sources, the Bank has significantly increased the wholesale funding to EUR 158 million at the end of 2015 from EUR 107 at the end of 2014, posting a slight decrease of 7% on funds entrusted. Due to healthy diversification on the funding structure, the Bank already met the 25% requirement (Maximizing the deposits and exposures ratio under the Wft) at the end of the year 2014. The Management will continue to focus closely on this ratio in 2016.

Total administrative expenses were EUR 5.9 million this year, a slight increase of EUR 0.1 million. Personnel expenses are increased by 10%. The increase reflects the hiring new employees especially for the second line of defense department, investment on information technology and advisory services.

Furthermore, the Bank maintained a solid financial position in 2015, as evidenced by capital ratios under the standardized approach well above minimum requirements. With sound liquidity and capital management, the Bank remains well positioned to invest in its key initiatives and to better serve its customer base.

Risk Governance and Management

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

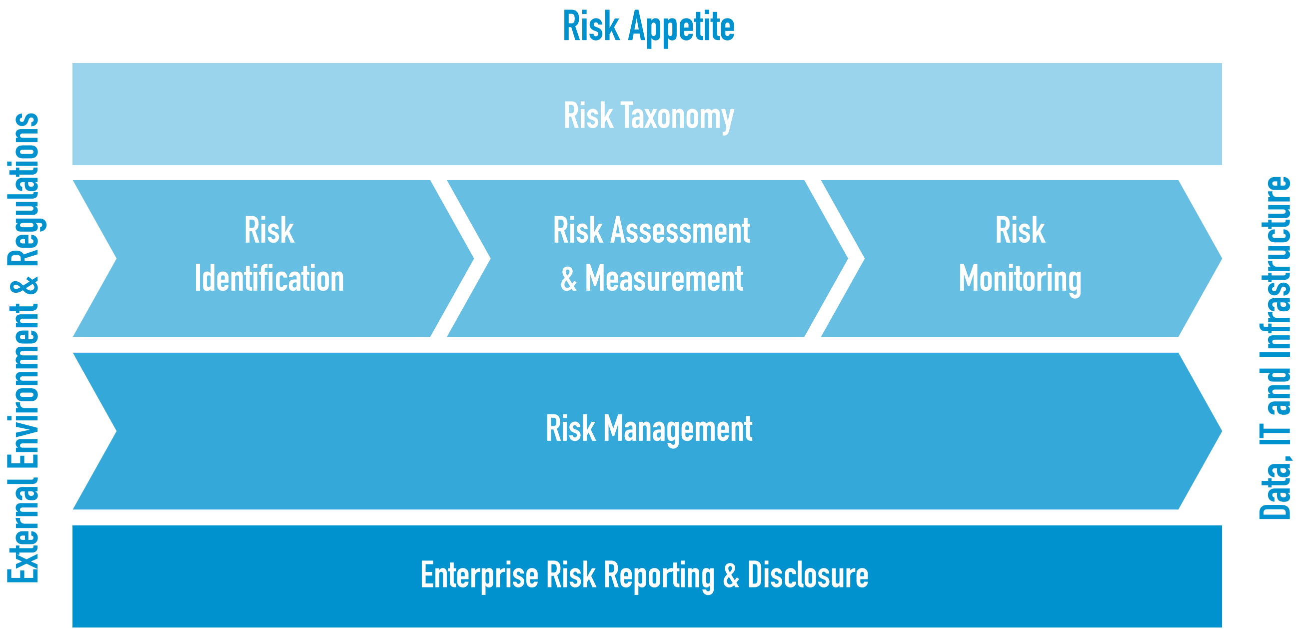
With the approval of the Supervisory Board, the Management Board has drawn up a Charter which includes its duties, powers and working methods and information on its relationships with the Supervisory Board, the shareholders and the external auditor. The Supervisory Board has drawn up a Charter which includes its duties, powers and working methods and information on its relationships with the Management Board and the shareholders.

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

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

In order to increase the effectiveness of the risk governance, Anadolubank implemented an Enterprise Risk Management (ERM) framework. ERM is not a separate business unit, but rather a process to integrate risk management across the organization.

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



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

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

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

The risk appetite established by the Management Board provides the boundaries within which the Bank has to operate. The Management Board acknowledges that the regulators will continue to challenge the financial institutions and for that reason continuing effort is required to maintain high quality standards in the area of risk management. In this respect, the Bank puts an emphasis on the DNB Supervisory Themes. It also initiates yearly objectives to improve the current framework. As a part of this, the 2016 agenda will focus on promoting risk culture in the organization by improving risk knowledge and awareness and enhancing the operational risk management framework to increase the effectiveness of the internal controls.

Risk and Capital Management

The all-in Basel III Common Equity Tier 1 ratio was 18.7% as at December 31, 2015, compared to 18.8% last year, and remained well above the regulatory minimum.

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

Currently, the Bank is following Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach for market risk for computing capital adequacy ratio.

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

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

Anadolubank Nederland N.V. publishes its disclosures on its website. The next Pillar 3 disclosure will be available during the first half of 2016 based on December 31, 2015 figures.

Capital requirements	2015	2014
in EUR thousand		
Total risk weighted assets	424.396	419.862
Credit risk	404.380	399.550
Market risk	1.158	1.449
Operational risk	18.858	18.863
Tier 1 capital	**79.294**	**78.990**
Paid-in capital	70.000	70.000
Retained earnings	9.829	4.019
Revaluation reserves	(1.000)	(117)
Net profit	498	5.810
Regulatory adjustments	(33)	(722)
Tier 2 capital	**-**	**-**
Total capital	**79.294**	**78.990**
Tier 1 ratio %	18,7%	18,8%
Solvency ratio %	18,7%	18,8%

Credit Committee

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

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

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

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

Asset & Liability Committee

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

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

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

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

Corporate Governance, Supervisory Board and the Management Board

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

The Board of Supervisory members is comprised of four members, two of which also hold positions on the Managing Board of the parent company. Half of the Supervisory Board members, including the chairman are independent.

The Board of Supervisory 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 and external auditors.

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

- Review the implementation and maintenance of the Risk Management Framework and internal control system throughout the Bank;
- Review risk appetite, limits and authority levels;

- Review the compliance activities, ensuring it addresses all key areas of risks;

- Review the engagement of the external auditor annually, particularly in respect of their independence;

- Monitor the establishment and maintenance of an appropriate independent internal audit framework aligned with the relevant standard;

- Review the annual internal audit plan, including scope and materiality level of the audit plan, ensuring it addresses all key areas of risks.

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.

Lifelong Learning

The Bank has a permanent education program for its Supervisory Board, Management Board and executive management, and thereby complies with principles 3.1.3 and 3.1.4 of the Banking Code. Developing the required expertise of the members of the Supervisory Board, the Management Board and senior management and keeping this expertise up to date by means of a lifelong learning programme is an important element of the Banking Code. Anadolubank N.V. is responsible for having such a programme in place. The lifelong learning programme covers such subjects as change management, risk management, management controls, financial reporting and developments in the field of supervision. Ethics, conduct, culture, governance and risk management are permanently recurring parts of the programme.

All the SB, MB and senior managers took part in lifelong learning sessions organized during 2015. In three sessions that were facilitated by external consultants and experts, the subjects covered were:

- Relationship with regulator/ "do's and don't's" regarding the relation with external regulators,
- Development of duty of care / culture integrity,
- Recent developments in corporate governance & directors' liability.

The lifelong learning programme is continuously being developed to ensure a balanced programme in which all relevant aspects of the Bank's performance are addressed. As part of their lifelong learning programme, the members of the Supervisory Board can also take part in optional third-party courses that are relevant to their areas of responsibility.

Future Oriented Banking / Bankers Oath

By introducing a Social Charter, an update of the Banking Code and implementing a Banker's Oath, (with the associated rules of conduct and disciplinary system) across the board, the Netherlands Banking Association demonstrated in early 2015 what they are stand for and what they want to be held accountable for in the ongoing renewal process: as individual banks and as an industry at the heart of the community.

The Social Charter, the Banking Code and the rules of conduct associated with the Banker's Oath together form a package called Future Oriented Banking. The Social Charter describes the (preferred) position of the sector as a whole in society and the shared values of the sector. The Banking Code safeguards sound administration at every bank and the rules of conduct make the responsibility of every individual employee at the bank explicit. These building blocks visualize the way in which the sector wishes to achieve an ethical, customer oriented and sustainable sector.

The Future Oriented Banking package is endorsed by all members of the Netherlands Banking Association. Anadolubank Nederland N.V. is a member of the Netherlands Banking Association and complies with the rules set out in the Banking Code and the rules of conduct. During 2015 all staff members, including Supervisory- and Management Board members, took the new bankers oath. The moral and ethical conduct declaration is published on the Bank's website (*www.anadolubank.nl*).

Anadolubank Nederland

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

The Internal Audit Department facilitated 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.

Statement of financial position

in EUR thousand

Assets	Note	31/12/2015	31/12/2014
Cash and cash equivalents	5	154.201	108.428
Derivative financial assets	6	717	1.999
Loans and advances to banks	7	125.284	142.250
Loans and advances to customers	8	249.141	239.062
Interest bearing securities	9	118.557	126.817
Property and equipment	10	141	140
Intangible assets	10	33	43
Current tax assets		1.773	-
Deferred tax assets	25	333	1.581
Other assets	11	588	342
Total assets		**650.768**	**620.662**

Liabilities	Note	31/12/2015	31/12/2014
Derivative financial liabilities	6	11.487	8.045
Deposits from banks	12	157.752	107.281
Deposits from customers	13	381.520	409.285
Current tax liabilities		-	170
Other liabilities	14	20.682	16.169
Total liabilities		**571.441**	**540.950**

Equity	Note	31/12/2015	31/12/2014
Share capital	15	70.000	70.000
Retained earnings	15	9.829	4.019
Revaluation reserves	15	(1.000)	(117)
Net profit	15	498	5.810
Shareholders' equity		**79.327**	**79.712**

Total liabilities and equity		**650.768**	**620.662**

Off-balance sheet liabilities	**16**	**17.278**	**14.486**

The notes on pages 22-55 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	31/12/2015	31/12/2014
Interest income	19	23.435	24.486
Interest expense	19	(10.843)	(10.838)
Net interest income	**19**	**12.592**	**13.648**
Fee and commission income	20	1.401	1.118
Fee and commission expense	20	(128)	(211)
Net fee and commission	**20**	**1.273**	**907**
Net trading income	21	1.507	2.804
Results from financial transactions	22	(2.737)	(3.848)
Operating income		**12.635**	**13.511**
Impairment changes on loans and advances	8	(6.065)	262
Personnel expenses	23	(3.673)	(3.344)
Depreciation and amortisation		(84)	(69)
Other expenses	24	(2.162)	(2.400)
Profit/(loss) before income tax		**651**	**7.960**
Tax expense	25	(153)	(2.150)
Profit/(loss) for the period		**498**	**5.810**

Other comprehensive income		**31/12/2015**	**31/12/2014**
Movement in available for sale reserve		(1.177)	(156)
Related tax		294	39
Total comprehensive income (after tax)		**(883)**	**5,693**
Profit attributable to:			
Equity holders of the Bank		**498**	**5,810**
Total comprehensive income (after tax)			
Equity holders of the Bank		**(385)**	**5.693**

The notes on pages 22-55 are an integral part of these financial statements

Anadolubank Nederland

Statement of cash flows

in EUR thousand

Cash flows from operating activities	Note	2015	2014
Profit/(loss) for the period		498	5.810
Adjustments for:		-	-
- Depreciation and amortisation	10	84	69
- Net interest & commissions income	19	(13.865)	(14.555)
- Results from financial transactions	22	1.230	1.044
- Net impairment loss on loans and advances	8	6.065	(262)
- Net impairment loss on investment securities	9	-	-
- Income tax income/expense (-/+)	25	153	2.150
Total		**(5.835)**	**(5.744)**
Changes in operating assets and liabilities			
Derivative financial instrument (assets)	6	1.282	1.709
Loans and advances to banks	7	16.966	12.319
Loans and advances to customers	8	(16.144)	(34.005)
Available for sale and trading portfolio		7.983	(28.085)
Other assets	11	(246)	1.202
Derivative financial instrument (liabilities)	6	3.442	8.017
Deposits from banks	12	50.471	(20.794)
Deposits from customers	13	(27.765)	88.162
Other liabilities and provisions	14	4.513	5.121
Total		**40.502**	**27.902**
Interest & commissions received		24.806	24.243
Interest & commissions paid		(11.922)	(10.436)
Realised result on financial transactions and trading income		(5.115)	(3.514)
Tax paid		(315)	(135)
Net cash from/used in operating activities		**7.454**	**38.060**
Cash flows from investing activities			
Acquisition of investment securities	9	(2.760)	(5.914)
Redemptions of investment securities	21	6.000	9.524
Acquisition of property and equipment	10	(51)	(61)
Acquisition of intangible assets	10	(24)	-
Net cash used in investing activities		3.165	3.549
Cash flows from financing activities			
Increase in share capital	15	-	-
Net cash from financing activities		**-**	**-**
Net increase in cash and cash equivalent		**45.286**	**41.609**
Cash and cash equivalents at 1 January	5	108.428	66.362
Effect of exchange rate fluctuations on cash and cash equivalents held		487	457
Cash and cash equivalents at 31 December	**5**	**154.201**	**108.428**

The notes on pages 22-55 are an integral part of these financial statements

Anadolubank Nederland

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Revaluation reserves	Total
Balance at 1 January 2014	**70.000**	**1.142**	**2.877**	**(239)**	**73.780**
Share capital increase	-	-	-	-	-
Profit/(loss) 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**
Balance at 1 January 2015	**70.000**	**4.019**	**5.810**	**(117)**	**79.712**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	5.810	(5.810)	-	-
Net income for the year	-	-	498	-	498
Revaluation of reserves	-	-	-	(883)	(883)
Balance at 31 December 2015	**70.000**	**9.829**	**498**	**(1.000)**	**79.327**

Notes to the financial statements

As at and for the year ended 31 December 2015

1. Reporting entity

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

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

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

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Netherlands Civil Code. They were authorised for issue by the Bank's Management Board on May 10, 2016.

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

The most significant judgments and estimates are as follows;

A Judgements

i. Fair value of financial instruments

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

*ii. **Deferred tax assets***

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

B Assumptions and estimation 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 best estimate of the present value of the future cash flow. In estimating these cash flows, management makes judgments about a debtor's financial situation and net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Bank.

(e) Going concern

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

3. Significant accounting policies

(a) Foreign currency transactions

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

Foreign currency differences arising on translation are generally recognized in profit or loss. However, foreign currency differences arising from the translation for available-for-sale equity instruments are recognized in OCI.

(b) Interest

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

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

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

(c) Fees and commission

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

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

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

(d) Net trading income

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

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

(e) Lease payments made

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

(f) Income tax

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

(g) Financial assets and financial liabilities

(I) Recognition

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

(II) Classification

Financial assets

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

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

Financial liabilities

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

(III) Derecognition

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

(IV) Offsetting

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

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

(V) Amortized cost measurement

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

(VI) Fair value measurement principles

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

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

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

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

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

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

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

(VII Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Derivatives held for risk management purposes

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

(j) Loans and advances to banks and customers

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

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

(k) Investment securities

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

I) Held-to-maturity

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

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

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

II) Available-for-sale

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

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

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

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

IIII) Trading

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

(l) Property and equipment

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

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

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

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

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

(m) Intangible assets

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

(n) Repurchase transactions

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

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

(o) Provisions

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

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

(p) Employee benefits

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

(q) Share capital & reserves

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

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

(r) Off balance sheet engagements

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

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

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

(s) Segment reporting

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

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

(t) New standards and interpretations not yet adopted

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

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

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

4. Operating segments

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

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

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

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

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

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

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**	**-**	**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	**277.175**	**132.110**	**107.281**	**104.096**	**620.662**

5. Cash and cash equivalents

	2015	2014
Cash and balances with banks	1.910	7.717
Unrestricted balances with central banks	138.027	93.649
Money market placements within three months	14.264	7.062
Position as at 31 December	**154.201**	**108.428**

In 2015, the increase in cash and cash equivalents with central banks is mainly a result of excess liquidity resulting in higher placements with central banks in the Netherlands. In December 2015, EUR 52 was pledged as collateral for the long-term lease agreement.

6. Derivatives held for risk management purposes

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

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

31 December 2015

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

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**		**8.045**

7. Loans and advances to banks

	2015	2014
Bank Loans	**125,284**	**142,250**

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

8. Loans and advances to customers

	2015	2014
Corporate loans	248,576	238,577
Retail loans	565	485
Balance at 31 December	**249,141**	**239,062**

In 2015, EUR 6,065 (2014: EUR 78) of impairment losses recognized in the income statement is related to corporate loans and advances.

Loan impairment charges and allowances	2015	2014
Balance at 1 January	15.523	13.914
New impairment allowances	6.065	78
Reversal of impaired loans	-	(340)
Amounts written off(-)	-	-
Effect of foreign currency movements	1.570	1.871
Balance at 31 December	**23.158**	**15.523**

Impairment losses on loans and advances	2015	2014
Impairment losses on loans and advances	6.065	78
Reversal of impaired loans	-	(340)
Balance at 31 December	**6.065**	**(262)**

9. Interest bearing securities

	2015	2014
Held-to-maturity	69.740	70.017
Available-for-sale portfolio	48.817	51.493
Trading portfolio	-	5.307
Balance at 31 December	**118.557**	**126.817**

In 2015, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 6,099 as collateral to DNB (De Nederlandsche Bank) (2014: EUR 19,758).

EUR 95,297 of the securities was under repo and TRS transactions. (2014: EUR 73,689)

Held-to-maturity	2015	2014
Government bonds	8.168	8.186
Corporate bonds	7.251	10.951
Issued by others	54.321	50.880
Balance at 31 December	69.740	70.017

Available-for-sale portfolio	2015	2014
Government bonds	21.888	18.163
Corporate bonds	6.057	5.186
Issued by others	20.872	28.144
Balance at 31 December	48.817	51.493

10. Tangible and intangible assets

Tangible assets	2015	2014
Balance at 1 January 2015	140	116
Additions	51	61
Depreciation	50	37
Balance at 31 December 2015	**141**	**140**

Intangible assets	2015	2014
Balance at 1 January 2015	43	76
Additions	24	-
Depreciation	34	33
Balance at 31 December 2015	**33**	**43**

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

11. Other assets

	2015	2014
Receivable with regard to DGS for DSB Bank	493	219
Suspense accounts	95	123
Balance at 31 December	**588**	**342**

In 2015, the increase on receivable with regard to DGS for DSB Bank is as a result of a provision release. (EUR 274) Receivable with regard to DGS for DSB Bank is expected to be received fully until 2027.

12. Deposits from banks

	2015	2014
Sale and repurchase, securities lending and similar agreements	117,510	85,206
Money market deposits	40,242	22,075
Total	**157,752**	**107,281**

EUR 32,011 (2014: 28,855) of the sale and repurchase, securities lending, loans, and similar agreements was total return swap agreements.

13. Deposits from customers

	2015	2014
Retail customers	**257,060**	**277,175**
Savings	112,868	113,718
Time deposits	144,192	163,457
Corporate customers	**124,460**	**132,110**
Demand deposits	31,511	35,381
Time deposits	92,949	96,729
Total	**381,520**	**409,285**

In 2015, EUR 4,856 of term deposits served as cash collateral for loans advances extended as of December 31, 2015. (2014: EUR 11,636)

14. Other liabilities

	2015	2014
Transfer orders	3	35
Taxes other than income	170	143
Other provisions	460	60
Short-term employee benefits	120	323
Irrevocable letter of credits	19,677	15,459
Others	252	149
Balance at 31 December	**20,682**	**16,169**

In general, other provisions are of a short term nature. EUR 376 of other provisions is due to a court case andthe case is in appeal.

15. Capital and reserves

Dividend payments are subject to the approval of 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 2015. The profit after tax will be added to 'Other reserves'.

16. Contingencies

31 December 2015

	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Total
Guarantee issued	-	-	4	-	108	112
Irrevocable letter of credit	466	3.933	2.344	423	-	7.166
Other commitments	-	-	10.000	-	-	10.000
Total	**466**	**3.933**	**2.348**	**423**	**108**	**17.278**

31 December 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	-	-	4.436
Other commitments	-	-	-	10.000	-	10.000
Total	**2.818**	**1.171**	**460**	**10.000**	**37**	**14.486**

17. Related parties

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

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

31 December 2015

	Parent	Control over the entity	Related parties	Total
Assets	**1.896**	**-**	**439**	**2.335**
Cash and cash equivalent	447	-	-	447
Banks	1.449	-	-	1.449
Loans and advances	-	-	439	439
Liabilities	**-**	**10.208**	**-**	**10.208**
Banks	-	-	-	-
Deposits from customers	-	10.208	-	10.208
Interest income	**505**	**-**	**505**	**1.011**
Interest expense	**110**	**205**	**-**	**316**

31 December 2014

	Parent	Control over the entity	Related parties	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	-	-	-	-
Deposits from customers	-	8.993	-	8.993
Interest income	**132**	**-**	**690**	**822**
Interest expense	**52**	**168**	**-**	**220**

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

Key management personnel transactions	2015	2014
Loans and advances	79	76
Deposits to customers	232	173
Guarantees issued	-	3

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

Key management personnel compensation comprised the following.

Key management personnel compensations	2015	2014
Short-term employee benefits	1,609	1,623
Post-employment benefits	41	41
	1,650	**1,664**

18. Lease commitments

The Bank has entered into a long-term financial obligation in 2012 with duration of 5 years. In 2015, EUR 210 has been paid for the rent of the office.

	2015	2014
Less than one year	221	220
Between one and five years	97	330
	318	**550**

19. Net interest income

Interest income	2015	2014
Cash and cash equivalents	6	13
Loans and advances to banks	4.361	5.423
Loans and advances to customers	14.109	14.373
Interest bearing securities	4.959	4.677
Other	-	-
Total interest income	**23.435**	**24.486**

Interest Expense	2015	2014
Deposits from banks	800	1.366
Deposits from customers	10.043	9.472
Total interest expense	**10.843**	**10.838**

Negative interest in relation to a financial asset is presented as interest expense. (2015: EUR 51)

20. Net fee and commission income

Fee and commission income	2015	2014
Corporate/banking credit related fees	1,182	970
Other	219	148
Total fee and commission income	**1,401**	**1,118**

Fee and commission expense	2015	2014
Corporate/banking credit related expense	91	187
Interbank transaction fees	37	24
Total fee and commission expense	**128**	**211**

Corporate/banking credit related fees are generally on trade finance activities.

21. Net trading income

	2015	2014
Net income from securities held for trading	(130)	674
Net income from securities held for AFS	1,637	2,130
Total trading income	**1,507**	**2,804**

22. Results from financial transactions

	2015	2014
Foreign exchange gain (net)	(2,737)	(3,848)
Other operating income (net)	**(2,737)**	**(3,848)**

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

23. Personnel expenses

	2015	2014
Wages and salaries	2,846	2,682
Compulsory social security obligations	374	317
Contributions to defined contribution plans	330	217
Other fringe benefits	124	128
Total	**3,673**	**3,344**

44 staff are employed by the Bank as of December 31, 2015. (2014; 39)

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

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended December 31, 2015 and December 31, 2014 are as follows:

2015

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

2014

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

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

24. Other expenses

	2015	2014
Operating lease expense	230	238
Communication expenses	93	90
Business travel & acommodation	67	41
Audit fee	266	84
Sofware licensing and other information technology expenses	595	578
Paid taxes other than income	132	82
Tax advisory	13	21
Other consultancy	100	124
Regulatory supervision expenses	298	201
Legal expenses	504	107
Nationalisation of SNS REAAL	-	679
Deposit Guarantie Scheme	32	-
Aditional provision release	(274)	-
Other	104	155
Total	**2.162**	**2.400**

EUR 376 of legal expenses are due to a court case and the case is in appeal. The rest of the legal expenses are generally consultancy fees which is paid to law firms.

Release on provision is related to the receivable with regard to DGS for DSB Bank.

Audit-related fees	**2015**	**2014**
Total audit fee expenses recognized in 2015	**266**	**84**
Expenses related to 2014	165	84
Expenses related to 2015	101	-
Financial statement audit fees	242	68
Audit-related fees	24	16
Total auditor's fee	**266**	**84**

Please note that financial statement audit fees of EUR 161 and Audit-related fees of EUR 4 relate to year 2014.

25. Income tax expense

Major components of income tax expense:

Reconciliation of income tax	2015	2014
Operating profit before tax	651	7,960
Weighted average statutory tax rate	23.5%	24.9%
Weighted average statutory tax amount	**153**	**1,980**
Expenses not deductible for tax purposes	-	170
Effective tax amount	**153**	**2,150**
Effective tax rate	23.5%	27.0%

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

Deferred tax assets	2015	2014
Tax loss-carry forwards	-	1,542
Available for sale securities	333	39
	333	**1,581**

Tax loss-carry forwards are fully used in 2015

26. Fair value information

See accounting policy in Note 3 (g).

a) Valuation models

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

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

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

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

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

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

As at 31 December 2015 and at 31 December 2014, the fair value of the securities measured at fair value represents the 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 is included below.

b) Financial instruments measured at fair value

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

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 liabilites	8.045	-	8.045
Total liabilities	**8.045**	**-**	**8.045**

The Bank does not have any financial instrument measured at level 3 fair value as of December 31, 2015.

The following table sets out the fair values of financial instruments not measured at 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 2015	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equilavents	154.201	154.201	154.201	-	-
Loans	374.425	396.623	-	-	396.623
Securities not measured at fair value	69.740	73.166	40.904	32.262	-
Total assets	**598.366**	**623.990**	**195.105**	**32.262**	**396.623**
Liabilities					
Banks	157.752	157.796	-	-	157.796
Funds entrusted	381.520	391.557	-	-	391.557
Total liabilities	**539.272**	**549.354**	**-**	**-**	**549.354**

31 December 2014	Carrying value	Fair value	Level 1	Level 2	Level 3
Assets					
Cash and cash equilavents	108.428	108.428	108.428	-	-
Loans	381.312	395.687	-	-	395.687
Securities not measured at fair value	70.017	74.940	48.450	26.490	-
Total assets	**559.757**	**579.055**	**156.878**	**26.490**	**395.687**
Liabilities					
Banks	107.281	107.362	-	-	107.362
Funds entrusted	409.285	415.294	-	-	415.294
Total liabilities	**516.566**	**522.656**	**-**	**-**	**522.656**

27. Financial risk management

(a) Introduction and overview

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

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

Risk management framework

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

The 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, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner. At the same time, studies for compliance with the international banking applications, Basel III, are carried out.

(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). In 2015, EUR 6,065 of impairment losses recognized in income statement is related to corporate loans and advances. (See note 8)

Past due but not impaired loans

The Bank had no past due loans and advances as of 31 December 2015.

Collateral policy

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

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Collateral analysis	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**
Against neither past due nor impaired:						
Secured by cash collateral	5.037	11.636	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-
Secured by mortgages	24.764	1.237	-	-	-	-
Other collateral	180.371	160.304	-	-	-	-
Uncollateralized exposure	38.969	65.885	125.284	142.250	118.557	126.817
Carrying amount	**249.141**	**239.062**	**125.284**	**142.250**	**118.557**	**126.817**

Other collateral contains collaterals such as personal and bank guarantee.

Sectorial and geographical concentration of loans & advances and investment securities

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Concentration by sector	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**
Corporate:						
Basic materials	15.125	27.864	-	-	-	-
Consumer products non-food	7.234	-	-	-	-	-
Building materials	17.974	35.605	-	-	-	-
Private individuals	565	493	-	-	-	-
Technology	13.071	12.423	-	-	845	2.207
Financial intermediation	38.317	57.466	-	-	3.552	3.142
Construction & Infrastructure	11.280	11.989	-	-	-	-
Automotive	8.507	9.912	-	-	-	-
Transport&Logistics	45.659	19.349	-	-	-	1.052
Food, Beverages & Tobacco	2.974	2.315	-	-	-	1.896
Agriculture & Fishing	3.089	-	-	-	-	-
Chemicals	46.935	24.528	-	-	-	-
Oil & Gas	11.239	7.406	-	-	8.293	7.166
Telecom	14.974	9.295	-	-	1.788	-
Others	765	-	-	-	1.935	-
Utilities	9.303	18.288	-	-	-	-
Healthcare (Inc. Social Work)	2.130	2.130	-	-	-	-
Government	-	-	-	-	30.056	26.349
Bank	-	-	125.284	142.250	72.088	85.005
Carrying amount	**249.141**	**239.062**	**125.284**	**142.250**	**118.557**	**126.817**

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Concentration by country	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**
Europe	77.859	83.387	32.110	37.930	58.744	65.440
Rest of the countries	171.282	155.675	93.174	104.320	59.813	61.377
Turkey	71.253	88.419	87.838	93.838	44.471	45.914
Russia	4.020	6.330	5.336	8.002	-	-
Switzerland	28.088	18.965	-	-	-	-
Egypt	6.595	-	-	-	-	-
Cayman Islands	-	-	-	-	2.565	2.570
Azerbaijan	-	-	-	2.480	4.686	4.221
Marshall Islands	30.909	15.203	-	-	-	-
United Arab Emirates	17.992	9.295	-	-	-	-
United States of America	3.272	7.006	-	-	-	-
Panama	3.455	2.430	-	-	-	-
Cook Islands	788	2.675	-	-	-	-
Brazil	-	-	-	-	3.037	3.033
Kazakhstan	-	-	-	-	433	374
Qatar	-	-	-	-	4.622	4.138
Serbia	-	-	-	-	-	1.127
Macedonia	2.974	2.315	-	-	-	-
Brunei	-	3.037	-	-	-	-
China	28	-	-	-	-	-
Virgin Islands, British	1.908	-	-	-	-	-
Carrying amount	**249.141**	**239.062**	**125.284**	**142.250**	**118.557**	**126.817**

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Credit quality analysis	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**	**Dec-15**	**Dec-14**
Rated BBB- to AA	13.758	14.242	99.437	110.059	98.025	91.451
Rated B- to BB+	13.822	8.327	25.556	30.831	20.085	32.044
CCC	-	-	291	399	-	-
Unrated*	221.560	216.493	-	961	446	3.322
Carrying amount	**249.141**	**239.062**	**125.284**	**142.250**	**118.557**	**126.817**

(*) 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 which outline measures to take in the event of difficulties arising from a 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.

Residual contractual maturities of financial assets and liabilities

The tables below show the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2015 figures with those of 31 December 2014. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or an increasing balance. EUR 493 under the non-distributable item is related to DGS apportionment relating to DSB Bank which will be disbursed by DNB due to the payment of distribution of assets of DSB Bank. Daily liquidity and the liquidity maturity calendar are part of the Bank's Risk Management. Liquidity tests and stress test scenarios are made under ICAAP, ILAAP and Recovery Plan.

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

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

31 December 2015

Assets	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distribut-able
Cash and cash equivalents	154.201	139.937	14.263	-	-	-	-	-
Banks	125.284	-	9.029	8.002	85.607	22.647	-	-
Loans and advances	249.141	-	26.531	37.177	57.791	105.193	22.449	-
Interest bearing securities	118.557	-	-	-	17.769	52.013	48.775	-
Current tax assets	1.773	-	-	-	-	1.773	-	-
Deferred tax assets	333	-	-	-	-	-	-	333
Other assets	1.479	-	69	330	33	212	247	588
Total assets	**650.768**	**139.937**	**49.892**	**45.509**	**161.200**	**181.838**	**71.471**	**921**

Liabilities	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distribut-able
Banks	157.752	14.000	50.422	51.611	41.719	-	-	-
Funds entrusted*	381.520	31.511	189.080	33.250	41.514	86.165	-	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	32.169	-	758	4.527	22.161	3.517	653	552
Total liabilities	**571.441**	**45.511**	**240.260**	**89.389**	**105.395**	**89.682**	**653**	**552**
Shareholders' equity	79.327	-	-	-	-	-	-	79.327
Total liabilities and equity	**650.768**	**45.511**	**240.260**	**89.389**	**105.395**	**89.682**	**653**	**79.879**
Net liquidity		**94.427**	**(190.368)**	**(43.879)**	**55.805**	**92.156**	**70.818**	**(78.958)**

** Including saving accounts (<= 1 month) which has in average a longer term characteristic*

31 December 2014

	Carrying amount	Demand	< = 1 month	1-3 months	> 3 months < = 1 year	> 1 year < = 5 years	> 5 years	Not distribut-able
Total assets	620.662	101.386	55.029	41.202	144.522	204.142	70.276	4.105
Total liabilities	620.662	35.381	220.820	60.188	118.430	97.206	-	88.637
Net liquidity		**66.005**	**(165.791)**	**(18.986)**	**26.092**	**106.936**	**70.276**	**(84.532)**

(d) Operational risk

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

The objective in managing operational risk is to increase the efficiency and effectiveness of the Bank's resources, minimize operational losses and exploit opportunities. The Risk Management Department has initiated a project relating to the self-assessment processes and to enhance the resulting qualitative risk management information set. This will align, connect and integrate key non-financial risk assessment processes. There will be significant investments in the Operational Risk & Control Assessment Program in 2016 as well.

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

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

(e) Market risk

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

Management of market risk

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

Exposure to interest rate risk – non-trading portfolios

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:

Anadolubank Nederland

31 December 2015

Assets	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Cash and cash equivalents	154.201	14.264	-	-	-	139.937
Banks	125.284	42.191	26.586	39.197	17.311	-
Loans and advances	249.141	108.713	64.637	26.841	48.950	-
Interest bearing securities	118.557	21.051	1.844	5.046	90.616	-
Current tax assets	1.773	-	-	-	1.773	-
Deferred tax assets	333	-	-	-	-	333
Other assets	1.479	-	-	-	174	1.305
Total assets	**650.768**	**186.219**	**93.067**	**71.084**	**158.823**	**141.575**

Liabilities	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Banks	157.752	106.873	36.879	-	-	14.000
Funds entrusted	381.520	222.331	18.173	23.342	86.165	31.509
Current tax liabilities	-	-	-	-	-	-
Other liabilities	32.169	-	-	-	-	32.169
Total liabilities	**571.441**	**329.204**	**55.052**	**23.342**	**86.165**	**77.678**
Surplus/deficit	**79.327**	**(142.985)**	**38.015**	**47.742**	**72.658**	**63.898**

31 December 2014

	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	>1 year	Non interest
Total assets	620.662	156.750	93.262	61.335	203.824	105.491
Total liabilities	540.950	264.614	58.377	61.063	97.131	59.765
Surplus/deficit	**79.712**	**(107.864)**	**34.885**	**272**	**106.693**	**45.726**

(f) Currency risk

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

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

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk at 31 December 2015, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

31 December 2015

Assets	Euro	USD	TRY	Other	Total
Cash and cash equivalents	140.604	4.971	8.094	532	154.201
Banks	68.619	56.665	-	-	125.284
Loans and advances	89.587	145.857	13.697	-	249.141
Interest bearing securities	61.950	56.607	-	-	118.557
Current tax assets	1.773	-	-	-	1.773
Deferred tax assets	333	-	-	-	333
Property and equipment	141	-	-	-	141
Derivative financial assets	717	-	-	-	717
Intangible assets	33	-	-	-	33
Other assets	588	-	-	-	588
Total assets	**364.345**	**264.100**	**21.791**	**532**	**650.768**

Liabilities	Euro	USD	TRY	Other	Total
Banks	80.819	73.163	3.770	-	157.752
Funds entrusted	262.381	85.910	30.611	2.618	381.520
Current tax liabilities	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Derivative financial liabilites	11.487	-	-	-	11.487
Share capital and share premium	70.000	-	-	-	70.000
Retained earnings	9.829	-	-	-	9.829
Revaluation reserves	(107)	(893)	-	-	(1.000)
Net Profit	498	-	-	-	498
Other liabilities	884	19.796	2	-	20.682
Total liabilities	**435.791**	**177.976**	**34.383**	**2.618**	**650.768**

Net on balance sheet position	**(71.446)**	**86.124**	**(12.592)**	**(2.086)**	**-**
Net notional amount of derivatives	**60.868**	**(87.201)**	**12.593**	**2.084**	**(11.657)**
Net position	**(10.578)**	**(1.077)**	**1**	**(2)**	**(11.657)**

31 December 2014

	Euro	USD	TRY	Other	Total
Total assets	336.762	249.745	33.080	1.075	620.662
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)**

(g) Capital management

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

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

Tier 1 capital	**79.294**	**78.990**
Paid-in capital	70.000	70.000
Retained earnings	9.829	4.019
Revaluation reserves	(1.000)	(117)
Net profit	498	5.810
Regulatory adjustments	(33)	(722)
Tier 2 capital	**-**	**-**
Regulatory capital	**79,294**	**78,990**

28. Other information

Subsequent events

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

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

After deducting appropriate impairment, the net profit for the year reported in the annual financial statements of the Bank amounts to EUR 498.

There will not be any dividend for the financial year.

Proposed profit appropriation

The profit is appropriated 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 appreciation:

Net Profit	**498**
Addition to retained earnings pursuant to Article 23 of the Articles of Association	498

Independent auditor's report

To: the General Meeting and the Supervisory Board of Anadolubank Nederland N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion the financial statements give a true and fair view of the financial position of Anadolubank Nederland N.V. as at 31 December 2015, and of its result and its cash flows for 2015 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.

What we have audited

We have audited the financial statements 2015 of Anadolubank Nederland N.V., based in Amsterdam. The financial statements comprise:

1. the statement of financial position as at 31 December 2015;
2. the statement of profit or loss and other comprehensive income for the year 2015;
3. the statement of cash flows for the year 2015;
4. the statement of changes in equity and
5. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

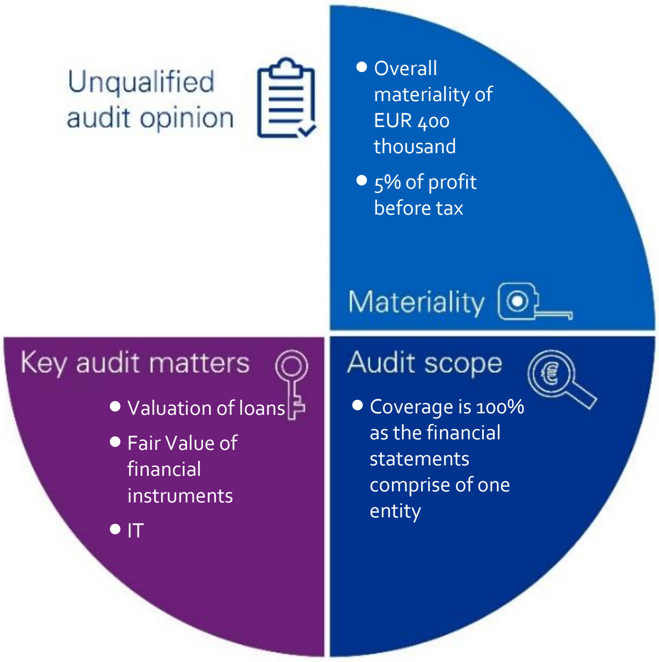
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

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

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

Audit approach

Summary



Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgment we determined the materiality for the financial statements as a whole at EUR 400 thousand (2014: EUR 420 thousand). The materiality is determined with reference to a benchmark of profit before tax (5%). We consider profit before tax as the most appropriate benchmark as we believe that profit before tax is a relevant metric for assessment of the financial performance of the financial statements given the nature and business of the Company. For 2015 we have normalized this benchmark for the one-off loan loss impairment, which we considered appropriate as the nature of the activities remained stable. 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 misstatements in excess of EUR 20 thousand, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Estimation uncertainty with respect to valuation of loans and advances

Description

Certain aspects of the valuation of loans and advances require significant judgment, such as the identification of loans and advances that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. We have therefore identified the valuation of loans and advances as a key audit matter due to the significance of loans (representing 57% of total assets) and the related estimation uncertainty. The loans which give rise to the highest estimation uncertainty are typically those with exposures that are unsecured or are subject to potential cash flow or collateral shortfalls.

Refer to the estimates and judgements section in Note 2 on the Financial Statements and related disclosures of credit risk within the Risk section of the Managing Board Report.

Our response

Our audit procedures included the testing of controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used in determining and calculating the impairment for loan losses. We examined a selection of loan exposures that either continued to be, have become, or were at risk of being individually impaired. We applied professional judgement in selecting those exposures for our detailed inspection. We also inspected the impairment calculations for impaired loans as performed by management and engaged KPMG Credit Risk specialists to perform a sensitivity analysis on the calculation performed by management. In addition we have inspected the results of the delinquent payment monitoring.

Additionally, we assessed whether the financial statement disclosures appropriately reflect the bank's exposure to credit risk, specifically considering those credit files identified in 2015 as presenting the largest risk.

Our observation

Overall we assess that the assumptions used by management and related estimates resulted in a balanced valuation of loans and advances after deduction of loan loss impairments. The related disclosures in the financial statements are in accordance with applicable accounting principles. In our audit report to the Supervisory Board and Management Board we included process improvements regarding the documentation of the annual credit file review.

Fair Value of financial instruments

Description

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 interest bearing securities and derivatives as a key audit matter. As disclosed in note 26, the bank has no financial instruments with level 3 fair values.

Our response

We have tested the level 1 fair valuation by comparing the fair values applied by the bank with publicly available market data. For level 2 model based valuations, we tested the appropriateness of the models used, challenged the assumptions used by management and verified the reliability of the data that was used as input to these models by comparing this data with comparable publicly available market data.

Our observation

Overall we assess that the assumptions used by management and related estimates resulted in a balanced outcome of the valuations in accordance with the applicable accounting principles. The disclosures in the financial statements as included in note 26 are in accordance with applicable accounting principles.

Reliability and continuity of the information technology and systems

Description

The bank is dependent on its IT-infrastructure for the continuity of its operations. The bank makes investments in its IT systems and -processes as it is continuously improving the IT-infrastructure and the reliability and continuity of the electronic data processing. We have therefore identified this as a key audit matter.

Our response

We have assessed the reliability and continuity of the electronic data processing, as far as necessary within the scope of our audit. For that purpose we have performed procedures regarding the general IT and application controls, among others back-up and recovery procedures, access to programs and data of Anasys. We included

Reliability and continuity of the information technology and systems
IT-auditors in our audit team to assist us with these procedures.
Our observation Based on the test work that we performed we have been able to rely on General IT controls and application controls for our audit of the financial statements.

Responsibilities of the Management Board 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 with 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 framework 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 company 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 financial statements

Our objective is to plan and perform the audit 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. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport

Report on other legal and regulatory requirements

Report on the Management Board 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 General Meeting of Shareholders as auditor of Anadolubank Nederland N.V., as of the audit for year 2007 and have operated as statutory auditor since then. For the 2015 audit we were re-appointed by the General Meeting of Shareholders on 11 June 2015. Starting 2016 the financial statements of Anadolubank Nederland N.V. will be audited by another audit firm following our rotation as external auditors.

Amstelveen, 10 May 2016

KPMG Accountants N.V.

M.L.M. Kesselaer RA

Anadolubank Nederland

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