Anadolubank Nederland

Annual Report 2013

Contents

Our Vision

Anadolubank Nederland N.V.'s vision is to create added value for our clients, employees, business partners and shareholders through continuously developing and improving banking activities in diversified markets, contributing to the overall economic activity of the markets in which we operate, not only in terms of funds allocated but also the risk management approaches to be implemented.

Our Mission

- Creation of added value for our clients;
- Providing our clients with innovative, problem solving and risk mitigating tailor made solutions;
- Serving our clients in the most accurate, fastest and safest way possible;
- Praising, encouraging and nourishing creative and progressive thinking among our people and contributing to their personal development.

Our Profile

Anadolubank Nederland N.V. is a Dutch licensed bank with a Turkish origin that offers highly qualified services and a wide range of products to global and local clients.

Established in 2006, Anadolubank Nederland N.V. was granted a full banking license by De Nederlandsche Bank (Dutch Central Bank) in early August 2007. Launching its operations at the beginning of 2008 as a new actor in the Dutch financial sector, Anadolubank Nederland N.V. uses its innovative and dynamic experience that was obtained in the Turkish financial sector, combined with Netherlands regulations to render the best and fastest service to its customers. Anadolubank Nederland N.V. is part of one of the largest conglomerates in Turkey, and thus is able to offer attractive and competitive pricing to meet its customers' needs.

The Bank is a wholly-owned subsidiary of Anadolubank A.S., a Turkish bank owned by the Habaş Group, which enjoys high sales volumes and outstanding export performance. The Group is one of the major companies of Turkey, producing industrial and medical gases, steel, electrical energy, heavy machinery, distributing Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG), offering sea transportation services for LPG as well as operating sea ports. The Habaş Group is determined to maintain and enhance its competitive superiority by continuous investment in new production lines, products and services.

Anadolubank A.S. is a commercial bank with more than 100 branches and is still expanding its branch network in Turkey. Even though, it is relatively new in the industry, it is already among the leading and pioneering institutions in the Turkish financial services industry, thanks to the strength of its shareholders, its hand-picked and seasoned management team and diligent employees. Anadolubank A.S. offers to meet the working capital and trade finance requirements of small and medium sized enterprises (SMEs) which are at the heart of the Turkish economy. The banks goal is to offer not only run of the mill banking products, but also distinguished and personalized services to its individual customers.

Anadolubank Nederland N.V.'s solid funding base, coupled with a robust capital structure, is the primary factor underlying its success. The Bank's core competencies include financing medium sized enterprises as well as funding global - international trades worldwide.

Anadolubank Nederland N.V. specializes in corporate banking and retail banking with particular prominence attached to structured financial products such as pre-export financing, commodity financing and forfaiting. For commercial banking services and products, the Bank has a particular focus on supporting medium sized international enterprises.

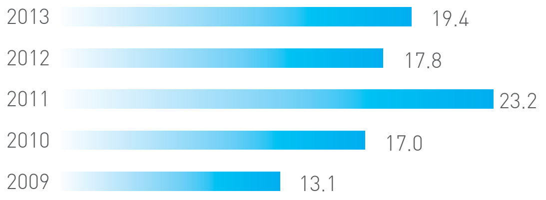
The Bank's Management Board reviews the Bank activity plans and results on a monthly basis with the primary aim of establishing the best performance services, and expanding its activities while maintaining a high level of customer service, liquidity and solvency. Anadolubank Nederland N.V. focuses on appropriate and comprehensive Customer Due Diligence (CDD) policies, procedures, and processes for obtaining information, especially if it appears to present a higher risk of money laundering and terrorist financing. Innovative and well-designed products help the Bank to maximize customer satisfaction while also creating a loyal customer base. The Bank fully met all the requirements of Basel III, several years before the implementation date.

The Bank's operational flows are divided into two main activities, Retail Banking and Commercial Banking. As of December 31, 2013, the Balance Sheet closing date for the Bank's operations in 2013, Anadolubank Nederland N.V. has a paid-in capital of EUR 70,000,000.

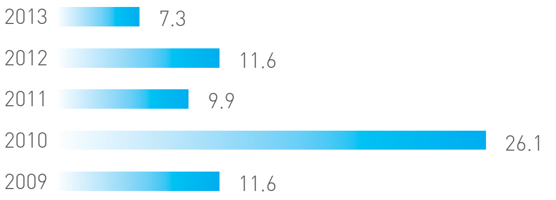
Five-year Key Figures

Key figures in thousands of EURO	2013	2012	2011	2010	2009
Total assets	523,436	460,686	370,362	332,362	306,842
Loans	348,964	325,440	278,839	247,342	224,054
Securities	99,439	76,108	42,964	52,504	89,008
Deposits	321,123	312,031	277,744	272,629	248,250
Shareholders' equity (including results after tax)	73,652	56,350	60,769	40,087	33,013
Operating result before tax and impairments	5,156	6,812	4,979	9,480	3,683
Provisions	(1,504)	(12,981)	(10,797)	-	-
Result after tax and impairments	2,749	(4,627)	(4,318)	7,074	2,750
%					
Return on average equity before impairments and tax	7.3	11.6	9.9	26.1	11.6
Loans/deposit	108.7	104.3	100.4	90.7	90.3
Cost/income ratio	47.8	33.6	34.9	23.6	45.6
Cost /average assets	0.9	0.8	0.8	0.9	1.2
Capital adequacy ratio	19.4	17.8	23.2	17.0	13.1

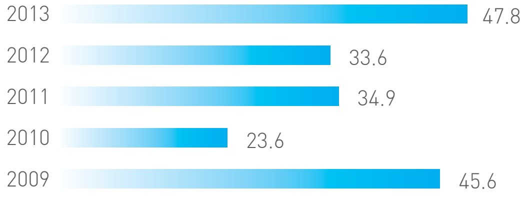
Capital adequacy ratio %



Return on average equity before impairments & tax %



Cost / income ratio %



Supervisory Board Report

We are pleased to present the Annual Report of Anadolubank Nederland N.V. for the year ended December 31, 2013. 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 opinion of the independent auditors is discussed in the Supervisory Board.

The Bank reported a profit before tax and impairments amounting to EUR 5.2 million for 2013. We recommend to the General Assembly of Shareholders the approval of Anadolubank Nederland N.V.'s Annual Accounts for 2013 and propose that the profit after tax and impairments (EUR 2.7 million) will be added to the Bank's reserves. Approval of the Bank's accounts by the Annual General Meeting of Shareholders will discharge the Management Board from liability with respect to the management activities and the Supervisory Board with regard to its supervision thereof.

During the year under review, the Supervisory Board met periodically with the Management Board to review the interim figures, management reports and reports of the internal and external auditors and audits by DNB. The Supervisory Board received updates regarding the Bank's operation results at least on a quarterly basis. The Audit, Risk & Compliance Committee (ARC) was abolished. The individual Board members have now been assigned with specif roles and responsibilities that is used to be taken care of by the ARC committee. For this matter the Supervisory Board charter is reviewed.

2013 was an eventful year. The financial uncertainty continued, the macro economic situation turned out to be again unpredictable. More specific internal, changes in the Supervisory and Management Board became effective, the Risk Management Framework was implemented in October 2013 and steps forward in the creation of a new Compliance framework were realized. Nevertheless all these efforts to strengthen the organization, the Bank realized a profit.

Thanks to the capable and experienced management, Anadolubank Nederland N.V. maintained sustainable growth and has focused on long-term value creation. The Supervisory Board has confidence in the strategy and together with Management Board's broad understanding of industry dynamics and global economic conditions, the Bank's long-term health, growth and profitability will be ensured well into the future.

In the Supervisory Board, Mr. F. de Pierpont (June 2013), has resigned from his duties as member of the Supervisory Board. We would like to thank him for his contribution to the Bank during the period he was a member of the Supervisory Board.

The General Meeting of shareholders appointed Mr. Smith and Mr. Dogru (April 2013); Mr. Star (December 2013; effective from 1 January 2014) as new members of the Supervisory board.

Mr. Smith is a senior banking manager with more than 25 years of international banking experience in Internal Audit, Risk Management and advisory services, during the period he worked for ABN AMRO Bank N.V. Mr. Dogru joined the Anadolubank N.V.'s Supervisory Board in April 2013. He started his professional career on the Board of Sworn Bank Auditors of Turkey as auditor in 1988. He began working as the Assistant General Manager of Kentbank in 1999. Having joined Anadolubank as Assistant General Manager in 2002, Mr Doğru has been serving as a Member of the Board of Directors of Anadolubank A.Ş.since 2008. He also holds a phd in banking & finance. Mr. Star is an experienced senior international banker, among other things as country manager in South Africa and Greece for several years during his period he worked for ABN AMRO Bank N.V.

In line with the interpretation of the Dutch Governance Code, as good practice, the General Meeting of Shareholders decided, effective 1 July 2013, that an independent member of the Supervisory Board will be the Chairman of the Board. Consequently, Mr. P. Akcin and Mr. A. J. Smith swapped positions in the Board, with the latter being appointed Chairman.

Composition of the Supervisory Board:

Name	Position	Membership Since	End of Term
A. J. Smith	Chairman	2013	2017
P. Akcin	Member	2007	2017
C. Dogru	Member	2013	2017
A. Star	Member	2014	2018

The Supervisory Board has decided to make a revision on the structure of the Management Board. In the new composition the Management Board consists of a CEO and two Managing Directors in order to maintain an effective segregation of duties. The Supervisory Board proposed this revision in order to ensure an appropriate blend of commercial skills of CEO and experience to govern and to ensure the Management Board works effectively.

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.

Composition of the Management Board:

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

Since 1st January 2013 the Dutch Civil Code, book 2 ('company law'), is amended with a rule on gender diversity in the managing board and supervisory board of a 'large' public or private limited company. Anadolubank N.V. qualifies as 'large' public limited company and hence must satisfy the requirements of the said rule, aiming for a minimum of 30% male/female board membership allocation up until 2016.

As per 1st January 2014 (and over the year 2013), the Supervisory Board of Anadolubank N.V. consists of men only – not intentionally; it is a consequence of appointing (at that time) the right talent and relevant expertise to the right position. Nevertheless at this time such division is considered to be an 'imbalance' by the new rule in the Dutch Civil Code. The respective Boards in Anadolubank N.V. are aware of this imbalance and non-compliance to this new rule. Anadolubank N.V. will aim for such balanced gender distribution and in the course of the coming period, it will start making plans to fulfill this requirement.

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

Amsterdam, May 06, 2014

A. J. Smith, Chairman
P. Akcin, Member
C. Dogru, Member
A. Star, Member

Management Board Report

Due to the negative market developments the Management Board maintained a conservative approach in expanding the activities. Subsequently the asset total rose to EUR 523 million, which is slightly higher than our expectations. The Bank has recorded EUR 2.7 million net profit after tax and value adjustment.

As Anadolubank Nederland N.V. we continue to maintain a strong Risk Management policy.

We also continue to maintain a strong liquidity and solvency position. We are proud to state that we already fulfill all Basel III requirements, namely with our solvency, liquidity and leverage ratios.

The Bank has established a loyal customer base in a short period of time and differentiates itself from the competition by providing superior quality of services to its customers.
For the year under review, no bonuses are paid to the Management or other staff, similar to former years.

Economic Developments

The economy in 2013 can be summarized as one with growing consumer and business confidence, a reduction in consideration measures, an accommodative monetary policy and reducing uncertainty with regard extreme negative developments in the developed world. The US economy grew by 1.9% in 2013, reaching 4.1% annual growth in the third quarter. The growth was generated by net trade and inventory accumulation with domestic demand remaining relatively weak. One of the main factors constraining GDP growth was the fiscal drag arising from around USD 180 billion rise in the payroll tax and income tax rate, and USD 74 billion reduction in real federal spending related to the automatic spending cuts.

The US labor market is gradually gaining momentum with annual unemployment of 7.4%. Wage growth was up by 1.9% YoY which is the strongest since the recession. However, decreasing participation rates creates new policy challenges. The Fed started to gradually tapper its quantitative easing program, reducing its monthly purchases by USD 10 billion. Moreover, it strengthened its forward guidance thereby softening the market reaction.

The recovery in the developed world and quantitative easing program tapering in the US, intensified the volatility in emerging markets. In addition, emerging markets were faced with slowing growth, inflation and worsening current account balances.

The Eurozone's economy grew by 0.3% in the final three months of 2013, up from 0.1% growth in the previous quarter. It was the third quarter of growth since the end of an 18-month recession, the longest period of contraction to affect the Eurozone area. The Eurozone figures include 17 of the EU's economies. Latvia became the currency zone's 18th member in January. Across the whole 28 nation EU, including the UK, growth for the October to December period was 0.4%. During 2013, GDP contracted by 0.4% in the Eurozone, but grew by 0.1% in the EU as a whole.

Earlier, French government figures indicated that the country's economy grew by 0.3% in the last three months of 2013. Growth was zero in the third quarter of 2013. The figures mean that the world's fifth largest economy managed to avoid falling back into recession. Overall the French economy grew by 0.3% in the final quarter of 2013. The German economy also notched up higher growth in the October to December period. The country's GDP expanded by 0.4% in the final quarter of 2013. The figures were boosted by exports and capital investment, but there were "mixed signals" from domestic demand, with a drop in household spending.

According to preliminary figures, Germany's economy grew by 1.3% in 2013, generally beating analysts' expectations. Italy's official statistics office also issued figures showing that its economy returned to growth after a two-year recession. GDP grew by 0.1% in the final quarter of 2013, after showing zero growth in the previous three months. However, during 2013 the overall economy shrank by 1.9%.

The Dutch Economy

The Dutch economy bottomed out in 2013 and started on a recovery path in the third quarter of 2013. The main growth driver was recovering world trade (1.1%), which was still below the long-term average of 4.6% per annum. Despite the improving economy, the unemployment rate continued to rise as businesses were focused on cost cutting measures and boosting labor productivity. Further deterioration in the unemployment figures caused a sharp rise in the number of self-employed people. The jobless rate, however is expected to stabilize in 2014. The inflation rate fell slightly below the 2% ECB target from one of the highest in the EU (3% YoY in the first quarter of 2013) as the initial effects of the hike in VAT (from 19% to 21% in October, 2012), abated.

More stable economic conditions in the Netherlands and the rest of the world sharply boosted consumer confidence. However, private consumption continues to shrink (at around -2.2% in 2013). The combination of high inflation (at the beginning of the year), falling employment, limited wage rises and higher taxes and social insurance contributions resulted in a reduction in the real disposable income of about 6% in 2012 and 2013. Furthermore, the reduced appetite for home ownership further curtailed private consumption. More stringent mortgage lending conditions, declining real disposable income and rising unemployment dragged house prices lower until the third quarter of 2013, when housing prices edged up by 0.4% on a quarterly basis, however, still falling on an annual basis. Housing prices are likely to recover in 2014 as consumer confidence returns in the housing market and the number of real estate transactions starts to pick up in 2013.

Corporate investments felt sharply in 2013 (by around 8%) as market demand remained weak but modest recovery is expected in 2014. In addition, banks have become more reticent in providing business loans, thus depressing the investment growth even further. 2013 was a year of government spending reforms with sharp budget cuts (totaling EUR 6 billion or 1% of GDP) and tax-hikes. Due to these sharp measures, the budget deficit fell substantially from 4.1% of GDP to 3.2%. However, it remained above the Maastricht criteria of 3% of GDP.

Turkish Economy

The Turkish economy accelerated in 2013, but the medium term prospects for growth are to remain below potential. This was accompanied by a rebalancing of growth from domestic demand to foreign trade, a temporary narrowing of the current account deficit, and a decline in inflation. The economy expanded by 4.0% YoY in the first three quarters of 2013 on the back of private consumption, public investments and inventory build-up. The 12-month cumulative current account deficit has risen back up to 6.6% of GDP. Turkey's total external financing requirements over the next 12 months remain high at around USD 225 billion. Exchange rate depreciation, hikes in unprocessed food prices and stronger domestic demand have pushed inflation above the Central Bank's target in 2013. Annual inflation reached 7.3% in November 2013, compared to 6.4% a year before and the Central Bank target range of 3-7% for the end of 2013.

The Fed's announcement that it was considering tapering its asset purchases, put the TL under pressure. Turkey was affected relatively more than other emerging markets as a result of its large external imbalances. The CBRT reacted by raising the upper limit of the interest rate corridor by an aggregate 125 bps in July to 7.75%. In addition, the Central Bank also increased the number of exceptional days to two. As a result, the overnight interbank rate rose to 7.75% in December 2013 from 6% in July.

S&P kept Turkey's rating at BB+, one notch below investment grade. Fitch Ratings and Moody's Investors Service promoted Turkey to investment grade in 2012 and 2013 respectively. Turkey's recent economic performance illustrates both the high potential and the continuing imbalances of the economy.

Financial Institutions

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

The Department also administers the Bank's relationships with its correspondent banks, which encompasses expanding and optimizing the correspondent network, multiplying 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 2013, the Financial Institutions Department has participated in syndicated loans in the Middle East, the European Union, Turkey and Russia, both at the corporate level and on the financial institution basis. Promissory notes were conducted in the forfeiting market. In addition, the Department also expanded businesses with customers in leasing and factoring sectors. For issuance of LCs, LGs, FI offered intermediary services between the Bank's customers and International financial institutions.

The origination activities account for more than 40% of the Bank's portfolio, the Department has always strived for profitability while assisting other Departments. Anadolubank Nederland N.V. also assists Central and Eastern European Turkish and CIS banks with debt origination.

Trade Finance

Trade Finance has been one of the key business lines consistently adding value to Anadolubank Nederland N.V in terms of reputation and from a financial perspective. While diversifying the product range of Trade Finance activities, execution and understanding of customer requirements have also improved significantly. In 2013 many steps have been taken to expand the Trade Finance business at Anadolubank Nederland N.V. A new member joined our team in 2013. As a result, 2013 was a growth year for the Trade Finance Department which displayed a commendable performance which stands out in areas such as client acquisition, commission income and profitability. In addition to new clients in the customer portfolio, activation of some existing inactive customers together with a step-up of efforts, positively impacted trade finance volumes.

During 2013, the trade finance team outperformed both the budgeted trade finance volumes and exposure targets. This trend is also clear in customer acquisition, deposit generation and profitability. The assets including on- and off-balance sheet assets managed under the Trade Finance team advanced by some 7 percent reaching the EUR 110mn level by the end of the year. While being profitable, the Trade Finance team also focused on the satisfaction of our clients and all counterparties.

Our efforts to broaden our customer base and sector coverage during 2013 resulted in a widening of sector diversification and a reduction in country concentration in our non-bank exposures. This strategy will be further pursued in 2014 and new customers from various new geographies as well as existing and prospect sectors will contribute in further reducing concentrations.

Corporate Banking

Anadolubank Nederland N.V. Corporate Banking offers its customers a wide range of products and services, including corporate loans, trade finance, and project finance, as well as treasury products.

The objective of Anadolubank Nederland N.V. Corporate Banking Department is to create a solid customer portfolio both with its existing and prospective clients. The Corporate Banking Department works in parallel with other Departments in order to offer tailor made corporate banking products and provide the best services to its customers. Subsequently, sustainable customer satisfaction is the ultimate goal for us.

The Corporate Banking Department was officially established in 2013. Anadolubank Nederland N.V. intends to grow its corporate loans portfolio by expanding the number of its clients and growing the level of loans disbursed. In order to achieve this, visits to customers in various sectors have been undertaken frequently.

In 2014, Anadolubank Nederland N.V. Corporate Banking aims to maximize customer satisfaction by meeting its customers' needs with the best quality products and the bank will continue to expand its corporate portfolio and diversify its exposure across sectors.

Retail Banking

In 2013, Anadolubank Nederland N.V. Retail Banking Department maintained its focus on fast, reliable and consistent customer service, and competitive pricing.

The Bank continued to enhance customer-oriented lines of communication and straightforward solutions to customer requests. Reaping the benefits of a cost efficient direct banking business model supported by centralized workflow systems, the Retail Banking department was able to offer competitive interest rates throughout 2013.

The internet continued to be the main channel of customer acquisition and activity in 2013. The Department maintains its short- and long-term plans for ongoing augmentation of its customer base and deposits volume.

Compliance

The Compliance Department provides an independent insight pertaining to the Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) policies, as well as Know Your Customer (KYC), Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) procedures. So doing, the department helps the bank to comply with laws and regulations such as, Wwft (Wet Ter Voorkoming Van Witwassen En Financieren Van Terrorisme), Sanctions Act 1977, Wft (Wet op het financieel toezicht), Code Banken, FATF Recommendations, EU Directives, OFAC Statements and UN Resolutions. The compliance function of the Bank is performed in coordination with the Supervisory Board member who is in charge of Audit, Risk and Compliance to keep the board informed and updated on developments in compliance issues related to the Bank.

Briefly, the Compliance Department is responsible for:

- Identifying and verifying a customer at the customer acceptance stage (KYC and CDD Procedures);
- Carrying out monitoring and controlling activities (both AML and Sanction);
- Reporting to the Management Board (weekly controls and monitoring activities of the Compliance Department);
- Reporting suspicious activities (Suspicious Activity Report/ Suspicious Transaction Report) to the Financial Intelligence Unit on the compliance risks faced by the Bank.
- The Compliance Department reports directly to the Management Board.

Compliance tools have been purchased and integrated into the core system to enable the AML and CFT risk of the Anadolubank Nederland N.V. to be kept at a minimum. These tools include the Dow Jones's Sanction and PEP data list and Pay Gate Inspector module.

The Compliance Department created new reporting mechanisms to raise the awareness of all staff. A year activity plan compliance action plan has also been drawn-up.

Information Technology

The IT Department expended significant effort into developing both hardware and software systems in 2013. More than 130 user requirements have been completed including the implementation of PAYGATE-SWIFT-ANASYS (which reduced the work load on payment screens considerably for the Operations Department), Customer Visit Applications in PORTALIMNL, Asset Liability Reports, and Deposit Guarantee Scheme reports.

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

The IT Risk Assessment and Information Security checks were completed in June. The Security Report has been discussed in the Security Committee and additional security measures have been implemented.

In terms of security, all the servers and client computers have been updated with the latest security patches. McAfee Host Intrusion Prevention System has been implemented, McAfee Virus Scan Enterprise has been upgraded to the latest version and Check Point Firewall has been upgraded to the latest version. In addition, the Internet banking server has been upgraded, secure e-mail implementation with DNB has been completed, Card Access system has been implemented for entering the IT Systems Room and IBM Storage firmware updates have been done at the production and disaster side.

In terms business continuity, Batteries and Capacitors of the UPS have been changed and the up time has been raised in the event of a power failure. We have also supplied additional UPS power for the Retail, Operations and Treasury Departments.

Cisco Telephone Central and Cisco Call Center have been upgraded to the latest version to provide a better level of service to our clients.

The IT Department has effectively completed Anadolubank A.S. IT Auditing activities without any adverse findings.

Due to the new projects and additional responsibilities, 2014 will undoubtedly be a challenging year for the IT Department. However, we are confident in the capability and commitment of the IT Department to successfully cope with these projects and responsibilities.

Financial Performance Summary

In 2013, we recorded a net profit of EUR 2.7 million and the operating result before impairments and tax amounted to EUR 5.2 million.

The Bank's total assets as at 31 December 2013 stood at EUR 523 million which is 14% higher than the same period of last year, relating mostly to loans and advances.

Cash and cash equivalents grew to EUR 66 million at the end of 2013 from EUR 48 million at the end of 2012. The Bank focuses on maintaining a healthy level of liquidity. With a high level of stable funding coupled with a well managed maturity profile, Anadolubank NV already meets the upcoming liquidity requirements.

On the back of a conservative risk appetite and strong capital structure, the Tier 1 ratio has risen from 17.8% to 19.4% in 2013.

Diversifying its funding sources, the Bank has raised wholesale funding to EUR 128 million at the end of 2013 from EUR 92 million at the end of 2012, while slightly augmenting funds entrusted by 3%.

Legislation and regulation in the financial sector continued to be the subject of rapid change and enhanced complexity in 2013. Our Compliance, Risk and Internal Audit departments have been strengthened accordingly and there has also been significant investment in systems. This led to significantly higher operating expenses in 2013. Operational expenses increased by EUR 1.4 million due to the rise in headcount and consultancy expenses for the new risk management framework put into place in 2013.

In view of the final Policy Rule of 'Maximising deposits and exposures ratio under the Wft, the Bank has decided not to revise its targets for 2015 at this stage. The management will continue to closely monitor this ratio over the next two years. At the beginning of 2013, the Bank set its target for 2015 at the 25% level, in its three-year Business Plan.

Internal Capital Adequacy Assessment Process (ICAAP) and Solvency Ratio

The Tier 1 ratio of Anadolubank Nederland N.V stands at 19.4% at year-end 2013.

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

Our shareholder decided to augment the level of paid-in capital by EUR 15 million in February 2013, thus raising the total paid-in capital of the Bank to EUR 70 million.

Currently, the Bank follows a Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach for market risk in the computation of the Capital Adequacy Ratio. The Bank computes the Capital Adequacy Ratio on a paralle l run for Basel II and Basel III as per the DNB guidelines.

The Tier 1 ratio of the Bank is summarized as follows:

Capital Requirements

In thousands of EURO	**2013**	**2012**
Total risk weighted assets	375,527	314,592
Credit risk	353,342	295,209
Market risk	3,229	191
Operational risk	18,956	19,192
Tier 1 capital	72,937	56,027
Paid-in capital	70,000	55,000
Retained earnings	1,142	5,769
Revaluation reserves	(239)	-
Net profit	2,749	(4,627)
Regulatory adjustments	(795)	(115)
Tier 2 capital	-	-
Total capital	72,857	56,027
Tier 1 ratio %	**19.40%**	**17.81%**

Risk Management

The Bank adopts the 'three lines of defense' principle, in which the business units have the primary responsibility for the management of risk. The second-line of defense is composed of departments, such as the Risk Management Department which is responsible for the supervision of market, credit, liquidity and operational risks. Monitoring and reporting activities of limits, interest rate sensitivity and currency risk of all positions, gathering operational loss data to set up an operational risk database are among the responsibilities of the department. The third line of defense is the Bank's internal audit function that reports independently to the Supervisory Board. Their main role is to review the first and second line of defense activities and results to ensure they are appropriately carrying out their roles and responsibilities in a diligent, complete and accurate manner.

The challenges with respect to risk management are acknowledged by the Management Board. To achieve this objective, the 'Risk Management Review Project' was initiated in 2013 to substantiate the effectiveness of the risk management function. This project has been segmented into three consecutive phases. The first phase started by mid-January 2013, included thorough review on the current risk management framework. Risk governance and polices (Credit Risk Policy, Liquidity Risk Policy and Market Risk/ ALM Policy) were updated in the second phase. Following this, the implementation of the risk models and reports are finalized in the third phase.

Furthermore, Anadolubank Nederland N.V. has established its risk appetite framework with the involvement and leadership of the Supervisory Board and senior management. The business model of Anadolubank and risk aspiration are translated into quantitative targets in terms of solvency, liquidity and market risk.

In late 2012, DNB has requested Anadolubank Nederland N.V. to draw up a recovery plan to improve the capability of the bank to withstand a severe financial crisis. The essential part of the crisis prevention and management regime within the Bank has been set in the recovery planning policy of the Bank. Anadolubank Nederland N.V. will submit its Recovery Plan to DNB in March 2014.

Credit Committee

Credit Risk Management exercises the usual three lines of defense model. Decisions pertaining to individual proposals stem from the bank's own business analyses and independent risk assessments without any other guidance or interference by the parent Bank.

The Tier-1 Credit Committee consists of top management of the bank and is concerned with both the approval of new credit proposals and renewal of existing facilities. The committee recommends individual proposals that exceed its approval authority to the Tier-2 Credit Committee (formed by a member of the Board of the parent bank plus two credit risk managers of the parent bank). The Tier-1 Credit Committee also advises the Management Board regarding approval of the introduction of new products.

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 Credit Committee may be consulted for advice by the Supervisory Board.

Asset & Liability Committee

The Asset & Liability Committee (ALCO) is comprised of three members of the Management Board, Head of Treasury & Financial Institutions, Head of Trade Finance, Head of Retail Banking, Head of Risk Management and Head of Financial Control & Accounting departments. The Committee convenes on a biweekly basis to set and review strategies on ALM. If necessary, additional meetings may be convened.

The ALCO is a decision making unit responsible for Balance Sheet planning from a risk-return perspective including the strategic management of interest rate and liquidity risks. It will provide the Bank with the ability to continuously assess current asset and liability management (ALM) direction and Balance Sheet structure. The ALCO discusses a wide variety of issues at 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 sound 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 Supervisory Board is comprised of four members, two of which also hold positions on the Board of Directors of the parent company: Mr. P. Akcin, and Mr. C. Dogru. Two members are independent: Mr. A. J. Smith and effective from 1 January 2014 Mr. A. Star.

The Supervisory Board, 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. The Chairman of the Supervisory Board held regular bilateral meetings with the Management Board.

Each independent member is expected to have a duty, based on personal expertise. The Supervisory Board decided during 2013, after the alignment with DNB, to end working with separate committees. To comply with the Dutch Corporate Governance Code, which Anadolubank Nederland N.V. follows voluntarily, the specific tasks of the former committees are allocated to individual Board members. The Supervisory Board charter was reviewed and changed for this matter.

Specific tasks of the member in charge of Audit, Risk and Compliance is to monitor and advises on the adequacy and appropriateness of financial statements, accounting policies and practices, the independence and performance of the internal and external audit functions, internal and external/regulatory compliance and the risk management structure.

Specific overall tasks of the Supervisory Board are:

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

- The implementation and maintenance of the Risk Management Framework and internal control system throughout the Bank;
- Risk appetite, limits and authority levels;
- 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;
- The establishment and maintenance of an appropriate independent internal audit framework aligned with the relevant standards;
- The annual internal audit plan, including scope and materiality level of the audit plan, ensuring it addresses all key areas of risks.
- The implementation and review of the long term strategy and commercial plans of the bank and the implementation and review of budgets and financial performance

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

Permanent education

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. The permanent education program consists of various training programs and courses intended to maintain the level of expertise of executive directors and improve this where necessary. In addition, the Chairman of the Supervisory Board took a certified/professional supervisory board member course in 2013. The governance of the Management Board is in compliance with the 'Executive Board principles' of the Dutch Banking Code. The Managing Board consists of three persons and during the year all members attended external meetings/seminars and followed external trainings to maintain and improve their banking and managerial expertise.

Moral and ethical conduct declaration

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

Internal Audit

Anadolubank Nederland N.V. established an Internal Audit function which has a local presence to contribute to the corporate governance structure in a proactive manner. An independent and objective Internal Audit function has been designed to help Anadolubank Nederland N.V. accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Internal Audit Department of Anadolubank Nederland N.V. seeks assurance that the Bank has a formal governance process which operates as intended; values and goals are established and communicated, the accomplishment of goals is monitored, accountability is ensured and values are preserved. In addition, the Internal Audit function facilitates the strengthening of the governance and risk framework within the Bank. In this regard, the Corporate Governance Audit was conducted to evaluate and improve the effectiveness of governance.

During the course of the establishment of the Internal Audit function, legal foundations and operating procedures of all institutional bodies which contributes to the control environment of Anadolubank Nederland N.V. have been created. The policies related to External Auditor's Independence and Internal Audit Ethics are prepared. Internal Audit and Fraud Investigation policies and operating procedures are defined. A quality assessment program has been implemented for Internal Audit function. All the adjustments and regulations have been approved by the Supervisory Board and are published via the website of Anadolubank Nederland NV based on the classification of the document. In the course of 2013, the Internal Audit Department has developed the Internal Audit Process Improvement Project. The goal of this project was to mature the audit-related processes within the bank in order to raise the compliance levels in line with BCBS principles.

Individual engagements were carried out based on objectives and scopes unique to each engagement and were categorized either as assurance or advisory reviews. Summaries of completed audit engagements were included in quarterly reports provided to the Supervisory Board. The Internal Audit Department continued improving the database to track all internal and external reported audit findings and follow up on the status of unresolved audit findings and recommendations. The Department provided systematic status tracking of unresolved audit issues based on management's assertions; also facilitate scheduling follow-up work to be conducted and subsequent reporting to management. In achieving appropriate coverage of the agreed risk areas, the Internal Audit Department hired a new employee from the Dutch market with a legal background effective September 2013.

Banking Code

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

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

Expectations 2014

Global growth is expected to continue in 2014 with gradually recovering employment and rising inflation. The Fed, ECB and BoE are expected to maintain accommodative policies with possible additional easing in the Eurozone. Improving growth is likely to put upward pressure to global rates, however, policy rates are not likely to be raised until late 2014 or early 2015. The highest risk for improving growth is slowing growth in China. The highest spillover effects will be felt by the Emerging and Commodity markets.

Emerging Markets are expected to continue on a gradual adjustment path. High sensitivity to Fed policy, political events and China's growth will be the main sources of higher volatility in the EMs. Thus, we expect higher policy rates in these markets. Moreover, coming elections in many EM countries are expected to create additional pressure on respective currencies.

In Turkey, we expect volatility to continue until the end of the year, however the strong financials in the economy is expected to keep the volatility within acceptable ranges.

ANADOLUBANK NEDERLAND N.V.

ANADOLUBANK NEDERLAND N.V.

Statement of Financial Position as at 31 December
(thousands of Euros)

Assets	Note	2013	2012
Cash and cash equivalents	5	66,362	47,588
Derivative financial assets	6	3,708	1,710
Banks	7	154,569	202,401
Loans and advances	8	194,395	127,501
Interest bearing securities	9	99,439	76,108
Property and equipment	10	116	159
Intangible assets	10	76	116
Current tax assets	25	1,646	2,170
Deferred tax assets	25	1,622	1,473
Other assets	11	1,503	1,460
Total assets		**523,436**	**460,686**
Liabilities			
Derivative financial liabilites	6	28	424
Banks	12	128,075	91,502
Funds entrusted	13	321,123	312,031
Other liabilities	14	558	379
Total liabilities		**449,784**	**404,336**
Equity			
Share capital and share premium	15	70,000	55,000
Retained earnings	15	1,142	5,769
Revaluation reserves	15	(239)	208
Net profit	15	2,749	(4,627)
Shareholders' equity		73,652	56,350
Total liabilities and equity		**523,436**	**460,686**
Off-balance sheet liabilities	16	15,743	9,374

The notes on pages 20-42 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND N.V.

Statement of Comprehensive Income for the Year end 31 December (thousands of Euros)

	Note	2013	2012
Interest income	19	22,556	22,461
Interest expense	19	(9,221)	(10,429)
Net interest income	**19**	**13,335**	**12,032**
Fee and commission income	20	796	1,105
Fee and commission expense	20	(118)	(268)
Net commission	**20**	**678**	**837**
Net trading income	21	976	(6)
Results from financial transactions	22	(5,106)	(2,628)
Operating income		**9,883**	**10,235**
Net impairment loss on loan and advances	8	(1,504)	(12,981)
Personnel expenses	23	(2,909)	(2,165)
Depreciation and amortisation		(103)	(187)
Other expenses	24	(1,715)	(1,071)
Profit/(loss) before income tax		**3,652**	**(6,169)**
Tax income	25	-	1,542
Tax expense	25	(903)	-
Profit/(loss) for the period		**2,749**	**(4,627)**
Attributable to:			
Equity holders of the Bank	15	2,749	(4,627)
Movement in available for sale reserve	15	(319)	277
Deferred tax income / expense		80	(69)
Profit/(loss) for the period and Total comprehensive income (after tax)		**2,510**	**(4,419)**
Earnings/(loss) per share		0.0359	(0.0803)

The notes on pages 20-42 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND N.V.

Statement of Cash Flows for the Year end 31 December (thousands of Euros)

	Note	2013	2012
Cash flows from operating activities			
Profit/(loss) for the period		2,749	(4,627)
Adjustments for:			
Depreciation and amortization	10	103	187
Net interest & commissions income	19	(14,013)	(12,869)
Results from financial transactions	22	4,130	2,628
Net impairment loss on loans and advances	8	1,504	12,981
Net impairment loss on investment securities	9	-	-
Income tax income/expense (-/+)	25	903	(1,542)
Total		**(4,624)**	**(3,242)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	(1,998)	(1,710)
Change in loans and advances to banks	7	(66,894)	19,107
Change in loans and advances to customers	8	47,832	(79,986)
Change in financial assets at fair value through profit or loss		(21,738)	(4,205)
Change on other assets	11	(43)	(4,515)
Change in derivative financial instrument (liabilities)	6	(396)	(3,650)
Change in deposits from banks	12	36,573	64,089
Change in deposits from customers	13	9,092	34,287
Change in other liabilities and provisions	14	179	139
Total		**(2,017)**	**20,314**
Interest & sommissions received		24,373	19,961
Interest & commissions paid		(9,449)	(7,104)
Realised result on financial transactions		(6,157)	(2,628)
Tax paid		(694)	(791)
Net cash from/used in operating activities		**6,057**	**29,752**
Cash flows from investing activities			
Acquisition of investment securities	9	(1,593)	(28,939)
Proceeds from the sale of investment securities	21	-	252
Acquisition of property and equipment	10	(12)	(153)
Acquisition of intangible assets	10	(9)	(153)
Net cash used in investing activities		(1,613)	(28,993)
Cash flows from financing activities			
Increase in share capital	15	15,000	-
Net cash from financing activities		**15,000**	**-**
Net increase in cash and cash equivalent		19,444	759
Cash and cash equivalents at 1 January	5	47,588	46,862
Effect of exchange rate fluctuations on cash and cash equivalents held		(670)	(33)
Net cash from financing activities		**66,362**	**47,588**

The notes on pages 16-42 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND N.V.

Statement of Changes in Equity for the Years ended 31 December 2013 and 31 December 2012 (thousands of Euros)

	Share capital	Retained earnings	Profit for the year	Reserves available for sale portfolio	Total
Balance at 1 January 2012	**55,000**	**10,087**	**(4,318)**	**-**	**60,769**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	(4,318)	4,318	-	-
Net income for the year	-	-	(4,627)	-	(4,627)
Revaluation of reserves	-	-	-	208	208
Balance at 31 December 2012	**55,000**	**5,769**	**(4,627)**	**208**	**56,350**
Balance at 1 January 2013	**55,000**	**5,769**	**(4,627)**	**208**	**56,350**
Share capital increase	15,000				15,000
Profit/(loss) allocation		(4,627)	4,627		-
Net income for the year			2,749		2,749
Revaluation of reserves				(447)	(447)
Balance at 31 December 2013	**70,000**	**1,142**	**2,749**	**(239)**	**73,652**

The notes on pages 20-42 are an integral part of these financial statements.

ANADOLUBANK NEDERLAND N.V.

Notes to the Financial Statements as at and for the Year Ended 31 December 2013
(thousands of Euros)

1. Overview of the Bank

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 licence 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 Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.S, 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.

(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 of 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 judgements

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

3. Significant accounting policies

(a) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the appropriate exchange rates applicable at the specific time of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the exchange rates applicable at the Balance Sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gains or losses. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the period.

(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.

(c) Fees and commission

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

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

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

(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.

(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 taxes

The effective tax rate is determined with consideration of all material timing differences between the profit before tax as per commercial accounts and the fiscal profit described as 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 instruments

(i) Recognition

The Bank initially recognizes loans and advances, deposits, AFS 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) 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.

ANADOLUBANK NEDERLAND N.V.

Notes to the Financial Statements as at and for the Year Ended 31 December 2013
(thousands of Euros)

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Bank has a legal right to set off the amounts and intends either to settle 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(iv) 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.

(v) Fair value measurement principles
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.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the Balance Sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments are recognized in the income statement as interest income.

Financial instruments are classified into three levels in descending order of the observability of their value and of the inputs used for their valuation:

Level 1 – Financial instruments with quoted market prices:

This level comprises financial instruments with quoted prices in an active market that can be used directly. It notably includes liquid shares and bonds, borrowings and short sales of these instruments, derivatives traded on organised markets (futures and options, etc.), and units in funds with net asset value calculated on a daily basis.

Level 2 - Financial instruments measured using valuation techniques based on observable inputs:

This level consists of financial instruments measured by reference to the price of similar instruments quoted in an active market or to identical or similar instruments quoted in a non-active market, but for which transaction prices are readily and available on the market or, lastly, instruments measured using valuation techniques based on observable inputs.

This level notably includes illiquid shares with low liquidity and bonds, particularly those of certain sovereign issuers, borrowings and short sales of these instruments, short-term repurchase agreements not measured based on a quoted price directly observed in the market, units in civil property companies (SCIs) held in unit-linked contract portfolios, where the underlying assets are appraised from time to time using observable market data, units in funds for which liquidity is provided on a regular basis, derivatives traded in OTC markets measured using techniques based on observable inputs and structured debt issues measured using only observable inputs.

Level 3 - Financial instruments measured using valuation techniques based on non-observable inputs:

This level comprises financial instruments measured using valuation techniques based wholly or partially on non-observable inputs. A non-observable input is defined as a parameter, the value of which is derived from assumptions or correlations based neither on observable transaction prices in the identical instrument at the measurement date nor observable market data available at the same date. An instrument is classified in Level 3 if a significant portion of its valuation is based on non-observable inputs. This level notably comprises unlisted shares, bonds measured using valuation models employing at least one significant non-observable input or derived from price data in a non-active market (such as CDO, CLO and ABS units), long-term or structured repurchase agreements, units in funds undergoing liquidation or quotation which have been suspended, complex derivatives with multiple underlying (hybrid instruments, synthetic CDOs, etc.) and the structured debt underlying these derivatives.

(vi) Identification and measurement of impairment
Financial assets are reviewed at each Balance Sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized against loans, AFS and held-to-maturity financial assets where (i) there is objective evidence of a decrease in value as a result of an event occurring after inception of the loan or acquisition of the asset; (ii) the event affects the amount or timing of future cash flows; and (iii) the consequences of the event can be reliably measured. Loans, AFS and held-to-maturity financial assets are initially assessed for evidence of impairment on an individual basis, and subsequently on a portfolio basis.

The amount of the impairment is the difference between the carrying amount before impairment and the present value, discounted at the original effective interest rate of the asset, of those components (principal, interest, collateral, etc.) regarded as recoverable. Once an asset has been impaired, income earned on the carrying amount of the asset calculated at the original effective interest rate used to discount the estimated recoverable cash flows is recognized under "Interest income" in the profit and loss account.

Loans and receivables are presented net of specific allowances for uncollectability. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivables to their recoverable amounts.

(h) Cash and cash equivalents

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

Cash and cash equivalents are carried at amortized cost in the Balance Sheet.

(i) Derivatives held for risk management purposes

Derivative financial instruments consisting of foreign currency forward contracts and currency swaps are initially recognized at cost, with subsequent measurement to their fair value at each Balance Sheet date. Fair values are obtained or determined from quoted market prices in active markets. 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 income statement, 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 income statement.

ANADOLUBANK NEDERLAND N.V.

Notes to the Financial Statements as at and for the Year Ended 31 December 2013
(thousands of Euros)

(k) Investment securities and available for sale

Investments held for the purpose of short-term profit taking are classified as trading instruments.

Debt investment securities which the Bank has the intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank had to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale.

Held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process. Interest earned whilst holding AFS portfolio and held-to-maturity investments is reported as interest income in the income statement. Available-for-sale financial assets are measured at fair value, with changes in fair value recognized as equity in the Balance Sheet and other comprehensive income in the income statement. For available-for-sale securities, interest is recognized in income using the 'effective interest method'.

(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%
Furniture, fixtures and vehicles	20%

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 increase in the provision reflecting the passage of time is recognized as interest expense.

(p) Employee benefits

The Bank has a defined contribution plan for the majority staff.

(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.

The Bank presents basic earnings per share (EPS) for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of shares outstanding during the year.

(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. A significant impact on impairment methodologies are expected, no effective date has been communicated yet.

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4. Segment reporting

Segment reporting is a distinguishable component of the Bank. It is engaged in providing products or services and 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 28 (b) Credit risk.

Operating segments

31 December 2013	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(7,414)	15,783	1,502	13	9,883
Other operating income and expenses, net	-	(1,504)	-	(4,727)	(6,231)
Net operating profit	**(7,414)**	**14,279**	**1,502**	**(4,715)**	**3,652**
Provision for taxes	-	-	-	(903)	(903)
Net Profit	**(7,414)**	**14,279**	**1,502**	**(5,617)**	**2,749**
Segment assets		344,651	164,798	13,987	523,436
Total assets		**344,651**	**164,798**	**13,987**	**523,436**
Segment liabilities	295,253	25,870	127,512	1,148	449,784
Shareholders' equity	-	-	-	73,652	73,652
Total liabilities	**295,253**	**25,870**	**127,512**	**74,800**	**523,436**

31 December 2012	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(9,049)	18,327	957	-	10,235
Other operating income and expenses, net	-	(12,981)	-	(3,423)	(16,404)
Net Profit	**(9,049)**	**5,346**	**957**	**(3,423)**	**(6,169)**
Provision for taxes	-	-	-	1,542	1,542
Net Profit	**(9,049)**	**5,346**	**957**	**(1,881)**	**(4,627)**
Segment assets	-	326,737	125,406	8,543	460,686
Total assets	**-**	**326,737**	**125,406**	**8,543**	**460,686**
Segment liabilities	293,711	18,320	91,926	379	404,336
Shareholders' equity	-	-	-	56,350	56,350
Total liabilities	**293,711**	**18,320**	**91,926**	**56,729**	**460,686**

* 2012 figures are adjusted for comparison purposes

(thousands of Euros)

5. Cash and cash equivalents

	2013	2012
Cash and balances with banks	5,905	16,067
Unrestricted balances with central banks	58,746	30,800
Money market placements within one month	1,711	721
Position as at 31 December	**66,362**	**47,588**

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

31 December 2013

	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over to 1 year	Fair value assets	Fair value liabilities
Forward purchase contract							
Forward sale contract							
Currency swap purchase	281,407	210,857	10,200	51,693	8,657	3,708	-
Currency swap sale	277,982	208,993	9,907	50,505	8,577	-	28
Total	**559,389**	**419,850**	**20,107**	**102,198**	**17,234**	**3,708**	**28**

31 December 2012

	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over to 1 year	Fair value assets	Fair value liabilities
Forward purchase contract	12,245	745	11,500	-	-	390	0
Forward sale contract	11,855	743	11,112	-	-	-	0
Currency swap purchase	186,118	80,917	64,290	40,911	-	1,320	0
Currency swap sale	186,043	80,806	63,665	41,572	-	-	424
Total	**396,261**	**163,211**	**150,567**	**82,483**	**-**	**1,710**	**424**

7. Banks

Banks	**2013**	**2012**
Bank loans	154,569	202,401

8. Loans and advances

Loans and advances	**2013**	**2012**
Coporate loans	194,395	127,501

In 2013, EUR 1,504 (2012: 12,981) of impairment losses recognized in the income statement is related to corporate loans and advances.

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Loan impairment charges and allowances	2013	2012
Balance at 1 January	12,981	-
New impairment allowances	1,504	12,981
Reversal of impaired loans	-	-
Amounts written off(-)	-	-
Currency translation differences	(571)	-
Balance at 31 December	**13,914**	**12,981**

9. Interest bearing securities

	2013	2012
Investment portfolio	70,724	69,131
Available-for-sale portfolio	22,880	6,977
Trading portfolio	5,834	-
Balance at 31 December	**99,439**	**76,108**

Investment portfolio	2013	2012
Government bonds	16,094	6,863
Corporate bonds	7,375	6,456
Issued by others	47,255	55,812
Balance at 31 December	**70,724**	**69,131**

Available-for-sale portfolio	2013	2012
Government bonds	4,297	6,977
Corporate bonds	1,958	-
Issued by others	16,625	-
Balance at 31 December	**22,880**	**6,977**

On 31 December 2013, the Bank reclassified an amount of EURO 6 million from investment securities to available-for-sale portfolio due to an amendment in the regulation.

The Bank has given the ECB eligible bonds with carrying values of EUR 25,632 as collateral to DNB (De Nederlandsche Bank) (2012: EUR 43,356).

EUR 55,597 of the securities was under repo transactions, EUR 26,122 of this securities are ECB eligible bonds.

10. Property and equipment

Property and equipment	2013	2012
Balance at 1 January 2013	159	155
Investments	12	153
Depreciation	54	149
Balance at 31 December 2013	**116**	**159**

(thousands of Euros)

Intangible assets	2013	2012
Balance at 1 January 2013	116	-
Investments	9	153
Depreciation	48	37
Balance at 31 December 2013	**76**	**116**

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

Other assets	2013	2012
Receivable with regard to DGS for DSB Bank	1,038	1,298
Suspense accounts	465	162
Balance at 31 December	**1,503**	**1,460**

12. Banks

Banks	2013	2012
Repo	48,755	27,763
Due to banks	79,320	63,739
Total	**128,075**	**91,502**

13. Funds entrusted

Funds Entrusted	2013	2012
Saving accounts	295,253	293,711
Other funds entrusted	25,870	18,320
Total	**321,123**	**312,031**

EUR 3,489 of term deposits served as cash collateral as of 31 December 2013 (2012: EUR 3,289).

14. Other liabilities

Other liabilities	2013	2012
Transfer orders	66	96
Taxes other than income	140	119
Other provisions	264	116
Short-term employee benefits	85	46
Others	4	2
Balance at 31 December	**558**	**379**

*2012 figures are adjusted for comparison purposes

EUR 170 is related to deposit guarantee scheme in other provisions.

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Notes to the Financial Statements as at and for the Year Ended 31 December 2013
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15. Capital and reserves

Additional fresh capital of EUR 15 million was injected by the Parent bank in the beginning of 2013.

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 2013. The profit after tax will be added to 'Other reserves'.

16. Contingencies

	2013	2012
Guarantee issued	42	600
Letter of credits issued	15,701	8,774
Total	**15,743**	**9,374**

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 in financial and operating decisions. The Bank is controlled by Anadolubank A.S. which owns 100% of the ordinary shares. Anadolubank belongs to the 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 the related parties:

31.12.2013

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

(thousands of Euros)

31.12.2012

	Parent	Significant influence over the entity	Related parties	Key management	Total
Assets	**6,729**	**-**	**1,869**	**-**	**8,598**
Cash and cash equivalents	115	-	-	-	115
Banks	6,614	-	1,869	-	8,483
Loans and advances	-	-	-	-	-
Liabilities	**-**	**7,446**	**3,907**	**-**	**11,353**
Banks	-	-	3,907	-	3,907
Funds Entrusted	-	7,446	-	-	7,446
Interest income	**53**	**-**	**238**	**-**	**291**
Interest expense	**-**	**206**	**138**	**-**	**344**

Balances during the year with the other related parties generated the interest income / expense.

The Bank enters into transactions with its parent company and other related parties in the ordinary course of business at arm's-length conditions. The remuneration and fees of the members of Board of Supervisory Directors and the Management Board for the year ended 31 December 2013 are as follows:

Key management personnel compensation	2013	2012
Board of Supervisory Directors	44	21
Management Board Directors	787	396

The Board of Management is paid a fixed remuneration. The amounts are not disclosed individually since the Bank meets the criteria of article article 383b of Book 2 of the Netherlands Civil Code.

18. Lease commitments

The Bank has entered has entered into a long-term financial obligation in 2012 with a duration of 5 years for the rent of the office amounting to EUR 209 a year in 2013 (EUR 227 a year in 2012). The rent contract has been extended for a further 5 years from July 2012.

Operational lease	2013	2012
← 1 year	206	227
between 1 to 5 years	515	700

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19. Net interest income

Interest income	2013	2012
Cash and cash equivalents	181	85
Banks	8,064	10,353
Loans and advances	10,644	9,029
Interest bearing securities	3,667	2,994
Other	-	-
Total interest income	**22,556**	**22,461**

Interest Expense	2013	2012
Banks	1,578	1,380
Funds entrusted	7,643	9,049
Total interest expense	**9,221**	**10,429**

20. Net fee and commission income

Fee and commission income	2013	2012
Corporate/banking credit related fees	679	974
Other	117	131
Total fee and commission income	**796**	**1,105**

There is a slight decrease in the net commission income due to the reduction in commission generating products.

21. Net trading income

	2013	2012
Net income from securities held for trading	(382)	(6)
Net income from securities held for AFS	1,358	-
Total trading income	**976**	**268**

The realized net income for the AFS portfolio is 1,358 EUR whereas 379 EUR is unrealized and 3 EUR relates to realized loss for the trading portfolio.

22. Results from financial operations

	2013	2012
Foreign exchange gain (net)	(5,106)	(2,628)
Other operating income (net)	**(5,106)**	**(2,628)**

23. Personnel expenses

Personnel expenses	2013	2012
Wages and salaries	2,237	1,584
Compulsory social security obligations	485	288
Contributions to defined contribution plans	156	276
Other fringe benefits	32	17
Total	**2,909**	**2,165**

(thousands of Euros)

The number of staff employed by the Bank stands at 35 as of 31 December 2013. (2012; 29)

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

24. Other expenses

Other expenses	2013	2012
Operating lease expense	238	227
Communication expenses	174	135
Business travel & acommodation	56	49
Audit fee	63	83
Sofware licening and other information technology expenses	276	224
Paid taxes other than income	28	38
Tax advisory	8	10
Other consultancy	282	-
Membership fees	170	129
Legal expenses	123	26
Other	296	150
Total	**1,715**	**1,071**

2013 & 2012 audit fees are totally related to KPMG Accountants N.V . 2013 tax advisory fee is related to Ernst & Young Accountants N.V and 2012 tax advisory is paid to KPMG Accountants N.V.

25. Income tax expense

Major components of income tax expense:

Current tax assets / (liabilities)

	2013	2012
Profit before taxation	3,652	(6,169)
Use of compensable loss	-	-
Taxable profit / (loss)	**3,652**	**(6,169)**
Statutory tax rate (25%)	(903)	1,542
Other (not analysed)	-	-
Income tax expense / (income)	**(903)**	**1,542**
Prepaid tax in 2013	1,349	1,855
Tax refund	(655)	
Tax receivable from 2012	1,855	315
Current tax assets / (liabilities) in the year end	**1,646**	**2,170**
Tax income / (expense) of unrealized gain in equity	149	(69)
Deferred tax assets / (liabilities) at the year end	**1,622**	**1,473**

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

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26. Fair value information

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Bank using available market information, and generally accepted valuation methodologies where there is no appropriate market data available. However, judgement is required to interpret market data to determine the estimated fair value.

The book value of demand deposits, money market placements with floating interest rate and overnight deposits represents their approximates fair values due to their short-term nature. The book value of the sundry creditors reflects their fair values since they are short-term.

The fair value of loans and advances and held to maturity assets are calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The following table compares the carrying amount of financial assets and liabilities at amortized cost to estimated fair values as of 31 December 2013 and 31 December 2012 respectively.

31 December 2013	Carrying value	Fair value	Level 1	Level 2
Assets				
Cash and cash equivalents	66,362	66,362	66,362	-
Derivative financial assets	3,708	3,708	-	3,708
Loans	348,964	363,485	-	363,485
Interest bearing securities	99,439	101,726	17,757	83,969
Total assets	**518,473**	**535,281**	**84,119**	**451,162**
Liabilities				
Derivative financial liabilites	28	28	-	28
Banks	128,075	129,038	-	129,038
Funds entrusted	321,123	326,692	-	326,692
Total liabilities	**449,226**	**455,757**	**-**	**455,757**

31 December 2012	Carrying value	Fair value	Level 1	Level 2
Assets				
Cash and cash equivalents	47,588	47,588	47,588	-
Derivative financial assets	1,710	1,710	-	1,710
Loans	326,737	331,514	-	331,514
Interest bearing securities	76,108	79,227	6,977	72,250
Total assets	**452,143**	**478,142**	**128,525**	**344,968**
Liabilities				
Derivative financial liabilites	424	424	-	424
Banks	91,502	91,615	-	91,615
Funds entrusted	312,031	324,393	-	324,393
Total liabilities	**403,957**	**416,432**	**-**	**416,432**

27. Financial risk management

(a) Introduction and overview

This note presents information regarding the Bank's exposure to each of the risks mentioned below, 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

Risk management framework

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

The Supervisory Board of the Bank supervises the risk management activities to ensure that such activities pursued by the Board of Management is 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 Board of Management 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, such as Basel II and 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). These loans are graded 6-8 in the Bank's internal credit risk grading system. In 2013, EUR 1,504 (2012: 12,981) of impairment losses recognized in the income statement is related to corporate loans and advances. (for details please see disclosure 8.)

Past due but not impaired loans

The Bank had no past due loans and advances as of 31 December 2013.

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Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. However, the Bank has no loans and advances with renegotiated terms as of 31 December 2013 except for a loan of EUR 7.2 million which has been impaired by EUR 1.5 million.

Collateral policy

The Bank holds collaterals 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	
Collateral analysis	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**
Against neither past due nor impaired:				
Secured by cash collateral	2,362	3,333	-	-
Secured by cash bonds	-	-	-	-
Secured by mortgages	162	522	-	-
Other collateral	140,744	90,476	-	-
Uncollateralized exposure	52,636	46,151	147,580	151,725
Carrying amount	**195,904**	**140,482**	**147,580**	**151,725**

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-13**	**Dec-12**	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**
Corporate:						
Basic materials	21,826	31,582	-	-	645	-
Consumer products non-food	-	13	-	-	-	-
Building materials	19,116	-	-		-	
Insurance & Pension Funds	167	-	-		-	
Private individuals	373	-	-		-	
Technology	2,913	-	-		632	
Financial intermediation	58,891	39,621	-	-	6,772	16,998
Construction & Infrastructure	3,645	-	-	-	-	-
Automotive	17,933	13,243	-	-	-	-
Transport & Logistics	14,143	2,480	-	-	1,070	-
Food, Beverages & Tobacco	-	2,397	-	-	-	-
Capital goods	-	97	-	-	-	-
Chemicals	27,281	23,756	-	-	-	-
Oil & Gas	12,983	6,433	-	-	6,986	6,456
Telecom	16,275	7,013	-	-	-	-
Others	354	13,847	-	-	-	-
Government	-	-	5	-	20,391	13,840
Bank	-	-	154,564	202,401	62,943	38,814
Provisions	(1,504)	(12,981)	-	-	-	-
Carrying amount	**194,395**	**127,501**	**154,569**	**202,401**	**99,439**	**76,108**

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	Loans and advances to customers		Loans and advances to banks		Interest bearing securities	
Concentration by country	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**
Turkey	82,916	62,174	76,882	118,685	34,192	5,388
Russia	26,711	20,778	44,649	47,630	-	-
United Kingdom	9,806	26,427	-	-	-	-
Netherlands	8,954	1,240	11,450	21,921	35,495	34,269
Slovenia	12,092	12,399	-	-	987	-
Switzerland	11,776	6,648	-	4,989	-	-
Egypt	-	-	-	4,954	-	-
Austria	5,757	7,013	-	-	-	-
Belgium	-	1,730	-	-	-	-
Cayman Islands	865	1,522	-	-	2,572	14,359
Azerbaijan	-	-	4,666	1,239	3,733	3,911
Marshall Islands	4,321	379	-	-	-	-
Germany	500	172	16,921	-	3,235	2,144
France	-	-	-	-	2,182	2,196
Luxemburg	-	-	-	2,983	-	-
Greece	-	-	-	-	4,865	8,793
Ireland	3,536	-	-	-	-	-
Romania	11,317		-		3,153	
United Arab Emirates	10,518	-	-	-	-	-
United States of America	3,993		-		-	
Panama	1,569		-		-	
Cook Islands	1,268		-		-	
Croatia	-		-		945	
Brazil	-		-		3,029	
Italy	-	-	-	-	5,050	5,048
Provisions	(1,504)	(12,981)	-	-	-	-
Carrying amount	**194,395**	**127,501**	**154,569**	**202,401**	**99,439**	**76,108**

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	
Credit quality analysis	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**	**Dec-13**	**Dec-12**
Rated BBB- to AA	8,582	4,910	120,701	90,153	73,048	60,284
Rated B- to BB+	2,913	-	28,974	106,058	23,270	9,299
CCC	-	-	-	-		6,525
Unrated	184,404	135,572	4,893	6,190	3,120	-
Provisions	(1,504)	(12,981)	-	-	-	-
Carrying amount	**194,395**	**127,501**	**154,569**	**202,401**	**99,439**	**76,108**

(c) Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

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Management of liquidity risk

The Bank management is very conservative on maintaining an acceptable level of immediately available funds in hand, both in Euros as well as in foreign currencies. The Treasury Department is responsible for keeping either cash in hand or liquid assets that could be exchanged into cash immediately by making use of instruments in financial markets in consideration of cash outflows within the next two weeks. To mitigate the liquidity risk, the Bank diversifies funding sources and assets are managed with liquidity in mind, maintaining a balance of cash and cash equivalents. Within the risk management framework, the Treasury Department manages the liquidity position of the Bank and the liquidity ratios are monitored closely by the top management of the Bank. In order to manage the liquidity risk, the Treasury Department receives information from other business departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department maintains a portfolio of short-term liquid assets, short-term loans and placements to domestic and foreign banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored by the Treasury Department. The prepared daily reports cover the liquidity position of the Bank. All liquidity policies and procedures are subject to review and approval of ALCO. A summary report, including any exceptions and remedial actions taken, is submitted regularly to ALCO.

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 2013 figures with those of 31 December 2012. 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 1,038 under non-distributable item is related to DGS apportionment about DSB Bank which will be disbursed by DNB due to the payment of distribution of assets of DSB Bank. Daily liquidity and the liquidity maturity calendar are part of the Bank's Risk Management. Liquidity tests and stress test scenarios are conducted under ICAAP and ILAAP.

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

31 December 2013

Assets	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Cash and cash equivalents	66,362	64,651	1,711	-	-	-	-	-
Banks	154,569	-	10,170	19,577	76,196	48,626	-	-
Loans and advances	194,395	-	39,170	21,460	49,837	73,410	10,518	-
Interest bearing securities	99,439	-	339	1,136	10,069	55,624	32,271	-
Current tax assets	1,646	-	-	-	-	-	-	1,646
Other assets	7,025	-	-	-	-	3,138	-	3,887
Total assets	**523,436**	**64,651**	**51,389**	**42,173**	**136,102**	**180,799**	**42,789**	**5,533**
Liabilities								
Banks	128,075	-	39,317	50,001	24,489	14,268	-	-
Funds entrusted*	321,123	131,887	32,099	10,081	42,468	104,588	-	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	586	-	-	-	-	-	-	586
Total liabilities	449,784	131,887	71,416	60,083	66,957	118,856	-	586
Shareholders' equity	73,652	-	-	-	-	-	-	73,652
Total liabilities and equity	**523,436**	**131,887**	**71,416**	**60,083**	**66,957**	**118,856**	**-**	**74,238**
Net liquidity		**(67,236)**	**(20,027)**	**(17,909)**	**69,144**	**61,944**	**42,789**	**(68,705)**

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

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Assets	Carrying amount	Demand	←= 1 month	1-3 months	→ 3 months ←= 1 year	→ 1 year ←= 5 years	→ 5 years	Not distributable
Total assets	460,686	16,068	63,857	77,580	132,803	146,456	22,625	1,297
Total liabilities	460,686	145,760	51,395	39,380	66,371	100,969	461	56,350
Net liquidity		**(129,692)**	**12,462**	**38,200**	**66,432**	**45,487**	**22,164**	**(55,053)**

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

(d) Market risk

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

Management of market risk

The Bank 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 reprising bands. The ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

31 December 2013	Carrying amount	←= 3 months	3-6 months	→6 months ←= 1 year	→ 1 year	Non interest
Assets		-	-	-	-	-
Cash and cash equivalents	66,362	1,711	-	-	-	64,651
Banks	154,569	73,368	42,697	27,247	11,257	-
Loans and advances	194,395	99,012	36,733	8,001	50,649	-
Interest bearing securities	99,439	23,533	11,141	4,143	60,622	-
Current tax assets	1,646	-	-	-	-	1,646
Deferred tax assets	1,622	-	-	-	-	1,622
Other assets	5,403	-	-	-	3,138	2,265
Total assets	**523,436**	**197,624**	**90,571**	**39,391**	**125,666**	**70,184**
Liabilities						
Banks	128,075	89,318	18,281	6,208	14,268	-
Funds entrusted	321,123	174,067	13,552	28,699	104,805	-
Current tax liabilites	-	-	-	-	-	-
Other liabilites	586	-	-	-	-	586
Total liabilities	**449,784**	**263,385**	**31,833**	**34,907**	**119,073**	**586**
Surplus/deficit	**73,652**	**(65,761)**	**58,738**	**4,484**	**6,593**	**69,598**

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31 December 2012	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	460,686	295,029	72,469	67,171	18,110	7,907
Total liabilities	404,336	235,732	28,344	38,027	101,430	803
Surplus/deficit	**56,350**	**59,297**	**44,125**	**29,144**	**(83,320)**	**7,104**

Sensitivity of reported equity to interest rate movements

	200 bp parallel increase	200 bp parallel decrease
At 31 December 2013	(1,438)	286
At 31 December 2012	(768)	3,445

The calculation of the sensitivity analysis as at 31 December 2013 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the yield curves for all currencies.

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 gains or losses 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 Board of Directors 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 2013, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

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Assets	Euro	USD	TRY	Other	Total
Cash and cash equivalents	60,357	2,065	1,814	2,126	66,362
Banks	51,500	102,539	-	530	154,569
Loans and advances	67,862	80,358	41,444	4,731	194,395
Interest bearing securities	69,051	28,668	1,720	-	99,439
Current tax assets	1,646	-	-	-	1,646
Deferred tax assets	1,622	-	-	-	1,622
Other assets	5,403	-	-	-	5,403
Total assets	**257,441**	**213,630**	**44,978**	**7,387**	**523,436**
Liabilities					
Banks	73,355	47,206	5,122	2,392	128,075
Funds entrusted	298,943	21,472	707	1	321,123
Current tax liabilites	-	-	-	-	-
Derivative financial liabilites	28	-	-	-	28
Share capital and share premium	70,000	-	-	-	70,000
Retained earnings	1,142	-	-	-	1,142
Revaluation reserves	(32)	(201)	(6)	-	(239)
Net Profit	2,749	-	-	-	2,749
Other liabilities	554	3	1	-	558
Total liabilities	**446,739**	**68,480**	**5,824**	**2,393**	**523,436**
Net on balance sheet position	(189,298)	145,150	39,154	4,994	-
Net notional amount of derivatives	191,606	(145,417)	(38,341)	(4,420)	3,429
Net position	2,308	(267)	813	574	3,429

31 December 2012	Euro	USD	TRY	Other	Total
Total assets	269,923	153,562	37,193	8	460,686
Total liabilities	406,682	44,559	9,445	-	460,686
Net on balance sheet position	**(136,759)**	**109,003**	**27,748**	**8**	**0**
Net notional amount of derivatives	153,030	(124,844)	(27,739)	18	465
Net position	16,271	(15,841)	9	26	465

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

(e) Capital management – regulatory capital

As at 31 December 2013 the BIS solvency ratio of the Bank is 19.40%. (2012 17.81%)

	2013		2012	
	Required	Actual	Required	Actual
Total own funds	30,042	72,857	20,952	56,027
Tier 1 capital	30,042	72,857	20,952	56,027

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The 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. In 2013, within the Basel II framework, the Bank complied with the BIS and additional regulatory capital requirements entirely throughout the periods. The Management of the Bank observes and supervises the effective use of capital in its business operations 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. The Parent bank injected EUR 15 million of additional fresh capital in February 2013

28. Other information

Subsequent events

By letter of 1 February 2013, the Minister of Finance informed the Second Chamber of Parliament on the nationalization of SNS Reaal. The Minister also announced the imposition, in 2014, of one-off 'resolution levy' of EUR 1 billion on the Dutch banking community, for the benefit of the Treasury.

The levy will be apportioned according to the deposit base, or each bank's share in the total deposits guaranteed under the Dutch Deposit Guarantee Scheme (DGS). The reference date for determining the deposit base will be the date on which SNS Reaal was nationalized (1 February 2013). The Bank contribution to the resolution levy is calculated around EUR 679 (nontaxable) which will be seen in the Bank's accumulated results in 2014. The amount will be paid in three equal installments; March, May and July.

Provisions of the Articles of Association concerning the appropriation of the result

After deducting the appropriate impairments, the net profit for the year reported in the annual financial statements of the Bank amounts to EUR 2.749.

There will not be any dividend for the financial year.

Anadolubank Nederland N.V.

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