ANNUAL REPORT 2014

GarantiBank International N.V.

CONTENTS

KEY FIGURES

24 YEARS OF SUSTAINABLE VALUE CREATION FOR OUR STAKEHOLDERS

EUR 1,000	**2010**	**2011**	**2012**	**2013**	**2014**
TOTAL ASSETS	3,549,322	4,175,415	4,575,269	4,665,917	4,892,998
BANKS (ASSETS)	1,109,343	948,042	919,449	912,734	825,707
LOANS AND ADVANCES	1,408,250	1,854,225	2,325,995	2,313,097	2,464,437
BANKS (LIABILITIES)	596,972	781,381	654,056	737,262	770,536
FUNDS ENTRUSTED	2,469,198	2,744,420	3,360,469	3,303,065	3,330,125
SUBORDINATED LIABILITIES	45,690	46,408	30,000	30,000	30,000
SHAREHOLDERS' EQUITY (INCLUDING RESULT AFTER TAX)	327,050	376,196	430,446	488,925	535,835
OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS	80,318	64,174	83,108	91,555	82,129
RESULT AFTER TAX AND VALUE ADJUSTMENTS	49,705	51,230	54,250	58,479	45,761
FOREIGN BRANCHES AND REPRESENTATIVE OFFICES	4	4	4	4	4
CAPITAL ADEQUACY RATIO %	16.03	19.06	19.30	19.40	17.45
COST TO INCOME RATIO %*	29	34	31	29	34
RETURN ON AVERAGE EQUITY %**	17.91	15.71	14.42	13.59	9.35
RETURN ON AVERAGE ASSETS %	1.38	1.33	1.24	1.27	0.96
TOTAL AVERAGE NUMBER OF EMPLOYEES***	413	209	218	225	229

* Cost to income ratio is calculated using total expenses and total income. Value adjustments to tangible fixed assets and value adjustments to receivables are excluded.

** Return on average equity is calculated using average shareholders' equity excluding result after tax.

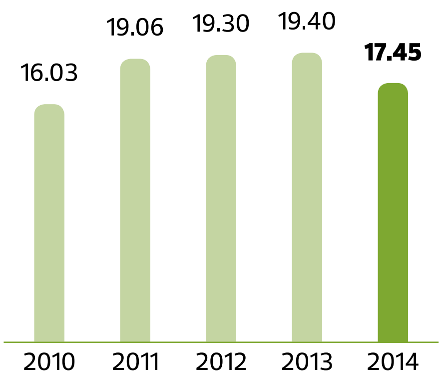
*** 2010 includes GBI's former Romania branch which was sold in 2010.

17.45%
CAPITAL ADEQUACY RATIO

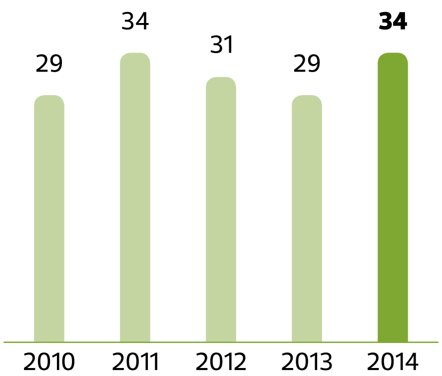
34%
COST TO INCOME RATIO

9.35%
RETURN ON AVERAGE EQUITY

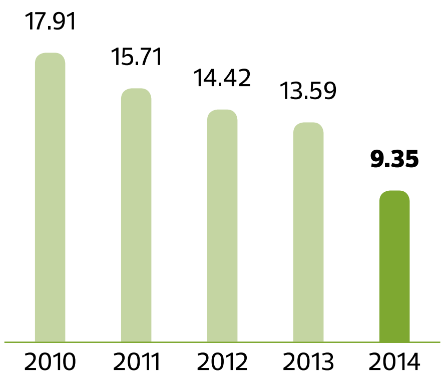
CAPITAL ADEQUACY RATIO (%)



COST TO INCOME RATIO (%)



RETURN ON AVERAGE EQUITY (%)



CREDIT RATINGS

MOODY'S	
BANK DEPOSITS (Long Term / Short Term)	Baa2/P-2

CHAIRMAN'S STATEMENT

IN 2014, GBI MAINTAINED ITS PERFORMANCE AT ALL COMMERCIAL FRONTS AND CONTINUED CREATING VALUE FOR THE BANK'S STAKEHOLDERS.

Dear Stakeholders,

2014 has been another successful year for GarantiBank International N.V. (GBI). GBI achieved satisfactory results despite challenging market conditions and tightening regulations. The operating result before tax and value adjustments amounted to EUR 82.1 million in 2014, producing a net profit of EUR 45.8 million after the deduction of EUR 5.7 million of regulatory levy stemming from the insolvency of an unrelated bank in the Netherlands during 2013. The size of the balance sheet grew by almost five percent to EUR 4,893 million.

A very significant development was Banco Bilbao Vizcaya Argentaria's (BBVA) agreement with Doğuş Group in November to increase its shareholding in GBI's parent Garanti to 39.9 percent from 25 percent. Once the regulatory approvals are completed during the course of 2015, BBVA will be the controlling shareholder of Garanti.

Evidencing the strong financial standing of GBI, Moody's reconfirmed GBI's Baa2 investment grade long-term deposit rating and The Banker magazine, in their July 2014 issue, ranked GBI as one of the top three banks in the Netherlands by soundness and profitability.

GBI maintained its performance at all commercial fronts and continued creating value for the Bank's stakeholders.

GBI Trade & Commodity Finance successfully registered another profitable year in 2014. It was a year of further focus on this locomotive line of business, namely transactional trade and commodity finance. Through bilateral trade and commodity finance products, the Bank served to its valued clients and expanded its activities on this front.

GBI Private Banking recorded a steady performance in 2014 owing to its solid risk management practices and well-established client relationships. GBI maintained its strong market position through its technical expertise diversified into developed and emerging markets, while serving its clients in a prudent and reliable way.

GBI Corporate Lending, serving clients with structured solutions and innovative products, such as receivables financing, vendor financing and project finance in bilateral and syndicated arrangements, continued adding value to the Bank. 2014 was again a growth year for GBI Payments & Cash Management. As a result of new client acquisitions and transaction flow volume growth, the commission revenue in Payments & Cash Management rose by 15 percent. At Islamic Finance front, GBI further expanded and strengthened its relationship network of corporates and financial institutions seeking this specific line of products. GBI Shipping Finance is mainly active in traditional segments, namely bulker and tanker. Comfortable loan-to-value ratio of GBI's exposure in shipping finance indicates that the exposures are well secured.

In addition to the achievements on the commercial fronts, GBI also complied promptly with the challenging regulatory requirements and implemented EMIR and CRD IV while becoming FATCA compliant by registering with the IRS of the USA with a status of reporting FFI under a model 1 IGA.

Another noteworthy development during the year under review was the diversification of GBI's funding sources towards wholesale funding. On this front, the Bank perused and acted upon high liquidity and low interest environment in the global financial markets.

Throughout the ups and downs for emerging markets in 2014 and significant monetary policy shifts in developed economies, GBI maintained a cautious lending policy and kept a focus on prudent capital management. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio, at 17.45 percent, is comfortably above the new minimum capital requirements.

Last but not least, the project "German Banking Suite (GBS)" was implemented in November. GBS, which is the largest IT project the Bank has completed to date, provides a purpose oriented, compliant and reliable banking software for GBI's Dusseldorf Branch fully integrated with the core banking system.

On behalf of the Supervisory Board, I would like to express my sincere gratitude to all employees for adding significant value to GBI's stakeholders with their diligent work and remarkable performance. I also thank the shareholders for their implicit support to GBI.

Amsterdam, 26 March 2015

S. Sözen (Chairman of the Supervisory Board)

OUR MISSION

OUR MISSION IS TO SUSTAIN SOLID VALUE CREATION FOR OUR CLIENTS, EMPLOYEES, SHAREHOLDERS AND SOCIETY BY PURSUING PRUDENT STRATEGIES WITH ORGANISATIONAL AGILITY AND OPERATIONAL EXCELLENCE, AS A RELIABLE NICHE FINANCIAL SERVICES PROVIDER.

OUR VISION

OUR VISION IS TO BE THE BEST BANK IN OUR NICHE MARKETS.

REPORT OF THE SUPERVISORY BOARD

THE SUPERVISORY BOARD CONSISTS OF FIVE MEMBERS, THREE OF WHOM ARE INDEPENDENT.

ANNUAL ACCOUNTS

The annual accounts were drawn up by the Managing Board and were audited in accordance with Article 27, paragraph 4 of the Articles of Association by KPMG Accountants N.V. (KPMG), who issued an unqualified opinion dated 26 March 2015. In compliance with the provisions of the Articles of Association of GarantiBank International N.V. (GBI, the Bank), the Supervisory Board has examined the auditor's report and the financial statements of the year 2014. In accordance with Article 29 of the Articles of Association, the Supervisory Board advises and proposes that the Shareholder adopts the 2014 annual accounts at the Annual General Meeting of Shareholders on 10 April 2015. The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharges the members of the Managing Board and the Supervisory Board for their respective management and supervision during the financial year 2014.

FINANCIAL STATEMENTS AND PROPOSED DIVIDEND

The Supervisory Board has voted to adopt the Managing Board's proposal to transfer the net profit of 2014 being EUR 45.8 million to the other reserves rather than paying a dividend.

COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of five members whose combined experience and technical knowledge are suitable for the international and specialized nature of GBI's businesses from commercial, economic, financial and risk management viewpoints. The full profile of the Supervisory Board can be found in the 'Charter Governing the Supervisory Board', which is published on GBI's websites www.garantibank.eu, www.garantibank.nl and www.garantibank.de.

In 2014, the Supervisory Board was composed of the following members:

Name	Year of Birth	Position	Membership since	End of Term
S. Sözen	1946	Chairman	1998	2016
F. Şahenk*	1964	Member	2002	2015*
R. van der Linden	1943	Member	2012	2016
M. Galatas	1962	Member	2012	2016
B. Meesters	1954	Member	2012	2016
W. Cramer	1961	Member	2013	2015

*In the Annual General Meeting of Shareholders of 11 April 2014, the proposal of the resignation of Mr Şahenk as member of the Supervisory Board has been accepted as of the date of that meeting. GBI would like to thank Mr Şahenk for his twelve years of valuable leadership on the guidance and management of the Bank and for his exceptional vision and inspiration to the Managing Board, the Supervisory Board and every employee of the Bank. By the resignation of Mr Şahenk, the Supervisory Board will now consist of five members, two of which are dependent (group related) and three are independent.

Members of the Supervisory Board are elected for a term of four years. Mr Cramer is due to resign by rotation on 10 April 2015. GBI has benefited greatly from the international banking experience and know-how of Mr Cramer. As Member of the Risk Committee, Mr Cramer guided the Bank to further mitigate the risks and to support the implementation of the revised international risk regulations. He is therefore nominated by the Supervisory Board for reappointment by the Shareholder for a new term of four years, effective as of 10 April 2015.

COMPOSITION OF THE MANAGING BOARD

The Managing Board is composed of the following members:

Name	Year of Birth	Position	Membership since
B. Ateş	1963	Chief Executive Officer	2000
M.P. Padberg	1954	Managing Director	1993

GBI gives equal opportunity and consideration to the eligible candidates in the process of appointments to all levels of GBI's management, committees and boards. In 2014, the Supervisory Board and the Managing Board were composed of only male members. The Senior Management, however, included female Executive Directors and Directors. In 2014, a new female Executive Director was appointed to the Senior Management. As the Managing Board is composed of two members who have competently and effectively managed the Bank for more than 15 years, changing the Managing Board structure to meet a regulatory target of 30 percent female members is currently not feasible.

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD MEETINGS

The Supervisory Board met on 5 occasions in the reporting period and all members of the Supervisory Board were present in all meetings. The Managing Board was also present in all meetings. In the meetings, the current business developments and performance were discussed thoroughly and considerable time was devoted to reviewing the Bank's strategy, current and future economic challenges, intensified supervision, compounded international and national regulations, different thematic examinations of De Nederlandsche Bank (DNB), continuous focus on a prudent and risk aware credit risk management and the good relations with our clients and counterparties. The 2013 annual figures were commented in presence of the external auditor in the supervisory board meeting of 27 March 2014 including all the related reports and the management letter. The budget for 2015 was discussed in detail and ultimately approved in the last meeting of the Supervisory Board on 20 November 2014. The Executive Director Risk Management, Control and Reporting attended all meetings and presented financial and risk management issues. The Executive Director Credits presented credit risk related topics in all meetings. The secretary of the Supervisory Board and at the same time the Director of Legal and Compliance presented legal and compliance related subjects in all meetings. During the year, the Chairman of the Supervisory Board had been in close contact with the Chief Executive Officer and visited the Bank several times in addition to the regular meetings of the Supervisory Board.

SUPERVISORY BOARD SUBCOMMITTEE MEETINGS

While retaining overall responsibility, The Supervisory Board assigns certain tasks to three permanent committees as listed below:

- the Audit and Compliance Committee
- the Risk Committee
- the Remuneration Committee.

AUDIT AND COMPLIANCE COMMITTEE

Members: Mr M. Galatas and Mr B. Meesters

In 2014, the Audit and Compliance Committee of the Supervisory Board met three times. The Audit and Compliance Committee advises the Supervisory Board on its responsibilities and prepares issues for decision in the Supervisory Board by presenting proposals and recommendations for; financial reporting processes, the policy of GBI on tax planning, risk management and control systems, auditing processes, the process by which GBI monitors compliance with regulations, the role and functioning of Internal Audit, the applications of information and communication technology and the relations with the external auditor.

The Audit and Compliance Committee has reviewed the Risk Governance Framework and the Operational Risk Management Policy and has advised the Supervisory Board for approval.

RISK COMMITTEE

Members: Mr M. Galatas and Mr W. Cramer

The Risk Committee of the Supervisory Board met three times in 2014. The responsibilities of the Risk Committee includes supervising the organization, design and functioning of GBI's entire risk management system, including procedures, rules and the acceptance policy.

The Risk Committee advises the Supervisory Board on its responsibilities related to the supervision of GBI's risk policy, appetite and profile. The Committee manages an agenda on all material risk areas that requires the Supervisory Board decision on proposals and recommendations, at the initiative of the Managing Board, the Supervisory Board or otherwise.

In 2013, GBI started a project to harmonize all existing policies, procedures, guidelines and processes and to determine the authorization levels. The project continued in 2014 in the light of the changing regulatory landscape, the client and counterparty requirements and to be more in line with the practices at the parent bank. Policies are grouped in two broad categories: Management Policies and Business Policies. Management Policies refer to the policies that are used to design the strategy, risk governance and risk management processes while Business Policies include the ones that aim for designing the day-to-day activities of the Bank.

Risk Committee monitors and periodically assesses the effectiveness of GBI's risk governance. In this capacity the Risk Committee reviews Management Policies, such as Credit Policy, Market Risk Policy, Liquidity Risk Policy, Operational Risk Policy and Risk Governance Framework among others and advises to the Supervisory Board for approval, in case a change is needed.

The Risk Committee discusses DNB's reports, such as SREP letter and report on the credit examination and ensures that the findings are addressed adequately.

REMUNERATION COMMITTEE

Members: Mr Sözen and Mr van der Linden (until 14 April 2014: Mr Sözen and Mr Şahenk)

The Remuneration Committee of the Supervisory Board met two times in 2014. In the first meeting, personnel issues of the past year such as turn-over, new recruits and promotions have been discussed. Some salary increases, variable allowances, training budget, pension plans and promotions, altogether the 2014 personnel budget, have been reviewed and approved. In the second meeting of the Committee, the new collective labor agreement of the Dutch banking industry applicable for GBI has been discussed. Furthermore, the implications of the new act "Remuneration Policy Financial Institutions" (Wbfo), which has been passed both in the House of the Representatives and the Senate in the beginning of 2015, have been extensively discussed. Wbfo introduces new measures such as, among others, a 20 percent cap on the variable remuneration and a precondition that at least 50 percent of the variable remuneration shall be based on non-financial performance.

The Committee discussed the implications of the so-called "WMO Act", the reduction of Maximum Pension Accrual and Premium Rates and Maximum Pensionable Income. In line with the conditions set in WMO the pensionable salary will be capped, starting from 1 January 2015. The Remuneration Committee has decided that the employees who are affected by this new rule will be compensated. Finally the Remuneration Committee has decided for a 5 year defined benefit pension plan with a new insurance company to replace the existing pension contract, which expired at the end of 2014.

REPORT OF THE SUPERVISORY BOARD

DUTCH BANKING CODE

On 9 September 2009, the Dutch Banking Association issued the Banking Code. The Banking Code, which became effective on 1 January 2010, lays out the principles by which Dutch banks should conduct themselves in terms of corporate governance, risk management, audit and remuneration. The Banking Code applies to all activities in the Netherlands performed by the banks that have a banking license granted under the Financial Supervision Act. The Banking Code uses the 'comply or explain' principle, which means that banks in principle shall apply the principles of the Banking Code. GBI acts in accordance with the 'comply or explain' principle of the Dutch Banking Code. GBI has implemented the principles of the Dutch Banking Code to the extent it fits the special and international characteristics and activities of the Bank, and explains any situation of non-compliance.

On 1 January 2015, the Banking Code has been updated. The update of the Banking Code takes into account the recommendations of the Banking Code Monitoring Commission, the report of the Committee on the Structure of Dutch Banks, the government's views on the Dutch banking industry and a new balance towards a service-oriented, stable and competitive banking sector. The principles in the 'old' Code which have now been incorporated in the current legislation and regulation are not repeated in the new Banking Code.

GOVERNANCE

Effective corporate governance in accordance with high international standards is fundamental to the existence of the Bank. The Supervisory Board will ensure a responsible, value-driven management and control of GBI through strong corporate governance, which has four key elements:

- good relations with all stakeholders;
- effective cooperation between the Managing Board and the Supervisory Board;
- a sound remuneration policy for all staff;
- a transparent reporting system.

The Charter Governing the Supervisory Board contains all the "Supervisory Board principles" of the Dutch Banking Code. The content of this charter is taken from the articles of association, the Dutch Corporate Governance Code, the Dutch Civil Code and, as said, from the Dutch Banking Code. The charter is about the responsibilities and integrity of the Supervisory Board, the approval of decisions of the Managing Board and about the composition and structure of the Supervisory Board such as (re)appointment, rotation plan, retirement, meeting schedule, adoption of resolutions, conflict of interests, permanent education. The charter describes the different committees of the board, the co-operation with the Managing Board and includes a Supervisory Board profile. Also, the individual personal details of each board member are described. GBI meets the requirement that at least half of the Supervisory Board is composed of independent members.

The governance of the Managing Board is in compliance with the "Executive Board principles" of the Dutch Banking Code. The Managing Board consists of two persons and during the year, both members attended external meetings and seminars and followed external trainings to maintain and improve their banking and managerial expertise.

MORAL AND ETHICAL CONDUCT DECLARATION

The members of the Managing Board have signed the moral and ethical conduct declaration. By this declaration, the members declare to perform their duties as a banker with integrity and care, and that they will give importance to the customers' interests. The moral and ethical conduct declaration is published on GBI's website www.garantibank.eu.

PERMANENT EDUCATION

GBI organizes yearly a permanent education program for the members of the Managing Board and the Supervisory Board as required by the Banking Code. Each year, a subject will be touched upon in the form of a workshop. In November 2014, a workshop was held on the very important subject of cybercrime, as banks are likely to remain top cybercrime targets. A senior consultant from a reputable outside firm, has delivered a workshop providing detailed information on the fraud investigation and dispute services practice, focusing on cybercrime, data breach investigations, network intrusion, incident response and computer and network forensics.

RISK MANAGEMENT

As a financial institution, GBI is exposed to a variety of risks. To ensure measured risk taking, GBI has integrated risk management in its daily activities and strategic planning. The Risk Management Department assists the Bank with the formulation of its risk appetite, risk strategy and policies, and provides an overview, supervision and support function on risk-related issues.

Risk management is a constant topic in the meetings of the Supervisory Board and in the meetings of the Supervisory Board's Risk Committee. The risk appetite of the Bank is discussed yearly and approved by the Supervisory Board GBI has established a Risk Management Committee which supervises all risk management activities at the Bank. The Committee consists, among others, of members of the Managing Board and for each decision a quorum is required.

The "Risk management principles" of the Dutch Banking Code are met adequately. Detailed disclosures on the risk management practices of the Bank can be found in the Report on Capital Adequacy and Risk Management, which is published on GBI's website www.garantibank.eu.

PRODUCT APPROVAL PROCESS

The Product Approval Process (PAP) has been documented in a procedure which has been approved by the Managing Board. The PAP covers the process starting from the first ideas for a new product until the moment of introduction. Products, services or statements that will go through the product approval process, only after the approval of the Risk Management Department, shall not be introduced to the market or distributed to various channels without prior careful examination of the risks for the Bank as well as the client and without the approval of the New Product Development Committee (NPDC). This committee, which consists of related executive directors, is the ultimate body to approve or disapprove the introduction of a new product or service.

AUDIT

GBI meets all ''Audit principles'' as mentioned in the Dutch Banking Code. An independent Audit function reporting directly to the Managing Board and the Audit and Compliance Committee of the Supervisory Board, was already in place. The Director Internal Audit is always present in the meetings of the Audit and Compliance Committee. Also, the external auditor takes part in the Audit and Compliance Committee meetings. The Managing Board, however, is not part of the committee meetings. Principle 5.6 of the Dutch Banking Code refers to the tri-partite meeting between DNB, the external auditor and GBI. In 2014, DNB did not see the necessity to have a tri-partite meeting as GBI and DNB had already met many times during the year to discuss all relevant items.

REMUNERATION

GBI has implemented a meticulous, restrained and long-term remuneration policy in line with its strategy and risk appetite. The policy focuses on ensuring a sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these goals to the employees
- including both financial and non-financial goals in performance and result assessments
- making fixed salaries the main remuneration component

The policy reflects GBI's objectives for good corporate governance and meets the requirements as laid down in DNB's Guidelines on Controlled Remuneration Policy and the Dutch Banking Code, except for one item which has been neutralized by applying the proportionality principle. GBI will not meet the bonus share part of the guidelines, because employees and management of GBI are not rewarded with shares or options in the share capital of the parent bank as this would be against the parent bank policy. GBI is not a listed company. Once a year, the Remuneration Committee monitors compliance with the remuneration policy. The Remuneration Committee submits any policy adjustments for review to the Supervisory Board and for adoption to the Annual General Meeting of Shareholders. A description of the composition, duties and authority of the Remuneration Committee is defined in the remuneration policy.

In 2015, the Remuneration Committee will review the amended Remuneration Policy. The Remuneration Policy will be aligned with the new act "Remuneration Policy Financial Institutions" (Wbfo) and with the Regulation on Sound Remuneration Policies under the Wft 2014 (Regeling Beheerst Beloningsbeleid (RBB) Wft). The RBB 2014 is an update of the RBB 2011, based on the fourth Capital Requirements Directive (Directive 2013/36/EU, CRD IV). The amendments to the RBB 2014 are limited in scope. The amendments to the RBB 2014 compared to the RBB 2011 mainly concern an expansion of the ban on guaranteed bonuses and of the penalty and reclaim arrangements.

GBI once again had a profitable and satisfactory performance in the year under review. The Supervisory Board would like to thank the members of the Managing Board and all staff for their hard work and commitment to the Bank. The employees of GBI have served to the interest of the customers, the shareholder and other stakeholders with great enthusiasm, devotion and professionalism without losing focus on risk awareness.

Amsterdam, 26 March 2015

The Board of Supervisory Directors:
Mr S. Sözen (Chairman)
Mr P.R.H.M. van der Linden
Mr M.P. Galatas Sanchez-Harguindey
Mr B.J.M.A. Meesters
Mr W.F.C. Cramer

RESPONSIBILITY

OUR TENET IS TO BEHAVE IN AN EXEMPLARY MANNER WITH UTMOST INTEGRITY AND RESPONSIBILITY TOWARDS ALL OUR STAKEHOLDERS.

ECONOMIC DEVELOPMENTS

EUROZONE ECONOMY STRUGGLED WITH DEFLATION AND LOW GROWTH WHICH LED ECB TO CHANGE ITS STANCE GRADUALLY TO A MORE DOVISH POLICY FRAMEWORK.

Balance sheet growth of the central banks dominated the markets throughout 2014. FED ended a successful QE, Bank of Japan accelerated by the end of year and ECB has been targeting the same pace.

The year started with a negative tone as major central banks disclosed hawkish comments with respect to liquidity provisions and this triggered a sell-off in the emerging markets. Coupled with China's slowdown, FED rate hike was seen as a significant pricing risk in the financial markets. Nevertheless, Bank of England and even Bank of Japan made hawkish comments in the beginning of the year.

In the following months, inflation issue had a negative impact on the Eurozone economy in addition to high unemployment rates and stagnant growth leading to a major sell-off which resulted in EUR/USD exchange rate to decline to 1.20 levels at the end of the year. Eurozone economy struggled with deflation and low growth which led ECB to change its stance gradually to a more dovish policy framework.

US economy experienced a strong growth and relatively higher inflation compared to other G-3 countries. FED policies played a major role on economic recovery which posted 2.40 percent real GDP growth rate in 2014. In line with the declining energy prices, CPI remained below the FED target of 2.00 percent helping controlled stimulus fuel the economy.

While Japan was following its own path with a unique economic policy in the first half of the year, financial markets suddenly started to price the rapid policy normalization of FED following strong US economic data releases, which triggered fierce depreciation of JPY against USD. Monetary policy divergence between Japan and US continued.

China started to cool down and first effects were seen on the housing sector. However, weak export growth forced the central bank to impose a stimulus program for supporting economic growth. Although economic growth had been slowing, it remained relatively high being a major catalyst to the global economy.

Russia had been the center of attention by all means. Aggression over Ukraine followed by brutal combat eventually received a unified response in terms of sanctions from US and EU nations. Sanctions coupled with weak oil prices hammered Russia's real economy lifting exchange rate to record highs as well as putting a heavy burden on economic growth and inflation for future progress.

Commodity prices experienced the most remarkable decline in recent years, fuelled by weak global growth expectations in over-supplied markets. Oil drifted lower particularly as OPEC producers failed to cut the excess supply in the market which coupled with market share moves from large producers. Precious metals including gold and silver have also lost value due to worsened global outlook.

Turkish economy experienced a volatile year in 2014 influenced by liquidity conditions in financial markets. Inflation peaked in the first half but then declined with the help of lower oil prices. Especially, the positive effect of lower energy prices was felt significantly on current account balance later in the year. Growth was weaker than long term average but was still positive.

Looking ahead, global growth is expected to improve in 2015, particularly in the second half of the year, but momentum to remain fragile especially in the Eurozone. Unanticipated geopolitical risks and policy responses are likely to remain as the biggest factors to lead market direction. Common consensus is ECB and People's Bank of China to ease further and Bank of Japan to continue its quantitative easing program. FED is most likely to normalize its policy in 2015 by hiking interest rates.

FINANCIAL ANALYSIS

IN 2014, THE OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS AMOUNTED TO EUR 82.1 MILLION. NET RESULT AFTER TAX STOOD AT EUR 45.8 MILLION.

In 2014, the operating result before tax and value adjustments amounted to EUR 82.1 million, which is 10 percent lower than in 2013 (EUR 91.6 million). Net result after tax stood at EUR 45.8 million, which is a decrease of almost 22 percent compared to 2013 (EUR 58.5 million).

The slowdown in the 2014 operating result is explained by a combination of a decrease in total income by EUR 5.5 million and an increase in total expenses by EUR 7.2 million. The decrease in total income is attributable to net commission and result on financial transactions, whereas the increase in total expenses was explained by increased other administrative expenses, depreciation and value adjustments to receivables.

Net interest increased by EUR 1.2 million compared to 2013. This includes the results on sales of interest-bearing securities from the investment and other securities portfolio which amounted to EUR 32.6 million, representing a decrease of EUR 5.0 million compared to 2013. The decrease in result on sales of interest-bearing securities was partially offset by a slightly higher interest margin in 2014 compared to 2013, and higher average assets than in 2013.

Net commission income amounted to EUR 38.1 million, which is nine percent or EUR 3.8 million lower than the 2013 figure. This decrease is mainly attributable to the Bank's trade finance activities (EUR 3.6 million negative) and brokerage and private banking services (EUR 0.6 million negative).

Result on financial transactions decreased from EUR 8.7 million in 2013 to EUR 5.9 million in 2014, a decrease of EUR 2.8 million. The decrease was mainly seen in foreign exchange dealing (EUR 0.7 million negative) and other results on financial transactions (EUR 1.8 million negative).

Total administrative expenses amounted to EUR 39.6 million which is EUR 3.2 million higher than in 2013. The increase in administrative expenses is explained by the SNS REAAL contribution levy which impacted the expenses by EUR 5.7 million. Staff costs showed a decrease of EUR 0.6 million compared to 2013.

Value adjustments to receivables increased from EUR 15.4 million in 2013 to EUR 18.5 million in 2014, which mainly relates to provisions recorded for loans.

Total tax expense amounted to EUR 17.8 million, representing an effective tax rate of 28% (2013: 23%). The increase in the effective tax rate was mainly caused by the SNS REAAL contribution levy of EUR 5.7 million which was a non-tax deductible expense.

OUR 2015 PROJECTIONS ARE CONSERVATIVELY REFLECTING THE ADDITIONAL REGULATORY RESTRICTIONS AT NATIONAL AND EUROPEAN LEVEL AND THE CHALLENGING GLOBAL ECONOMIC LANDSCAPE.

The size of the balance sheet increased by five percent or EUR 227 million. This increase relates to the asset items interest-bearing securities (EUR 178 million), loans and advances (EUR 151 million), and cash (EUR 114 million) whereas the asset items banks (EUR 87 million) and prepayments and accrued income (EUR 128 million) decreased. The decrease in the prepayments and accrued income mostly relates to a decrease in the book value of derivatives resulting from the exchange rate movements. On the liability side of the balance sheet the increase is mainly attributable to the items accruals and deferred income (EUR 119 million), shareholder's equity (EUR 47 million), banks (EUR 33 million) and funds entrusted (EUR 27 million). The increase in the liability item accruals and deferred income mostly relates to an increase in the book value of derivatives resulting from the exchange rate movements.

The contingent liabilities showed an increase of EUR 82 million, which is mainly attributable to other commitments (EUR 60 million) and import LC's (EUR 43 million).

OUTLOOK 2015

Our 2015 projections are conservatively reflecting the additional regulatory restrictions at national and European level and the challenging global economic landscape. The developments in European and emerging markets, particularly the CIS region will be under close watch.

We will continue our prudent balance sheet management, with increasing diversification of loan book towards European corporates, while maintaining our high quality European bond portfolio. On the liability side, we will be further diversifying our wholesale funding sources. We intend to grow our volumes in commission generating services such as trade and commodity finance, cash management and private banking. Accordingly, our headcount will slightly increase compared to 2014.

Throughout 2015, we will aim to sustain solid value creation for our stakeholders in a responsible manner. Well-established business practices and strong risk management culture will be our key strengths in pursuing our prudent strategy.

BUSINESS STRATEGY AND DEVELOPMENTS

AGILITY, PRUDENCE, EXCELLENCE, PROGRESS AND INTEGRITY ARE THE VALUES WE HAVE EMBRACED FOR DELIVERING FAST, ACCURATE, TAILOR-MADE, INNOVATIVE AND COUNTRY-SPECIFIC, ALTOGETHER BOUTIQUE-STYLE OFFERINGS.

GBI has been in the business of stakeholder-centric transaction banking. Our stakeholders are our clients and counterparties, shareholders, regulators, auditors, competitors, other business partners, employees and the community to whom we strive to add value responsibly. We have observed and enjoyed that transaction banking products, when delivered in boutique-style, indeed result appreciation of our stakeholders. Agility, prudence, excellence, progress and integrity are the values we have embraced for delivering fast, accurate, tailor-made, innovative and country-specific, altogether boutique-style offerings through our six front offices as outlined below and further detailed subsequently.

Front Offices	Mandate	Clients & Counterparties	Products
Trade & Commodity Finance	add value to commodity trade flows around the globe	firms physically trading energy, metals and agricultural commodities in regional and global markets	documentary credits, collections and short-term tailor-made bilateral loans to finance trade cycle
Private Banking	offer advisory and brokerage services to selected clients for their investments	high net-worth individuals and institutional clients	fixed income, currencies, commodities, equities, various deposit taking, derivatives, Islamic products
Treasury	manage liquidity and balance sheet risks, add value in commercial flow trading	bank and non-bank financial institutions	fixed income, currencies, commodities, swaps, money market products, derivatives
Financial Institutions & Investor Relations	leverage financial institutions network, manage wholesale funding, originate and distribute FI assets, investor relations	bank and non-bank financial institutions, rating agencies	transactional and structured borrowings, bilateral and syndicated loans, credit insurance, documentary credits, collections
Structured Finance	provide conventional and alternative banking solutions to corporate clients to originate both assets and liabilities	blue-chip and mid-cap corporates, financial institutions with or without Islamic banking offerings	payments and cash management, receivables finance, corporate loans, Islamic finance, ship finance, deposits
Retail Banking	deliver retail services geared towards customer satisfaction	retail customers in the Netherlands and in Germany	variety of retail deposit products with suitable online capabilities

OWING TO OUR CLIENT-CENTRIC APPROACH AND OUR OPERATIONAL EXCELLENCE RECOGNIZED BY MARKET PLAYERS, WE ADD VALUE TO REGIONAL AND GLOBAL COMMODITY FLOWS.

TRADE & COMMODITY FINANCE

GBI's Trade & Commodity Finance functions as a "global boutique" facilitating and supporting commodity trade flows around the globe. Our clientele are international merchants operating in a diverse set of physical commodities as well as companies producing, storing, importing, exporting and distributing goods as part of the global supply chain. GBI Trade & Commodity Finance provides tailor made financial solutions to such businesses ranging from asset-backed lending to documentary instruments and working capital loans to risk coverage.

Owing to our client-centric approach and our operational excellence recognized by market players, we add value to regional and global commodity flows. GBI has decades of accumulated experience in various commodity classes, risk management and transactional trade finance products. Our offerings are harnessed and delivered in a unique "global boutique" style reflecting our agility and seamless execution.

At every step of assessment and execution, we hold value creation central to our client relationships, while ensuring that both the Bank and the clients are well informed and updated on the constantly changing financial environment and attached risks thereof.

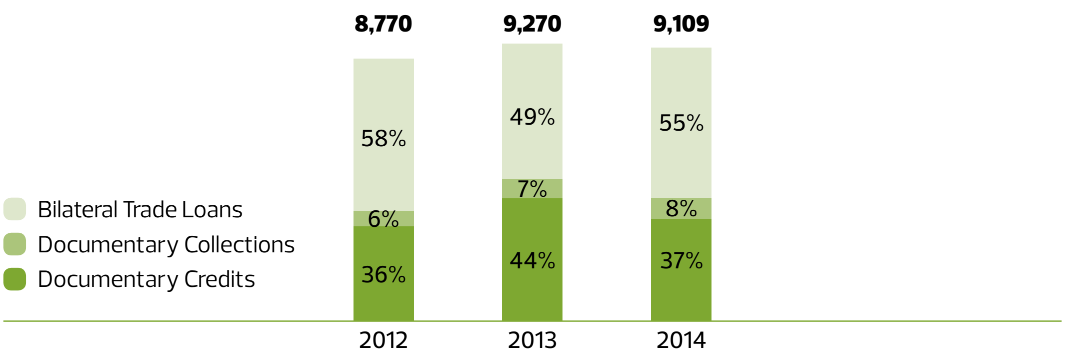
GBI's holistic approach in risk management is particularly important in today's turbulent global financial outlook. It is no secret that 2014 was by all means a challenging year, where several global and regional developments followed one another in a mesmerizing speed resulting in considerable volatility. From Crimean crisis and Russian sanctions to the threat of Ebola; from the turmoil in Middle East to oil price wars and ever-changing regulatory landscape, all participants of the global financial markets have had their reasons to run a safety check on their positions and prospects. World trade growth slowed significantly compared to the previous decade, whereas most commodities plunged sharply with considerable global side effects. China remains as the key to the global demand being the largest consumer of commodities while concerns around FED's rate-hike along with ECB's quantitative easing program and the geopolitical events will shape the year ahead.

Notwithstanding such an economic outlook, GBI Trade & Commodity Finance successfully registered another profitable year in 2014. It was a year of further concentration on the locomotive line of business, namely transactional trade and commodity finance. Accordingly, business units Trade Banking and Corporate Finance, previously being part of Trade Finance front office, were regrouped under Financial Institutions & Investor Relations and Structured Finance front offices, respectively. As a result, the scope of Trade & Commodity Finance is now confined on bilateral trade and commodity finance products.

BUSINESS STRATEGY AND DEVELOPMENTS

The internal organization of Trade & Commodity Finance business line encompasses two front offices, namely Agri-Commodities & Energy covering commodities such as soft commodities, crude oil, petroleum products and chemicals, and Metals & Mining that exclusively serves to clients dealing with ferrous and non-ferrous metals and coal. In addition to the commodity-centric front offices, Trade & Commodity Finance has set up a Coordination unit, whose primary focus is to add value to our clients by internally coordinating a seamless execution.

FLOW VOLUME BY PRODUCT (USD MILLION)



The analysis of the flow volume by products reveals that trade loans form the largest product group. In this product group, GBI provides short-term liquidity to its clients for trade-related purposes such as financing stock in storage or in transit, financing of trade receivables, or other forms of trade financing. Meanwhile, documentary credits and collections volumes form an essential part of our product offerings.

In an era of historically low interest rates, high liquidity and low commodity prices, we foresee that the competition among trade finance lenders would intensify during 2015, especially when target clients demonstrate commanding market position, proven risk management sophistication and strong financial positions. Yet again, there can be potential for smaller yet competent firms so as to adopt enhancing financing models and thus secure much-needed working capital at reasonable borrowing rates. As the volatility is persistent, both lenders and firms engaged in international finance are required to be agile to accommodate top-level risk management expertise to benefit the rewards and mitigate the risks.

With our crises-tested, growth-proven, resilient and rewarding "global boutique" approach, GBI shall continue serving to our valued clientele with passion and modesty. Pledging ourselves to provide continuing liquidity and expertise for trade financing, we are committed to deliver best value-adding solutions and constructive risk mitigation techniques to our present and future stakeholders with high ethical standards.

PURSUING A CLIENT CENTRIC APPROACH, WE STRIVE TO BUILD LONG TERM RELATIONSHIPS WITH OUR CLIENTS BASED ON OPEN COMMUNICATION, TRUST AND RELIABILITY.

PRIVATE BANKING

GBI's Private Banking provides specialized financial intermediary services to institutional and high net worth private clients located in various countries and actively investing globally. Pursuing a client centric approach, we strive to build long term relationships based on open communication, trust and reliability while our business conduct is guided by our core values.

Services are delivered in brokerage and advisory forms, further tailored to each client's requirements and preferences. We offer a platform that enables our clients to have access to a broad range of financial markets around the globe. Our brokerage services are for those who seek prompt market access through direct, fast and accurate order execution. Our advisory services are designed for clients who would like to receive guidance in their investment processes. We provide tailored and portfolio based advice, investment and risk management ideas aiming to assist our clients in their wealth conservation as well as prudent and steady growth of their portfolios.

We have a holistic and dynamic product and market coverage, constantly updated in line with changing client preferences and market developments. We develop customized product solutions owing to our technical know-how and organizational agility. We differentiate ourselves through high expertise and coherence of the team, quality of investment advisory and fast, accurate execution in a broad array of products.

We aim to build such relationships with our clients that offer genuine human and cultural understanding. Our services are streamlined to meet each client's needs, identified by designated relationship managers through direct and regular communication with the clients. Our business model prioritizes our clients while our team works closely with them to develop tailor-made solutions that meet their evolving needs. Owing to this approach, we maximize client satisfaction and loyalty.

In 2014, similar to previous year, the wealth management sector encountered various challenges ranging from additional regulatory requirements to increased competition which put further pressure on cost structures and revenue margins. Another headwind was the adverse market developments, particularly in emerging markets while developed markets continued to stabilize. GBI Private Banking recorded a steady performance in 2014 owing to its solid risk management practices and well-established client relationships. We maintained our strong market position through our technical expertise diversified into developed and emerging markets, while serving our clients in a prudent and reliable manner. Strong brand recognition added to the competitive advantages of GBI in the new customer acquisition process.

In 2015, we aim to deliver revenue and asset growth in a prudent and sustainable manner, focusing on providing value to our clients and all stakeholders.

GBI PURSUES A PRUDENT STRATEGY WHICH EMBODIES MAINTAINING A SOLID BALANCE SHEET STRUCTURE AND ACTIVE MONITORING AND HEDGING OF MISMATCHES.

TREASURY

GBI's Treasury consists of asset and liability management and front office functions related to fixed income and foreign exchange.

Asset and Liability Management is the prime responsibility of GBI Treasury, which reports regularly to the Asset & Liability Committee (ALCO) on market movements and trends. Treasury also makes proposals as to hedging strategies. ALCO evaluates VAR, duration, gap, sensitivity and scenario analysis reports in its decision making process. GBI Treasury executes ALCO's decisions in a timely and effective manner.

GBI pursues a prudent strategy which embodies maintaining a solid balance sheet structure and active monitoring and hedging of mismatches. This approach enables the Bank to cope with adverse market movements and to maintain its strong performance against various market conditions.

GBI Treasury is responsible for carrying out Internal Transfer Pricing (ITP) which is a mechanism that aims to implement ALCO's strategic priorities. Taking into consideration forecast and current market outlook, liquidity constraints and cost of funds, GBI Treasury proposes ITP rates to ALCO. The purpose is to ensure efficient use of the Bank's resources and enhance prudent liquidity management. Business lines are guided, through ITP, to choose assets that bring in the highest returns on equity within the risk appetite framework defined by the Supervisory Board.

Fixed Income and Foreign Exchange activities are driven by our markets and products expertise. On these fronts, we focus on commercial flows instead of proprietary trading. We competitively serve internal clients, being GBI's business lines, and external clients which are other financial institutions. Owing to the highly professional team, product based technical expertise and broad network of international counterparties, GBI Treasury achieves strong commercial transaction volumes with solid risk management and acts as a market-maker in niche markets.

Focusing on client driven business with very limited proprietary trading activity, GBI Treasury made a significant contribution to the Bank's net income in 2014. Furthermore, as a result of Treasury's proactive cooperation with other business lines, cross-selling revenues related to fixed income, currencies and commodities products went up. GBI Treasury provides timely market feedbacks, trade and risk mitigation ideas to GBI's other business lines in a broader range of markets and products in order to increase cross-selling and enhance flow trading volumes in a prudent manner.

GBI Treasury further engages in asset origination in fixed income markets to deploy excess liquidity upon establishment of market and credit limits by ALCO and the Credit Committee. The fixed income portfolio is managed very closely aiming to optimize yields and mitigate risks.

In 2015, GBI Treasury will continue pursuing its prudent risk management and revenue generating strategy to add value to the Bank's stakeholders.

IN COOPERATION WITH OUR NETWORK OF FINANCIAL INSTITUTION COUNTERPARTIES, WE ACHIEVED GROWTH AND DIVERSIFICATION OF OUR WHOLESALE FUNDING.

FINANCIAL INSTITUTIONS & INVESTOR RELATIONS

In view of GBI's diversification strategy, the mandate of GBI Financial Institutions has been broadened during mid-2014 so as to include correspondent banking, asset origination and distribution, wholesale funding and investor relations.

One key element to funding diversification is wholesale funding comprising of debt capital market products and transactional funding products, which leverage GBI's trade finance flows. Guided by its broadened mandate, the renamed Financial Institutions & Investor Relations (FI&IR) rapidly contributed to growth and diversification of wholesale funding while reducing the costs amidst the low and even negative interest rate environment.

Next to the wholesale funding provision, origination and distribution of trade-related assets are appended to the mandate of FI&IR in 2014. Such activities, in which the credit risk counterparties are other financial institutions, encompass both primary markets and secondary markets. Origination and distribution of export documentary credits and collections as well as bilateral and syndicated loans to other financial institutions, and various risk mitigation instruments are covered herein, which also serve as a reciprocity tool.

Managing reciprocity plays a central function in FI&IR's relationship management function. Routing of the import documentary credits and collections to other financial institutions as well as routing of the treasury flow volume, primary and secondary market asset trading, wholesale borrowing arrangements and cultivation and coordination of cooperation areas mutually beneficial to GBI's business lines and FI&IR's network of relationships have all been effectively managed not only together with our external counterparties but also internally.

Another essential part of the relationship management function is to maintain open communication channels and thought-provoking interactions with the existing and potential counterparties, investors, rating agencies as well as other external bodies, and thus to ensure the Bank maintains a well-established and growing network of financial institutions for the aim to create value to our stakeholders.

As a result of the broadened mandate, FI&IR is not only functioning as a relationship manager but also enhancing its role as a product manager covering lending, borrowing and several risk mitigation instruments serving to the diversification. On the product management side, FI&IR undertakes that our clients and counterparties would enjoy GBI's "global boutique" style swift execution and accordingly, we follow a pro-active approach for tailor-made offerings.

Since being operational in April 1991, GBI has successfully built long-term relationships with strong and reliable financial institutions around the globe, and we certainly have a passionate drive to further expand and enrich our coverage and contribution.

BUSINESS STRATEGY AND DEVELOPMENTS

WE CREATE VALUE THROUGH MUTUALLY BENEFICIAL AND TRUST-BASED RELATIONSHIPS, DRIVEN BY AN AGILE SPIRIT.

STRUCTURED FINANCE

CORPORATE LENDING

In 2014, GBI Corporate Lending, serving clients with structured solutions and innovative products, such as receivables financing, vendor financing and project finance in bilateral and syndicated arrangements, continued adding value to the Bank. Focused on Tier 1 and Tier 2 clients, corporate loan portfolio grew by more than 30 percent as a result of increasing activity in receivables and vendor financings and acquisition of new clients, mainly composed of blue-chip multinational companies.

Active in syndicated deals in both primary and secondary markets, GBI Corporate Lending provides financial support to international commodity traders specialized in oil and gas, metals and mining, and agricultural commodities through revolving credit facilities, term loans, borrowing base and PXF facilities. In addition, participations to project finance deals in transportation sector, on selective basis, remained as a valuable niche of GBI in 2014.

Proficiency of GBI Corporate Lending lies in the carefully crafted diversification strategy, which favors among others, very short term prudent lending as one of the tools of liquidity management. The strategy results creating value through mutually beneficial and trust-based relationships, driven by a determined spirit to enhance growth and profitability.

In 2015, GBI Corporate Lending will continue its prudent strategy to further improve its tailor-made product offerings and to expand its lending activity favoring European corporates.

PAYMENTS & CASH MANAGEMENT

GBI Payments & Cash Management (PCM) provides worldwide payment products and services to institutional and individual clients in a "global boutique" style so that our offerings entail fast and accurate execution while being tailor-made and innovative.

Our comprehensive service covers domestic and cross-border payments in all major currencies coupled with enhancements such as flexible financing solutions, contract based arrangements like escrow and closing services, yield enhancing deposit and currency exchange facilities. We are glad to observe that our "global boutique" approach coupled with technology and close communication with clients constitute the cornerstones of our competitive advantage.

2014 was again a growth year for GBI PCM which certainly benefited from the strong brand recognition, our parent. As a result of new client acquisitions and transaction flow volume growth in excess of 35 percent by value and 12 percent by number of transactions, the commission revenue rose by 13 percent.

In addition to our payments offerings, we also provide FX products to our clientele. Our FX intermediation generated significant revenues evidencing the importance of cross-selling between payment products and FX products. Cross-selling efforts of GBI PCM have not been limited to promoting synergies among the cash management products but also extended to cooperation with other front offices by means of client referrals and product offerings enhancing the overall service GBI offers to its clientele. Last but not least, GBI PCM contributed significantly to the funding diversification of the Bank as the average balance of our clients' deposits registered more than 15 percent growth over the previous year.

In line with the regulatory requirements centered around "Know Your Customer" principle, GBI PCM has been prioritizing compliance at all times. During the course of the year under review, client files were updated diligently and in rare cases of inadequate documentation, relationship rejections had to take place as a necessity of prudence.

For the year ahead, GBI Cash Management focuses on further growth in business, technology upgrades on the internet banking front, and non-negotiable regulatory compliance. Bringing value to all our stakeholders ranging from clients to shareholders and from regulators to business counterparties will remain in the core of our offerings in 2015.

ISLAMIC FINANCE

2014 was another year of strong performance for Islamic finance business, despite continuing negative global economic and political trends. GBI Islamic Finance further expanded and strengthened its relationship network of corporate clients and participation banks as well as other financial institutions seeking Islamic finance solutions. As a result, average GBI Islamic Finance asset size increased by 32 percent in 2014. Murabaha structure is the main product offered by GBI for originating Islamic assets and liabilities.

Islamic finance has an important role in global banking development with high growth potential for many investors. In 2014, the industry exceeded USD 2 trillion assets size which is estimated to reach USD 2.5 trillion in 2015. While Middle East still remains the industry's major hub with Saudi Arabia, Malaysia and UAE being the largest markets, Islamic finance has also expanded to the new non-traditional markets, including Europe, Korea, Australia, South America, China and others.

Sukuk market had a strong recovery in 2014, with growing interest from new markets including Turkey and Europe. Western investors already make up about 70-80 percent of sukuk buyers issued in the Middle East. The United Kingdom became the first western issuer of sukuk by selling GBP 200 million sovereign sukuk to investors from the Middle East, UK and Asia in 2014, confirming its status as the western hub for Islamic finance. The issuance attracted orders of GBP 2.3 billion, 10 times higher than the sukuk sale amount. Also Turkey has been active in sukuk market in the last few years and issued another sovereign USD 1 billion 10-year sukuk in 2014. Islamic finance in Turkey is going through large scale transformation as banks extend their product range and new players are expected to enter the market in 2015.

Murabaha and tawarruq are still the dominating products in the market as they can be virtually used within the existing legal, tax and regulatory framework of the countries which are in the phase of developing their Islamic finance environment. Also, the industry players are encouraged to shift from traditional debt based Islamic financing structures to equity based risk-sharing arrangements.

The significant changes in Turkish Islamic finance sector, increasing appetite from foreign investors and expected entrance of new participation banks will bring new challenges to the market participants in the coming years. However, these challenges, we foresee, would eventually result in a healthier competition, a wider product range and a higher customer satisfaction. GBI Islamic Finance intends to gain momentum facing the new challenges in the transforming market environment and continue strengthening its position in this business in 2015.

BUSINESS STRATEGY AND DEVELOPMENTS

SHIPPING FINANCE

For shipping industry 2014 was a year of unmet expectations. The volatile and unpredictable market conditions urged GBI Shipping Finance to accommodate a cautious growth in lending leading to maintaining its conservative and selective approach while focusing on prudent risk management and clients with high credit quality. As a result, new loans corresponded 16 percent of the total exposure. The Bank is mainly active in traditional segments, namely bulker and tanker. 64 percent of the loan portfolio consists of bulker carriers and the remaining 36 percent consists of chemical, crude or product tankers. Comfortable loan-to-value ratio of GBI's exposure in shipping finance indicates that the exposures are well secured.

Since 2009, shipping market suffers from harsh market circumstances and a poor freight market. After years in the day-rate dumps, it was predicted that the tail end of 2014 would see a market jump that would mark the start of a cyclical upturn. This was, unfortunately, not the case. In 2014, the degree of charter rate volatility for vessels has varied even more. It is claimed that 2014's disappointing results were due to a combination of factors on both the supply and demand side of the equation, although a high level of new-building deliveries stands out as a major contributor.

In 2014, statistics did not match the expectations of sector players about how a shipping cycle should behave. The year ended with the ClarkSea index 13 percent down. 2014 was a challenging year for bulker segment, which saw the Baltic Dry Index fall by 9 percent as limited supply growth was still insufficient to balance out low trade demand. Bulk trade has grown by 21 percent since 2008, but bulk tonnage supply surged by 54 percent between 2008 and 2014. Average weighted bulk carrier earnings fell by 2 percent and even more in the larger sizes, which was not enough to deter investors from ordering 60 million dwt of new capacity.

Another puzzle is the resurgence of tanker sentiment. Tanker demand has been affected by high oil prices up until the astonishing downturn over the last few months of 2014 and the environmental agenda. Therefore, oil trade tonnage ended only 0.4 percent up in 2014, while the tanker fleet grew by 1.4 percent. Yet average weighted tanker earnings surged by 32 percent compared to the 2013 average levels, with crude carrier earnings booming and products earnings fairly flat. In December, market sentiment took a positive turn when OPEC decided not to cut production to revive oil prices, suggesting that long-haul shipment volumes would be maintained and demand generated through lower prices.

Following a strong finish staged by tanker markets in 2014, 2015 may start with a positive outlook on tanker segment. However, the same positive outlook is not applicable for bulkers given that rates for bulkers, especially for cape sizes, continue to lag. All these add up to something which does not fit neatly into the usual cyclical pattern and 2015 is expected to be an uncertain and volatile period.

In 2015, GBI Shipping Finance will continue pursuing a firm strategy to further reinforce its shipping portfolio.

GBI'S RETAIL BANKING STRATEGY HAS BEEN FOCUSING ON CUSTOMER-ORIENTED SERVICE QUALITY RATHER THAN COMPETING WITH TOP INTEREST RATE PAYING BANKS.

RETAIL BANKING

GBI Retail Banking aims customer satisfaction through targeted saving products and complimentary services with a view to contribute to a healthy diversification of the Bank's funding sources.

Being present in the Netherlands as well as in Germany through our branch in Dusseldorf, we reach to our customers through direct banking channels, namely call center and internet banking, and offer our customers fast and reliable services in a cost efficient manner. A highly dedicated team of professionals, simplified processes, a transparent business model and efficient use of technology, are the key components of GBI's competitive advantage.

Our stakeholder centric approach leads us to place the customers to our main focus. Maintaining competitive local operations in the Netherlands and Germany brings the opportunity to enhance our products with local flavors and to introduce fine-tuned services.

As a result, without being one of the top interest rate paying banks in both countries, we are able to satisfy our customers, while maintaining a sustainable retail funding base as a significant element of GBI's franchise value.

For longer than two decades, GBI's retail banking strategy has been focusing on customer-oriented service quality rather than competing with top interest rate paying banks. In terms of average daily interest rate, both in the Netherlands and in Germany, GBI has not been amongst the top-20 highest interest paying banks, evidencing our approach. As of year-end 2014, our daily deposit rates were 1.25% (against the top-5 market average of 1.63%) and 0.85% (against the top-5 market average of 1.30%) in the Netherlands and Germany respectively. In terms of funding costs, these rankings correspond to more than 30 percent lower interest expense compared to the average of the highest five interest rate offers.

Next to maintaining our solid retail-funding strategy and swiftly acting upon the market developments under the supervision of ALCO, we focused on our infrastructure and addressed the issues in this front during 2014. A full system replacement including internet banking has been implemented for our Dusseldorf branch that enhanced our systems and efficiency, resulting in a satisfactory banking experience for our customers. We expect these gains to contribute to our service quality and customer satisfaction considerably.

GBI Retail Banking will continue providing excellent services aiming to maintain customer loyalty and satisfaction by leveraging the technology and efficiency of our internal processes. As a result, our retail banking business will continue to add value to our franchise value in the years to come.

RISK MANAGEMENT

GBI MAINTAINED A CAUTIOUS LENDING POLICY IN 2014 AND KEPT A FOCUS ON PRUDENT CAPITAL MANAGEMENT.

Risk management continues to draw increasing attention in the post-crisis world. The regulatory landscape, which had been marked by complexity, has finally taken shape. The Capital Requirements Regulation and Directive (CRR and CRD IV), drafted in 2011 based on the Basel III Capital and Liquidity Framework, were finally approved by the European Parliament in 2013 and took effect throughout the European Union on 1 January 2014, followed by numerous accompanying regulatory technical standards and guidelines. The remaining technical standards will be intermittently published by the European Banking Authority in the next few years up to 2018, i.e. during the 'transition period' before capital and liquidity requirements are fully in place, but the effects of the new regulations can be seen in the increased capitalization and liquidity throughout the industry.

Europe's steps towards a Banking Union are also on track. The Single Supervisory Mechanism officially took on the supervision responsibilities of systemically important institutions in the Eurozone. The Bank Recovery and Resolution Directive (BRRD), being the first significant steps toward ensuring banks remain resolvable, also took effect in 2014. However, the national Deposit Guarantee Schemes, which form the backbone of the BRRD, have not all settled into place as yet. And lastly, following the Dodd-Frank Act in USA, the European Market Infrastructure Regulation (EMIR) governing the over-the-counter derivative practices is being implemented in Europe with potential consequences for the rest of the global OTC market. GBI has maintained a clear and proactive risk management strategy in this tightening regulatory environment, and the early preparations made in the previous years ensured a smooth transition to compliance with the new requirements and industry standards.

GBI maintained a cautious lending policy in 2014 and kept a focus on prudent capital management. Furthermore, GBI has continued to maintain a strong liquidity buffer and solvency level. Through sustained capital conservation and a conservative risk appetite, the solvency ratio, at 17.45 percent, is comfortably above the new minimum capital requirements. This is a decrease of around 2 percent compared to the 19.40 percent of last year, of which 1.78 percent is a direct result of the higher credit risk capital requirements of the CRR. Lastly, the liquidity buffer is composed of placements to Central Banks and investments in high quality liquid assets. The well-balanced maturity profile and high level of stable funding together with the diversified funding base allow GBI to ensure safe banking operations and a sound financial condition, as well as to meet and surpass the new liquidity requirements under CRR.

OVERVIEW ON THE GOVERNANCE AROUND THE RISKS

GBI has established a governance structure based on the segregation of duties principle with a view to sound and controlled business operations. Risk management is structured at various levels within the organization. These levels are composed of committees at the Supervisory Board Level, committees at the Bank level and in the form of dedicated departments with specific mandates for risk management and control.

The Supervisory Board bears the overall responsibility for approving the risk appetite of GBI. The Risk Committee of the Supervisory Board (RCSB) advises the Supervisory Board on the risk appetite and ensures that effective risk management is conducted by the Bank in line with the appetite setting. The Audit & Compliance Committee of the Supervisory Board (A&CCSB) is the ultimate authority related with the independent function of audit, compliance related risks and the statutory financial reporting process. The Risk Management Committee (RMC) is responsible at the bank level for the coordination and monitoring of risk management activities, and reports directly to the RCSB. Other risk committees are established at bank level to manage more specifically the key banking risks; the Credit Committee for credit risk, the Asset & Liability Committee (ALCO) for market, interest rate and liquidity risks, and the Compliance Committee for compliance risks. The New Product Development Committee is responsible for the assessment and the introduction of a new product/service.

The Credit Division is a separate risk control function, independent of any commercial activities, ensuring the proper functioning of the credit processes of the Bank.

The Risk Management Department (RMD) of GBI is an independent risk monitoring function, which also does not have any involvement in commercial activities. RMD develops and implements risk policies, procedures, methodologies and risk management infrastructures. Risks are continuously measured and reported comprehensively to the related committees, who monitor and act upon them in relation to the limits established as per the risk appetite of the Bank.

The Internal Control Unit (ICU), under RMD, is involved in the monitoring and reporting of operational risks and establishing preventive control processes.

Legal & Compliance Department is also organized as an independent function, reporting directly to the Managing Board, Compliance Committee and A&CCSB. The Legal function advises on relevant legal issues while the Compliance function translates compliance-related rules, laws and regulations into internal compliance obligations and policies.

Information Security Department (ISD) is responsible for identifying risks in the information technology systems and processes at GBI, as well as for ensuring that technology-related threats to the business continuity are identified and mitigated.

The Internal Audit Department (IAD) is responsible for the monitoring of the proper functioning of the governance framework around all risks through regular audits, and providing reports to the Managing Board and A&CCSB.

RISK MANAGEMENT

RISK APPETITE

The Risk Appetite Statement is a key component of GBI's risk management framework and business planning cycle, since the Bank believes that the consideration of risk is essential in the development of the strategy. The Risk Appetite Statement defines the Bank's tolerance for specific risk types, and translates these into risk limits. In determining the appetite, the Supervisory Board seeks a balanced combination of risk and return, while paying strong attention to the interests of all stakeholders, and as such reviews it at least on an annual basis. All limits subject to the appetite are monitored by the Supervisory Board at each meeting.

GBI has always maintained an above adequate level of solvency owing to its committed shareholder and risk-averse strategies. The Bank aims to hold a strong capital base with a high Tier 1 component. In terms of financial performance, the aim of the Bank is to have a return on equity (ROE) that is stable in the long term and satisfies the stakeholders, including the shareholders, while maintaining the core competencies and strategic position in the key markets. Thirdly, in terms of liquidity risk, the Bank applies limits which ensure sufficient liquidity in order to ensure safe banking operations and a sound financial condition, in normal and stressed financial environments and a stable long term liquidity profile. Finally, in all risk types the Bank has zero tolerance for non-compliance with regulations and strictly refrains from taking any risk that may harm GBI's reputation.

MARKET RISK

GOVERNANCE

GBI assumes limited market risk in trading activities by taking positions in debt securities, foreign exchange and commodities as well as in derivatives. The Bank has historically been conservative in running the trading book. The Bank enters into derivative transactions by client orders and to hedge foreign exchange and interest rate risks. Hence the main strategy is to keep the end of day trading positions at low levels and within limits.

ALCO bears the overall responsibility for market risk and sets the limits on a product and desk level based on the Bank's risk appetite, and GBI Treasury actively manages market risk within these limits. Middle Office and ICU, both established as independent control bodies, monitor and follow up all trading transactions and positions on an ongoing basis, as per the notional position, stop-loss and Value at Risk (VaR) limits set by ALCO. Single transaction and price tolerance limits have also been established in order to minimize the operational risks. RMD monitors market risk through regulatory and economic capital models and reports to ALCO and RCSB.

APPROACH

For regulatory capital purposes, the Bank uses the Standardized Measurement Approach for market risk. For economic capital purposes, GBI uses the market practice VaR methodology as a risk measure. VaR quantifies the maximum loss that could occur in 1 day, due to changes in risk factors (e.g. interest rates, foreign exchange rates, equity prices, etc.), with a confidence level of 99.9 percent. VaR is supplemented by stress tests to determine the effects of potentially extreme market developments on the value of market-sensitive exposures. Stress tests have the added advantage of out-of-model analyses of the trading book. Hypothetical or historical scenarios are chosen and applied to the Bank's position regularly. These scenarios are reviewed periodically by RMD and updated when necessary.

INTEREST RATE RISK ON THE BANKING BOOK (IRRBB)

GOVERNANCE

Interest rate risk is defined as the risk of loss in earnings or in the economic value of banking book items as a consequence of movements in interest rates. ALCO manages the interest rate risk in line with the policies and risk appetite set by the Supervisory Board. GBI's asset and liability structure creates a certain exposure, however business units are prevented from running structural interest mismatch positions by the use of a well-defined internal transfer pricing (ITP) process. Hence all structural interest rate risks are managed centrally by GBI Treasury in line with the policy set by ALCO.

APPROACH

GBI uses duration, gap and sensitivity analyses for the quantification of interest rate risk. Sensitivity analyses are based on both economic value and earnings perspectives. Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation approach and user defined yield curve twist scenarios. The outcomes of these analyses are discussed at ALCO and are used effectively in decision making processes for hedging and pricing. GBI has a low duration gap, which limits the Bank's sensitivity to interest rate shocks. The net change in economic value of equity under regulatory interest rate shock scenario is closely monitored and lies considerably below the regulatory maximum of 20 percent.

LIQUIDITY RISK

GOVERNANCE

The main objective of GBI's liquidity risk policy is to maintain sufficient liquidity in order to ensure safe banking operations and a sound financial condition, in normal and stressed financial environments and a stable long term liquidity profile. The Liquidity Risk Policy document is approved by the Supervisory Board, and aims to mitigate GBI's on balance and off balance sheet risks associated with liquidity mismatches while complying with the related regulatory framework. The Policy describes the governance of liquidity risk at GBI, as well as providing high level principles for day-to-day and long term liquidity management.

GBI performs an extensive Internal Liquidity Adequacy Assessment Process (ILAAP), where all qualitative and quantitative aspects of liquidity risk management at the Bank are monitored with established limits and early warning indicators. The ILAAP Framework, which details the liquidity risk appetite and funding strategy, is reviewed on an ongoing basis. The funding strategy is also reviewed on an annual basis through the budget process while setting the funding plan. The Supervisory Board then monitors whether the Bank remains in line with the strategy and the plan.

At the bank level, ALCO monitors liquidity risk, implements the appropriate policies defined by the Supervisory Board, makes pricing decisions through the Internal Transfer Pricing (ITP) process and directs the Bank's overall liquidity strategy. In case of a liquidity squeeze or an emergency situation, GBI has a detailed contingency funding plan, as part of its Recovery Plan, in place to enable the Bank to govern the crisis management.

GBI AIMS FOR A WELL-DIVERSIFIED FUNDING MIX IN TERMS OF INSTRUMENT TYPES, FUND PROVIDERS, GEOGRAPHIC MARKETS AND CURRENCIES.

ALCO has delegated day-to-day liquidity management to GBI Treasury, which is responsible for managing the overall liquidity risk position of the Bank, and the intraday liquidity as per the principles of intraday liquidity management, established in the ILAAP Framework. The Treasury manages all cash flows along with expected changes in business related funding requirements. Related operations unit, independent from the front office Treasury, performs the role of collateral management and executes the settlements of all transactions.

RMD performs the liquidity risk assessment and analyses, develops the required methodologies and conducts regular stress tests to ensure the Bank operates with sufficient liquidity. RMD also reports comprehensively on liquidity risk directly to ALCO and Supervisory Board.

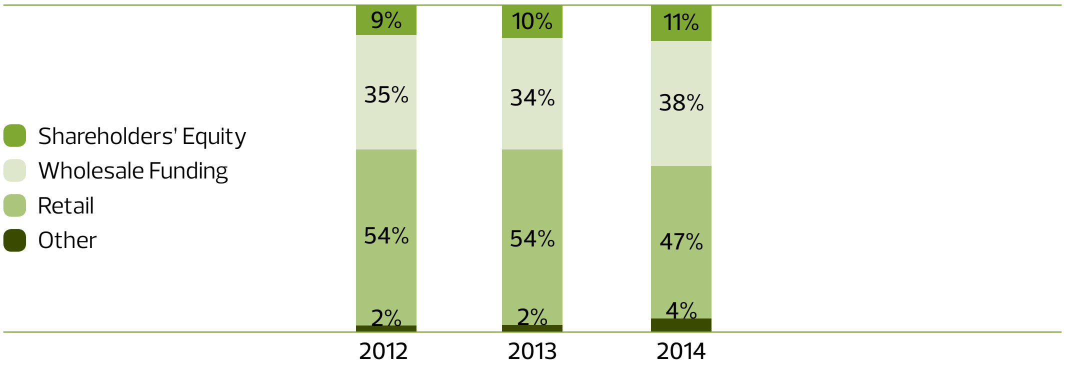
APPROACH

GBI aims for a well-diversified funding mix in terms of instrument types, fund providers, geographic markets and currencies. Retail funding, in general, is the primary funding source, which enables the Bank to have a positive liquidity gap even in the case where the wholesale funding market dries up. The non-financial counterparties, with which the Bank has established long lasting relationships through offering various financial services, constitute the major part of the wholesale funding. Behavioural analyses of retail deposits held at the Bank show low mortality ratios, even during times of stress in local or global markets, and indicate the resilience of this funding base. Similarly deposits of non-financial counterparties exhibit a high proportion of wholesale funds, which are held at the Bank over long periods of time and contribute to the stability of the Bank's unsecured funding.

The Bank's funding from other financial institutions includes money market borrowings, and transactional and structured instruments on bilateral or syndicated bases. This funding source predominantly leverages the Bank's trade finance franchise and treasury flow reciprocity. The Bank also makes use of secured funding from time to time in order to increase the diversity of resources.

GBI primarily aims for a stable funding profile and conducts business activities that are characterised by short term lending, rather than assuming short term mismatches. This strategy enables the quick accumulation of a liquidity buffer in stressed financial environments, and the equally efficient build-up of short term assets once the stress is past. The Bank also places its excess liquidity to central banks or governments in Europe and to a very limited number of selected creditworthy counterparties.

LIABILITY BREAKDOWN



Compliance with regulatory requirements related to liquidity risk is an integral part of the liquidity risk management of GBI. As such, the Bank ensures that it is in line with all regulations in place in its jurisdiction, and compliance with future regulations is part of its ongoing strategy and planning. In this context, the Bank monitors and reports the DNB Liquidity Stress Test as per the Supervisory Regulation on Liquidity (Regeling liquiditeit Wft), as well as the liquidity ratios Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as per the CRR. Hence, GBI actively manages the level and composition of its High Quality Liquid Asset (HQLA) buffer, which is composed of high quality liquid assets including cash held at central banks and creditworthy financial counterparties, as well as freely available central bank eligible or investment grade marketable securities.

Furthermore, GBI frequently monitors liquidity risk through various reports including contractual maturity gap analyses, supplemented by stress tests designed based on different scenarios. These analyses allow the Bank to assess the impacts of diverse shocks on its liquidity position. Shock factors are based on bank-specific or market-specific liquidity squeezes. Shocks are applied to all on- and off-balance sheet items including the derivatives in order to estimate the cash flows under different stress scenarios. By using the regulatory and internally developed stress tests, the Bank aims to hold a sufficient liquidity buffer in order to meet any sudden liquidity needs in times of stress.

CREDIT RISK

GOVERNANCE

The Credit Committee at GBI is responsible for the control of all the credit and concentration risks arising from the banking book and the trading book in line with the risk appetite of the Bank. The General Credit Policy informs the Bank's decision-making in terms of granting credits, by setting rules and guidelines for exposures giving rise to credit risk. These rules are underpinned by a set of general principles that apply to all credit risk situations, as well as specific principles applicable to some countries, industrial sectors, and types of obligors or transaction.

RISK MANAGEMENT

GBI is mainly involved in low default portfolios such as sovereigns, banks and non-bank financial institutions, large corporate companies and trade finance activities. A primary element of the credit approval process is a detailed credit risk assessment of every exposure associated with an obligor. This assessment considers both the creditworthiness of the obligor, collateral and the risks related to the specific type of credit facility or exposure. Credits Division performs credit assessments for all exposures by making use of independent analysis and by taking into account the feedbacks from all related units.

In view of the internal ratings and credit assessment analyses of the obligors, the Credit Committee assigns the credit exposure limit. All obligors have individual credit limits based on their creditworthiness. Groups of connected obligors are subject to regulatory 'group exposure' limits, to ensure that contagion risks do not threaten the asset quality and solvency of the Bank. Further, as per the Country Limit Policy, limits are in place capping the maximum exposure to a given group of countries, to ensure that country-related risks do not threaten the asset quality and solvency of the Bank.

APPROACH

Being a Foundation Internal Rating Based (F-IRB) Bank for calculating the required regulatory capital, GBI uses a series of credit-risk measurement models. The Bank has dedicated internal rating models for all asset classes for evaluating the creditworthiness of each obligor. The rating models are integrated in the credit granting and monitoring processes. These models are reviewed internally and validated by an independent third party on an annual basis. The granular 22-grade rating scale, which is calibrated on a probability of default measure based upon a statistical analysis of historical defaults, is used for all internal ratings and thus enables the Bank to make comparisons between obligors in different asset classes.

In addition to capturing quantitative and qualitative factors related to obligors, the internal rating models also take into account all elements of country risk, including transfer and convertibility risk, at various levels. Firstly, the inherent risk of the countries in which GBI operates is taken into account through the calibration of the rating models. Secondly, systemic risk factors are taken into account by using separate country factors within the rating models. Finally, the rating of the obligor is capped according to the rating of the sovereign of the obligor's country.

As part of its Internal Capital Adequacy Assessment Process (ICAAP), GBI makes use of internal economic capital models in order to assess the adequacy of the regulatory capital, which is calculated using the internal ratings, as well as to determine the additional capital requirement for concentration risk.

The economic capital model quantifies concentration risk based on concentrations in single name obligors, countries and industries. To ensure a robust credit risk management approach, the Bank also applies stress tests. This enables the assessment of the adequacy of the current capital buffer under severe conditions. The Capital Planning process in ICAAP also incorporates a stress scenario in addition to the baseline scenario to project the development of capital adequacy over the medium term. All modelling and risk drivers of credit risk management are reviewed periodically and refined if necessary depending on the changes in the economic environment and business structure of the Bank.

In terms of capital management, Risk-Based Performance Measurement is an important element in evaluating the risk and the capital allocated to each business unit. Return on Risk Adjusted Capital (RORAC), calculated based on the internal credit ratings, is used as a uniform measure for monitoring the economic value added based on the pre-set risk appetite. RORAC figures are monitored on a regular basis in order to optimise capital allocation.

OPERATIONAL RISK

GOVERNANCE

The Bank has embedded the Three Lines of Defence model in its day-to-day activities, with the first line being the business lines as the experts in their field, controlling functions (ICU, Credit Division, Information Security Department, Legal and Compliance Department) as the second line responsible for creating and implementing the relevant monitoring tools, in addition to challenging and advising the business lines, and finally Internal Audit Department acting as the third line by performing independent audits throughout the year. The operational risk framework of GBI is based on the principle that the Senior Management in addition to the Managing Board and Supervisory Board, is actively involved in risk management, and that the risk management system is independent, sound and implemented with integrity.

The Risk Committee of the Supervisory Board (RCSB), together with the Audit and Compliance Committee of the Supervisory Board (ACCSB) establish, approve and periodically review the Operational Risk Management Framework.

The Risk Management Committee (RMC) coordinates the risk management activities in GBI and ensures that a strong operational risk management culture exists throughout the organisation.

The Internal Control Unit (ICU), uses daily routine internal control mechanisms which form the 2nd Line of Defence, to monitor and report operational risks and to establish preventive control processes where necessary. Internal controls are typically embedded in the Bank's day-to-day business and are designed to ensure, to the extent possible, that daily operational activities are efficient and effective, that information is reliable, timely and complete and that the Bank is compliant with applicable laws and regulations. Findings of ICU are presented to the related committees periodically.

APPROACH

GBI uses policies and procedures to set the rules, and event management to collect data on events that are not in compliance with these rules.

The Bank's internal control framework consists of daily controls performed by business lines and by control functions, to ensure that the activities of the Bank are in compliance with the internal policies and that corrections are done in a timely manner on a consolidated basis.

GBI uses "Risk and Control Matrix" to identify the risks in daily processes and to assess the effectiveness of the control points that mitigate these risks. It is based on self-assessment of individual departments and aims to control the operational risks inherent in all key processes of the Bank. The risk levels and the process control points identified as such are then reported to RMC.

The implementation of an Information Security Management System in accordance with internationally recognized standards (ISO 27001) is a key objective to demonstrate our commitment to Information Security. This involved the systematic examination of the Bank's information security risks; the identification of threats and vulnerabilities to our information assets and assessment of associated risk exposures to these assets; the implementation of a comprehensive suite of security controls to reduce or mitigate identified information security risks; conducting information security awareness training for all employees; the establishment of information security and information technology policies to manage potential exposures and a robust management process to ensure controls continue to meet the Bank's information security needs; and lastly, centralizing, standardizing and automating identity management services to reduce risk, cost and improve operational efficiency.

GBI uses the Basic Indicator Approach in order to determine the regulatory capital requirement arising from operational risk. Financial Institutions Risk Analysis Method (FIRM) is also used within the scope of ICAAP process. FIRM questionnaires are used via a scoring methodology. The results are translated into scores in a similar manner to that explained in the FIRM manual.

LEGAL, INTEGRITY AND REPUTATIONAL RISK

GBI is committed to safeguarding its reputation as a reliable, professional and trustworthy provider of financial services. Integrity is a core value of GBI, which is embedded in the Bank's organization and implemented through a number of policies and procedures which cultivate a proper understanding of and effective compliance with internal and external legal and regulatory requirements and standard practices. The Legal and Compliance Department assists the business lines to understand and comply with relevant local and international laws, regulations and Bank policies and provides legal advice regarding the Bank's business and corporate needs.

GBI IS COMMITTED TO SAFEGUARDING ITS REPUTATION AS A RELIABLE, PROFESSIONAL AND TRUSTWORTHY PROVIDER OF FINANCIAL SERVICES.

OTHER RISKS

GBI has limited or no exposure to residual risk, pension risk, settlement risk, underwriting risk and securitization risk. These risks are monitored in regular audit activities and assessments within the scope of ICAAP. Strategic risk is taken into account in the capital planning process in order to account for the possible increase in the capital or liquidity requirement based on the business and funding models that are pursued by the Bank.

More information on the risk management practices at GBI and the risk profile of the Bank can be found in the 'Report on Capital Adequacy and Risk Management', which is published on GBI's website www.garantibank.eu.

Amsterdam, 26 March 2015

Managing Board:
Mr B. Ateş
Mr M.P. Padberg


GarantiBank International NV

RESPECT

IN ALL OUR ACTIVITIES, THE BEDROCK OF OUR APPROACH IS TO RESPECT OUR CLIENTS AND COUNTERPARTIES, REGULATORS, AUDITORS, COMPETITORS, EMPLOYEES AND THE COMMUNITY, ALTOGETHER OUR STAKEHOLDERS.

FINANCIAL STATEMENTS

CONTENTS

FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT

FURTHER DISCLOSURES

BALANCE SHEET AS AT 31 DECEMBER 2014

(before profit appropriation)

		2014		2013	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Assets					
Cash	*3*		**602,848**		488,696
Banks	*4*		**825,707**		912,734
Loans and advances	*5*		**2,464,437**		2,313,097
Interest-bearing securities	*6*		**885,142**		707,418
Participating interests	*7*		**–**		250
Property and equipment	*8*		**26,526**		22,914
Other assets	*9*		**4,390**		8,897
Prepayments and accrued income	*10*		**83,948**		211,911
Total assets			**4,892,998**		4,665,917
Liabilities					
Banks	*11*		**770,536**		737,262
Funds entrusted	*12*		**3,330,125**		3,303,065
Other liabilities	*13*		**6,611**		6,060
Accruals and deferred income	*14*		**219,224**		100,316 *
Provisions	*15*		**667**		289 *
			4,327,163		4,146,992
Subordinated liabilities	*16*		**30,000**		30,000
Paid-in and called-up capital		**136,836**		136,836	
Revaluation reserves		**1,149**		–	
Other reserves		**352,089**		293,610	
Net profit		**45,761**		58,479	
Shareholders' equity	*17*		**535,835**		488,925
Total liabilities and shareholders' equity			**4,892,998**		4,665,917
Off-balance sheet liabilities	*18*		**466,623**		385,014

* Adjusted for reasons of comparison

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2014

		2014		2013	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income	*19*	**194,564**		188,725	
Interest expense	*20*	**114,762**		110,092	
Net interest			**79,802**		78,633
Commission income	*21*	**40,251**		44,288	
Commission expense	*22*	**2,102**		2,314	
Net commission	*23*		**38,149**		41,974
Result on financial transactions	*24*		**5,887**		8,685
Total income			**123,838**		129,292
– Staff costs		**27,453**		28,040	
– Other administrative expenses		**12,128**		8,372	
Administrative expenses	*26*		**39,581**		36,412
Depreciation	*27*		**2,128**		1,325
Value adjustments to receivables	*28*		**18,547**		15,364
Total expenses			**60,256**		53,101
Operating result before tax			**63,582**		76,191
Tax on result on ordinary activities	*29*		**17,821**		17,712
Net result after tax			**45,761**		58,479

CASH FLOW STATEMENT FOR THE YEAR 2014

	2014	2013
	EUR 1,000	EUR 1,000
Net cash flow from operational activities		
Net profit	**45,761**	58,479
Adjustments for depreciation	**2,128**	1,325
Adjustments for value adjustments to receivables	**18,712**	15,426
Adjustments for exchange rate differences on investment portfolio	**(10,403)**	6,196
Adjustments for amortization of premiums and discounts on investment portfolio	**189**	115
Adjustments for provisions relating to deferred tax	**–**	(721)
Net cash flow from operating profit	**56,387**	80,820
Changes in:		
– Due from banks, excluding due from banks on demand and value adjustments to receivables	**296,784**	(70,254)
– Loans and advances, excluding value adjustments to receivables	**(170,052)**	(2,528)
– Trading portfolio	**–**	457
– Other securities portfolio	**(240,889)**	(573,567)
– Other assets	**4,507**	1,028
– Prepayments and accrued income	**127,963**	(95,361)
– Due to banks, excluding due to banks on demand	**30,400**	208,259
– Funds entrusted	**27,060**	(57,404)
– Other liabilities	**546**	(1,828)
– Accruals and deferred income	**118,908**	8,916
	251,614	(501,462)
Net cash flow from investment activities		
Investments in:		
– Property and equipment	**(4,208)**	(4,329)
Divestments in:		
– Participating interests	**250**	–
– Investment portfolio due to sales, excluding value adjustments to receivables	**42,287**	460,592
– Investment portfolio due to redemptions, excluding value adjustments to receivables	**31,092**	42,225
	69,421	498,488
Net cash flow	**321,035**	(2,974)

CASH FLOW STATEMENT FOR THE YEAR 2014

	2014	2013
	EUR 1,000	EUR 1,000
Cash and cash equivalents as at 1 January	**511,232**	514,206
Cash and cash equivalents as at 31 December	**832,267**	511,232
Net cash flow	**321,035**	(2,974)

Specification of cash and cash equivalents as at 31 December

	2014	2013
	EUR 1,000	EUR 1,000
Cash	**602,848**	488,696
Due to/from banks on demand	**229,419**	22,536
	832,267	511,232

NOTES TO THE 2014 FINANCIAL STATEMENTS

1 Overview of GarantiBank International N.V.

General

GarantiBank International N.V. (hereafter: 'GBI or 'the Bank') has its statutory seat in Amsterdam, The Netherlands.

The financial information of GBI is included in the financial statements of Türkiye Garanti Bankasi A.Ş., incorporated in Turkey. GBI works in close cooperation with its 100 percent shareholder Türkiye Garanti Bankasi A.Ş.

GBI is mainly active in international trade finance and corporate lending, as well as in retail banking, treasury and private banking.

Basis of presentation

The financial statements are compiled in conformity with the provisions governing the financial statements as included in Part 9, Book 2 of the Netherlands Civil Code, as well as the Guidelines of the Council for Annual Reporting (Raad voor de Jaarverslaggeving - RJ), including the specific guidelines for Banks included in RJ 600 and the formats prescribed for the balance sheet and profit and loss account of banks under the Financial Statements Formats Decree.

All amounts are stated in thousands of euros, unless otherwise indicated.

Going concern

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

Principles for consolidation

Subsidiaries, i.e. all companies and other entities (including special purpose entities) in respect of which GBI has the power to determine the financial and operating policies, whether directly or indirectly, are consolidated. This is the case if more than half of the voting rights may be exercised, or if GBI has control in any other manner. Subsidiaries are fully consolidated from the date on which control is transferred to GBI. They are de-consolidated from the date control ceases.

For the year 2014 there were no subsidiaries that meet the abovementioned requirements for consolidation.

2 Significant accounting policies

General

Assets and liabilities are stated at nominal value, unless otherwise stated below.

An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

NOTES TO THE 2014 FINANCIAL STATEMENTS

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate. Revenues are recognized when the company has transferred the significant risks and rewards of ownership of the goods to the buyer.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Foreign currencies

Assets and liabilities denominated in foreign currencies are converted at the spot rate as at balance sheet date.

Foreign exchange rate differences are recorded in the profit and loss account as 'Result on financial transactions', with the exception of exchange differences resulting from the conversion of capital investments in participating interests and related hedging transactions. These are accounted for in shareholders' equity together with the results from related hedging instruments, after allowing for taxation.

Transactions and the resulting income and expenses denominated in foreign currencies are converted at the exchange rate applicable on transaction date. The resulting exchange rate effects are accounted for as 'Result on financial transactions' in the profit and loss account.

Results from participating interests denominated in foreign currencies are translated at the rates prevailing at the end of the month in which the results are realized. The difference resulting from the translation at the rates prevailing at the end of months instead of the rate at balance sheet date is accounted for in shareholders' equity.

Financial instruments

Financial instruments include investments in loans and other financing commitments, shares and bonds, other receivables, cash items and other payables. These financial statements contain the following financial instruments: loans and advances to banks/customers, interest-bearing securities, financial instruments held for trading (financial assets and liabilities), equity instruments, receivables, payables, other financial liabilities and derivatives.

Financial instruments are initially recognized at fair value. The basis for subsequent measurement of the various types of financial instruments is included in the following paragraphs.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Loans and advances to banks/customers

Loans and advances to banks/customers are valued at amortized cost, after deduction of specific provisions for doubtful debts.

The additions to or releases from the specific provisions for doubtful debts are recognized in 'Value adjustments to receivables' in the profit and loss account.

Results from the sale of loans and advances to banks/customers are recorded in the profit and loss account as 'Result on financial transactions'.

Investment-, Trading- and Other securities portfolio

The Investment portfolio included in the financial statement caption 'Interest-bearing securities' comprises all investments, which are intended to be held on a permanent basis or to maturity.

The Trading portfolio included in the financial statement caption 'Interest-bearing securities' and 'Shares' consists of investments which are intended to be used to gain transaction results on a short-term basis.

The Other securities portfolio included in the financial statement caption 'Interest-bearing securities' and 'Shares' comprises all investments which are neither intended to be held on a permanent basis or to maturity, nor intended to be used to gain transaction results on a short-term basis.

Interest-bearing securities belonging to the Investment portfolio are measured at amortized cost. The difference between redemption value and acquisition price is deferred and is amortized over the remaining life of the relevant securities.

Interest-bearing securities included in the Trading portfolio are recorded at fair value. Profits or losses from revaluation or trading of these securities are taken to the profit and loss account as 'Result on financial transactions'.

Interest-bearing securities belonging to the Other securities portfolio are measured at amortized cost. The difference between redemption value and acquisition price is deferred and is amortized over the remaining life of the relevant securities.

Derivatives

Derivatives are financial instruments embodied in contracts of which the value depends on one or more underlying assets or indices.

Foreign exchange contracts

For derivative contracts concluded to mitigate currency risk GBI applies costprice hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own currency positions are recognized in accordance with the accounting principles applicable to these positions, i.e. derivatives are measured at spot rate. The forward points on currency swaps are amortized to the profit and loss account on a linear basis over the duration of the currency derivative and included under 'Interest income/ interest expense'. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account as 'Result on financial transactions' using the lower of cost or fair value when valuing the derivative.

Currency contracts not concluded to mitigate currency risk are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Interest rate contracts

For derivative contracts concluded to mitigate interest rate risk GBI applies cost price hedge accounting as defined in the Dutch Accounting Standard RJ 290. Whenever GBI determined that the hedge relations are effective, derivative instruments used to hedge the Bank's own interest rate exposure are recorded at cost and the accrued interest on these instruments are recognized under 'Interest income' and/or 'Interest expense'. The ineffective portion of the cost price hedge accounting relationships is recorded in the profit and loss account as 'Result on financial transactions' using the lower of cost or fair value when valuing the derivative.

Interest rate contracts not concluded to mitigate interest rate risk are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

Other contracts

Other derivatives are recorded at fair value as at balance sheet date. The resulting price and valuation differences are recorded in the profit and loss account as 'Result on financial transactions'.

Impairment of financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortised cost (loans and advances to banks/customers, investment securities and other securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances to banks/customers, investment securities or other securities. Interest on the impaired asset continues to be recognised, unless the collection of the interest is doubtful. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Financial fixed assets

Participating interests

Participating interests refer to the investments in financial assets with which GBI has a relationship for the benefit of her own activities.

Participating interests in which GBI has a significant influence on the commercial and financial policy are not consolidated, but included at their invested equity amounts, because they are not material to the balance sheet of the Bank.

Property and equipment

The accounting principles for tangible fixed assets are as follows:

Land and buildings

Premises are recorded at fair value. Changes in fair value are accounted for in the revaluation reserve, taking into account deferred tax liabilities. The fair value is determined periodically by an independent external party.

If the fair value is lower than the cost price, the difference is taken to the profit and loss account under the item value adjustments to tangible fixed assets. Properties not in use and land are not depreciated.

Depreciation periods applied are as follows:

- Properties : 50 years.
- Improvement of properties : 50 years.

Other fixed assets

These are stated at acquisition price less straight-line depreciation on the basis of estimated economic useful lives.

Depreciation periods applied are as follows:

- Renovation of properties : 10 to 15 years.
- Furniture and equipment : 5 to 10 years.
- Intangibles : 2 to 10 years.

Intangibles include development costs, which are capitalised insofar as incurred in respect of potentially profitable projects and are stated at cost. These costs mainly comprise the cost of direct labour; upon termination of the development phase, the capitalised costs are written down over their expected useful life. Depreciation takes place on a straight-line basis.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Disposal of fixed assets

Fixed assets available for sale are stated at the lower of their carrying amount and net realisable value.

Provisions

General

Provisions are carried on the balance sheet to cover obligations and losses at the balance sheet date for which the amounts are uncertain as at the balance sheet date but which can be reliably estimated and for which cash outflow is likely.

Deferred tax

Deferred tax is recorded using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax assets are accounted for only if it is probable that they will be realized.

Income

All income items are attributed to the period in which they arise or in which the service was provided.

Interest income and interest expenses are recognized in the year to which they relate. Accrued interest on derivative instruments used to hedge GBI's own positions, is recognized in 'Interest income' and/or 'Interest expense'. Commission income and commission expense are recognized in the year to which they relate.

Interest and commission income from impaired financial assets are not stated as income if the collection of the interest and commission is doubtful.

Positive results on the sale of interest-bearing securities belonging to the Investment portfolio or Other securities portfolio are directly recognized in interest income. If, on balance, losses on the sale of interest-bearing securities belonging to the Investment portfolio or Other securities portfolio would arise, the surplus losses are charged directly to 'Interest expense'.

Operating expenses

Expenses are allocated to the period in which they arise.

Corporate income tax

In determining the effective tax rate, all permanent and timing differences between pre-tax profit and the taxable amount in accordance with tax legislation, are taken into account.

Income tax in the profit and loss account for the year comprises of current and deferred tax. Income tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Cash flow statement

The cash flow statement details the source of cash and cash equivalents which became available during the year and the use of the funds over the course of the year. The cash flow statement has been prepared using the indirect method. The cash flows are classified into cash flows from operational activities, investment activities and financing activities. Liquid funds include cash in hand, net credit balances on current accounts with other banks and net demand deposits with central banks.

Movements in loans, total customer accounts and interbank deposits are included in the cash flow from operational activities. Investment activities comprise purchases, sales and redemptions in respect of investment portfolios, as well as investments in and sales of participating interests and property & equipment. The issuance of shares and the borrowing and repayment of long-term funds are treated as financing activities.

The cash flow statement has been drawn up using the same accounting principles as applied to the balance sheet and profit and loss account.

Determination of fair value

A number of accounting policies and disclosures in the financial statements require the determination of fair value for financial assets and liabilities. For measurement and disclosure purposes, fair value is determined on the basis of the following methods.

Financial assets

The fair value of listed financial assets is determined on the basis of the listed market price as at the balance sheet date. For financial assets which are not listed, but for which a liquid market exists, observable market prices are used. For financial assets where no active liquid market exists, or quoted prices are unobtainable, recent market transactions are used or the fair value is estimated using a variety of valuation techniques – including reference to similar instruments for which market prices do exist, or to valuation models such as discounted cash flow calculations. Valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

Derivatives

The fair value of derivatives is determined on the basis of generally accepted valuation models such as discounted cash flow calculations or option pricing models, unless there is an observable market price. Valuation techniques involve a degree of estimation, the extent of which depends on the instrument's complexity and the availability of market-based data.

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
3 Cash	**602,848**	488,696

This item includes all legal tender, as well as demand deposits held at the central bank and retail clearing services in countries in which GBI's head office and its branch are located.

4 Banks	**825,707**	912,734

This item comprises all loans and advances to banks falling under regulatory supervision and insofar as not embodied in the form of debt securities (including fixed-income securities). This item also includes money market placements to financial institutions that have been pledged as collateral (see note 30).
There are no provisions related to this item.

5 Loans and advances	**2,464,437**	2,313,097

These include all loans and advances, excluding those to banks and those embodied in debt securities (including fixed-income securities).
This amount is shown net of provisions amounting to EUR 61.2 million (2013: EUR 45.3 million).

The changes in the provisions were as follows:

Position as at 1 January	**45,332**	31,542
Additions	**28,192**	20,809
Write-offs	**(7,689)**	(437)
Releases	**(9,480)**	(5,383)
Exchange rate differences	**4,874**	(1,199)
Position as at 31 December	**61,229**	45,332

6 Interest-bearing securities	**885,142**	707,418

Included under this item are debt securities with a fixed or floating interest rate.

The breakdown by issuer is as follows:

Issued by public bodies and national governments	**267,006**	188,680
Issued by others	**618,136**	518,738
	885,142	707,418

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
Of the interest-bearing securities held as at 31 December 2014 EUR 5.0 million will mature in 2015, EUR 8.2 million is unlisted (31 December 2013: EUR 6.0 million), EUR 11.1 million has been issued by a group company (31 December 2013: EUR 14.3 million).		
This item includes interest-bearing securities that have been pledged as collateral (see note 30).		
The breakdown by portfolio is as follows:		
· Investment portfolio	**70,686**	133,851
· Other securities portfolio	**814,456**	573,567
	885,142	707,418
The changes in the Investment portfolio are as follows:		
Balance sheet value as at 1 January	**133,851**	642,979
Purchases	**–**	–
Sales	**(42,287)**	(460,740)
Redemptions	**(31,092)**	(42,075)
Amortized premiums and discounts	**(189)**	(115)
Exchange rate differences	**10,403**	(6,198)
Balance sheet value as at 31 December	**70,686**	133,851

As at 31 December 2014 the purchase price of the Investment portfolio was EUR 2.2 million above the redemption value (31 December 2013: EUR 1.7 million).
As at 31 December 2014 the market value of the Investment portfolio was EUR 3.8 million below the redemption value (31 December 2013: EUR 5.4 million below).

	2014	2013
The changes in the Other securities portfolio are as follows:		
Balance sheet value as at 1 January	**573,567**	–
Purchases	**2,337,770**	767,682
Sales	**(2,122,388)**	(147,651)
Redemptions	**(15,611)**	(30,412)
Amortized premiums and discounts	**(2,730)**	(1,274)
Exchange rate differences	**43,848**	(14,778)
Balance sheet value as at 31 December	**814,456**	573,567

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
As at 31 December 2014 the purchase price of the Other securities portfolio was EUR 41.1 million above the redemption value (31 December 2013: EUR 12.0 million above). As at 31 December 2014 the market value of the Other securities portfolio was EUR 11.5 million above the redemption value (31 December 2013: EUR 13.6 million below).		
7 Participating interests	–	250

During 2014 the equity participations Golden Clover Stichting Custody, United Custodian and Stichting Safekeeping were liquidated. The liquidation did not lead to results in the profit and loss account.

	2014	2013
8 Property and equipment	**26,526**	22,914

The changes in this balance sheet item are as follows:

	Land and buildings	Other fixed assets	Total
Balance sheet value as at 1 January 2014	**16,697**	**6,217**	**22,914**
Investments	**141**	**4,067**	**4,208**
Revaluations	**1,532**	**–**	**1,532**
Depreciation	**(370)**	**(1,758)**	**(2,128)**
Balance sheet value as at 31 December 2014	**18,000**	**8,526**	**26,526**
Accumulated depreciation	**4,798**	**5,462**	**10,260**

The building where the Bank's Head Office is located was appraised in December 2014.

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
9 Other assets	**4,390**	8,897

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified with any other balance sheet asset item. This concerns, for example, balances of payment transactions still to be settled.
As at 31 December 2014 it primarily consists of a receivable of EUR 3.8 million (31 December 2013: EUR 8.6 million) with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank. This receivable is recorded at its notional amount and netted with the provision of EUR 0.7 million (31 December 2013: EUR 2.2 million) for the amount not expected to be recovered.

10 Prepayments and accrued income	**83,948**	211,911

As at 31 December 2014 this item includes prepaid expenses, as well as accrued income, such as accrued interest and commission amounting to EUR 36.4 million (31 December 2013: EUR 23.0 million). It also includes the valuation of derivative contracts amounting to EUR 48.7 million (31 December 2013: EUR 189.7 million).

11 Banks	**770,536**	737,262

This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates. As at 31 December 2014 this includes a syndicated loan amounting to EUR 279.7 million (31 December 2013: EUR 277.1 million) and repurchase agreements amounting to EUR 119.0 million (31 December 2013: EUR 362.9 million) (see note 30).

12 Funds entrusted	**3,330,125**	3,303,065

Included under this item are all non-subordinated debts, insofar as these are not amounts owed to banks or embodied in debt certificates.
This item can be specified as follows:

- Savings accounts	**2,446,442**	2,594,943
- Other funds entrusted	**883,683**	708,122
	3,330,125	3,303,065

As at 31 December 2014 the funds entrusted with a remaining maturity of more than one year amounted to EUR 459.2 million (31 December 2013: EUR 500.8 million) with an average interest rate of 3.08 percent (31 December 2013: 3.17 percent).

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
13 Other liabilities	**6,611**	6,060

This item includes those amounts, which are not of an accrued or deferred nature or which cannot be classified under any other balance sheet liability item. As at 31 December 2014 it also includes the current tax position amounting to EUR 3.1 million (31 December 2013: EUR 1.1 million).

	2014	2013
14 Accruals and deferred income	**219,224**	100,316

As at 31 December 2014 this item includes prepayments received in respect of profits attributable to subsequent periods and amounts still to be paid, such as accrued interest amounting to EUR 27.4 million (31 December 2013: EUR 38.1 million). It also includes valuation of derivative contracts amounting to EUR 181.2 million (31 December 2013: EUR 50.4 million).

	2014	2013
15 Provisions	**667**	289

The changes in this item were as follows:

	Deferred tax liabilities for buildings	**Pending legal issues**	**Deferred tax liabilities for foreign branches**	**Total**
Balance as at 1 January 2014	**189**	**100**	**–**	**289**
Releases	**–**	**–**	**–**	**–**
Additions	**383**	**–**	**–**	**383**
To/from current tax position	**(5)**	**–**	**–**	**(5)**
Balance as at 31 December 2014	**567**	**100**	**–**	**667**
Balance as at 1 January 2013	194	80	716	990
Releases	–	–	(716)	(716)
Additions	–	20	–	20
To/from current tax position	(5)	–	–	(5)
Balance as at 31 December 2013	189	100	–	289

Please see note 29 for further details.

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
16 Subordinated liabilities	**30,000**	30,000

As at 31 December 2014 this item contains a subordinated loan of EUR 30.0 million received from GBI's shareholder Türkiye Garanti Bankasi A.Ş. (31 December 2013: EUR 30.0 million). The subordinated loan is subordinate to the other current and future liabilities of GBI. It was granted in 2011 and has a yearly interest payment at a fixed rate of 5.95 percent. The original maturity of the loan is 10 years.

In 2014 the interest expense in respect of the subordinated loan amounted to EUR 1.9 million (2013: EUR 1.9 million).

	2014	2013
17 Shareholders' equity	**535,835**	488,925
Paid-in and called-up capital	**136,836**	136,836

The authorized share capital amounts to EUR 500 million and is subdivided into 500,000 shares with a nominal value of EUR 1,000 each, of which 136,836 shares have been issued and fully paid-in.

	2014	2013
Revaluation reserves	**1,149**	–
Position as at 1 January	**–**	–
Revaluation building	**1,149**	–
Position as at 31 December	**1,149**	–
Other reserves	**352,089**	293,610
Position as at 1 January	**293,610**	239,360
Appropriation profit previous year	**58,479**	54,250
Position as at 31 December	**352,089**	293,610
Net profit	**45,761**	58,479
The changes in this item were as follows:		
Position as at 1 January	**58,479**	54,250
Profit appropriation	**(58,479)**	(54,250)
Result after tax	**45,761**	58,479
Position as at 31 December	**45,761**	58,479

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
18 Off-balance sheet liabilities	**466,623**	385,014

This includes all liabilities arising from transactions in which GBI has guaranteed the commitments of third parties.
The off-balance sheet liabilities can be broken down into liabilities in respect of:

Guarantees	**48,815**	41,077
Irrevocable letters of credit	**271,072**	256,719
Other commitments	**146,736**	87,218
	466,623	385,014

19 Interest income	**194,564**	188,725

This includes income arising from the lending of funds and related transactions and the interest-related result of derivatives as well as commissions and other income, which have an interest characteristic.
This item comprises interest and similar income from:

- banks	**18,547**	28,654
- loans and advances	**114,451**	93,885
- debt securities including fixed-income securities	**61,566**	66,186
	194,564	188,725

Interest income from debt securities includes positive results on sales from the Investment and Other securities portfolio of EUR 32.6 million (2013: EUR 37.6 million).

20 Interest expense	**114,762**	110,092

This item includes the costs arising from the borrowing of funds and the interest-related result of derivatives as well as other charges, which have an interest characteristic.

21 Commission income	**40,251**	44,288

This amount comprises the income from fees received in respect of banking services supplied to third parties insofar as these do not have an interest characteristic. This relates primarily to trade finance activities.

22 Commission expense	**2,102**	2,314

This concerns the expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the characteristics of interest.

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
23 Net commission	**38,149**	41,974

Net commission comprises:

– Trade finance	**27,084**	30,728
– Corporate finance	**7,829**	7,742
– Payment and cash management services	**3,519**	3,101
– Brokerage and private banking services	**1,160**	1,786
– Other	**(1,443)**	(1,383)
	38,149	41,974 *

* Breakdown adjusted for reasons of comparison

24 Result on financial transactions	**5,887**	8,685

This item covers unrealized and realized profits and losses belonging to the Trading portfolio and currency differences and price/rate differences arising from dealing in other financial instruments. The impact of ineffectiveness of hedging derivatives is EUR 99 thousand (2013: EUR 169 thousand).
This item comprises:

– Securities trading	**2,920**	2,771
– Foreign exchange dealing	**3,977**	4,642
– Forfaiting	**(60)**	395
– Other	**(950)**	877
	5,887	8,685

25 Segmentation of income	**240,702**	241,698

The total of interest income, income from participating interests, commission income and result on financial transactions can be broken down into the following geographical areas based on customer domicile:

– The Netherlands	**26,560**	19,299
– Turkey	**117,787**	112,828
– CIS countries	**13,011**	33,266
– Rest of Europe	**61,542**	52,609
– Rest of the world	**21,802**	23,696
	240,702	241,698 *

* Breakdown adjusted for reasons of comparison

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
26 Administrative expenses	**39,581**	36,412
This includes:		
– Staff costs	**27,453**	28,040
– Other administrative expenses	**12,128**	8,372
	39,581	36,412
The staff costs comprise:		
– Wages and salaries	**21,869**	21,956
– Pension costs	**2,782**	2,979
– Other social costs	**2,026**	1,838
– Other staff costs	**776**	1,267
	27,453	28,040 *

* Breakdown adjusted for reasons of comparison

Pension plans have been established for the employees in the Netherlands and the majority of staff employed outside the Netherlands in accordance with the regulations and practices of the relevant countries. Third parties, mostly insurance companies, administer and execute these plans.
The nature and substance of the plans are decisive for their treatment in the financial statements. Contributions to the pension schemes are charged directly to the profit and loss account in the year to which they relate. A pension provision needs to be included in the balance sheet for pension premiums payable and possible additional obligations to the pension plan or employees outstanding as per the balance sheet date. As of the end of 2014, no premiums payable and possible additional obligations were outstanding.

The average number of full-time equivalent employees was 229 (2013: 225), which can be split as follows:

– Netherlands	**191**	187
– Other	**38**	38
	229	225

Other administrative expenses include a non-tax deductible amount of EUR 5.7 million representing the contribution levy imposed for the nationalization of SNS REAAL.

NOTES TO THE 2014 FINANCIAL STATEMENTS

Other administrative expenses also include expenses related to services provided by KPMG Accountants N.V. (external auditor of GBI) and other members of the international KPMG network. The breakdown, in which these expenses have been allocated to the relevant period, is as follows:

	2014			2013		
	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG network**	KPMG Accountants N.V.	Other KPMG network	Total KPMG network
Audit of the financial statements	**209**	**22**	**231**	210	32	242
Audit related services	**164**	**18**	**182**	156	10	166
Fiscal advice	**–**	**25**	**25**	–	35	35
Other non-audit expenses	**–**	**1**	**1**	–	9	9
	373	**66**	**439**	366	86	452

	2014	2013
27 Depreciation	**2,128**	1,325

For a breakdown of this item, please see the overview of changes in property and equipment in note 8.

28 Value adjustments to receivables	**18,547**	15,364

This item relates to provisions for loans and advances to customers and can be broken down as follows:

– Additions	**28,192**	20,809
– Releases	**(9,480)**	(5,383)
– Repayments after write-off	**(165)**	(62)
	18,547	15,364

NOTES TO THE 2014 FINANCIAL STATEMENTS

	2014	2013
29 Tax on result on ordinary activities	**17,821**	17,712

The corporate income tax has been calculated using the nominal tax rate of 25 percent over the Dutch taxable income and the local applicable tax rate for taxable income in Germany (30 percent). The overall effective tax rate in 2014 was 28.0 percent (2013: 23.2 percent).

	2014	2013
Dutch tax rate	**25.0%**	25.0%
Effect of deviating tax rates in foreign jurisdictions	**0.1%**	–
Effect of closing current tax positions previous year(s)	**0.7%**	(1.8%)
Effect of non-tax deductible expense (SNS REAAL contribution levy)	**2.2%**	–
Effective tax rate on operating income	**28.0%**	23.2%

The 2014 taxes amounted to EUR 17,821 thousand (2013: EUR 17,712 thousand) including an additional tax expense amounting to EUR 472 thousand following the receipt of the final 2011 and 2012 corporate tax assessments.
The deferred tax liabilities relate to tax liabilities that will arise in the future resulting from the difference between the book value of specific assets and liabilities and their valuation for tax purposes.

The sources of deferred tax liabilities can be specified as follows:

	2014	2013
Foreign branches	–	–
Buildings	**567**	189
	567	189

Further disclosures

30 Pledged assets

EUR 131.2 million (31 December 2013: EUR 425.9 million) of 'Interest-bearing securities', EUR 40.9 million (31 December 2013: EUR 6.0 million) of the asset item 'Banks' and EUR 87.8 million (31 December 2013: nil) of the asset item 'Loans and advances' has been pledged as collateral for EUR 222.0 million (31 December 2013: EUR 362.9 million) of funding included under the liability item 'Banks'. Furthermore EUR 151.5 million (31 December 2013: EUR 11.6 million) of placements included under 'Banks' has been pledged as collateral for derivative trades. These assets are consequently not freely available.

NOTES TO THE 2014 FINANCIAL STATEMENTS

31 Risk management

31.1 Credit risk

Credit risk encompasses all forms of exposure where counterparties may default on their obligations to GBI in relation to lending, hedging, settlement and other financial activities.

Concentrations of credit risks, including country and industry risks, indicate the relative sensitivity of GBI's performance to developments affecting a particular geographical region or industry.

31.1.a Breakdown by geographical regions

The geographical breakdown of assets and off-balance sheet liabilities is based on customer domicile as follows:

	Banks	Loans and advances	Interest-bearing securities	Off-balance liabilities
As at 31 December 2014:				
– The Netherlands	**53,988**	**209,024**	**22,510**	**107,411**
– Turkey	**475,399**	**890,779**	**332,585**	**74,282**
– CIS countries	**20,075**	**79,712**	**128,247**	**–**
– Rest of Europe	**163,252**	**1,016,404**	**256,964**	**181,248**
– Rest of the world	**112,993**	**329,747**	**144,836**	**103,682**
	825,707	**2,525,666**	**885,142**	**466,623**
– Provisions	**–**	**(61,229)**	**–**	**–**
	825,707	**2,464,437**	**885,142**	**466,623**
As at 31 December 2013:				
– The Netherlands	4,994	158,603	72,036	65,730
– Turkey	563,063	996,773	392,610	111,579
– CIS countries	171,931	136,447	152,367	3,300
– Rest of Europe	150,151	749,566	90,405	103,030
– Rest of the world	22,595	317,040	–	101,375
	912,734	2,358,429	707,418	385,014
– Provisions	–	(45,332)	–	–
	912,734	2,313,097	707,418	385,014

NOTES TO THE 2014 FINANCIAL STATEMENTS

31.1.b Breakdown by collateral

The loans and advances can be broken down by collateral as follows:

	2014	2013
Bank guarantees	**269,498**	203,800
Financial collateral (securities and cash)	**107,278**	147,917
Other collateral and unsecured*	**2,148,890**	2,006,712
	2,525,666	2,358,429 **
Provisions	**(61,229)**	(45,332)
	2,464,437	2,313,097

* Other collateral consists of co-debtorship, pledge on goods and receivables, mortgages, etc.
** Breakdown adjusted for reasons of comparison

The collateral value of securities is based on the fair value. The value of other collateral (bank guarantees, cash) is based on the cost value.

31.1.c Breakdown by sector and industry

The loans and advances can be broken down by sector and industry as follows:

Agriculture	**136,852**	153,364
Basic materials	**523,878**	420,778
Chemicals	**206,021**	195,701
Construction	**32,617**	33,199
Consumer products	**103,459**	90,767
Financial services	**493,502**	599,139
Food, beverages & tobacco	**106,299**	91,861
Leisure and tourism	**26,092**	4,846
Oil & gas	**273,231**	283,484
Private individuals	**6,247**	12,072
Retail	**23,067**	16,226
Services	**1,949**	2,973
Telecom	**92,410**	112,193
Transport & logistics	**346,947**	243,368
Utilities	**31,831**	25,447
Other	**121,264**	73,011
	2,525,666	2,358,429
Provisions	**(61,229)**	(45,332)
	2,464,437	2,313,097

NOTES TO THE 2014 FINANCIAL STATEMENTS

31.1.d Non-performing loans and NPL ratio

A loan is recognized as non-performing if there is objective evidence of impairment. This evidence could arise from, but is not limited to, the following events:

- It is probable that the borrower will enter bankruptcy or other financial reorganization.
- The debtor has payment defaults against third parties; customers, banks, employees, etc.
- The debtor has been in arrears for at least 90 days with regard to repayment of principal and/or interest.
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.
- A breach of contract, such as a default or delinquency in interest or principal payments
- Significant financial difficulty of the issuer or obligor.
- The disappearance of an active market for that financial asset because of financial difficulties.

The NPL ratio is calculated as follows:

	2014	2013
Banks	**825,707**	912,734
Loans and advances	**2,464,437**	2,313,097
Provisions	**61,229**	45,332
Gross loans	**3,351,373**	3,271,163
Non-performing loans (after deduction of financial collateral)	**129,655**	85,899
NPL ratio	**3.87%**	2.63%

31.1.e Derivatives

Derivatives are financial instruments taking the form of contracts whose value depends on one or more underlying assets, reference prices or indices. Examples of derivatives are forward exchange contracts, swaps, options and forward rate agreements. Transactions in derivatives are contracted by GBI to hedge interest rate risks and foreign exchange risks on GBI's own positions and to hedge positions following from derivatives transactions with clients. GBI applies cost price hedge accounting for its hedging derivatives. For the hedge relationships that were ineffective the negative impact was recognized in the profit and loss account under Result on financial transactions (see note 24).

Derivatives transactions with professional market participants are subject to the Credit Support Annex (CSA) of the International Swaps and Derivatives Association (ISDA) derivatives agreements. Therefore the Bank could be in a position to provide or require additional collateral as a result of fluctuations in the market value of derivatives. The amount of collateral provided under these agreements is disclosed under note 30 (Pledged assets). During 2013 and 2014 the maximum monthly net increase in collateral provided, resulting from the fluctuations in the market value of (hedging) derivatives, amounted to EUR 51.0 million.

For derivatives transactions with clients the Bank is not obliged to provide collateral, but it is entitled to receive collateral from clients, hence there is no potential liquidity risk for the Bank.

NOTES TO THE 2014 FINANCIAL STATEMENTS

The degree to which GBI is active in the respective markets or market segments is shown in the following analysis by means of notional amounts. However, the notional amounts give no indication of the size of the cash flows and the market risk or credit risk attached to derivatives transactions.

The market risk arises from movements in variables determining the value of derivatives, such as interest rates and quoted prices. The positive replacement value is the loss that would arise if counterparty was to default. However this exposure is to a large extent mitigated by the fact that collateral was received based on the CSA of the ISDA derivatives agreements. In calculating the positive replacement value shown in the following table, netting agreements have been conservatively taken into consideration and netting is performed only if both the counterparties and the critical terms of the derivatives are identical.

		Notional amounts <= 1 year	**Notional amounts >1<= 5 years**	**Notional amounts >5 years**	**Total**	**Positive replacement value**
		EUR 1,000	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**	**EUR 1,000**
As at 31 December 2014:						
Interest rate contracts						
OTC	Swaps	**90,000**	**543,613**	**100,000**	**733,613**	**68**
Currency contracts						
OTC	Swaps	**3,959,951**	**–**	**–**	**3,959,951**	**35,742**
	Forwards	**86,348**	**1,629**	**–**	**87,977**	**1,587**
	Options	**204,896**	**30,000**	**–**	**234,896**	**5,379**
Other contracts						
OTC	Swaps	**76,277**	**35,716**	**–**	**111,943**	**3,415**
	Forwards	**7,146**	**–**	**–**	**7,146**	**2,682**
	Options	**1,402**	**–**	**–**	**1,402**	**1**
		4,425,970	**610,958**	**100,000**	**5,136,928**	**48,874**
As at 31 December 2013:						
Interest rate contracts						
OTC	Swaps	126,018	314,784	–	440,802	844
Currency contracts						
OTC	Swaps	4,333,771	–	–	4,333,771	166,224
	Forwards	146,129	2,980	–	149,109	2,046
	Options	415,858	–	–	415,858	15,122
Other contracts						
OTC	Swaps	–	72,585	–	72,585	1,197
	Options	61	–	–	61	8
		5,021,837	390,349	–	5,412,186	185,441

NOTES TO THE 2014 FINANCIAL STATEMENTS

In the capital adequacy calculations according to the Capital Requirements Directive of the European Union, the Bank applies the Current Exposure Method to determine the unweighted credit equivalent of the derivatives by taking a percentage of the relevant notional amounts, depending on the nature and original term of the contract, in addition to the positive replacement values per transaction. The analysis below shows the resulting credit equivalent, which is then weighted for the counterparty risk (mainly banks).

The figures include the impact of collateral on risk exposure and capital adequacy.

	As at 31 December 2014		As at 31 December 2013	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
	Unweighted *	**Weighted ****	Unweighted *	Weighted **
Interest rate contracts	**4,286**	**1,598**	2,418	735
OTC currency contracts	**92,274**	**19,160**	237,256	72,950
Other contracts	**7,062**	**2,286**	81	18
	103,622	**23,044**	239,755	73,703

* Exposure value before deduction of collateral
** Risk weighted exposure value after deduction of collateral

31.2 Market risk

Market risk arises from fluctuations in interest rates, foreign currency exchange rates and security prices. It is GBI's policy to avoid exposure to significant open positions in interest and foreign currency risk.

NOTES TO THE 2014 FINANCIAL STATEMENTS

31.2.a Currency risk

The total equivalent of on-balance assets in foreign currencies is EUR 2,845 million, while the total equivalent of on-balance liabilities in foreign currencies is EUR 1,302 million. The currency position is reduced through derivative instruments.

	As at 31 December 2014				As at 31 December 2013			
Currency	**Gross long position EUR 1,000**	**Gross short position EUR 1,000**	**Net long position EUR 1,000**	**Net short position EUR 1,000**	Gross long position EUR 1,000	Gross short position EUR 1,000	Net long position EUR 1,000	Net short position EUR 1,000
USD	**3,802,340**	**3,801,348**	**992**	–	3,650,825	3,649,755	1,070	–
TRY	**865,790**	**865,757**	**33**	–	986,637	986,527	110	–
GBP	**164,628**	**164,677**	**–**	**49**	290,004	290,006	–	2
CHF	**91,584**	**91,648**	**–**	**64**	58,404	58,469	–	65
JPY	**71,567**	**71,576**	**–**	**9**	29,770	29,773	–	3
ZAR	**24,277**	**24,277**	**–**	**–**	38,468	38,517	–	49
NOK	**21,597**	**21,555**	**42**	**–**	49	74	–	25
RUB	**21,394**	**21,301**	**93**	**–**	11,052	11,017	35	–
RON	**19,594**	**19,549**	**45**	**–**	34,912	34,775	137	–
AUD	**10,314**	**10,307**	**7**	**–**	13,925	13,920	5	–
CAD	**3,175**	**3,187**	**–**	**12**	9,334	9,294	40	–
SEK	**2,597**	**2,614**	**–**	**17**	11,320	11,322	–	2
Other	**5,604**	**5,602**	**2**	**–**	23,010	22,945	65	–

31.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2014, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

	Variable EUR 1,000	**< = 3 months EUR 1,000**	**> 3 months <= 1 year EUR 1,000**	**> 1 year <= 5 years EUR 1,000**	**> 5 years EUR 1,000**	**Total EUR 1,000**
Assets	**14,104**	**2,615,060**	**999,637**	**450,141**	**736,390**	**4,815,332**
Liabilities	**(293,938)**	**(2,363,191)**	**(676,436)**	**(509,330)**	**(35,257)**	**(3,878,152)**
Derivatives	**–**	**426,759**	**(27,374)**	**(461,707)**	**(104,626)**	**(167,948)**
Net interest position 31 December 2014	**(279,834)**	**678,628**	**294,827**	**(520,896)**	**596,507**	**769,232**
Net interest position 31 December 2013	(95,080)	283,547	438,585	(302,512)	504,917	829,457

NOTES TO THE 2014 FINANCIAL STATEMENTS

The calculation of the sensitivity analysis as at 31 December 2014 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, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 27,787 thousand (31 December 2013: EUR 17,367 thousand decrease).

31.3 Liquidity risk

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

	On demand EUR 1,000	< = 3 months EUR 1,000	> 3 months < = 1 year EUR 1,000	> 1 year < = 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Assets							
Cash	602,848	–	–	–	–	–	602,848
Banks	237,868	270,875	307,213	9,751	–	–	825,707
Loans and advances	89,469	1,272,935	781,494	359,536	22,232	(61,229)	2,464,437
Interest-bearing securities	–	–	4,996	199,375	680,771	–	885,142
Property and equipment	–	–	–	–	26,526	–	26,526
Other assets	548	–	–	–	3,842	–	4,390
Prepayments and accrued income	83,948	–	–	–	–	–	83,948
Total assets 31 December 2014	1,014,681	1,543,810	1,093,703	568,662	733,371	(61,229)	4,892,998

NOTES TO THE 2014 FINANCIAL STATEMENTS

	On demand EUR 1,000	<= 3 months EUR 1,000	> 3 months <= 1 year EUR 1,000	> 1 year <= 5 years EUR 1,000	> 5 years EUR 1,000	Provisions EUR 1,000	Total EUR 1,000
Liabilities							
Banks	**8,449**	**220,840**	**470,769**	**70,478**	**–**	**–**	**770,536**
Funds entrusted *	**1,812,478**	**498,506**	**559,974**	**457,823**	**1,344**	**–**	**3,330,125**
Savings accounts	***1,248,083***	***280,667***	***512,609***	***403,739***	***1,344***	**–**	***2,446,442***
Other funds entrusted	***564,395***	***217,839***	***47,365***	***54,084***	**–**	**–**	***883,683***
Other liabilities	**6,611**	**–**	**–**	**–**	**–**	**–**	**6,611**
Accruals and deferred income	**219,224**	**–**	**–**	**–**	**–**	**–**	**219,224**
Provisions	**–**	**–**	**–**	**–**	**667**	**–**	**667**
Subordinated liabilities	**–**	**–**	**–**	**–**	**30,000**	**–**	**30,000**
Total liabilities	**2,046,762**	**719,346**	**1,030,743**	**528,301**	**32,011**	**–**	**4,357,163**
Shareholders' equity	**–**	**–**	**–**	**–**	**535,835**	**–**	**535,835**
Total liabilities and shareholders' equity 31 December 2014	**2,046,762**	**719,346**	**1,030,743**	**528,301**	**567,846**	**–**	**4,892,998**
Net liquidity 31 December 2014	**(1,032,081)**	**824,464**	**62,960**	**40,361**	**165,525**	**(61,229)**	**–**
Total assets 31 December 2013**	990,715	1,402,333	1,029,815	774,224	514,162	(45,332)	4,665,917
Total liabilities and shareholders' equity 31 December 2013	1,685,816	1,046,392	913,768	499,483	520,458	–	4,665,917
Net liquidity 31 December 2013	(695,101)	355,941	116,047	274,741	(6,296)	(45,332)	–

* This includes on demand retail funding which has on average a longer-term characteristic.

NOTES TO THE 2014 FINANCIAL STATEMENTS

31.4 Capital adequacy

The standards applied by DNB for the principal capital ratios are based on the Capital Requirements Directive (and Capital Requirements Regulation) of the European Union and the Basel Committee for Banking Supervision.

In accordance with the CRR, the Bank is using the Foundation Internal Rating Based (F-IRB) approach to calculate the regulatory capital ratios.

These ratios compare GBI's total capital and Tier 1 capital with the required pillar I capital for credit risk (based on the total of risk-weighted assets and off-balance sheet items), the market risk associated with the trading portfolios and the operational risk.

The following table analyzes actual capital in accordance with international BIS requirements:

	2014	2013
Total Risk Weighted Assets	**3,031,081**	2,620,875
The required pillar I capital can be broken down as follows:		
Credit risk	**225,107**	194,702
Market risk	**2,987**	118
Operational risk	**14,393**	14,850
Total required pillar I capital	**242,487**	209,670
The actual capital can be broken down as follows:		
Tier 1 capital	**506,180**	482,166
Tier 2 capital	**22,891**	26,330
Total capital	**529,071**	508,496
BIS ratio	**17.45%**	19.40%
Tier 1 ratio	**16.70%**	18.40%

The BIS ratio and Tier 1 ratio have been calculated taking into account the audited net profit until and including 30 June 2014 in line with the reports submitted to DNB. When including the full audited net profit of 2014 the BIS ratio is 17.95% and the Tier 1 ratio is 17.20%.

NOTES TO THE 2014 FINANCIAL STATEMENTS

32 Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

These financial instruments include loans and advances to banks and customers, deposits from banks and customers, obligations under repurchase agreements, loans and advances from banks and other short-term assets and liabilities which are of a contractual nature. The carrying amount of these particular assets and liabilities approximates their fair value, which is mainly due to their short average tenor.

As at 31 December 2014 the fair value of the interest-bearing securities in the Investment portfolio amounts to EUR 65.0 million (31 December 2013: EUR 126.6 million), whereas the book value amounts to EUR 70.7 million (31 December 2013: EUR 133.8 million). As at 31 December the fair value of the interest-bearing securities in the Other securities portfolio amounts to EUR 788.9 million (31 December 2013: EUR 549.7 million), whereas the book value amounts to EUR 814.5 million (31 December 2013: EUR 573.6 million).

The fair value of non-hedging derivatives as at 31 December 2014 amounts to EUR 0.4 million negative (2013: EUR 0.7 million positive).

The fair value of hedging derivatives as at 31 December 2014 amounts to EUR 136.4 million negative on a net basis (2013: EUR 130.9 million positive). The book value of these derivatives is EUR 132.2 million negative (2013: EUR 138.6 million positive).

NOTES TO THE 2014 FINANCIAL STATEMENTS

The fair value of the derivatives can be broken down as follows:

	Notional amount EUR 1,000	Book value EUR 1, 000	Fair value EUR 1,000	Hedge ineffective-ness (PL impact) EUR 1,000
As at 31 December 2014:				
Hedging derivatives:				
Interest rate contracts	**733,613**	**(1,109)**	**(5,223)**	**–**
Currency contracts	**4,047,415**	**(131,052)**	**(131,152)**	**(99)**
Total hedging derivatives	**4,781,028**	**(132,161)**	**(136,375)**	**(99)**
Non-hedging derivatives:				
Currency contracts	**512,070**	**–**	**–**	**–**
Other contracts	**132,653**	**(356)**	**(356)**	**–**
Total non-hedging derivatives	**644,723**	**(356)**	**(356)**	**–**
Total derivatives as at 31 December 2014	**5,425,751**	**(132,517)**	**(136,731)**	**–**
As at 31 December 2013:				
Hedging derivatives:				
Interest rate contracts	440,802	(1,073)	(4,625)	–
Currency contracts	4,443,626	139,665	135,490	(169)
Total hedging derivatives	4,884,428	138,592	130,865	(169)
Non-hedging derivatives:				
Currency contracts	878,834	188	188	–
Other contracts	73,440	557	557	–
Total non-hedging derivatives	952,274	745	745	–
Total derivatives as at 31 December 2013	5,836,702	139,337	131,610	(169)

NOTES TO THE 2014 FINANCIAL STATEMENTS

33 Group related balances

Group related balances include the balances with the 100 percent shareholder Türkiye Garanti Bankasi A.Ş. (GBI's parent company), its major shareholders Doğuş Holding A.Ş. and Banco Bilbao Vizcaya Argentaria S.A. (who together have a controlling interest in Türkiye Garanti Bankasi A.Ş.), all its subsidiaries and the Supervisory and Managing Board of Directors of GBI. During the course of the business, GBI has made placements with, granted loans to and also received deposits from these parties at commercial terms.

33.1 Outstanding balances

GBI has the following outstanding group related balances:

	As at 31 December 2014			As at 31 December 2013		
	Parent company	***Other***	***Total***	*Parent company*	*Other*	*Total*
	EUR 1,000	**EUR 1,000**	**EUR 1,000**	EUR 1,000	EUR 1,000	EUR 1,000
Assets						
Banks	**31,951**	**32,386**	**64,337**	22,968	142,570	165,538
Loans and advances	**–**	**72,722**	**72,722**	–	88,663	88,663
Interest-bearing securities	**11,141**	**–**	**11,141**	14,294	–	14,294
Total assets	**43,092**	**105,108**	**148,200**	37,262	231,233	268,495
Liabilities						
Banks	**7,492**	**44,483**	**51,975**	3,446	22,432	25,878
Funds entrusted	**–**	**7,107**	**7,107**	–	1,502	1,502
Subordinated liabilities	**30,000**	**–**	**30,000**	30,000	–	30,000
Total liabilities	**37,492**	**51,590**	**89,082**	33,446	23,934	57,380

NOTES TO THE 2014 FINANCIAL STATEMENTS

34 Remuneration of Managing Board Directors and Supervisory Board Directors

In accordance with the Articles of Association, the remuneration of the members of the Managing Board is subject for approval by the shareholder at the Annual General Shareholders' Meeting.

The remuneration proposal for the members of the Managing Board will be submitted to the Annual General Shareholders' Meeting for adoption, on 10 April 2015. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mindset and background.

The remuneration of current and former members of the Managing Board amounted to EUR 2,634,322 in 2014 (2013: EUR 2,896,817).

The remuneration of current and former members of the Supervisory Board amounted to EUR 169,400 in 2014 (2013: EUR 158,813).

Amsterdam, 26 March 2015

Board of Managing Directors:
Mr B. Ateş
Mr M. P. Padberg

Board of Supervisory Directors:
Mr S. Sözen (Chairman)
Mr P.R.H.M. van der Linden
Mr M.P. Galatas Sanchez-Harguindey
Mr B.J.M.A. Meesters
Mr W.F.C. Cramer

OTHER INFORMATION

Profit appropriation

In the Annual General Shareholders' Meeting, it will be proposed to add the net result of 2014 (EUR 45,761,000) to the other reserves.

The profit appropriation has been proposed in conformity with article 31 of the Articles of Association, which states:

Article 31

1. The profits shall be at the disposal of the general meeting.
2. Dividends may be paid only up to an amount which does not exceed the amount of the distributable part of the net assets.
3. Dividends shall be paid after adoption of the annual accounts from which it appears that payment of dividends is permissible.
4. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
5. The general meeting may, subject to due observance of the provision of paragraph 2, resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.

Subsequent events

There have been no significant events between the end of the year 2014 and the date of approval of these financial statements which would require a change to or disclosure in the financial statements.

Independent auditor's report

The independent auditor's report is set forth on the following pages.

INDEPENDENT AUDITOR'S REPORT

To: The General Meeting of Shareholders of GarantiBank International N.V.

Report on the Audit of the Financial Statements 2014

Opinion

We have audited the accompanying financial statements 2014 of Garantibank International N.V. (the Bank) based in Amsterdam. The financial statements include the consolidated financial statements and the statutory financial statements.

In our opinion the financial statements give a true and fair view of the financial position of Garantibank International N.V. as at 31 December 2014 and of its results and its cash flows for the year 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

- the consolidated statement of financial position as at 31 December 2014;
- the consolidated income statement for the year then ended; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report. We are independent of Garantibank International N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

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

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 4.2 million, this represents 6.6% of the benchmark of consolidated profit before taxation. We consider the benchmark of profit before tax to be the most relevant benchmark given the nature and business of the Bank.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

All unadjusted misstatements in excess of EUR 0.2 million, which are identified during the audit, would be reported to the Supervisory Board, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our key audit matters

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

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

Estimation uncertainty with respect to impairment losses on loans and advances

Certain aspects of the accounting for loan loss impairments require significant judgment, such as the identification of loans that are deteriorating, the assessment of objective evidence for impairment, the value of collateral and the assessment of the recoverable amount. The use of different estimates and assumptions and changes of the economic conditions could result in different impairments for loan losses over time, as disclosed in the Accounting policies (note 2).

Our audit procedures included, among others, a comprehensive testing of the Bank's credit risk management and credit risk monitoring procedures including the internal controls related to the timely recognition and measurement of impairments for loan losses, including loans that have been renegotiated and/or forborne. We examined a selection of individual loan exposures in detail, and challenged management's assessment of the recoverable amount. We applied professional judgment in selecting the loan exposures for our detailed inspection with an emphasis on exposures that pose an increased uncertainty for recovery in the current market circumstances. In this selection we considered the geographical diversity of the loan portfolio. We paid special attention to loans granted to clients and facilities based in Russia and the Ukraine. Our examination of specific loan files included exposures that where placed under the Bank's close monitoring procedures. We also tested the appropriateness of the assumptions and data used by the Bank to measure loan loss impairments.

Our observation: overall our assessment is that the assumptions used and related estimates resulted in a fair valuation of loans and advances after deduction of loan loss impairments in the context of the financial statements as a whole.

Costprice hedge accounting

The Bank primarily uses interest rate swaps and foreign exchange swaps and forwards to hedge its own interest rate risk exposure and currency positions respectively. The Bank furthermore enters into derivative transactions with clients that it hedges with other banks in the financial markets.

The Bank uses cost price hedge accounting for all derivatives held for hedging purposes. The cost price of interest rate swaps is generally close to nil, which results in recording the accrued interest and the collateral on the balance sheet as described and disclosed in note 32.

We have inspected the hedge documentation provided by the Bank supporting the hedge relation. Furthermore we have audited the Bank's monthly effectiveness testing.

Our observation: We have determined that the Bank has accurately assessed and recorded the effectiveness and ineffectiveness of the hedge relationships in accordance with the accounting policies of the Bank as at 31 December 2014.

Reliability and continuity of the electronic data processing

The Bank is dependent on its IT-infrastructure for the continuity of its operations. The Bank makes investments in its IT systems and –processes as it is continuously improving the efficiency and effectiveness of the IT-infrastructure and the reliability and continuity of the electronic data processing.

We have assessed the reliability and continuity of the electronic data processing, as far as necessary within the scope of our audit. For that purpose we included IT-auditors in our audit team. Our procedures included the assessment of developments in the IT-domain and testing of the relevant internal controls with respect to relevant IT-systems and -processes. We have also assessed the increasing initiatives and processes of the Bank to fight cybercrime.

Our observation: we have no material findings as part of our audit of the financial statements in respect of the reliability and continuity of the electronic data processing of the Bank.

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

The Managing Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Managing Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Furthermore, the Managing Board is responsible for such internal control as the Managing Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Our Responsibilities for the Audit of the Financial Statements

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on Other Legal and Regulatory Requirements

Report on the Managing Board report and the other information Pursuant to legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code (concerning our obligation to report about the Managing Board report and other data), we declare that:

- We have no deficiencies to report as a result of our examination whether the Managing Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed.
- We report that the Managing Board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Engagement

We have been appointed by the General Meeting of Shareholders as auditor of Garantibank International N.V. for the year 2014.

Amstelveen, 26 March 2015

KPMG Accountants N.V.

M.L.M. Kesselaer RA

SUPERVISORY BOARD AND MANAGING BOARD

Supervisory Board

Mr S. Sözen (Chairman)

Chairman of GBI Supervisory Board since 2006. Vice-Chairman of Türkiye Garanti Bankası A.S. Supervisory Board.

Mr P.R.H.M. van der Linden (Member)

Member of the Dutch Parliament between 1977 and 1998. Currently member of the Dutch Senate. Held Chairman positions at the Dutch Senate and European Council's European People's Party and Parliamentary Assembly.

Mr M.P. Galatas Sanchez-Harguindey (Member)

Board Member of Türkiye Garanti Bankası A.S. and General Manager of BBVA Istanbul Representative Office.

Mr B.J.M.A. Meesters (Member)

Dutch qualified lawyer and off-counsel to Allen & Overy Amsterdam. Member of the board of the theater company Orkater.

Mr W.F.C. Cramer (Member)

Member of the Supervisory Board at Staalbankiers N.V., Member of the Supervisory Board of Unicef Netherlands, Chairman of the Supervisory Board of DoeFonds Fryslan, Chairman of the Supervisory Board of the Kredietpaspoort Foundation, Treasurer of the Liszt Concours Foundation and Former CEO of Friesland Bank.

Managing Board

Mr B. Ateş

CEO, since 24 March 2000.

Mr M.P. Padberg

Managing Director, since 1 January 1993.

SENIOR MANAGEMENT

Trade & Commodity Finance
Mr B. Aytürk
Executive Director

Treasury, Private Banking
Mrs Ö. Etker-Simons
Executive Director

Financial Institutions & Investor Relations
Mr C.O. Draman
Executive Director

Structured Finance, Retail Banking
Mr S.E. Zeyneloğlu
Executive Director

Risk Management, Control & Reporting
Dr M.Ö. Şişman
Executive Director

Credits
Mr S. Kanan
Executive Director

Information & Communication Technology, Information Security
Mr G. Salman
Executive Director

Operations
Mrs E. Demirel
Executive Director

Dusseldorf Branch
Mr F. Birincioğlu
Executive Director

Legal & Compliance
Mrs M. Köprülü
Director

Human Resources
Mrs M.S. van Tilburg-van Alfen
Director

Internal Audit Services
Mr T. Aksoy
Director

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