25th ANNIVERSARY

ANNUAL REPORT 2015

GarantiBank International N.V.

CONTENTS

KEY FIGURES

25 YEARS OF SUSTAINABLE VALUE CREATION FOR OUR STAKEHOLDERS

EUR 1,000	**2011**	**2012**	**2013**	**2014**	**2015**
TOTAL ASSETS	4,201,607	4,636,405	4,717,808	4,978,439	5,021,465
BANKS (ASSETS)	950,802	920,199	917,225	826,674	651,717
LOANS AND ADVANCES	1,877,657	2,386,381	2,360,497	2,548,911	2,720,638
BANKS (LIABILITIES)	781,381	654,056	737,262	770,536	989,260
FUNDS ENTRUSTED	2,744,420	3,360,469	3,303,065	3,330,125	3,247,699
SUBORDINATED LIABILITIES	46,408	30,000	30,000	30,000	80,000
SHAREHOLDERS' EQUITY (INCLUDING RESULT AFTER TAX)	376,196	430,446	488,925	535,835	546,965
OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS	64,174	83,108	91,555	82,129	61,309
RESULT AFTER TAX AND VALUE ADJUSTMENTS	51,230	54,250	58,479	45,761	11,341

FOREIGN BRANCHES AND REPRESENTATIVE OFFICES	4	4	4	4	4
COMMON EQUITY TIER 1 RATIO %	17.33	18.23	18.40	16.70	16.26
TOTAL CAPITAL RATIO %	19.06	19.30	19.40	17.45	19.04
COST TO INCOME RATIO %*	34	31	29	34	41
RETURN ON AVERAGE EQUITY %**	15.71	14.42	13.59	9.35	2.12
RETURN ON AVERAGE ASSETS %	1.32	1.23	1.25	0.94	0.23
TOTAL AVERAGE NUMBER OF EMPLOYEES	209	218	225	229	236

* 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.

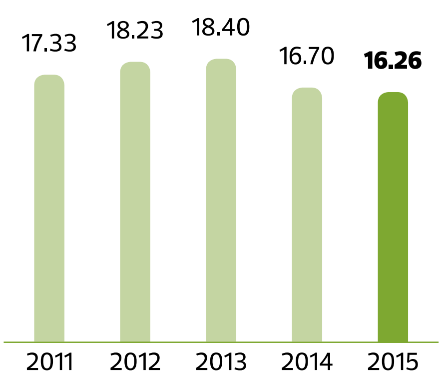
** Return on average equity is calculated using average shareholders' equity excluding result after tax.

16.26%
COMMON EQUITY TIER 1 RATIO

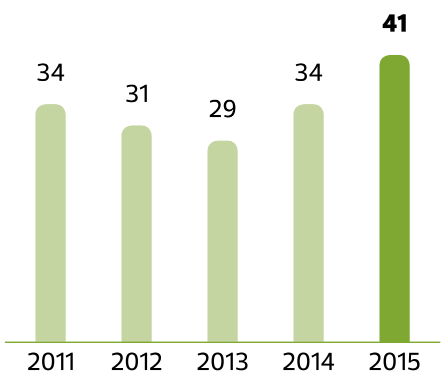
41%
COST TO INCOME RATIO

2.12%
RETURN ON AVERAGE EQUITY

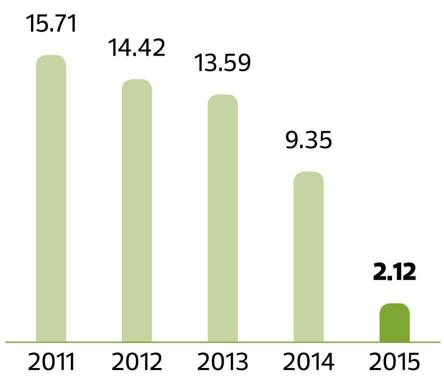
COMMON EQUITY TIER 1 RATIO (%)



COST TO INCOME RATIO (%)



RETURN ON AVERAGE EQUITY (%)



CREDIT RATINGS

MOODY'S	
BANK DEPOSITS (Long Term / Short Term)	A3/P-2

MESSAGE FROM THE CHAIRMAN

2015 HAS BEEN A YEAR OF CHANGES BOTH IN THE MACRO-ECONOMIC ENVIRONMENT AND ORGANIZATIONALLY.

Dear Stakeholders,

2015 has been a year of changes both in the macro-economic environment and organizationally.

Quantitative easing implementation of the European Central Bank (ECB), expectations on the Federal Reserve's (FED) rate hike, slowdown of Chinese economy and plunging commodities were the major drivers of global markets while the world witnessed many significant geopolitical developments including Syria driven refugee crises, terrorist attacks and threats spreading to Europe and USA. As a result of such fundamental swings, global risk perception has been transforming.

On the organizational front, the closing of the acquisition of the controlling stake of T. Garanti Bankası A.Ş. (Garanti), the parent of GarantiBank International N.V. (GBI), was executed on 27 July 2015. As a result, Garanti became a fully consolidated subsidiary of Banco Bilbao Vizcaya Argentaria SA (BBVA) of Spain. Although GBI's direct parent remains as Garanti, BBVA has thus become the ultimate parent of GBI. ECB has also taken action and included GBI into its Significant Supervision Entity listing as of 30 September 2015, alongside the ultimate parent BBVA. Accordingly, GBI will also be subject to ECB supervision.

Following the Extraordinary Meeting of the Shareholders held on 21 August 2015, GBI announced the appointment of Mr S. Erhan Zeyneloğlu (1967), who has held various senior managerial roles in GBI since 1995, as the new Chief Executive Officer (CEO) as Mr Bahadır Ateş (1963), the CEO and the member of the Managing Board since 2000, upon mutual agreement resigned from his roles on 30 September 2015.

Upon mutual agreement, Mr Marc Padberg, the Managing Director and the member of the Managing Board, will also resign from his roles in the course of 2016.

To further strengthen the corporate governance structure and to align GBI with the governance practices of BBVA, it has been decided to enlarge the Managing Board with three new members: Ms Özgen Etker-Simons, serving GBI since 1992, has been appointed as the Member of the Managing Board covering the

GBI HAS MANAGED TO OBTAIN A TWO-NOTCH RATING UPGRADE AND RECEIVED A LONG-TERM DEPOSIT RATING OF A3 FROM MOODY'S.

Treasury, Institutional Sales, Private Banking, retail and wholesale funding activities; Mr Sertaç Kanan, serving GBI since 1996, has been appointed as the Chief Credit Officer (CCO) and Mr Övünç Şişman, serving GBI since 2003, has been appointed as the Chief Financial & Risk Officer (CFRO). All such appointments were approved by DNB during October 2015.

I wish success to this well-experienced new Managing Board to sail GBI to prosperous horizons. We have the full confidence that this Managing Board under the leadership of the CEO Mr Zeyneloğlu will bring a new energy to GBI while steering within the strict limitations of the challenging regulatory environment.

Personally and on behalf of the Supervisory Board, I sincerely thank Mr Ateş and Mr Padberg for their invaluable leadership and harmonious contributions for longer than two decades. The end product of such contributions is that GBI has evolved to a reputable stakeholder-centric transaction banking institution with a strong international profile.

In the Extraordinary Supervisory Board Meeting held on 6 January 2016, the Shareholder accepted the resignation of Mr Süleyman Sözen, the Chairman of the Supervisory Board since 2006 and Member since 1998. On behalf of the Shareholder and the Members of the Supervisory Board, I sincerely and earnestly thank to Mr Sözen for his prodigious leadership and vision through the years. Mr Sözen has been the guiding compass of GBI's top management processes for achieving all the remarkable successes during his tenure and it is our challenge to exceed his legacy.

Alongside the above significant changes, GBI has managed to obtain a two-notch rating upgrade and received a long-term deposit rating of A3 from Moody's Investor Services on 24 June 2015. Meanwhile, one-year syndicated borrowing cost of GBI significantly dropped compared to 2014. In a broader view and parallel to our diversification strategy, GBI's wholesale funding continued to its expansion with the acquisition of new lenders and by making use of the conventional borrowing products while our solid retail funding base in the Netherlands and Germany preserved its franchise value.

MESSAGE FROM THE CHAIRMAN

GBI HAS SUSTAINED ITS FINANCIAL STRENGTH OPERATING AT A HIGH SOLVENCY LEVEL OF 19.04 PERCENT AND WITH A STRONG LIQUIDITY BUFFER.

GBI has been a stakeholder-centric transaction banking institution delivering fast, accurate, tailor-made, innovative and country-specific products and services through its business lines. Maintaining a prudent and conservative approach, GBI Trade & Commodity Finance focused on diversifying its loan portfolio towards clients based in European Economic Area (EEA). Our Private Banking activity was enhanced with the establishment of Institutional Sales as a reflection of increased focus on institutional clients. GBI Financial Institutions & Investor Relations enhanced its role as a product manager covering lending, borrowing and several risk mitigation instruments serving to GBI's diversification. Acquiring new clients focusing on EEA based companies, our Corporate Lending business grew significantly by expanding on existing products. GBI Cash Management achieved a remarkable volume and revenue growth benefiting from new client acquisitions and strong brand recognition. Despite global economic and political turbulence, GBI Islamic Finance further strengthened its position expanding its relationship network of corporate as well as financial institutions. Our Shipping Finance arm maintained its conservative and selective approach with prudent risk management focusing on clients with high credit quality.

2015 has been a challenging year for GBI in terms of financial performance. Although the result from the operations of the Bank is similar to 2014, the decrease in the result on sales of interest-bearing securities and increase in value adjustments to receivables led to a decrease in operating result before tax from EUR 63.6 million in 2014 to EUR 14.6 million in 2015. The Bank has prudently increased the loan loss provisions as a result of the slowdown in commodity markets. However GBI has sustained its financial strength operating at a high solvency level of 19.04 percent and with a strong liquidity buffer. GBI has managed to cautiously grow its loan book and the diversification strategy of the Bank has successfully continued with increasing exposures to customers in Europe.

GBI implemented noteworthy projects in 2015 to further improve its operational efficiency including further automation of incoming payments, automatic contract generation for incoming documentary credit transactions and full system replacement for our Dusseldorf branch, resulting in a more satisfactory banking experience for our customers.

LOOKING FORWARD, GBI WILL CONTINUE STRENGTHENING ALIGNMENT WITH BBVA AND GARANTI TO CULTIVATE SYNERGIES.

Looking forward, GBI will continue strengthening alignment with BBVA and Garanti to cultivate synergies. Organic growth, cross-selling and product expertise competencies coupled with process efficiency will be supported to refine our transaction banking offerings to our clientele while preserving our franchise value in retail banking.

My sincere gratitude goes to all employees of GBI for they have served to the interest of the customers, the shareholder and other stakeholders with great enthusiasm, devotion, care and professionalism without losing focus on risk matters. We are also grateful to Garanti, the parent and BBVA, the ultimate parent for their insightful guidance and support.

Last but definitely not the least, we owe dearly to our customers and counterparts for their appreciation and trust shown to GBI during the last 25 years. We will be relentlessly providing the value adding financial solutions to them with high ethical standards for the years to come.

Amsterdam, 28 January 2016

G. Erün
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

EFFECTIVE CORPORATE GOVERNANCE IN ACCORDANCE WITH HIGH INTERNATIONAL STANDARDS IS FUNDAMENTAL TO THE EXISTENCE OF GBI.

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 28 January 2016. 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 2015. In accordance with Article 29 of the Articles of Association, the Supervisory Board advises and proposes that the Shareholder adopts the 2015 annual accounts at the Annual General Meeting of Shareholders on 12 February 2016. 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 2015.

FINANCIAL STATEMENTS AND PROPOSED DIVIDEND

The Supervisory Board has voted to adopt the Managing Board's proposal to transfer the net profit of 2015 being EUR 11.3 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 points of view. 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.

The Supervisory Board was composed of the following members:

Name	Year of Birth	Position	Member since	End of Term
Mr S. Sözen	1946	Chairman	1998	2016
Mr G. Erün	1968	Chairman	2016	2020
Mr M. Galatas Sanchez-Harguindey	1962	Vice Chairman	2012	2020
Mr R. van der Linden	1943	Member	2012	2020
Mr B. Meesters	1954	Member	2012	2016
Mr W. Cramer	1961	Member	2013	2019

The Members of the Supervisory Board are elected for a term of four years.

Mr Cramer was due to resign by rotation in 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. Mr Cramer was reappointed for a new term of four years effective as of 10 April 2015.

At the Extraordinary Meeting of the Supervisory Board on 6 January 2016 and in accord with the succession planning following the top management appointments at Garanti, GBI's parent, Mr Sözen resigned from his duties and Mr Erün was appointed as the Chairman of the Supervisory Board. All regulatory approvals for this appointment are in place. Mr Erün is currently a Deputy CEO at Garanti, and has held various board-level positions at Garanti subsidiaries.

Mr van der Linden and Mr Galatas Sanchez-Harguindey were due to resign by rotation in 2016. GBI has benefited immensely from the vast local and global experiences of Mr van der Linden in economics, socio-political environment and from his professional guidance of the Managing Board in various remuneration issues as Chairman of the Remuneration Committee. As a Member of the Audit and Compliance Committee and Risk Committee, Mr Galatas Sanchez-Harguindey has guided GBI in the areas of regulation, audit and risk management matters while contributing to GBI's alignment to the corporate governance practices of BBVA, GBI's ultimate parent. At the same Extraordinary Meeting of the Supervisory Board on 6 January 2016, Mr van der Linden and Mr Galatas Sanchez-Harguindey were reappointed as Members of the Supervisory Board while Mr Galatas Sanchez-Harguindey was appointed as the Vice Chairman.

COMPOSITION OF THE MANAGING BOARD

Name	Year of Birth	Position	Member since
Mr B. Ateş (a)	1963	Chief Executive Officer	2000
Mr M. P. Padberg (b)	1954	Managing Director	1993
Mr S. E. Zeyneloğlu (c)	1967	Chief Executive Officer	2015
Ms Ö. Etker-Simons (d)	1968	Member	2015
Mr S. Kanan (e)	1970	Chief Credit Officer	2015
Mr Ö. Şişman (f)	1977	Chief Financial & Risk Officer	2015

The Managing Board is composed of the following members:

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 2015, the Supervisory Board was composed of only male members however the Managing Board has been strengthened by a female, Ms Ozgen Etker-Simons. The Senior Management Team of the bank includes a female Executive Director and several female Directors.

a) It was decided, upon mutual agreement, that Mr Ateş, CEO and the member of the Managing Board since 2000, to resign from his roles on 30 September 2015. Mr Ateş joined GBI at its foundation in 1990 and held various senior positions covering credits, operations and front office functions before he was appointed as the CEO and the member of the Managing Board in 2000. Under his successful leadership, GBI grew prudently and profitably, attained investment grade credit rating, the shareholder's equity grew by more than three-folds and GBI has become a customer-centric transaction banking institution while complying with the fundamental changes in the regulatory environment.

b) After a successful international banking career it was decided, upon mutual agreement, that Mr Padberg, currently holding the Managing Director and member of the Managing Board positions, to also step down from his roles in the course of 2016. Before joining GBI in 1993 as the Managing Director,

REPORT OF THE SUPERVISORY BOARD

Mr Padberg held various senior domestic and international positions at ABN Bank and was a member of the Management Team of Banque Paribas Nederland. Mr Padberg significantly contributed to the evolution of GBI towards becoming a truly international financial institution and guided and managed GBI successfully to grow into a well-established international banking institution.

c) Following the Extraordinary Meeting of the Shareholders held on 21 August 2015, Mr S. Erhan Zeyneloğlu (1967) was appointed as the Chief Executive Officer (CEO) following the resignation of Mr Ateş. Mr Zeyneloğlu began his career at Garanti Bank in Turkey. In 1995, he joined GBI and held various managerial positions at credit risk management functions before being appointed as the Executive Director of Credits Division in 2000. In 2007, he was appointed as the Executive Director of Structured Finance Division. In 2011, the Retail Banking Division was added to his responsibilities. During his tenure, Mr Zeyneloğlu has been a member of the Assets and Liabilities Committee, Senior Management Team and Credit Committee and actively contributed to the Compliance Committee. Mr Zeyneloğlu holds a Bachelor of Arts degree in Economics from Boğaziçi University, Istanbul, Turkey.

d) After starting her career at ABN AMRO, Ms Özgen Etker-Simons (1968) joined GBI in 1992. Ms Etker-Simons held several managerial positions within the organization before being appointed as the Executive Director of Treasury and Private Banking Divisions in 2001. From 2006 till 2014 she had also been responsible of Financial Institutions Division. In 2015, Ms Etker-Simons led the establishment of Institutional Sales. During her tenure, Ms Etker-Simons has taken active roles at the Assets and Liabilities Committee, Senior Management Team and Credit Committee. Upon completion of all approvals and as of 19 October 2015, Ms Etker-Simons formally functions as a Member of the Managing Board and covers Treasury, Private Banking, Institutional Sales, retail and wholesale funding activities of GBI. She holds a Bachelor of Arts degree in Business Administration from Boğaziçi University, Istanbul, Turkey.

e) Mr Sertaç Kanan (1970) started his career at GBI's Trade & Commodity Finance Division in 1996. After holding several managerial positions, Mr Kanan was appointed as the Executive Director of Credits Division in 2007 and has been a member of the Assets and Liabilities Committee, Senior Management Team, Risk Management Committee, Credit Committee, Compliance Committee, and New Product Development Committee. Upon completion of all approvals and as of 19 October 2015, Mr Kanan functions as a Member of the Managing Board and is the Chief Credit Officer (CCO). Mr Kanan holds a Bachelor of Science degree in Chemical Engineering from Boğaziçi University, Istanbul, Turkey and a Master of Business Administration degree from Eastern Michigan University, USA.

f) After holding several positions at risk management field in Osmanlı Bankası and Türkiye Garanti Bankası in Turkey, Mr Övünç Şişman (1977) joined GBI's Credits Division in 2003. In 2006, Mr Şişman headed the Risk Management Department and led GBI's Basel-II implementation process. In 2011, he was appointed as the Executive Director of Risk Management, Control & Reporting Division. Mr Şişman has been a member of the Assets and Liabilities Committee, Senior Management Team, Risk Management Committee and New Product Development Committee. Upon completion of all approvals and as of 19 October 2015, Mr Şişman functions as a Member of the Managing Board and is the Chief Financial & Risk Officer (CFRO). He holds a Bachelor of Science degree in Management Engineering from Istanbul Technical University, Turkey, a Master degree in Money, Capital Markets and Financial Institutions and a Ph.D. degree in Economics from Istanbul University, Istanbul, Turkey.

The Shareholders and the Members of the Supervisory Board thank to Mr Ateş and Mr Padberg for their invaluable leadership and harmonious contributions throughout the years and trust Mr Zeyneloğlu and the members of the Managing Board for moving GBI further along delivering satisfactory results to its stakeholders in the years to come.

The full profile of the Managing Board can be found in the 'Charter Governing the Managing Board', which is published on GBI's websites www.garantibank.eu, www.garantibank.nl and www.garantibank.de.

SUPERVISORY BOARD MEETINGS

The Supervisory Board met on six 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 proactive credit risk management, the Risk Appetite and the good relations with our clients and counterparties. The 2014 annual figures were commented in presence of the external auditor in the supervisory board meeting of 26 March 2015 including all the related reports and the management letter. The budget for 2016 was discussed in detail and ultimately approved in the last meeting of the Supervisory Board on 3 December 2015. The Executive Director Risk Management, Control and Reporting (and as of 19 October 2015 CFRO) attended all meetings and presented financial and risk management issues. The Executive Director Credits (and as of 19 October 2015 CCO) presented credit risk related topics in all meetings. The Corporate Secretary 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 CEO 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 2015, 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. On 14 October a special meeting was held of which the focus was the presentations by external auditors who participated in our Audit Tender. The Bank arranged an Audit Tender for which several reputable audit firms have been invited. The Audit and Compliance Committee decided to recommend the Supervisory Board in its meeting of 15 October 2015 to approve KPMG as the external auditor for the year 2016 which approval has been adopted in the Extra Ordinary Meeting of Shareholders of 15 October 2015.

REPORT OF THE SUPERVISORY BOARD

RISK COMMITTEE

Members: Mr W. Cramer, Mr G. Erün and Mr M. Galatas

The Risk Committee of the Supervisory Board met three times in 2015. 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.

Risk Committee monitors and periodically assesses the effectiveness of GBI's risk governance. In this capacity the Risk Committee reviews Risk Appetite Statement and 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.

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 R. van der Linden and Mr G. Erün

The Remuneration Committee of the Supervisory Board met three times in 2015. In the first meeting, personnel issues of the past year such as turn-over, new recruits and promotions have been discussed. Proposed remuneration packages including fixed and variable components, training budget, pension plans and promotions have been reviewed and approved. Also the draft Remuneration Policy was extensively discussed as the policy has been aligned to the new act "Remuneration Policy Financial Institutions" (in Dutch "Wet beloningsbeleid financiële ondernemingen" (Wbfo)), which has been passed both in the House of the Representatives and the Senate in the beginning of 2015.

In the second meeting of the Remuneration Committee the Policy has been discussed again, including the discussion on the definition of Identified Staff. The Remuneration Committee approved the amended Remuneration Policy and recommended the Supervisory Board in its meeting of 25 March 2015 to approve the amended Policy and to recommend the Shareholder to adopt the amended Remuneration Policy in the Annual General Meeting of Shareholders of 10 April 2015. The Shareholders has adopted the amended Remuneration Policy during the Annual General Meeting of Shareholders of 10 April 2015.

Also in the second meeting of the Remuneration Committee, the variable remuneration for identified and some non-identified staff members were discussed and approved. In addition, the fixed 2015 salaries for the whole bank were discussed and approved. The remuneration packages of the Managing Board were recommended for approval to the Supervisory Board.

In the third meeting of the Remuneration Committee the 2016, personnel budget has been discussed and was recommended for approval by the Supervisory Board in its meeting of 3 December 2015. The Remuneration Committee approved the total amount to be distributed as variable remuneration to the eligible staff members.

DUTCH BANKING CODE

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 GBI. The Supervisory Board will ensure a responsible, value-driven management and control of the Bank 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.

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. Also, as per the decision of the Ministry of Finance, all personnel of GBI have taken the banker's oath.

REPORT OF THE SUPERVISORY BOARD

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 December 2015, a workshop was held on the very important subject of "Integrity Risk Appetite". The workshop enhanced the awareness of leadership roles both at an individual level as well as collectively in managing the bank's exposure to integrity risks. The objective of this workshop was to set the stage and develop a clearly defined road map and set of tools to guide the process through its different stages of maturity. The workshop was facilitated by a leading advisory and training firm whose partners and consultants are experienced all-round international bankers and business integrity experts.

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 also 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 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 Managing Board members and 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 directly reports to the Audit & Compliance Committee of the Supervisory Board. The Director Internal Audit is always present in the meetings of the Audit and Compliance Committee of the Supervisory Board. Also, the external auditor takes part in the Audit and Compliance Committee meetings. A tri-partite meeting with DNB and the external auditor was held on 5 November 2015.

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 and the Charter of the Supervisory Board.

In 2015, the Remuneration Committee has reviewed the amended Remuneration Policy. The Remuneration Policy has been 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 compared to the RBB 2011 mainly concern an expansion of the ban on guaranteed bonuses and of the penalty and reclaim arrangements.

In 2015 one former Managing Board member has received an annual remuneration of more than EUR 1 million. The annual paid out amount of variable remuneration to natural persons amounts to EUR 4,914,524 over 2015, which includes the deferred payments of the previous performance years.

The Supervisory Board would like to thank the former and new members of the Managing Board and all staff for their hard work and commitment to the Bank.

Amsterdam, 28 January 2016

The Supervisory Board

Mr G. Erün (Chairman)

Mr M.P. Galatas Sanchez-Harguindey (Vice Chairman)

Mr P.R.H.M. van der Linden

Mr B.J.M.A. Meesters

Mr W.F.C. Cramer

PROGRESS

WE BUILD AND MAINTAIN A DYNAMIC, OPEN-MINDED, INNOVATIVE, CO-ORDINATED AND ENTREPRENEURIAL BUSINESS CULTURE TO SECURE OUR PROGRESS.

ECONOMIC DEVELOPMENTS

CHINA'S SLOWDOWN AND FED'S TIGHTENING HAVE BEEN THE TWO MAJOR RECURRING FEARS OF GLOBAL MARKETS THROUGHOUT THE YEAR.

2015 has been a year dominated by Central Bank action and plunging commodities. China's slowdown and FED's tightening have been the two major recurring fears of global markets throughout the year. Concerns about future demand from the world's single biggest driver of global growth and uncertainties over the timing, pace and magnitude of tightening by the world's most influential central bank have dominated investors' thinking. All through the year, concerns about both have reached different stages and have put global markets in the crossfire.

China's commodity suppliers have been particularly hard hit by sharply deteriorating terms of trade while its near neighbours in Asia have also suffered from weakening exports and capital outflows. Faced with depreciating currencies, higher funding costs and large budget deficits, have coupled with lack of policy tools, proved using conventional measures to counter the malaise is ineffective. By the year end, growth forecasts are still heading lower.

US was not immune from global economic conjunctures. Although economy continues to grow above pace and unemployment almost reached to full employment level at the end of the year, US Federal Reserve is still itching to raise interest rates and felt the need to stay on the side of caution at several meetings in 2015. US Federal Open Market Committee kept rates on hold until its last meeting on 16th December, referencing the downside risks to growth and inflation from "global economic and financial developments". Dollar strength suggests net exports are set to remain a drag on US growth and with import price deflation continuing to deepen, the Fed's preferred measure of inflation remains stubbornly close to 1 percent. The Fed is looking no doubt hoping that global financial markets and global activity data will stabilise in the coming weeks and months allowing it to finally pull the trigger at December meeting but likely to follow a very gradual pace of tightening in order not to harm fragile growth conditions.

For the European economy, the year started with the implementation of Quantitative easing (QE) by the European Central Bank. ECB argued that the adoption of QE has been crucial in fostering the recovery in the Eurozone. As a result, QE has driven down long-term interest rates just as it did in US and UK. Indirectly eased credit conditions, in particular it helped to reduce lending rates in the stressed economies. By improving the economic outlook, QE lowered credit risk for banks, enabling them to offer financing to the economy at more favourable interest rates.

EUROZONE INFLATION REMAINED STUBBORNLY 0.1 PERCENT WAY BELOW ECB POLICY TARGET 2.0 PERCENT.

Another way in which QE has supported the Eurozone economy is by pushing the Euro down by more than 10 percent on year low against USD. Currency depreciation expected to help exporters, as well as boosting inflation by making imported products more expensive. In fact, Eurozone inflation remained stubbornly 0.1 percent way below ECB policy target 2.0 percent. Another ECB policy, the imposition of negative interest rates which has started in June 2014, provides a possible explanation for the extra weakening of the currency. The ECB lowered its deposit rate still further at December, to -0.30 percent.

The pace of recovery, though stronger than before, still remains disappointing. Eurozone GDP is still below the level it reached in early 2008, before the financial and Euro crises; whereas US GDP surpassed its previous peak during 2011. Headline inflation is barely above zero. Core inflation, which excludes volatile items like food and energy, is close to 1 percent, well below the ECB's goal of nearly 2.0 percent. All this suggests the ECB may have to prescribe yet more QE next year.

Many Emerging markets (EM) capitalised on their newly competitive currencies so that export growth offsets the impact of tighter monetary conditions. However, there has been little evidence that any major region has benefited from a weaker exchange rate for any significant period. Hence, irrespective of their currency depreciations, the risks to many EM countries are still very much to the downside. Brazil and Russian economies have already started to contract from late 2014 and continued the same direction in 2015. And the growth outlook for many more has deteriorated as the capital outflow which drove the currency declines also feeds into higher funding costs.

Ample supplies and weak demand, especially for industrial commodities, contributed to the continued slide in most commodity prices in 2015. Annual price forecasts have continuously revised down through 2015 and for the coming 2016 due to weak growth outlook. Energy prices declined 43 percent through 2015.

Although oil consumption growth has risen this year, in part due to lower prices, oil supply continued to outpace demand. Prices remained under pressure despite global production has reached a plateau and year-on-year growth has diminished. OPEC production reached a three -year high, with much of the increase coming from Iraq and Saudi Arabia. OECD crude oil inventories have soared, with much of the increase in North America. An international agreement on Iran's nuclear program was reached in July 2015 and is expected to be implemented in the first half of 2016. Within a few months of sanctions being lifted, Iran could increase crude oil production by 0.5-0.7 million barrels per day, potentially reaching a 2011 pre-sanctions level of 3.6 mb/d. Iran could immediately start exporting. The impact of Iranian exports on global oil and gas markets could be large over the longer term.

ECONOMIC DEVELOPMENTS

DUTCH ECONOMY CONTINUED TO OUTPERFORM THE EUROZONE IN 2015, SUPPORTED BY DOMESTIC DEMAND, NOTABLY CONSUMER SPENDING.

Non-energy commodity prices also fell 15 percent, down more than a third from their early-2011 highs. Abundant supply and large inventories were among the reasons. Metals prices fell 20 percent to barely half their early-2011 peak on weakening demand and supply increases from earlier large investments. Agriculture prices fell 13 percent (down for six consecutive quarters) on comfortable supply prospects. Fertilizer prices fell marginally on abundant production capacity. Precious metals prices declined more than 10 percent on weakening investment demand reflecting expectations of a US interest rate hike and US dollar appreciation.

Dutch economy continued to outperform the Eurozone in 2015, supported by domestic demand, notably consumer spending. Residential housing investments, which benefited from a recovery in the housing market, and business investments have boosted growth through 2015. On the other hand, recovery is capped by weak labour market performance; unemployment is still high at 6.9 percent compared to historical standards. Given the high dependence of Dutch economy on external demand, any material downside surprises with respect to Eurozone or global growth, notably EM, will be felt.

Growth performance of Turkey has remained relatively resilient to shocks over the year thanks to its diversified economy. Country's fiscal metrics are still favourable despite two electoral cycles in 2015. On the other hand, ongoing risks to the country's external financing capacity, as a result of its large external funding needs, remain high. Elevated political and geopolitical risks have also played very well over Turkish assets in 2015. Tensions increased with Iraq, Syria and lately with Russia, have pressured exports. Coupling with US rate normalization fears, domestic currency lost approximately 25 percent of its value in 2015. As a result core inflation remained well above 9.0 percent yoy.

Looking forward, uncertainty about China slowdown and FED rate normalization cycle will likely dominate business environment. Major challenge is coming from other side of the Atlantic. US hiking cycle means, that one of the major central banks is tightening monetary policy for the first time in almost 10 years. General consensus over commodities for 2016 is prices will likely bottom out after a nose diving in 2015. But, remaining metrics will look familiar with 2015, US economy will likely continue to run smoothly, while economic fog over Eurozone unlikely to be lifted, therefore European Central Bank will likely keep monetary policy accommodative. EMs will stay fragile and heavily exposed to external shocks.

FINANCIAL ANALYSIS

IN 2015, THE OPERATING RESULT BEFORE TAX AND VALUE ADJUSTMENTS AMOUNTED TO EUR 61.3 MILLION.

In 2015, the operating result before tax and value adjustments amounted to EUR 61.3 million, which is 25 percent lower than in 2014 (EUR 82.1 million). Net result after tax stood at EUR 11.3 million, which is a decrease of 75 percent compared to 2014 (EUR 45.8 million).

The slowdown in the 2015 operating result before tax and value adjustments is explained by the decrease in total income by EUR 20.5 million, which is attributable to net interest and net commission.

Net interest decreased by EUR 16.6 million compared to 2014. This includes the results on sales of interest-bearing securities from the investment and other securities portfolio which amounted to EUR 15.8 million, representing a decrease of EUR 16.8 million compared to 2014.

Net commission income amounted to EUR 34.8 million, which is nine percent or EUR 3.3 million lower than the 2014 figure. This decrease is attributable to the Bank's trade finance activities (EUR 6.8 million negative), which is partially offset by increases in corporate finance activities (EUR 1.6 million positive), payment and cash management services (EUR 0.6 million positive) and brokerage and private banking services (EUR 1.1 million positive).

Result on financial transactions decreased from EUR 5.9 million in 2014 to EUR 5.3 million in 2015, a decrease of EUR 0.6 million. Securities trading decreased by EUR 4.0 million, whereas foreign exchange dealing increased by EUR 0.4 million and other results on financial transactions increased by EUR 2.9 million.

Total administrative expenses amounted to EUR 39.3 million which is EUR 0.3 million lower than in 2014.

Value adjustments to tangible fixed assets consist of an income of EUR 1.8 million in 2015, which relates to the reversal of the impairment on the Bank's office premises recorded in 2012.

Value adjustments to receivables increased from EUR 18.5 million in 2014 to EUR 48.5 million in 2015, which mainly relates to provisions recorded for loans to companies active in the trading of commodities and basic materials.

FINANCIAL ANALYSIS

AT YEAR-END 2015 THE SIZE OF THE BALANCE SHEET REACHED TO EUR 5.0 BILLION LEVEL.

Although the result from the operations of the Bank is similar to 2014, the decrease in the result on sales of interest-bearing securities and increase in value adjustments to receivables are the main reasons for the decrease in operating result before tax from EUR 63.6 million in 2014 to EUR 14.6 million in 2015.

Total tax expense amounted to EUR 3.2 million, representing an effective tax rate of 22 percent (2014: 28 percent). The decrease in the effective tax rate was mainly caused by the reversal of the impairment on the Bank's office premises which was a non-taxable income. The effective tax rate of 2014 included the SNS REAAL contribution levy of EUR 5.7 million which was a non-tax deductible expense.

The size of the balance sheet increased by one percent or EUR 43 million and reached to EUR 5.0 billion level. This increase relates to the asset items loans and advances (EUR 172 million), interest-bearing securities (EUR 103 million), shares (EUR 4 million), other assets (EUR 4 million) and prepayments and accrued income (EUR 17 million), whereas the asset items cash (EUR 81 million) and banks (EUR 175 million) decreased. On the liability side of the balance sheet the increase is attributable to the items banks (EUR 219 million), subordinated liabilities (EUR 50 million) and shareholder's equity (EUR 11 million), whereas funds entrusted (EUR 82 million), other liabilities (EUR 70 million) and accruals and deferred income (EUR 84 million) decreased.

The contingent liabilities showed a decrease of EUR 64 million, which is mainly attributable to an increase in guarantees (EUR 28 million) and a decrease in irrevocable letters of credit (EUR 90 million).

OUTLOOK 2016

CREATING SOLID VALUE FOR ALL OUR STAKEHOLDERS IN A RESPONSIBLE MANNER WILL BE OUR MAIN AIM IN 2016.

GBI's 2016 projections are based on the challenging global economic environment, where the European economies struggle with the risk of deflation, commodity prices are under pressure and the emerging markets are facing difficulties including political and geopolitical uncertainties. We will continue our prudent risk management approach to sustain strong solvency, high liquidity and to improve our asset quality, while maintaining the cost effective structure.

Diversification of the loan book towards European corporates and increasing wholesale funds through diversification of funding sources are the strategic priorities in 2016. We will focus on organic growth through relationship banking in our strategic markets and leverage our expertise in selected transactional banking products for new customer acquisitions. We aim to grow our volumes in commission generating services and control operating expenses, while moderately increasing our headcount to support the process of continuously enhancing the quality of our products and services.

Creating solid value for all our stakeholders in a responsible manner will be our main aim in 2016. Our expertise in providing high quality products and services and ambition for generating continuous progress will be our key strengths next to the engrained risk culture in pursuing our prudent strategy.

BUSINESS STRATEGY AND DEVELOPMENTS

AGILITY, PRUDENCE, EXCELLENCE, PROGRESS AND INTEGRITY ARE THE VALUES WE HAVE EMBRACED FOR DELIVERING PRODUCTS AND SERVICES TO OUR CLIENTS AND COUNTERPARTIES.

GBI has been a stakeholder-centric transaction banking institution. 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 with utmost care to clients' needs, 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 products and services 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
Institutional Sales & 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 and 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	corporate loans, receivable finance, factoring, Islamic finance, shipping finance, payments, cash management and 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

GBI TRADE & COMMODITY FINANCE RUNS ON CLIENT-CENTRIC APPROACH AND TARGETS OPERATIONAL EXCELLENCE, THEREFORE ADDING VALUE TO GLOBAL SUPPLY CHAINS.

TRADE & COMMODITY FINANCE

GBI's Trade & Commodity Finance functions as a "global boutique" facilitating and supporting commodity trade flows around the globe. Since our inception in 1990, our trade finance clientele have been international merchants and supply chain managers, 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.

GBI Trade & Commodity Finance runs on client-centric approach and targets operational excellence, therefore adding value to global supply chains. Capitalizing on 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.

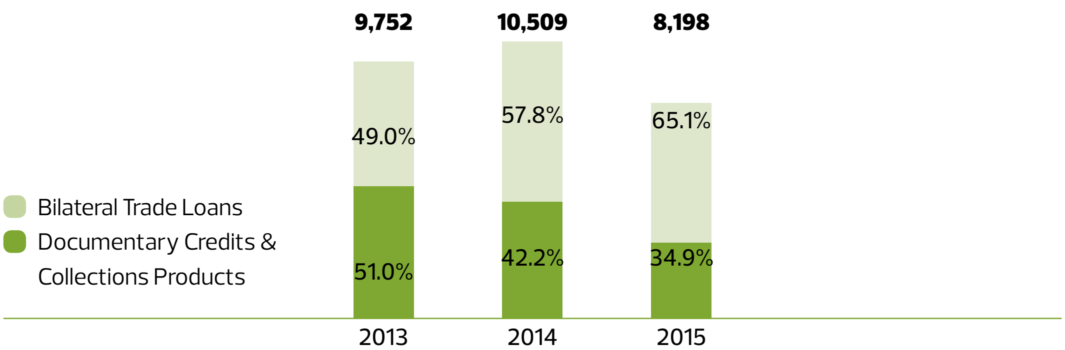
GBI's holistic approach in risk management is particularly important in today's turbulent global financial outlook. In the year 2015, the world observed Greek Syriza and the Troika holding tough negotiations, Chinese economy spreading further concerns, shares of world's largest traders plunging, all confirming the importance of compliance and inadequate global and regional growth. Commodity prices continued their steady decline across all product groups with most down to 2009 price levels, or some back to early 2000s. Such a global outlook added to worsening credit perception in all institutions, corporates and banks alike, easily justified by adversely affected emerging market currencies and local importers thereof.

In this challenging background, GBI Trade & Commodity Finance maintained a prudent and conservative approach, mainly by focusing on prime risks and reinforcing business processes. Even with such stand, we managed to grow our corporate portfolio and, maybe more importantly, succeeded to change the composition of our assets by increasing exposure on corporates based in the European Economic Area (EEA) and decreasing the non-EEA and Turkish segments.

GBI Trade & Commodity Finance continues to stand on two pillars, namely Agri-Commodities & Energy Department covering soft commodities, crude oil, petroleum products and chemicals, and Metals & Mining Department which exclusively serves to clients dealing with ferrous and non-ferrous metals and coal.

WE ARE COMMITTED TO DELIVER THE BEST VALUE-ADDING SOLUTIONS AND CONSTRUCTIVE RISK MITIGATION TECHNIQUES TO OUR STAKEHOLDERS.

FLOW VOLUME BY PRODUCT (USD MILLION)



The largest product cluster of GBI Trade & Commodity Finance is trade loans, where the bank provides short-term financing to its clientele for trade-related purposes such as receivable financing, inventory financing, process financing, pre-shipment financing or other forms of trade finance. Meanwhile, documentary credits and collections volumes form an essential part of our product offerings.

Today, the trade and commodity finance sphere is mainly affected by low commodity prices and regulatory and compliance guidance. GBI Trade & Commodity Finance foresees that such trends and implicit costs are assessed by market players to shape their future strategies on increasing their revenues with lower-risk assets while guarding prudent business approach. On the other hand, decreasing commodity prices and global geopolitical developments will further contribute to formation of new trade flows, new business models, changing market conditions and introduction of new financing structures.

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

INSTITUTIONAL SALES & PRIVATE BANKING

GBI's Institutional Sales & Private Banking provides specialized financial intermediary services to institutional and high net worth private clients located in various countries and active in global financial markets. 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.

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

Our services to high net worth clients 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 ideas and risk management strategies aiming to assist our clients in their wealth conservation as well as prudent and steady growth of their portfolios.

GBI Institutional Sales & Private Banking has 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.

2015 was a year full of challenges in the wealth management sector, similar to the previous year, ranging from additional regulatory requirements to increased competition. Another headwind was the adverse market developments, particularly in emerging markets while developed markets continued to stabilize.

GBI Private Banking was re-named as Institutional Sales & Private Banking, reflecting the increased focus on institutional clients. We aim to further enhance our capabilities in offering hedging strategies and products with a view to assist our corporate clients in their efforts to mitigate their market related risks. A steady performance was recorded in 2015 owing to the solid risk management practices and expanding clientele. 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 2016, Institutional Sales & Private Banking targets delivering volume and revenue growth in a prudent and sustainable manner, focusing on providing value to our clients and all stakeholders.

BUSINESS STRATEGY AND DEVELOPMENTS

GBI PURSUES A PRUDENT STRATEGY WHICH EMBODIES MAINTAINING A SOLID BALANCE SHEET STRUCTURE.

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 and manages liquidity of the bank. 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 optimum use of the Bank's resources and enhance prudent liquidity and interest rate risk 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 selected markets.

Focusing on client driven business with very limited proprietary trading activity, GBI Treasury made a significant contribution to the Bank's income in 2015. 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 support cross-selling and enhance flow trading volumes in a prudent manner.

MANAGING RECIPROCITY PLAYS A CENTRAL FUNCTION IN FI&IR'S RELATIONSHIP MANAGEMENT FUNCTION.

GBI Treasury further engages in asset origination in fixed income markets to manage 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 2016, GBI Treasury will continue pursuing its prudent risk management and revenue generating strategy to add value to the Bank's stakeholders.

FINANCIAL INSTITUTIONS & INVESTOR RELATIONS

The mandate of GBI's Financial Institutions & Investor Relations (FI&IR) Division includes wholesale funding origination and management, asset origination and distribution, correspondent banking and investor relations.

With the help of the negative interest environment in the Eurozone, by diversifying the lender and product bases and by leveraging reciprocity towards its counterparties, FI&IR managed to lower the cost of wholesale borrowing while expanding its' size. The two-notches upgrade of GBI's long term deposit rating on 24 June 2015 to A3 by Moody's and the execution of BBVA's additional share acquisition of GBI's parent Garanti on 27 July 2015 certainly brought an additional strength in GBI's relationships with its correspondents and the lenders on going-forward basis.

In view of the above, we can highlight our annual syndicated borrowing facility for 2015: GBI raised equivalent of EUR 233 million funding, in USD and EUR tranches, with one year maturity from 19 different, mostly global lenders in 26 June 2015 and the all-in cost of such borrowing has been 65 basis points over 3-months Libor/Euribor, which is a 25 basis points reduction over 2014's facility. Next to this syndicated facility, FI&IR made use of various structured and transactional bilateral facilities with its valued lenders to meet GBI's funding objectives.

On the asset origination and distribution front, FI&IR has capabilities on both sides of the table. 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, customer payments, as well as treasury flow volume to other

BUSINESS STRATEGY AND DEVELOPMENTS

SERVING CLIENTS WITH WELL-STRUCTURED TRANSACTIONAL BANKING PRODUCTS, GBI ACHIEVED TO GROW ITS AVERAGE STRUCTURED FINANCE LOAN PORTFOLIO BY MORE THAN 20 PERCENT IN 2015.

financial institutions, 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 that the Bank maintains a well-established and growing network of financial institutions for the aim of creating value to our stakeholders.

As a result of its 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 GBI's diversification. On the product management side, FI&IR undertakes that our clients and counterparties would enjoy GBI's fast, accurate and seamless execution and accordingly, we follow a proactive approach for value-adding offerings.

While celebrating our 25thanniversary, we regard greatly the immense value of our well-established and expanding relationships. FI&IR is essentially people-business, and we sincerely thank to all institutions and their people we are in relationship with for their contribution and support in any magnitude at any point of time during the last twenty-five years.

STRUCTURED FINANCE

CORPORATE LENDING

In 2015, GBI Corporate Lending, serving clients with well-structured transactional banking products, such as receivables financing, vendor financing and project finance in bilateral and syndicated arrangements, continued adding value to the Bank. Average loan portfolio grew by more than 20 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, participation opportunities to project finance deals on selective basis remained as a valuable niche for GBI in 2015.

2015 WAS A VERY SUCCESSFUL YEAR FOR GBI CASH MANAGEMENT WHICH CERTAINLY BENEFITED FROM THE NEW CLIENT ACQUISITIONS AND STRONG BRAND RECOGNITION OF OUR PARENT AND ULTIMATE PARENT.

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

In 2016, GBI Corporate Lending will continue its prudent strategy to further improve its tailor-made product offerings and to expand its lending activity favouring European corporates.

CASH MANAGEMENT

GBI Cash Management (CM) provides worldwide payment products and services to corporate and individual clients. Our fast and accurate execution coupled with short communication lines are the major cornerstones of our competitive advantage.

Our comprehensive service covers domestic and cross-border payments in all major currencies coupled with deposit products, currency exchange facilities, collections, enhancements such as flexible financing solutions and contract based arrangements like escrow and closing services.

2015 was a very successful year for GBI CM which certainly benefited from the new client acquisitions and strong brand recognition of our parent and ultimate parent. Additionally product offering enhancement, such as coupling payments with FX transactions, cross-selling of CM products to the clientele of other front offices, and client referral processes were effectively promoted and executed. In 2015, total commission revenues grew more than 25 percent. GBI CM also contributed significantly to the funding diversification of the Bank as the average balance of our clients' deposits almost doubled compared to last year.

In line with the regulatory requirements of "Know Your Customer" principle and as a usual business conduct, GBI CM has been prioritizing compliance at all times with utmost care. During the course of the year the customer files were regularly updated and diligent monitoring has punctually been conducted. In view of such stringent practices, relationship rejections or terminations have also taken place.

For the year ahead, GBI Cash Management focuses on technology and sustainable revenue creation in total compliance with regulatory requirements.

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.

BUSINESS STRATEGY AND DEVELOPMENTS

ISLAMIC FINANCE

GBI further strengthened its Islamic finance business line in 2015 and further expanded its customer relationship network both on corporate and FI side, despite global economic and political challenges. Murabaha structure is the main product offered by GBI for originating Islamic assets.

Islamic finance has an increasing importance and high potential in global banking landscape with growing awareness of the industry. In 2014, the industry exceeded USD 2 trillion asset size, which was estimated at USD 2.5 trillion in 2015. Although Islamic finance represents a small proportion of the global finance market (estimated at 1-5 percent), Islamic banking assets grew at an annual rate of more than 15 percent in recent years. Murabaha and tawarruq are the main products in the market as they can be virtually used within the existing regulatory framework of the countries which are in the phase of developing their Islamic finance environment. However, the industry players have also started to shift from traditional debt based Islamic financing structures to equity based risk-sharing arrangements.

In recent years, Islamic banking in Turkey has been going through large scale transformation as banks extend their product range and new players are expected to enter the market. Turkish government, which presented a legislative framework for publicly owned Islamic banks, aims the industry's assets to double by 2023 to USD 100 billion with intentions to turn Istanbul into a financial hub. The government also actively promotes Islamic finance adjusting and perfecting the legal and regulatory system for the existing Islamic banking players and the expected newcomers.

Despite challenging economic and political conditions and increasing competition, GBI Islamic Finance proved its resistance and flexibility in adjusting to the new environment and intends to continue delivering strong results throughout the years to come in this vibrant and growing segment.

SHIPPING FINANCE

Market players had envisioned 2015 to be a recovery year for global shipping markets considering the tonnage demand would be boosted by improving world economy. However, the forecasts were only partially realized. Fleet capacity utilization was globally stable during the year while the divergence between various shipping segments has become larger; the tanker market was the year's clear winner, while the dry bulk market underperformed.

In the dry bulk segment, we witnessed the lowest fleet growth in ten years as demand quickly evaporated. The Baltic Dry Index, which started the year at 771 level and saw its bottom at 509 in February, then gradually improved but it was above 1,000 only on a couple of occasions. The market conditions are devastating and volume growth in 2015 on key trades is negative. Unlike bulkers, earnings for both crude oil and oil products tankers continue to be strong. Overall, the lower crude oil prices are supporting refinery margins which accelerates crude oil throughput and increase demand for transportation of feedstock to the refineries as well as transportation of the refined oil products thereafter.

The volatile and unpredictable market conditions urged GBI to have a controlled growth in lending. Thus, in 2015, GBI maintained its conservative and selective approach while focusing on clients with high credit quality and prudent risk management. The Bank is mainly active in traditional segments, namely, bulker and tanker. 64 percent of the shipping loan portfolio consists of bulker carriers and the remaining 36 percent consists of chemical and crude/product tankers. Comfortable loan-to-value ratio of GBI's exposure in shipping indicates that the shipping finance portfolio is well secured.

2016 is again expected to be a challenging year for the shipping industry. GBI's Shipping Finance will continue pursuing a prudent strategy to further reinforce its shipping portfolio.

GBI RETAIL BANKING WILL CONTINUE PROVIDING EXCELLENT SERVICES AIMING TO MAINTAIN CUSTOMER LOYALTY AND SATISFACTION.

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 our customers through direct banking channels, namely call centre and internet banking, and offer 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. Maintaining competitive local operations in the Netherlands and Germany brings the opportunity to enhance our products with local flavours and to introduce fine-tuned services.

For quarter of a century now, GBI's retail banking strategy has been focusing on customer-oriented service quality rather than price-oriented competition. This strategy has led to maintaining a sustainable retail funding base as a significant element of GBI's franchise value through high level customer satisfaction.

Next to maintaining our solid retail-funding strategy and swiftly acting upon the market developments, we keep on focusing on our infrastructure and addressing the issues in this front. The full system replacement for our Dusseldorf branch by the end of 2014 enhanced our system infrastructure and increased our efficiency, resulting in a more satisfactory banking experience for our customers.

In 2016 we plan to further invest on improving our systems and processes for retail banking operations, with a target to deliver fully digital banking experience supported by straight thru processes in digital channels.

We expect these gains to contribute to our operational efficiency 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

THE WELL-BALANCED MATURITY PROFILE AND HIGH LEVEL OF STABLE FUNDING TOGETHER WITH A DIVERSIFIED FUNDING BASE ALLOW GBI TO ENSURE SAFE BANKING OPERATIONS.

The Capital Requirements Regulation and Directive (CRR and CRD IV), took effect throughout the European Union on January 2014, followed by numerous accompanying regulatory technical standards and guidelines in 2014 and 2015. Although the 'transition period' is not over yet before capital and liquidity requirements are fully in place, the effects of the new regulations can be seen in the increased capitalization and liquidity throughout the industry.

While European Banking Authority (EBA) continues its efforts to ensure that regulatory and supervisory rules are implemented equally across all Member States, ECB's Single Supervisory Mechanism (SSM) has further streamlined the incentive to achieve "Supervisory Convergence". Within the SSM framework, the ECB has started to directly supervise the credit institutions that are significant at the highest level of consolidation since November 2014. Following BBVA's increase its stake in Türkiye Garanti Bankasi A.Ş., GBI's shareholder, GBI is also qualified as significant supervised entity and, came under the prudential supervision of the ECB. Finally the Single Resolution Mechanism (SRM) became fully operational. The SRM implements the EU-wide Bank Recovery and Resolution Directive (BRRD) in the Euro Area. .

GBI has followed 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 has preserved its prudent approach on capital and liquidity management in 2015. Common Equity Tier 1 (CET1) has slightly decreased to 16.26 percent from 16.70 percent in 2014, due to the growth in the loan book. However the total capital ratio has increased to 19.04 percent from 17.45 percent in 2014 because of the increase in Tier 2 capital. Both ratios are comfortably above the minimum required levels. On the liquidity side, the Bank has continued to operate with a significant liquidity buffer, evidenced with a high LCR of 341 percent. 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 a diversified funding base allow GBI to ensure safe banking operations.

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 extension of the Managing Board in 2015 is another step to further strengthen the risk culture and governance at GBI, ensuring a sound segregation of duties within the Managing Board with a specific focus on risk management and internal control environment.

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, with a direct reporting line to A&CCSB as well as to the Managing Board and Compliance Committee. 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. Identity Access Control (IAC) department manages access to information and applications scattered across internal and external application systems.

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

GBI's Risk Appetite Framework (RAF) consists of three layers. The first one is the Risk Governance Framework which outlines all relevant governance bodies and the hierarchy involved in the risk control function of the Bank. The second layer is the Risk Appetite Statement (RAS), which expresses the Bank's willingness and tolerance to take financial and non-financial risks in a qualitative manner, and supplements these statements with quantitative metrics, i.e. key risk indicators (KRIs). The final layer is the Limit Framework, which supports the risk appetite and ensures that the KRIs are met at all times with the use of various metrics by risk type. Capital ratios, return on equity, balance sheet composition, leverage ratio and liquidity ratios are among the KRIs used within the scope of RAS.

The RAF has been designed based on the Bank's core values and strategic objectives. For this purpose, GBI dedicates sufficient resources to ensuring full compliance with all requirements, as well as to establishing and maintaining a strong risk culture throughout the organization.

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 continuously monitored by the control functions and KRIs 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 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. 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 the Bank is strongly committed to act with high integrity and adhere to the highest ethical principles in the conduct of business.

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 within the predefined 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.

GBI HAS ESTABLISHED A GOVERNANCE STRUCTURE BASED ON THE SEGREGATION OF DUTIES PRINCIPLE WITH A VIEW TO SOUND AND CONTROLLED BUSINESS OPERATIONS.

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.

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.

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 as well as internal Single Name Concentration Policy, to effectively manage the concentration risk of the Bank. Further, as per the Country Limit Policy, limits are in place capping the maximum exposure to countries, to ensure that country-related risks do not threaten the asset quality and solvency of the Bank. Finally the Sector Limit Policy is designed to minimize the contagion risks.

RISK MANAGEMENT

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.

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 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 her Recovery Plan, in place to enable the Bank to govern the crisis management.

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.

RISK MANAGEMENT

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

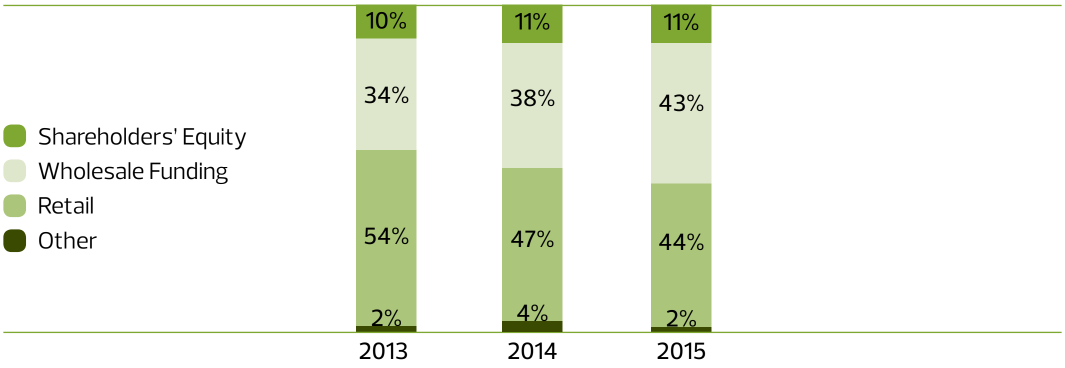
APPROACH

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 transaction 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.

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 various types of 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.

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, ISD, IAC, Legal and Compliance Department (LCD)) 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 (A&CCSB) 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.

ICU, LCD, IAC and ISD use 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 effective, that information is reliable, timely and complete and that the Bank is compliant with applicable laws and regulations. Findings are presented to the related committees periodically.

RISK MANAGEMENT

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 process risks in the daily course of the business 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.

The Bank defines the integrity risk as; the risk of the integrity of the Bank being affected by improper, unethical conduct of the organization, its employees or management in contravention of legislation and regulation and standards of sound business operations set by regulation or by the Bank itself. Integrity is a core value of GBI, which is embedded in the Bank's organization and implemented through a number of policies and procedures. The LCD assists the business lines to understand and comply with relevant local and international laws and regulations.

GBI uses the Basic Indicator Approach in order to determine the regulatory capital requirement arising from operational risk.

REPUTATIONAL, STRATEGIC AND OTHER RISKS

GBI is committed to safeguarding its reputation as a reliable, professional and trustworthy provider of financial services, in the eyes of the regulators, creditors, customers and all other stakeholders.

The Bank assumes low strategic risk to achieve business goals in changing market conditions. Strategic risk is taken into account in the capital planning process in order to account for the possible increase in the capital or liquidity requirements based on the business and funding models that are pursued by the Bank.

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.

KEY REGULATORY RATIOS

The CRR/CRD IV has been in place since 1st January 2014, and will be phased in completely by 2019. As per the CRR/CRD IV, the Common Equity Tier 1 (CET1) requirement of 2 percent has been increased to 4.5 percent as of 2014, and will be increased to 7 percent (including the 2.5 percent capital conservation buffer), by the year 2019. Hence, the minimum total capital ratio requirement of 8 percent will also be increased to 10.5 percent by that date. A countercyclical buffer between 0 percent and 2.5 percent will also be introduced on top of these required minimums in order to achieve the broader macro-prudential goal of protecting the banking sector from periods of excess aggregate credit growth. Finally the definition of eligible instruments for capital treatment is changed to increase the loss absorbance quality.

GBI is well positioned for the full phase-in implementation of CRR, thanks to the key features of its business model; low leverage, a high quality capital base and sound liquidity management. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is limited for GBI since the Bank has a high common equity component and no hybrid capital products.

The capital ratios are already comfortably above the CRR minimum and the fully phased in capital conservation buffer proposed of 2.5 percent in the CRD IV, at 16.26 percent of CET1 and 19.04 percent Total Capital Ratio.

The short term (Liquidity Coverage Ratio, LCR) and long term (Net Stable Funding Ratio, NSFR) liquidity standards were introduced by CRR to protect the financial industry from potential liquidity shocks. GBI's LCR, at 341 percent, is comfortably above the regulatory minimum of 100 percent

Although, a regulatory minimum has not yet been set in the EU for the NSFR, GBI's level is well above the Basel III proposal (100 percent) and at 174 percent as at 31/12/2015. The Bank maintains a high liquidity buffer and given its stable funding base, the Bank expects to continue meeting both liquidity requirements.

In addition to the changes in the minimum required solvency, a non-risk based measure, namely Leverage ratio, is established in order to limit the excessive leverages created in the financial industry. A regulatory minimum has not yet been set in the EU for the leverage ratio, but GBI's level is well above the Basel III proposal (3 percent), at 10.34 percent

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, 28 January 2016

The Managing Board

Mr S.E. Zeyneloğlu, Chief Executive Officer

Mr M.P. Padberg

Ms Ö. Etker-Simons

Mr S. Kanan

Mr M.Ö. Şişman

EXCELLENCE

WE STRIVE TO SERVE OUR CLIENTS WITH SUPERIOR SERVICE QUALITY, SPEED AND ACCURACY THROUGH VIGOROUS TEAMWORK.


GarantiBank

FINANCIAL STATEMENTS

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PROFIT AND LOSS ACCOUNT

FURTHER DISCLOSURES

BALANCE SHEET AS AT 31 DECEMBER 2015

(before profit appropriation)

		2015		2014 *	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Assets					
Cash	*3*		**521,524**		602,848
Banks	*4*		**651,717**		826,674
Loans and advances	*5*		**2,720,638**		2,548,911
Interest-bearing securities	*6*		**988,344**		885,142
Shares	*7*		**4,477**		-
Property and equipment	*8*		**25,619**		26,526
Other assets	*9*		**8,014**		4,390
Prepayments and accrued income	*10*		**101,132**		83,948
Total assets			**5,021,465**		4,978,439
Liabilities					
Banks	*11*		**989,260**		770,536
Funds entrusted	*12*		**3,247,699**		3,330,125
Other liabilities	*13*		**21,841**		92,052
Accruals and deferred income	*14*		**135,209**		219,224
Provisions	*15*		**491**		667
			4,394,500		4,412,604
Subordinated liabilities	*16*		**80,000**		30,000
Paid-in and called-up capital		**136,836**		136,836	
Revaluation reserves		**938**		1,149	
Other reserves		**397,850**		352,089	
Net profit		**11,341**		45,761	
Shareholders' equity	*17*		**546,965**		535,835
Total liabilities and shareholders' equity			**5,021,465**		4,978,439
Off-balance sheet liabilities	*18*		**317,575**		381,182

* Adjusted for reasons of comparison

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2015

		2015		2014	
		EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
Interest income	*19*	**174,402**		194,564	
Interest expense	*20*	**111,168**		114,762	
Net interest			**63,234**		79,802
Commission income	*21*	**36,659**		40,251	
Commission expense	*22*	**1,840**		2,102	
Net commission	*23*		**34,819**		38,149
Result on financial transactions	*24*		**5,285**		5,887
Total income			**103,338**		123,838
– Staff costs		**27,625**		27,453	
– Other administrative expenses		**11,639**		12,128	
Administrative expenses	*26*		**39,264**		39,581
Depreciation	*27*		**2,765**		2,128
Value adjustments to tangible fixed assets	*28*		**(1,766)**		–
Value adjustments to receivables	*29*		**48,515**		18,547
Total expenses			**88,778**		60,256
Operating result before tax			**14,560**		63,582
Tax on result on ordinary activities	*30*		**3,219**		17,821
Net result after tax			**11,341**		45,761

CASH FLOW STATEMENT FOR THE YEAR 2015

	2015	2014 *
	EUR 1,000	EUR 1,000
Net cash flow from operational activities		
Net profit	**11,341**	45,761
Adjustments for depreciation	**2,765**	2,128
Adjustments for value adjustments to tangible fixed assets	**(1,766)**	–
Adjustments for value adjustments to receivables	**48,626**	18,712
Adjustments for exchange rate differences on investment portfolio	**(8,117)**	(10,403)
Adjustments for amortization of premiums and discounts on investment portfolio	**160**	189
Adjustment for amortization of revaluation reserve tangible fixed assets	**(4)**	–
Adjustments for provisions relating to deferred tax	**(101)**	–
Net cash flow from operating profit	**52,904**	56,387
Changes in:		
– Due from banks, excluding due from banks on demand and value adjustments to receivables	**61,434**	300,308
– Loans and advances, excluding value adjustments to receivables	**(220,353)**	(207,126)
– Other securities portfolio	**(102,068)**	(240,889)
– Shares	**(4,477)**	–
– Other assets	**(3,624)**	4,507
– Prepayments and accrued income	**(17,184)**	127,963
– Due to banks, excluding due to banks on demand	**177,327**	30,400
– Funds entrusted	**(82,426)**	27,060
– Other liabilities	**(70,216)**	34,096
– Accruals and deferred income	**(84,015)**	118,908
	(292,703)	251,614
Net cash flow from investment activities		
Investments in:		
– Property and equipment	**(369)**	(4,208)
Divestments in:		
– Participating interests	**–**	250
– Investment portfolio due to sales, excluding value adjustments to receivables	**6,823**	42,287
– Investment portfolio due to redemptions, excluding value adjustments to receivables	**–**	31,092
	6,454	69,421
Net cash flow from financing activities		
– Subordinated liabilities	**50,000**	–
Net cash flow	**(236,244)**	321,035

* Adjusted for reasons of comparison

	2015	2014
	EUR 1,000	EUR 1,000
Cash and cash equivalents as at 1 January	**832,267**	511,232
Cash and cash equivalents as at 31 December	**596,023**	832,267
Net cash flow	**(236,244)**	321,035

Specification of cash and cash equivalents as at 31 December

	2015	2014
	EUR 1,000	EUR 1,000
Cash	**521,524**	602,848
Due to/from banks on demand	**74,499**	229,419
	596,023	832,267

NOTES TO THE 2015 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 2015, there were no subsidiaries that met 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.

If a transaction results in a transfer of future economic benefits and when all risks relating to an asset or a liability are transferred 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 translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Translation gains and losses are recorded in the profit and loss account as 'Result on financial transactions'.

Transactions denominated in foreign currency are translated into the functional currency at the exchange rate applying on the transaction date. The resulting exchange rate gains and losses are accounted for as 'Result on financial transactions' in the profit and loss account.

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.

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' and 'Shares' comprises all investments, which are intended to be held on a permanent basis or to maturity.

The Trading portfolio included in the financial statement captions '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 captions '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.

Shares belonging to the Other securities portfolio refer to investments in equity instruments, which are not listed and are measured at cost price. Realised valuation changes and impairment losses are processed into profit and loss account.

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 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 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'.

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.

Financial fixed assets

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 completion of the development phase, the capitalised costs are written down over their expected useful life. Depreciation takes place on a straight-line basis.

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 period 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 period 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.

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 and subordinated liabilities 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. 'Fair value' is the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. For measurement and disclosure purposes, fair value is determined on the basis of the following methods.

Financial assets

When available, the Bank measures the fair value of a financial asset using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow models. 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 are obtained from active markets or 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 2015 FINANCIAL STATEMENTS

	2015	2014
3 Cash	**521,524**	602,848

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	**651,717**	826,674

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 31). There are no provisions related to this item.

Starting from financial year 2015, this item also includes the drawings under letters of credit, for which all relevant documents have been presented, shipments have been made and payment obligation is therefore certain. The comparative figures have been increased accordingly for EUR 1.0 million.

5 Loans and advances	**2,720,638**	2,548,911

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 77.8 million (2014: EUR 61.2 million)

The changes in the provisions were as follows:

	2015	2014
Position as at 1 January	**61,229**	45,332
Additions	**50,860**	28,192
Write-offs	**(39,099)**	(7,689)
Releases	**(2,234)**	(9,480)
Exchange rate differences	**7,080**	4,874
Position as at 31 December	**77,836**	61,229

Starting from financial year 2015, this item also includes the drawings under letters of credit, for which all relevant documents have been presented, shipments have been made and payment obligation is therefore certain. The comparative figures have been increased accordingly for EUR 84.5 million.

	2015	2014
6 Interest-bearing securities	**988,344**	885,142

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	**281,186**	267,006
Issued by others	**707,158**	618,136
	988,344	885,142

Of the interest-bearing securities held as at 31 December 2015 EUR 12.1 million will mature in 2016, EUR 9.2 million is unlisted (31 December 2014: EUR 8.2 million) and EUR 12.4 million has been issued by a group company (31 December 2014: EUR 11.1 million).

This item includes interest-bearing securities that have been pledged as collateral (see note 31).

The breakdown by portfolio is as follows:		
- Investment portfolio	**71,820**	70,686
- Other securities portfolio	**916,524**	814,456
	988,344	885,142

The changes of the interest-bearing securities in the Investment portfolio are as follows:

Balance sheet value as at 1 January	**70,686**	133,851
Purchases	**-**	-
Sales	**(6,823)**	(42,287)
Redemptions	**-**	(31,092)
Amortized premiums and discounts	**(160)**	(189)
Exchange rate differences	**8,117**	10,403
Balance sheet value as at 31 December	**71,820**	70,686

As at 31 December 2015 the purchase price of the Investment portfolio was EUR 2.5 million above the redemption value (31 December 2014: EUR 2.2 million above).

As at 31 December 2015 the market value of the Investment portfolio was EUR 3.6 million below the redemption value (31 December 2014: EUR 3.8 million below).

NOTES TO THE 2015 FINANCIAL STATEMENTS

	2015	2014
The changes of the interest-bearing securities in the Other securities portfolio are as follows:		
Balance sheet value as at 1 January	**814,456**	573,567
Purchases	**779,895**	2,337,770
Sales	**(716,543)**	(2,122,388)
Redemptions	**(36,033)**	(15,611)
Amortized premiums and discounts	**(3,774)**	(2,730)
Exchange rate differences	**78,523**	43,848
Balance sheet value as at 31 December	**916,524**	814,456

As at 31 December 2015 the purchase price of the Other securities portfolio was EUR 27.3 million above the redemption value (31 December 2014: EUR 41.1 million above).

As at 31 December 2015 the market value of the Other securities portfolio was EUR 8.6 million below the redemption value (31 December 2014: EUR 11.5 million below).

	2015	2014
7 Shares	**4,477**	-

This item consists of investments in equity instruments which are not listed and which are included in the Other securities portfolio.

	2015	2014
8 Property and equipment	**25,619**	26,526

The changes in this balance sheet item are as follows:

	Land and buildings	**Other fixed assets**	**Total**
Balance sheet value as at 1 January 2015	**18,000**	**8,526**	**26,526**
Investments	**33**	**336**	**369**
Revaluations*	**1,489**	**-**	**1,489**
Depreciation	**(584)**	**(2,181)**	**(2,765)**
Balance sheet value as at 31 December 2015	**18,938**	**6,681**	**25,619**
Accumulated depreciation	**5,563**	**7,035**	**12,598**

(*) The building where the Bank's Head Office is located was appraised in October 2015.

	2015	2014
9 Other assets	**8,014**	4,390

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 2015 it primarily consists of a receivable of EUR 4.3 million (31 December 2014: EUR 3.8 million) with regard to the Deposit Guarantee Scheme for the bankrupted DSB Bank. This receivable is recorded at its estimated fair value. As at 31 December 2015 this item also includes the current tax position amounting to EUR 3.5 million receivable (31 December 2014: EUR 3.1 million payable – included under other liabilities).

10 Prepayments and accrued income	**101,132**	83,948

As at 31 December 2015 this item includes prepaid expenses, as well as accrued income, such as accrued interest and commission amounting to EUR 32.5 million (31 December 2014: EUR 36.4 million). It also includes the valuation of derivative contracts amounting to EUR 69.2 million (31 December 2014: EUR 48.7 million). See notes 32.1e and 33 for more information on derivatives.

11 Banks	**989,260**	770,536

This includes the non-subordinated amounts owed to banks insofar as not embodied in debt certificates. As at 31 December 2015 this includes a syndicated loan amounting to EUR 234.9 million (31 December 2014: EUR 279.7 million), a secured borrowing amounting to EUR 149.3 million (31 December 2014: EUR 103.0 million) and repurchase agreements amounting to EUR 258.2 million (31 December 2014: EUR 119.0 million) (see note 31).

12 Funds entrusted	**3,247,699**	3,330,125

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	**2,410,235**	2,446,442
– Other funds entrusted	**837,464**	883,683
	3,247,699	3,330,125

As at 31 December 2015 the funds entrusted with a remaining maturity of more than one year amounted to EUR 381.8 million (31 December 2014: EUR 459.2 million) with an average interest rate of 2.06 percent (31 December 2014: 3.08 percent).

	2015	2014
13 Other liabilities	**21,841**	92,052

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.

Starting from financial year 2015, this item also includes the drawings under letters of credit, for which all relevant documents have been presented, shipments have been made and payment obligation is therefore certain. The comparative figures have been increased accordingly for EUR 85.4 million.

	2015	2014
14 Accruals and deferred income	**135,209**	219,224

As at 31 December 2015, 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 22.6 million (31 December 2014: EUR 27.4 million). It also includes valuation of derivative contracts amounting to EUR 104.3 million (31 December 2014: EUR 181.2 million). See notes 32.1e and 33 for more information on derivatives.

	2015	2014
15 Provisions	**491**	667

The changes in this item were as follows:

	Deferred tax liabilities for buildings	Pending legal issues	Total
Balance as at 1 January 2015	**567**	**100**	**667**
Releases	**(443)**	**(100)**	(543)
Additions	**372**	**–**	372
To/from current tax position	**(5)**	**–**	(5)
Balance as at 31 December 2015	**491**	**(–)**	**491**
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

Please see note 30 for further details.

	2015	2014
16 Subordinated liabilities	**80,000**	30,000

As at 31 December 2015, this item contains two subordinated loans received from GBI's shareholder Türkiye Garanti Bankası A.Ş. with a total amount of EUR 80.0 million (31 December 2014: EUR 30.0 million). The subordinated loans are subordinate to the other current and future liabilities of GBI.

A subordinated loan amounting to EUR 30.0 million was granted in 2011. This loan has a yearly interest payment at a fixed rate of 5.95 percent and an original maturity of 10 years. A subordinated loan amounting to EUR 50.0 million was granted in 2015 with an original maturity of 10 years and has a yearly interest rate of 4.55 percent.

In 2015, the interest expense in respect of the subordinated loans amounted to EUR 2.3 million (2014: EUR 1.9 million).

	2015	2014
17 Shareholders' equity	**546,965**	535,835
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.

	2015	2014
Revaluation reserves	**938**	1,149
Position as at 1 January	**1,149**	-
Reversal of impairment on building	**(1,324)**	-
Revaluation building	**1,117**	1,149
Amortization to profit and loss account	**(4)**	-
Position as at 31 December	**938**	1,149

	2015	2014
Other reserves	**397,850**	352,089
Position as at 1 January	**352,089**	293,610
Appropriation profit previous year	**45,761**	58,479
Position as at 31 December	**397,850**	352,089

	2015	2014
Net profit	**11,341**	45,761
The changes in this item were as follows:		
Position as at 1 January	**45,761**	58,479
Profit appropriation	**(45,761)**	(58,479)
Result after tax	**11,341**	45,761
Position as at 31 December	**11,341**	45,761

18 Off-balance sheet liabilities	**317,575**	381,182

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	**77,279**	48,815
Irrevocable letters of credit	**95,405**	185,631
Other commitments	**144,891**	146,736
	317,575	381,182

Starting from financial year 2015, this item excludes the drawings under letters of credit, for which all relevant documents have been presented, shipments have been made and payment obligation is therefore certain. These are now presented on the balance sheet (see notes 4, 5 and 13). The comparative figures have been decreased accordingly for EUR 85.4 million.

19 Interest income	**174,402**	194,564

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	**11,407**	18,547
- loans and advances	**113,800**	114,451
- debt securities including fixed-income securities	**49,195**	61,566
	174,402	194,564

Interest income from debt securities includes positive results on sales from the Investment and Other securities portfolio of EUR 15.8 million (2014: EUR 32.6 million).

	2015	2014
20 Interest expense	**111,168**	114,762

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.

	2015	2014
21 Commission income	**36,659**	40,251

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.

	2015	2014
22 Commission expense	**1,840**	2,102

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.

	2015	2014
23 Net commission	**34,819**	38,149

Net commission comprises:

	2015	2014
– Trade finance	**20,297**	27,084
– Corporate finance	**9,478**	7,829
– Payment and cash management services	**4,108**	3,519
– Brokerage and private banking services	**2,214**	1,160
– Other	**(1,278)**	(1,443)
	34,819	38,149

	2015	2014
24 Result on financial transactions	**5,285**	5,887

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 23 thousand (2014: EUR 99 thousand).

This item comprises:

	2015	2014
– Securities trading	**(1,070)**	2,920
– Foreign exchange dealing	**4,422**	3,977
– Forfaiting	**(17)**	(60)
– Other	**1,950**	(950)
	5,285	5,887

	2015	2014
25 Segmentation of income	**216,346**	240,702

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	**18,187**	26,560
– Turkey	**112,658**	117,787
– CIS countries	**7,472**	13,011
– Rest of Europe	**55,462**	61,542
– Rest of the world	**22,567**	21,802
	216,346	240,702

26 Administrative expenses	**39,264**	39,581
This includes:		
– Staff costs	**27,625**	27,453
– Other administrative expenses	**11,639**	12,128
	39,264	39,581
The staff costs comprise:		
– Wages and salaries	**22,248**	21,869
– Pension costs	**2,372**	2,782
– Other social costs	**2,177**	2,026
– Other staff costs	**828**	776
	27,625	27,453

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 2015, no premiums payable and possible additional obligations were outstanding.

	2015	2014
The average number of full-time equivalent employees was 236 (2014: 229), which can be split as follows:		
– Netherlands	**199**	191
– Other	**37**	38
	236	229

Other administrative expenses 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:

	2015			2014		
	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	**224**	**29**	**253**	209	22	231
Audit related services	**171**	**–**	**171**	164	18	182
Fiscal advice	**–**	**–**	**–**	–	25	25
Other non-audit expenses	**–**	**–**	**–**	–	1	1
	395	**29**	**424**	373	66	439

	2015	2014
27 Depreciation	**2,765**	2,128

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

	2015	2014
28 Value adjustments to tangible fixed assets	**(1,766)**	–

This item relates to the reversal of the impairment on the Bank's office premises recorded in 2012.

	2015	2014
29 Value adjustments to receivables	**48,515**	18,547
This item relates to provisions for loans and advances to customers and can be broken down as follows:		
– Additions	**50,860**	28,192
– Releases	**(2,234)**	(9,480)
– Repayments after write-off	**(111)**	(165)
	48,515	18,547

	2015	2014
30 Tax on result on ordinary activities	**3,219**	17,821

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 2015 was 22.1 percent (2014: 28.0 percent).

	2015	2014
Dutch tax rate	**25.0%**	25.0%
Effect of deviating tax rates in foreign jurisdictions	**0.2%**	0.1%
Effect of closing current tax positions previous year(s)	**0.0%**	0.7%
Effect of non-tax deductible expense (SNS REAAL contribution levy)	**0.0%**	2.2%
Effect of non-taxable income (reversal of impairment on building)	**(3.1%)**	0.0%
Effective tax rate on operating income	**22.1%**	28.0%

The 2015 taxes amounted to EUR 3,219 thousand (2014: 17,821 thousand).

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 their valuation for tax purposes.

The deferred tax liabilities fully relate to buildings and amounted to EUR 491 thousand (2014: EUR 667 thousand) (see also note 15).

Further disclosures

31 Pledged assets

EUR 300.3 million (31 December 2014: EUR 131.2 million) of 'Interest-bearing securities', EUR 72.1 million (31 December 2014: EUR 40.9 million) of the asset item 'Banks' and EUR 140.4 million (31 December 2014: 87.8) of the asset item 'Loans and advances' has been pledged as collateral for EUR 407.5 million (31 December 2014: EUR 222.0 million) of funding included under the liability item 'Banks'. Furthermore EUR 66.3 million (31 December 2014: EUR 151.5 million) of placements included under 'Banks' has been pledged as collateral for derivative trades. These assets are consequently not freely available.

32 Risk management

32.1 Credit risk

Credit risk encompasses all forms of exposures 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.

32.1.a Breakdown by geographical regions

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

	Cash	**Banks**	**Loans and advances**	**Interest-bearing securities**	**Off-balance liabilities**
As at 31 December 2015:					
– The Netherlands	**507,596**	**60,635**	**229,713**	**132,023**	**12,987**
– Turkey	**–**	**400,681**	**1,050,580**	**441,414**	**50,234**
– CIS countries	**–**	**9,458**	**88,279**	**128,282**	**1,386**
– Rest of Europe	**13,928**	**161,515**	**1,149,321**	**239,676**	**186,483**
– Rest of the world	**–**	**19,428**	**280,581**	**46,949**	**66,485**
	521,524	**651,717**	**2,798,474**	**988,344**	**317,575**
– Provisions	**–**	**–**	**(77,836)**	**–**	**–**
	521,524	**651,717**	**2,720,638**	**988,344**	**317,575**
As at 31 December 2014:					
– The Netherlands	587,972	53,988	283,281	43,149	33,156
– Turkey	–	476,366	890,945	332,585	73,149
– CIS countries	–	20,075	79,712	128,247	–
– Rest of Europe	14,876	163,252	1,018,506	236,325	179,145
– Rest of the world	–	112,993	337,696	144,836	95,732
	602,848	826,674	2,610,140	885,142	381,182
– Provisions	–	–	(61,229)	–	–
	602,848	826,674	2,548,911	885,142*	381,182

* Adjusted for reasons of comparison

32.1.b Breakdown by collateral

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

	2015	2014
Bank guarantees	**331,583**	269,498
Securities and cash	**89,968**	107,278
Other and unsecured*	**2,376,923**	2,233,364
	2,798,474	2,610,140
Provisions	**(77,836)**	(61,229)
	2,720,638	2,548,911

* Other collateral consists of co-debtorship, pledge on goods and receivables, mortgages, etc.

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

32.1.c Breakdown by sector and industry

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

	2015	2014
Agriculture	**127,579**	136,852
Basic materials	**423,580**	524,950
Chemicals	**190,679**	215,002
Construction	**112,409**	32,783
Consumer products	**145,989**	177,714
Financial services	**738,934**	493,502
Food, beverages & tobacco	**119,469**	106,299
Leisure and tourism	**17,220**	26,092
Oil & gas	**255,471**	273,231
Private individuals	**10,788**	6,247
Retail	**47,743**	23,067
Services	**3,996**	1,949
Telecom	**24,137**	92,410
Transport & logistics	**420,754**	346,947
Utilities	**10,876**	31,831
Other	**148,850**	121,264
	2,798,474	2,610,140
Provisions	**(77,836)**	(61,229)
	2,720,638	2,548,911

32.1.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:

	2015	2014
Banks	**651,717**	826,674
Loans and advances	**2,720,638**	2,548,911
Provisions	**77,836**	61,229
Gross loans	**3,450,191**	3,436,814
Non-performing loans (after deduction of financial collateral)	**131,756**	129,655
NPL ratio	**3.82%**	3.77%

32.1.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 31 (Pledged assets). During 2014 and 2015 the maximum monthly net increase in collateral provided, resulting from the fluctuations in the market value of (hedging) derivatives, amounted to EUR 132.2 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.

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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 and other collateral agreements entered into with other clients. 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 EUR 1,000	Notional amounts >1<= 5 years EUR 1,000	Notional amounts >5 years EUR 1,000	Total EUR 1,000	Positive replacement value EUR 1,000
As at 31 December 2015:						
Interest rate contracts						
OTC	Swaps	**–**	**606,228**	**100,000**	**706,228**	**139**
Currency contracts						
OTC	Swaps	**3,748,831**	**67,852**	**–**	**3,816,683**	**38,950**
	Forwards	**145,166**	**2,956**	**–**	**148,122**	**1,268**
	Options	**309,809**	**26,581**	**–**	**336,390**	**8,591**
Other contracts						
OTC	Forwards	**91,134**	**–**	**–**	**91,134**	**17,556**
	Options	**1,488**	**7,348**	**–**	**8,836**	**3,705**
		4,296,428	**710,965**	**100,000**	**5,107,393**	**70,209**
As at 31 December 2014:						
Interest rate contracts						
OTC	Swaps	90,000	543,613	100,000	733,613	68
Currency contracts						
OTC	Swaps	4,003,232	35,716	–	4,038,948	39,013
	Forwards	86,348	1,629	–	87,977	1,587
	Options	204,896	30,000	–	234,896	5,379
Other contracts						
OTC	Swaps	32,946	–	–	32,946	144
	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

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 2015		As at 31 December 2014	
	EUR 1,000	**EUR 1,000**	EUR 1,000	EUR 1,000
	Unweighted *	**Weighted** **	Unweighted *	Weighted **
Interest rate contracts	**4,670**	**1,324**	4,286	1,598
OTC currency contracts	**95,717**	**18,368**	92,274	19,160
Other contracts	**32,858**	**22,660**	7,062	2,286
	133,245	**42,352**	103,622	23,044

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

32.2 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.

32.2.a Currency risk

The total equivalent of on-balance assets in foreign currencies is EUR 2,832 million, while the total equivalent of on-balance liabilities in foreign currencies is EUR 1,526 million. The currency position is reduced through derivative instruments.

	As at 31 December 2015				As at 31 December 2014			
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	**3,837,957**	**3,837,812**	**145**	**-**	3,802,340	3,801,348	992	-
TRY	**1,012,894**	**1,013,340**	**-**	**446**	865,790	865,757	33	-
GBP	**96,812**	**96,825**	**-**	**13**	164,628	164,677	-	49
CHF	**74,160**	**74,177**	**-**	**17**	91,584	91,648	-	64
NOK	**48,414**	**48,417**	**-**	**3**	21,597	21,555	42	-
ZAR	**21,910**	**21,906**	**4**	**-**	24,277	24,277	-	-
RON	**7,987**	**7,989**	**-**	**2**	19,594	19,549	45	-
CAD	**5,118**	**5,139**	**-**	**21**	3,175	3,187	-	12
AUD	**1,365**	**1,392**	**-**	**27**	10,314	10,307	7	-
SEK	**1,056**	**1,099**	**-**	**43**	2,597	2,614	-	17
RUB	**1,012**	**1,040**	**-**	**28**	21,394	21,301	93	-
JPY	**813**	**807**	**6**	**-**	71,567	71,576	-	9
Other	**5,676**	**5,578**	**98**	**-**	5,604	5,602	2	-

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32.2.b Interest rate risk

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2015, 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	**160,557**	**2,594,121**	**1,016,570**	**701,424**	**667,039**	**5,139,711**
Liabilities	**(393,983)**	**(1,241,470)**	**(1,804,228)**	**(466,317)**	**(95,536)**	**(4,001,534)**
Derivatives	**-**	**620,353**	**(59,376)**	**(547,964)**	**(103,719)**	**(90,706)**
Net interest position 31 December 2015	**(233,426)**	**1,973,004**	**(847,034)**	**(312,857)**	**467,784**	**1,047,471**
Net interest position 31 December 2014	(279,834)	678,628	294,827	(520,896)	596,507	769,232

The calculation of the sensitivity analysis as at 31 December 2015 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 risk-free yield curves, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 31,659 thousand (31 December 2014: EUR 27,659 thousand decrease. This number has been adjusted for reasons of comparison).

32.3 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	Undistributed EUR 1,000	Total EUR 1,000
Assets							
Cash	**521,524**	**–**	**–**	**–**	**–**	**–**	**521,524**
Banks	**124,345**	**201,883**	**319,169**	**6,320**	**–**	**–**	**651,717**
Loans and advances (i)	**80,423**	**1,201,233**	**927,155**	**437,835**	**15,844**	**58,148**	**2,720,638**
Interest-bearing securities	**–**	**9,294**	**2,796**	**376,984**	**599,270**	**–**	**988,344**
Shares	**4,477**	**–**	**–**	**–**	**–**	**–**	**4,477**
Property and equipment	**–**	**–**	**–**	**–**	**–**	**25,619**	**25,619**
Other assets (ii)	**5,859**	**43,577**	**42,602**	**9,665**	**4,290**	**3,153**	**109,146**
Total assets 31 December 2015	**736,628**	**1,455,987**	**1,291,722**	**830,804**	**619,404**	**86,920**	**5,021,465**
Liabilities							
Banks	**49,846**	**334,945**	**452,616**	**151,853**	**–**	**–**	**989,260**
Funds entrusted (iii)	**1,965,764**	**348,746**	**551,365**	**380,093**	**1,731**	**–**	**3,247,699**
Savings accounts	***1,358,409***	***198,173***	***500,040***	***352,941***	***247***	***–***	***2,409,810***
Other funds entrusted	***607,355***	***150,573***	***51,325***	***27,152***	***1,484***	***–***	***837,889***
Other liabilities (iv)	**19,950**	**45,991**	**68,332**	**9,659**	**4**	**13,114**	**157,050**
Provisions	**–**	**–**	**–**	**–**	**491**	**–**	**491**
Subordinated liabilities	**–**	**–**	**–**	**–**	**80,000**	**–**	**80,000**
Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**546,965**	**546,965**
Total liabilities 31 December 2015	**2,035,560**	**729,682**	**1,072,313**	**541,605**	**82,226**	**560,079**	**5,021,465**
Net liquidity 31 December 2015	**(1,298,932)**	**726,305**	**219,409**	**289,199**	**537,178**	**(473,159)**	**–**
Total assets 31 December 2014 (v)	878,026	1,624,526	1,113,606	557,206	706,845	98,230	4,978,439
Total liabilities 31 December 2014 (v)	1,834,047	843,479	1,187,831	532,290	32,011	548,781	4,978,439
Net liquidity 31 December 2014 (v)	(956,021)	781,047	(74,225)	24,916	674,834	(450,551)	–

(i) Non performing loans are netted with their provision and shown under Undistributed.
(ii) This item includes the balance sheet captions "Other assets" and "Prepayments and accrued income".
(iii) This includes on demand retail funding which has on average a longer-term characteristic.
(iv) This item includes the balance sheet captions "Other liabilities" and "Accruals and deferred income".
(v) Adjusted for reasons of comparison.

32.4 Capital adequacy

The standards applied for the capital requirements are based on the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) of the European Union. 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 Common Equity Tier 1 (CET1) 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 regulatory requirements in the European Union:

	2015	2014
Total Risk Weighted Assets	**3,257,144**	3,031,081
The required pillar I capital can be broken down as follows:		
Credit risk	**247,020**	225,107
Market risk	**48**	2,987
Operational risk	**13,503**	14,393
Total required pillar I capital	**260,571**	242,487
The actual capital can be broken down as follows:		
Common Equity Tier 1 (CET1) capital	**529,472**	506,180
Additional Tier 1 capital	**-**	-
Tier 2 capital	**90,708**	22,891
Total capital	**620,180**	529,071
CET 1 ratio	**16.26%**	16.70%
Total capital ratio	**19.04%**	17.45%

The CET1 ratio and Total capital ratio have been calculated taking into account the reviewed net profit until and including 30 June 2015 in line with the reports submitted to DNB. When including the full audited net profit of 2015 the CET1 ratio is 16.30 percent and the Total capital ratio is 19.09 percent.

33 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 2015, the fair value of the interest-bearing securities in the Investment portfolio amounts to EUR 66.3 million (31 December 2014: EUR 65.0 million), whereas the book value amounts to EUR 71.8 million (31 December 2014: EUR 70.7 million). As at 31 December 2015 the fair value of the interest-bearing securities in the Other securities portfolio amounts to EUR 887.7 million (31 December 2014: EUR 788.9 million), whereas the book value amounts to EUR 916.5 million (31 December 2014: EUR 814.5 million).

The fair value of non-hedging derivatives as at 31 December 2015 amounts to EUR 0.2 million positive (2014: EUR 0.4 million negative).

The fair value of hedging derivatives as at 31 December 2015 amounts to EUR 37.0 million negative on a net basis (2014: EUR 136.4 million negative). The book value of these derivatives is EUR 35.3 million negative (2014: EUR 132.2 million negative).

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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 2015				
Hedging derivatives:				
Interest rate contracts	**706,228**	**(853)**	**(5,196)**	**-**
Currency contracts	**3,925,982**	**(34,462)**	**(31,834)**	**(23)**
Total hedging derivatives	**4,632,210**	**(35,315)**	**(37,030)**	**(23)**
Non-hedging derivatives:				
Currency contracts	**763,323**	**(90)**	**(92)**	**-**
Other contracts	**203,354**	**260**	**260**	**-**
Total non-hedging derivatives	**966,677**	**170**	**168**	**-**
Total derivatives as at 31 December 2015	**5,598,887**	**(35,145)**	**(36,862)**	**(23)**
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	591,067	(514)	(514)	-
Other contracts	53,656	157	157	-
Total non-hedging derivatives	644,723	(356)	(356)	-
Total derivatives as at 31 December 2014	5,425,751	(132,517)	(136,731)	(99)

34 Group related balances

Group related balances include the balances with the 100 percent shareholder Türkiye Garanti Bankasi A.Ş. (GBI's parent company), all its subsidiaries, its controlling shareholder Banco Bilbao Vizcaya Argentaria S.A, its other shareholder Doğuş Holding A.Ş. and the members of the Supervisory Board and Managing Board 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.

34.1 Outstanding balances

GBI has the following outstanding group related balances:

	As at 31 December 2015			As at 31 December 2014		
	Parent company EUR 1,000	**Other EUR 1,000**	**Total EUR 1,000**	Parent company EUR 1,000	Other EUR 1,000	Total EUR 1,000
Assets						
Banks	**8,682**	**5,694**	**14,376**	31,951	32,386	64,337
Loans and advances	**–**	**103,278**	**103,278**	–	72,722	72,722
Interest-bearing securities	**12,362**	**–**	**12,362**	11,141	–	11,141
	21,044	**108,972**	**130,016**	43,092	105,108	148,200
Liabilities						
Banks	**10,095**	**8**	**10,103**	7,492	44,483	51,975
Funds entrusted	**–**	**6,011**	**6,011**	–	7,107	7,107
Subordinated liabilities	**80,000**	**–**	**80,000**	30,000	–	30,000
	90,095	**6,019**	**96,114**	37,492	51,590	89,082

35 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 12 February 2016. 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 3,456,188 in 2015 (2014: EUR 2,634,322).

The remuneration of current and former members of the Supervisory Board amounted to EUR 179,137 in 2015 (2014: EUR 169,400).

Amsterdam, 28 January 2016

The Managing Board:
Mr S.E. Zeyneloğlu
Mr M.P. Padberg
Ms Ö. Etker-Simons
Mr S. Kanan
Mr M.Ö. Şişman

The Supervisory Board:
Mr G. Erün (Chairman)
Mr M.P. Galatas Sanchez-Harguindey (Vice Chairman)
Mr P.R.H.M. van der Linden
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 2015 (EUR 11,341,000) 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 2015 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

Independent auditor's report

To: the General Meeting and the Supervisory Board of GarantiBank International N.V.

Report on the audit of the annual financial statements 2015

Opinion

In our opinion the financial statements give a true and fair view of the financial position of GarantiBank International N.V. ("the Company") as at 31 December 2015, and of its result and its cash flows for the year 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

What we have audited

We have audited the financial statements 2015 of GarantiBank International N.V., based in Amsterdam.

The company financial statements comprise:

1 the company balance sheet as at 31 December 2015;
2 the company profit and loss account for the year 2015;
3 The company cash flow statement for the year 2015; and
4 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.

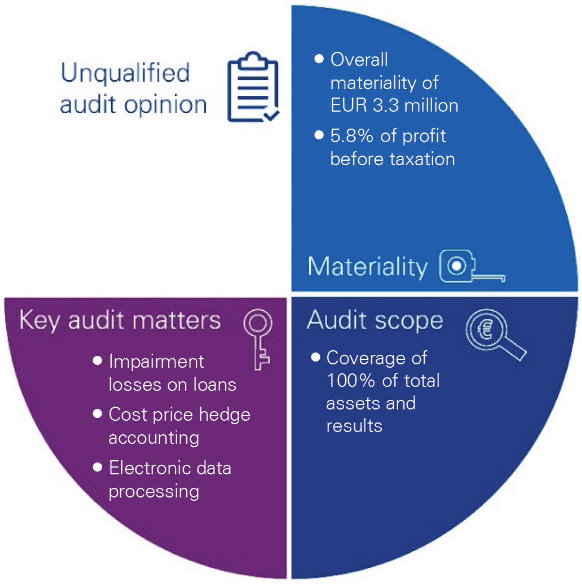
We are independent of GarantiBank International N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels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

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

KPMG

Audit approach

Summary



Materiality

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

Based on our professional judgment we determined the materiality for the financial statements as a whole at EUR 3.3 million (2014: EUR 4.2 million), this represents 5.8%% (2014: 6.6%) of the benchmark of an average and normalised profit before taxation. We consider the benchmark of profit before tax to be the most relevant benchmark given the nature and business of the Company. Due to a steep decline in the benchmark we have considered that an average from the last 4 years of the benchmark used is appropriate as the nature of the activities of the Company remained stable. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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

KPMG

Our key audit matters

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

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

Estimation uncertainty with respect to impairment losses on loans and advances

Description

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 (note2).

Our response

Our audit procedures included, among others, a comprehensive testing of the Company'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 from clients in the commodity business. Our examination of specific loan files included exposures that where placed under the Company's close monitoring procedures. We also tested the appropriateness of the assumptions and data used by the Company to measure loan loss impairments. We challenged those assumptions amongst others with the use of secondary market pricing and appraisal reports.

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.

Cost price hedge accounting

Description

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

The Company 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.

Our response

We have inspected the hedge documentation provided by the Company supporting the hedge accounting. Furthermore we have audited the Company's monthly effectiveness testing including the critical terms testing such as nominal value, duration and foreign exchange rates.

Our observation

We have determined that the Company has accurately assessed and recorded the effectiveness and ineffectiveness of the hedge relationships in the financial statements, in accordance with the accounting policies of the Company as at 31 December 2015.

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Reliability and continuity of the electronic data processing
Description The Company is dependent on its IT-infrastructure for the continuity of its operations. The Company 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.
Our response We have assessed the reliability and continuity of the electronic data processing, as far as necessary within the scope of our audit. For that purpose we 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 Company 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 Company.

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

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

As part of the preparation of the financial statements, Managing Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, Managing Board should prepare the financial statements using the going concern basis of accounting unless Managing Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so Managing Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of financial statements

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) www.nba.nl/standardtexts-auditorsreport

Report on other legal and regulatory requirements

Report on the Managing Board and the other information

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

- We have no deficiencies to report as a result of our examination whether the Report of the Managing Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report of the Managing Board, to the extent we can assess, is consistent with the financial statements.

KPMG

Engagement
We were engaged by the Managing Board as auditor of GarantiBank International N.V. in 1991 and have operated as statutory auditor since then. For the audit of 2015 we have been reappointed by the Supervisory Board on 27 March 2015.

Amstelveen, 28 January 2016

KPMG Accountants N.V.

M.L.M. Kesselaer RA

SUPERVISORY BOARD AND MANAGING BOARD

Supervisory Board

Mr S. Sözen, Chairman since 2006 until January 2016, Member between 1998 and 2006
Member of the Board of Directors of Türkiye Garanti Bankası A.Ş. since 1997 and Vice Chairman as of July 2003. Mr Sözen holds Chairman of the Board and Vice Chairman responsibilities in various other affiliates of Doğuş Holding.

Mr G. Erün, Chairman as of January 2016
Deputy CEO of Türkiye Garanti Bankası A.Ş. since 2015. Mr Erün has held various top management positions within Garanti and its subsidiaries since 2004. He is also the Chairman of the Board of Directors at Garanti Custody Services Management, the Vice Chairman of the Board of Directors at Garanti Securities and Garanti Pension and Life, and holds Board of Directors membership at Garanti Mortgage and Garanti Bank S.A., Romania.

Mr M.P. Galatas Sanchez-Harguindey, Vice Chairman
Member of the Board of Directors of Türkiye Garanti Bankası A.Ş. Mr Galatas had held various top management positions at international subsidiaries of BBVA and at various subsidiaries of Türkiye Garanti Bankası A.Ş.

Mr P.R.H.M. van der Linden, Member
Member of the Dutch Parliament between 1977 and 1998 and Secretary of State of Foreign Affairs between 1986 and 1988; Member of the Benelux Parliament and of the Assembly of the Western European Union; Vice President WEU 1999-2004; Chairman of the European Peoples Party (EPP) in the Council of Europe 1999-2004; President of the Parliamentary Assembly of the Council of Europe 2005-2008; Member of the Senate of the Netherlands 1999-2015; President of the Dutch Senate 2009-2011.

Mr B.J.M.A. Meesters, Member
Dutch qualified lawyer and partner at Loeff Claeys Verbeke/Allen & Overy 1988-2010; Off-Counsel of Allen & Overy and independent lawyer 2010-2015; Member of the Supervisory Board of the Dutch theater company Orkater.

Mr W.F.C. Cramer, Member
CEO of ASR Bank NV, owned by ASR Nederland, a leading Dutch insurance company; Chairman of Supervisory Board PC Hooft Group; Member of the Supervisory Board of Unicef Netherlands National Committee; Member of the Advisory Committee to the Minister of Economic Affairs of the Netherlands on the application on SME-guarantee facilities; Treasurer of the Board of Trustees of the International Franz Liszt Piano Competition; Former CEO of Friesland Bank, medium sized Dutch Bank.

Managing Board

Mr B. Ates
Chief Executive Officer, since January 2000 until October 2015

Mr S.E. Zeyneloğlu
Chief Executive Officer, as of October 2015

Mr M.P. Padberg
Managing Director, since January 1993

Ms Ö. Etker-Simons
Member of the Managing Board, as of October 2015

Mr S. Kanan
Chief Credit Officer, as of October 2015

Mr M.Ö. Şişman
Chief Financial & Risk Officer, as of October 2015

SENIOR MANAGEMENT

Trade & Commodity Finance	Financial Institutions & Investor Relations	Information & Communication Technology, Information Security
Mr B. Ayturk Executive Director	Mr C.O. Draman Executive Director	Mr G. Salman Executive Director

Operations	Dusseldorf Branch	Legal & Compliance
Ms E. Demirel Executive Director	Mr F. Birincioğlu Executive Director	Ms M. Köprülü Director

Human Resources	Internal Audit Services
Ms M.S. van Tilburg-van Alfen Director	Mr T. Aksoy Director

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