

Credit Europe Bank (Suisse), Geneva

**Report of the Statutory Auditor
on the Financial Statements
to the General Meeting**

Financial Statements 2014



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Report of the Statutory Auditor on the Financial Statements to the General Meeting of
Credit Europe Bank (Suisse) SA, Geneva

As statutory auditor, we have audited the accompanying financial statements of Credit Europe Bank (Suisse) SA, which comprise the balance sheet, income statement, statement of cash flows and notes for the year ended 31 December 2014.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.


Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.


In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG SA



Philippe Ruedin
*Licensed Audit Expert
Auditor in Charge*



Renaud Jotterand
Licensed Audit Expert

Geneva, 19 March 2015

Enclosures:

- Financial statements (balance sheet, income statement, statement of cash flows and notes)
- Proposed appropriation of available earnings

Balance Sheet as at 31 December

	2014	2013
ASSETS	CHF '000	CHF '000
Liquid assets	687	488
Money market instruments	5,955	7,038
Amounts due from banks	149,372	200,859
Amounts due from customers	292,282	285,106
Securities held for trading purposes	11,634	19,744
Financial investments	58,325	78,290
Fixed assets	1,121	1,148
Accrued income and prepaid expenses	9,120	6,510
Other assets	59,033	106,008
Total assets	587,529	705,191
Total amount due from group companies and qualified participants	25,354	34,423
LIABILITIES AND SHAREHOLDERS' EQUITY		
Amounts due to banks	128,565	201,065
Other amounts due to customers	205,654	222,579
Accrued expenses and deferred income	2,326	2,130
Other liabilities	59,398	99,248
Value adjustments and provisions	121,484	115,211
Share capital	35,000	35,000
General legal reserve	7,484	7,484
Retained earnings brought forward	22,474	18,110
Net income for the year	5,144	4,364
Total liabilities and shareholders' equity	587,529	705,191
Total amounts due to group companies and qualified participants	25,101	104,508

Off-Balance Sheet as at 31 December

	2014	2013
OFF-BALANCE SHEET TRANSACTIONS	CHF '000	CHF '000
Contingent liabilities		
-Letters of credit	22,590	13,743
-Guarantees	9,304	12,811
Irrevocable commitments	234	278
Commitment credits		
-Obligations under deferred payments	12,703	21,358
-Confirmed credits	1,534	-
Derivative instruments:		
-Positive replacement values	57,175	105,908
-Negative replacement values	(58,311)	(98,219)
-Contract volumes	4,176,399	4,465,773
Fiduciary transactions	1,083,156	1,056,897

**Income Statement
for the year ended 31 December**

	2014	2013
INCOME AND EXPENSES FROM ORDINARY BANKING ACTIVITY	CHF '000	CHF '000
Result from interest activities		
Interest and discount income	42,512	20,593
Interest and dividend from securities and metals held for trading purposes	393	941
Interest and dividend from financial investments	2,944	3,100
Interest expense	(26,757)	(9,321)
Net interest income	19,092	15,313
Result from commissions business and services		
Commission income from credit granting business	1,961	976
Commission income on securities trading and investment activities	6,559	6,196
Commission income on other services	367	336
Commission expense	(379)	(310)
Net income from commissions business and services	8,508	7,198
Result from trading operations	2,330	1,724
Other ordinary results		
Other ordinary income	29	52
Other ordinary expense	(67)	(73)
Other ordinary results	(38)	(21)
Operating expenses		
Personnel expenses	(9,617)	(8,776)
Other operating expenses	(5,074)	(4,860)
Total operating expenses	(14,691)	(13,636)
Gross profit	15,201	10,578
Depreciation of fixed assets	(73)	(99)
Valuation adjustments, provisions and losses	(8,253)	(4,463)
Result before extraordinary items and taxes	6,875	6,016
Extraordinary income	190	-
Taxes	(1,921)	(1,652)
Net income for the year	5,144	4,364

**Cash-flow Statement
for the year ended 31 December**

CHF '000	2014		2013	
	Source of funds	Application of funds	Source of funds	Application of funds
Cash-flow from operating results (internal sources)				
Net income for the year	5,144	-	4,364	-
Depreciation of fixed assets	73	-	99	-
Valuation adjustments and provisions	6,273	-	2,572	-
Accrued income and prepaid expenses	-	2,610	1,361	-
Accrued expenses and deferred income	196	-	-	691
Dividend paid	-	-	-	-
Balance	11,686	2,610	8,396	691
Cash-flow from investment activities				
Other fixed assets, net	-	46	-	36
Balance	-	46	-	36
Cash-flow from banking operations				
Amounts due from banks	4,435	-	-	4,435
Amounts due from customers	-	28,977	62,773	-
Financial investments	19,956	-	-	43,640
Other assets	46,975	-	-	60,689
Amounts due to banks	-	-	-	-
Amounts due to customers	-	-	-	-
Other liabilities	-	39,850	54,843	-
Medium and long term operations (more than 1 year)				
	71,366	68,827	117,616	108,764
Money market instruments – assets	1,083	-	-	6,197
Amounts due from banks	47,052	-	-	88,117
Amounts due from customers	21,801	-	-	54,124
Securities and precious metals held for trading purposes	8,110	-	24,775	-
Financial investments	9	-	-	-
Amounts due to banks	-	72,500	31,188	-
Amounts due to customers	-	16,925	76,007	-
Short-term operations	78,055	89,425	131,970	148,438
Net Liquidity	-	199	-	53
Liquid Assets	-	199	-	53
Total balance	161,107	161,107	257,982	257,982

Notes to the Financial Statements

31 December 2014

(Amount expressed in Swiss Francs thousands unless otherwise stated)

1. Business Activities

Credit Europe Bank (Suisse) SA is a bank incorporated under laws of Switzerland and performs all of its activities through its headquarters in Geneva.

The Bank started its operations in 1990 and has activities on trade and corporate finance, private banking, asset management and treasury operations.

The Bank has no branches and only one representative office in Istanbul at the end of 2014. As of December 31, 2014, the Bank has 58 employees (56 as of December 31, 2013).

The Bank has outsourced its IT systems and back office operations with a third party in Switzerland since October 2007.

2. Significant accounting and valuation principles

The Bank's bookkeeping and accounting and valuation principles are in accordance with the Swiss Code of Obligations, the Swiss Federal Law on Banks and its relative Implementing Ordinance, as well as with the statutory provisions and directives issued by the FINMA. The financial statements as at 31st December 2014 are presented in conformity with the Directives of the FINMA on the provisions governing the preparation of accounts (cir. 08/2 "Accounting – Banks").

The major accounting principles are set out below:

2.1 Recording of transactions

Transactions are entered into the balance sheet following the value date accounting principle.

2.2 Revenue and expense recognition

Interest income and expense as well as fiduciary deposit commissions, custody fees and account maintenance fees are recorded on accrual basis. All other commissions are recognized as income and expense when they are collected or paid.

Notes to the Financial Statements**31 December 2014***(Amount expressed in Swiss Francs thousands unless otherwise stated)***2.3 Conversion of foreign currencies**

Gains and losses arising from foreign currency transactions are reflected in the statement of income as realised during the course of the period. Foreign currency assets and liabilities have been translated into Swiss Franc equivalents at year-end foreign currency rates, the effects of which are also recorded in results from trading operations.

The year-end foreign currency rates for major currencies used for the translation into Swiss Franc are as follows:

	2014	2013
USD / CHF	0.9883	0.8870
EUR / CHF	1.2029	1.2256
CHF / TRY	2.3540	2.3923

2.4 Liquid assets, money market paper and amounts due from banks

These items are reported in the balance sheet at their nominal value or at cost value, less individual valuation adjustments for any impaired receivables.

2.5 Credit Risk

Credit risk is the risk that a client or counterparty to a financial asset fails to meet its contractual obligations and causes the Bank to incur a financial loss. It arises principally from the amounts due from customers, amounts due from banks and financial investments. Credit risk includes counterparty risks, country risks and sector risks. The Bank has established a Master Directive for Risk Management in which controls implemented by the Bank are described. Country risk and sector risk are monitored through limit based controls. The Board of Directors approves regularly country limits and sector limits by taking into consideration the capital base in order to control these exposures.

Regarding counterparty risk, the Bank monitors its credit risk for private banking clients by principally granting loans collateralized by securities and fiduciary deposits and by the application of margin limits based on the quality of collateral. For commercial credit risks, the Bank mitigates these credit risks through careful diversification, by being highly selective on the quality of the borrowers, by requiring tangible guarantees and by means of adequate and appropriate limits, and by ensuring appropriate documentation is in place. For commercial credit risk, the recovery capabilities of borrowers and debtor's creditworthiness is assessed according to an internal risk rating evaluation (scaled from 1 to 12, 1 standing for very high credit quality) based on credit analysis performed by the Credit Administration Department.

The Bank maintains a list for Non-Performing Loans, Sub-standard Loans and Restructured Loans, in which risky loans are carefully followed up.

Notes to the Financial Statements

31 December 2014

*(Amount expressed in Swiss Francs thousands unless otherwise stated)***2.5 Credit Risk (continued)***Loan provisioning on the methods used to identify default risks*

Loans and other receivables are classified and monitored as indicated below according to their recovery capabilities and debtor's creditworthiness:

<u>Type of loans and other receivables</u>	<u>Credit quality level</u>
Standard Loans	Internal rating from 1 to 8
Sub-standard (Watch List) Loans	Internal rating from 9 to 11

Observation of negative trend in debtors' payment capability or cash flow positions, delays in principal and/or interest payments of more than 30 days after the due date, suffered credit quality deterioration revision of repayments terms.

Non-Performing Loans (NPLs)	Internal rating of 12
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Limited means of recovery, being overdue more than 90 days are some of the indicators of the NPL status, other signs/criteria should also be closely monitored; such as the debtor has been placed in bankruptcy or similar protection.

All significant exposures, including watch-list and NPLs are subject to individual assessment. The commercial portfolio is reviewed every quarter based on the significance and impairment criteria. A limited review is conducted over the loans with signs of impairment on a monthly basis.

Individual assessment is performed on commercial loan portfolio and restructured loans with significant exposures including watch-list loans and nonperforming loans.

As of 31st December 2014, individual assessment provision for impaired loans and receivables is valued at CHF 6,595. (Please refer to note 3.1.)

Measurement of required value adjustments for loans

Impaired loan, defined as loan for which it is unlikely that the debtor will be able to fulfil his future obligations, are valued on an individual basis and the impairment is covered by individual valuation adjustment. A loan is considered impaired when there are conclusive signs that future contractual payments of principal and/or interest are unlikely.

A principle or interest overdue by more than 90 days after its respective due date is considered non-performing, if the necessary collaterals are not in place and there is objective evidence that the Bank will not be able to collect all amounts. Such loans are considered impaired and an allowance is established, which is classified as value adjustments and provisions.

Notes to the Financial Statements**31 December 2014***(Amount expressed in Swiss Francs thousands unless otherwise stated)*

2.5 Credit Risk (continued)

Impairment in value corresponds to the difference between the book value of the loan and the amount which the Bank can expect to recover, with due consideration for the counterparty risk and the net proceeds from the realization of any collateral held. These valuation adjustments are recorded under value adjustments and provisions.

When a loan is considered totally or partially uncollectible, a write-off is made by charging against previously established provisions and the principal amount of the loan.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and negotiating new loans conditions. Once the terms have been renegotiated, the loan is no longer considered as past due.

Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. These loans continue to be subject to an individual impairment assessment.

A loan is no longer considered impaired if capital and interest in arrears are repaid, the servicing of the debt has resumed normally, additional tangible guarantees have been obtained for a value in excess of the existing unsecured debt and other solvency criteria have been met. Recoveries of loans with provisions and written off in earlier periods are recorded in extraordinary income and in value adjustments, provisions and losses line respectively (Cm 130a BAG-FINMA).

Valuation of collateral for loans, in particular key criteria for the calculation of the current market value and the lending value

The Bank tries to mitigate credit risk by obtaining collateral when possible. Note 3.1 describes the "Amounts due from customers", "Contingent liabilities", "Irrevocable commitments" and "Commitment credits" which are covered by collateral, and where the nature of collateral are classified as "mortgage collateral" and "other collateral".

Collateral values are periodically controlled by types of security and latest value, with any shortfalls identified in weekly exception reports created automatically by the Bank's system. The financial standing of borrowers is also regularly reviewed and updated throughout the year based on appropriate documents and regular communication with the clients. The Bank also performs regular monitoring on any exposures existing beyond their maturity date, regular monitoring of any overdue payments of interests and regular review on overdrafts arising which are not covered by approved credit lines.

An immediate corrective action is taken by the Bank if any issues are identified.

The Bank has defined a list of collaterals together with related values to be taken based on the Internal Business Rules. The lending values are calculated in accordance with those pre-defined percentages, in case secured loans are granted.

Notes to the Financial Statements

31 December 2014

(Amount expressed in Swiss Francs thousands unless otherwise stated)

2.5 Credit Risk (continued)

When a commercial loan granted as unsecured becomes impaired, the Bank performs an individual assessment of impairment based on the net value of collaterals according to the type of assets pledged during the collection process:

Mortgage on real estate (depending on the amount and degree of the mortgage),
Customers cheques (according to the value of cheques received),
Pledge of goods,
Assignment of receivables, if any

Regarding the estimation of the provision, the analysis on the recoverable amount is performed by the Credit Administration Department and then is discussed with Management for final decision. The detailed Watch-List and NPL List including the detail of provisions are presented to the the Board of Directors every quarter.

For mortgage collateral, the Bank defines the market value of collaterals based on appraisal report obtained from independent and recognized experts selected by the Bank.

2.6 Securities and precious metals held for trading purposes

Securities held for trading purposes are securities, which were either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exists. After initial recognition, trading securities are valued at fair value based on quoted bid prices. All related realized and unrealised gains or losses are recognized in trading income. The cost of financing of such securities is recorded as interest expense.

2.7 Financial investments

Investment securities with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as financial investments. In addition, long term debt instruments such as participations in securitisations, which are not held for short term gain, but not necessarily until maturity, are classified as financial investments. The management determines the appropriate classification of its investments at the time of purchase.

Financial investments not intended to be held to maturity are carried at the lower of cost and market value.

Financial investments intended to be held to maturity are carried at amortized cost using the effective yield method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at the lower of cost and market value, gains and losses are recognized in other ordinary income or other ordinary expense.

Interest earned whilst holding financial securities is reported as interest and dividend income from financial investments.

Notes to the Financial Statements**31 December 2014***(Amount expressed in Swiss Francs thousands unless otherwise stated)***2.8 Fixed assets**

The fixed assets are stated at cost less accumulated depreciation, except for paintings.

Depreciation is computed using the straight-line method using the following rates:

Furniture and fixtures	20 %
IT equipment	20 to 33.3 %
Leasehold improvements	over the term of the lease
Paintings	not subject to depreciation, but subject to regular impairment reviews

The carrying values of fixed assets are reviewed for impairment periodically.

2.9 Value adjustments and provisions

In accordance with ordinary banking practice, specific value adjustments and other provisions are made in terms of risks existing at the balance sheet date.

2.10 Risk management, market risks, credit risk and other risks

The Board of Directors has conducted an analysis of the main risks incurred by the Bank. This analysis is based on data and risk managements tools developed by the Bank and taking into consideration the risks to which the Bank is exposed. During this risk analysis, the Board of Directors took into consideration the existing internal control system to manage and reduce the risks.

Risk control is based on limits set for the various categories of risks to which the Bank is exposed. The necessity for value corrections and provisions resulting from current risk evaluation is taken into account each time the situation occurs.

Credit risks are valued and controlled by the Credit Administration Department. In addition, the Bank implemented the Group credit internal rating system based on the qualitative and quantitative criteria of the counterparty (for further information on credits, see note 2.5).

The Bank's approach to the management of country risk follows the guidelines of the Swiss Bankers' Association. The identification and evaluation of risks are under the responsibility of the Financial Control and Risk Management Department. Provisions for country risk are made for positions where the ultimate risk is in countries with ratings below A3 grades according to the Moody's rating agency, and also on the basis of maturity split and type of counter party (e.g. Turkey 0%-30%).

The interest rate risk on operations on both the balance sheet and off-balance sheet are identified and controlled by the Asset Liability Management Committee of the Bank. Interest rate changes may affect the Bank's current income (income effect) or from a reduction of future earnings which reduce the economic value of the eligible equity of the Bank (value effect).

The exposures to unforeseen changes in the interest rates are controlled by simulations, which are performed periodically.

Notes to the Financial Statements

31 December 2014

(Amount expressed in Swiss Francs thousands unless otherwise stated)

2.10 Risk management, market risks, credit risk and other risks (continued)

For other market risks related to trading operations, financial investments as well as foreign exchange activities, the Bank has set up its own limits as per the business rules. The controls are performed on a daily basis.

The liquidity risk is controlled in accordance with the legal requirements. The short term liquidity monitoring is made via the Liquidity Coverage Ratio. The bank respects on a permanent basis liquidity demand and maintains sufficient liquid assets with respect to the maturities of assets and liabilities.

The operational risks are mainly related with the organisational issues including electronic data processing, transaction processing, fraud, human resources and securing the assets of the Bank. The Bank has policies and procedures regarding the operational risks, which are reviewed and approved by the Board of Directors.

The Compliance Officer controls legal and compliance risks in coordination with the legal counsel. The Bank has internal rules and regulations for due diligence and anti-money laundering as required by the relevant laws and regulations. All legal cases and contractual agreements are under the supervision of the legal counsel.

Some counterparty risks are reduced via sub-participations and silent sub-participations.

2.11 Use of derivative instruments

Derivative instruments include foreign exchange contracts such as swaps, options and forwards, securities options, interest swaps. The gross replacement value of derivative contracts reflects the market value of all unsettled trades at the year-end. The positive replacement value is included in other assets whereas the negative replacement value is represented in other liabilities. The significant part of the derivative instruments are positions with clients per their demands that are covered with other counterparts in the market.

2.12 Employees' benefits

The Bank has entered into a defined contribution pension plan with Allianz for its employees. The accounting treatment of this defined contribution plan within the financial statements of the Bank is in accordance with the requirements of Swiss GAAP FER16.

2.13 Taxation

Current taxes that are annual in general are levied on profits of a recurring nature. Those taxes in relation to the financial results of the corresponding period are determined in accordance with the relevant tax prescriptions and are booked as an expense in the accounting period in which the profits are realized.

Provisions for direct taxes due on profits of the current year are booked to liabilities in the balance sheet under accrued expenses.

Notes to the Financial Statements

31 December 2014

(Amount expressed in Swiss Francs thousands unless otherwise stated)

3. Information concerning the balance sheet

3.1 Schedule of collateral for loans and off-balance sheet transactions

	Nature of collateral as of 31 December			
	Secured by mortgage	Secured by other collateral	Unsecured	Total
Balance sheet :				
Amounts due from customers	–	31,318	260,964	292,282
Total balance sheet at 31 December 2014	–	31,318	260,964	292,282
<i>Total balance sheet at 31 December 2013</i>	<i>–</i>	<i>36,309</i>	<i>248,797</i>	<i>285,106</i>
Off-balance sheet :				
Letters of credit	–	2,044	20,546	22,590
Guarantees	–	5,585	3,719	9,304
Contingent liabilities	–	7,629	24,265	31,894
Irrevocable commitments	–	–	234	234
Commitment credits	–	3,865	10,372	14,237
Total off-balance sheet at 31 December 2014	–	11,494	34,871	46,365
<i>Total off-balance sheet at 31 December 2013</i>	<i>–</i>	<i>26,080</i>	<i>22,110</i>	<i>48,190</i>
	Gross debt amount	Estimate Liquidation proceeds of collateral	Net debt amount	Individual value adjustments
Total impaired loans and receivables at 31 December 2014	13,190	6,595	6,595	6,595
<i>Total impaired loans and receivables at 31 December 2013</i>	<i>11,841</i>	<i>5,919</i>	<i>5,922</i>	<i>5,922</i>

The specific provision for impaired loans and receivables is recorded under value adjustments and provisions.

Notes to the Financial Statements

31 December 2014

*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.2 Securities and precious metals held for trading purposes**

	2014	2013
Debt instruments		
Listed	11,634	19,744
Total trading portfolios of securities and precious metals	<u>11,634</u>	<u>19,744</u>
of which securities eligible for repo transactions in accordance with liquidity regulations	9,629	8,579

Listed definition refers to securities which are traded in recognized markets.

3.3 Financial investments

	<u>Book value</u>		<u>Fair value</u>	
	2014	2013	2014	2013
Debt instruments				
of which held until maturity	58,325	78,281	57,512	74,423
Equity Securities				
of which qualified participations	-	9	-	9
Total	<u>58,325</u>	<u>78,290</u>	<u>57,512</u>	<u>74,432</u>
including securities eligible for repo transactions in accordance with liquidity regulations	-	-	-	-

Notes to the Financial Statements

31 December 2014

*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.4 Schedule of fixed assets**

	Cost value	Accu- mulated depre- ciation	Book value end of 2013	Additions in 2014	Disposals in 2014	Deprecia- tion of 2014	Book value end of 2014
Furniture fixtures	879	(842)	37	25	–	(29)	33
IT Equipment & Software	3,095	(3,072)	23	21	–	(21)	23
Leasehold improvements	1,231	(1,208)	23	–	–	(23)	–
Other	1,065	–	1,065	–	–	–	1,065
Total	6,249	(5,136)	1,148	46	–	(73)	1,121

Fire insurance value of fixed assets is CHF 5,129 (2013: CHF 5,067).

Future leasing installments under operating leases are CHF 82 (2013: CHF 82).

3.5 Other assets and other liabilities

	2014		2013	
	Other assets	Other liabilities	Other assets	Other liabilities
Replacement values of Derivative instruments	57,175	58,311	105,908	98,219
Indirect taxes	8	91	28	61
Others	1,850	996	72	968
Total	59,033	59,398	106,008	99,248

Notes to the Financial Statements**31 December 2014***(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.6 Lending transactions and securities repurchase agreements**

	<u>2014</u>	<u>2013</u>
Receivables from cash collateral delivered in connection with reverse repurchase agreements	5,903	42,216
Obligations from cash collateral received in connection with repurchase agreements	—	49,443
Securities in own portfolio transferred in connection with repurchase agreements	—	58,765
Securities received in connection with reverse-repurchase agreements with an unrestricted right to resell or repledge	6,460	46,514

3.7 Employees' benefits

The company has signed an affiliated contract with the collective foundation Allianz in Zurich, a collective pension fund applying the legal requirements on employees' benefits (LPP) in Switzerland. The Pension Fund is based on the principle of defined contributions. It is contributed to by the employer (60%) and the employees (40%) based on the contributions fixed in the pension plan rules.

The plan covers between the minimum salary of CHF 19.9 up to a maximum amount of CHF 150. As of December 31, 2014, 54 employees are covered (2013: 51 employees). The 4 employees based in the representative office in Istanbul are not covered by the Swiss scheme (2013: 5 employees).

The accounting treatment of the employee' benefits are based on the Swiss GAAP FER 16.

The employer's contributions are recognized in the profit and loss account as current charges for the period amounting to CHF 499 (2013: CHF 345).

Employer's contributions reserve

No employer's contributions reserve has been created.

Economical advantage / liability and pension plan costs

Each year the Bank must determine if the degree of coverage or the particular situation of the Pension Fund presents an economic advantage or obligation from the Bank's point of view.

As of December 31, 2014, the Bank held no reserves for contributions and had no liabilities towards the Pension Fund. The coverage ratio of the Pension Fund scheme is 100% which is due to full reinsurance of the pension fund.

Notes to the Financial Statements

31 December 2014

*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.8 Schedule of value adjustments and provisions**

	December 31, 2013	Use in conformity with designated purposes	Change in definition of purpose	Recoveries doubtful interest, exchange difference	New provision charges in 2014	Releases to income in 2014	December 31, 2014
Value adjustments and provisions for default and other risks							
- Value adjustments and provisions for credit and country risks	39,188	(2)	(2,600)	675	-	-	37,261
- Other provisions	76,023	-	2,600	-	5,600	-	84,223
Sub-total	115,211	(2)	-	675	5,600	-	121,484
Less: Value adjustments directly set-off against assets	-	-	-	-	-	-	-
Total value adjustments and provisions as per balance sheet	115,211	(2)	-	675	5,600	-	121,484

In addition, the valuation adjustments, provisions and losses in profit and loss statement consists of CHF 2,654 (2013: CHF 1,867) related to a written-off loan and sale of NPL loan with a discount in 2014 and there was no collection from written-off loan in the previous years (2013: CHF 152).

As at December 31, 2014, in application of the country risk policy mentioned in note 2.10, the Bank has the following country risk reserves:

	2014	2013
Turkey	21,300	26,731
Other	9,365	6,535
Total	30,665	33,266

Other provisions are provisions set aside to cover other banking risks explicit to credit exposures, and no taxation has been made on these provisions, as the level is fiscally allowable.

Notes to the Financial Statements

31 December 2014

*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.9 Analysis of share capital**

	2014			2013		
	Total nominal value	Number of shares	Capital eligible for dividend	Total nominal value	Number of shares	Capital eligible for dividend
Share capital	35,000	35,000	35,000	35,000	35,000	35,000
Total share capital	35,000	35,000	35,000	35,000	35,000	35,000

Significant shareholders with voting rights

	Type of shares	2014		2013	
		Nominal value	Percentage of equity	Nominal value	Percentage of equity
With voting rights:					
Credit Europe Bank N.V.	Nominal	35,000	100%	35,000	100%
Main shareholders' of			in %	in %	
Credit Europe Bank N.V.					
Credit Europe Group N.V.			100.00	100.00	
Of which: Fiba Holding A.S.			98.00	98.00	
Fiba Faktoring A.S.			2.00	2.00	
Total			100.00		100.00

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.10 Statement of changes in shareholders' equity**

Equity at beginning of current year	
Paid-up capital	35,000
General statutory reserve	7,484
Distributable profit	<u>22,474</u>
Total equity at beginning of current year	64,958
Profit for the year	<u>5,144</u>
Total equity at end of current year (before profit distribution)	<u>70,102</u>
of which:	
Share capital	35,000
General legal reserve	7,484
Retained earnings	27,618

3.11 Maturity structure of current assets, financial investments and borrowed funds

	Remaining maturity							Total
	At sight	Cancel- lable	Due 3 months	Due 3 to 12 months	Due 12 months to 5 years	Due after 5 years	Without maturity	
Current assets								
Liquid assets	687	–	–	–	–	–	–	687
Money market instruments	–	–	4,252	1,703	–	–	–	5,955
Amounts due from banks	87,681	–	54,344	7,347	–	–	–	149,372
Amounts due from customers	–	28,120	120,301	18,661	63,365	61,835	–	292,282
Securities held for trading trading purpose	11,634	–	–	–	–	–	–	11,634
Financial investments	–	–	–	–	44,700	13,625	–	58,325
Total current assets	<u>100,002</u>	<u>28,120</u>	<u>178,897</u>	<u>27,711</u>	<u>108,065</u>	<u>75,460</u>	<u>–</u>	<u>518,255</u>
<i>Total prior year</i>	<i>134,695</i>	<i>36,725</i>	<i>174,253</i>	<i>66,913</i>	<i>115,986</i>	<i>62,953</i>	<i>–</i>	<i>591,525</i>
Third party liabilities								
Amounts due to banks	6,258	–	24,376	97,931	–	–	–	128,565
Amounts due to customers	200,739	–	4,915	–	–	–	–	205,654
Total third party liabilities	<u>206,997</u>	<u>–</u>	<u>29,291</u>	<u>97,931</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>334,219</u>
<i>Total prior year</i>	<i>220,235</i>	<i>–</i>	<i>98,296</i>	<i>105,113</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>423,644</i>

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.12 Amounts due from and due to affiliated entities as well as loans and exposures to the members of the Bank's governing bodies**

Affiliated entities	2014	2013
Assets		
Amounts due from customers	20,397	24,094
Amounts due from banks	6,058	42,216
Other assets	28,651	68,478
	<u> </u>	<u> </u>
Total	55,106	134,788
	<u> </u>	<u> </u>
Liabilities		
Amounts due to banks	103	90
Other amounts due to customers	137,345	168,428
Other liabilities	1,705	4,713
	<u> </u>	<u> </u>
Total	139,153	173,231
	<u> </u>	<u> </u>
Bank's governing bodies		
Assets		
Amounts due from customers	1,867	1,649
Other assets	662	1,019
	<u> </u>	<u> </u>
Total	2,529	2,668
	<u> </u>	<u> </u>
Liabilities		
Other amounts due to customers	1,013	232
Other liabilities	7	10
	<u> </u>	<u> </u>
Total	1,020	242
	<u> </u>	<u> </u>

Balances with the parent entities and shareholders owning directly or indirectly more than 10% of the Bank (see note 3.9 for details of the parent entities and shareholders), are disclosed separately as a footnote on the balance sheet under balances due to and from 'group companies and holders of qualified participations'. Balances with these parties are excluded from the balances with affiliated entities and Bank's governing bodies disclosed above. Related parties comprise subsidiaries, parent entities, shareholders, affiliated entities and the Bank's governing bodies.

Amounts due from and due to related parties mainly include financing loans and short-term bank borrowings, respectively. The interest rates applied for all transactions entered with related parties are within market conditions.

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.12 Amounts due from and due to affiliated entities as well as loans and exposures to the members of the Bank's governing bodies (continuous)**

Total interest income and net commission income generated from related parties was CHF 1,330 (2013: CHF 482) and CHF 1,461 (2013: CHF 1,141) respectively. There was no interest expense incurred on borrowings from related parties (2013: CHF 71).

Total fiduciary deposits and underlying derivative transactions from related parties are CHF 457,294 (2013: CHF 406,395) and CHF 1,262,492 (2013: CHF 2,256,088) respectively.

3.13 Analysis of domestic and foreign assets and liabilities

	2014				2013			
	Swiss	EU	Turkish	Other	Swiss	EU	Turkish	Other
Assets								
Liquid Assets	687	–	–	–	488	–	–	–
Money market instruments	–	1,434	4,521	–	–	–	7,038	–
Amounts due from banks	15,358	109,456	13,415	11,143	5,190	135,801	48,563	11,305
Amounts due from customers	27,471	53,171	143,778	67,862	21,487	58,862	173,011	31,746
Securities held for trading purposes	–	9,629	2,005	–	–	8,579	1,881	9,284
Financial investments	–	–	55,009	3,316	–	9	50,969	27,312
Fixed assets	1,121	–	–	–	1,148	–	–	–
Accrued income and prepaid expenses	9,120	–	–	–	6,510	–	–	–
Other assets	57,202	–	–	1,831	106,008	–	–	–
Total assets	110,959	173,690	218,728	84,152	140,831	203,251	281,462	79,647
Liabilities and shareholders' equity								
Amounts due to banks	–	125,670	2,889	6	7,758	192,764	58	485
Other amounts due to customers	6,182	60,598	114,688	24,186	8,140	38,433	149,952	26,054
Accrued expenses and deferred income	2,326	–	–	–	2,130	–	–	–
Other liabilities	58,411	–	189	798	99,248	–	–	–
Valuation adjustments and provisions	121,484	–	–	–	115,211	–	–	–
Share capital	35,000	–	–	–	35,000	–	–	–
General legal reserve	7,484	–	–	–	7,484	–	–	–
Retained earnings brought forward	22,474	–	–	–	18,110	–	–	–
Net income	5,144	–	–	–	4,364	–	–	–
Total Liabilities and shareholders' equity	258,505	186,268	117,766	24,990	297,445	231,197	150,010	26,539

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***3.14 Schedule of assets by regions and countries**

	2014		2013	
	Absolute	Share as %	Absolute	Share as %
Europe				
Turkey	218'728	37.2	281'462	39.9
Switzerland	110'959	18.9	140'831	20.0
United Kingdom	71'079	12.1	100'518	14.3
Netherlands	50'246	8.6	56'733	8.0
CIS	49'598	8.4	46'933	6.7
British Virgin Island	24'924	4.2	23'275	3.3
Greece	22'432	3.8	26'583	3.8
Malta	15'813	2.7	14'192	2.0
Germany	8'962	1.5	917	0.1
Others	5'869	1.0	4'394	0.7
America				
United States of America	3'484	0.6	3'728	0.5
Others	473	0.1	325	0.0
Others				
Marshall Islands	4'615	0.8	4'904	0.6
Others	347	0.1	396	0.1
Total	587'529	100.0	705'191	100.0

*The Commonwealth of Independent States (CIS) comprises Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

Notes to the Financial Statements

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(Amount expressed in Swiss Francs thousands unless otherwise stated)

3.15 Balance sheet by currencies

	CHF	USD	TRY	EUR	GBP	Other	Total
Assets							
Liquid Assets	639	28	–	12	8	–	687
Money market instruments	–	5,955	–	–	–	–	5,955
Amounts due from banks	1,202	85,400	3,361	57,741	429	1,239	149,372
Amounts due from customers	310	199,386	38,027	54,367	192	–	292,282
Securities held for trading purposes	–	2,005	–	9,629	–	–	11,634
Financial investments	–	58,325	–	–	–	–	58,325
Fixed assets	1,121	–	–	–	–	–	1,121
Accrued income and prepaid expenses	25	7,005	389	1,701	–	–	9,120
Other assets	57,194	1,828	–	11	–	–	59,033
Total long positions on balance sheet	60,491	359,932	41,777	123,461	629	1,239	587,529
<i>Prior year</i>	<i>109,634</i>	<i>415,277</i>	<i>53,628</i>	<i>125,281</i>	<i>317</i>	<i>1,054</i>	<i>705,191</i>
Total long derivative Positions (*)	194,652	1,294,548	703,153	1,274,892	656,460	52,694	4,176,399
<i>Prior year</i>	<i>224,554</i>	<i>1,282,886</i>	<i>634,089</i>	<i>1,943,804</i>	<i>297,515</i>	<i>74,927</i>	<i>4,457,775</i>
Total long positions	255,143	1,654,480	744,930	1,398,353	657,089	53,933	4,763,928
<i>Prior year</i>	<i>334,188</i>	<i>1,698,163</i>	<i>687,717</i>	<i>2,069,085</i>	<i>297,832</i>	<i>75,981</i>	<i>5,162,966</i>
Liabilities and shareholders' equity							
Amounts due to banks	108	36,490	2,790	89,143	31	3	128,565
Other amounts due to customers	1,157	132,261	1,402	60,051	3,500	7,283	205,654
Accrued expenses and deferred income	1,482	766	1	77	–	–	2,326
Other liabilities	58,411	987	–	–	–	–	59,398
Valuation adjustments and provisions	114,890	6,594	–	–	–	–	121,484
Share capital	35,000	–	–	–	–	–	35,000
General legal reserve	7,484	–	–	–	–	–	7,484
Retained earnings brought forward	22,474	–	–	–	–	–	22,474
Net income	5,144	–	–	–	–	–	5,144
Total short positions on balance sheet	246,150	177,098	4,193	149,271	3,531	7,286	587,529
<i>Prior year</i>	<i>275,612</i>	<i>307,753</i>	<i>9,095</i>	<i>110,876</i>	<i>378</i>	<i>1,477</i>	<i>705,191</i>
Total short derivative Positions (*)	10,236	1,477,267	741,008	1,249,099	653,548	46,617	4,177,775
<i>Prior year</i>	<i>51,555</i>	<i>1,390,153</i>	<i>679,633</i>	<i>1,958,156</i>	<i>297,553</i>	<i>74,259</i>	<i>4,451,309</i>
Total short positions	256,386	1,654,365	745,201	1,398,370	657,079	53,903	4,765,304
<i>Prior year</i>	<i>327,167</i>	<i>1,697,906</i>	<i>688,728</i>	<i>2,069,032</i>	<i>297,931</i>	<i>75,736</i>	<i>5,156,500</i>
Total positions, net	(1,243)	115	(271)	(17)	10	30	(1,376)
<i>Prior year</i>	<i>7,021</i>	<i>257</i>	<i>(1,011)</i>	<i>53</i>	<i>(99)</i>	<i>245</i>	<i>6,466</i>

(*) Option positions are not delta weighted but all options are back-to-back type.

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***4. Information concerning off-balance sheet transactions****4.1 Analysis of contingent liabilities and irrevocable commitments**

	2014	2013
Letters of credit	22,590	13,743
Guarantees	9,304	12,811
Irrevocable commitments	<u>234</u>	<u>278</u>
Total	<u>32,128</u>	<u>26,832</u>

4.2 Analysis of commitment credits

	2014	2013
Obligations under deferred payments	12,703	21,358
Confirmed credits	<u>1,534</u>	<u>-</u>
Total	<u>14,237</u>	<u>21,358</u>

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***4.3 Details of derivative instruments open at year-end**

	Derivative Instrument for trading purposes			Derivative instruments for hedging purposes		
	Positive replacement value	Negative replacement value	Contract volume	Positive replacement value	Negative replacement value	Contract volume
Currencies						
Forward contracts	10,789	9,868	280,447	-	-	-
Swap contracts	8,545	10,602	1,961,927	-	-	-
Options (OTC)	36,783	36,783	1,931,943	-	-	-
Total	56,117	57,253	4,174,317	-	-	-
Equity Securities						
Options (OTC)	1,058	1,058	2,082	-	-	-
Total	1,058	1,058	2,082	-	-	-
Total before/after netting contracts	57,175	58,311	4,176,399	-	-	-
<i>Prior year</i>	<i>105,908</i>	<i>98,219</i>	<i>4,465,773</i>	-	-	-
Total	<u>57,175</u>	<u>58,311</u>	<u>4,176,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Prior year</i>	<i>105,908</i>	<i>98,219</i>	<i>4,465,773</i>	-	-	-

All derivative instruments are client related transactions mainly offsetted with other counterparts in the market.

Amounts due from Banks included CHF 73,337 (2013: CHF 104,561) as margin accounts with the counterpart banks against the derivative transactions in relation to client related transactions.

4.4 Analysis of fiduciary transactions

	2014	2013
Fiduciary placements with		
Third party banks	370,221	314,339
Fiba Group	466,080	477,217
Fiduciary loans with		
Third party customers	<u>246,855</u>	<u>265,341</u>
Total	<u>1,083,156</u>	<u>1,056,897</u>

4.5 Clients Assets

The Bank does not meet the criteria for disclosing client assets due to the fact that its revenues are mostly consisting of interest and commissions on lending income.

Notes to the Financial Statements

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***5. Information concerning the Income statement****5.1 Analysis of interest income and expense**

Interest income and interest expense from forex swap transactions was CHF 25,975 (2013: CHF 7,595) and CHF 24,523 (2013: CHF 7,401) respectively.

5.2 Analysis of profit and loss on trading transactions

	2014	2013
Foreign exchange	2,199	1,986
Securities trading portfolios	131	(262)
Total	2,330	1,724

5.3 Analysis of personnel expenses

	2014	2013
Board of Directors fees	367	347
Salaries	7,758	7,088
Social charges		
A.V.S. contributions	379	369
L.P.P. contributions	499	345
Other social charges	395	389
Other personnel expenses	219	238
Total	9,617	8,776

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*(Amount expressed in Swiss Francs thousands unless otherwise stated)***5.4 Analysis of other operating expenses**

	2014	2013
Premises expenses	955	996
Telecommunication expenses	226	241
IT outsourcing, machinery, furniture and equipment expenses	2,082	2,116
Other operating expenses	<u>1,811</u>	<u>1,507</u>
Total other operating expenses	<u>5,074</u>	<u>4,860</u>

5.5 Commentaries concerning material losses, extraordinary income (notably subventions from shareholders) and expenses as well as material releases of silent reserves, reserves for general banking risks and valuation adjustments and provisions no longer required

The Bank collected CHF 190 related to its claim from bond litigation settlement fund in 2014 (2013: CHF zero).

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(Amount expressed in Swiss Francs thousands unless otherwise stated)

Board of Directors' Proposed Appropriation of Retained Earnings as at December 31, 2014.

In CHF

	2014	2013
Retained earnings available		
Net income for the year	5,143,671	4,364,353
Profit brought forward	22,474,533	18,110,180
	<u>27,618,204</u>	<u>22,474,533</u>
Proposition for distribution by the General Meeting of Shareholders		
Ordinary dividend	1,750,000	-
Supplementary dividend	13,250,000	-
To be transferred to the general legal reserve (10% of supplementary dividend)	1,325,000	-
To be carried forward	<u>11,293,204</u>	<u>22,474,533</u>
Total	<u>27,618,204</u>	<u>22,474,533</u>