Annual Report
2014

Amsterdam Trade Bank
Member of Alfa • Bank Group

Contents

General information

Profile and strategy

Amsterdam Trade Bank NV (ATB) is an independent financial institution founded in 1994 that obtained its banking license in the same year. ATB provides financing, services and solutions for trade and cross border transactions. ATB strives for excellence in trade solutions, including treasury coverage.

Since 2001 ATB is part of the Alfa Group through its parent Alfa-Bank Russia, one of the largest private banks in the Russian Federation.

ATB is subject to applicable Dutch and European banking regulations and supervised by Dutch Central Bank (De Nederlandsche Bank or DNB) and the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten or AFM). ATB carries out its activities in accordance with all applicable Dutch and European banking regulations.

ATB has a profound knowledge of the business environment in Russia and the other CIS countries. Being part of the extensive network of the Alfa Group, ATB's market position can be considered as unique, a position which is even more true due to the current economic and political climate.

ATB's business areas are structured trade and commodity finance, corporate banking, treasury and payments services for Western Europe/CIS relationships.
ATB is mainly focused on trades originated by medium sized clients, preferable privately owned, being:

- West European corporates exporting to or importing from the CIS;
- CIS corporates exporting to or importing from Western Europe;
- Commodity traders in the trade value chain.

ATB aims for a business fit to its market position and to its size and credit rating. ATB's small size allows for higher client proximity and a shorter turnaround time. Currently ATB has around 190 employees. Being located outside the CIS, while having access to the CIS knowledge of Alfa Group, ATB is able to operate as a focused niche player.

ATB has its head office in Amsterdam, the Netherlands and has representative offices in Moscow (Russia), Almaty (Kazakhstan) and London (United Kingdom) and a fully owned subsidiary (ATB Leasing) in Moscow.

Companies engaged to develop business with Russia and the other CIS countries consider ATB as a dedicated and committed bank and a reliable partner with extensive knowledge of the CIS market.

Due to the focus on financing trade and investment flows of corporates, a significant part of ATB's clients performs activities in the import/export business in a variety of industries. Although ATB does not limit itself to certain industries, targeted sectors for these products and services are:

- Production and trade of ferrous and nonferrous metals, coal, crude oil, petrochemicals, fertilizers, soft commodities;
- Machinery and equipment production;
- ICT components;
- Transportation and logistics.

These activities are funded by a mix of retail savings and deposits from the Netherlands, Germany and Austria as well as wholesale funding.

Report of the Supervisory Board

We herewith present the annual report (including the financial statements) of Amsterdam Trade Bank NV (ATB) for the year ended 31 December 2014 as prepared by the Executive Board and adopted by ourselves. The financial statements included herein have been audited by KPMG Accountants NV.

We recommend the Shareholder to approve the financial statements 2014 as presented and to discharge the members of the Executive Board for their management of ATB and the members of the Supervisory Board for their oversight exercised thereon. On adoption of the result contained therein, no dividend will be distributed for the financial year 2014.

We would like to express our gratitude to all our clients and business contacts for having continued to placing their trust in ATB, giving due respect to the complex commercial context during 2014.

The year 2014 has been an excessively challenging year for ATB due to various issues. The composition of the Executive Board has been modified by the recruitment and appointment of a new Chief Financial Officer, Chief Risk Officer and Chief Commercial Officer at various moments in 2014. Moreover, Mr P. Gorbatsevich (CEO) agreed with the Supervisory Board to step down in June 2015 enabling ATB to further strengthen its Executive Board. Oversight in the banking system changed in the course of 2014 from a purely domestically led system to a system under guidance of the European Central Bank. De Nederlandsche Bank has performed system related reviews into due observance of the Acts to counter fraud and terrorism (WWFT) for many banks operating in the Netherlands and as a result of their review stimulated ATB to further improve its internal control and compliance systems. These important efforts and the changing strategic direction of ATB have received significant attention from the Executive Board and the Supervisory Board. Furthermore, ATB has been significantly impacted by the geo-political conflicts between Russia and Ukraine. The European and international sanctions have negatively affected trade and investment volumes and increased the economic and financial stress for companies active in these markets. The resulting aggravation of the credit risks in ATB’s portfolio was also extensively monitored and discussed between the two Boards. This geo-political conflict and its consequences for the quality of the credit portfolio have resulted in the bank closing the 2014 operations at a loss.

The Supervisory Board met seven times in the course of 2014. Due to the geopolitical tension and economic uncertainties in Russia and Ukraine mentioned above, the Supervisory Board closely monitored ATB’s risk profile, capital and liquidity adequacy considering ATB’s desired risk appetite. In particular it concentrated on compliance with regulatory requirements applicable to the banking sector at large, the profile and regional concentration of ATB’s clients in particular and paid specific attention related to monitoring of client files and business transactions including reporting of unusual transactions. Other topics for discussion included strategy considerations and budget, ICT project portfolio, the quarterly and annual figures, recovery plan, risk and compliance framework. The Supervisory Board will continue to support the Executive Board in ensuring that ATB’s activities are executed with extreme care and where possible de-risking the profile of ATB.

In the course of 2014 the committees of the Supervisory Board have met several times.

Report of the Supervisory Board

The Audit Committee met three times and monitored ATB's audit governance and quality with respect to both the financial reporting and the internal control. Within this scope the Audit Committee has discussed the annual Baseline Risk Analysis, the reports from the internal and external auditor, the audit planning, progress in the resolution of audit issues, including IT audit, IT security and compliance related matters. During 2014 the committee consisted of Mr H.C.M. van Damme (Chairman), Mr W. Devriendt and Mr R.D. James (until his resignation from this committee in the course of 2015).

The Risk and Compliance Committee met five times and monitored ATB's risk policies, appetite and profile as well as ATB's governance and compliance. In this respect the Risk and Compliance Committee has discussed ATB's Integrity Risk Analysis, risk policies and Risk Appetite Dashboard with focus on credit risk, market risk, capital and liquidity adequacy, operational risk, compliance risk, earnings volatility and strategic risk. On an ongoing basis during the year, the committee also took several decisions on credit proposals escalated in accordance with ATB's internal governance. During 2014 the committee consisted of Mr R.D. James (Chairman until his resignation of this committee), Mr F.C.W. Kuijlaars, Mr V.V. Tatarchuk and Mr W. Devriendt (until his resignation from this committee).

The Remuneration and Nominating Committee had three meetings and discussed ATB's Remuneration Policy and the variable income components of ATB's Executive Board and staff members in line with new Dutch and European banking regulations, expectations of the various stakeholders and social acceptance. The Committee prepared the profiles and proposals in order to fill in the vacant positions in the Supervisory Board and the Executive Board, considering required specific expertise, complementarity, collegiality and diversity. The Committee discussed the performances of the Supervisory Board, its committees, its members and the individual members of the Executive Board. During 2014 the committee consisted of Mr F.C.W. Kuijlaars (Chairman), Mr H.C.M. van Damme, Mr R.D. James and Mr. W. Devriendt (until the latter two persons' resignation from this committee) and Mr P.S. Smida (from the date of his appointment).

We are pleased to note that the Supervisory Board committee meetings were, in nearly all cases, attended by all members of the committees and the members of the Executive Board.

The Supervisory Board has been involved in ATB's compliance with the Dutch Banking Code. In that respect the permanent education program, through which the expertise of the members of the Executive Board and the Supervisory Board is maintained and expanded, continued in the course of 2014. The permanent educations cover relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, IT infrastructure, risk management, financial reporting and audit.

The following members of the Supervisory Board resigned: Mr V. Lisovenko as from 13 March 2014 and Mr R.D. James as from 27 April 2015.
We would like to thank Mr Lisovenko and Mr James for the duties they have performed.

Report of the Supervisory Board

On 13 November 2014 Mr P.S. Smida has been appointed as a member of the Supervisory Board. We are pleased that he joined the Supervisory Board in order to maintain a balanced composition.

The Executive Board was strengthened with the appointment of the following members:
- on 10 May 2014 Mr P.J. Ullmann as Chief Risk Officer;
- on 3 October 2014 Mr H.P.M.G. Steeghs as Chief Financial Officer;
- on 3 October 2014 Mr I. Pakan as Chief Commercial Officer.

We would like to thank Mr A.V. Drovossekov and Mr H.W. te Beest who resigned as members of the Executive Board respectively as from 30 April 2014 and as from 3 October 2014.
On 22 June 2015 the Supervisory Board agreed with Mr P.J. Gorbatsevich that he would step down from the CEO position. We would like to thank him for his continued efforts to strengthen the bank in these difficult years.

We wish to thank the Executive Board and staff of ATB for their continuous efforts and dedication in a complex financial year.

Amsterdam, 21 July 2015

Supervisory Board:

W.J.M.O. Devriendt, Chairman
H.C.M. van Damme
F.C.W. Kuijlaars
P.S. Smida
V.V. Tatarchuk

Profile of the members of the Supervisory Board

(in accordance with article 3.5 of ATB's governing charter)

Mr W.J.M.O. Devriendt (1967), Chairman

Nationality: Belgian
Appointing period: 2013-2017

Position ATB:
Member of Audit Committee

Other positions:
- Independent Advisor to the Belgian Government (Federal Participation and Investment Company) on Belgian state intervention and bank restructuring
- Non-Executive Supervisory Board member of Belfius
- Non-Executive member General Council of Hellenic Financial Stability Fund

Mr H.C.M. van Damme RA (1951)

Nationality: Dutch
Appointing period: 2013-2017

Position ATB:
- Chairman of Audit Committee
- Member of Remuneration and Nominating Committee

Other positions:
- Acting chairman of Supervisory Board of EFRAG (until 31 October 2014)
- Chair of Common Content Project

Mr F.C.W. Kuijlaars (1958)

Nationality: Dutch
Appointing period: 2012-2016

Position ATB:
- Chairman of Remuneration and Nominating Committee
- Member of Risk and Compliance Committee
- Chairman of Risk and Compliance Committee (after resignation of Mr. R.D. James)

Other positions:
- Chairman of the Board of Directors of JSC NC KazMunayGas
- Independent director JSC HalykBank
- Managing Director MD Eureka (Energy) Ventures BV

Mr P.S. Smida (1963)

Nationality: Czech
Appointing period: 2014-2018

Position ATB:
Member of Remuneration and Nominating Committee

Other positions:
Chairman of the Board of Directors of Alfa-Bank Russia

Mr V.V. Tatarchuk (1975)

Nationality: Russian
Appointing period: 2013-2017

Position ATB:
Member of Risk and Compliance Committee

Other positions:
CEO of Proxima Capital Group, Russia

Report of the Executive Board

Operational Review

The year 2014 has been a very challenging year for Amsterdam Trade Bank. The geopolitical situation around Ukraine has had a major impact on our business and on our results. The events in Crimea and Eastern Ukraine and the related EU and US sanctions have led to major economic difficulties for companies and individuals in Russia and Ukraine. Many of our clients in those countries have suffered from these circumstances and a number of them have as a result not been able to fulfill part or all of their financial obligations. As a consequence we have therefore taken significant additional provisions for potential loan losses.

The geopolitical tensions as well as the resulting sanctions have put a significant strain on the activities of ATB and have aggravated the impact of ATB's risk profile with a large portion of exposures in the CIS countries. The developments over the year with these clients have also necessitated to increased efforts in the compliance area in order to ensure that we adhere fully to the spirit and the letter of laws and regulations with respect to know your client, money laundering, corruption and terrorism financing. Dutch Central Bank gave full support for this strategic concentration by ATB and the efforts to reduce the size of the portfolio that is exposed to such risks. We consider the full adherence to these compliance standards a key business issue, in particular considering the developments in Russia and Ukraine and the fact that we have major business interests in those countries.

Our increased efforts in 2014 to de-risk ATB's profile and concentrate on compliance will continue in 2015 which is also aligned with the recommendations of the regulator to strengthen our internal controls in this area. This involves implementing a strong compliance culture and organization, processes and tooling, but equally the specific monitoring of our clients files and business transactions where we concluded that this needs to be improved. Unusual transactions have been and will continue to be reported to the relevant authorities based on our further analysis of the transactions. The possible consequences are disclosed in Note 18 (Contingent liabilities) of the financial statements. Furthermore we have implemented strict procedures to identify companies or individuals that have been mentioned on sanction lists.

With respect to solvency, even though we have faced significant additional provision for loan losses, our capital situation remains satisfactory. Our solvency ratios are still at a comfortable level, well above our own strict hurdle rates. However, in view of the ongoing economic difficulties in Russia and Ukraine, which will impact our results also in 2015, it is good to note that our ultimate shareholders are supporting our efforts to de-risk our business and have indicated their willingness to strengthen the bank with additional capital if so required. They have also indicated they fully back our efforts in the area of compliance.

Based on the unwavering support from our ultimate shareholders and our Supervisory Board, we are confident we can successfully implement our re-aligned strategy. A strategy that is aiming to de-risk our business and build a strong trade and commodity finance bank, which is uniquely placed to deliver financial products and services to our clients who are trading between Western Europe and the CIS countries.

Market developments

Based upon the United Nations forecast as published in May growth of world gross product is projected to accelerate slightly from 2.6 per cent in 2014 to 2.8 per cent in 2015 - a downward revision by 0.3 percentage points from the forecast presented in the World Economic Situation and Prospects 2015 in January.

Growth prospects for the Commonwealth of Independent States (CIS) region in 2015-2016 have been downgraded against the backdrop of low oil prices, military conflict in the East of Ukraine and economic sanctions against the Russian Federation. The aggregate GDP of the CIS and Georgia is expected to contract by 2.1 per cent in 2015 and expand only modestly by 0.9 per cent in 2016. Although the direct impact of sanctions on the Russian economy has been relatively limited, they have contributed to capital outflows, currency depreciation and a weakening in business confidence.

The Russian economy is expected to shrink by about 3 per cent in 2015, as weak business sentiment and high interest rates deter investment and high inflation weighs on private consumption. Ukraine's economy is expected to contract sharply owing to the conflict in the industrial part of the country, fiscal tightening and a fall in private consumption. Weaker Russian and Ukrainian markets will also constrain growth in Belarus. Lower oil and gas revenues will lead to a growth moderation in energy-exporting countries, such as Azerbaijan and Kazakhstan. Most of the CIS currencies either were devalued or depreciated significantly in the past year, spurring inflation, in some cases to double-digit levels.

Weaker currencies will partly offset fiscal losses in the energy-exporting CIS economies, but many Governments will nonetheless need to draw from their sovereign reserve funds. The weaker currencies will at the same time undermine private consumption and put pressure on the banking systems, constraining credit expansion. The establishment of the Eurasian Economic Union of Armenia, Belarus, Kazakhstan and the Russian Federation in January 2015 - Kyrgyzstan is also set to join the union - should bolster intra-regional economic ties, although many aspects of the integration process still have to be agreed.

At present, the most vulnerable emerging economies are those that are exposed to geopolitical risks or political instability or that are heavily dependent on international commodity exports. If the prices of oil and other commodities remain low over the longer term, commodity-dependent emerging economies - particularly in Africa, South America, Western Asia and the CIS - could face increasing pressures on budgets and external balances.

The situation in Ukraine remains a further risk to the economic outlook. While negotiations have produced some agreement on a ceasefire and a stabilisation of the situation, a lasting solution has not yet been reached. Any renewed escalation could further crimp regional economic prospects and might also lead to negative spillover effects, in particular for Western Europe, not least through the energy sector and a fall in business confidence.

The crisis in Ukraine has led to several rounds of sanctions between OECD economies and the Russian Federation over the course of 2014, as well as sanctions by the US Treasury on Russian entities and individuals. Sanctions against the Russian economy, affects the defense, finance and energy sectors by restricting exports of arms, double-use technology and certain equipment for the oil industry, and by curbing access of Russian banks and companies to international capital markets. The Russian Federation imposed counter-sanctions, most notably focused on the agricultural sector by a one-year ban on imports of food products. Decisions in the course of 2015 have been that all sanctions have been continued and will thus also effect 2015 operations.

Economic prospects depend largely on the evolution of geopolitical situation. Further escalation of the situation around Ukraine would have detrimental consequences for the region, through trade, investment and remittances channels. The Russian Federation faces weak domestic demand. The Russian Federation has substantial foreign exchange reserves to withstand current turbulences, but continued instability would affect investment for an extended period of time. This would make it more difficult to address emerging supply constraints and raise potential growth. The region also remains vulnerable to declines in commodity prices, in particular of oil.

Net external demand and the devaluation of the Ruble prevented the Russian economy from falling into a recession. However, serious downside risks like volatility of oil price and international financial market and the continued problem of capital outflows are seen as major concerns.

In Ukraine 2014 was characterized by economic contraction, conflict-related costs, falling domestic demand, the depreciation of the national currency (Hryvnia) and worsening in the terms of trade. A mild recovery in aggregate output growth is expected in 2015, provided geopolitical tensions ease and output stabilizes in Ukraine.

At year-end ATB has EUR 310 million (year-end 2013 EUR 493 million) of exposure in Ukraine of which EUR 72 million on banks and EUR 390 million of exposure in Russia (year-end 2013 EUR 349 million).

On 1 June 2015 the World Bank updated its economic outlook for Russia for 2015 and 2016 to reflect a further stabilization of global oil prices. The new most likely scenario is more optimistic and assumes an average oil price of US$58.0 per barrel for 2015 and of US$63.6 per barrel for 2016. On this basis, real GDP is projected to contract by 2.7 percent in 2015, before reaching 0.7 percent in 2016, and 2.5 percent in 2017. This is an improvement to the Bank's April outlook when real GDP was projected to contract by 3.8 percent in 2015 and modestly decline by 0.3 percent in 2016. The revised forecast is largely driven by the adjustment in oil prices over the previous two months that is supporting the ruble exchange rate and a slightly faster retreat of inflation. Consumption is projected to decline in 2015 and 2016, following a negligible expansion in 2014. Investment activity would recover slowly in 2016 and more prominently in 2017, contingent on a removal of lingering structural problems and improvement in business and consumer sentiments, as sanctions are expected to phase out by the end of 2016. Fiscal policy is expected to follow a consolidation path over the next two years with some improvement in the fiscal balance as oil revenues stabilize. Significant downside risks to the projection remain, as the global oil market continues to search for its new equilibrium and the commitment to structural reforms needs to be supported by a concrete set of strong policy actions.

During 2014 net exports were stronger than expected, with imports decreasing at a faster rate than anticipated due to the sharp depreciation of the Ruble in recent months. Higher prices for imports reduced demand by households and firms. The World Bank's revised 2015 forecast assumes that net exports will become the main contributor to growth, replacing consumption growth as the key growth driver of previous years. Investment is still expected to decline due to restricted access to external capital and high borrowing costs. In 2016, investment and consumption growth would start their gradual recovery and begin to contribute positively to growth.

On balance, the revised World Bank outlook remains subject to significant downside risks, which could stem from continued high volatility of the international oil market and international financial markets in line with an uneven and subdued global recovery.

Credit rating

On 13 January 2015, Moody's has downgraded ATB's local- and foreign-currency long-term deposit ratings to Ba3 from Ba2, as well as the standalone bank financial strength rating (BFSR) from D to D-. The downgrade to D- reflects the likelihood of asset quality deterioration resulting from ATB's substantial exposures to Russia and Ukraine against the geopolitical and economic tensions. Although ATB is not directly affected by sanctions imposed by the US Treasury on Russian entities and individuals, the rating agency believes that the threat of EU and US sanctions pose additional risks to the region.

Report of the Executive Board

Following a publication on 17 March 2015 of their new bank rating methodology and revisions in Moody's government support assumptions for European banks, on 24 June 2015 Moody's confirmed ATB's long-term deposit ratings at Ba3 with a negative outlook and affirmed the short-term deposit ratings at Not Prime. Moody's downgraded the adjusted basic credit assessment (BCA) from Ba3 to b1. The adjusted BCA is one notch above the BCA which was downgraded to B2. Concurrently, Moody's assigned a long and short-term CR Assessment of Ba1(cr)/Not Prime(cr) to ATB.

Key developments in 2014

In the course of 2014, ATB has renewed the composition of the Executive Board by appointing the following members: in May 2014 Mr P.J. Ullmann has been appointed as the new Chief Risk Officer. In September 2014 Mr H.P.M.G. Steeghs came on board as the new Chief Financial Officer, due to the upcoming retirement of the former CFO. At the same time Mr I. Pakan was appointed as the new Chief Commercial Officer.

The members of the Executive Board share many years of experience at executive level in banking. The Executive Board meets on a weekly basis and is currently being chaired by the Interim Chief Executive Officer Mr H.P.M.G. Steeghs.

Due to the continuing geopolitical tension and economic uncertainty in Russia and Ukraine, the Executive Board closely monitored the risk profile of ATB and its capital and liquidity adequacy considering regulatory requirements applicable to the banking sector at large. Subsequently appropriate measures have been taken in order to actively reduce exposures in these countries in line with the approved risk appetite of ATB. ATB's risk profile, in view of the current economic climate, has been reconsidered as it gives rise to increased non-performing loans. The careful consideration of the entire portfolio will result in a further reduction of the exposures to CIS countries in a process of de-risking the activities of the bank as a whole.

Dutch Central Bank requested ATB to ensure that appropriate attention continues to be given to all matters related to compliance with laws and regulations with a stress on the type of clients that ATB is serving. The profile of the clients is such that without appropriate risk mitigation it would be very likely that compliance risks could result. As a reflection of ATB's commitment to continue to comply with changes in legislation and regulations in the market and to further enhance its internal control framework, ATB strengthened its risk and compliance department with additional skilled staff involved in both the first and second line of defense. Subsequently ATB appointed a new Head of Risk Department before year-end 2014 and in February 2015 a new Operational Risk Manager has been hired.

In the first half of 2014 ATB performed a Baseline Risk Analysis in order to further streamline and enhance its Risk and Control Framework. This process will be updated on an annual basis. A detailed periodic Integrity Risk Analysis has been introduced, including the implementation of related policies, procedures and measures.

In the second half of 2014, ATB implemented an Enterprise Risk Management (ERM) framework, consistent with internationally accepted standards and guidelines to ensure that risks are managed in a coordinated, comprehensive and systematic manner.

As part of permanent education of staff in delivering high quality and flexible services to ensure that expectations of our clients are met in the best possible way, ATB facilitated several trainings on trade finance products, credit risk analysis, compliance and commercial skills. The significant focus on compliance related efforts has demanded high levels of dedication of the staff at a time that the full portfolio needed to be carefully reviewed to identify and monitor the credit risks in ATB's activities.

ATB's Remuneration Policy has been aligned with actual Dutch and European regulations, as well as expectations of relevant stakeholders.

Key financials

In 2014 the Dutch banks were required to a one-off payment imposed under the Dutch Deposit Guarantee Scheme (DGS) in order to cover the default of SNS Reaal.
During 2014 ATB generated an operating loss before tax of € 47.5 million, compared to an operating profit before tax of € 32.9 million in 2013, mainly due to a one-off resolution charge related to the nationalization of SNS Reaal and exceptionally high impairments during the second half of the year amounting to € 96.3 million related to loans and advances to customers (€ 93.3 million) and interest-bearing securities (€ 3 million). The increase in total income of € 5.3 million was mainly offset by the increase in operating expenses excluding impairments and one-off resolution charge of € 4.7 million. Consequently the cost to income ratio before impairments increased to 42% (2013: 39%).

The higher effective tax rate of 24.0% (2013: 16.3%) is mainly explained by a one-off release of deferred tax liabilities in ATB Leasing causing a positive net impact on the tax rate in 2013. Furthermore, ATB was charged with a contribution to resolution for SNS Reaal in 2014 which is not tax deductible.

Total income from operating activities increased by 6% to € 88.4 million (2013: € 83.1 million) mainly due to an increase of the net interest income (€ 9.2 million) caused by lower interest expense. Decreased retail funding volumes and related lower average interest rates during the year mainly caused this decline. Net commission income improved (€ 1.5 million) as a result of higher trade finance fees. Result on financial transactions decreased (€ 5.1 million) mainly due to lower gains from sales and trading (€ 1.6 million) and foreign exchange losses (€ 3.5 million).

The increase in total income was offset by an increase in total expense of 15% to € 36.8 million (2013: € 32.0 million) excluding impairments and resolution charge which was due to an increase of staff expense (€ 2.0 million) mainly as a result of the increase in number of employees, increase in general and administrative expense (€ 1.4 million) and higher depreciation charges (€ 1.3 million).

Due to the continuing adverse market developments in Russia and Ukraine, impairments on loans and advances to customers and interest-bearing securities increased by € 96.3 million (2013: € 18 million), resulting in a total loan loss provision at year-end 2014 of € 157 million (2013: € 63 million). The provisions also included a provision for incurred but not reported (IBNR) credit losses of € 9.9 million (2013: € 2.8 million).

As a consequence of the addition to the loan loss provision, ATB's 2014 operating result before tax has become negative € 47.5 million (2013: positive € 32.9 million).

Total assets at year-end 2014 amounted to € 3,945 million (year-end 2013: € 4,240 million). This decrease of total assets was mainly a result of a decrease of Cash and cash equivalents (€ 276 million) and Loans and advances to customers (€ 114 million) offset by an increase of Interest-bearing securities (€ 223 million) and other assets (€ 247 million). In addition, the decrease of Due from banks (€ 371 million), is mainly offset by a decline in Funds entrusted (€ 541 million) following a decrease of retail funding in the Netherlands, Germany and Austria to € 846 million at year-end 2014 (2013: € 1.079 million) due to lowering the interest rates during the year and a decrease of wholesale funding to € 881 million (2013: € 1.194 million).

During 2014 the gross loan portfolio (excluding the loan loss provision) decreased with 1.6% to € 1,270 million (2013: € 1.291 million).

Capital Adequacy

ATB applies the standardized approach to calculate its capital requirement for credit risk. As per year end 2014, the BIS ratio was 18.8% which means a decrease compared to previous year (20.6% at year-end 2013). The decrease is mainly due to impairments in the loan portfolio. The Tier 1 capital ratio decreased to 14.1% at year-end 2014 (year-end 2013: 15.4%). The Tier 1 capital amounted to € 245 million as per year-end 2014, while the total capital requirement under Pillar 1 amounted to € 139 million.

ATB has developed the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) to meet Pillar 2 requirements of the Basel framework, under which internal capital is calculated for additional risks that are not captured under Pillar 1: i.e. concentration risk, country risk, interest rate risk in the banking book and liquidity risk. On a daily basis, ATB monitors solvency and liquidity to ensure compliance with the regulatory requirements. Additionally, the capital and liquidity adequacy are evaluated through regular stress tests. The internal assessments are subject to the Supervisory Review and Evaluation Process (SREP) conducted by Dutch Central Bank.

On a quarterly basis, ATB participated in the Basel III monitoring exercise executed by Dutch Central Bank. For this purpose ATB calculates solvency, leverage and liquidity ratios based on the new Basel III regulations.

Risk management

Risk management is of pre-eminent importance to ATB. In its business ATB incurs an increased level of inherent risk, which is implicit to ATB’s geographical focus. ATB uses stringent controls and portfolio techniques to manage risks. This includes the evaluation of the potential risks and the assessment and implementation of the measures that can mitigate these risks.

Reporting on the actual risks is done through a Risk Appetite Dashboard which is assessed by the Executive Board on a periodical basis. The Supervisory Board subsequently reviews the risk reporting. The risk policies and the Risk Appetite Dashboard are subject to periodic discussion in the Executive Board and in the Risk and Compliance Committee of the Supervisory Board. The Chairman of the Risk and Compliance Committee reports the considerations, recommendations and decisions to the Supervisory Board, following each meeting. At least once a year the principles for risk-taking are jointly discussed by the Executive Board and the Supervisory Board and revised if necessary. These principles have been sustained throughout the year.

ATB’s risk appetite is expressed in terms of a number of qualitative and quantitative measures designed to cover all areas of the ‘classic risk categories’. The metrics have been developed with reference to ATB’s strategy and budget as well as to DNB reporting requirements, the general regulatory environment, rating agencies and current banking leading practice. In order to best present these metrics, ATB has grouped the metrics in the categories credit risk, market risk, capital and liquidity adequacy, operational risk, compliance risk, earnings volatility and strategic risk. Each driver has its own assigned risk weighting based on ATB’s business model and local circumstance, taking into account banking regulations. These risk weightings and metrics are summarized in the Risk Appetite Dashboard which is regularly reported to all relevant governance bodies within ATB.

The Executive Board monitors the metrics on a bi-monthly basis and instigates action plans in case limits are breached. The Risk and Compliance Committee of the Supervisory Board discusses the Risk Appetite Dashboard during their regular meetings, but at least once per year and will raise issues to the general meeting of the Supervisory Board, if required.

Risk Management is embedded throughout the entire organization. The Enterprise Risk Management framework developed and implemented during 2014 continues to consist of three lines of defense. Department Heads own and manage risks as first line of defense on a day to day basis. ATB has a separate Risk Management department as second line of defense with a direct reporting line to the Chief Risk Officer. As third line of defense the Internal Audit function assesses the quality and effectiveness of the risk management. The ERM framework provides a more solid foundation for the consistent application of these methodologies.
Based on our current Baseline Risk Assessment, ATB determines the following categories and risks:

Strategic
- Strategic risk: the current and prospective impact on earnings or capital arising from changes in the business environment which can threaten the strategic position of ATB.

ATB's business areas are structured trade and commodity finance, corporate banking, treasury and payments services for Western Europe/CIS relationships. Facing the geopolitical tension and economic uncertainty for Russia and other CIS countries, the Executive Board is closely monitoring ATB's risk profile, capital allocation, liquidity requirements and operations compared to the approved risk appetite, ensuring that ATB's activities are executed with due care.

Compliance
- Compliance / Regulatory risk: the risk or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.
- Integrity risk: the risk of being used by criminals to launder funds or finance terrorist activity and terrorist organization or persons and entities that are subject to (international) sanctions.
- Reputational risk: the risk of loss resulting from damages to ATB's reputation, in decreased revenue or shareholder value.

ATB considers integrity as one of the most important values. ATB recognizes its responsibility as a gatekeeper to the financial system not to facilitate crime and is committed to comply with all applicable laws and regulations. Based on the analysis of clients, products and countries in combination with the strategy and business operations, the likelihood of compliance risks occurring is considered to be 'very likely'. As the impact of such risks manifesting is considered to be high due to reputational and financial damage, the risk profile in relation to these risks is considered to be relatively high compared to the (Dutch) financial sector in general.

Credit
- Counterparty risk: the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It is the risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.
- Country risk: the risk of losses due to country-specific events or circumstances. It is also an exposure to cross-border risk, especially convertibility and transfer risk, i.e. the risk of obligations not being repaid as a consequence of a debt moratorium or similar payment restriction.
- Cross-border risk: the risk that funds in foreign currencies cannot be transferred out of a risk country as a result of a specific event or circumstance.
- Concentration risk: the risk arising from uneven distribution of counterparties in credit or any other business relationships or from a concentration in business sectors or geographical regions which is capable of generating losses large enough to endanger ATB.

Credit risk constitutes ATB's most significant risk and arises mainly from trade finance and lending business. Credit risk also represents all other forms of counterparty exposure, where counterparties default on their obligations to ATB in relation to hedging and other financial activities. The Executive Board is responsible for establishing credit policies and the mechanism, organization and procedures required to analyze, manage and control credit risk. In order to identify and manage risk arising from these activities, ATB has put methodologies, policies, procedures and expertise in place.

Credit risk is managed in accordance with limits and asset quality measures which are set out in policies approved and monitored by the Executive Board. The policies set boundaries on one obligor exposure, industry sector and country of risk.

Measurement and monitoring of credit risks is embedded in the Risk Appetite Dashboard via credit metrics. Credit metrics includes metrics for (country) concentration risk, which risk is also considered via the metrics for solvency / capital adequacy in terms of risk weighted assets add-on to be covered by additional capital. Losses resulting from, for instance, credit exposures, country exposures and market exposures all have an impact on ATB's equity buffer. This is monitored in the Dashboard via the metrics for solvency / capital adequacy. The impact of non-performing loans on profitability is monitored via 'Earnings Volatility'.

ATB's portfolio suffered a deterioration of creditworthiness in 2014 as a result of the Russian/Ukrainian conflict and the indirect effects this had on the entire CIS region. Historically, due to the geographical concentration of ATB's borrowers, development of ATB's credit portfolio is closely linked to economic and political developments in the CIS countries. This deterioration is most visible in the increase in non-performing loans (and related provisions for impairment). This development has led to the decision to further reduce the exposures to CIS countries and to diversify to Western Europe. The 2015 reduction is planned for around € 200 million, focused on a year-end exposure of around € 800 million.

Also in the first half year of 2015 the ongoing economic difficulties in Russia and Ukraine have caused us to take additional provisions for loan losses.

On a regular basis ATB performs stress tests related to its credit portfolio in the CIS region to assess the potential impact on capital and liquidity. In case of further deteriorations, when needed, ATB will be supported by its shareholder in order to maintain both capital and liquidity adequacy at the required level.

Market
- Market risk / Interest rate risk /Foreign exchange risk: the risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce ATB's income or the value of its portfolio.

Within the market risk management framework, market risk limits, expressed in terms of Value at Risk (VaR), are set to prevent the accumulation of market risk beyond the market risk tolerance of ATB. The VaR limits are set, monitored and managed at trading book level: i.e. foreign exchange, derivatives, and fixed income. These limits are complemented by additional monetary and non-monetary trading controls with the aim of preventing excessive concentrations and illiquidity of exposures. ATB uses derivative transactions to hedge most of its market exposure (mainly foreign exchange and interest rate risk). Key metrics for market risk are included in the Risk Appetite Dashboard.

Liquidity

- Liquidity risk: the risk that ATB will fail to fund increases in assets and meet obligations as they come due at reasonable cost. Liquidity risk arises from the inability of ATB to accommodate decreases in liabilities or to fund current (and increases in) assets in full, at the right time and in the right currency.

As a key area of focus, ATB puts a high priority on establishing an internal funding and liquidity risk strategy that ensures ATB measures, monitors and manages its liquidity risk to be able to withstand a range of stress circumstances without endangering the continuing viability of its business.

ATB manages its liquidity profile by short-term liquidity risk management combined with a long-term funding strategy. Additionally, liquidity risk stress testing is an important element of liquidity risk measurement, risk evaluation and contingency funding planning for all potential contingent as well as improbable, but plausible stress events. ATB uses liquidity stress tests as a management tool to identify the potential vulnerabilities and worst case liquidity risks of ATB on its current cash flows, liquidity position and liquidity risk mitigates.

Detailed metrics for liquidity are included in the Risk Appetite Dashboard. Due to the importance, ATB also implemented a separate liquidity dashboard.

Operational

- Operational risk: The risk of loss arising from fraud, unauthorized activities, errors, omissions, inefficiency, system failure or external events.
- Process risk: the probability of loss inherent in business processes.
- ICT Risk: the risk of ICT support to business and information supply being provided with insufficient integrity, lack of continuity or insufficient security.
- Business Continuity risk: the risk that the continuity of critical ATB business is jeopardized by non-availability of the ICT-infrastructure (including applications and systems).
- Legal risk: the risk of financial or reputational loss arising from regulatory or legal action, disputes for or against ATB; failure to correctly document, enforce or adhere to contractual arrangements, inadequate management of non-contractual rights; or failure to meet non-contractual obligations.
- Outsourcing risk: the use of service providers presents various risks. Some are inherent to the outsourced activity itself, some are introduced with the involvement of a service provider. In this context ATB considers the impact of compliance risks, country and concentration risks, reputational risks and operational and legal risks.
- Product risk: under operational risk management, product risk is mainly considered in the context of new products.
- People risk: the risk that people do not follow ATB's procedures, practices and / or rules, thereby deviating from expected behavior.

In 2014 ATB has further developed its annual Baseline Risk Analysis and its Risk and Control Framework. ATB also expanded its staffing involved in operational risk management and appointed an Operational Risk Manager. ATB aims to further optimize the operational risk organization.

ATB is exposed to certain potential losses caused by a failure in information, system processing, settlement of transactions and procedures. Key measures that have been introduced to control operational risk include the four-eye principle, training, specific procedures and directives, segregation of duties and direct supervision.

Compliance and Integrity

The Compliance Department is responsible for oversight of the corporate clients of ATB who predominantly have a background in Russia and the other CIS countries. This is of key importance, as around 100,000 retail clients in the Netherlands, Germany and Austria, entrust their savings to ATB. These savings are covered by the Dutch Deposit Guarantee Scheme for amounts up to € 100,000.

Increased efforts in 2014 to de-risk ATB's profile and concentrate on compliance will continue in 2015 which is also aligned with the recommendations of the regulator to strengthen our internal controls in this area. This involves implementing a strong compliance culture and organization, processes and tooling, but equally the specific monitoring of clients files and business transactions where we concluded that this needs to be improved. Unusual transactions will continue to be reported to the relevant authorities based on our further analysis of the transactions. Furthermore strict procedures are being implemented to identify companies or individuals that have been mentioned on sanction lists.

The main focus of the department includes further building a strong first line of defense concerning customer due diligence and know your customer, monitoring of client acceptance and client conduct based on its risk and transaction profile, internal oversight of employees' conduct and contacts with correspondent banks on clients and transactions. ATB's compliance and integrity risk management framework has been re-assessed and enhanced in the course of 2014. The re-assessment included a cross reference with industry best practices.

The compliance and integrity risk management framework is subject to ongoing improvements and is designed to target the specific risks pertaining to the organization. Key elements of this framework are:

- Ongoing Integrity Risk Analysis;
- Adequate governance structure ensuring sufficient oversight and independence if required;
- Due diligence of clients and transactions;
- Policies, procedures and processes to mitigate money laundry, terrorism financing and corruption risk;
- Monitoring of client activity, including transaction monitoring (in October ATB has started the implementation of an automated transaction monitoring system that will be fully operational in the course of 2015);
- Ongoing training and awareness programs for all staff.

The measures as designed in ATB's compliance and integrity risk management framework are also applicable to our representative offices in Moscow, Almaty and London. All employees of ATB, including temporary staff are committed to the values of ATB and will execute the controls of the framework to its full extent.

Due to activities in the field of treasury, ATB is also subject to Markets in Financial Instruments Directive or MiFID regulations. ATB has developed internal controls and procedures to comply with these regulations.

Future-oriented Banking and Banking Code

The Dutch Banking association, Nederlandse Vereniging van Banken (NVB) has introduced a Social Charter, updated the Dutch Banking Code and implemented a bankers' oath across the board with associated Rules of Conduct and disciplinary scheme and system. The Social Charter, the updated Dutch Banking Code and the Rules of Conduct associated with the bankers' oath together form a package called 'Future-oriented Banking', which has come into effect on 1 January 2015.

The Social Charter describes the (preferred) position of the sector as a whole in society and the shared values of the sector and is complementary to the Dutch Banking Code. The Social Charter includes the following four assumptions:
• the banking industry is pluriform and offers customers a wide choice;
• banks are reliable, service-oriented and transparent;
• bank employees are ethical, expert and professional and ensure that customers and other stakeholders are treated with care;
• banks have a social responsibility to contribute to a sustainable economy.

The Dutch Banking Code was introduced in 2010 so that banks would commit to and account for treating their customers with care while balancing the interests of the various stakeholders. The NVB has updated the Dutch Banking Code as parts of the principles in the 'old' Code have meanwhile been incorporated in legislation and regulation. The principles in the updated Code emphasize the importance of sound and ethical operation by banks and set this out in the principles for the Executive Board and Supervisory Board, proper risk management, thorough audit processes and a sound, balanced and sustainable remuneration policy. The Dutch Banking Code safeguards sound administration at every Dutch bank.

The bankers' oath across the board with the associated Rules of Conduct and disciplinary scheme and system, make the responsibility of every individual employee at the bank explicit.

The members of the NVB seek to achieve the following with the rules of conduct:
• to establish the desired conduct of everyone working for a bank;
• to make society aware of the rules of conduct that bank employees have to abide by;
• to increase society's confidence in banks.

By introducing a Social Charter, updating the Dutch Banking Code and implementing a bankers' oath across the board (with the associated Rules of Conduct and disciplinary scheme and system), the NVB wanted to demonstrate what the Dutch banking sector stands for and what the Dutch banking sector want to be held accountable for in the ongoing renewal process. Compliance with the rules set out in the Dutch Banking Code and the Rules of Conduct is required to banks having their registered offices in the Netherlands.

All staff-members of ATB have signed the applicable bankers' oath and the declaration for the disciplinary rules referring to the Rules of Conduct.
The Rules of Conduct are:
• you work with care and integrity;
• you weigh interests carefully;
• you put the customer's interests first;
• you comply with the law and other rules that apply to your work for the bank;
• you keep confidential information secret;
• you are transparent and honest about your conduct and are aware of your responsibilities to society;
• you contribute to society's confidence in the bank.

The Executive Board and Supervisory Board of ATB are responsible for setting up a sound governance structure and compliance with the governance principles. The members of these boards will set an example to all of ATB's employees and exhibit this in their day-to-day activities. In that respect also all members of the Executive Board and the Supervisory Board have signed the bankers' oath.

The Executive Board and Supervisory Board of ATB are responsible for developing, communicating and enforcing standards on integrity, morals and leadership in the bank. In addition, they ensure there are proper checks and balances and they safeguard a solid IT infrastructure that is vital for the functioning of ATB. Among other things, thorough checks and balances mean that the compliance function is also safeguarded within the Executive Board and Supervisory Board.

The Executive Board will promote responsible behavior and a healthy culture both at the top of the bank and throughout its organization. In this, it will consider the interests of ATB's customers and other stakeholders. The Executive Board is responsible for employees being and remaining familiar with all rules, values and standards applicable to ATB and will continue to pay attention to this.
The Supervisory Board supervises the risk policies pursued by the Executive Board. As part of its supervision, the Supervisory Board discusses ATB's risk profile and assesses at a strategic level whether capital allocation and liquidity requirements are generally in line with the approved risk appetite and whether operations in general are in line with ATB's risk appetite.

ATB maintains a permanent education program for all members of the Supervisory Board and Executive Board covering the relevant developments at the bank and in the financial sector, corporate governance in general and in the financial sector in particular, the duty of care towards customers, integrity, risk management, financial reporting and audit. The permanent education program for the Supervisory Board and Executive Board has continued in the course of 2014 and has been attended by all members.

ATB has an Internal Audit Department that reports directly to the Chief Executive Officer and the Audit Committee. Both the head of the Internal Audit Department and the external auditor of ATB attend the meetings of the Audit Committee where necessary.

At least twice a year consultations take place between Dutch Central Bank, the external auditor and the internal auditor on audit plans, risk analyses and audit findings.

ATB has a product approval process in place comprising a careful consideration of the risks and comprising a careful assessment of the duty of care towards the client.

The interests of the customers and other stakeholders have always been a priority to ATB. As part of the implementation of the Banking Code requirements, ATB reviewed all existing products and services and reemphasized ATB's responsibility for the interest of the clients with all staff members.

ATB values all feedback from its clients (positive or negative), also when this is expressed in the form of complaints, as this helps to improve services provided to them. The further development of ATB is also based on clients recommending ATB as a reputable, reliable and client-friendly organization.

ATB puts great importance on accurate, clear and not-misleading marketing and client communication. The website contains information on products, interest rates and corporate information. Contact details of various specialists are available on the website to facilitate direct communication between clients and ATB.

ATB has implemented a detailed remuneration policy in line with national and international regulations. This policy is in line with ATB's risk policies and takes the relevant international context into account. The variable remuneration is set in accordance with national and international regulations and as such capped at 20% of individual fixed income.

ATB reports on its website for further details on how it applied the Banking Code.

People & Operation

The number of employees increased to 181 FTEs at year-end 2014, from 158 at year-end 2013. The increase of FTEs during the year is a reflection of further investments in skilled employees in the areas of ICT and compliance in both first and second line of defense and structured trade and commodity finance. The investments made are mainly required to comply with legislation, regulations and to meet best-practices and partly related to commercial growth.

In accordance with article 3.1 of ATB's governing charter, ATB aims for a diverse composition of members in the Executive Board and Supervisory Board in terms of such factors as gender and age. In general, the hiring process of new staff executed within ATB follows transparent procedures considering objective criteria which are subject to the required job profile. Up until now female candidates were not available for a position in the Board or did not fit the required job profile.

Based on the governing charter and considering the term of currently seating members, ATB is committed to further improve the required diversification of new members taking part in the Board in order to acquire a participation level of at least 30% in terms of required number of female members.

During the last quarter of 2014 the new Executive Board has requested the Human Resources department to start an internal program on Corporate Culture in line with the Social Charter for the Dutch banking sector. The focus of the program is to embed the assumptions in the Social Charter in ATB's organization and ATB's contact with stakeholders. The program will take the most common elements of integrity as a base in order to maintain a culture of trust. These elements, also called cultural dimensions or soft-controls are: leading by example (role-modeling, tone at the top), feasibility (achievability), involvement (commitment), clarity (clear what is expected), transparency (verifiability), openness (free to discussion), responsiveness (pro-active feedback, helping) and enforcement (reward or reprimand).
As from 2014, ATB has included several trainings on trade finance products, credit risk analysis, compliance and commercial skills as standard in its yearly in-house training calendar.

ATB has a dedicated budget for ongoing education of its employees in delivering high quality and flexible support within the organization and to its clients. Education covers personal and professional development and is part of the performance management cycle.

Outlook and 2015 developments

The 2015 market conditions continue to depend on the developments in the geopolitical situation around Russia and Ukraine.
Considering these ongoing economic difficulties, the first half year of 2015 revealed that additional loan loss provisions are required related to developments and events occurred in 2015.
ATB will maintain its focus on structured trade and commodity finance, corporate banking, treasury and payments services for Western Europe/CIS relationships.
The Executive Board monitors the developments with close attention.
In case of further deteriorations, when needed, ATB will be supported by its shareholder in order to maintain capital adequacy at the required level.
On 22 June 2015 the Supervisory Board agreed with Mr P.J. Gorbatsevich that he will retire from the position as Chief Executive Officer.

Report of the Executive Board

Statement by the Executive Board (section 5.25c (2c) of the Financial Supervision Act.

To our knowledge:

1. The financial statements give a true and fair view of the assets, liabilities, financial position and the profit and loss account of ATB; and
2. The annual report gives a true and fair view regarding the balance sheet as at 31 December 2014, the state of affairs of ATB during the financial year, and the principal risks confronting ATB.

Amsterdam, 21 July 2015

Executive Board:
H.P.M.G Steeghs, Interim CEO and CFO
I. Pakan, CCO
P.J. Ullmann, CRO

Profile of the members of the Executive Board

Mr drs H.P.M.G. Steeghs RA (1957)
Nationality: Dutch

Interim Chief Executive Officer and Chief Financial Officer

Responsible for:
- Finance & Control
- ICT
- Operations
- Internal Audit Department
- Human Resources
- Treasury

Mr I. Pakan MBA (1966)
Nationality: Dutch

Chief Commercial Officer

Responsible for:
- Structured Trade and Commodity Finance
- Corporate Banking CIS
- Corporate Banking Non CIS
- Financial Institutions
- Transaction Monitoring
- ATB leasing
- Representative offices Moscow, Almaty and London
- Product Development

Mr P.J. Ullmann (1958)
Nationality: British

Chief Risk Officer

Responsible for:
- Risk Management
- Compliance
- Legal
- Business Support
- Distressed Assets & Loan Recovery

Corporate governance

Executive Board

The Executive Board (EB) is collectively responsible for the management of Amsterdam Trade Bank NV (ATB) and the general course of affairs of ATB, while each of its members having specific roles and responsibilities. Each member of the EB possesses a thorough knowledge of the financial sector in general and the banking sector in particular. Each member of the EB is required to act in accordance with the interest of ATB and its business and is aware of the social role of a bank and of the interests of the various stakeholders. The members of the EB are appointed by the General Meeting of Shareholders upon nomination of the Supervisory Board (SB). Taking into account the risk appetite approved by the SB, the EB ensures a balanced assessment between the commercial interests of ATB and the risks to be taken. One member is responsible for risk management and does not bear any individual commercial responsibility. In accordance with best practices, the EB submits ATB's operational and financial objectives together with the strategy to achieve stated goals to the SB for its consideration and approval. The outlined objectives and strategy include detailed parameters to be applied in relation to the strategy, such as ATB's financial ratios and capital and liquidity adequacy level.

Supervisory Board

The role of the Supervisory Board (SB) is to supervise the policies of the EB and the general course of affairs of ATB. The SB assesses periodically at the strategic level whether the commercial activities in the general sense are appropriate in the context of ATB's risk appetite. The SB consists of six non-executive members. Up to three members affiliated with the Alfa Group, the ultimate shareholder of ATB. The other members are independent, including the chairman. The members of the SB have a collective responsibility. Each member is required to act in accordance with the interest of ATB and is aware of the social role of a bank and of the interests of the various stakeholders. Pursuant to the Articles of Association, SB members are empowered to obtain any information they deem necessary for the performance of their duties. Members of the SB are appointed by the General Meeting of Shareholders. Each member is expected to be capable of assessing the main aspects of ATB's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member also possesses its specific expertise needed to perform his or her role in the SB. The SB ultimately adopts ATB's remuneration policy and is responsible for the implementation and evaluation of the remuneration policy adopted. The SB annually discusses the variable incomes at ATB. Specific issues are dealt with and prepared in the Audit Committee, the Risk and Compliance Committee and the Remuneration and Nominating Committee. Members of these committees are appointed by and consist of a number of members of the SB. The assessment of the effectiveness of the permanent education program for the SB and EB is part of the annual evaluation performed by the SB.

• Audit Committee

The main responsibility of the Audit Committee (AC) is to assist the SB in monitoring the preparation and audit of ATB's financial statements and ATB's capital and liquidity adequacy assessment reports, monitoring the quality and effectiveness of ATB's system of governance, risk management and ATB's control procedures and monitoring the external and internal audit governance and quality, including IT audit and IT security. The AC reports its findings to the SB and these findings are discussed in its plenary meetings.

• Risk and Compliance Committee

The main responsibility of the Risk and Compliance Committee (RCC) is to assist the SB in supervising ATB's risk policy, appetite and profile, on credit risk, market risk, capital and liquidity adequacy, operational risk, compliance risk, earnings volatility and strategic risk.

In addition the RCC assists the SB in the overall oversight of the bank's compliance function and internal governance and ATB's adherence to corporate governance principles and its Code of Conduct. The RCC assesses the policy in the fields of corporate sustainability and corporate social responsibility.
The RCC has authority to decide on credit proposals escalated in accordance with ATB's internal governance rules.
The RCC reports its findings to the SB and these findings are discussed in its plenary meetings.

• Remuneration and Nominating Committee

The main responsibilities of the Remuneration and Nominating Committee (RNC) are to advice the SB on the remunerations policy for the members of the SB, members of the EB and senior management, to implement and evaluate the remuneration policy adopted with regard to the members of the EB, to oversee the implementation of the remuneration policy for the senior management by the EB and to approve the principles of the remuneration policy for other bank employees. The RNC responsibility includes the monitoring of performances of the SB, its committees, its members and the individual members of the EB.
The RNC prepares the profiles of individual SB and EB positions, considering required specific expertise, complementarity, collegiality and diversity. The RNC prepares the proposals for appointment, re-appointment and dismissals of applicable board-members to the SB, its committees and the EB.
The RNC prepares the proposals for the SB and reports its monitoring findings to the SB in order to be discussed in its plenary meetings.

Consolidated financial statements 2014

Amsterdam Trade Bank
Member of Alfa • Bank Group

Consolidated statement of financial position

At 31 December 2014
before appropiation of result

(in €)

Assets	Note	31-12-2014	31-12-2013
Cash and cash equivalents and balances withdrawable with central banks	1	144,957,256	421,373,418
Due from banks	2	1,994,339,959	2,365,395,635
Trading financial assets	3	1,773,458	23,097,313
Loans and advances to customers	4	1,113,207,350	1,227,560,989
Interest-bearing securities	5	373,158,972	150,303,601
Participating interests	6	58,310	56,100
Intangible assets	7	12,924,985	12,560,617
Property and equipment	8	1,885,987	2,146,927
Prepayments and accrued income	9	45,137,921	26,454,985
Other assets	10	257,526,641	10,689,426
Total assets		**3,944,970,839**	**4,239,639,011**

Liabilities and equity	Note	31-12-2014	31-12-2013
Due to banks	11	260,025,569	219,483,686
Funds entrusted	12	3,022,206,929	3,562,907,504
Accruals and deferred income	13	23,753,137	26,288,124
Other liabilities	14	258,205,706	2,577,324
Fund for general banking risks	15	1,591,603	1,591,603
Subordinated liabilities	16	118,827,938	115,409,271
Total liabilities		**3,684,610,882**	**3,928,257,512**
Equity:			
- Issued capital		117,343,424	117,343,424
- Share premium		4,317,803	4,317,803
- Retained earnings		191,882,992	164,321,310
- Currency translation reserve		-17,109,144	-2,175,115
- Revaluation reserve		14,605	12,395
- Undistributed result		-36,089,723	27,561,682
Total equity	17	**260,359,957**	**311,381,499**
Total liabilities and equity		**3,944,970,839**	**4,239,639,011**
Contingent liabilities	18	100,666,880	75,975,109
Irrevocable commitments	19	46,804,650	123,427,022

The number beside each item refers to the relevant note

Consolidated statement of income for 2014

(in €) Income from operating activities	Note		2014		2013
Interest income	20	117,681,635		120,510,043	
Interest expense	21	48,795,891		60,866,342	
Net interest income			68,885,744		59,643,701
Commission income		14,685,084		13,250,257	
Commission expense		926,689		984,729	
Net commission income	22		13,758,395		12,265,528
Result on financial transactions	23		3,967,416		9,021,593
Other income	24		1,804,598		2,128,822
Total income from operating activities			**88,416,153**		**83,059,644**
Expense					
Staff expense	25	23,302,821		21,311,012	
General and administrative expense	26	9,595,064		8,166,869	
Depreciation	27	3,882,629		2,566,997	
Impairments	28	96,255,291		18,070,000	
Resolution charge	29	2,895,123		-	
Total expense			**135,930,928**		**50,114,878**
Operating result before tax			**-47,514,775**		**32,944,766**
Income tax	30		-11,425,052		5,383,084
Net result			**-36,089,723**		**27,561,682**

The number beside each item refers to the relevant note

Consolidated statement of cash flows for 2014

(in €)	2014	2013
Cash flow from operating activities		
Operating result before tax	-47,514,775	32,944,766
Adjustment for		
Depreciation	3,882,629	2,566,997
Impairments	96,255,291	18,070,000
	52,623,145	53,581,763
Net increase(decrease) in operating assets and liabilities		
Due from/to banks	408,327,079	-342,475,176
Trading financial assets	21,323,855	-22,881,123
Loans and advances to customers	21,054,638	-134,794,700
Funds entrusted	-540,700,576	472,508,346
Prepayments and accrued income/ Accruals and deferred income	-9,792,871	-23,211,044
Other assets / liabilities	8,791,169	5,604,182
Total movement in assets and liabilities	-90,996,706	-45,249,515
Net cash flow from operating activities	**-38,373,561**	**8,332,248**
Cash flow from investing activities		
Investments and acquisitions		
Interest-bearing securities	-437,617,887	-139,904,742
Participating interests	-	-
Intangible assets	-3,571,175	-5,682,602
Property and equipment	-514,312	-530,896
Divestments, repayments and sales		
Interest-bearing securities	211,806,225	221,099,659
Participating interests	-	74
Intangible assets	-	-
Property and equipment	99,430	25,720
Net cash flow from investing activities	**-229,797,719**	**75,007,213**
Cash flow from financing activities		
Issue of subordinated liabilities	-	25,409,271
Net cash flow from financing activities	**-**	**25,409,271**
Non cash flow movements		
FX revaluation of subordinated liabilities	3,418,668	-
FX and revaluation reserve	-14,934,030	-4,328,671
Non cash flow movements	-11,515,362	-4,328,671
Net increase in cash and cash equivalents and balances withdrawable with central banks	**-279,686,642**	**104,420,061**

Consolidated statement of cash flows for 2014

(in €)		2014	2013
	Cash and cash equivalents and balances withdrawable with central banks and on demand at other banks at 1 January	555,823,591	451,403,530
	Cash and cash equivalents and balances withdrawable with central banks and on demand at other banks at 31 December	276,136,949	555,823,591
	Movement	-279,686,642	104,420,061
	Additional information		
	Cash flows from interest received	112,465,677	122,277,742
	Cash flows from interest paid	47,248,077	65,352,098
	Cash flows from income tax	2,842,584	9,357,388

Notes to the consolidated financial statements 2014

Amsterdam Trade Bank
Member of Alfa • Bank Group

Notes to the consolidated financial statements

At 31 December 2014

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General
Amsterdam Trade Bank NV's (ATB) registered office is at Herengracht 469-475, 1017 BS Amsterdam, the Netherlands. ATB is a company incorporated and established in the Netherlands and is fully owned by Alfa-Bank Russia and its ultimate shareholder Alfa Group. The consolidated financial statements of Amsterdam Trade Bank NV at 31 December 2014 were prepared by the Executive Board, adopted by the Supervisory Board on 21 July 2015 and will be submitted to the General Meeting of Shareholders for approval within the regulatory time period.

Basis of preparation
The financial statements have been prepared in accordance with section 14, "Provisions for banks", book 2, Title 9 of the Dutch Civil Code and the guidelines of the Council for Annual Reporting (Raad voor de Jaarverslaggeving).

Functional and reporting currency
The financial statements are denominated in euros, the functional and reporting currency of ATB.

Basis for consolidation
The consolidated financial statements of ATB comprise the financial statements of Amsterdam Trade Bank NV, its subsidiaries and other companies controlled by ATB and are prepared at 31 December, using consistent accounting policies. The financial year is the same as the calendar year.
Control exists when ATB has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which ATB has a direct and indirect controlling interest. In assessing whether controlling interest exists, potential voting rights that presently are exercisable are taken into account.
The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated. The group companies are consolidated in full with minority interest presented within group equity separate from parent's equity.

Foreign currencies

Functional currency
Line items of each group company are measured using the currency of the economic environment in which the entity operates (i.e. the functional currency).

Group companies
The assets, liabilities, income and expenses of group companies using another functional currency than the reporting currency are translated as follows:
- Assets and liabilities are translated using the closing rate at the reporting date;
- Income and expenses are translated using rates ruling at the transaction dates, which are approximately equal to the average rates;
- Any resulting exchange difference is recognised as a separate component of equity.

Upon consolidation, exchange differences arising from monetary items forming part of a net investment in foreign divisions are recognised in equity.

Transactions and line items
Monetary assets and liabilities denominated in foreign currencies are converted at closing rate at reporting date. Exchange rate effects arising from the conversion of assets and liabilities are stated in the statement of income as Result on financial

transactions. Transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date.

Recognition and de-recognition

An asset is disclosed in the statement of financial position 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 statement of financial position 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. If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the statement of financial position.

Income is recognised in the statement of income 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.

Derivatives

As part of its economic hedging policy, ATB uses derivatives such as foreign exchange swaps to offset foreign exchange risks related to specific asset and liability positions and interest rate swaps for hedging its interest rate risk.
FX derivatives are measured at spot rate. The forward points on currency swaps are amortized to the statement of income on a linear basis over the duration of the currency derivative. Interest rate swaps are recorded at cost.

Embedded derivatives

Embedded derivatives are treated as separate derivatives when their economic characteristics are not closely related to those of the financial host contract.
The embedded derivative is separately measured if the financial contract itself is not recognised at fair value with the value changes through profit or loss.

Repo transactions and reverse repo transactions

Securities sold subject to repurchase agreements (repos) continue to be included in the statement of financial position. The related liability is included under the line item concerned (mainly Due to banks). Securities purchased subject to resale agreements (reverse repos) are presented under the line item Due from banks or Loans and advances to customers. The difference between the sales price and the purchase price is recognised in the statement of income as interest during the term of the agreement.

Netting of financial assets and liabilities

Financial assets and liabilities are netted and presented in the financial statements at the net amount when ATB has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This mainly concerns netting of current account balances.

Impairment financial assets measured at amortised cost

ATB assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. This is assumed to be the case if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can reliably be estimated. ATB uses criteria to determine whether there is objective evidence of impairment, or breach of contract such as default or delinquency in interest or principal payments and/or it becomes probable that the borrower will enter into bankruptcy or other financial reorganization.

If objective evidence of impairment exists, ATB measures the loss amount as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of loss is recognised in the statement of income. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of income.

Impairment of investments in interest-bearing securities

An investment in interest-bearing securities is tested for impairment if there is objective evidence of financial problems occurring at the counterparty, the collapse of a market or other indications. If, during the subsequent period, the amount of the impairment of these securities decreases, and the decrease can objectively be attributed to an event occurring after the write-off, the impairment previously recorded is reversed through profit or loss.

Fair value

Where the fair value of financial assets and liabilities cannot be derived from active markets, these are determined using valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible a degree of judgment is required in establishing the fair value. The following summarizes the major methods and assumptions used in estimating the fair values:

- The estimated fair value of Loans and advances to customers represents the discounted amount of estimated future cash flows of individual loans expected to be received. Expected cash flows are discounted using the (original) contractually agreed interest rates as discount rate.
  Given the volatile economic environment the realizable value may differ significantly from the disclosed fair value in the event the loans would be sold before maturity.
- The carrying amount of floating rate inter-bank placements, overnight deposits and fixed deposits is deemed to be a good estimate of their value given.
- The fair value of the interest-bearing securities in the investment portfolio is based on the market prices at reporting date.
- The fair value of derivatives is based on observable market data.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of financial position

Cash and cash equivalents and balances withdrawable with central banks

Cash and cash equivalents and balances withdrawable with central banks comprise, at nominal value, the cash in hand and balances withdrawable with central banks, in respect of which the risk of value changes is insignificant. The amount due from Dutch Central Bank by virtue of the minimum reserve requirement is also included in this item.

Due from banks

Amounts due from banks are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Trading financial assets

Trading financial assets are acquired with the aim to actively sell these instruments in the short-term.
Trading financial assets consist of the trading portfolio debt instruments. The trading financial assets are initially recognised and subsequently measured at fair value. All changes in the fair value are recognised in the statement of income under the line Result on financial transactions.
Interest earned on trading financial assets is recognised as interest income.

Loans and advances to customers

Loans and advances to customers are recognised at amortised cost using the effective interest method.

Interest-bearing securities

Interest-bearing securities are debt securities held in the investment portfolio, with the general intent to hold the securities until redemption date. The investment portfolio is valued at cost including premiums and discounts less impairment charges, if necessary. Premiums and discounts are amortized over the remaining life of the securities on a straight line basis. Transaction costs related to the purchase of the securities are taken directly to income if insignificant.
All purchases and sales transacted according to standard market conventions of bonds are recognised on the settlement date.

Participating interests

Participating interests in which ATB has significant influence, but which it does not control or which are held for the sole purpose of ATB's activities as a bank are valued on the basis of the net asset value method.

Intangible assets

Intangible assets are capitalised at cost and amortised on a straight-line basis over their expected useful lives.
Intangible assets mainly comprise software which is depreciated over a 5 years term.
At reporting date ATB assesses whether there is objective evidence for an impairment of intangible assets. Intangible assets are impaired if loss event(s) occurred that had an impact on the estimated realizable value of these assets.

Property and equipment

Property and equipment is initially carried at cost and subsequently at historical cost less accumulated depreciation and accumulated impairments. Depreciation is calculated on a straight-line basis over the useful lives of the assets concerned.

Estimated useful lives of property and equipment are as follows:

Leasehold improvement	:	10 years
Computer equipment	:	5 years
Other equipment	:	5 years

At reporting date ATB assesses whether there is objective evidence for an impairment of Property and equipment. Property and equipment is impaired if loss event(s) occurred that had an impact on the estimated net realizable value of these assets.

Prepayments and accrued income
Prepayments and accrued income are stated at historical cost.

Other assets
Other assets are stated at amortised cost.

Due to banks
Upon initial recognition, amounts due to banks are disclosed at fair value excluding transaction costs. After their initial recognition, they are recognised at amortised cost using the effective interest method.

Funds entrusted
Upon initial recognition, funds entrusted are disclosed at fair value excluding transaction costs. After their initial recognition they are recognised at amortised cost using the effective interest method.

Accruals and deferred income
Accruals and deferred income are stated at historical cost.

Other liabilities
Other liabilities are stated at amortised cost.

Fund for general banking risks (FAR)
ATB has formed a general banking risk provision to cover general risks arising from banking activities. The amount as presented in the statement of financial position is net of taxes.

Subordinated liabilities
Upon initial recognition, subordinated liabilities are disclosed at fair value excluding transaction costs. After initial recognition, they are carried at amortised cost using the effective interest method.

Equity
Direct costs of new shares issued are deducted from equity, taking taxes into account. The equity instruments issued by subsidiaries included under equity are carried at cost.

Obligations not recognised in the statement of financial position
This includes the obligations that represent a potential credit risk and consists of the off-balance sheet items contingent liabilities and irrevocable commitments.

Contingent liabilities
Contingent liabilities are carried at the contract value and consist of guarantees and irrevocable letters of credit.

Irrevocable commitments
Irrevocable commitments consist of unused facilities, sale and repurchase commitments and all other obligations resulting from irrevocable commitments that can give rise to loans.

Statement of income

General
Revenue is recognised insofar as it is likely that the economic benefits will flow to ATB and can be measured reliably. Costs are allocated as far as possible to the period in which the services were rendered or to the relevant proceeds.

Net interest income
This item consists of income earned on lending and costs of borrowing and associated transactions, related commission and other income or expense similar to interest. Interest income and expense is recognised using the effective interest method.

Net commission income
This item consists of the income, other than income similar to interest, earned on banking services provided to third parties. Commission paid to third parties is accounted for as commission expense.

Other income
Other income comprises non-banking income

Staff expense
Staff expense comprise wages and salaries, pension, other social security costs and other staff costs.
Pension obligations are insured with an insurance company. The pension scheme is a defined-contribution plan; hence ATB has no financial and actuarial risk on pension obligations on behalf of staff.

General and administrative expense
General and administrative expense comprise ICT expense, cost of marketing and communication, accommodation expense, office expense and other administrative expense.

Depreciation
Depreciation is determined based on the estimated useful life of the related assets and is charged to the statement of income.

Impairments
This item consists of the balance of the required additions and reversals of such impairments.

Income tax
Tax on operating result is recognised in the statement of income in accordance with applicable tax law in the jurisdictions in which ATB operates. Tax effects of any losses incurred in certain jurisdictions are recognised as assets when it is probable that sufficient future profits will be available in the relevant jurisdiction against which these losses can be set off.

Cash flow statement
The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating, investing and financing activities.

The accounting principles applied for the cash flow statement are in conformity with those applied for both the statement of financial position and statement of income. Cash and cash equivalents comprise, at face value, all cash in hand and balances withdrawable on demand with central banks and other banks in respect of which the risk of value changes is insignificant.

RISK MANAGEMENT

Introduction

ATB's commercial strategy is to provide structured trade and commodity finance, corporate banking, treasury and payments services for Western Europe/CIS relationships. The frameworks and guidelines within which this commercial strategy may be executed are set and updated at least annually in the Portfolio Management Policy and other risk policies as approved by the Executive Board. The commercial strategy is implemented through 5 business units, Corporate Banking CIS, Corporate Banking Non CIS, Structured Trade Finance, Financial Institutions and Treasury, each with a specific focus within ATB's target activities:

- Geographies: Western Europe and CIS countries.
- Products: structured trade and commodity finance, corporate banking, treasury and payments services.
- Industries: oil and gas, utilities, petrochemicals, retail, commodity traders in the trade value chain.

With reference to the above mentioned activities, ATB is subject to the following typical risks: credit risk, market risk (including interest rate risk and foreign currency risk), country risk, concentration risk and liquidity risk. ATB is also subject to more general risks, such as operational risk, reputation risk, compliance risk and strategic risk.

The risks are managed both idiosyncratically and holistically and management of these risks is embedded in the organization in line with best practices on Enterprise Risk Management principles.

The Executive Board has approved several frameworks and policies within which risk owners are expected to manage the risks they originate. The control owner functions within ATB independently and sets and monitors controls related to the originated risks. In this context ATB also follows the 'three lines of defense' concept. The first line is formed by risk owners who have prime responsibility for managing all risks related to their activities. The second line consists of the monitoring role by, amongst others, specialists of the Risk Management and Compliance departments, which operate independently from commercial activities. The third line is the internal audit function.

The main framework for managing and steering risk taking within ATB is the Risk Appetite Framework. This framework determines both the risk capacity of ATB related to certain risk types and sets the appetite and tolerance levels for these risks. It is the Supervisory Board who approves the overall risk appetite of ATB and performs oversight on the activities of the Executive Board. The Integrated Risk Appetite Framework is cascaded down into the organization via several more granular policies which lead to active steering and monitoring of the portfolio and its metrics.

The risk appetite statement is monitored in the context of Enterprise Risk Management, as it is presented with both the current status on the level of risk per risk type, but also provides a short term outlook for the expected development of the risks. This dashboard is monitored regularly and its reports are shared and discussed quarterly within the Risk and Compliance Committee of the Supervisory Board.

Within ATB there are six committees, supporting the Executive Board in managing the risks within the risk appetite:

- **Credit Committee**

The Credit Committee meetings are held weekly to decide on new credit applications and proposals and acceptance of new clients, and to monitor credit risk, overdue positions and collateral. The Credit Committee decides further on (semi) annual credit reviews. New credit proposals are in a limited number of cases and based on a predetermined escalation model, decided upon by the Supervisory Board.

- **Asset and Liability Committee (ALCO)**

The ALCO meets biweekly to monitor funding, interest, foreign currency and liquidity risks and solvency. In addition, the ALCO discusses market developments and provides recommendations on managing (excess) liquidity.

- **Audit and Operational Risk Committee**

The Audit and Operational Risk Committee meets monthly and discusses issues relating to the maintenance of an adequate operational risk management framework, assessment of the operational risk related incidents and complaints. Furthermore the committee monitors the progress in the internal control framework and the resolution of audit issues identified by both the internal and external auditor and the Supervisory Authorities. Lastly, the committee recommends on New Product Approval Proposals

- **Country Risk Committee**

The Country Risk Committee meetings are held quarterly to advise the Executive Board on the utilization of country limits, as well as, if necessary, on the adaptation of limits. Individual transactions are allocated to specific country limits by the Credit Committee. New or increased country limits are finally decided by the Supervisory Board upon the advice of the Executive Board. In view of the current economic climate the Country Risk Committee is also heavily involved in the process of de-risking the activities of ATB.

- **Provisioning Committee**

The Provisioning Committee meets on a quarterly basis. All relevant loans are discussed and problem loans are assessed or re-assessed. Potential non-performing loans are put under special monitoring for industry and company specific developments. The Provisioning Committee advises the Executive Board on loan impairments and provisions to be taken.

- **Compliance Committee**

The Compliance Committee meetings are held monthly to advise the Executive Board on client acceptance procedures (Know Your Customer), on authorization procedures, on segregation of duties and to monitor the adherence to these procedures.

The following section addresses the definition and control measures of identified risk categories.

Credit risk

Credit risk is defined as the current or prospective threat to ATB's earnings and capital as a result of counterparty's failure to comply with financial or other contractual obligations.

Credit risk constitutes ATB's most significant risk and arises mainly from the trade finance and lending business. Credit risk also covers all other forms of counterparty exposure, namely where counterparties default on their obligations to ATB in relation to hedging and other financial activities. The Executive Board is, upon the advice of the Risk Management Department, responsible for establishing credit policies and the mechanism, organization and procedures required to analyze, manage and control credit risk. In order to identify, measure and manage risk arising from these activities, ATB has put adequate methodologies, policies, procedures and expertise in place. In view of the extraordinary situation in Russia and Ukraine, the Executive Board has taken some specific additional measures in order to manage credit risk and its impact on ATB's performance. These measures include day-to-day portfolio management on the CIS related credit risks, running off schedules for the CIS portfolio and frequent stress testing with respect to various regulatory ratios.

Credit risk is managed in accordance with limits and asset quality measures which are set out in policies approved and monitored by the Executive Board. The policies place limits on one obligor exposure, industry sector and country of risk. In addition, the risk appetite statements provide portfolio limits on probability of default and concentration limits. These items are also taken into account when deciding upon individual credit applications.
At borrower level compliance with covenants, limit utilization and collateral status is monitored daily. Deterioration or improvement in the credit quality of the borrower is monitored by the Commercial Departments and the Risk Management Department.

Credit risk related to treasury activities is managed by limits, asset quality measures and criteria set out, amongst others, by the Fixed Income Investment Policy, as approved by the Executive Board.

The creditworthiness of the borrower is captured by the borrower's credit rating, which assesses the obligor's probability of default (PD). For all corporate borrowers with lending facilities the credit rating is derived by means of internally developed rating models. For Financial Institutions, Sovereigns and Fixed Income exposures, credit assessment provided by eligible External Credit Assessment Institutions is used. For transactional lending ATB's risk assessment procedures also take into consideration the risk specific to the type of credit facility or exposure. This risk is captured in the LGD (Loss Given Default) estimate, which is also a product of the internal rating models.

Although ATB uses the standardized approach for credit risk (following the Basel models), continuous development of internal rating methodologies as well as further integration of the Internal Rating System into the Risk Management Process (provisioning, pricing, portfolio management) are considered to be important to further strengthen ATB's credit risk management system.

ATB's portfolio suffered a deterioration of creditworthiness in 2014 as a result of the Russian/Ukrainian conflict and the indirect effects this had on the entire CIS region. This deterioration is most visible in the increase in non-performing loans in 2014 € 262.5 million (2013: € 103.6 million) and related provisions for impairments in 2014 € 156.7 million (2013: € 63.4 million). Next to this increase, the overall probability of default of the credit portfolio has increased substantially due to downgrades of ATB's core countries, indicating higher expected future needs for impairments. These developments have led to weekly monitoring of the entire CIS portfolio in the Credit Committee and is leading to a desired accelerated reduction of the CIS portfolio to enhance resilience against potential further negative events.
On a regular basis ATB performs stress tests related to its credit portfolio in the CIS region to assess the potential impact on capital. In case of further deteriorations, ATB will be supported by its shareholder in order to maintain capital adequacy at required level.

Impairment or losses on Loans and advances to customers
In the context of the provisioning process, ATB reviews at least quarterly all relevant loans and advances to each individual customer on the Watch List or classified as a non-performing loan, in order to assess whether the provision for impairment is sufficient. This review is based on the identification of impairment indicators (such as amounts overdue or requests for restructuring) in order to assess the likelihood and magnitude of incurred losses.

Proposals for provisions are discussed in the Provisioning Committee and proposed to the Executive Board. The Executive Board decides on the provisioning level. Provisions for loan losses are determined in line with accounting rules. Impairment losses are based on discounted expected cash flows of the outstanding loan (including a cash flow for the collateral value based on the estimated market value, if applicable).

For the loans and advances to customers that are under restructuring, the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Such estimation is by its nature based on assumptions and actual results may differ.

The net amount of outstanding loans and advances to customers was € 1,113 million as at 31 December 2014 (2013: € 1,228 million). The provision for loan losses amounted to € 156.7 million (2013: € 63.4 million), which represents a cover ratio (provisions regarding Net Non-Performing Loans of € 262.5 million (2013: € 103.6 million). The level of provisions has increased substantially during 2014. Most of this deterioration is a direct result of the developments in two of ATBs core markets (Russia and Ukraine).

Concentration risk

Concentration risk is the credit risk related to the degree of diversification in the credit portfolio. ATB takes separately into account the single name concentration, country concentration and sector concentration. In addition, ATB has implemented a framework to measure concentration risk quantitatively and established an approach that links concentration risk levels to capital allocation.

Individual counterparty concentration is defined as the existence of exposures to individual counterparties and/or a group of connected counterparties. This type of concentration is also often referred to as 'single name concentration'. The definition of 'connected' includes exposures which are connected through, for example, common ownership, management or guarantors. ATB manages single name concentration risk and calculates internal capital for this risk under the current Basel framework. ATB has started to reduce its appetite for individual concentration during 2014 to 10% of total own funds, with which it expects to fully comply by year end 2015 (at year end 2014 8 borrowers exceeded this internal limit).

Sector concentration is also referred to as 'industry concentration' and relates to the risk that sector or industry factors drive the likelihood of default for a significant number of counterparties in the portfolio. Sector concentration risk arises if the portfolio is unbalanced in exposures to certain sectors, entailing dependencies between default events.

No additional capital charge is calculated for sector concentration due to the small number of counterparties in ATB's loan portfolio: the individual counterparty concentration capital charge reflects sector concentration as well.

Country risk

ATB's Country Risk Policy defines country risk as exposure to cross-border risk, specifically convertibility and transfer risk, i.e. the risk of obligations not being repaid as a consequence of a debt moratorium or similar payment restriction.

For the purposes of this country risk assessment, ATB considers the country of risk as the country of ultimate payment risk for the transaction. This may be the country of counterparty residence, the country of the parent company or a third country where the cash flow to repay the loan is generated from.
Based upon this classification the geographical concentration can be found in the corresponding notes.

In line with the 'Policy rule on the treatment of concentration risk in emerging countries' issued by Dutch Central Bank, ATB recognizes its own funds should be sufficient to absorb the risks connected with material concentrations of exposure on certain risk countries.
For determining material country concentration, ATB has taken into account risk mitigating instruments which satisfy the minimum requirements regarding credit risk mitigation.

The management of geographic concentration is covered in ATB's Portfolio Management Policy. Historically, due to the geographical concentration of ATB's borrowers, development of ATB's credit portfolio is closely linked to economic and political developments in the CIS countries. ATB's current commercial strategy is also moving to focus on Western Europe.

Liquidity risk

ATB has established an internal funding and liquidity risk strategy that ensures that ATB monitors and manages its liquidity sources to meet all current and future financial obligations at all times, even in stressed or abnormal circumstances.

ATB manages the liquidity profile through short-term liquidity risk management and a long-term funding strategy. Additionally, liquidity risk stress testing is an important element of liquidity risk measurement, risk evaluation and contingency funding planning for all potential contingent as well as improbable, but plausible stress events. ATB applies scenario analysis and liquidity stress testing with the aim of identifying the potential vulnerabilities and worst case liquidity risks of ATB on its current cash flows, liquidity position and liquidity risk mitigants.

ATB's liquidity risk management strategy aims at ensuring that the liquidity buffer of unencumbered and high-quality liquid assets is large enough to cover unexpected cash flow needs for the worst assumed stress scenario, projected over its survival horizon, without recourse to the market for renewed wholesale funding.
Herewith ATB ensures that the liquidity buffer is above minimum level as set by the regulator.

To qualify an asset as a high quality liquid asset, ATB complies with the Basel III liquidity criteria and prefers, in principle, to keeping assets eligible at Central Bank to manage intraday liquidity needs and overnight liquidity facilities as well. Such assets include all unencumbered assets that are available to ATB to convert into cash at any time to fill funding gaps between cash inflows and outflows during potentially detrimental liquidity situations, and are managed for use as a source of contingent funding. There are basically 4 sources of highly liquid assets on ATB's balance sheet: Cash; DNB and ECB Placements; 0% and 20% risk weighted Sovereign securities; and other liquid assets which are also readily convertible into cash within a relatively short period such as Non-financial corporate bonds, rated AA- or better and Covered bonds, not self-issued, rated AA- or better.
A series of measures are used to monitor both the statutory and prudential liquidity requirements of ATB on an ongoing basis including: the liquidity buffer calculation and composition, liquidity gap analysis, currency diversification and cash flow mismatches, and regulatory liquidity ratios calculations.

The next table represents the assets and liabilities based on their remaining contractual terms to maturity at the reporting date.

Notes to the consolidated financial statements

At 31 December 2014

(in €)

Assets	Note	On demand	Within 1 month	Between 1 and 3 months
Cash and cash equivalents and balances withdrawable with central banks	1	144,957,256	-	-
Due from banks	2	131,495,691	1,671,737,377	10,197,302
Trading financial assets	3	1,773,458	-	-
Loans and advances to customers	4	65,814,963	170,754,664	260,591,809
Interest-bearing securities	5	-	-	753,342
Participating interests	6	-	-	-
Intangible assets	7	-	-	-
Property and equipment	8	-	-	-
Prepayments and accrued income	9	-	12,403,613	4,110,555
Other assets	10	343,580	22,601,907	73,400,003
Total assets		**344,384,948**	**1,877,497,561**	**349,053,011**
Liabilities and equity				
Due to banks	11	315,998	259,709,571	-
Funds entrusted	12	465,914,479	1,603,013,471	132,968,781
Accruals and deferred income	13	-	12,338,234	2,149,357
Other liabilities	14	-	22,924,100	72,597,449
Fund for general banking risks	15	-	-	-
Subordinated liabilities	16	-	-	-
Total liabilities		**466,230,477**	**1,897,985,376**	**207,715,587**
Equity	17	-	-	-
Total equity		**-**	**-**	**-**
Total liabilities and equity		**466,230,477**	**1,897,985,376**	**207,715,587**
Liquidity GAP		**-121,845,529**	**-20,487,815**	**141,337,424**

Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No cash flow	Total
-	-	-	-	144,957,256
117,943,545	62,966,044	-	-	1,994,339,959
-	-	-	-	1,773,458
313,623,199	272,091,578	30,331,137	-	1,113,207,350
24,648,243	212,623,819	135,133,568	-	373,158,972
-	-	-	58,310	58,310
-	-	-	12,924,985	12,924,985
-	-	-	1,885,987	1,885,987
28,426,735	197,018	-	-	45,137,921
161,181,151	-	-	-	257,526,641
645,822,873	**547,878,459**	**165,464,705**	**14,869,282**	**3,944,970,839**
-	-	-	-	260,025,569
356,276,075	315,378,152	148,655,971	-	3,022,206,929
7,372,251	1,893,295	-	-	23,753,137
162,684,157	-	-	-	258,205,706
-	-	-	1,591,603	1,591,603
-	-	118,827,938	-	118,827,938
526,332,483	**317,271,447**	**267,483,909**	**1,591,603**	**3,684,610,882**
-	-	-	260,359,957	260,359,957
-	**-**	**-**	**260,359,957**	**260,359,957**
526,332,483	**317,271,447**	**267,483,909**	**261,951,560**	**3,944,970,839**
119,490,390	**230,607,012**	**-102,019,204**	**-247,082,278**	**-**

Notes to the consolidated financial statements

At 31 December 2013

(in €)

Assets	Note	On demand	Within 1 month	Between 1 and 3 months
Cash and cash equivalents and balances withdrawable with central banks	1	421,373,418	-	-
Due from banks	2	194,633,539	570,298,726	222,102,296
Trading financial assets	3	23,097,313	-	-
Loans and advances to customers	4	28,534,387	135,211,345	205,414,805
Interest-bearing securities	5	-	23,185,874	4,900,064
Participating interests	6	-	-	-
Intangible assets	7	-	-	-
Property and equipment	8	-	-	-
Prepayments and accrued income	9	-	6,741,145	7,756,786
Other assets	10	-	7,990,557	1,419,119
Total assets		**667,638,657**	**743,427,647**	**441,593,070**
Liabilities and equity				
Due to banks	11	60,183,366	54,759,320	42,832,771
Funds entrusted	12	603,490,908	549,780,732	229,216,005
Accruals and deferred income	13	-	3,794,581	11,453,803
Other liabilities	14	-	601,178	713,066
Fund for general banking risks	15	-	-	-
Subordinated liabilities	16	-	-	-
Total liabilities		**663,674,274**	**608,935,811**	**284,215,645**
Equity	17	-	-	-
Total equity		**-**	**-**	**-**
Total liabilities and equity		**663,674,274**	**608,935,811**	**284,215,645**
Liquidity GAP		**3,964,383**	**134,491,836**	**157,377,425**

Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No cash flow	Total
-	-	-	-	421,373,418
1,314,033,095	64,327,979	-	-	2,365,395,635
-	-	-	-	23,097,313
440,007,729	385,065,798	33,326,925	-	1,227,560,989
40,935,765	80,558,756	723,142	-	150,303,601
-	-	-	56,100	56,100
-	-	-	12,560,617	12,560,617
-	-	-	2,146,927	2,146,927
11,296,191	660,863	-	-	26,454,985
1,279,750	-	-	-	10,689,426
1,807,552,530	**530,613,396**	**34,050,067**	**14,763,644**	**4,239,639,011**
43,558,750	18,149,479	-	-	219,483,686
1,541,752,982	638,666,877	-	-	3,562,907,504
7,579,789	3,459,951	-	-	26,288,124
1,263,080	-	-	-	2,577,324
-	-	-	1,591,603	1,591,603
-	-	115,409,271	-	115,409,271
1,594,154,601	**660,276,307**	**115,409,271**	**1,591,603**	**3,928,257,512**
-	-	-	311,381,499	311,381,499
-	**-**	**-**	**311,381,499**	**311,381,499**
1,594,154,601	**660,276,307**	**115,409,271**	**312,973,102**	**4,239,639,011**
213,397,929	**-129,662,911**	**-81,359,204**	**-298,209,458**	**-**

For liquidity management purposes, ATB prepares daily cash flow projections with respect to the total cash flow available for lending based on historical data from the last two years. These projections show that current liquidity profile is sufficient to withstand stress scenarios.

Market risk

Market risk is defined as the sensitivity of the balance sheet and income statement to movements in (mainly) interest rates and currencies.

Within the context of ATB's trading book, a market risk management framework has been developed which contains market risk limits, expressed in terms of Value-at-Risk (VaR) which are set to prevent the accumulation of market risk in the trading book beyond the market risk appetite of ATB. These limits are complemented by additional monetary and non-monetary trading controls with the aim of preventing excessive concentrations and illiquidity of exposures.

Considering the nature and scope of ATB's treasury trading activities, the Historical Simulation methodology, based on full revaluation, using a 99% confidence interval over a time horizon of one day, and using one year price history, is chosen as the VaR methodology to monitor the risks associated with the trading activities within the set VaR appetite of ATB.

ATB is aware of the fact that such a VaR measure is not informative on the size of loss that might occur beyond that confidence level. Stressed VaR will be calculated by using historical data series comprising periods of severe market stress and through sensitivity analysis.

Daily monitoring and control processes are established to assess all end-of-day market risk exposures against limits, limit utilizations and limit breaches in accordance with the prescribed guidelines, principles and mandates set out in the Market Risk Management Policy. The daily reported information on the trading portfolio covers: VaR and other trading controls versus limits; limit utilizations and breaches together with additional comments, explanations and actions to take where necessary; VaR figures until the lowest level; and daily VaR changes.

In addition to the market risks originated within the scope of the trading book, ATB monitors and manages its market risks in the banking book as well. These risks are managed independently of the trading book as these risks are a by-product of the bank's other commercial activities and funding strategy and are not deliberately originated. These risks are identified as foreign exchange and interest rate risk.

Foreign exchange risk

The foreign exchange risk is the current or future risk on returns and equity due to unfavorable foreign exchange changes. ATB's foreign currency position is mainly caused by:

- operational activities;
- credit activities, and;
- investment activities.

The foreign currency positions due to operational activities, such as money transfer are covered on a day to day basis by spot transactions. The foreign currency positions due to credit and investment activities are hedged by means of derivatives, such as swaps and forward contracts. The hedging policies of the bank determine limits for allowed open positions in foreign currencies in the context of the banking book, balancing costs and effectiveness of hedges with risk appetite. The hedging policies of the bank prescribe a form of portfolio cash flow hedging, rather than micro-hedging all individual positions.

The total euro equivalent of assets in foreign currency amounts to € 2,452 million (2013: € 2,866 million), while the total of the liabilities in foreign currencies amounts to € 2,365 million (2013: € 2,630 million).

Foreign exchange contracts

		Notional amount		Market value	
Year	Total	< 1 year	1-<5 year	Positive	Negative
2014	1,568,665,159	1,568,665,159	-	256,925,252	-258,255,206
2013	504,152,448	504,152,448	-	10,605,051	-2,494,369

Notional amounts are the principal amounts represented by the derivatives. Positive replacement value would represent the loss ATB could incur if all counterparties would be in default at the end of 2014 and new hedging transactions would need to be concluded.
The positive replacement value depends on the market conditions prevailing at balance sheet date. The Foreign Exchange Contracts are all OTC-traded (over-the-counter).

Interest rate risk

The interest rate risk is the current or future risk on returns and shareholders' equity due to unfavorable interest rate changes. ATB is exposed to interest rate risk when there are differences between amounts or interest rates in the interest earning assets and interest bearing liabilities with specified re-pricing bands. To a large extent the maturities of these assets and liabilities are matched. However, where the interest rate exposures do not correspond to the maturity calendar, the interest rate risk is monitored by the ALCO within the limits set.
The interest rate risk is monitored by means of the GAP report prepared separately for EUR and USD (the two main currencies). The GAP-analyses measure the difference between the amount of interest-earning assets and interest-bearing liabilities (both on- and off-balance) and allocates these to different time buckets based on the instrument's next repricing or maturity date. Within each time bucket, ATB may have a positive, negative, or neutral gap. A positive gap indicates that ATB is generally expected to benefit from rising interest rates because its assets are expected to reprice more quickly than its liabilities. A negative gap indicates that ATB may benefit from falling interest rates.

Interest risk
(in € million)

	31-12-2014	31-12-2013
EUR GAP report		
Due within one month	174.6	428.6
Between one and three months	116.9	205.9
Between three months and one year	-174.0	-245.3
Between one and five years	125.8	-50.1
Over five years	123.8	-
Non-interest bearing	-401.5	-362.3
Total	**-34.4**	**-23.2**
USD GAP report		
Due within one month	-466.4	-359.7
Between one and three months	208.1	164.8
Between three months and one year	155.1	110.7
Between one and five years	96.7	76.7
Over five years	0.8	2.8
Non-interest bearing	5.5	4.5
Total	**-0.2**	**-0.2**

Interest Rate Swaps
ATB uses interest rate swaps to hedge interest risk out of the credit portfolio.

	Notional amount				Market value	
Year	Total	<= 1 year	1-< 5 year	> 5 year	Positive	Negative
2014	10,958,277	4,118,277	6,840,000	-	103,440	-73,514
2013	42,468,679	23,218,992	19,249,687	-	-	-212,354

On weighted average the interest on the floating (receive) side is 0.1129% (2013: 0.231%) and on the fixed side 0.5792% (2013: 1.922%). The remaining maturity (until repricing) on the floating side is 55 days (2013: 51 days) and 742 days (2013: 527 days) on the fixed side. The Interest Rate Swap contracts are all OTC-traded (over-the-counter).

Effective interest rates at *In % per annum*	31 December 2014 EUR	USD	RUB
Assets			
Due from banks	0.40	1.30	10.35
Loans and advances to customers	6.34	6.79	16.77
Interest-bearing securities	2.05	7.08	8.03
Liabilities			
Due to banks	-	-	18.47
Savings and savings deposits	2.19	-	-
Other funds entrusted	0.80	0.86	19.33
Subordinated liabilities	4.90	4.89	-

Effective interest rates at *In % per annum*	31 December 2013 EUR	USD	RUB
Assets			
Due from banks	0.73	1.50	6.80
Loans and advances to customers	6.86	7.60	16.43
Interest-bearing securities	1.77	4.28	7.88
Liabilities			
Due to banks	0.63	4.81	5.25
Savings and savings deposits	2.29	-	-
Other funds entrusted	1.06	0.58	5.86
Subordinated liabilities	4.50	4.90	-

Legal procedures

ATB is involved in a limited number of court procedures. It is not possible to predict the outcome of these procedures, but it is improbable that these will have a material negative effect on ATB's financial position.

Capital information

Capital and solvency ratios are:

	31-12-14	31-12-13
BIS ratio	18.8%	20.6%
Total capital required (in € million)	139	156
Total capital available (in € million)	327	403
Tier 1 ratio	14.1%	15.4%

BIS and capital requirements are calculated using the Standardized Approach (SA). For parent company reporting and for regulatory reporting ATB applies IFRS accounting principles and therefore amounts, equity and results differ from the accounting principles as used in these financial statements. The differences with the largest impact on result and equity between these accounting principles are the fair value adjustments on interest-bearing securities. As a result the net result 2014 under Dutch GAAP is lower than under IFRS accounting principles. During 2014 and 2013 the minimum requirements on capital and solvency ratios have been met.

Hedging

ATB has developed and implemented hedging strategies to reduce its Interest Rate Mismatch and its exposure to Foreign Currency fluctuations.

1. Interest Rate Mismatch

The maturity mismatches between assets and liabilities are managed through the GAP report, which quantifies the risks in interest rate reset buckets. The impact of the market rates changes are calculated on a 100 basis points shock of parallel shifts. To hedge the mismatch (up to 100 basis points shock) ATB uses interest rate swaps.

2. Foreign Currency hedge strategy

ATB mainly provides lending in the following currencies, EUR, USD and RUB. In case of USD and RUB, the currency risk is hedged by using FX swaps on roll-over base till maturity of the loans.

For quantitative information on ATB's exposure to interest rate risk and FX, reference is made to page 51 up until 53 of the notes to the consolidated financial statements.

Operational risk

ATB is exposed to certain potential losses caused by a failure in information, system processing, settlement of transactions and procedures. Key measures that have been introduced to control operational risk include: the four-eye principle, training, specific procedures and directives, segregation of duties and supervision.

Reputation and Compliance risk

Since ATB's client portfolio typically includes many clients operating in high risk political and economic environments, ATB needs to have stringent procedures with respect to reputation and compliance risk which are also aligned with the recommendations of the regulator to strengthen our internal controls in this area. During 2014, also in view of the increase geopolitical tensions and related sanctions in the areas where ATB's clients have their business, ATB has taken several measures to further improve its compliance processes and procedures. The Compliance Department has been expanded and strengthened and ATB has gone through an extensive file review for all its client files (and as a result has decided to terminate certain client's relationships and the bank reported unusual transactions to the relevant authorities). Furthermore ATB has started the implementation of an automated transaction monitoring system that will be fully operational in the course of 2015.

Basel II and Basel III

ATB has implemented the standardized approach for credit risk capital adequacy calculation and the Basic Indicator Approach for Operational Risk capital calculation. ATB has also developed its Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) frameworks to meet Basel II – Pillar 2 requirements, under which internal capital is calculated for concentration risk, country risk, and interest rate risk in the banking book. Reports based upon ICAAP and ILAAP have to be submitted to Dutch Central Bank annually. The reports are subject to the Supervisory Review and Evaluation Process (SREP). In 2014, ATB submitted its annual ICAAP and ILAAP to Dutch Central Bank in compliance with Basel II requirements.

On quarterly basis, ATB participates in the Basel III monitoring exercise executed by the Dutch Central Bank. For this purpose, ATB calculates the leverage and liquidity ratios included in the Basel III framework. On the basis of these experiences, ATB is confident that the requirements of the Basel III framework can be met.

Stress Test Framework

ATB operates under biweekly liquidity stress tests and implements its contingency funding plan based on the results of these stress tests. The solvency stress testing is performed on a regular basis, with application of severe but plausible scenarios. These have been built in compliance with the stress testing guidelines issued by the European Banking Authority (EBA). The stress tests program ranges from simple sensitivity analysis on single portfolios to complex macroeconomic scenario stress testing on a company-wide basis.

Notes to the consolidated statement of financial position

(in €)

Amsterdam Trade Bank
Member of Alfa • Bank Group

Notes to the consolidated statements of financial position

(in €)

	31-12-2014	31-12-2013
1 Cash and cash equivalents and balances withdrawable with central banks	**144,957,256**	**421,373,418**

Reconciliation to consolidated statement of cash flows:

Cash and cash equivalents	144,957,256	421,373,418
Due from banks, available on demand	131,495,691	194,633,539
Due to banks, repayable on demand	-315,998	-60,183,366
Total	**276,136,949**	**555,823,591**

The fair value of cash and cash equivalent and balance withdrawable with central banks does not differ materially from the face value.

2 Due from banks	**1,994,339,959**	**2,365,395,635**

Due from banks include balances on current accounts with banks, time deposits and loans to banks and can be classified as follows:

By geographical concentration:	31-12-14	%	31-12-13	%
Russia	61,318,135	3.1	22,004,288	0.9
Other CIS countries	158,328,328	7.9	284,691,289	12.0
EMU countries	1,091,168,262	54.7	1,260,396,715	53.3
Other European countries	260,492,577	13.1	268,992,396	11.4
Other countries	423,032,657	21.2	529,310,947	22.4
Total	**1,994,339,959**	**100.0**	**2,365,395,635**	**100.0**

By counterparty:	31-12-2014	31-12-2013
Parent bank and related banks	179,100,793	167,235,971
Other banks	1,815,239,166	2,198,159,664
Total	**1,994,339,959**	**2,365,395,635**

Of which secured by pledged deposits:		
Parent bank and related banks	123,732,937	109,401,919
Other banks	1,153,117,536	1,273,833,806
Total	**1,276,850,473**	**1,383,235,725**

On demand balances with other banks comprise € 52,293,277 (2013: € 44,005,660) pledges for L/C's, guarantees and off-balance transactions. These assets are not freely available.
Reported under this heading is a net amount of € 4,092,555 (2013: € 9,193,753) paid to Dutch Central Bank relating to ATB's share in the bankruptcy of the Dutch DSB Bank NV under the Dutch Deposit Guarantee Scheme. Impairment loss is estimated at € 862,000 (2013: € 2,500,000).

The fair value of amounts due from banks does not differ materially from amortised cost.

	31-12-2014	31-12-2013
3 Trading financial assets	1,773,458	23,097,313

Trading financial assets comprise debt instruments issued by:

Governments	-	5,786,181
Corporates	1,773,458	17,311,132
Total	**1,773,458**	**23,097,313**

4 Loans and advances to customers	**1,113,207,350**	**1,227,560,989**

Loans and advances to customers can be classified as follows:

By geographical concentration:	31-12-14	%	31-12-13	%
Russia	274,746,189	24.7	218,205,881	17.8
Other CIS countries	482,482,178	43.4	590,193,041	48.0
EMU countries	104,893,450	9.4	153,439,587	12.5
Other European countries	145,105,361	13.0	99,212,877	8.1
Other countries	105,980,172	9.5	166,509,603	13.6
Total	**1,113,207,350**	**100.0**	**1,227,560,989**	**100.0**

By sector and industry:	31-12-14	%	31-12-13	%
Finance	28,151,641	2.5	36,623,056	3.0
Industry and construction	282,356,662	25.4	298,679,506	24.3
Trading companies	71,785,088	6.4	107,733,661	8.8
Transport	23,552,997	2.1	56,902,215	4.6
Energy	330,403,462	29.6	344,639,774	28.1
Agriculture	93,181,930	8.4	121,012,056	9.9
Consumer items	117,635,640	10.6	100,406,383	8.2
ICT	86,382,042	7.8	81,259,012	6.6
Others	79,757,888	7.2	80,305,326	6.5
Total	**1,113,207,350**	**100.0**	**1,227,560,989**	**100.0**

(in €) By collateral:	31-12-14	%	31-12-13	%
Secured by moveable goods	257,005,852	23.1	317,448,400	25.8
Secured by equipment	34,733,015	3.1	38,119,583	3.1
Secured by deposits	13,963,853	1.3	9,357,611	0.8
Secured by mortgages	73,033,507	6.6	42,495,472	3.5
Secured by unlisted shares	4,126,029	0.4	55,341,393	4.5
Secured by letters of comfort issued by Alfa-Bank companies	31,541,673	2.8	23,053,395	1.9
Secured by guarantees	388,981,400	34.9	454,967,239	37.0
Various secured	68,210,042	6.1	6,133,043	0.5
Various unsecured	241,611,979	21.7	280,644,853	22.9
Total	**1,113,207,350**	**100.0**	**1,227,560,989**	**100.0**

Loans and advances to customers include loans amounting to € 68,028,817 (2013: € 72,530,708) for finance lease transactions of ATB Leasing. These loans have a maturity up to 10 years. Lessees are Russian railway corporations, and the collateral for these leases are Russian railway wagons (moveable goods).
No loans and advances are outstanding to members of the Executive Board and Supervisory Board (2013: nil).

The table above is a breakdown of loans and advances to customers secured by type of collateral. The value of the collateral is based on valuation reports received from external valuators or other sources (including warehouses and clients). It’s ATB’s policy to require for periodic updates on these valuation reports. Due to volatile market conditions the value of the collateral can differ significantly from the value as stated in the latest available reports.
In addition to other collateral, both personal and corporate guarantees are arranged for repayment of the underlying principal and interest amounts.

Collateral by geographical concentration:	31-12-14	%	31-12-13	%
Russia	185,867,053	16.7	152,536,780	12.4
Other CIS countries	265,433,638	23.8	382,089,826	31.1
EMU countries	197,759,304	17.8	214,682,467	17.5
Other European countries	113,246,675	10.2	125,915,078	10.3
Other countries	109,288,701	9.8	71,691,985	5.8
Unsecured	241,611,979	21.7	280,644,853	22.9
Total	**1,113,207,350**	**100.0**	**1,227,560,989**	**100.0**

(in €)

	2014	2013
Impairments	**156,694,000**	**63,395,000**
Balance at 1 January	63,395,000	45,325,000
Releases	-	-5,619,000
Additions	93,299,000	23,689,000
Balance at 31 December	**156,694,000**	**63,395,000**

At 31 December 2014 for 18 clients (2013: 7) the loans have been impaired and provided for. The main additions relate to 6 (2013: 4) exposures representing 63% (2013: 71%) of the impaired loans.
The loan loss provision includes a provision for incurred but not reported (IBNR) credit losses of € 9.9 million (2013: € 2.8 million).

Fair value of loans and advances to customers

The following table summarizes the carrying amount and fair value of loans and advances to customers.

	2014	2013
Face value	1,113,207,350	1,227,560,989
Fair value	1,000,482,609	1,161,256,000

5 Interest-bearing securities	**373,158,972**	**150,303,601**

Interest-bearing securities represent listed debt instruments, issued by:

Governments	269,130,443	84,534,328
Financial institutions	60,310,893	30,389,984
Corporates	43,717,636	35,379,289
Total	**373,158,972**	**150,303,601**

Movements in the interest-bearing securities were as follows:

	2014	2013
Balance at 1 January	150,303,601	231,498,518
Purchases	434,661,596	139,904,742
Redemptions	-173,125,298	-173,592,878
Sales	-34,983,102	-43,227,377
Amortisation premium and discount	-3,128,155	-2,471,448
Impairments	-2,956,291	-
Currency revaluation	2,386,621	-1,807,956
Balance at 31 December	**373,158,972**	**150,303,601**

By geographical concentration:	31-12-2014	%	31-12-2013	%
Russia	15,081,401	4.0	18,722,539	12.5
Other CIS countries	2,577,048	0.7	3,782,809	2.5
EMU countries	292,671,959	78.5	87,266,045	58.0
Other European countries	29,980,374	8.0	33,302,640	22.2
Other countries	32,848,190	8.8	7,229,568	4.8
Total	**373,158,972**	**100.0**	**150,303,601**	**100.0**

The Russian and Other CIS countries securities are securities issued by financial institutions and corporates. Included in EMU countries are government securities to an amount of € 259,843,878 (2013: € 72,268,655).

By portfolio:	31-12-2014	31-12-2013
Held to maturity	174,365,160	49,289,925
Other	198,793,812	101,013,676
Total	**373,158,972**	**150,303,601**

The fair value of interest-bearing securities is € 375,571,624 (2013: € 151,149,444).

6 Participating interests

6 Participating interests	**58,310**	**56,100**

Participating interests consist of non-listed shares.

	2014	2013
Balance at 1 January	56,100	56,174
Divestment	-	-74
Revaluation	2,210	-
Balance at 31 December	**58,310**	**56,100**

This balance consists of 17 (2013: 17) shares of Swift (Society for Worldwide Interbank Financial Telecommunication).

	31-12-2014	31-12-2013
7 Intangible assets	12,924,985	12,560,617

Movements in intangible assets were as follows:

	2014	2013
Balance at 1 January	12,560,617	8,750,511
Investment	3,571,175	5,682,602
Depreciation	-3,206,807	-1,872,496
Balance at 31 December	12,924,985	12,560,617
Acquisition costs	19,601,617	16,030,441
Accumulated depreciation	-6,676,632	-3,469,824

Intangible assets refer to capitalized software expenses. Investment mainly consists of the cost of banking software.

8 Property and equipment	**1,885,987**	**2,146,927**

Movements in property and equipment were as follows:

	Leasehold improvement	Computer equipment	Other	Total 2014	Total 2013
Balance at 1 January	399,519	1,361,879	385,529	2,146,927	2,336,251
Investment	-	327,348	186,964	514,312	530,896
Reclassification	-	-	-	-	-
Disposals (net)	-	-	-99,430	-99,430	-25,719
Depreciation	-109,878	-471,761	-94,183	-675,822	-694,501
Balance at 31 December	**289,641**	**1,217,466**	**378,880**	**1,885,987**	**2,146,927**
Acquisition costs	905,089	3,276,408	906,332	5,087,829	4,822,906
Accumulated depreciation	-615,448	-2,058,942	-527,452	-3,201,842	-2,675,979

(in €)

	31-12-2014	31-12-2013
9 Prepayments and accrued income	**45,137,921**	**26,454,985**

Prepayments and accrued income can be specified as follows:

	31-12-2014	31-12-2013
Interest receivable		
- Parent bank and related banks	2,408,638	307,824
- Related group companies	3,720,864	4,406,209
- Banks	3,351,561	1,316,377
- Loans and advances to customers	7,052,212	6,681,274
- Investments	2,833,988	1,439,620
Prepayments	3,793,111	4,884,443
Corporate tax	19,887,637	2,676,047
Value Added Tax	2,089,910	4,743,191
Total	**45,137,921**	**26,454,985**

10 Other assets	**257,526,641**	**10,689,426**

Other assets consist of € 256.9 million of FX contracts for hedging purposes. The related liability of € 258.3 million is classified as Other liabilities.
Due to the political unrest in Ukraine, Alfa-Bank decided to increase FX trades with related parties which resulted in large volumes on both the assets side as well as on the liabilities side, on which the collateral is recorded.

11 Due to banks	**260,025,569**	**219,483,686**

Due to banks represent non-subordinated amounts owed to banks and not embodied in debt securities.

By counterparty:		
Parent bank and related banks	259,768,358	13,832,072
Other banks	257,211	205,651,614
Total	**260,025,569**	**219,483,686**

By geographical concentration:		
Russia	259,954,790	110,863,630
Other CIS countries	70,779	65,736,492
Other countries	-	42,883,564
Total	**260,025,569**	**219,483,686**

The fair value of amounts due to banks does not differ materially from amortised cost.

12 Funds entrusted

	31-12-2014	31-12-2013
12 Funds entrusted	**3,022,206,929**	**3,562,907,504**

(in €)

	31-12-2014	%	31-12-2013	%
Savings & savings deposits	845,921,725	28.0	1,078,970,565	30.3
Current accounts	443,808,207	14.7	526,322,742	14.8
Fixed deposit accounts	437,935,656	14.5	667,810,734	18.7
Deposit accounts pledged to ATB	1,294,541,341	42.8	1,289,803,463	36.2
Total	**3,022,206,929**	**100.0**	**3,562,907,504**	**100.0**

	31-12-2014	31-12-2013
Related parties	1,649,822,227	1,611,251,706
Other customers	1,372,384,702	1,951,655,798
Total	**3,022,206,929**	**3,562,907,504**

The fair value of funds entrusted does not differ materially from amortised cost.

13 Accruals and deferred income

13 Accruals and deferred income	**23,753,137**	**26,288,124**

Accruals and deferred income can be specified as follows:

Interest payable		
- Parent bank and related banks	4,872,739	4,461,545
- Related group companies	1,604,288	1,749,724
- Banks	5,388	761,576
- Customers	5,026,826	2,988,581
Corporate tax payable	-	225,017
Corporate tax deferred	1,989,352	700,593
Deferred fee income	3,960,493	7,175,384
Other accruals	6,294,051	8,225,704
Total	**23,753,137**	**26,288,124**

Other accruals mainly comprise salary related expenses and other expenses payable.

14 Other liabilities

14 Other liabilities	**258,205,706**	**2,577,324**

Other liabilities consist of € 258.3 million of FX contracts for hedging purposes. The related asset of € 256.9 million is classified as Other assets.

	31-12-2014	31-12-2013
15 Fund for general banking risks	1,591,603	1,591,603

This balance remained unchanged during 2014 and 2013.

16 Subordinated liabilities	118,827,938	115,409,271

The subordinated liabilities are held with related parties and subordinated in respect of other current and future liabilities of ATB.

CCY	CCY amount	EUR amount	Interest	Interest reset date	Final maturity
EUR	90,000,000	90,000,000	4.81214%	02/11/15	30/10/20
USD	35,000,000	28,827,938	4.82810%	26/01/15	24/07/20
		118,827,938			

The fair value of subordinated loans does not differ materially from amortised cost.

17 Equity	260,359,957	311,381,499

Statement of changes in equity:

	Issued capital	Share premium	Retained earnings	Currency translation reserve	Revaluation reserve	Undistributed result	Total
Balance at 31-12-2012	117,343,424	4,317,803	145,598,585	2,153,556	12,395	20,722,725	290,148,488
Appropriation of result	-	-	18,722,725	-	-	-18,722,725	-
Dividend payment	-	-	-	-	-	-2,000,000	-2,000,000
FX revaluation	-	-	-	-4,328,671	-	-	-4,328,671
Net result 2013	-	-	-	-	-	27,561,682	27,561,682
Balance at 31-12-2013	117,343,424	4,317,803	164,321,310	-2,175,115	12,395	27,561,682	311,381,499
Appropriation of result	-	-	27,561,682	-	-	-27,561,682	-
FX revaluation	-	-	-	-14,934,029	2,210	-	-14,931,819
Net result 2014	-	-	-	-	-	-36,089,723	-36,089,723
Balance at 3112-2014	**117,343,424**	**4,317,803**	**191,882,992**	**-17,109,144**	**14,605**	**-36,089,723**	**260,359,957**

Issued capital

At 31 December 2014 all shares were held by OAO Alfa-Bank, Moscow.

The authorized capital amounts to € 411,719,132 (2013: € 411,719,132) consisting of in 907,310 shares (nominal value € 453.78), of which 258,591 (2013: 258,591) shares have been issued and fully paid up.

Share premium

This reserve includes amounts paid to ATB by shareholders above the nominal value of purchased shares.

Retained earnings

This reserve includes past profits added to equity.
The General Meeting of Shareholders, held on 2 May 2014, decided to add the 2013 result of € 27,561,682 to Retained Earnings.

Currency translation reserve

This reserve (which is not available for free distribution) includes currency translation differences resulting from the valuation of investments in group companies at the ruling exchange rate insofar as the currency rate risk is not hedged.

Revaluation reserve:

This reserve includes movements in the fair value of participating interests.

	31-12-2014	**31-12-2013**
18 Contingent liabilities	**100,666,880**	**75,975,109**

These are irrevocable contingent liabilities pursuant to guarantees.

By product:		
Guarantees issued	32,999,152	46,405,789
Letters of credit	67,667,728	29,569,320
Total	**100,666,880**	**75,975,109**

By geographical concentration:		
Russia	36,203,492	30,159,583
Other CIS countries	25,849,412	35,843,772
EMU countries	18,417	1,958,910
Other European countries	4,652,861	-
Other countries	33,942,698	8,012,844
Total	**100,666,880**	**75,975,109**

Other contingent liabilities:

In 2014 (continuing in 2015), stimulated by specific supervisory initiatives, ATB has increased its efforts to implement a strong compliance culture and organization, processes and tooling. As a result of this and also due to an increased specific monitoring of its client files and business transactions, ATB identified and reported past unusual transactions to the relevant authorities.

In this respect ATB is currently in contact with those authorities on the identification and notification of unusual transactions. It is uncertain which sanctions, if any, could be imposed as a result hereof. Based on Wft and Wwft conditions, administrative measures such as a penalty payment or an administrative fine or other measures may be imposed. As these are possible obligations subject to confirmation by uncertain future events they cannot be recognised as a liability in the balance sheet but are disclosed as a contingent liability.

	31-12-2014	31-12-2013
19 Irrevocable commitments	**46,804,650**	**123,427,022**

Irrevocable credit facilities comprise the total amount of commitments in respect to undrawn irrevocable credit facilities.

By geographical concentration:		
Russia	-	60,080,871
Other CIS countries	16,886,344	6,669,329
EMU countries	13,445,198	25,437,431
Other European countries	16,473,108	29,787,433
Other countries	-	1,451,958
Total	**46,804,650**	**123,427,022**

Liabilities pledged to ATB

In connection to the risk profile, the following assets and liabilities are recorded in the financial statements and are subject to pledge agreements. These assets and liabilities are not freely available for ATB's banking activities.

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Parent bank and related banks	123,732,937	-	109,401,919	-
Related group companies	-	66,366,328	-	28,680,941
Other banks	1,153,117,536	-	1,273,813,806	108,896,875
Loans and advances to customers/Funds enstrusted	15,484,530	1,225,968,675	15,484,613	1,261,122,522
Total	**1,292,335,003**	**1,292,335,003**	**1,398,700,338**	**1,398,700,338**

The related accrued interest forming part of the pledge agreements is not included in this table. Related parties included in funds entrusted amount to € 1,153,117,536 (2013: € 1,172,196,723).

Related parties

The consolidated statement of financial position and consolidated statement of income include the subsidiaries ATB Leasing LLC (Moscow) and Amsterdam Trade Capital Administration Corporation (Amsterdam) which are fully owned.

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

For the 2014 financial statements, ATB defines and interprets related parties as associated companies, shareholders, the Executive Board, the Supervisory Board, close family members and enterprises which are controlled by these individuals (Executive Board and Supervisory Board) through their majority shareholding.

Transactions are at arm's length basis and are based upon contractual arrangements and relate mainly to back-to-back loans, the funding of ATB and pledged deposit agreements.

Amounts receivable or payable to related parties and income and expenses regarding related parties are disclosed in the notes to the financial statements.

Rental commitments

ATB has entered into rental agreements for its office premises and office equipment amounting to € 6,206,000 (2013: EUR 7,216,000).

Of this amount € 1,149,000 is payable within 1 year, € 4,163,000 is payable between 1 and 5 years and € 894,000 is payable after 5 years.

Notes to the consolidated statement of income

(in €)

Amsterdam Trade Bank
Member of Alfa•Bank Group

	2014	2013
20 Interest income	**117,681,635**	**120,510,043**

Interest income comprise interest from:

Cash and cash equivalents	-119,299	170,912
Banks	29,598,813	29,615,678
Loans and advances to customers	84,342,023	83,644,262
Interest-bearing securities	3,658,567	6,648,616
Derivatives	201,531	430,575
Total	**117,681,635**	**120,510,043**

By geographical concentration:	2014	%	2013	%
Russia	12,911,654	11.0	12,765,640	10.6
Other CIS countries	42,366,996	36.0	44,326,534	36.8
EMU countries	30,030,215	25.5	25,220,305	20.9
Other European countries	12,130,956	10.3	15,394,320	12.8
Other countries	20,241,814	17.2	22,803,244	18.9
Total	**117,681,635**	**100.0**	**120,510,043**	**100.0**

	2014	2013
Interest income from parent and related banks	18,871,420	18,080,336
Interest income pledged deposits	23,080,088	23,862,183
Of which from related parties	10,629,412	13,743,446

21 Interest expense	**48,795,891**	**60,866,342**

Interest expense comprise interest from:

Banks	5,645,195	8,410,608
Funds entrusted	36,300,968	44,702,560
Subordinated liabilities	5,795,699	4,477,756
Derivatives	1,054,029	3,275,418
Total	**48,795,891**	**60,866,342**

(in €)

By geographical concentration:	2014	%	2013	%
Russia	15,835,665	32.5	8,202,690	13.5
Other CIS countries	1,064,052	2.2	5,922,857	9.7
EMU countries	26,828,027	54.9	32,445,340	53.3
Other European countries	470,876	1.0	1,432,446	2.4
Other countries	4,597,271	9.4	12,863,009	21.1
Total	**48,795,891**	**100.0**	**60,866,342**	**100.0**

	2014	2013
Interest expense from parent and related banks	9,257,518	11,551,557
Interest expense pledged deposits	18,660,355	20,402,395
Of which from related parties	1,591,381	7,240,916

22 Net commission income

	2014	2013
22 Net commission income	**13,758,395**	**12,265,528**

	2014	%	2013	%
Trade finance fees	11,033,828	75.1	9,666,657	72.9
Money transfer fees	1,023,100	7.0	1,386,016	10.5
Other fees	2,628,156	17.9	2,197,584	16.6
Commission income	**14,685,084**	**100.0**	**13,250,257**	**100.0**
Commission expense	**926,689**		**984,729**	
Total	**13,758,395**		**12,265,528**	

23 Result on financial transactions

	2014	2013
23 Result on financial transactions	**3,967,416**	**9,021,593**

Result on financial transactions comprise:

	2014	2013
Other foreign exchange results	-2,218,270	574,860
Sale of interest-bearing securities	1,083,523	2,195,647
Gain on trading financial assets	824,674	1,269,171
Foreign exchange results on client transactions	4,277,490	4,981,915
Total	**3,967,417**	**9,021,593**

	2014	2013
24 Other income	**1,804,598**	**2,128,822**

Other income consists of the recoverable VAT amount. This amount depends on the composition of interest and commission income. Next to this, result on sale of assets and other minor results are comprised in other income.

25 Staff expense	**23,302,821**	**21,311,012**

Staff expenses comprise:

Wages and salaries	15,842,390	15,804,372
Pension cost	1,745,563	1,454,376
Other social cost	1,684,350	1,388,449
Other staff cost	4,030,518	2,663,815
Total	**23,302,821**	**21,311,012**

Remuneration of Supervisory Board and Executive Board

Remuneration (including pension cost and variable remuneration) of the members of the Executive Board during the period amounted to € 2,327,362 (2013: € 2,358,411), inclusive of € 0 Crisis Tax (2013: € 154,995). Remuneration of the Supervisory Board amounts to € 301,389 (2013: € 245,834).
At 31 December 2014, the total number of employees expressed in full-time equivalents was 181 (2013: 158).

26 General and administrative expense	**9,595,064**	**8,166,869**

General and administrative expenses comprise:

Housing	1,428,657	1,361,181
ICT / communication	3,628,452	3,712,765
Public relations	403,717	228,609
Professional services	2,646,356	1,940,401
Foreign taxes	78,171	-453,470
Other cost	1,409,711	1,377,383
Total	**9,595,064**	**8,166,869**

The increase of Professional services was mainly caused by consultancy cost.

External auditor's cost:

2014	KPMG Accountants NV	Other KPMG	Total KPMG
Audit services	485,562	-	485,562
Audit-related services	54,450	-	54,450
Tax advice services	-	-	-
Other non-audit services	-	-	-
Total	**540,012**	**-**	**540,012**

2013	KPMG Accountants NV	Other KPMG	Total KPMG
Audit services	456,760	-	456,760
Audit-related services	-	109,006	109,006
Tax advice services	-	127,635	127,635
Other non-audit services	-	74,120	74,120
Total	**456,760**	**310,761**	**767,521**

	2014	2013
27 Depreciation	**3,882,629**	**2,566,997**

Depreciation comprise the depreciation cost of:

Intangible assets	3,206,807	1,872,496
Property and equipment	675,822	694,501
Total	**3,882,629**	**2,566,997**

28 Impairments	**96,255,291**	**18,070,000**

The movements are as follows:

Release from provisions	-	-5,619,000
Addition to provisions on loans	93,299,000	23,689,000
Addition to provisions on bonds	2,956,291	-
Total	**96,255,291**	**18,070,000**

The addition regarding loans in 2014 relates to 18 clients (2013: 7).

29 Resolution charge	**2,895,123**	**-**

In 2014 a one-off charge related to the nationalization of SNS Reaal amounting to € 2.9 million (not tax deductible) is payable to the State of the Netherlands (2013: Nil).

	2014	2013
30 Income tax	**-11,425,052**	**5,383,084**

The statutory applicable corporate tax rate for 2014 in the Netherlands is 25% (2013: 25%) and in Russia is 20% (2013: 20%).
Taxes are calculated on the result before taxation, based on the applicable profit tax rate. For 2014 this resulted in an overall effective tax rate of 24.0% (2013: 16.3%).

The differences between the statutory applicable corporate tax rate and effective tax rate can be explained as follows:

	2014
Operating result before tax	**-47,514,775**
Income tax	
Theoretical tax charge at the statutory rate of 25%	-11,878,694
Non deductible items	724,260
Historical adjustments	-15,271
Profit taxable in lower tax jurisdictions	-255,347
Total	**-11,425,052**

Company financial statements 2014

Amsterdam Trade Bank
Member of Alfa • Bank Group

Company statement of financial position

At 31 December 2014
before appropriation of result

(in €)

	31-12-2014	31-12-2013
Assets		
Cash and cash equivalents and balances withdrawable with central banks	144,957,256	421,373,418
Due from banks	1,993,866,947	2,361,798,806
Trading financial assets	1,773,458	23,097,313
Loans and advances to customers	1,090,617,785	1,201,157,185
Interest-bearing securities	373,158,972	150,303,601
Participating interests	26,793,722	37,660,920
Intangible assets	12,924,985	12,560,617
Property and equipment	1,884,063	2,142,913
Prepayments and accrued income	39,491,681	18,697,548
Other assets	257,526,641	10,689,426
Total assets	**3,942,995,510**	**4,239,481,747**
Liabilities and equity		
Due to banks	260,025,569	219,483,686
Funds entrusted	3,022,206,929	3,563,474,764
Accruals and deferred income	21,715,990	25,524,928
Other liabilities	258,267,524	2,615,996
Fund for general banking risks	1,591,603	1,591,603
Subordinated liabilities	118,827,938	115,409,271
Total liabilities	**3,682,635,553**	**3,928,100,248**
Equity:		
- Issued capital	117,343,424	117,343,424
- Share premium	4,317,803	4,317,803
- Retained earnings	191,882,992	164,321,310
- Currency translation reserve	-17,109,144	-2,175,115
- Revaluation reserve	14,605	12,395
- Net result	-36,089,723	27,561,682
Total equity	**260,359,957**	**311,381,499**
Total liabilities and equity	**3,942,995,510**	**4,239,481,747**
Contingent liabilities	100,666,880	75,975,109
Irrevocable commitments	46,804,650	123,427,022

Company statement of income for 2014

(in €)		2014		2013
Income from operating activities				
Interest income	111,563,935		117,029,742	
Interest expense	48,795,891		60,866,342	
Net interest income		62,768,044		56,163,400
Commission income	14,685,084		13,395,512	
Commission expense	857,812		984,729	
Net commission income		13,827,272		12,410,783
Result on financial transactions		3,926,547		8,328,395
Other income		1,804,598		2,128,696
Total income from operating activities		82,326,461		79,031,274
Expense				
Staff expense	22,591,520		20,992,834	
General and administrative expense	9,323,994		8,262,251	
Depreciation	3,881,766		2,565,752	
Impairments	96,255,291		18,070,000	
Resolution charge	2,895,123		-	
Total expense		**134,947,694**		**49,890,837**
Operating result before tax		**-52,621,233**		**29,140,437**
Income tax		-12,434,944		7,273,951
Result subsidiaries		4,096,566		5,695,196
Net result		**-36,089,723**		**27,561,682**

Notes to the company financial statements

(in €)

General

The company financial statements of Amsterdam Trade Bank NV (ATB) have been prepared in conformity with section 14, "Provisions for banks", of Book 2, Title 9 of the Netherlands Civil Code with the allowed application of the accounting policies (DGAAP) as also applied in the consolidated annual accounts. The principles of valuation and determination of results stated in connection with the consolidated statement of financial position and consolidated statement of income are also applied to the corporate statement of financial position and corporate statement of income.

Participating interests

In the company statement of financial position the following participating interests are included:

- SWIFT, details can be found in the Notes to the consolidated financial statements.
- ATB Leasing LLC, a fully owned subsidiary for leasing activities in Moscow. The paid-in capital of ATB Leasing amounts to € 28,807,976 (Russian Ruble 1,246,273,138). ATB holds all 111 (2013: 111) issued shares of ATB Leasing. The profit regarding 2014 and 2013 has been recorded as an addition on the participating interest in ATB Leasing.
- ATCAC (Amsterdam Trade Capital Administration Corporation BV) a fully owned subsidiary.

Statement of changes in Participating interests

	2014	2013
Balance at 1 January	37,660,920	36,302,681
Result	4,096,556	5,695,196
Revaluation	2,210	-
FX translation reserve	-14,965,974	-4,336,957
Balance at 31 December	**26,793,722**	**37,660,920**

Contingent liabilities:

In 2014 (continuing in 2015), stimulated by specific supervisory initiatives, ATB has increased its efforts to implement a strong compliance culture and organization, processes and tooling. As a result of this and also due to an increased specific monitoring of its client files and business transactions, the bank identified and reported past unusual transactions to the relevant authorities.

In this respect the bank is currently in contact with those authorities on the identification and notification of unusual transactions. It is uncertain which sanctions, if any, could be imposed as a result hereof. Based on Wft and Wwft conditions, administrative measures such as a penalty payment or an administrative fine or other measures may be imposed. As these are possible obligations subject to confirmation by uncertain future events they cannot be recognised as a liability in the statement of financial position but are disclosed as a contingent liability.

Amsterdam, 21 July 2015

Executive Board:

H.P.M.G. Steeghs, Interim CEO and CFO
I. Pakan, CCO
P.J. Ullmann, CRO

Supervisory Board:

W.J.M.O. Devriendt, Chairman
H.C.M. van Damme
F.C.W. Kuijlaars
P.S. Smida
V.V. Tatarchuk

Other information

Amsterdam Trade Bank
Member of Alfa • Bank Group

Other information

SUBSEQUENT EVENTS

Considering the ongoing economic difficulties around Russia and Ukraine, the first half year of 2015 revealed that additional loan loss provisions are required during the first half year 2015 related to developments and events occurred in 2015.

APPROPRIATION OF RESULT

Pursuant to article 33, paragraph 1 of the Articles of Association, ATB's profit is at the disposal of the General Meeting of Shareholders.
It is proposed to allocate the net loss of EUR 36,089,723 to Retained earnings.

Article 33 paragraph 2 of the Articles of Association states that dividends can only be made available to the extent that shareholders' equity exceeds the amount of issued capital and legal reserves.

INDEPENDENT AUDITOR'S REPORT

To: The shareholder of Amsterdam Trade Bank N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Amsterdam Trade Bank N.V. (the company), based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion the financial statements give a true and fair view of the financial position of Amsterdam Trade Bank N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The financial statements comprise:

1 the consolidated and company statement of financial position as at 31 December 2014;
2 the consolidated and company statement of income for 2014;
3 the consolidated statement of cash flows for 2014; 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 Amsterdam Trade Bank N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

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

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 2.2 million. The materiality is determined with reference to the result before tax (5%), which we considered the most appropriate benchmark for the Company's financial performance. 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 70,000, 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.

Scope of the group audit

Amsterdam Trade Bank N.V. is at the head of a group of entities comprising ATB Leasing LLC located in Russia and Amsterdam Trade Capital Administration Corporation in Amsterdam. The financial information of this group is included in the consolidated financial statements of Amsterdam Trade Bank N.V.
Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and the risk profile of the group entities. On this basis, we selected group entities for which an audit needs to be carried out on the complete set of financial information.

Our group audit mainly focused on the significant group entity ATB Leasing LLC located in Russia. We have used the work of other KPMG auditors auditing ATB Leasing LLC. We have prepared instructions for the component auditor including significant risks and reporting requirements. Also we have held conference calls and performed a site visit to the local auditor. We performed analytical procedures on the financial figures of Amsterdam Trade Capital Administration Corporation to confirm that there are no risk of material misstatements in this group entity.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board and the Executive Board of Amsterdam Trade Bank. 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.

The valuation of the loan portfolio

The financial statements risk – Amsterdam Trade Bank has a corporate loan portfolio of EUR 1.1 billion as at 31 December 2014. These loans are measured at amortised cost, less impairments for loan losses (EUR 157 million). For a full description of the accounting principles applied to the loan portfolio, we refer to the accounting principles included in the financial statements.

Certain aspects of the accounting for loan loss impairments require significant judgement, 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. Given the significance of management judgement, the relative size of the loan portfolio of Amsterdam Trade Bank (28% of total assets), the concentration of exposure in Russia (EUR 390 million) and Ukraine (EUR 310 million) and the uncertainty around the loan portfolio valuation given the developments in Russia/Ukraine as described in note Credit Risk we identified the valuation of the loan portfolio as a key audit matter.

Our audit approach – Our audit approach included both the testing of controls as well as substantive audit procedures.

We gained an understanding of and tested the controls implemented with respect to the lending process and the process for determining impairments for loan losses. Critical processes and controls include but are not limited to periodic revision of loans including applying policies and guidance around ongoing credit risk monitoring of loans and subsequently the evaluation, recognition of impairment triggers and the assessment of the recoverable amounts of impaired loans.
Furthermore, we examined a selection of individual loan exposures in detail, and challenged the Executive Board 's assessment of the recoverable amount. We applied professional judgement in selecting the loan exposures for our detailed inspection with an emphasis on exposures in sectors that pose an increased uncertainty for recovery in the current market circumstances, for example exposures in Russia and Ukraine. Using our own credit risk management specialists, we challenged the appropriateness of the Executive Board's key assumptions in the impairment testing (including valuation reports of collateral, scenario analysis, loan restructuring measures and collateral valuation haircuts) and performed procedures with regards to the accuracy of the Executive Board's calculation of the recoverable amount of the individual loans.

Our observations - We found that the corporate portfolio in the financial statements of Amsterdam Trade Bank as at 31 December 2014 has been recorded in accordance with the applicable accounting principles and consider the Executive Board's calculation of impairments to be neutral. We concur with the loan disclosures in the financial statements included in note 4.

Compliance with laws and regulations in relation to clients and transactions
The financial statements risk: We identified compliance with laws and regulations as a key audit matter, because of:

- the developments in 2014 in Ukraine and applied sanctions by the EU against individuals and businesses from Russia and Ukraine that pose additional risk of non-compliance which could affect the financial results of the bank; and
- the changes in the risk and compliance organisation and processes as described on page 10, 13, 14, 18 and 19 of the Executive Board report and the contingent liabilities as described on page 67.

Our audit approach - Our audit approach included both the testing of the effectiveness of the internal controls as well as substantive audit procedures. We inspected a number of policies such as anti-money laundering and transaction monitoring policies, evaluated and discussed the internal audit reports on compliance, inspected third party reports and evaluated the monitoring process of compliance with EU sanctions. Also we substantively tested client identification procedures for of a number of client files and monitoring procedures performed for a number of transactions.

Our observations – In order to mitigate the risks of non-compliance, the bank initiated steps to improve the risk and compliance functions. In our management letter and long form auditor's we provided observations for necessary improvements with respect to the formalisation, documentation and execution of processes such as client and supplier identification and transaction monitoring in relation to client payments.

Information Technology Environment
The financial statements risk - For its day-to-day operations Amsterdam Trade Bank depends on the reliability and continuous availability of its information technology environment

(IT environment). Having a solid general IT control framework in place is critical to the operations of Amsterdam Trade Bank. This year a number of large projects were on the IT agenda of Amsterdam Trade Bank It is important that safeguards exist regarding the reliability and continuity of the electronic data processing also in a changing IT environment. We have therefore identified this as a key audit matter.

Our audit approach - We performed audit work regarding the IT environment for relevant applications and platforms for the purpose of the financial statements audit. This included applications and platforms supporting the business operations as well as those driving the financial accounting, including the enabling infrastructure and service providers. We engaged IT auditors to execute a dedicated IT audit plan focussing on IT controls implemented by the bank. These audit procedures included among others testing of user authentication measures, management of access rights, external penetration testing and change management procedures.

Our observations – Our test procedures on the design and operating effectiveness of IT control measures taken did not result in significant findings on the reliability and continuity of the electronic data processing for the purpose of the audit of the financial statements. In our management letter we provided recommendations for further enhancements on improving documentation and formalising certain IT controls.

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

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive 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 the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting

from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Board.
- Concluding on the appropriateness of the Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

Report on other legal and regulatory requirements

Report on the Executive Board report 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 Executive Board report and other information),:

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

Other information

Engagement
We were appointed prior to 2008 for the first time as auditor of Amsterdam Trade Bank N.V. and operated as auditor since then. On 5 September 2014 we were re-appointed by the Supervisory Board for the year 2014. As required by law we will no longer act as audit firm of Amsterdam Trade Bank N.V. as from 2016.

Amstelveen, 21 July 2015

KPMG Accountants N.V.

W.G. Bakker RA

GLOSSARY

Amortised cost
The amount for which financial assets or liabilities are initially recognised minus redemptions, plus or minus the accumulated depreciation/amortization using the effective interest rate method for the difference between the original amount and the amount on maturity date, and minus impairments.

Basel II
The framework drawn up by the Basel Committee on Banking Supervision which sets minimum capital requirements for banks.

Basel III
The framework drawn up by the Basel Committee on Banking Supervision which provides a stricter definition of capital and introduces several new ratios and buffers to be complied with by banks. The period for gradual transition from Basel II to Basel III is five years and started in January 2014.

BIS total capital ratio
The percentage of a bank's capital adequacy calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

CEE (Central and Eastern Europe)
CEE is a generic term for countries in Central Europe, Southeast Europe and Eastern Europe, usually meaning former communist states in Europe. It is in use after the collapse of the Iron Curtain in 1989–90.

CIS (Commonwealth of Independent States)
An alliance made up of states that had been Soviet Socialist Republics in the Soviet Union prior to its dissolution in December 1991.

Contingent liabilities
All commitments arising from transactions for which ATB has given a guarantee to third parties.

Core Tier I capital
Also referred to as the core capital. ATB's core Tier I capital represents share capital, share premium and other reserves, adjusted for certain deductions set by the regulatory authorities, such as goodwill.

Core Tier I ratio
The Core Tier I capital of ATB as a percentage of risk weighted assets.

Credit derivatives (credit default swaps)
In this type of swaps, variable interest payments, linked to Euribor, are exchanged with credit guarantees vis-a-vis a third party. The counterparty is required to pay if the third party cannot meet its payment obligations. The specific events which are followed by payments are recorded in the contract.

Credit risk
The risk that funds lent are not, not fully or not timely repaid. This also includes the settlement risk, i.e. the risk that counterparties do not fulfil their obligations in connection with, for instance, securities transactions.

Other information

Derivative
A financial instrument whose value has been derived from the value of another financial instrument, an index or other variables. ATB holds both derivatives whose size (face value), conditions and price are determined between ATB and the counterparties (OTC derivatives), as well as standardized derivatives negotiable on organised markets.

Executive Board (EB)
CEO - Chief Executive Officer
CFO - Chief Financial Officer
CCO - Chief Commercial Officer
CRO - Chief Risk Officer

Gross Domestic Product (GDP)
The market value of all officially recognised final goods and services produced within a country in a year, or other given period.

Impairments
Amount charged to the statement of income for possible losses on doubtful debts or uncollectible loans and advances or because an impairment test has shown that the asset has to be valued lower, because the fair value is lower than the carrying amount or because the fair value of investments and associates is lower than cost.

Incurred But Not Reported (IBNR)
Impairments which have occurred at reporting date but of which ATB is not yet aware due to an information time lag.

Internal Capital Adequacy Assessment Process (ICAAP)
Strategies and procedures designed for ATB's continuous assessment whether the amount, composition and distribution of equity still reconcile with the size and nature of its current and potential future risks.

Irrevocable commitments
All obligations resulting that could give rise to the granting of loans.

Leverage Ratio Basel III (LR)
The LR represents the ratio between total assets plus contingent items and the Basel III Tier I capital.

Liquidity Coverage Ratio (LCR)
The LCR represents the ratio between high quality liquid assets and the balance of cash outflows and cash inflows over the next 30 days.

Net Stable Funding Ratio (NSFR)
The NSFR represents the available stable funding sources related to the required amount of stable funding.

Qualifying capital
The sum of total Tier I capital and total Tier II capital.

Risk-weighted assets (RWA)
The assets of a financial institution after being adjusted by a weighting factor, as determined by the regulatory authorities, that reflects the relative risk attached to the relevant assets. Risk weighted assets are used to calculate the minimum amount of capital that has to be held.

Solvency

ATB's buffer capital expressed as a percentage of risk weighted assets.

Standardised Approach (SA)

A method used under Basel II to measure a bank's operational, market and credit risk. This method is based on a standardised approach, in which the risk weighting of an item is prescribed by the regulatory authorities.

Tier I ratio

The ratio between total Tier I capital and risk weighted assets.

Total Tier I capital

Total Tier I capital of ATB includes share capital, share premium, other reserves and equity instruments issued by subsidiaries, adjusted for certain deductions set by the regulatory authorities.

Total Tier II capital

Also referred to as supplementary or secondary capital. The total Tier II capital comprise the revaluation reserves and certain subordinated liabilities, adjusted for certain deductions set by the regulatory authorities, if applicable.

Value-at-Risk (VaR)

Statistical analysis of historical market developments and volatility in order to estimate the probability of a loss on a portfolio exceeding a certain amount.