Anadolubank
Nederland

ANNUAL REPORT 2019

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Anadolubank Nederland

Vision

To become the bank of choice for customers

As the international banking arm of Habas Group/Anadolubank A.S., our vision is to be recognized for our quality, reliability and excellence and to become the bank of choice for customers.

Mission

Setting new standards

In order to become the bank of choice for customers, we must set new standards for banking operations that benefit our customers, shareholders, society and our own organization. Our principal commitment is to deliver a return on equity on a sustainable basis.

New standards will therefore be at the core of everything we do in the future. The Bank will focus on setting new standards in four areas: the expertise of our team, our knowledge of local and global markets, by carefully building exceptional customer relations, and strong and conservative risk management.

Values

• Integrity
• Working together
• Products & services

Integrity

Be fair, honest, and sincere in all of our business relationships.

Working together

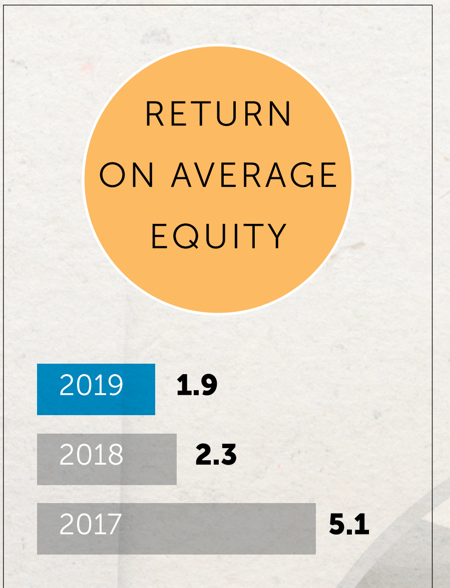
We firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

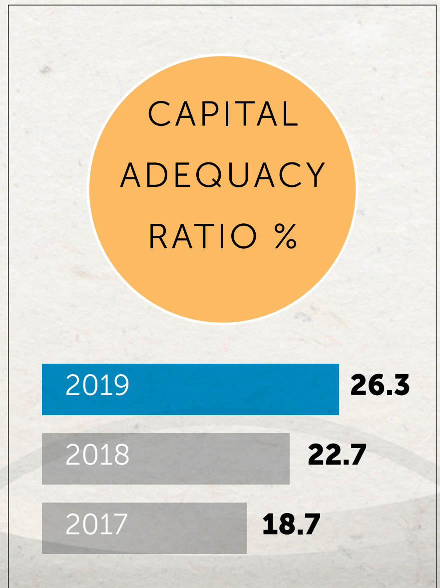
Products and services

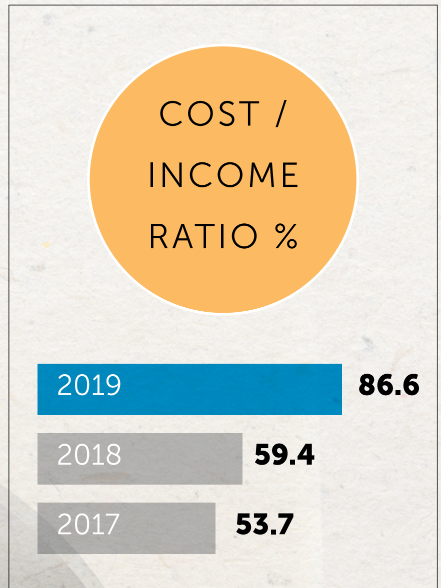
We will always strive for excellence in serving our internal and external customers, through professionalism, innovation and creativity.

Three-year Key Figures

in EUR thousand	2019	2018	2017
Total assets	542,906	582,695	618,594
Loans	297,649	334,723	396,781
Bank loans	101,231	151,087	106,988
Corporate loans	196,418	183,636	289,793
Securities	81,735	100,618	107,981
Deposits	315,018	321,245	335,020
Shareholders' equity (including results after tax)	96,513	88,084	88,303
Operating result before tax and impairments	1,088	4,487	5,828
Expected credit losses	1,252	(1,820)	-
Result after tax and impairments	1,765	2,010	4,381
%			
Net return on average equity	2.0	2.3	5.1
Loans/deposits	94.5	104.2	118.4
Cost/income ratio	86.6	59.4	53.7
Cost/average assets	1.2	1.1	1.2
Capital adequacy ratio	26.3	22.7	18.7







SUPERVISORY BOARD
REPORT

The most important role of the Supervisory Board is supporting, challenging and assisting management while ensuring effective governance. Among other duties, it is an impartial arbiter of corporate conduct and compliance. In general the Supervisory Board is very much engaged in its advisory role in the setting of risk appetite of the bank, the strategy and define the culture in the organization. Members of the Supervisory Board, in particular the Chairman of the Supervisory Board, have – next to the contacts with the Members of the Management Board in the formal meetings – also many informal contacts with the Management Board as a whole or the individual members.

The year 2019

Anadolubank N.V. continued the transformation into a bank concentrating more on providing financial services to Dutch and European customers. Due to its conservative approach on lending the Bank maintained high liquidity and capital ratios in 2019.

The key priorities for 2019 were:

- Strategy to further expansion on Dutch/European assets;
- Implementation of a full professional HR framework. Initial steps have been set in 2019, with more to do in 2020 to further strengthen the HR Function.

Dutch Corporate Governance Code

It should be noted that the code is applicable to listed companies. Anadolubank N.V. uses the principles in the code as guideline for its structure, policies and procedures.

The Supervisory Board discusses the Corporate Governance Code and the impact of the code on the bank regularly. The Supervisory Board supports the way in which the bank applies the principles as guideline.

Culture

Supervisory Board and Management Board consider an open and transparent communication structure in the bank of utmost importance. During the last years much time was spent to analyze the culture of the bank and what improvements needed to be considered. Almost all recommendations have been implemented. For 2019 it was foreseen that also the last main item, to further improve and strengthen the HR function, could be finalized in 2019, with some actions in this respect still outstanding.

Strategy

During the year, the Supervisory Board was actively involved in discussions with the Management Board on the strategic focus of the bank, and it monitored the execution of the strategy. The strategy of Anadolubank N.V. is to focus more on the Dutch and the European corporate market. In 2016 a start was made to implement this new strategy. The effective implementation of the new strategy has been a key priority for the past and the coming years. A special meeting between Supervisory Board and Management Board together with senior staff was dedicated to discuss the strategy and to define next steps for implementation.

The Supervisory Board has emphasized one of the Bank's key objectives is sustainable profitability over the longer term, but this would not be done to the detriment of prudent and stringent risk management. Successful execution of this new strategy is being monitored by the Supervisory Board. The Supervisory Board concludes that good progress is made on the implementation of the new strategy however, that market circumstances with the low interest rates are difficult.

Risk Appetite

Every year the Supervisory Board discusses the risk appetite with the Managing Board.

In its bimonthly meetings with the Management Board, the Supervisory Board discusses the various risk types and monitors the actual risk profile by means of an integrated performance & risk dashboard. It is the Supervisory Board's opinion that a conservative risk appetite protects the bank's reputation and ensures the continuity and sustainability of the bank for its clients.

Control Framework

Banking may be considered one of the most heavily regulated industries. However, as Anadolubank N.V. is well capitalized and maintains high liquidity ratios, the Bank is well positioned to meet all necessary requirements.

The bank continuously evaluates the design and effectiveness of risk management, compliance and internal controls. The Management Board is responsible for the control framework and has been working in close collaboration with the Supervisory Board. The Supervisory Board is satisfied with the strength, stability and performance of all those functions that are part of the control framework.

Cooperation with the Management Board

The Supervisory Board is closely involved in its advisory role in the company's business, especially regarding the Bank's strategy and the risk appetite. The Chairman of the Supervisory Board and Managing Board have frequent contact outside of formal meetings. The other Supervisory Board members and Managing Board members also have regular contact outside the meetings.

Supervisory Board Structure

The Supervisory Board has formulated a membership profile that defines its size and composition. The Supervisory Board consists of four Members of which two are independent and two are dependent according to the principles of the Governance code. This composition is in line with the requirement of DNB. All members are jointly and severally liable for the execution of the Supervisory Board's functions. Due to the size of the Supervisory Board and its composition, no separate committees are installed. Instead, all members have been assigned specific attention areas. Each attention area is in principle assigned to two members, an independent member together with a dependent member.

Supervisory Board Composition

Two vacancies existed in the Supervisory Board as per December 31, 2018.

Mrs. **Gulden Taran Ünver** was presented by the parent bank shareholder for the position of dependent Member of the Supervisory Board. Mrs. Taran Ünver holds the position of Legal advisor in Anadolubank Turkey.

We are glad that in the course of 2019 Mr. **Victor van der Kwast** has joined the Supervisory Board as an independent member. Mr. van der Kwast has a long successful career in international banking with broad experience in many areas.

Both Mrs. Gulden Taran Ünver and Mr Victor van der Kwast have been reviewed, assessed and approved by DNB.

Supervisory Board Meetings

During the year 2019, the Supervisory Board met six times (in principle once per two months) with the Management Board to review the interim figures, management reports, reports of the internal and external auditors and audits by DNB. Furthermore, the Supervisory Board meets at least once a year with the external auditor. In all these meeting the members of the Management Board were present. In addition, the Supervisory Board meets at least once a year without the presence of the Management Board to perform a self-evaluation. During all these Supervisory Board meetings all appointed members of the Supervisory Board were present.

Lifelong Training

The Supervisory Board members, members of the Management Board and senior officers do participate in a permanent education program to stay on top of new developments in the industry like new regulations, technological developments and culture issues. In 2019 the topics of the training were Cybercrime, AML, Corporate Governance and WFT.

Self-evaluation of the Supervisory Board

One of the principles of the Dutch Corporate Governance Code states that the Supervisory Board is collectively responsible for its own functioning and that an annual self-assessment needs to be conducted. Every three years this self-evaluation should be performed under the guidance of an independent advisor. As at the time of the self-evaluation 2018 only two members of the Supervisory Board were officially appointed, it had been decided that the self-evaluation under the guidance of an independent advisor would be performed next year.

In April 2019 the CEO of the bank, Mr. S. Yakar, resigned from the service of the Bank to pursue other career opportunities. Mr. Ozgur Sakizlioglu was appointed as the new CEO of the Bank in August 2019.

Priorities for 2020

Apart from the challenging market circumstances in which to transform the Bank into a bank focused on the Dutch and European SME markets, the Bank is now also confronted by the effects of the outbreak of the Covid-19 virus. This makes the challenges for the Bank even greater.

Adoption of Financial Statements

We hereby present the annual report and financial statements for the 2019 financial year, as prepared by the Managing Board. The achievements and overall results of 2019 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability. The Shareholder has also decided to increase the paid capital by another EUR 5 million in December 2019, to foster growth.

The Bank has a business model and a structure that is straightforward. The year 2019 was (again) a challenging year with income reduction versus the previous year. Low interest rates continue to have a downward impact on the Bank's interest margin. The Bank reported net profit of EUR 1.8 million for 2019.

The Supervisory Board has discussed the 2019 financial statements with the Managing Board and the independent auditor, Deloitte Accountants N.V., that issued an unqualified opinion. The Supervisory Board members have signed the financial statements in conformity with their statutory obligation. We recommend that the General Meeting of Shareholders adopt the financial statements for 2019 at the General Meeting of Shareholders to be held on June 11, 2020. We propose that the profit after tax and impairments be added to the Bank's reserves. Furthermore, we propose that the General Meeting of Shareholders discharge the members of the Management Board from responsibility for their management and the Supervisory Board from responsibility for their supervision in the 2019 financial year.

Conclusion

The Supervisory Board wishes to express its appreciation to our shareholders and clients for their trust, as well as to our Management Board and our employees for their ongoing commitment to create value and to participate in the long-term growth of our business. This applies even more due to all regulations to control the spread of the Covid-19 virus.

Amsterdam, June 23, 2020

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

V. van der Kwast, Member

MANAGEMENT BOARD REPORT

We are pleased to present our report for the financial year ended 31 December 2019. The year was marked by persistent geopolitical tensions, market volatility, and concerns about global economic growth. Anadolubank N.V. responded with great prudence as well as with confidence in our ability to meet the challenges. As at 31 December 2019, Anadolubank N.V.'s net profit is EUR 1.8 million; our performance is the result of staying focused on our strategy of diversification by business and geography.

Our business model is predicated on a high degree of diversification on loan portfolio. We continue to balance expectations for growth and performance against acceptable levels of risk and capital. The Bank has a strong Capital ratio of 26.3%. In terms of risk absorption capacity, the Bank has a strong capital buffer by international standards to weather unexpected local and/or worldwide crises.

The Management Board values the shareholders' trust to the Bank since its establishment through several capital injections, including EUR 5 million capital injection on December 2019, among other supports. We would like to extend profound thanks to you, our shareholders, for the trust you continue to place in our team. The Bank's strong capital adequacy ratio, low leverage ratio, ample liquidity and effective risk management, coupled with high asset quality support its sustainable profitability.

We continued to increase our footprints into Dutch and EU market segments in line with our business plan. For many years, we have been proactively managing our credit risk and benefited from a significant improvement in credit quality.

We maintained a high level of liquidity and capital which was supported by prudent balance sheet management. This performance is particularly noteworthy in view of the prevailing uncertain economic context and regulatory environment. Since 2013, the Bank has generated approximately EUR 18 million of internal capital.

Our strategy will be to withstand its sustainability focused-growth that maintains asset quality and efficiency in our operation through investments and initiatives, as we have done over the last few years. In years we build longstanding relationships with our clients by fully considering their world, their challenges and limiting their exposure to risks, especially in these challenging and unprecedented uncertain times.

An Effective Corporate Governance Structure and Risk Culture into Corporate Strategy

Sound and effective corporate governance is essential for the long-term success of the Bank and the execution of our strategic vision. We have a very strict risk appetite supported by comprehensive risk frameworks, policies and standards. Responsibilities for the management of risk and control are aligned to a three lines of defense activity-based model.

We advanced on several important initiatives during 2019 that strengthened our risk management practices and maintained compliance with evolving regulatory requirements. The Bank has a comprehensive risk management framework to ensure that the risks taken while conducting its business activities are consistent with its risk appetite, its impact on capital relative to internal targets, and that there is an appropriate balance between risk and return. Flexibility in executing our strategy is key to the Bank's success.

There has been a specific focus on strengthening our anti-money laundering and combatting financing of terrorism measures. Necessary relevant software updates have been implemented. Relevant compliance trainings for staff have been given.

We would like to extend thanks to our valued employees, all our customers, Supervisory Board and shareholders who have given us their support and their trust for their dedication to the performance of the Bank and the execution of its strategic plan particularly in light of recent unprecedented challenges stemming from the COVID-19 pandemic.

The Management Board is composed of the following members:

Name	Position	Membership Since
M.O. Sakizlioglu	CEO/Managing Director	2019
N. Plotkin	Managing Director	2013
A.H. Otten	Managing Director	2013

2.1 Outlook

Despite more challenging market conditions at the end of the year and a weaker global economic outlook, we are committed to the targets. The future outcomes that relate to forward-looking statements may be influenced by many factors but this year most important one which direct and indirect impacts of the novel coronavirus (COVID-19) pandemic, disruptions to economy and other related catastrophic events. Uncertainties and assumptions that would cause our actual results to differ from current expectations. The Bank is ensuring its long-term stability and growth through active capital, liquidity, funding management by reducing concentration risk. Regulatory requirements and economic conditions will continue to influence our decisions. Putting the customer at the center of everything we do has been key to our present strength and success, and that will continue to be so going forward.

For the year 2020 and beyond, our three major priorities–increasing profitability, improving efficiency, and developing our human capital–will essentially continue to guide all of our actions and decisions.

The Bank is ensuring its long-term stability and growth through active capital, liquidity, funding management by reducing concentration risk.

We would also like to highlight 5 key areas of focus for the Management Board in 2020,

- On the financial management side, to have a strong capital and liquidity base,
- Diversifying the asset structure by increasing EU assets exposure,
- Enhancement of operating performance, efficiency and focus on asset quality,
- Risk Culture framework to steer business motivation and regulatory compliance,
- Diversifying funding sources.

The Bank has a very clear plan to bring about its strategic repositioning to concentrate and grow specifically in the EU markets and the Dutch market. We are confident that this approach will deliver concrete results over the coming years. As an overall strategy, we continue to believe strongly in our diversified business model and our geographic mix. Anadolubank N.V. understands the challenges that our customers are facing and the concerns they may have about their financial situation due to the economic impacts of the COVID-19 pandemic. We are proactively reaching out to our corporate clients and discuss solutions tailored to each situation. To attain our objectives, it is important to optimize the efficiency of our operations at every level as well.

The current Covid-19 outbreak most likely impacts the global economy and the Bank's financial position and results. Specifically, the impact is expected on instruments measured at fair value. There has been no impact on the credit risk yet. However, given the uncertainties and ongoing developments the Bank cannot accurately and reliably estimate the quantitative impact yet.

Until now, we have successfully ensured the continuity of crucial operations, such as payment services. We have reviewed our loan portfolio immediately to assess the effects of this situation on our client's repayment capability, including the collateral coverages. We have performed the assessment based on the breakdowns by sector and geography. The Bank's capital and liquidity management framework incorporates a comprehensive internal capital and liquidity adequacy assessment process, aimed at ensuring that the Bank's capital and liquidity are adequate to meet current and potential future risks and at the same time achieve strategic objectives. Our capital and liquidity ratios both at the year end and also currently remain well above the regulatory minimum levels. The bank also applies number of stress scenarios both on solvency and liquidity parameters. These stress scenarios affirm that the Bank continues to operate in worsening market conditions thanks to its' very high liquidity and strong capital position. We believe that Anadolubank is able to demonstrate that the Bank can promptly adapt its strategy to material unexpected changes in the macroeconomic and industry level environment. The current situation have no impact on the Bank's dividend strategy. Operational measures related to Covid-19.

Operational measures related to Covid-19

We first would like to state that this situation has been appropriately and carefully prioritized by the Board and the leadership team.

Some of the steps we've taken so far include:

- Implemented social distancing measures and separated our workforce to minimize the number of individuals at office, increasing the ability for employees to work from home by rolling out remote access;
- Activated business continuity plans to ensure minimal interruption of service to our customers;
- Eliminating non-essential business travel;
- Increased the intensity of cleaning at our office;
- Provided all team members with information on best hygiene practices that are recommended by public health authorities.

Our employees are the most valued asset of the Bank. Further enhance employee engagement through efficient human resources practices and inspiring communications will continue in 2020.

Financial measures related to Covid-19

The Bank has also high liquidity and strong solvency ratio which makes us comfortable but still cautious.

Some of the steps we have taken so far include:

- Frequency of Liquidity stress test is increased;
- To manage the current unprecedented times, the frequency of credit portfolio reviews have been increased in Anadolubank Nederland N.V.. Except some minor requests for extension of repayments terms, the Bank has not witnessed a severely impacted client so far. Lock downs or slowdowns in major industrial production chains may affect the liquidity and production plans of the clients in the portfolio. To preserve the loan quality, utmost attention and selective approach has been pursued at Anadolubank Nederland N.V. We continue to monitor closely all of regulatory ratios on a daily basis as business as usual.

2.2 Economic Developments

Global economic developments

Global growth this year recorded its weakest pace since the global financial crisis a decade ago, estimated to be 2.9% for 2019, reflecting common influences across countries and country-specific factors. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In some cases (advanced economies and China), these developments magnified cyclical and structural slowdowns already under way. Further pressures came from country-specific weakness in large emerging market economies such as Brazil, India, Mexico, and Russia. Worsening macroeconomic stress related to tighter financial conditions (Argentina), geopolitical tensions (Iran), and social unrest (Venezuela, Libya, Yemen) rounded out the difficult picture.

With the economic environment becoming more uncertain, firms turned cautious on long-range spending and global purchases of machinery and equipment decelerated. Household demand for durable goods also weakened, although there was a pick up in the second quarter of 2019. This was particularly evident with automobiles, where regulatory changes, new emission standards, and possibly the shift to ride-shares weighed on sales in several countries. Faced with sluggish demand for durable goods, firms scaled back industrial production. Global trade—which is intensive in durable final goods and the components used to produce them—slowed to a standstill. Central banks reacted aggressively to the weaker activity. Over the course of the year, several—including the US Federal Reserve, the European Central Bank (ECB), and large emerging market central banks—cut interest rates, while the ECB also restarted asset purchases.

Eurozone developments

The economic situation in the Eurozone has remained on the same path since the start of the year. The export-oriented continent still suffers from uncertainties related to global trade conflicts and the resulting unwillingness of corporates to invest. Consequently, growth has been slowing, but remains positive. Private consumption is a crucial factor that can counter a slowdown that could lead to a recession. Driven by still-strong labor markets, private consumption is the key growth engine of the Eurozone economy. Currently, impulses for growth are mainly coming from consumption rather than investment or trade. Of the 1.15% year-over-year economic growth in the Eurozone in the second quarter of 2019, 0.89% originated from higher consumption expenditure, while investment and trade contributed only 0.24% and 0.01%, respectively.

The strength of private consumption in the Eurozone owes much to the strong performance of the labor market. Employment and consumption growth have accelerated in a synchronized way in the last few years. The Eurozone reached record numbers of employment—as many as five million new jobs were created since 2017 and unemployment fell to 7.4 percent in September 2019 from 9.5 percent in 2017. At the same time, inflation has been very low, while real disposable income has been growing.

The Netherlands

The Dutch economy has grown above the euro area average over the past few years reflecting recovering consumption and investment and strong net exports. After a solid first half of the year, growth remained on track in the second half of 2019 despite a wider slowdown across the euro area. For 2019 as a whole, growth was at 1.7%, exceeding the forecasts. The main growth drivers were domestic demand and exports.

In recent years the government's fiscal policy has been expansionary; nevertheless the Dutch public finances remained sound: in 2019 the budget balance was estimated at 1.5% of GDP by the European Commission, as higher government spending was offset by higher tax revenues. A further increase in government expenditure should lead to a lower surplus of 0.5% in 2020. The debt-to-GDP ratio fell to 49.2% in 2019, well below the 60% threshold set by the EU as an objective for member countries..

Inflation picked up in 2019 and reached 2.5%, following a rise in the reduced VAT-tariff and an increase in wages, although is expected to return to normal levels of around 1.6% this year. The government is planning to increase expenditures related to pensions and climate change, as well as infrastructure and housing.

Turkey

The Turkish economy showed slow signs of recovery in 2019 after experiencing a recession in the second half of 2018, against a backdrop of a currency crisis. Private and public consumption rose in 2019 amid credit growth and expansionary fiscal policy whereas the Turkish lira recovered some of its value against major international currencies after hitting record lows in August 2018. Consumer confidence and purchasing managers' index recovered to pre-2018 levels. Growth was estimated to have averaged a mere 0.2% in 2019.

The unemployment rate, which was expected to have dropped to 11% at the end of 2018, was anticipated to rise to 13.8% by late. Youth unemployment, which had dropped to 19.3% by the end of 2018, surged back to 25.3% by the fourth quarter. Wage inequality and the size of the informal sector are persistent problems.

Public deficit continued to expand in 2019 amid higher budget expenditures and was expected to reach 4.9% of GDP by the end of 2019 from 4.4% a year earlier. Inflation was more contained in 2019, after reaching record highs in the third quarter of 2018 following the currency depreciation, which made imports as well as domestic products that require foreign semi-finished or raw materials more expensive. Public authorities took measures to limit the impact of inflation by reducing the special consumption tax rate on fuel whereas municipalities introduced grocery stands that sell basic food items at lower-than-market prices ahead of local elections in March 2019. After recording 16.2% in 2018, inflation came down to 15.5% in 2019 1.

Corona (COVID-19)

Starting from March 2020, the spread of corona virus infection in developed countries caused a panic selloff for all assets. During January the affect is only limited in Asian markets, mostly China. The virus caused and still causing a significant threat to global supply chain, travel and consumer spending habits.

The damage caused by the Covid-19 is mostly driven by a significant fall in demand. Less demand to any goods will cause to sharp fall in revenues and possible job cuts which could decrease the demand further. Several governments and central banks announced programs to minimize the domino effect. Countries can fight back demand driven recession by boosting government expenditure.

It is still hard to predict the real economic outcome of the Covid-19 crisis. For the first two months of the crisis; In US more than 30mio people applied unemployment claim while Eurozone GDP crashed more than 3,5%.

2.3 Financial Institutions

Financial Institution department (FI) encompasses a broad range of business operations within the financial services sector including banks, brokerage firms, and investment dealers. The department focuses on forfaiting business model through products as Letters of Credit, Promissory Notes, Bills of Exchange, Bank Guaranties, Syndicated and Bilateral Loans primary and secondary trading.

The FI department works together with Trade Finance and Corporate Banking departments, coordinating wholesale funding through Promissory Notes, Letters Of Credit, SWIFT trade finance products. Working together with other departments FI also participates and manages other products such as Schuldshein loans and TRS.

Like in 2018, in 2019 FI department has continued to focus on keeping its profit in an uptrend. Trading portfolio has increased one third of its size in 2019 in comparison to 2018. The amount of new customers and trading partners has been increased. Furthermore, FI department has expanded its environmentally friendly practices by increasing the use of digital sources with its internal and/or external daily business practices. By connecting banks activities and accomplishments to the final goals, FI department continues to foster better working practices.

2.4 Trade Finance

Trade Finance business has been one of the key business lines consistently adding value to Anadolubank N.V. financially and reputation-wise. While diversifying Trade Finance product range, execution and understanding of customer requirements have also improved drastically. The Trade Finance team's expertise aims for applying the appropriate structure for each transaction with timely and efficient handling of the underlying financial instruments and other related documents.

2019 was unfortunately shadowed by many undesirable drivers; lower global trade, concerns about the global economy, trade tensions, more extreme weather conditions, a stronger dollar and monetary policy easing by the Fed and the ECB. Amidst those adverse developments it was a good year for the CRB commodity price index, with the index rising 9%. The rise in the CRB was mainly the result of higher oil prices and higher gold prices, while most industrial metals prices were more affected by a weaker global economy and weaker trade.

Anadolubank N.V. Trade Finance team, successfully registered another profitable year in 2019. Trade Finance department excelled in areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. The commission income generated by Trade Finance department reached EUR 1.8mn level at the end of the year representing a 10% drop compared the previous year. Addition of new clients to the customer portfolio as well as activation of some existing inactive customers had a strong positive impact on trade finance volumes. Especially involvement in the steel business has increased drastically thanks to the support of the ultimate beneficial owner HABAS group although in 2019 steel market fundamentals were unfavorable, with weak demand and ample supply. This resulted in strong price pressure in the course of the year, with the average global steel price dropping by almost 20%. Our efforts to broaden our customer base and sector coverage during 2019 resulted in a greater sector diversification and decreasing country concentration in our non-bank exposures. This strategy will be further pursued during 2020 and new customers from various new geographies as well as existing and prospect sectors will contribute further to the success of the Trade Finance team.

2.5 Corporate Banking

Anadolubank N.V. Corporate Banking serves domestic corporations and international companies operating mainly in Europe and Turkey. We aim to differentiate in Corporate Banking by offering high quality services, tailor made products, consultancy and excellent service to our customers.

Corporate Banking offers its customers an extensive range of products and services, including corporate loans, trade finance products, and project finance products as well as treasury products.

The objective of the Bank's Corporate Banking Department is to create a solid customer portfolio from various sectors.

In 2019, we managed to acquire new customers and we have undertaken new transactions. We managed to maintain sustainability for our liability items and diversify our funding facilities while maximizing risk-adjusted return on capital.

Finally, we will continue acquiring new clients and pursuing new transactions in 2020. In the meantime, maximizing our clients' satisfaction will still be our priority.

2.6 Retail Banking

Retail deposits provide us stable funding base and have been a key focus area for us since commencing operations. The retail banking products of Anadolubank N.V. are straightforward. The Bank offers its customers a savings account and a range of term deposit options with market rates. Retail deposits are collected primarily via Internet and call center channels. In 2019, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

2.7 Compliance

Anadolubank N.V. attaches great value to its reputation as a solid and respectable bank for the public sector. The regulatory environment in which we operate is continuously changing with existing legislation being regularly updated or new laws being implemented. Greater emphasis is being placed by regulators on integrity risks, particularly in respect of customer due diligence and transparency. Our Compliance department is responsible for reviewing all changes in the legal and compliance environment and assisting with the implementation of these changes within our products, policies and processes. A Compliance Monitoring Program is in place to permanently evaluate compliance with applicable laws and regulation.

Anadolubank N.V. has internal policies, rules and procedures to ensure that management complies with relevant laws and regulations regarding customers and business partners. In addition, the Compliance department independently monitors the extent to which Anadolubank complies with its rules and procedures. External aspects of the compliance department primarily concern accepting new customers, monitoring financial transactions and preventing money laundering and terrorist financing. Internal aspects primarily concern preventing and, where necessary, transparently managing conflicts of interest and safeguarding confidential information. In addition, it concerns raising and maintaining awareness of, for example, financial regulations, compliance procedures and fraud and anti-corruption measures. Anadolubank N.V. has a Data Protection Officer who monitors compliance with the General Data Protection Regulation. The Compliance department reports to the Executive Board on a monthly basis and has a direct reporting line to the Supervisory Board.

There were no significant incidents in 2019 concerning compliance and integrity. Anadolubank N.V. was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

2.8 Financial Performance Summary

Anadolubank N.V. posted EUR 1.8 million net profit in 2019 (2018: EUR 2 million).

The results were positively affected by the loan loss provision due to release on the provisions, EUR 1.3 million in line with the decrease on the assets. The cumulative expected credit loss of non-performing loans was EUR 0.6 million (2018: EUR 0.3 million).

Net interest income is decreased by EUR 0.9 million and the commission income by EUR 0.3 million as a result of the decrease on the interest bearing assets and tightening margins.

By the end of 2019, the paid capital was increased by EUR 5 million. As a result, total shareholder's equity as at 31 December 2019 stood at EUR 96.5 million, reached to 18% of total liabilities and equity.

The Bank's total assets at 31 December 2019 were EUR 543 million (2018: EUR 583 million). The main decrease is on the bank loans and interest bearing securities.

Cash and cash equivalents are EUR 160 million (2018: EUR 143 million). The Bank continues to focus on maintaining the good level of liquidity. With high level of stable funding and with well managed maturity profile the Bank comfortably meets the liquidity requirements.

Interest bearing securities closed the year with a balance of EUR 82 million at the end of 2019, which decreased by EUR 19 million compared to the previous year.

On the back of a conservative risk appetite and strong capital structure, the Tier 1 ratio has risen from 22.7% to 26.3% in 2019.

Deposits from banks decreased by EUR 44 million and deposits from customers slightly decreased by EUR 6 million.

Cost / Income ratio is increased to 86.6% in 2019 from 59.4% in 2018 due to the fair value loss of derivatives which is EUR 2.5 million in 2019. *(2018: EUR 0.4 million profit)*

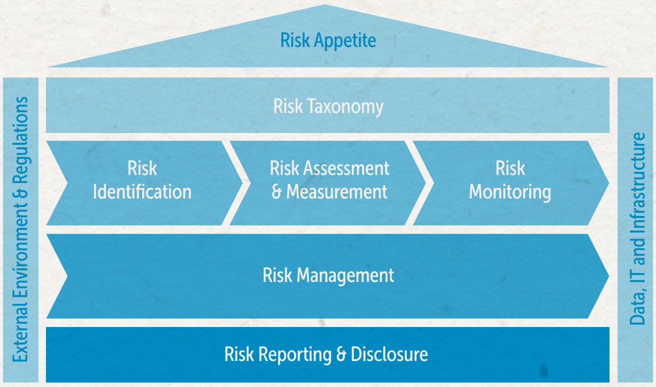
2.9 Risk Governance and Management

The Bank has two tier management systems, the Management Board (MB) that is responsible for the day-to-day management of the Bank and the Supervisory Board (SB) that is responsible for the supervision of the Bank. The Supervisory and Management Boards have set policy-level standards in accordance with the regulations of the

Dutch Central Bank (De Nederlandsche Bank – DNB) and European Union, and the guidelines published by the Basel Committee and the European Banking Authority.

With the approval of the Supervisory Board, the Management Board has drawn up a Charter which includes its duties, powers and working methods and information on its relationships with the Supervisory Board, the shareholders and the external auditors. The Supervisory Board has also drawn up a Charter which includes its duties, powers and working methods and information on its relationships with the Management Board and the shareholders.

The risk management in the bank is based on the three lines of defense principles for segregation of duties. Business units form the first line of defense, the Financial & Operational Risk Management Department, the Treasury Mid-office Department, the Internal Control and the Credit Risk Management Department, along with the Compliance Department form the second line of defense. Those departments support the business units in their decision-making, but have also appropriate independence and countervailing power to avoid risk. Internal Audit, as the third line of defense, oversees and assesses the functioning and effectiveness of the first two lines. The risk appetite is established upon the external environment and regulations, and data, IT and infrastructure. It covers the rules and regulations imposed by the national and international regulatory bodies, and provides data aggregation, transparency and consistency. A risk taxonomy is created to provide a common set of definitions on the risk types within the organization. As a result, definition and classification of risks are comparable across the organization. Risk identification is performed to detect the external and internal events that might affect the realization of the strategic objectives. Identified risks are further analyzed through risk assessment & measurement. This process consists of assessing each identified risk using qualitative or quantitative techniques and also demonstrates the interaction of the risk types. Then, risk monitoring helps the business units and boards to understand whether the risks are within acceptable level. The Risk Management Department is responsible for the oversight of the process according to implemented policies and procedures. Risk reporting and disclosure ensures that the identified risks are accurately and timely communicated with the internal and external parties. The graph displayed below describes each building block of the risk management framework.



The Supervisory Board has the final authority to approve the risk appetite statement proposed by the Management Board, exercising its oversight of risk management. The oversight of the policies and processes of the Audit Department, the Risk Management Department and the Compliance Department, is the responsibility of the Supervisory Board. They define the risk assessment and management to be carried out within the governance structure. The Supervisory Board also reviews internal control and financial reporting systems that are relied upon to ensure integrated risk measurement and disclosure processes.

In the area of risk management, the Management Board is supported by various committees. The Asset and Liability Committee (ALCO) and Credit Committee are also responsible for the structure of the risk organization and for determining and/or adjusting powers in the context of risk and capital policy. Within the Risk Appetite Framework, the Committees have the following duties:

- Assessing risk policies that are in line with the Bank's risk appetite;
- Assessing specific standards, authorizations and limits for various risks.

The risk appetite established by the Management Board provides the boundaries within which the Bank has to operate. The Management Board acknowledges that the regulators will continue to challenge financial institutions and for that reason continued effort is required to maintain high quality standards in the area of risk management. In this respect, the Bank puts an emphasis on the DNB Supervisory Themes. Also, the Bank initiates yearly objectives to improve the current framework. Building on the previous year, in 2020 the risk culture will be further developed by improving risk knowledge and awareness throughout the organization. In addition, the operational risk management framework will be further enhanced to increase the effectiveness of the internal controls.

2.10 Risk and Capital Management

The Total Capital Ratio (TCR) was 26.3% as of 31 December 2019, compared to 22.7% as of previous year, and remained well above the regulatory minimum requirements. As of end of 2019, capital requirements for credit risk slightly decreased due to the scaling down of the credit portfolio compared with the previous year. At the same time, capital requirements for market risk and operational risk were almost unchanged compared to previous year. Besides the changes in the exposures, the increase on the eligible capital has a considerable impact on the year end TCR result.

The Bank performs Internal Capital Adequacy Assessment Process (ICAAP) on a yearly basis which is reviewed and approved by the Management Board and Supervisory Board. All risks that the Bank is exposed to such as credit, liquidity, interest rate, reputational, market and operational risk, are defined and the impact on the Bank's profitability, equity position and solvency ratio of those risks are calculated. The Bank has established concentration limits in terms of both nominal and capital consumption, over (i) single name concentrations of large (connected) individual counterparties, (ii) significant exposures to sectors and (iii), country concentration to manage concentration risk in its loan portfolio. Extensive stress tests are conducted to analyze the worst case scenarios that the Bank and/or markets may experience. Besides ICAAP, Internal Liquidity Adequacy Assessment Process (ILAAP) is also performed on a yearly basis which is also reviewed and approved by the Management Board and Supervisory Board. It is acknowledged that an accurate ILAAP reduces an institution's and its supervisors' uncertainty concerning the risks that the institution is or may be exposed to, and gives supervisors an increased level of confidence in the institution's ability to continue by maintaining an adequate liquidity buffers and stable funding and by managing its risks effectively. This requires the institution, in a forward-looking manner, to ensure that all material risks are identified, effectively managed (using an appropriate combination of quantification and controls) and covered by a sufficient level of high-quality liquidity buffers.

The Bank prepares a Recovery Plan on a yearly basis which presents the conditions, requirements and the applicable procedures regarding the recovery options that are subject to the plan. The Bank's Recovery Plan framework is embedded in its business-as-usual operations, and is built on existing governance, frameworks, processes and plans. In this way one can regard it as a continuum of the ICAAP and ILAAP plans that include measures and strategic considerations to ensure the Bank's readiness to tackle crises on its own strength.

Anadolubank N.V.'s Capital and Risk Management Pillar III Disclosures contain information that enables an assessment of the risk profile and capital adequacy of the Bank. This publication fulfils the requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV (CRR/CRDIV). CRD IV was enforced in Dutch law as amendments to the 'Wft' (Wet Financieel Toezicht) and further accompanying regulations as well as Pillar III disclosures. Anadolubank N.V. also publishes its disclosures on its website. The Pillar III disclosure will be available in the first half of 2020 based on 31 December 2019 figures.

2.11 Credit Committee

Credit Risk Management expresses the usual three lines of defense model. Decisions about individual proposals stem from the Bank's own business analyses and independent risk assessments.

The Tier-1 Credit Committee (consisting of three managing directors and head of credit risk management as voting members) is concerned with both the approval of new credit proposals and the renewal of existing facilities (including any type of credit exposure such as loans and bonds), and also decides on sector & country risk proposals within its delegated authorities.

The committee recommends the Tier-2 Credit Committee (composed of a member of the Board of the Parent Bank, a manager of the Parent Bank's Credit Risk Department and Managing Director/CEO of the Bank) with respect to individual proposals that exceed its approval authorities.

As such, the Tier-2 Credit Committee is the highest approval authority regarding individual credit proposals. Regarding Credit Risk Policies, Tier-1 is the initiator and Tier-2 may be consulted for advice by the Supervisory Board.

IFRS 9 reporting and maintenance is being managed jointly by Financial Control and Reporting Department and Credit Risk Department. Relevant reports are being presented and discussed at Credit Committees quarterly.

2.12 Asset & Liability Committee

The Asset & Liability Committee "ALCO" typically comprise the member of the Management Board, CRO and head of finance, and the head of treasury, corporate and institutional banking activities and business heads. The ALCO formally meets on a biweekly basis to review the exposures that lie within the statement of financial position together with market conditions, and decide on strategies to mitigate any undesirable liquidity and market risk. If necessary, additional meetings may be convened.

The Treasury Department is mandated to holistically manage the liquidity mismatch and interest rate risk arising from our asset and liability portfolios on a day-to-day basis. The Treasury Department is required to exercise tight control of funding, liquidity, concentration and interest rate risk on banking book within parameters defined by the board-approved risk appetite policy. The Risk Management Department monitors daily business operations according to risk appetite limits. Weekly reporting to ALCO and the Board includes details of performance against relevant Risk Appetite Statement and key metrics (breaches and trends).

The ALCO discusses a wide variety of issues at its meetings throughout the year including realization of business plan, solvency, liquidity and results of the Bank, projected loans and loan repayments, interest rate risk, foreign currency risk, foreign exchange and main equity markets, macro-economic developments and market outlook in the main markets where the Bank operates and the savings market. The ALCO reviews the results of and progress in implementation of the decisions made in the previous meetings.

The Bank finds it prudent to keep a high level of liquidity and maintains liquidity significantly above the minimum requirements of the Dutch Central Bank. It also keeps an eye on diversification, cost robustness of funding sources and current and new funding structure.

2.13 Corporate Governance, Supervisory Board and the Management Board

The Supervisory Board of Anadolubank N.V. is comprised of four members, two of which also hold positions on Anadolubank Turkey, the shareholder. Fifty percent of the Supervisory Board members are independent, including the chairman of this Board. In July 2019, Mr. Victor van der Kwast is appointed by the shareholder of our bank as a new independent member of the Supervisory board, after being approved by DNB. With this appointment the vacancy that occurred end 2018, is fulfilled. The Supervisory Board holds one female member.

The Supervisory Board held seven formal meetings during the year 2019 of which six together with the Management Board. Main topics were related to the strategy of the Bank, the solvency and liquidity, credits and in – and external audit and compliance reports. Also the Supervisory Review and Evaluation Process (SREP) outcome was discussed. Specific attention on the agenda with the Management Board was related to anti-money laundering and combatting financing terrorism measures.

During the year, the board member in charge of anti-money laundering and combatting financing of terrorism (AML/CFT) measures, ordered an event driven review on the specific AML/CFT measures in place. The outcome of this grand review was satisfying. As a result, the software for the monitoring activities of the compliance department was checked and scenarios were updated.

The AML/CFT topic was discussed several times within the Management Board. The banks AML/CFT committee held monthly meetings.

The Supervisory Board had a specific focus on supervising the activities of the Management Board with respect to:

- Review and further implementation and maintenance of the Risk Management Framework and internal control system;
- Review risk appetite, limits and authority levels;
- Review of the Compliance monitoring plan and the internal Audit year plan;
- Review the engagement of the external Auditors, particularly in respect of their independence.

The Management Board of Anadolubank N.V. N.V. is comprised of three members. Each member has specific attention areas and together the Management Board is responsible for the day-to-day executive management of the Bank. This includes amongst others the development of strategies, active balance sheet management and the fulfilment of the Bank's obligations towards regulatory bodies. The management board holds one female member.

Although the Dutch Corporate Governance Code is formally not applicable to our bank, the main topics of the code are followed voluntarily by us. The way Anadolubank N.V. complies or explains the way the Governance Code is implemented, is published on the website of the Bank.

The Dutch Banking code (Code Banken) is initiated in 2009 by the Dutch Banking association (NVB). Anadolubank N.V. is a member of the NVB since its activities started in 2008 so the Banking code is followed by the Bank. One of the topics of this code is that both Supervisory Board and Management Board should have a life-long training education program in place every year. In 2018 all members' together and senior managers of the Bank as well, took part of a life-long training session as conducted by the chairman of the Supervisory Board. For 2019 again external parties were invited to perform the life-long training; the subjects covered were AML, Cybercrime, Corporate Governance and Supervision act updates. The planning subjects for the lifelong training 2020 are: Tax integrity and Climate change.

2.14 Remuneration

The Bank's Remuneration Policy complies with national and international regulations (such as the Banking Code, DNB's regulation on sound remuneration, the Financial Supervision

Act and the relevant provisions included in CRDIV).

Remuneration policy complies with Dutch and European legislation, the regulations and guidelines issued by De Nederlandsche Bank (DNB), the Authority for the Financial Markets (AFM) and the European Banking Authority (EBA) and self-regulation codes.

The report identifies the following four key principles:

Remuneration is:

- aligned with business strategy of the Bank;
- appropriately balanced between short term and long term;
- differentiated and relative to the realization of performance objectives and the results of the Bank;
- externally competitive and internally fair.

Payments are made only in cash, based on the internal risk assessment which consists of:

- Bank remains unlisted and non-cash payments are not possible or convenient.
- Risks arising from the cash payment are adequately managed; using a calculation of variable remuneration which is based on the sustainable income of the Bank and safeguarding the Bank's right to claim back paid remuneration under certain circumstances.

For the variable remuneration, the Bank can award the relevant staff members, by payment in once in cash and less than one million euro.

Where employees do receive a variable remuneration, the average amounts remain relatively modest, while at the same time the variable remuneration remains below the maximum of 20% of the fixed income of the employee in question.

There was no variable remuneration in 2019.

2.15 Internal Audit

The Internal Audit Department is an essential part of the control mechanism of Anadolubank N.V. and plays an important role in ensuring ever-better governance at the Bank level. The Internal Audit Department represents an independent and objective assurance and consulting function as a third line of defense. Within the organization the internal audit department occupies an independent position of the audited activities, which requires the Internal Audit Function to have sufficient standing and authority within the Bank, thereby enabling internal auditors to carry out their assignments with objectivity.

The purpose of the Internal Audit is to provide assurance that the activities of the Bank are conducted in accordance with the Law and other applicable legislation and with the internal strategies, policies, principles and targets of the Bank and that the internal control and risk management systems are effective and adequate. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems, and audits the Bank operations with its risks. The audit reports, that are a result of the audits performed in line with the risk focused annual audit plan, were submitted to the relevant departments, senior management and Supervisory Board to ensure the taking of necessary actions.

Within the scope of internal audit activities in 2020, business processes were prioritized as a result of the risk assessment conducted, and process audits and information systems audits were carried out. Internal Audit Department have also completed the audits that are required to be carried out every year in accordance with the legislation which are ICAAP, ILAAP etc. as well as risk-based process audits. The Internal Audit Department also provided assurance on several data requirements requested by DNB and the Tax Office.

Amsterdam, June 23, 2020

O.Sakizligolu, CEO / Managing Director

N. Plotkin, Managing Director

A.H.Otten, Managing Director

Statement of financial position as at 31 December 2019

in EUR thousand

Assets	Note	31 December 2019	31 December 2018
Cash and cash equivalents	5	159,790	142,492
Derivative financial assets	6	763	3,187
Loans and advances to banks	7	101,231	151,087
Loans and advances to customers	8	196,418	183,636
Interest bearing securities	9	81,735	100,618
Property,plant and equipment	10	637	42
Intangible assets	11	-	8
Current tax assets		1,537	265
Deferred tax assets	26	70	625
Other assets	12	725	735
Total assets		**542,906**	**582,695**
Liabilities			
Derivative financial liabilities	6	5,703	4,193
Deposits from banks	13	124,563	168,458
Deposits from customers	14	315,018	321,245
Other liabilities		1,109	715
Total liabilities		**446,393**	**494,611**
Equity			
Share capital and share premium	16	75,000	70,000
Retained earnings	16	19,958	17,948
Revaluation reserves	16	(210)	(1,874)
Net profit	16	1,765	2,010
Shareholders' equity		**96,513**	**88,084**
Total liabilities and equity		**542,906**	**582,695**
Off-balance sheet liabilities	**17**	**5,420**	**19,721**

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	2019	2018
Interest income	20	20,038	20,279
Interest expense	20	(6,431)	(5,766)
Net interest income	**20**	**13,607**	**14,513**
Fee and commission income	21	1,781	2,138
Fee and commission expense	21	(196)	(145)
Net fee and commission income	**21**	**1,585**	**1,993**
Net trading income	22	410	32
Results from financial transactions	23	(7,455)	(5,491)
Operating income		**8,147**	**11,047**
Expected credit losses	28	1,252	(1,820)
Personnel expenses	24	(4,501)	(4,358)
Depreciation and amortisation	10,11	(237)	(53)
Other expenses	25	(2,321)	(2,149)
Profit before income tax		**2,340**	**2,667**
Tax expense	26	(575)	(657)
Profit for the year		**1,765**	**2,010**

Other comprehensive income		**2019**	**2018**
Movement in available for sale reserve		2,219	(1,845)
Related tax		(555)	461
Total (after tax)		**1,664**	**(1,384)**

	2019	2018
Profit attributable to:		
Equity holders of the Bank	1,765	2,010
Total comprehensive income (after tax)		
Equity holders of the Bank	3,429	626

Other comprehensive income may subsequently be reclassified to profit or loss.

Statement of cash flows

in EUR thousand

Cash flows from operating activities	**Note**	**2019**	**2018**
Profit/(loss) for the period		1,765	2,010
Adjustments for:			
- Depreciation and amortisation	10	237	53
- Net interest income	20	(13,607)	(14,513)
- Results from financial transactions	22,23	7,045	5,459
- Income tax expense	26	575	657
		(3,985)	**(6,334)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	2,424	2,798
Change in loans and advances to banks	7	49,795	(44,830)
Change in loans and advances to customers	8	(13,966)	104,933
Change in FVOCI and trading portfolio	9	20,832	8,695
Change in other assets	12	10	(49)
Change in derivative financial instrument (liabilities)	6	1,510	2,155
Change in deposits from banks	13	(43,895)	(23,402)
Change in deposits from customers	14	(6,227)	(13,775)
Change in other liabilities and provisions	15	394	(226)
		10,877	**36,299**
Acquisition of financial assets at fair value through PL		(967)	(4,156)
Proceeds from sales of financial assets at fair value through PL		410	32
Interest received	20	20,612	20,405
Interest paid	20	(6,762)	(5,267)
income tax paid		(1,888)	(946)
Net cash from operating activities		**18,297**	**40,033**
Cash flows from investing activities			
Acquisition of securities at amortized cost	9	(12,269)	(13,222)
Redemptions of securities at amortized cost		11,024	9,947
Acquisition of property and equipment	10	(6)	(15)
Net cash used in investing activities		**(1,251)**	**(3,290)**
Net increase in cash and cash equivalent		**17,046**	**36,743**
Cash and cash equivalents at 1 January	5	142,492	106,910
Effect of exchange rate fluctuations on cash and cash equivalents held		252	(1,161)
Cash and cash equivalents at 31 December	**5**	**159,790**	**142,492**

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolio	Total
Balance at 1 January 2018	**70,000**	**13,567**	**4,381**	**(490)**	**87,458**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	4,381	(4,381)	-	-
Net income for the year	-	-	2,010	-	2,010
Revaluation of reserves	-	-	-	(1,384)	(1,384)
Balance at 31 December 2018	**70,000**	**17,948**	**2,010**	**(1,874)**	**88,084**
Share capital increase	5,000	-	-	-	5,000
Profit/(loss) allocation	-	2,010	(2,010)	-	-
Net income for the year	-	-	1,765	-	1,765
Revaluation of reserves	-	-	-	1,664	1,664
Balance at 31 December 2019	**75,000**	**19,958**	**1,765**	**(210)**	**96,513**

EUR 4 equity impact of IFRS16 implementation is recognized under current year profit and loss.

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

1 Reporting entity

Anadolubank N.V. (the "Bank") is a public limited liability company domiciled in the Netherlands. The Bank was established on 5 April 2006 and was granted a full banking license by De Nederlandsche Bank (Dutch Central Bank) on 2 August 2007. The Bank has been operational since early 2008. The Bank primarily is involved in corporate and retail banking – retail banking deposit activities. The registered office of the Bank is at De Boelelaan 7, 1083 HJ Amsterdam, the Netherlands. Commercial Register of Amsterdam, number 34239060.

The Bank is 100% owned by Anadolubank A.S. incorporated in Turkey. Anadolubank A.S. belongs to the Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AS, which is one of the biggest industrial conglomerates of Turkey, operating in industrial and medical gases production, LPG and natural gas distribution, electricity generation, iron and steel manufacturing and industrial facilities construction. Anadolubank A.S. is a commercial bank and its branch network is still expanding. The Bank is comparatively young in the industry, but already has reached a leading position in the sector, thanks to the strength of its shareholders, well-chosen experienced management team and most diligent employees.

The Bank provides small to medium sized companies with short-term working capital and trade finance facilities. The financial information of the Bank will be consolidated in the financial statements of Anadolubank A.S.

2 Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Dutch Civil Code. They were authorized for issue by the Bank's Supervisory Board and Management Board on 31 May 2019.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except for financial assets designated at fair value through profit and loss and derivative financial instruments that have been measured at fair value. The financial figures and tables are stated in thousands.

(c) Functional and presentation currency

The financial statements are presented in Euros, which is the Bank's functional and presentation currency and all values are rounded to the nearest thousand euro unless otherwise is stated.

(d) Use of estimates and judgements

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

The most significant of judgments and estimates are as follows:

Judgements

i) Fair value of financial instruments

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates. The discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

ii) Deferred tax assets

Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realised.

iii) Impairment of financial instruments

A three-stage model is applied for the measurement of ECLs of financial assets (e.g. loans): performing (stage 1), under-performing (stage 2), and impaired (stage 3). For performing assets, i.e. assets with no sign of deterioration in credit quality, banks should estimate the ECLs for the upcoming 12 months. For both under-performing and impaired assets, banks should estimate the ECLs for the lifetime of the credit. Moving an asset (e.g. a loan) from stage 1 to stage 2 (or stage 3) is triggered by a "significant increase in credit risk" (SICR) after the asset was originated. The shift from stage 2 to stage 3 for an asset is triggered by a default event under IFRS 9.

A default shall be considered to have occurred with regard to a particular obligor when either or both of the following have taken place [CRR Article 178]:

a) the obligor is past due more than 90 days on any material credit obligation to the institution, the parent undertaking or any of its subsidiaries;

b) the institution considers that the obligor is unlikely to pay its credit obligations to the institution, the parent undertaking or any of its subsidiaries in full, without recourse by the institution to actions such as realizing security.

(e) Going concern

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

3 Significant accounting policies

(a) Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into Euros at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the statement of profit or loss and other comprehensive income as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the statement of profit or loss and other comprehensive income as realized during the course of the period.

(b) Interest

Interest income and expense are recognized in the statement of profit or loss and other comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received regarding transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Negative interest in relation to a financial asset is presented as interest expense and negative interest in relation to a financial liability is presented as interest income.

(c) Fees and commission

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

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

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

(d) Net trading income

Net trading income consists of the results arising from any trading activity including related interest income and expense and gains and losses from changes in fair value.

The changes in fair value of an interest rate swap include accrued interest gains and losses arising from changes in interest rates. The entire fair value change on a derivative is presented on a net basis.

(e) Lease payments made

IFRS 16, the new accounting standard for leases, is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases' and IFRC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 removes the classification of leases as either operating leases or finance leases, resulting in all leases for lessees being treated comparable to finance leases. All leases will be recognized on the statement of financial position with the exception of short-term leases with a lease term of less than 12 months and leases of low-value assets. The introduction of IFRS 16 will lead to increase in assets and liabilities on the balance sheet which will reflect "Right-of-use asset" and "lease liability."

(f) Income tax

The effective tax rate is determined with consideration of all material timing differences between the profit before tax per commercial accounts and the fiscal profit described per the tax legislation. Tax is calculated according to the current Dutch nominal tax rate of 19% for the first EUR 200,000 and 25% of the remaining amount. The standard rate will decrease from 25% in 2020 to 21.7% in 2021. The lower rate will further decrease from 16.5% in 2020 to 15% in 2021.

(g) Financial assets and financial liabilities

(i) Recognition

The Bank initially recognizes loans and advances, deposits, securities on the date at which they are originated. Financial assets designated at fair value through profit or loss are recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets are recognized. Financial instruments are initially measured at fair value.

(ii) Classification

IFRS 9 contains three principal measurement categories for financial assets: amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classifications are determined by:

- Business Model;
- The contractual cash flow characteristics of the financial asset.

IFRS 9 identifies three business models:

- Held to Collect (HtC);
- Held to Collect & Sell (HtC&S);
- Other/Trading.

The following table summarizes the key features of each type of business model and the resultant measurement category:

Business model	Key features	Measurement
Held to Collect	• Objective is to hold assets to collect contractual cash flows • Sales are incidental to the objective • Typically lowest sales (in frequency and volume)	Amortised cost *(if SPPI criteria are satisfied and 'fair value option' is not applied)*
Both Held to Collect & Sell	• Both collecting contractual cash flows and sales are integral to achieving the objective • Typically more sales (in frequency and volume) compared to hold-to-collect	FVOCI *(if SPPI criteria are satisfied and 'fair value option' is not applied)*
Other business models, including: • Maximizing cash flows through sale • Managing assets on a fair value basis • Trading	• Business model is neither one from above • Collection of contractual cash flows is incidental to the objective of the model	FVTPL *(SPPI criterion is irrelevant)*

When the BM assessment has determined that the instrument is eligible for accounting measurement amortized cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding - i.e. complies with the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity applies the OCI election [IFRS 9.4.1.2(b), 4.1.2A(b)].

The Bank applies SPPI test to securities and loans individually. Money market placements pass the SPPI test by its product nature.

The bank developed an SPPI questionnaire based on IFRS 9 guidance that will be used for testing.

The Bank doesn't have any reclassified transaction.

All financial liabilities are at amortized cost and the Bank doesn't have any reclassification from financial liabilities.

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a bank of similar transactions such as in the Bank's trading activity.

(v) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition. The principal repayment is deducted and cumulative amortization is applied by using the effective interest method of any difference between the initial amount recognized and the maturity amount. Any reduction for impairment is deducted. Financial instruments are measured initially at cost, including transaction costs. All non-trading financial liabilities, loans and receivables and securities at AC are measured at amortized cost less impairment losses.

(vi) Fair value measurement principles

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

A three-stage model is applied for the measurement of ECLs of financial assets (e.g. loans): performing (stage 1), under-performing (stage 2), and impaired (stage 3). For performing assets, i.e. assets with no sign of deterioration in credit quality, banks should estimate the ECLs for the upcoming 12 months. For both under-performing and impaired assets, banks should estimate the ECLs for the lifetime of the credit. Moving an asset (e.g. a loan) from stage 1 to stage 2 (or stage 3) is triggered by a "significant increase in credit risk" (SICR) after the asset was originated. The shift from stage 2 to stage 3 for an asset is triggered by a default12 event under IFRS 9.

The Bank's portfolio consists of Corporates, Financial Institutions and Government exposures. From a credit risk perspective those are approached in a similar, standardized way: All exposures are individually assessed and accompanied with credit ratings which provide indications of default probabilities and LGD ratings which provide indications of losses in case of default. Retail exposures are negligible.

Anadolubank N.V. primarily has a non-granular corporate and FI portfolio and has a very low default experience. In line with the non-granular nature of the portfolio, all exposures are assessed individually. Each exposure is assigned a rating which is corresponding to a probability of default.

There is no information published cumulative default rates for combinations of ratings and industry. However, there is no reason to assume that the (cumulative) default rates for ratings of different industries behave significantly different as those that are suggested by the published global cumulative default rates.

Bank default probabilities are notoriously difficult to model. Actual defaults have been low and the very notion of 'default' is often less clear cut when government bail-outs prevent defaults to play out like it usually does in the corporate sector. Moreover, it is in the exposures to the banking sector that the Bank shows a significant overlap with the exposures at the parent bank having exposures to the same names makes it imperative to have more alignment between the PD methodologies of the parent bank. The Bank uses Merton Distance-to-Default PD's starting from 2019 and to account for this as change in estimate. As a result of the implementation, the total ECL of the financial institutions decreased on account of relatively lower PD's compared to corporates.

The effect of this change was EUR 1.221 decrease on the ECL of financials instutitions in 2019.

For lack of a better alternative, the Bank will still use the global corporate PD structure for sovereign exposures.

In order to capture the forward-looking cycle element, GDP forecasts will be used. Five authoritative agencies are used as a source:

- The IMF publishes a World Economic Outlook (WEO) every April and October and provides updates in January and July and, if necessary, interim updates.
- The World Bank publishes Global Economic Prospects (GEP) semi-annually, in January and June.
- The OECD publishes a Global Economic Outlook semi-annually, in June and November. In February / March and September it also provides an Interim Global Economic Outlook report with updates on the key indicators.
- The DG ECFIN (Directorate General for Economic and Financial Affairs) publishes forecasts in February, May and November.
- The under-secretariat of the Treasury publishes forecasts every year ("Medium Term Program"), usually in October.

The staging decision process is a combination of a quantitative and a qualitative assessment.

The quantitative assessment is based on the PDs and is derived from the (internal and external) ratings. Basically, a threshold in the form of a simple multiplier (3) is used to assess whether the default probability has 'significantly' increased. Another absolute threshold (10%) is used to capture increases that stay below the multiplier criterion but are significant enough in absolute terms to qualify as a significant increase.

The qualitative assessment has several components which are arguably not properly captured in the ratings: pricing information, LGD changes that could impact PDs, forbearance, the watch list process, past due information and collective industry sector assessments.

(h) Cash and cash equivalents

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

(i) Derivatives held for risk management purposes

Derivative financial instruments consisting of foreign currency contracts and currency swaps are measured at fair value. All derivatives are separately evaluated and carried as assets when each transaction's fair value is positive and as liabilities when each transaction's fair value is negative. Derivative contracts are included in derivative financial instruments lines of assets and liabilities, and changes in the fair value are included in the profit or loss, under net trading income. No hedge accounting has been applied.

(j) Loans and advances to banks and customers

These are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides funds directly to a debtor with no intention of trading the receivable. Such assets are carried at amortized cost using the effective interest method, less any impairment in value. Interest income and gains and losses with respect to the amortization of the financial assets, as well as derecognition and impairment costs, are recognized in the profit or loss.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

(k) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either securities at AC, fair value through profit or loss or FVOCI.

i) Securities at AC

Securities at AC are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Securities at AC are carried at amortized cost using the effective interest method, less any impairment losses.

ii) FVOCI

FVOCI are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss. Impairment losses are recognized in profit or loss.

Other fair value changes, other than impairment losses, are recognized in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

iii) FVPL

FVPL assets are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

(l) Property and equipment

The property and equipment purchased are recorded at their historical costs. Accordingly, property and equipment are carried at cost, less accumulated depreciation and impairment losses, if any.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to the statement of profit or loss and other comprehensive income in the year in which the costs are incurred. Expenditures incurred that have resulted in an increase in the future economic benefits expected from the use of premises are capitalized as an additional cost of property and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The yearly depreciation percentages are as follows:

	%	Years
IT equipment	20%	5
Furniture, fixtures and vehicles	20%	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(m) Intangible assets

Intangible assets mainly comprise acquired computer software. Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. They are recorded at acquisition cost and are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the acquisition date. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(n) Repurchase transactions

The Bank enters into purchases/(sales) of investments under agreements to resell/(repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognized in the statement of financial position and are measured in accordance with the accounting policy for assets at AC. The proceeds from the sale of the investments are reported as liabilities to either banks or customers.

The difference between the sale and repurchase considerations is recognized on an accrual basis over the period of the transaction and is included in interest income.

(o) Provisions

A provision is recognized when, and only when, the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the rise in the provision reflecting the passage of time is recognized as cost. A provision for bank levies is recognized when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity, then a provision is recognized when that minimum activity threshold is reached.

(p) Employee benefits

The Bank's pension plan is based on defined contribution as a percentage of the annual salary depending on the age of the insured, whereby the terms and conditions of the plan are based on each individual's requirements, under a fixed scheme, also allowing the individual staff members to contribute to their own account. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefits expense when employees have rendered services entitling them to the contributions.

(q) Share capital & reserves

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the balance sheet date are disclosed in the events after balance sheet date note, if any.

(r) Off balance sheet engagements

Transactions that are not currently recognized as assets or liabilities in the statement of financial position but which nonetheless give rise to credit risks, contingencies and commitments are reported off balance sheet. Such transactions include letters of credit, bonds, guarantees, indemnities, acceptances, trade related contingencies such as documentary credit, etc.

Outstanding and unexpired commitments at year-end in respect of these transactions are shown by way of note to the financial statements.

Income on off balance sheet engagements is in form of commission, which is recognized as and when transactions are executed.

(s) Segment reporting

A segment is a distinguishable component of the Bank that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments.

Segment information is presented in respect of the Bank's business and geographical segments. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(t) Implementation IFRS 16

IFRS 16, the new accounting standard for is effective for annual periods beginning on or after 1 January 2019 and will replace IAS 17 'Leases' and IFRC 4 'Determining whether an Arrangement contains a Lease'. IFRS 16 removes the classification of leases as either operating leases or finance leases, resulting in all leases for lessees being treated comparable to finance leases. All leases will be recognized on the statement of financial position with the exception of short-term leases with a lease term of less than 12 months and leases of low-value assets. The introduction of IFRS 16 will lead to increase in assets and liabilities on the balance sheet which will reflect "Right-of-use asset" and "lease liability."

The adoption of IFRS 16 has no significant impact on the net result of the Bank, comprehensive income or transition equity of shareholders.

Changes in righ-of-use assets	**Property**	**Cars**
Opening balance	**n/a**	**n/a**
Effect of changes in accounting policy due to the implementation of IFRS16	770	47
Depreciation	186	17
Balance at 31 December 2019	**584**	**30**

Changes in lease liabilities	**2019**
Open balance	821
Interest expenses	3
Lease payment	(203)
Balance at 31 December 2019	**620**

The total cash flow from leases during the financial year amount to EUR 203. IFRS 16 requires all (almost) leases to recognized on the balance sheet. Accordingly, the balance sheet grew by EUR 613 as from 1 January 2019 (100% risk weighting). Lease liabilities 621k is recognized as from 1 January 2019. The weighted average lessee's incremental borrowing rate is 0.45%.

4. Operating segments

A segment is a distinguishable component of the Bank. More specifically, segment information is presented in respect of the Bank's operating segments, where the Bank assesses performance and accordingly makes resource allocations. The Bank's primary format for segment reporting is based on operating segments. Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the accounting policy notes. For geographical segments, refer to Note 28 (b) Credit risk.

The Bank has the following three divisions, which are reportable segments.

Retail Banking – Loans, deposits and other transactions and balances with retail customers;

Corporate and Commercial Banking – Loans, deposits and other transactions and balances with corporate customers and bank loans;

Treasury – Funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

31 December 2019	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(2,467)	12,127	(647)	(866)	8,147
Other operating income, loan loss provisions and expenses, net	-	1,663	(411)	(7,059)	(5,807)
Net operating profit	**(2,467)**	**13,790**	**(1,058)**	**(7,925)**	**2,340**
Provision for taxes	617	(3,448)	265	1,991	(575)
Net Profit	**(1,850)**	**10,342**	**(793)**	**(5,934)**	**1,765**
Cash and cash equivalents	-	-	159,790	-	159,790
Loans and advances to banks	-	89,232	11,999	-	101,231
Loans and advances to customers	-	196,418	-	-	196,418
Interest bearing securities	-	-	81,735	-	81,735
Other assets	-	-	-	3,732	3,732
Total assets	**-**	**285,650**	**253,524**	**3,732**	**542,906**
Deposits from banks	-	-	124,563	-	124,563
Deposits from customers	228,920	86,098	-	-	315,018
Other liabilities	-	-	-	6,812	6,812
Shareholder's equity	-	-	-	96,513	96,513
Total liabilities and equity	**228,920**	**86,098**	**124,563**	**103,325**	**542,906**

31 December 2018	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(2,665)	14,313	293	(894)	11,047
Other operating income, loan loss provisions and expenses, net	-	(849)	(971)	(6,560)	(8,380)
Net operating profit	**(2,665)**	**13,464**	**(678)**	**(7,454)**	**2,667**
Provision for taxes	666	(3,366)	170	1,873	(657)
Net Profit	**(1,999)**	**10,098**	**(508)**	**(5,581)**	**2,010**
Cash and cash equivalents	-	-	142,492	-	142,492
Loans and advances to banks	-	143,806	7,281	-	151,087
Loans and advances to customers	-	183,636	-	-	183,636
Interest bearing securities	-	-	100,618	-	100,618
Other assets	-	-	-	4,862	4,862
Total assets	**-**	**327,442**	**250,391**	**-**	**582,695**
Deposits from banks	-	-	168,458	-	168,458
Deposits from customers	226,227	95,018	-	-	321,245
Other liabilities	-	-	-	4,908	4,908
Shareholder's equity	-	-	-	88,084	88,084
Total liabilities and equity	**226,227**	**95,018**	**168,458**	**92,992**	**582,695**

5 Cash and cash equivalents

	2019	2018
Cash and balances with banks	5,019	12,131
Unrestricted balances with central banks	97,364	130,361
Money market placements within three months	57,407	-
Position as at 31 December	**159,790**	**142,492**

Cash and balances with central banks and banks are on demand.

6 Derivatives held for risk management purposes

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

Derivative financial instruments include currency and interest swaps. The Bank uses derivative financial instruments to manage its exposure to foreign currency and interest risk. The notional amounts and the fair value amounts of the positions in currency and interest rates swaps are:

	31 December 2019						
	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over 1 year	Fair value assets	Fair value liabilities
Swap purchase	241,878	63,924	25,217	36,713	116,024	763	-
Swap sale	246,607	64,779	26,499	37,502	117,827	-	5,703
Total	**488,485**	**128,703**	**51,716**	**74,215**	**233,851**	**763**	**5,703**

	31 December 2018						
	Notional Amounts	Up to 1 months	Up to 3 months	Up to 1 year	Over 1 year	Fair value assets	Fair value liabilities
Swap purchase	248,536	46,597	10,660	52,225	139,054	3,187	-
Swap sale	252,920	46,605	10,977	54,137	141,201	-	4,193
Total	**501,456**	**93,202**	**21,637**	**106,362**	**280,255**	**3,187**	**4,193**

7 Loans and advances to bank

	31 December 2019	31 December 2018
Bank loans	95,143	148,828
Advances to banks	6,128	2,994
ECL charge	(40)	(735)
Balance at 31 December	**101,231**	**151,087**

Loans and advances to banks include all sorts of exposures falling under regulatory supervision as not embodied in the form of debt securities or synthetic instruments.

8 Loans and advances to customers

	31 December 2019	31 December 2018
Corporate loans	197,589	184,794
Retail loans	13	66
ECL charge	(1,184)	(1,224)
Balance at 31 December	**196,418**	**183,636**

The details of ECL charge is disclosed in note 28 financial risk management.

9 Interest bearing securities

	2019	2018
Amortized cost	56,466	54,862
FVOCI	25,680	46,727
FVPL	-	-
ECL charge	(411)	(971)
Balance at 31 December	**81,735**	**100,618**

In 2019, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 16.449 as collateral to DNB (De Nederlandsche Bank) (2018: EUR 8,850).

EUR 56,730 of the securities was under repo (2018: EUR 73,517).

Amortized cost	2019	2018
Government bonds	6,269	9,342
Corporate bonds	7,548	7,550
Issued by others	42,649	37,970
ECL charge	(196)	(427)
Balance at 31 December	**56,270**	**54,435**

FVOCI	2019	2018
Government bonds	9,425	15,150
Corporate bonds	5,267	2,617
Issued by others	10,988	28,960
ECL charge	(215)	(544)
Balance at 31 December	**25,465**	**46,183**

10 Property and equipment

	2019	2018
Balance at 1 January 2019	42	57
Additions	6	15
Depreciation	24	30
Right-of-use asset	817	n/a
Depreciation of right-of-use asset	204	n/a
Balance at 31 December 2019	**637**	**42**

All property and equipment are stated at historical cost less depreciation. A historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life. For intangible assets amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives in 3 years.

Changes in Right-of-use assets	Property	Cars
Opening balance	n/a	n/a
Effect of changes in accounting policy due to the implementation of IFRS16	770	47
Depreciation	186	17
Balance at 31 December 2019	**584**	**30**

11 Intangible assets

	2019	2018
Balance at 1 January 2019	8	31
Additions	-	-
Depreciation	8	23
Balance at 31 December 2019	**-**	**8**

Balances with regard to intangible assets is related to software.

12 Other assets

	2019	2018
Receivable with regard to DGS for DSB Bank	408	493
Suspense accounts	317	242
Balance at 31 December	**725**	**735**

Receivable with regard to DGS for DSB Bank is expected to be received fully until 2027.

13 Deposits from banks

	31 December 2019	31 December 2018
Sale and repurchase, securities lending and similar agreements	49,307	91,386
Money market deposits	75,256	77,072
Total	**124,563**	**168,458**

14 Deposits from customers

	31 December 2019	31 December 2018
Retail customers	228,920	226,226
Savings	129,158	127,506
Time deposits	99,762	98,720
Corporate customers	86,098	95,019
Demand deposits	29,573	15,403
Time deposits	56,525	79,616
Total	**315,018**	**321,245**

EUR 10,163 of term deposits served as cash collateral for loans advances extended as of 31 December 2019 (2018: EUR 6,898).

15 Other liabilities

	2019	2018
Lease liability	621	n/a
Transfer orders	12	7
Taxes other than income	185	236
Other provisions	29	43
Short-term employee benefits	157	119
Others	105	310
Balance at 31 December	**1,109**	**715**

EUR 1 of ECL charge for commitments were recognized under others (2018: EUR 2)

16 Capital and reserves

As at 31 December 2019 the paid capital is increased by EUR 5,000 and the total issued and fully paid-up share capital of the Bank amounted to EUR 75,000.

Dividend payments are subject to the approval of Dutch Central Bank as the regulatory body and are not accounted for until they have been ratified at the Annual General Meeting. No dividend will be proposed for the year 2019. The profit after tax will be added to 'retained earnings'.

	31/12/2019	31/12/2018
Share capital and share premium	75,000	70,000
Retained earnings	19,958	17,948
Revaluation reserves	(210)	(1,874)
Net profit	1,765	2,010
Shareholders' equity	**96,513**	**88,084**

17 Commitments

31 December 2019	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	279	-	-	-	66	345
Irrevocable letter of credit	3,744	478	853	-	-	5,075
Other commitments	-	-	-	-	-	-
Total	**4,023**	**478**	**853**	**-**	**66**	**5,420**

31 December 2018	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	-	-	3,642	272	66	3,980
Irrevocable letter of credit	12,249	3,111	381	-	-	15,741
Other commitments	-	-	-	-	-	-
Total	**12,249**	**3,111**	**4,023**	**272**	**66**	**19,721**

18 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party making financial and operating decisions. The Bank is controlled by Anadolubank A.S. which owns 100% of the ordinary shares. Anadolubank A.S. belongs to Habas Group controlled by Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AS. For the purpose of consolidated financial information, shareholders and Habas Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Board of Directors and their families.

The following significant balances exist and transactions have been entered into with related parties:

	31 December 2019				
	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**997**	**12,057**	**-**	**-**	**13,054**
Cash and cash equivalent	239	-	-	-	239
Banks	758	-	-	-	758
Loans and advances	-	12,057	-	-	12,057
Liabilities	**-**	**23,721**	**-**	**-**	**23,721**
Banks	-	-	-	-	-
Funds Entrusted	-	23,721	-	-	23,721
Interest income	**35**	**103**	**273**	**-**	**411**
Interest expense	**9**	**874**	**-**	**-**	**883**
Other operating expenses	**216**	**-**	**-**	**-**	**216**

	31 December 2018				
	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**2,075**	**-**	**-**	**-**	**2,075**
Cash and cash equivalent	1,216	-	-	-	1,216
Banks	859	-	-	-	859
Loans and advances	-	-	-	-	-
Liabilities	**-**	**44,452**	**-**	**-**	**44,452**
Banks	-	-	-	-	-
Deposits from customers	-	44,452	-	-	44,452

Interest income	**51**	**-**	**151**	**-**	**202**
Interest expense	**2**	**641**	**-**	**-**	**643**
Other operating expenses	**240**	**-**	**-**	**-**	**240**

The Bank enters into transactions with its parent company and other related parties in ordinary course of business at arm's-length conditions. Balances are not secured.

The Bank has determined Identified Staff on the basis of the criteria, but not limited to, laid down in the "Regulatory Technical Standard Identified Staff (RTS IS)".

Key management personnel transactions	2019	2018
Loans and advances	13	65
Deposits from customers	838	744
Guarantees issued	2	8

Key management personnel compensation, including managing board members comprised the following.

Key management personnel compensations	2019	2018
Short-term employee benefits	2,032	1,799
Post-employement benefits	60	68
Total	**2,092**	**1,867**

None of the employees have received remuneration over EUR one million.

19 Lease commitments

As at 1 January 2019, Anadolubank N.V. N.V. adopted IFRS 16 Leases. As a lessee, the Bank enters into lease contracts, mainly for office buildings and cars which the bank leases for its own use. More specifically, The Bank has entered into a long-term financial obligation in 2017 with duration of 5 years as far as the office premises are concerned. In 2019, EUR 217 has been paid for the rent of the office.

	2019	2018
Less than one year	188	216
Between one and five years	433	487
Total	**621**	**703**

For more information on the adoption of IFRS 16, please refer to Note 3 Significant Accounting policies, (t) Implementation IFRS 16.

20 Net interest income

Interest income	2019	2018
Cash and cash equivalents	-	10
Loans and advances to banks	6,613	5,130
Loans and advances to customers	9,735	11,731
Interest bearing securities	3,690	3,408
Total interest income	**20,038**	**20,279**

Interest Expense	2019	2018
Cash and cash equivalents	320	369
Deposits from banks	2,285	1,818
Deposits from customers	3,826	3,579
Total interest expense	**6,431**	**5,766**

Total Net interest income includes interest income and expense for instruments calculated using the effective interest rate method and other interest income and interest expense.

21 Net fee and commission income

Fee and commission income	2019	2018
Corporate/banking credit related fees	1,245	1,627
Other	536	511
Total fee and commission income	**1,781**	**2,138**

Fee and commission expense	2019	2018
Corporate/banking credit related expense	139	113
Interbank transaction fees	57	32
Total fee and commission expense	**196**	**145**

Fee and commission income mainly consists of commission fees in respect of trade finance related transactions.

22 Net trading income

Net trading income	2019	2018
Net income from trading securities	(147)	(87)
Net income from available-for-sale securities	535	124
Net income from option	22	(5)
Total trading income	**410**	**32**

Securities trading results includes the results of market making in instruments such as government securities, corporate debt securities and bank debt securities.

23 Results from financial transactions

	2019	2018
Net income from securities held to maturity	(6,663)	(5,025)
Foreign exchange gain (net)	(792)	(466)
Other operating income (net)	**(7,455)**	**(5,491)**

Results from foreign currency exchange transactions comprise all (un)realized gains and losses arising from foreign currency positions in relation to exchange rate changes. Foreign currency positions generally relate to assets, liabilities or derivative transactions. The mentioned gains and losses show the total result without indicating the underlying position.

24 Personnel expenses

The number of staff employed by the Bank as of 31 December 2019 is 44 (2018:45).

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

Personnel expenses	2019	2018
Wages and salaries	3,694	3,566
Compulsory social security obligations	498	497
Contributions to defined contribution plans	263	256
Other fringe benefits	46	39
Total	**4,501**	**4,358**

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended 31 December 2019 are as follows:

2019	Base salary	Other benefits	Variable renumeration	Total
Board of Supervisory Directors	73	-	-	73
Managing Board Directors	575	39	-	614

2018	Base salary	Other benefits	Variable renumeration	Total
Board of Supervisory Directors	98	-	-	98
Managing Board Directors	506	49	-	555

The amounts are not disclosed individually since the Bank meets the criteria of article 383b of the Dutch Civil Code.

25 Other expenses

Other expenses	2019	2018
Operating lease expense	34	237
Communication expenses	91	98
Business travel & acommodation	54	37
Audit fee	225	178
Sofware licening and other information technology expenses	507	517
Paid taxes other than income	93	83
Tax advisory	13	6
Other consultancy	201	93
Regulatory supervision expenses	337	336
Legal expenses	119	72
Deposit Guarantee Scheme	380	336
Other	267	156
Total	**2,321**	**2,149**

Audit-related fees	2019	2018
Audit fees related to previous year	122	82
Audit fees related to current year	103	96
Total audit fees	**225**	**178**

Financial statement audit fees	182	133
IFRS 9 audit fees	-	25
Other audit fees	43	20
Total audit fees	**225**	**178**

26 Income tax expenses

Major components of income tax expense:

Reconciliation of income tax	2019	2018
Operating profit before tax	2,340	2,667
Weighted average statutory tax rate	24.6%	24.6%
Weighted average statutory tax amount	**575**	**657**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**575**	**657**
Effective tax rate	**24.6%**	**24.6%**

Tax is calculated according to the current Dutch nominal tax rate of 20% for the first EUR 200,000 and 25% of the remaining amount.

Deferred tax assets	2019	2018
Tax loss-carry forwards	-	-
FVOCI	70	625
Total	**70**	**625**

Deferred tax amount is 25% of the unrealized loss of FVOCI.

27 Fair value information

See accounting policy in Note 3 (g).

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1**: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2**: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3**: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models and comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include benchmark interest rates, credit spreads, bond prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

As at 31 December 2019 and at 31 December 2018, the fair value of the securities measured at fair value represents closing bid price quoted in an active market. Actively traded quoted securities are classified as Level 1. The Bank also held financial instruments classified as level 2 of the fair value hierarchy. A description of the valuation technique(s) and the inputs used in the fair value measurements in included below.

b) Financial instruments measured at fair value

31 December 2018	Total	Level 1	Level 2
Assets			
Derivative financial assets	763	-	763
Securities measured at fair value	25,680	18,209	7,471
Total assets	**26,443**	**18,209**	**8,234**
Liabilities			
Derivative financial liabilites	5,703	-	5,703
Total liabilities	**5,703**	**-**	**5,703**

31 December 2018	Total	Level 1	Level 2
Assets			
Derivative financial assets	3,187	-	3,187
Securities measured at fair value	46,727	23,887	22,840
Total assets	**49,914**	**23,887**	**26,027**
Liabilities			
Derivative financial liabilites	4,193	-	4,193
Total liabilities	**4,193**	**-**	**4,193**

The Bank does not have any financial instrument measured at level 3 fair value as of 31 December 2019.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

b) Financial instruments not measured at fair value

31 December 2019	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equilavents	159,790	159,790	-	-	159,790
Loans	304,235	-	-	304,235	297,649
Banks	102,460	-	-	102,460	101,231
Corporate	201,775	-	-	201,775	196,418
Securities not measured at fair value	59,063	37,512	21,551	-	56,270
Total assets	**523,088**	**197,302**	**21,551**	**304,235**	**513,709**
Liabilities					
Banks	125,236	-	-	125,236	124,563
Funds entrusted	319,524	-	-	319,524	315,018
Total liabilities	**444,760**	**-**	**-**	**444,760**	**439,581**

31 December 2018	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equilavents	142,492	142,492	-	-	142,492
Loans	344,895	-	-	344,895	334,723
Banks	153,964	-	-	153,964	151,087
Corporate	190,931	-	-	190,931	183,636
Securities not measured at fair value	55,334	30,829	24,505	-	54,435
Total assets	**542,721**	**173,321**	**24,505**	**344,895**	**531,650**
Liabilities					
Banks	168,873	-	-	168,873	168,458
Funds entrusted	329,993	-	-	329,993	321,245
Total liabilities	**498,866**	**-**	**-**	**498,866**	**489,703**

28 Financial risk management

(a) Introduction and overview

This note presents information about the Bank's exposure to each of the below mentioned risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital. The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk
- currency risk
- capital management

Risk management framework

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

The Supervisory Board of the Bank supervises the risk management activities to ensure that such activities pursued by the Management Board are in line with the Bank's risk profile, long-term strategies and goals. At least once a year, the risk appetite framework is reviewed by the Management Board and submitted to the Supervisory Board for approval.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The risks are measured with the internationally accepted methodologies in compliance with local and international regulations, the Bank's structure, policy and procedures. They are effectively managed and assessed in a continuously growing manner.

(b) Credit risk

Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Maximum exposure subject to credit risk	December 2019	December 2018
Cash and cash equivalents	159,790	142,492
Loans and advances to customers	196,418	183,636
Loans and advances to banks	101,231	151,087
Interest bearing securities	81,735	100,618
Derivative financial assets	763	3,187
Total balance Sheet	**539,937**	**581,020**
Commitments	5,420	19,721
Total credit risk exposure	**545,357**	**600,741**

Past due and non-performing loans

Impaired loans and securities are loans and advances and investment debt securities (other than those carried at fair value through profit or loss) for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / investment security agreement(s). These loans are graded as stage 3.

Loans and advances to customers	Not past due	Past due <= 30 days	Past due > 30 days <= 60 days	Past due > 60 days <= 90 days	Non-performing	Impairment
December 31, 2019	196,055	-	-	-	979	616
December 31, 2018	182,261	-	-	-	1,637	263

Forbearance Loans

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

A concession refers to either of the following actions:

(a) a modification of the previous terms and conditions of a contract the debtor is considered unable to comply with due to its financial difficulties to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties;

(b) a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

	31 December 2019	31 December 2018
Corporate loans	7,293	12,056
ECL charge	80	59
Balance at 31 December	**7,213**	**11,997**

Expected credit loss

As of 1 January 2018, the IFRS 9 accounting rules on expected credit loss have been implemented. These accounting rules do not change the actual credit losses, but have an impact on the timing of when these losses are reflected in the P&L. Loan loss provisioning becomes more forward-looking under IFRS 9 partly due to the fact that provisions will be based on the macroeconomic outlook, amongst other factors. Additionally expected credit loss will be calculated on the lifetime expected losses for assets that have experienced a significant deterioration in credit quality. To summarize, expected credit loss in the P&L could become more volatile.

	Stage 1			Stage2			Stage3		
31 December 2019	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	159,790	159,791	1	-	-	-	-	-	-
Banks	101,231	101,331	100	-	-	-	-	-	-
Interest bearing securities	73,887	74,015	188	7,848	8,071	223	-	-	-
Loans and advances	143,703	143,890	187	52,358	52,739	381	357	973	616
Off-balance sheet liabilities	5,419	5,420	1	-	-	-	-	-	-
		484,447	**477**		**60,810**	**604**		**973**	**616**

	Stage 1			Stage2			Stage3		
31 December 2018	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	142,492	142,492	-	-	-	-	-	-	-
Banks	119,898	120,364	466	31,189	31,458	269	-	-	-
Interest bearing securities	79,371	79,565	194	21,247	21,628	777	-	-	-
Loans and advances	134,028	134,287	258	48,232	48,936	704	1,376	1,638	262
Off-balance sheet liabilities	3,914	3,930	16	13	14	1	-	-	-
		480,638	**934**		**102,036**	**1,751**		**1,638**	**262**

	Stage 1		Stage2		Stage3	
	Financial Assets	**ECL**	**Financial Assets**	**ECL**	**Financial Assets**	**ECL**
01 January, 2019	**480,638**	**934**	**102,036**	**1,751**	**1,638**	**262**
Transfers from Stage 1 to Stage 2	(20,758)	(108)	20,758	108	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Net re-measurement on the stage transfer	19,377	22	17,741	201	-	-
Other changes in net exposure	(782)	(370)	(78,790)	(1,456)	(665)	354
Currency translation	5,972	-	(936)	-	-	-
31 December 2019	**484,447**	**477**	**60,810**	**604**	**973**	**616**

Collateral policy

The Bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Collateral analysis	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
Against neither past due nor impaired:								
Secured by cash collateral	10,163	6,898	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	36,120	35,815	-	-	-	-	-	-
Other collateral	85,801	79,737	-	-	-	-	-	-
Uncollateralized exposure	64,334	61,186	101,231	151,087	81,735	100,618	159,790	142,492
Carrying amount	**196,418**	**183,636**	**101,231**	**151,087**	**81,735**	**100,618**	**159,790**	**142,492**

Sectorial and geographical concentration of loans & advances and investment securities

The Bank monitors concentrations of credit risk by sector and geographic location. An analysis of concentrations of credit risk from loans and advances and investments securities at balance sheet date is shown below:

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents		ECL	
Concentration by sector	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
Corporate:										
Basic materials	24,805	14,508	-	-	-	-	-	-	110	17
Consumer products non-food	1,507	3,673	-	-	-	-	-	-	1	11
Building materials	-	-	-	-	-	-	-	-	-	-
Private individuals	13	65	-	-	-	-	-	-	-	2
Technology	-	-	-	-	-	160	-	-	-	1
Financial intermediation	28,252	25,713	-	-	6,070	2,113	-	-	55	376
Construction& Infrastructure	15,842	16,796	-	-	-	-	-	-	24	160
Automotive	13,705	8,706	-	-	-	-	-	-	58	36
Transport&Logistics	30,642	47,138	-	-	4,988	4,990	-	-	110	256
Food, Beverages&Tobacco	4,729	3,282	-	-	-	-	-	-	617	264
Agriculture &Fishing	5,777	10,376	-	-	-	-	-	-	47	20
Chemicals	43,775	21,350	-	-	-	-	-	-	144	16
Oil&Gas	10,335	6,017	-	-	-	5,007	-	-	12	15
Telecom	2,947	5,728	-	-	5,255	-	-	-	24	48
Others	10,925	4,988	-	-	2,551	-	-	-	25	3
Utilities	1,212	3,489	-	-	-	-	-	-	1	4
Healthcare (Inc. Social Work)	-	1,000	-	-	-	-	-	-	-	1
Real Estate	1,952	10,807	-	-	-	-	-	-	-	11
Central Bank	-	-	-	-	-	-	97,364	130,360	-	-
Government	-	-	-	-	15,515	24,356	-	-	179	135
Bank	-	-	101,231	151,087	47,356	63,992	62,426	12,132	289	1,572
Carrying amount	**196,418**	**183,636**	**101,231**	**151,087**	**81,735**	**100,618**	**159,790**	**142,492**	**1,696**	**2,948**

December 31, 2019

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	155,520	239	4,031	159,790
Loans and advances to customers	103,484	61,396	31,538	196,418
Loans and advances to banks	29,060	72,171	-	101,231
Interest bearing securities	51,511	23,223	7,001	81,735
Derivative financial assets	(117)	880	-	763
Total balance Sheet	**339,458**	**157,909**	**42,570**	**539,937**
Commitments	2,039	2,338	1,043	5,420
Total credit risk exposure	**341,497**	**160,247**	**43,613**	**545,357**
ECL charge	**1,078**	**494**	**124**	**1,696**

December 31, 2018

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	132,063	1,216	9,212	142,492
Loans and advances to customers	90,366	54,584	38,686	183,636
Loans and advances to banks	52,122	94,672	4,293	151,087
Interest bearing securities	59,152	32,055	9,411	100,618
Derivative financial assets	2,307	880	-	3,187
Total balance Sheet	**336,010**	**183,407**	**61,602**	**581,020**
Commitments	3,233	15,113	1,375	19,721
Total credit risk exposure	**339,243**	**198,520**	**62,977**	**600,741**
ECL charge	**530**	**2,359**	**59**	**2,948**

Concentration by location for assets is measured based on the risk driven country of the asset, which has a high correlation with the location of the borrower.

The table below sets out the credit quality of the financial assets and based on the external rating of the borrower.

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents		ECL	
Credit quality analysis	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
Rated BBB- to AAA	20,028	14,027	17,268	26,621	56,454	66,451	140,420	140,978	209	79
Rated B- to BB+	24,030	23,579	83,963	101,599	23,223	32,055	239	1,216	432	2,000
CCC	-	-	-	-	-	-	-	-	-	-
Unrated*	152,360	146,030	-	22,867	2,058	2,112	19,131	298	1,055	869
Carrying amount	**196,418**	**183,636**	**101,231**	**151,087**	**81,735**	**100,618**	**159,790**	**142,492**	**1,696**	**2,948**

(*) The Bank makes use of vendor rating models provided by Bureau van Dijk in order to assign internal ratings to its customers.

(c) Liquidity risk

Liquidity risk is commonly defined as the ability of an institution to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses.

The Bank's liquidity risk is managed centrally by Treasury Department and is monitored by Risk Management Department while the Bank's Internal Audit function assesses whether the liquidity management process is designed properly and operating effectively.

The Bank monitors intraday liquidity risk in addition to short-term and long term horizon. The Bank's liquidity management process includes: projecting expected cash flows in a maturity profile rather than relying merely on contractual maturities; monitoring balance sheet liquidity; monitoring and managing the maturity profile of liabilities and off-balance sheet commitments; monitoring the concentration of liquidity risk in order to avoid undue reliance on large financing counterparties; and, maintaining liquidity and contingency plans which outline measures to take in the event of difficulties arising from liquidity crisis.

The Liquidity Risk Policy is built on international standards on liquidity risk measurements developed by the Basel Committee on Banking Supervision (e.g. the Liquidity Coverage ratio (LCR) and the Net Stable Funding Ratio (NSFR)) and it also applies measurements that best suit the operating environment of the Bank.

Various stress tests have been constructed to measure how different scenarios affect the liquidity position and liquidity risk of the Bank. Comprehensive stress tests are conducted on a monthly basis and measure the Bank's ability to withstand deposit withdrawals under various levels of adverse conditions. These stress tests are set up to measure the Bank's ability to operate in its current economic environment.

Liquidity Risk Policy sets limits for liquidity risk tolerance by determining an acceptable level of liquidity position under normal and stressed business conditions. ALCO is also responsible for deciding on strategies, policies and practices on liquidity risk in accordance with the risk tolerance while taking into account key business units, products, legal structures and regulatory requirements.

Furthermore, the Bank has carried out an internal liquidity adequacy assessment process (ILAAP) based on DNB's ILAAP Policy Rule and submitted the required documentation to DNB for purposes of Supervisory Review and Evaluation Process (SREP).

The ILAAP Supervision Manual is the main reference for the Bank's liquidity risk management. It provides an all-encompassing qualitative and quantitative guidance for liquidity risks management as well as for the implementation of the liquidity regulations.

Residual contractual maturities of financial assets and liabilities

The tables below show the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2019 figures with those of 31 December 2018. The Bank's expected cash flows on these instruments may vary significantly from this analysis. For example, funds entrusted item is expected to maintain a stable or an increasing balance.

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

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

31 December 2019

Assets	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Cash and cash equivalents	159,790	102,383	57,407	-	-	-	-	-
Banks	101,231	-	12,901	15,659	71,326	1,345	-	-
Loans and advances	196,418	-	27,347	20,698	43,025	102,783	2,565	-
Interest bearing securities	81,735	-	4,450	5,685	2,058	50,024	19,518	-
Current tax assets	1,537	-	-	-	-	1,537	-	-
Deferred tax assets	70	-	-	-	-	70	-	-
Other assets	2,125	-	-	-	-	763	-	1,362
Total assets	**542,906**	**102,383**	**102,105**	**42,042**	**116,409**	**156,522**	**22,083**	**1,362**
Liabilities								
Banks	124,563	-	13,185	20,731	79,417	11,230	-	-
Funds entrusted	315,018	129,159	71,219	13,928	36,142	59,697	4,873	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	6,191	-	5,701	-	-	-	-	490
Lease obligation	621	-	1	45	139	436	-	-
Total liabilities	**446,393**	**129,159**	**90,105**	**34,659**	**115,559**	**70,927**	**4,873**	**490**
Shareholders' equity	96,513	-	-	-	-	-	-	96,513
Total liabilities and equity	**542,906**	**129,159**	**90,105**	**34,659**	**115,559**	**70,927**	**4,873**	**97,003**
Net liquidity		**(26,776)**	**12,000**	**7,383**	**850**	**85,595**	**17,210**	**(95,641)**

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

31 December 2018	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	582,695	142,509	55,655	57,998	139,419	151,911	34,418	785
Total liabilities and equity	582,695	127,506	133,642	63,260	62,857	101,251	5,380	88,799
Net liquidity		**15,003**	**(77,987)**	**(5,262)**	**76,562**	**50,660**	**29,038**	**(88,014)**

(d) Operational risk

The operational risk framework adopted by the Bank sets out a structured and consistent approach for the management of operational risk across the Bank. The comprehensive risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with operations, enabling a comprehensive view, analysis and reporting of the Bank's operational risk profile.

The objective in managing operational risk is to increase the efficiency and effectiveness of the Bank's resources, minimize operational losses and exploit opportunities. The Risk Management Department has initiated a project to the self-assessment processes and to enhance the resulting qualitative risk management information set. This will align, connect and integrate key non-financial risk assessment processes. Based on the self-assessment processes, there are several Key Risk Indicators (KRI) assigned for the monitoring of the processes that may be exposed to operational risk.

The Bank continuously collects the operational risk loss events, as a requirement for operational risk management, includes detailed analyses, the identification of mitigating actions, and timely information of the Management Board.

Business resilience includes also business continuity management and crisis management. The Bank reviews recovery of its business operations and supporting technology, Business Continuity Management ("BCM"), as a critical and fundamental part of its ability to fulfill its fiduciary responsibilities to clients every year. As such, significant resources and effort are dedicated to these programs.

(e) Market risk

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

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Department, and include positions arising from proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Exposure to interest rate risk – non-trading portfolios

Since Interest Rate Risk in the Banking Book (IRRBB) is not separately identified by Pillar I regulatory capital, the bank captures this under Pillar II in the ICAAP. Anadolubank N.V. has, to a large extent, a linear interest position. The only significant behavioral elements in its balance sheet are the retail savings accounts. Assumptions are made on their interest sensitivity but essentially these will not have an large impact on its interest position.

Anadolubank N.V. measures interest rate risk in the banking book both on an Economic Value of Equity (EVE) basis as well as an Earnings-at-Risk (EaR) basis.

Additionally, the Bank has limited risk tolerance towards interest rate risk in its banking book. The interest rate risk position is discussed in the regular ALCO meetings. If necessary, ALCO takes necessary actions to adjust the on- and off- balance sheet asset and liability positions, so that the bank is able to keep its liquidity and interest rate risk below the pre-determined limits.

Economic Value of Equity

The Economic Value of Equity (EVE) is defined as the change of Anadolubank N.V.'s economic value of equity due to shocks to the yield curve. The measure can be derived from the interest typical cash flows, combined with the proper set of discount factors. Following the EBA guidelines, six scenarios are evaluated: Next to two parallel shift scenarios, four other scenarios are evaluated. These scenarios test particular yield curve shifts and test the sensitivity of positions on the yield curve. Different scenarios are used for different currencies, reflecting the interest sensitivities of these currencies in the past.

Earnings at Risk

Earnings-at-Risk analysis intends to quantify the volatility of the expected future earnings, depending on the future (movements of) interest rates over the predefined horizon (one and two years). Obviously, these future interest rates are not known in advance and consequently future earnings are uncertain as well. By applying several interest rate scenarios, the volatility of these earnings can be investigated over a particular future period. The Earnings at Risk (EaR) is the level of earnings that correspond to a pre-defined scenario compared to the 'best estimate' on earnings, i.e. the expected value of earnings. The scenarios that are used to determine the EaR should on the one hand be realistic, but on the other hand reflect the stress as well. In order to comply with the regulatory requirements, the interest rate risk in the banking book incorporates +200 bps and -200 bps scenarios applied to the interest rates.

Price value of a basis point (PV01)

The price value change of 1 bps or PV01 is the value change of an item in the assets or liabilities given a single basis point increase on the interest rates. The measure is additive and therefore the basis point price value of equity can be determined by subtracting the sum of basis point values of the liabilities from the sum of basis point values of the assets.

Interest rate gap profile (IRG)

The PV01 and parallel shift scenarios are also presented in a term structure (from 1 week to 15 years). This provides a view of the interest position that exists on the entire curve.

A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

31 December 2019	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Assets						
Cash and cash equivalents	159,790	57,407	-	-	-	102,383
Banks	101,231	28,560	27,099	44,227	1,345	-
Loans and advances	196,418	48,046	14,893	28,132	105,347	-
Interest bearing securities	81,735	10,135	2,058	-	69,542	-
Current tax assets	1,537	-	-	-	1,537	-
Deferred tax assets	70	-	-	-	-	70
Other assets	2,125	-	-	-	763	1,362
Total assets	**542,906**	**144,148**	**44,050**	**72,359**	**178,534**	**103,815**
Liabilities						
Banks	124,563	33,916	27,024	52,393	11,230	-
Funds entrusted	315,018	184,733	19,225	16,918	64,570	29,572
Current tax liabilites	-	-	-	-	-	-
Other liabilites	6,812	5,703	-	-	-	1,109
Total liabilities	**446,393**	**224,352**	**46,249**	**69,311**	**75,800**	**30,681**
Surplus/deficit	**96,513**	**(80,204)**	**(2,199)**	**3,048**	**102,734**	**73,13**

31 December 2018	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	582,695	244,013	57,179	82,240	185,705	13,558
Total liabilities	494,611	309,005	47,035	15,822	106,631	16,118
Surplus/deficit	**88,084**	**(64,992)**	**10,144**	**66,418**	**79,074**	**(2,560)**

(f) Currency risk

Currency risk arises when an entity's expected income and/or equity is under threat as a result of exchange rate fluctuations. Naturally, a bank doing business in multiple currencies would be exposed to currency risk unless these risks are properly hedged. Any sizeable transaction that would be causing currency risk is immediately hedged with a banking counterparty, or smaller transactions are gathered until they form a sizeable amount for hedging.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the statement of profit or loss and other comprehensive income.

The Bank is exposed to the impact of the fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currency and in total, which are monitored on a daily basis. The Bank's exposure to foreign currency exchange rate risk at 31 December 2019, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

31 December 2019

Assets	EUR	USD	TRY	Other	Total
Cash and cash equivalents	110,100	49,541	92	57	159,790
Banks	66,745	34,371	-	115	101,231
Loans and advances	115,082	73,769	3,463	4,104	196,418
Interest bearing securities	49,267	32,468	-	-	81,735
Current tax assets	1,537	-	-	-	1,537
Deferred tax assets	70	-	-	-	70
Property and equipment	637	-	-	-	637
Derivative financial assets	763	-	-	-	763
Other assets	725	-	-	-	725
Total assets	**344,926**	**190,149**	**3,555**	**4,276**	**542,906**
Liabilities					
Banks	66,091	57,600	872	-	124,563
Funds entrusted	245,963	68,903	120	32	315,018
Derivative financial liabilites	5,374	322	-	7	5,703
Share capital and share premium	75,000	-	-	-	75,000
Retained earnings	19,958	-	-	-	19,958
Revaluation reserves	(128)	(82)	-	-	(210)
Net profit	1,765	-	-	-	1,765
Other liabilities	1,086	21	2	-	1,109
Total liabilities	**415,109**	**126,764**	**994**	**39**	**542,906**
Net on balance sheet position	**(70,183)**	**63,385**	**2,561**	**4,237**	**-**
Net notional amount of derivatives	**71,082**	**(68,767)**	**(2,664)**	**(4,204)**	**(4,553)**
Net position	**899**	**(5,382)**	**(103)**	**33**	**(4,553)**

31 December 2018	**EUR**	**USD**	**TRY**	**Other**	**Total**
Total assets	372,087	199,255	6,129	5,224	582,695
Total liabilities	438,701	141,022	67	2,905	582,695
Net on balance sheet position	**(66,614)**	**58,233**	**6,062**	**2,319**	**-**
Net notional amount of derivatives	**67,822**	**(62,183)**	**(6,037)**	**(2,456)**	**(2,854)**
Net position	**1,208**	**(3,950)**	**25**	**(137)**	**(2,854)**

(g) Capital management

Anadolubank uses regulatory capital ratios in order to monitor its capital base and the capital ratios remain within the international standards for measuring capital adequacy. The Bank ensures that regulatory capital requirements are met during its business planning process also in case of the stressed periods.

The Bank also comfortably meets the leverage ratio requirement due to the business strategy that Anadolubank has in place.

Capital requirements	**2019**	**2018**
in thousands of EURO		
Total risk weighted assets	366,808	386,267
Credit risk	342,021	361,663
Market risk	5,491	3,983
Operational risk	19,296	20,621
Tier 1 capital	**96,513**	**88,053**
Paid-in capital	75,000	70,000
Retained earnings	19,958	17,948
Revaluation reserves	(210)	(1,874)
Net profit	1,765	2,010
Regulatory adjustments	-	(31)
Tier 2 capital	**-**	**-**
Total capital	**96,513**	**88,053**
Tier 1 ratio %	**26.3%**	**22.7%**
Solvency ratio %	**26.3%**	**22.7%**

29 Subsequent events

The current Covid-19 outbreak most likely impacts the global economy and the Bank's financial position and results. Specifically the impact is expected on instruments measured at fair value. There has been no impact on the credit risk yet, however given the uncertainties and ongoing developments the Bank cannot accurately and reliably estimate the quantitative impact yet.

Until now, we have successfully ensured the continuity of crucial operations, such as payment services. We have reviewed our loan portfolio immediately to assess the effects of this situation on our client's repayment capability, including the collateral coverages. We have performed the assessment based on the breakdowns by sector and geography. The Bank's capital and liquidity management framework incorporates a comprehensive internal capital and liquidity adequacy assessment process, aimed at ensuring that the Bank's capital and liquidity are adequate to meet current and potential future risks and at the same time achieve strategic objectives. Our capital and liquidity ratios both at the year end and also currently remain well above the regulatory minimum levels. The bank also applies number of stress scenarios both on solvency and liquidity parameters. These stress scenarios affirm that the Bank continues to operate in worsening market conditions thanks to its' very high liquidity and strong capital position. We believe that Anadolubank is able to demonstrate that the Bank can promptly adapt its strategy to material unexpected changes in the macroeconomic and industry level environment. The current situation have no impact on the Bank's dividend strategy.Operational measures related to Covid-19.

We first want to state that this situation has been appropriately and carefully prioritized by the Board and the leadership team.

Some of the steps we've taken so far include:

- Implemented social distancing measures and separated our workforce to minimize the number of individuals at office, increasing the ability for employees to work from home by rolling out remote access.
- Activated business continuity plans to ensure minimal interruption of service to our customers.
- Eliminating non-essential business travel.
- Increased the intensity of cleaning at our office.
- Provided all team members with information on best hygiene practices that are recommended by public health authorities.

Our employees are the most valued asset of the Bank. Further enhance employee engagement through efficient human resources practices and inspiring communications will continue in 2020.

Financial measures related to Covid-19.

The Bank has also high liquidity and strong solvency ratio which makes us comfortable but still cautious.

Some of the steps we have taken so far include:

- Frequency of Liquidity stress test is increased.
- To manage the current unprecedented times, the frequency of credit portfolio reviews have been increased in Anadolubank Nederland N.V. Except some minor requests for extension of repayments terms, the Bank has not witnessed a severely impacted client so far. Lock downs or slowdowns in major industrial production chains may affect the liquidity and production plans of the clients in the portfolio. To preserve the loan quality, utmost attention and selective approach has been pursued at Anadolubank Nederland N.V. We continue to monitor closely all of regulatory ratios on a daily basis as business as usual.

Amsterdam, June 23, 2020

Supervisory Board

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

V. van der Kwast, Member

Managing Board

O.Sakizligolu, CEO / Managing Director

N. Plotkin, Managing Director

A.H.Otten, Managing Director

30 Other information

Provisions of the articles of association concerning the appropriation of the result

The appropriation of profit is governed by Article 23 of the articles of association, the profit is at free disposal of the general meeting. The general meeting may decide to pay dividend (if the Company is profitable), only after adoption of the annual accounts and if profit so permits.

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Independent auditor's report

To the Shareholder and the Supervisory Board of Anadolubank Nederland N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2019 of Anadolubank Nederland N.V. ("Anadolubank" or "the company") based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Anadolubank Nederland N.V. as at December 31, 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The statement of financial position as at December 31, 2019.
2. The following statements for 2019: the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity.
3. 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 Anadolubank Nederland N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 400,000. The materiality is based on 1,8% of revenue. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 20,000, 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 fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the auditing standards. Also, we are not responsible for preventing and cannot be expected to detect non-compliance with all laws and regulations.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Our audit procedures differ from those performed as part of a specific forensic investigation, which often has a more in-depth scope.

In determining the audit procedures, we made use of the evaluation of management in relation to management's fraud risk assessment respectively the risk of non-compliance with laws and regulation (prevention, detection and response) including ethical standards that contribute to a culture of honesty.

We have exercised professional judgement and have maintained professional skepticism throughout our audit in identifying and assessing the risks of material misstatement of the financial statements due to fraud or non-compliance, 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.

Consideration of fraud

In identifying fraud risks, we assessed fraud risk factors, which we discussed with the Management Board and the Supervisory Board. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Based on the auditing standards, we considered the presumed fraud risk in relation to management override of controls relevant to our audit.

We have not identified and addressed any other fraud risks which could have a material impact on the financial statements.

As part of audit procedures to respond to fraud risks, we evaluated the internal controls relevant to mitigate these fraud risks and performed supplementary substantive audit procedures, including detailed testing of journal entries and supporting documentation in relation to post-closing adjustments. Data analytics, including testing journal entries based on certain risk-based characteristics, is part of our audit approach to address fraud risks, which could have a material impact on the financial statements.

Consideration of laws and regulations

We assessed factors related to the risks of non-compliance with law and regulations that could reasonably be expected to have a material effect on the financial statements taken as a whole. From our general and industry experience, through discussions with management and by the inspection of selected documents regarding compliance with law and regulations.

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The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the company is subject to laws and regulations that directly affect the financial statements including corporate tax law, financial reporting regulations and requirements under Part 9 of Book 2 of the Dutch Civil Code. We assessed the compliance with these laws and regulations as part of our procedures on the related financial statements.

Secondly, Anadolubank is subject to many other (sector specific) laws and regulations where the consequences of non-compliance with these laws could have a material effect on amounts and/or disclosures in the financial statements, for instance through imposing fines or litigation. We identified data and privacy legislation and the EU's fourth and fifth Anti-Money Laundering Directive ("AMLD4" and "AMLD5" respectively) as those most likely to have such an effect.

As required by auditing standards, we performed certain audit procedures that address the risk of non-compliance with these laws and regulations, including inquiries of the Management Board and the Supervisory Board, and inspecting (board) minutes, correspondence with the regulators and lawyers' letters. We also remained alert to indications of (suspected) non-compliance throughout the audit.

Furthermore, we performed corroborative inquiry with the Head of Compliance and Internal Audit. Finally, we obtained written representations that all known instances of (suspected) non-compliance with laws and regulations have been disclosed to us.

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. 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.

Key audit matters	
Expected credit loss allowance **Description** Anadolubank recognizes a loss allowance for expected credit losses ("ECL") on the financial assets at amortized cost, the financial assets at fair value through OCI and off-balance sheet liabilities. At December 31, 2019 the total expected credit loss allowance amounted EUR 1,697 thousand, related to a total gross exposure of EUR 484,456 thousand. The ECL of stage 1 and stage 2 exposures is calculated collectively. The ECL on the stage 3 exposures is calculated individually.	**How the key audit matter was addressed in the audit** We have tested the design, implementation and operating effectiveness of the key controls in the loan origination process and the process of purchasing interest bearing securities. In addition, we have obtained an understanding of the credit monitoring process and the provisioning process within Anadolubank. We have tested the design and implementation of the controls related to the timely recognition and measurement of the impairment allowances. For the collective impairment allowance, we have tested the adequacy of assumptions and the input data used by management to calculate the expected credit loss. For the macroeconomic variables, we have challenged management's macro-economic forecast and scenarios used.

Because of the inherent uncertainty and risk in a number of areas when determining the impairment allowance, the impairment allowance is an important area of judgement and estimates by the Management Board. Therefore, we have identified the expected credit loss allowance to be a key audit matter. Anadolubank's disclosures concerning the expected credit loss allowance are included in note 3 sub (vii) Identification and measurement of impairment and note 28 Financial risk management of the financial statements.	For individually assessed impairment allowances, we have challenged management's assumptions on the recoverability of the exposures. We have assessed whether the key judgements and significant estimates applied in the impairment allowance were reasonable for December 31, 2019. For a selection of individual exposures, we have assessed whether Anadolubank correctly applied its provisioning and staging policy. Finally, we have assessed whether the disclosures are accurate and in compliance with EU-IFRS requirements. *Our observations* The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed on the expected credit loss allowance did not result in any reportable matters.
Reliability and continuity of the automated systems **Description** An adequate infrastructure ensures the reliability and continuity of Anadolubank's business processes and financial reporting. In addition, the continuity of the operations is highly dependent on the IT-infrastructure as also explained in note 28 Financial risk management of the financial statements. Therefore, reliability and continuity of the automated systems has been a key audit matter during our audit.	**How the key audit matter was addressed in the audit** We have tested the reliability of the automated systems relevant for our audit of the financial statements. Furthermore, we have tested the implementation of key controls ensuring that IT systems can be recovered in case disruptions occur. For this purpose, we have made use of IT auditors within our audit team. These procedures included testing the design, implementation and operating effectiveness of the relevant general IT and application controls. Our audit approach relies on automated controls and therefore on the effectiveness of controls over IT systems. *Our observations* For the purpose of our audit of the financial statements we consider the reliability and continuity of the automated systems of Anadolubank to be at a sufficient level.

Emphasis of the impact of the coronavirus

The coronavirus also impacts Anadolubank. Management's plans to deal with these events or circumstances are included in disclosure note 29 of the financial statements. Management also indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance and health of Anadolubank. Our opinion is not modified in respect of this matter.

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REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:
- Vision, Mission and Our Values
- Three-year Key Figures
- Supervisory Board Report
- Management Board Report
- Other information

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.

- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the Supervisory Board as auditor of Anadolubank Nederland N.V. on November 11, 2019. We were engaged by Management Board and Supervisory Board as auditor of Anadolubank Nederland N.V. as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Supervisory Board is responsible for overseeing the 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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.

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 fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease 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 identified during our audit. In this respect we also submit an additional report to the Supervisory Board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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 communicating the matter is in the public interest.

Amsterdam, June 23, 2020

Deloitte Accountants B.V.

Signed on the original: A. den Hertog