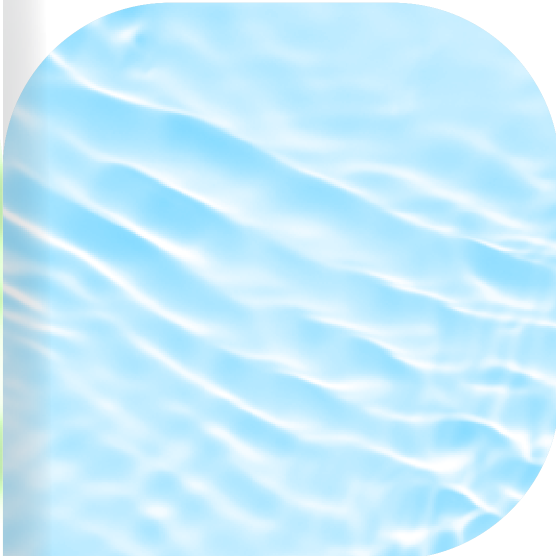

ANNUAL REPORT 2021

Anadolubank Nederland

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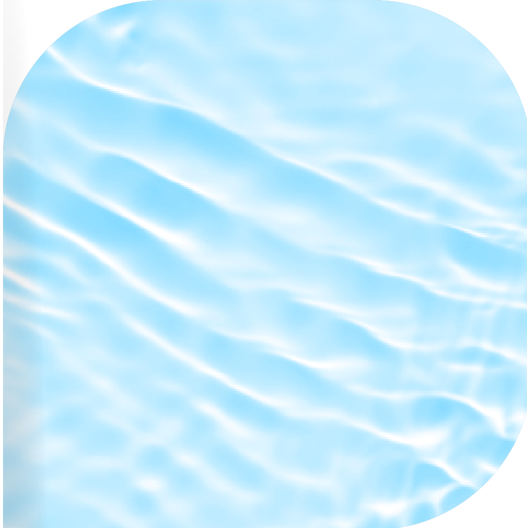


Vision

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, employees 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.

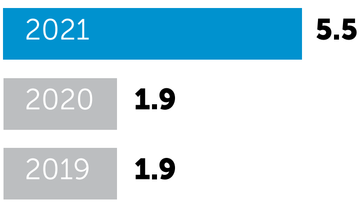
Working together
We firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

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

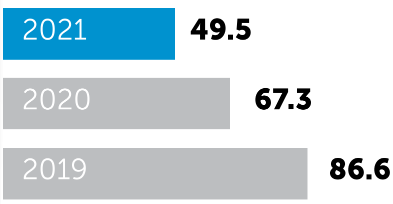
Three-year Key Figures

in EUR thousand	2021	2020	2019
Total assets	636,315	587,262	542,906
Loans	430,375	363,356	297,649
Bank loans	253,663	200,549	101,231
Corporate loans	176,712	162,807	196,418
Securities	78,709	81,766	81,735
Deposits	417,970	346,461	315,018
Shareholders' equity (including results after tax)	103,093	97,563	96,513
Operating result before tax and impairments	8,202	3,355	1,088
Expected credit losses	(873)	(966)	1,252
Result after tax and impairments	5,521	1,802	1,765
%			
Net return on average equity	5.5	1.9	1.9
Loans/deposits	103.0	104.9	94.5
Cost/income ratio	49.5	67.3	86.6
Cost/average assets	1.4	1.2	1.2
Capital adequacy ratio	22.9	24.4	26.3

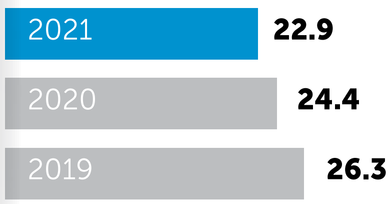
Net return on average equity



Cost / income ratio %



Capital adequacy ratio %



SUPERVISORY BOARD REPORT

General

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 supervisory 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 2021

Anadolubank N.V. continued the transformation program intended to reduce reliance on Turkish or Turkey related clients into a diversified client-based bank concentrating on providing financial services to Dutch and European customers. The Economic Crises following Covid-19, and the significant impact on several economies including Turkey, had limited impact on Anadolubank N.V. following its consistent conservative approach on lending. The Bank was still able to maintain a high level of liquidity and solid capital ratios in 2021.

The key priorities for 2021 were:

- Strategy of continued expansion on Dutch/European assets, where feasible;
- Preserve a solid, capitalized and liquid bank to weather the difficult economic environment following the Covid-19 impact;
- Adjust the risk appetite, maintain a very conservative approach towards new customers.

As Supervisory Board we are pleased and confident that Anadolubank N.V. has been able to remain in control through the careful management by the Management Board supported by the Supervisory Board, assisting its clients, continue business as usual with teleworking and ensure all ratio's remained positive and closing the year with a solid net profit.

Dutch Corporate Governance Code

While 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 past years much time was spent to analyze the culture of the Bank and which improvements are needed, or to be considered. The Combined Team is pleased to note that almost all recommendations have been implemented.

Strategy

During the year, the Supervisory Board was actively involved in discussions with the Management Board on the strategic focus, and the difficult circumstances surrounding the Bank, assisting, supporting and monitored the execution of the strategy, and the challenges faced in these strange times. The strategy of Anadolubank N.V. is to diversify and focus more on the Dutch and the European corporate market, while retaining the existing portfolio. In 2016 a start was made to implement this new (re)focus strategy. The effective implementation of the new strategy has been a key priority for the past, and the coming, years. Special meetings between Supervisory Board and Management Board together with senior staff are dedicated to discuss the strategy and to define next steps for implementation, being:

- The Supervisory Board has emphasized one of the Bank's key objectives for the longer term is sustainable profitability;
- Supported by prudent and stringent risk management;
- Successful execution of the strategy is followed and monitored by the Supervisory Board.

The Supervisory Board concludes that good progress is being made on the implementation of the strategy, however that market circumstances with the low interest rates are making growth aspirations and portfolio choices more difficult.

Risk Appetite

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

In its 2-monthly 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 to oversee the embedded risks and also enable the right business growth. The Management Board is responsible for the control, the actual daily routines framework and the staff mindset, whilst 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 supervisory 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.

As per November 1, 2021, Mr V. van der Kwast resigned from the Supervisory Board, Mr. van der Kwast has been a member of the Supervisory Board since July 1, 2019. We thank Mr. van der Kwast for being a very valuable member of the Supervisory Board in which he contributed to the further development of the Bank during the years of his mandate. We wish him all success in his further career.

Mr. Johan Buitenga has been presented by the Supervisory Board to the shareholder as new member of the Supervisory Board. Meanwhile Mr. Johan Buitenga has been approved by DNB and will therefore join the Supervisory Board as from May 25, 2022.

Supervisory Board meetings

During the year 2021 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. Due to Covid-19 most of the meetings were by means of a video-conference call. Further 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. Further 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.

Life-long 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 2021 the topics of the training were:

- Climate changes and its effect on banking in the Netherlands;
- Corporate Governance;
- Anti-Money Laundering developments in NL.

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. Supervisory Board performed the self assessment and expects to have the next self assessment performed under the guidance of an independent advisor.

Priorities for 2022

The Bank updated its Business Model for 2022 and 2024 period and the implementation of the new strategy will be one of the primary objectives of the Bank. Putting into practice "Environment, Social and Governance" (ESG) for a safe and prudent management of climate-related and environmental risks under the current prudential framework is another priority for the Bank.

Adoption of financial statements

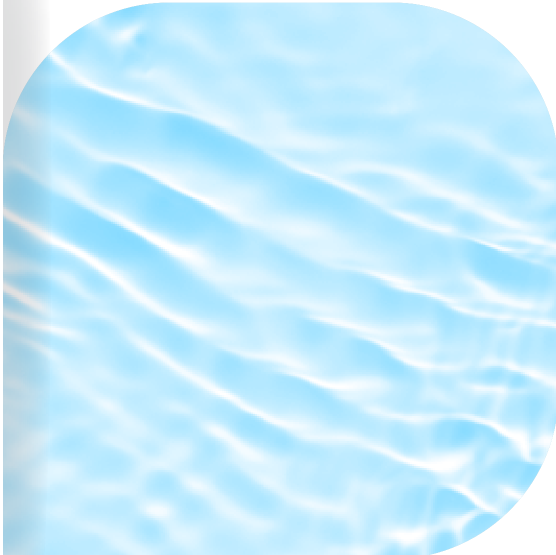
We hereby present the annual report and financial statements for the 2021 financial year, as prepared by the Managing Board. The achievements and overall results of 2021 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability.

The Bank has a business model and a structure that is straightforward. Low interest rates continue to have a downward impact on the Bank's interest margin. The Bank reported net profit of EUR 5.521 million for 2021. Taking into account the difficult market circumstances this is a result the Bank can be proud of.

The Supervisory Board has discussed the 2021 financial statements with the Managing Board and the independent auditor, Deloitte Accountants N.V., who 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 2021 at the General Meeting of Shareholders to be held on 25 May 2022. 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 2021 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.



Amsterdam, 14 June 2022

A.J. Smith, Chairman

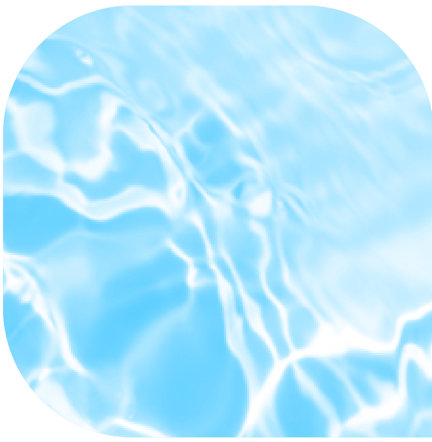
F. Canbay, Vice Chairman

G. Taran Ünver, Member

J. Buitenga, Member

MANAGEMENT BOARD REPORT

We welcome you to Anadolubank Nederlands' 2021 annual report, which reflects the organization's commitment to a healthy and effective balance sheet management. 2021 was still an unprecedented year which embodied lots of positive but also negative periods with various dynamics and challenges for all major economies. Thanks to all operational and financial preemptive measures to stay immune from the financial and economic effects of the pandemic the Bank ended the year successfully in regards to both our financial and non-financial performance targets.



2021 at a Glance...

2021 has been mainly a year of a recovery with positive expectations regarding the national and global economy and the financial sector. But the Bank kept its agile and resilient approach in order to absorb any unexpected impacts of this unpredictable economic environment. Strong liquidity and capital buffer and high credit quality remained high priority for the Bank.

As a result, the Bank increased its asset size nearly 9% to Euro 636 million and finalized the year with a net profit of Euro 5.5 million with 74% coverage ratio and raised its total equity from Euro 97.5 million to Euro 103 million with 5.5% RoE.

Financial and Environmental Sustainability...

For this volatile period of pandemic, sustainability has gone beyond being a choice and become a necessity. In this respect our primary focus was the health of our employees, steady and continuous support to our customers, a healthy asset growth with sustainable profitability and the benefit of our society and all other stakeholders as a whole. The solid balance sheet and capital structure of our bank enabled us to fulfill the liquidity need of our customers, supporting the economy and international trade activities.

Besides financial effects, most importantly the COVID-19 crisis lead to a wake-up call for decision makers on environmental sustainability issues for the rest of 21st century. In this respect Anadolubank took also some concrete steps regarding to the climate change and our contribution to sustainable development has reached Eur 34 million of ESG linked loan as of end of 2021. Additionally the Bank will keep prioritizing this topic in the 2022 and implement Environmental, Social and Governance (ESG) risks policy and integrate it into the business strategy, governance and risk management. Therefore The Bank is starting to a new project regarding ESG with an external advisor. The road map is still under discussion and will be determine before the year end.

By placing equal value on financial and environmental sustainability, the Bank is making progress towards a long-term sustainable ecology for the World.

Business Strategy & Developments

In the wake of the COVID-19 pandemic, one of the priority of the Management was to update the business strategy in line with post pandemic economic environment. Keeping the main principles of strategy which consist of diversification of risk, customer, geography and asset classes combined with a constant increasing focus on the Dutch and EU market; a lot of positive steps are being made to improve the corporate performance system by starting the process for updating our strategy. Given this the Bank identified strategic challenges that we faced since the implementation of the 2016 strategy, analyzed the competitive environment, updated the marketing strategy, business lines and products and defined our short, medium and long-term objectives considering the risk appetite with the execution and operational capacity of the Bank.

The Covid-19 crisis and the unstable economic environment of it was a good practice for the Bank to see our execution capacity, flexibility and agility to change our asset structure swiftly by generating a sustainable profitability in line with the risk perception of the Bank. A new performance oriented KPI settings and reporting will be in place to monitor regularly the implementation of the new strategy.

The new strategy and its tools and framework are expected to be implemented in the first half of 2022.

Finally and as used to be, we would like to extend our appreciation for valued employees who were always the pioneer behind this success, all our stakeholders who trusted us and our shareholder and their representatives who have given us their continuing support.

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

Although in last two previous years we have experienced things that are in some respects unique and the dark clouds started to disappear throughout 2021 and new ones seem to appear on the horizon.

Loose monetary policy, rapid increase in domestic demand and strengthening USD and commodity prices in 2021 put pressure on inflation. Federal Reserve (FED) raised its benchmark interest rate a 25 basis point for the first time since 2018 and six more rate hikes are expected for 2022. Other major central banks have also started or envisage to begin tightening their monetary stance and interest rate increase as of 2022. While there are complicating factors such as the war in Ukraine, the most prominent issue for the Fed is that economic growth remains quite strong. If the Fed is shy about raising rates and reducing the balance sheet because of war, there is a risk that it gets even further behind on inflation.

If it is too hawkish and tightens too quickly, that can send the financial markets into a convulsion and lead to a mass selling of risk assets which feeds back into the real economy. Recent action in the bond market showing a narrowing of the spread between the two-year and 10-year treasuries stoked fears of an inverted yield curve, which is a signal that this worst-case, recessionary scenario could play out.

The Eurozone also witnessed a strong economic growth in 2021. Growth was mainly driven by private consumption, especially in the services sector, which saw reassuring growth in 2022 as a result of the relaxation of the COVID-19–related mobility restrictions. Meanwhile, many industrial sectors, such as automotive and electrical equipment manufacturing, remained negatively impacted throughout 2021 from global supply chains disruptions, resulting in a paradoxical situation industrial production decreased, but new orders reached record highs. Furthermore, the economic growth across countries in the Eurozone in 2021 was mostly disproportionate.

The surge in inflation in 2021 came as a surprise to many economies and businesses all over the world. The risks posed by a persistent inflation and political developments such as the ongoing tensions at the Ukrainian border need to be closely monitored as these risks have the potential to derail the recovery in the Eurozone and in the rest of the world. However, if these risks do not materialize, the Eurozone could find itself on a dynamic growth path and in the absence of the aforementioned risks, the Eurozone is likely to witness a substantially above-trend economic growth.

Given this uncertainty of the markets for 2022 and beyond, without being ambitious Anadolubank will keep its agile conservative management style with prudent balance sheet management considering any possible negative impacts of these risks on the financial sector. Anadolubank financial statements have been prepared on a going concern basis, and there are no substantial doubts regarding the company's capacity to continue operating.

2.2 Economic Developments

Macro-economic developments
Global growth

The pandemic has taken a turn in the course of 2021 which created initially a supply and later on demand based inflation. Meanwhile, a speedy vaccine rollout has helped bring down caseloads quickly in other regions. Economies are diverging even further, influenced by differences in the pace of vaccine rollout and policy support. However, smooth and durable recoveries are not assured even in places where infections are seemingly under control. Further fuelling the divergence is the continued impact of sizable fiscal support in the United States and new measures in other advanced economies (including France, Germany, Italy, Korea, and the United Kingdom). Brexit also took a toll on UK economy. The coronavirus masked the economic damage of leaving the bloc. Britain's trade with EU decreased by 15% and removed a large pool of EU labor from the country. In 2021, China-EU and US-EU trades bounced back 18% compared to 2020 pandemic levels, however for UK-EU trades increased by only 2%, in other words, UK-EU trade has in this first year of the post Brexit trade deal, failed to rebound unlike most of the rest of world trade. It is forecasted by Office for Budget Responsibility to cause around 4% GDP reduction given the decline in trade volumes. Many emerging markets and developing economies on the other hand are looking to rebuild fiscal buffers. Some, including Brazil, Hungary, Mexico, Russia and Turkey, have also begun normalizing monetary policy to head off upward price pressures.

The global economy expanded 5.9% in 2021 in line with the previous expectations, and expected to grow 4.3%, 3.5% and 3.1% in 2022 through 2024 respectively. Prospects for emerging market and developing economies have been marked down for 2021, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, reflecting the anticipated legislation of additional fiscal support in the second half of 2021. However, in the coming years it is broadly anticipated that, by large investment projects, national governments would fill the liquidity gap in the market that central banks provided the liquidity up until now.

Multilateral action has a vital role to play in diminishing divergences and strengthening global prospects. The immediate priority is to deploy vaccines equitably worldwide. A USD50 billion IMF staff proposal, jointly endorsed by the World Health Organization, World Trade Organization, and World Bank, provides clear targets and pragmatic actions at a feasible cost to end the pandemic. Financially constrained economies also need unimpeded access to international liquidity. The proposed USD650 billion General Allocation of Special Drawing Rights at the IMF is set to boost reserve assets of all economies and help ease liquidity constraints which may keep the asset boom going for a while. About USD275 billion of the allocation would go to emerging market and developing economies.

Additionally, Russian invasion on Ukraine in February 2022 caused a new wave of economic and political uncertainty, ranging from higher energy and commodity prices, volatility in global trade and sanctions on Russia. After the Russian invasion on Ukraine, rate hike expectations from FED shifted slightly further in time, although it is still expected to deliver rate hikes in each meeting in 2022, it might last into mid-2023 given the impact on inflation of continuous increase on commodity and energy prices. Given the Russian-Ukrainian crisis, gas prices are expected to cruise higher for a longer time, which would have an upward impact on global inflation partly offset by lower usage due to spring/summer months. The Bank has no direct exposure to Russia nor Ukraine as of 14th of June 2022. Anadolubank also performed the impact assessment-Analysis on its' customers. As a result there is no indirect risk associated with Russia or Ukraine, either.

Inflation and interest rates

Central banks play a crucial role in ensuring economic and financial stability. They conduct monetary policy to achieve low and stable inflation. In the wake of the global financial crisis, central banks have expanded their toolkits to deal with risks to financial stability and to manage volatile exchange rates. In response to the COVID-19 pandemic, central banks used an array of conventional and unconventional tools to ease monetary policy, support liquidity in key financial markets and maintain the flow of credit. Operational processes tailored to each country's circumstances enhance the effectiveness of the central banks' policies.

Lasting inflation slippage is also becoming increasingly significant, especially as the commodity price rally, fuelled by the short-term inertia of supply and geopolitical tensions, is going the extra mile. Still sustained by energy prices, inflation is now firmly rooted in manufacturing prices in many (advanced) economies, as companies pass on increases in production costs to consumer prices. However, it should be noted that inflation dynamics are not uniform across countries: while core inflation is very high in the United States and the United Kingdom, it remains subdued in most Eurozone countries, where underlying inflationary pressures remain on average quite muted. Such heterogeneity obviously results in diverging monetary policies between both sides of the Atlantic (and the Channel), which is already having a substantial impact on financial markets and will, in all likelihood, further affect international capital flows. Indeed, while the ECB remains in a wait-and-see stance and has announced that its asset purchases will not stop in the near future, the Bank of England already increased rates in December. Surprised by the recent surge in inflation and blamed by most observers for being behind the curve, the Fed has suddenly pivoted and hinted that a rate hike is imminent, with more to come throughout the year, prompting monetary tightening in some emerging countries – especially those facing downward pressures on their foreign exchange rate and significant external financing needs.

Major central banks appear to be adopting a more cautious approach. Federal funds rate were lowered by 150bps in March 2020 to 0-0.25bp and kept unchanged in 2021. Purchase of Treasury and agency securities in the amount as needed. Expanded overnight and term repos. Lowered cost of discount window lending. Reduced existing cost of swap lines with major central banks and extended the maturity of FX operations; broadened U.S. dollar swap lines to more central banks; offered temporary repo facility for foreign and international monetary authorities. Federal Reserve also introduced facilities to support the flow of credit, in some cases backed by the Treasury using funds appropriated under the CARES Act.

If the health situation surrounding the COVID-19 pandemic makes it possible to avoid re-imposing restrictions, household spending will be supported by pent-up demand for services. Consumption will also benefit from the surplus savings accumulated during the crisis, estimated at more than USD 2.5 trillion. A tightening labor market, with unemployment falling to 4.2% at the end of 2021 from a peak of 14.8% in April 2020, will drive wages, but inflation will erode purchasing power. After soaring in 2021 to 4.7% levels, mainly on energy and vehicle prices, inflation will remain high in 2022 cruising around 3.5% levels. However, it should gradually ease, particularly in the second half of the year, as supply issues abate. Policy tightening by the Federal Reserve will also help to bring inflation closer to its 2% target, although it will probably continue to exceed this level at the end of 2022. Once the Fed ends its asset-purchasing program, which it is likely to do in March, the central bank is expected to raise its policy rate by 25 basis points each quarter.

The European Central Bank introduced a new liquidity facility PELTRO, carried out with an interest rate that is 25bp below the average MRO rate prevailing over the life of the operation. In March 2020, the ECB introduced an additional €750 billion asset purchase program of private and public sector securities (PEPP), initially through end-2020. On June 4, the weaker inflation outlook in the ECB's June projections prompted the Governing Council to expand the size of the PEPP by €600 billion to €1.35 trillion and further to €1.85 trillion currently. The duration of the program has been extended to March 2022, and the ECB will reinvest maturing securities until at least the end of March 2022.

The inflation rate decreased to 1.2% in 2019 and 0.3% in 2020. After recording historical highest levels in second and third quarter of 2021, inflation was at 2.6% for the whole of 2021. Inflation rate should pick up further to 4.5% in 2022 and cruise around 2% levels through 2024. Following a deep contraction in the second quarter that reflected the impact of the containment measures, the EU economy rebounded strongly by 5.3% in 2021 and expected to maintain 3.5% and 2.5% levels through 2024.

Dutch Economy

The Netherlands enjoyed a strong economic recovery in 2021 with 5.1% GDP growth. After a longer strict lockdown in spring, which resulted in a decrease of GDP, economic activity increased sharply and reached pre-COVID-19 levels in Q3 2021. Towards the end of the year, the economic momentum decelerated because of the 6th pandemic wave and, again, lockdown measures. In 2022, growth should remain broad-based, although its dynamic will be reduced by ongoing supply-chain problems in the first half of the year. In the second half, these problems should slowly diminish and, together with still strong demand in the main export destinations, net-exports could grow stronger again.

Private consumption should remain high for the year overall, supported by a very high savings-rate (31% in Q2 2021). In addition, the government will cut taxes and social insurance contributions for low incomes, thus increasing their purchasing power. Besides, the labor market improved a lot in 2021 reaching pre-COVID-19 levels in October 2021. Even with the expiration of corona-support measures in early 2022, the labor market should further improve over this year resulting in stronger wage growth. Unemployment level is 3.3% in 2021, even more below 2018 and 2019 levels and expected to cruise with a slight increase to 4% levels through 2024.

However, a lot of the resulting higher purchasing power will be balanced out by an over-boarding inflation pressure, coming especially from higher gas prices (gas is the most important energy source with 38% in the energy mix), as the flexible energy contracts to be updated in January 2022, but also due to higher input prices. The inflation rate should remain very high until late summer 2022 before receding, once problems in the supply-chain diminish.

Private investments should pick up over the year 2022 as well. The fiscal support will be lower this year compared to the last. However, the government parties are planning a EUR 20 billion investment fund (2.5% of GDP) over the next five years, which would include the EUR 6 billion grants out of the EU's Recovery and Resilience Facility. The biggest part of it should go into green-energy investments and climate spending. Support for investments will also come from the ECB's unchanged low deposit rate (-0.5%) and the purchases of assets in its current emergency program with a total envelope of EUR 1,850 billion until the end of March 2022. Beyond that, net purchases under the normal assets purchase program will continue at a probable monthly pace of EUR 20 billion or higher.

After two exceptional years of relatively high public deficits, the public balance should improve and the deficit fall below the Maastricht target. Higher tax income thanks to the strong economic recovery (even with tax cuts for single groups), as well as a reduction of COVID-19 related expenditures, will make it possible. This will reduce the public debt ratio that has remained below 60%.

The Dutch current account surplus will decrease from its high level of 2021, due to a normalization of the trade in goods and services surplus from its high 2021 levels (Dutch goods trade benefited from the recovery of the European manufacturing sector via re-exports). The balance of income should retain the small surplus it regained in 2021, after a strong deficit in 2020, thanks to the ongoing recovery in revenues from Dutch assets abroad. Dutch net international investment surplus reached 114% of GDP in early 2021 as corporate and households are creditors to the rest of the world. However, current account surplus is expected to increase to 9.6% of GDP through 2024. In 2020, Budget deficit reached the lowest level with -4.2% of GDP since 2009 and it is expected to further decline to -5% levels in 2022, however a strong recovery is expected through 2024 with almost reaching zero territory due to lower government expenditures partly offset by slightly lower income tax revenue.

Turkish Economy

One of the important markets where the Bank has significant exposure is Turkey. Therefore Turkish economic and political stability is under permanently high focus of the Bank. The Turkish economy absorbed several economic shocks in the last 5 years. Turkish GDP growth was 3.1%, 1% and 1.6% in 2018, 2019 and 2020 respectively. The GDP growth recorded the highest level between G20 and OECD countries with 11% in 2021. GDP jumped 21.7% annually on average per year on the back of robust domestic demand and surging export demand in the second quarter of the year and 9.1% in the last quarter of 2021. Details of the GDP data showed continued strength in private consumption and investments and an acceleration in exports. The recent pick-up in consumer lending supports domestic demand while exports benefit from global demand and increased price competitiveness. Turkish inflation increased from 12.5% levels to 19% in 2021 and expected to stay at higher levels in 2022 due to higher energy and commodity prices before declining to 20% and 16.5% levels in 2023 and 2024 respectively.

The current account deficit is contracting and Turkish businesses have reduced their debts. JP Morgan forecasts the current account deficit narrowing to USD16.8 billion (2% of GDP) in 2021 from USD37 billion (5.2% of GDP) in 2020. Continued rise in energy prices is the main risk but this should at least partly be offset by an earlier than expected recovery in tourism.

There has been a significant deleveraging by corporates in recent years. The corporate sector reduced its FX borrowing from the banking system, which, in turn, was a net payer of foreign debt. The short FX position of the corporate sector fell to USD127 billion from USD175 billion over the last three years. Importantly, the short term assets of the Turkish non-financial companies are USD57 billion more than their short-term liabilities, relieving concerns over roll-over problems.

Thanks to the rapid recovery in economic activity and ongoing spending discipline, the 12-month trailing central government budget deficit contracted sharply to 3.2% of GDP in 2021 from a trough of 6.5% in July 2020. Although monetary policy is a more elective tool both directly and through the expectations channel, such fiscal tightening surely helps the disinflation process. It also provides room for the government to deliver some targeted fiscal spending, if needed.

Additionally high liquidity in US and EU economies encouraged investors to search for encouraging markets to invest in. As a result Istanbul Stock Exchange recorded new high levels during Q4 2020 and the beginning of 2021.

Since its establishment, thanks to its accumulated knowledge of Turkish markets and customers, Anadolubank recorded almost zero NPL arising from its Turkish exposure. Additionally, the Bank didn't have any TRY exposure in 2021.

Turkish Lira continued its decline in 2021 despite the strong performance in February and March. While effects of weaker lira will reflect on both producer and later on consumer prices which would lead to higher negative real interest rates, current account deficit would affect positively, expected to decrease from -5.1% of GDP to -3% and -2.6%

in 2021 and 2022 respectively. Due to weaker lira Turkey's export volumes exceeded its EM peers starting from 2021Q2.

Commercial banks and the Treasury still have access to external lending despite relatively higher costs. Furthermore, banks' capital structures are strong enough not to pose a systemic risk. Loan portfolios of state banks are relatively opaque, although capital adequacy is far better than it was during the banking crisis of Turkey in 2001 and Greece in 2009. According to Banking Regulation and Supervision Agency of Turkey Report as of September 2021, off-balance sheet FX position has a surplus of TRY 503 billion while on-balance sheet FX position has a deficit of TRY 454 billion and FX Net General Position has a surplus of approximately TRY 49 billion in Turkish Banking Sector.

Anadolubank also performs FX impact assessment-Analysis on Turkish corporates periodically to continuously analyze risk and mitigation factors of corporates which the Bank has exposures to. As a result, the fluctuations at FX rates are closely followed up by Anadolubank and the Bank will continue its routine monitoring in this respect. Turkish corporate loans and advance decreased to EUR 19 million in 2021. (2020: EUR 32 million)

IBOR Transition

The Financial Stability Board made a fundamental reform of the major interest rates benchmarks. There will be changes on those rates in different stages unless it is referenced to EURIBOR. During second quarter of 2020, Anadolubank N.V. has established a team to manage the IBOR change process. Our impact analysis shows that the effect will be financially insignificant.

The Belgian Financial Services and Markets Authority authorized EURIBOR under the EU Benchmarks Regulation. On the other hand, EONIA will ceased to be published by as from 3 January 2022 and EONIA cannot be used in any contracts that may be outstanding as of 1 January 2022. Anadolubank N.V. uses EONIA only for margin call interest calculations and this has been replaced ESTR.

The ICE Benchmark Administration of LIBOR will publish the 1, 3, 6, 12 months Libor till June 2023. However, these are only available for legacy trades and any new trades executed as from 01-Jan-2022, must be referenced to the new RFR. Currently, Anadolubank N.V. has limited transaction passing June 2023.

Anadolubank N.V. is working proactively to amend related legal contracts while watching attentively market practices. We are working with several counterparties to establish a smooth passage during this process.

2.3 Financial Institutions

Financial Institution department (FI) is responsible for business development in relevant geographical areas and emerging markets within the risk framework and appetite guidelines of the Bank. The department is working closely with Treasury, Trade Finance, Corporate Banking, and Credit Risk departments to ensure the smooth and most efficient services to be provided to the banks valued customers. The department focuses on forfaiting business model through products as Letters of Credit, Promissory Notes, Bills of Exchange, Bank Guaranties, Schuldshein, Syndicated and Bilateral Loans primary and secondary trading.

In 2021 departments one of the targets was to expand the list of counterparties - Financial Institutions in Italy, Spain, and other European countries, which was succeeded, and as result brought more comprehensive business opportunities within European sector. By establishing new relationship with counterparties the department has increased its trading volume, and profits. FI continues working on most efficient ways to provide highly competitive services, complying with the newest regulations.

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.

After the turmoil that shook the commodity & trade finance world in 2020, Anadolubank N.V. Trade Finance team had an excellent year in 2021 in terms of commission income, trade finance volume as well operating income. Thanks to the rebound in the world economy as well as the strong commodity markets Trade Finance department excelled in the areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. For the first time in its history Trade Finance department booked a record breaking income commission of EUR 2.6mn at the end of the year representing 62% increase compared to 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. Our involvement in the steel business has increased drastically thanks to the support of the ultimate beneficial owner HABAS group. Anadolubank Nederland NV's annual trade finance volume exceeded EUR 1.5 billion in 2021 which was EUR 1bn in 2020, recording a year-on-year growth of over 50%. Anadolubank

Nederland NV is closely monitoring the aggression in Ukraine and has scaled down its trade finance activities and appetite in the region. Anadolubank N.V. does not have any material Russia (EUR 30 thousands at 31 December 2021, there is no risk at 14 June 2022) and Ukraine related risks.

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.

Subsequent to 2020 which was the year COVID-19 came to our lives, 2021 was relatively a better year. With the help of vaccines it involved new business opportunities as well as risk. Our corporate team brought in new clients and new transactions with the existing clients. The importance of risk assessment emerged once again and the Bank as usual did not take unnecessary risks.

We as Anadolubank NV corporate team while being prudent managed to acquire new customers and new transactions. We managed to maintain sustainability for our liability items and diversify our funding facilities while maximizing risk-adjusted return on capital. In 2021 our contribution to the profitability of the Bank was significant.

2022 seems like it will be a challenging year once again. The geographic tensions, increasing interest rates, increasing commodity prices and so forth will again bring opportunities but this time with bigger risks.

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 2021, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

2.7 Compliance

The Bank consistently promotes integrity within the organization to strengthen its compliance with internal rules, laws and regulations. The Bank acts according to both the letter and spirit of the laws and regulations.

The Compliance department is embedded within the Compliance & Internal Control Department, which directly reports to the Management Board and to the Supervisory Board via the head of department. The Compliance department aims to provide advice and support to the Management Board and the Supervisory Board in mitigating compliance risks. The Compliance department governs the process of identifying, measuring, mitigating, monitoring and reporting compliance risks.

The Systematic Integrity Risk Assessment (SIRA), CDD (customer due diligence), TM (transactions monitoring) and reporting will continue to be at the top of agenda of Compliance while the knowledge of staff will be kept updated with trainings. In 2021 an AML training via e-learning was provided.

Based on thematic examinations that the Dutch Central Bank (De Nederlandsche Bank – DNB) conducted in the past years with respect to KYC and AML matters and taking into account the increasing regulatory requirements and supervisory standards, the Management board has chosen to strengthen the Compliance department with additional staff.

End 2021 a self-assessment is started by the Dutch Central Bank to see if more digitalisation within the Bank can lead to further strengthening of the Compliance Framework, digitalization of retail deposit customer on boarding is one of the items.

The Compliance Department remains focused on the fight against money laundering and the finance of terrorism. There have been frequent meetings between the head of Compliance department with the Management Board member responsible for Anti Money Laundring.

AML Forecast:

The European Commission presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the Financing of terrorism rules. The proposals aim, among other things, at future introduction of new rules in the areas of customer due diligence, beneficial ownership, national supervisors' powers and Financial Intelligence

Units within Member States, as well as transfers of crypto assets and the establishment of a new EU supervisory authority.

Anadolubank Nederland N.V. will make further adjustments, if necessary, in response to any updates in the regulatory requirements and supervisory guidelines.

2.8 Financial Performance Summary

Anadolubank N.V. posted EUR 5.5 million net profit in 2021, EUR 3.7 million higher than 2020 (2020: EUR 1.8 million), despite the challenging conditions of ongoing Covid-19 pandemic.

Net interest income rose to EUR 13.6 million from EUR 11.3 million in 2020, aligned with the increase on the interest bearing assets. Net commission income increased significantly thanks to the rebound in the world economy as well as the strong commodity markets.

The Bank's total assets at 31 December 2021 were EUR 636 million, 8% higher than previous year (2020: EUR 587 million). The major increase relates to bank lending.

Cash and cash equivalents are EUR 125 million (2020: EUR 133 million). The Bank continues to emphasize the maintenance of a sound level of liquidity. Through a high level of stable financing and a well-managed maturity profile, the Bank easily meets liquidity requirements.

Interest bearing securities closed the year with a balance of EUR 78.7 million at the end of 2021, similar to the previous year.

On the back of a conservative risk appetite and strong capital structure, the Tier 1 ratio was 22.9% in 2021. (2020:24.8%)

Deposits from customers increased 20.6% and reached to EUR 418 million due to increase in corporate funding (2020: EUR 346 million).

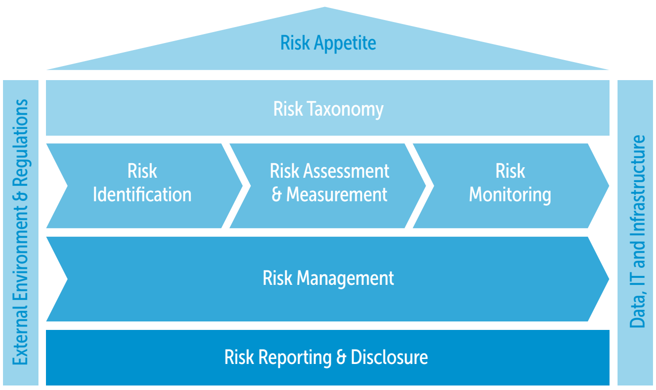
Cost / Income ratio decreased to 49.5% in 2021 from 67.3% in 2020 because of the increase in the operating income.

2.9 Risk Governance and Management

The Bank has two tier management system, 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 is based on the three lines of defense principles for segregation of duties. Business units form the first line of defense, Risk Management, Information Security, Information Technology, Financial Control & Reporting and Internal Control, along with the Compliance departments 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 years, the risk culture will be further developed by improving risk knowledge and awareness throughout the organization.

2.10 Risk and Capital Management

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, market and operational risk, are defined and the impact on the Bank's profitability, equity position and solvency ratio of those risks are calculated. In order to address the credit concentration risk, 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. In addition to 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 established a Recovery Plan which is also updated regularly. The Recovery Plan presents the conditions, requirements and the applicable procedures regarding the recovery options that are subject to the activation. The Recovery Plan 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.

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). The Bank also publishes its disclosures on its website.

Security in finance is a significant topic for the operations. When mentioning about cyber security, we know it is an extremely hot topics for all the banks. We at Anadolubank Nederland N.V. consider not only how customer data is valuable but also think about integrity and resilience. We follow global trends and establish required controls powering a layered approach to deal with security issues. We protect all of our assets obtaining foundational security principles and new technologies in a continuous manner.

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.

Tier-1 Credit 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, Tier-1 Credit Committee is the initiator and Tier-2 Credit Committee is the highest approval authority regarding individual credit proposals that exceeds the approval authorities of Tier-1 Credit Committee. Regarding Credit Risk Policies, 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

Supervisory Board

The Supervisory Board of Anadolubank N.V. is comprised of four members, two dependent members, having positions in Anadolubank Turkey, and two independent members. The chairman of the Supervisory board is one of the independent members. As per November 1, 2021, Mr. V. van der Kwast resigned from the Supervisory Board, as he has accepted a CEO function in Belgium which is not combinable with being a member of the Supervisory Board.

The board consists of one female and three male members:

A.J. Smith, *Chairman*

F. Canbay, *Vice Chairman*

G. Taran Ünver, *Member*

J. Buitenga, *Member*

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 our 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.

Management Board

The Management Board of Anadolubank N.V. is comprised of three members. One of them holds the title of CEO.

The board consists of one female and two male members:

Mr. O.Sakizlioglu, *Managing Director / CEO*

Mrs. N.Plotkin, *Managing Director*

Mr. A.H.Otten, *Managing Director*

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.

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.

New regulations - ESG

As the momentum to mitigate climate change grows, regulators and banks are considering how climate risks could affect financial stability.

In the coming period Anadolubank will determine the impact of ESG on its business and operating model. We expect that the major areas of impact to be:

- Governance to ensure ESG is incorporated within the DNA of Anadolubank
- Data in order to assess our total climate impact — not just in our own current operations, but the Scope 3 data from the operations of our customers or suppliers — so-called "financed emissions.
- Risk-management functions is toward integration, in which financial disclosures are integrated with nonfinancial disclosures.
- Modeling of climate impacts. This is a two-part process that entails: 1) modeling changes in climate over time; and 2) modeling the impact to financial services across different scenariosAlthough 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.

2.14 Remuneration

Our 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.

Every year the internal Auditor releases a report on Remuneration. This 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.

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. Remuneration policy of the Bank can be found on the corporate website.

The total variable remuneration in 2021 was EUR 148 thousand and fix remuneration for Supervisory Board was EUR 96 thousand and for Management Board was EUR 618 thousand. None of the employees have received remuneration over EUR one million and the Bank complies with the requirements of Wbfo.

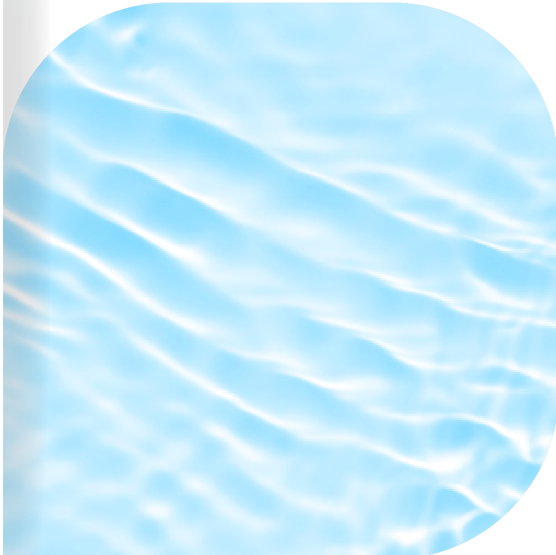
Reference is made to note 23 'Personnel expenses' for details on the remuneration.

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 2021, 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 and others, as well as risk-based process audits.



Amsterdam, June 14, 2022

O.Sakizligolu, CEO

N. Plotkin, Managing Director

A.H.Otten, Managing Director

Statement of financial position as at 31 December 2021

in EUR thousand

Assets	Note	31/12/2021	31/12/2020
Cash and cash equivalents	5	125,189	133,176
Derivative financial assets	6	469	6,659
Loans and advances to banks	7	253,663	200,549
Loans and advances to customers	8	176,712	162,807
Interest bearing securities	9	78,709	81,766
Property and equipment	10	489	501
Current tax assets	25	573	928
Deferred tax assets	25	317	321
Other assets	11	194	555
Total assets		**636,315**	**587,262**
Liabilities			
Derivative financial liabilities	6	6,880	3,405
Deposits from banks	12	107,165	138,906
Deposits from customers	13	417,970	346,461
Other liabilities	14	1,207	927
Total liabilities		**533,222**	**489,699**
Equity			
Share capital and share premium	15	75,000	75,000
Retained earnings	15	23,525	21,723
Revaluation reserves	15	(953)	(962)
Net profit	15	5,521	1,802
Shareholders' equity		**103,093**	**97,563**
Total liabilities and equity		**636,315**	**587,262**
Off-balance sheet liabilities	**16**	**75,231**	**32,669**

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	2021	2020
Interest income	19	16,960	15,323
Interest expense	19	(3,335)	(4,033)
Net interest income	**19**	**13,625**	**11,290**
Fee and commission income	20	2,661	1,723
Fee and commission expense	20	(166)	(169)
Net fee and commission income	**20**	**2,495**	**1,554**
Net trading income	21	233	255
Results from financial transactions	22	(103)	(2,850)
Operating income		**16,250**	**10,249**
Expected credit losses	27	(873)	(966)
Personnel expenses	23	(4,945)	(4,239)
Depreciation and amortisation	10	(248)	(221)
Other expenses	24	(2,855)	(2,434)
Profit before income tax		**7,329**	**2,389**
Tax expense	25	(1,808)	(587)
Profit for the year		**5,521**	**1,802**

Other comprehensive income	**31/12/2021**	**31/12/2020**
Movement in available for sale reserve	(279)	233
Cash flow hedge reserve	291	(1,236)
Related tax	(3)	251
Total (after tax)	**9**	**(752)**

Profit attributable to:	**31/12/2021**	**31/12/2020**
Equity holders of the Bank	**5,521**	**1,802**
Total comprehensive income (after tax)		
Equity holders of the Bank	**5,530**	**1,050**

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

Statement of cash flows

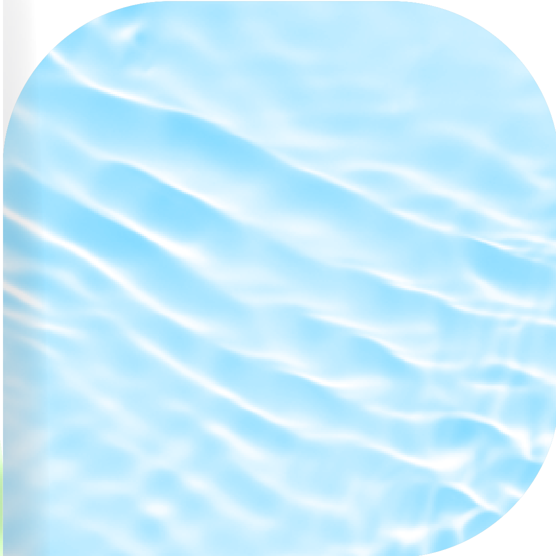
in EUR thousand

Cash flows from operating activities	**Note**	**2021**	**2020**
Profit/(loss) for the period		5,521	1,802
Adjustments for:			
- Depreciation and amortisation	10	248	221
- Net interest income	19	(13,625)	(11,290)
- Results from financial transactions	21,22	(130)	2,595
- Income tax expense	25	1,808	587
		(6,178)	**(6,085)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	6,190	(5,896)
Change in loans and advances to banks	7	(53,114)	(99,470)
Change in loans and advances to customers	8	(13,905)	31,592
Change in FVOCI and trading portfolio	9	(2,015)	10,716
Change in other assets	11	361	170
Change in derivative financial instrument (liabilities)	6	3,475	(2,298)
Change in deposits from banks	12	(31,741)	14,343
Change in deposits from customers	13	71,509	31,443
Change in other liabilities and provisions	14	280	(182)
		(18,960)	**(19,582)**
Acquisition of financial assets at fair value through PL		(429)	(1,826)
Proceeds from sales of financial assets at fair value through PL		233	255
Interest received	19	16,686	15,415
Interest paid	19	(4,687)	(4,679)
Income tax paid		(1,456)	21
Net cash from operating activities		**(14,791)**	**(16,481)**
Cash flows from investing activities			
Acquisition of securities at amortized cost	9	(15,383)	(15,926)
Redemptions of securities at amortized cost		22,536	2,080
Acquisition of property and equipment	10	(104)	(24)
Net cash used in investing activities		**7,049**	**(13,870)**
Net increase in cash and cash equivalents		**(7,742)**	**(30,351)**
Cash and cash equivalents at 1 January	5	133,176	159,790
Effect of exchange rate fluctuations on cash and cash equivalents held		(245)	3,737
Cash and cash equivalents at 31 December	**5**	**125,189**	**133,176**

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Revaluation reserves	Total
Balance at 1 January 2020	**75,000**	**19,958**	**1,765**	**(210)**	**96,513**
Share capital increase		-	-	-	-
Profit/(loss) allocation	-	1,765	(1,765)	-	-
Net income for the year	-	-	1,802	-	1,802
Revaluation reserves	-	-	-	(752)	(752)
Balance at 31 December 2020	**75,000**	**21,723**	**1,802**	**(962)**	**97,563**
Balance at 1 January 2021	**75,000**	**21,723**	**1,802**	**(962)**	**97,563**
Share capital increase		-	-	-	-
Profit/(loss) allocation	-	1,802	(1,802)	-	-
Net income for the year	-	-	5,521	-	5,521
Revaluation of reserves	-	-	-	9	9
Balance at 31 December 2021	**75,000**	**23,525**	**5,521**	**(953)**	**103,093**




NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021


1 Reporting entity

Anadolubank N.V. (the "Bank") is a public limited liability company domiciled in the Netherlands. The Bank was established on April 5, 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 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 A.S., 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 25 May 2021.

(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 judgements, 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 judgements 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 realized.

iii) Impairment of financial instruments

A three-stage model is applied for the measurement of ECLs of financial assets (for example: 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 (for example: 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 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 at 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 the 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 (for example: 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 (for example: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 12 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 on 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 PDs 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 PDs compared to corporates.

The effect of this change was EUR 1,221 decrease on the ECL of financial institutions 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

Derivative financial instruments consisting of foreign currency contracts, currency and interest 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. The Bank started applying hedge accounting for the interest rates swaps in 2020.

The impact of the adoption of hedge accounting is disclosed in note 3.u Hedge accounting.

(j) Loans and advances to banks and customers

TThese 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.

Right-of-use assets

IFRS 16 'Leases' – Accounting policies applied from 1 January 2019

Anadolubank N.V. as the lessee

A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a corresponding liability representing its obligation to make lease payments at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the repayment of the liability and finance cost. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(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, and many others.

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 the 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) Changes in IFRS effective in 2021

The following amended standards became effective in 2021:

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 16 'Leases', IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures': 'IBOR Reform and its Effects on Financial Reporting – Phase 2' (issued in August 2020);

The change has no effect on the Bank"s financial statements.

- Amendments to IFRS 16 'Leases': 'Covid-19-Related Rent Concessions' (issued in May 2020).

The IASB recommended a change to IFRS 16 that provides a practical expedient to avoid treating a change in lease payments as a lease modification. Since the change only affects lessee accounting, it will have no effect on the Bank's financial statements.

(u) Hedge accounting

Fair value hedge

Risk management objective

The portfolio that consists of long-term interest earning instruments (bonds and loans in the assets) which are EUR denominated with a fixed interest rate return have higher interest rate sensitivity. In order to manage the interest rate risk in the banking book (IRRBB) within the risk appetite limits on Economic Value of Equity (EVE) as set in the Market & ALM Risk Policy, the Bank utilizes a hedge strategy. The Bank aims a stable EVE by adopting a hedge strategy which eliminates the effects on the fair value of the assets due to the changes in the interest rates in the market.

The carrying value of the hedged item is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognized in P&L.

Hedge strategy

The hedge strategy is performed by entering into EUR denominated interest rate swap transactions which requires to pay fixed interest and receive floating interest in return, in order to reduce the impact on the EVE.

Hedged risk

The risk that is aimed to be hedged is the fair value change in the hedged items (portfolio mentioned in the risk management objective) due to the changes in the interest rates in the market.

Description of hedge relation

Based on IAS 39.78, a hedged item can be a portion of the portfolio of financial assets or financial liabilities that share the risk being hedged. According to IAS 39.83 similar assets shall be aggregated and hedged as a group only if the individual assets in the group share the risk exposure that is designated as being hedged.

Anadolubank N.V. defines a portion of the EUR fixed rate loans and bonds portfolio as the hedged item. The EUR fixed rate loans and bonds in the portfolio share the same interest rate risk, resulting from changes in the EUR discount curve. The portfolio of EUR loans and bonds consists of both fixed and floating rate products, but only the fixed rate products are an eligible hedged item.

The EUR fixed rate loans and bonds do not exhibit prepayment options and any prepayments that may occur will be settled at market. Therefore, Anadolubank N.V. defines the hedged item cash flows equal to the contractual cash flows of the underlying assets. The Bank hedges only the interest rate risk of the EUR fixed rate loans and bonds portfolio. The credit spread is not part of the hedged risk. Therefore, changes in the credit spread will not be incorporated in the valuation for the purpose of hedge accounting.

Anadolubank N.V. uses plain vanilla interest rate swaps as hedging instruments. The interest rate swaps (IRSs) are payer swaps. The Bank pays the fixed rate and receives the floating rate index. Both legs of the IRSs are included in the hedge relation. Note that Anadolubank N.V. may enter in receiver swaps in order to offset payer swaps. Only the combination of the payer and offsetting receiver swap can be use in the hedge relation.

The designation of the hedge relationship can be done based on several measures. Anadolubank N.V. designates the hedge relationship based on notional cash flows. Notional cash flows of the hedged items and the hedging instruments are grouped together into monthly buckets. The goal of the designation is to create the best possible match between the notional cash flows of the hedging instruments and the notional cash flows of the hedged items. This is done under the constraints described in IAS 39, the two most relevant constraints are described in the following paragraphs.

According to IAS 39.75, it is allowed to designate a proportion of the entire hedging instrument in a hedge relationship. However, it is not allowed to designate a hedging instrument for only a portion of the time period during which a hedging instrument remains outstanding. Therefore, either the same proportion of the notional payments of a hedging instrument should be designated for all payments, or none of the payments should be designated.

Furthermore, according to IAS 39.81, if the hedged item is a financial asset or financial liability, it is allowed to designate a portion of the cash flows (provided that effectiveness can be measured). Hence, it is not possible to designate more than the available hedged item in a bucket. Therefore, when for a particular bucket, there is a bigger notional cash flow coming from the hedging instruments compared to the notional cash flow coming from the hedged items, notional from hedged items from surrounding buckets can be designated. This is called "smearing". Anadolubank N.V. uses a smearing range of maximum twelve buckets (1 year). Hedged items from up to and including twelve buckets earlier or later can be used to designate to the hedging instrument and therefore improve the match between the notional cash flows of the hedging instruments and the notional cash flows of the hedged items.

The constraint in IAS 39.81 holds for both the notional cash flows as well as interest cash flows. Therefore, in order to create the best possible match between the hedged items and hedging instruments, the hedged item will be modelled with a coupon equal to the lower of the coupon of the hedging instrument and the underlying loan or bond.

Hedge effectiveness

Prospective test

At inception of the hedge relation and at each reporting date, the prospective test is performed. The purpose of this test is to ensure that the change in fair value of the hedged item attributable to the hedged risk is expected to be offset by the change in fair value of the hedging instrument.

The method used is the dollar-offset method with a parallel shock of 10 basis points over the discounting and forward curves (the shock applies to the market rates). The prospective effectiveness test of the hedge relation is therefore determined by calculating the changes in the market values (delta) of the hedging instruments (derivatives) and the hedged items at the start of the hedge period. Under the prospective test, the change in market value is defined as the difference between the shifted market value at the start of the hedge period and the unshifted market value at the start of the hedge period.

$$\textit{Hedge effectiveness} = \frac{\Delta\ \textit{MtM Hedging Instruments}}{\Delta\ \textit{MtM Hedged Items}}$$

From the formula for hedge effectiveness above, it becomes clear that small movements of the hedging instrument and hedged items lead to more ineffectiveness in percentages. Small value movement causing hedge ineffectiveness is a known issue in hedge accounting. One way to overcome this is by performing a small numbers test.

When the movements of the hedging instruments and hedged items are deemed too small, 2.5% of the outstanding notional is added to both the hedging instruments value change and the hedged items value change. Then, the effectiveness test is done again and decides whether the hedge relation is effective or not. The hedge relation is considered effective if the results of the effectiveness test falls within the range of 80%-125%.

Retrospective test

At each reporting date, the retrospective test is performed. The purpose of the test is to verify whether the change in fair value of the hedged item attributable to the hedged risk is offset by the change in fair value of the hedging instrument. The method used is the dollar-offset method.

The retrospective effectiveness test of the hedge relation is therefore determined by calculating the changes in the market values (delta) of the hedging instruments (derivatives) and the hedged items over the hedged period. Under the retrospective test, the change in market value is defined as the difference between the market value at the start of the hedge period and the market value at the end of the hedge period.

$$\textit{Hedge effectiveness} = \frac{\Delta\ \textit{MtM Hedging Instruments}}{\Delta\ \textit{MtM Hedged Items}}$$

The small numbers problem for the prospective hedge effectiveness, mentioned above, also applies to the retrospective hedge effectiveness. The solution to this, applying the small numbers test, is the same as for the prospective hedge effectiveness. The hedge relation is considered effective if the results of the effectiveness test falls within the range of 80%-125%.

Accounting

Based on IAS 39.89, for loans and bonds recorded at amortized cost, the change in market value of the hedged item adjusts the carrying amount of these loans and bonds and is recognized in profit or loss. For loans and bonds recorded at Fair Value through OCI, the change in market value of the hedged item is also recognized in profit and loss. The difference between changes in the fair value of the loan or bond and changes in the market value of the hedged item is recognized as set out in IAS 39.55.

To summarize, the booking figures are determined as follows:

- *Balance sheet items:*
  - Fair value of the derivatives used in hedge relations;
  - Adjustment to the carrying amount, relating to loans that are accounted for at amortized cost;
  - Adjustment to the carrying amount, relating to loans that are accounted for at FV through OCI.
- *Profit & Loss*
  - Change in fair value of the derivatives;
  - Change in adjustment to the carrying amount, relating to loans that are accounted for at amortized cost;
  - Change in adjustment to the carrying amount, relating to loans that are accounted for at FV through OCI.
- *Other Comprehensive Income*
  - Difference between the market value movement of the loans that are accounted for at FV through OCI, and the change in adjustment to the carrying amount relating to loans that are accounted for at FV through OCI.

Cash flow hedge

Risk management objective

In order to manage the interest rate risk in the banking book (IRRBB) within the risk appetite limits on Earnings-at-Risk (EaR) as set in the Market & ALM Risk Policy, the Bank utilizes a hedge strategy. The Bank aims a stable NII by adopting a hedge strategy which eliminates the effects on the cost of the liabilities due to the changes in the interest rates in the market.

Anadolubank N.V. has classified its USD bank and corporate deposits at amortized cost, while the hedges are accounted for at fair value through P&L. This accounting mismatch creates volatility in the P&L statement of the Bank. In order to avoid the accounting mismatch, Anadolubank N.V. applies hedge accounting.

Hedge strategy

The hedge strategy is performed by entering into USD denominated interest rate swap transactions which require Anadolubank N.V. to pay fixed interest and receive floating interest in return, in order to achieve a stable net interest income.

Hedged risk

The hedge risk is the risk of variability in the interest cash flows caused by changes in the floating interest rate. The credit spread is not part of the hedged risk. Therefore, changes in the credit spread will not be incorporated in the valuation for the purpose of hedge accounting. This is achieved by excluding the credit spread in the so-called hypothetical derivative.

The hedge accounting is applied in compliance with IAS 39. Anadolubank N.V. is applying Cash Flow hedge accounting.

Description of hedge relation

Anadolubank N.V. uses plain vanilla interest rate swaps as hedging instruments. The interest rate swaps (IRSs) are payer swaps. The Bank pays the fixed rate and receives the floating rate index. Both legs of the IRSs are included in the hedge relation. Note that Anadolubank N.V. may enter in receiver swaps in order to offset payer swaps. Only the combination of the payer and offsetting receiver swap can be used in the hedge relation.

Based on IAS 39.78, a hedged item can be a portion of the portfolio of financial assets or financial liabilities that share the risk being hedged. According to IAS 39.83 similar assets shall be aggregated and hedged as a group only if the individual assets in the group share the risk exposure that is designated as being hedged.

Anadolubank N.V. defines a portion of the USD bank and corporate deposits portfolio as the hedged item. The USD bank and corporate deposits are fixed rate products with a very short maturity. The fixed rate is determined based on the USD Libor 3 months floating rate index. Therefore, the USD bank and corporate deposits in the portfolio share the same interest rate risk, resulting from changes in the USD Libor 3 months index. The weighted average maturity of these deposits is about 90 days (3 months). The weighted average is determined based on the outstanding notional of the deposits. The hedged item may include cash flows resulting from rollovers of financial liabilities.

Hedge effectiveness

Prospective test

At each inception date of the hedge relation, the prospective test is performed. The purpose of this test is to ensure that the change in fair value of the hedged items attributable to the hedged risk is expected to be offset by the change in fair value of the hedging instruments.

The method used is the dollar-offset method with a parallel shock of 10 basis points over the discounting and forward curves (the shock applies to the market rates). The prospective effectiveness test of the hedge relation is therefore determined by calculating the changes in the market values (delta) of the hedging instruments (derivatives) and the hedged items at the start of the hedge period. Under the prospective test, the change in market value is defined as the difference between the shifted market value at the start of the hedge period and the unshifted market value at the start of the hedge period.

$$\textit{Hedge effectiveness} = \frac{\Delta \textit{ MtM Hedging Instruments}}{\Delta \textit{ MtM Hedged Items}}$$

From the formula for hedge effectiveness above, it becomes clear that small movements of the hedging instruments and hedged items lead to more ineffectiveness in percentages. Small value movement causing hedge ineffectiveness is a known issue in hedge accounting. One way to overcome this is by performing a small numbers test.

When the movements of the hedging instruments and hedged items are deemed too small, 1% of the outstanding notional is added to both the hedging instruments value change and the hedged items value change. The hedge relation is considered effective if the results of the effectiveness test falls within the range of 80%-125%.

Furthermore, in case the hedged item includes cash flows resulting from rollovers of financial liabilities, Anadolubank will demonstrate that these are highly probable. This is done by preparing a cash flow schedule showing that there exist sufficient expected cash flows compared to the cash flows that are designated as hedged item. The schedule should be supported by management's stated intentions and past financial liabilities rollovers.

Retrospective test

At each reporting date, the retrospective test is performed. The purpose of the test is to verify whether the change in fair value of the hedged item attributable to the hedged risk is offset by the change in fair value of the hedging instrument.

The method used is the dollar-offset method. The retrospective test of the hedge relation is therefore determined by calculating the changes in the market values (delta) of the hedging instruments (derivatives) and the hedged items over the hedged period. Under the retrospective test, the change in market value is defined as the difference between the market value at the start of the hedge period and the market value at the end of the hedge period.

$$\textit{Hedge effectiveness} = \frac{\Delta \textit{ MtM Hedging Instruments}}{\Delta \textit{ MtM Hedged Items}}$$

The small numbers problem for the prospective hedge effectiveness, mentioned in section 4.1, also applies to the retrospective hedge effectiveness. The solution to this, applying the small numbers test, is the same as for the prospective hedge effectiveness. The hedge relation is considered effective if the results of the effectiveness test falls within the range of 80%-125%.

The effective part of the hedge relation is defined as the part of the hedge effectiveness ratio that is below 100%. Everything above 100% is the ineffective part of the hedge relation. The effective part is based on the retrospective dollar offset test, rather than the retrospective small numbers test.

The most common sources of hedge ineffectiveness are:

Derivative has a fair value, other than zero, at inception of the hedge relationship

Mismatch in characteristics between the floating leg of the swap and the hedged items.

Accounting

If the criteria for applying cash flow hedge accounting are met, the accounting entries throughout the duration of the hedge relationship are as follows:

To the extent that the relationship is effective, the change in fair value of the hedging instruments is recognized in other comprehensive income and accumulated in a separate reserve in equity (OCI-hedge fund)

When the underlying hedged item impacts profit or loss, an amount is recycled from the hedge reserve to offset this impact in profit and loss, and

Any ineffectiveness is recognized in the income statement immediately.

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 2021	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(1,633)	14,830	1,714	1,339	16,250
Other operating income, loan loss provisions and expenses, net	-	(420)	(453)	(8,048)	(8,921)
Net operating profit	**(1,633)**	**14,410**	**1,261**	**(6,709)**	**7,329**
Provision for taxes	408	(3,603)	(315)	1,702	(1,808)
Net Profit	**(1,225)**	**10,807**	**946**	**(5,007)**	**5,521**
Cash and cash equivalents	-	-	125,189	-	125,189
Loans and advances to banks	-	253,663	-	-	253,663
Loans and advances to customers	-	176,712	-	-	176,712
Interest bearing securities	-	-	78,709	-	78,709
Other assets	-	-	-	2,042	2,042
Total assets	**-**	**430,375**	**203,898**	**2,042**	**636,315**
Deposits from banks	-	-	107,165	-	107,165
Deposits from customers	233,570	184,400	-	-	417,970
Other liabilities	-	-	-	8,087	8,087
Shareholder's equity	-	-	-	103,093	103,093
Total liabilities and equity	**233,570**	**184,400**	**107,165**	**111,180**	**636,315**

31 December 2020	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(1,718)	11,867	1,125	(1,025)	10,249
Other operating income, loan loss provisions and expenses, net	-	(606)	(360)	(6,894)	(7,860)
Net operating profit	**(1,718)**	**11,261**	**765**	**(7,919)**	**2,389**
Provision for taxes	430	(2,815)	(191)	1,989	(587)
Net Profit	**(1,288)**	**8,446**	**574**	**(5,930)**	**1,802**
Cash and cash equivalents	-	-	133,176	-	133,176
Loans and advances to banks	-	200,549	-	-	200,549
Loans and advances to customers	-	162,807	-	-	162,807
Interest bearing securities	-	-	81,766	-	81,766
Other assets	-	-	-	8,964	8,964
Total assets	**-**	**363,356**	**214,942**	**8,964**	**587,262**
Deposits from banks	-	-	138,906	-	138,906
Deposits from customers	223,960	122,501	-	-	346,461
Other liabilities	-	-	-	4,332	4,332
Shareholder's equity	-	-	-	97,563	97,563
Total liabilities and equity	**223,960**	**122,501**	**138,906**	**101,895**	**587,262**

5 Cash and cash equivalents

	2021	2020
Cash and balances with banks	11,201	7,790
Unrestricted balances with central banks	113,988	125,386
Money market placements within three months	-	-
Position as at 31 December	**125,189**	**133,176**

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 2021						
	Notional Amounts	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Over 1 year**	**Fair value assets**	**Fair value liabilities**
Swap purchase	164,351	9,422	38,775	64,347	51,807	15,531	-
Swap sale	170,460	9,410	40,793	67,717	52,540	-	(2,553)
Total	**334,811**	**18,832**	**79,568**	**132,064**	**104,347**	**15,531**	**(2,553)**

	31 December 2020						
	Notional Amounts	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Over 1 year**	**Fair value assets**	**Fair value liabilities**
Swap purchase	168,634	6,443	45,000	56,292	60,899	11,248	-
Swap sale	166,638	6,453	42,766	54,964	62,455	-	(6,375)
Total	**335,272**	**12,896**	**87,766**	**111,257**	**123,354**	**11,248**	**(6,375)**

The Bank started applying hedge accounting in 2020. Reference is made to Note 27 'Hedge accounting' for information on derivatives used in hedge accounting.

7 Loans and advances to banks

	31 December 2021	31 December 2020
Bank loans	246,234	197,853
Advances to banks	7,632	2,868
ECL charge	(203)	(172)
Position as at 31 December	**253,663**	**200,549**

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 2021	31 December 2020
Corporate loans	179,581	164,922
ECL charge	(2,869)	(2,115)
Balance at 31 December	**176,712**	**162,807**

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

9 Interest bearing securities

	2021	2020
Amortized cost	62,362	67,341
FVOCI	16,800	14,785
ECL charge	(453)	(360)
Balance at 31 December	**78,709**	**81,766**

In 2021, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 38,123 as collateral to DNB (De Nederlandsche Bank) (2020: EUR 22,690).

EUR 35,484 of the securities was under repo (2020: EUR 52,232).

Amortized cost	2021	2020
Government bonds	13,755	12,088
Corporate bonds	11,549	7,546
Issued by banks	37,057	47,708
ECL charge	(280)	(181)
Balance at 31 December	**62,081**	**67,161**

FVOCI	2021	2020
Government bonds	16,801	9,321
Corporate bonds	-	5,463
Issued by banks	-	-
ECL charge	(172)	(179)
Balance at 31 December	**16,629**	**14,605**

10 Property and equipment

	2021	2020
Balance at 1 January	501	637
Additions *	116	24
Depreciation	27	17
Additions Right-of-use asset	121	60
Depreciation of right-of-use asset	222	203
Balance at 31 December 2021	**489**	**501**

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 using 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	457	13
Addition	-	121
Depreciation	188	34
Balance at 31 December 2021	**269**	**100**

11 Other assets

	2021	2020
Receivable with regard to DGS for DSB Bank	-	408
Suspense accounts	194	147
Balance at 31 December	**194**	**555**

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

12 Deposits from banks

	31 December 2021	31 December 2020
Sale and repurchase, securities lending and similar agreements	29,768	42,747
Money market deposits	77,397	96,159
Total	**107,165**	**138,906**

13 Deposits from customers

	31 December 2021	31 December 2020
Retail customers	233,570	223,960
Savings	147,931	129,332
Time deposits	85,639	94,628
Corporate customers	184,400	122,501
Demand deposits	79,088	46,487
Time deposits	105,312	76,014
Total	**417,970**	**346,461**

EUR 6,772 of term deposits served as cash collateral for loans advances extended as of 31 December 2021 (2020: EUR 9,226).

14 Other liabilities

	2021	2020
Lease liability	371	476
Transfer orders	28	8
Taxes other than income	170	274
Other provisions	355	-
Short-term employee benefits	2	25
Others	281	142
Balance at 31 December	**1,207**	**925**

EUR 9 of ECL charge for commitments were recognized under others (2020: EUR 15).

Changes in lease liabilities	2021	2020
Open balance	476	621
Addition	122	60
Interest expenses	(2)	3
Lease payment	(225)	(208)
Balance at 31 December	**371**	**476**

15 Capital and reserves

Dividend payments are subject to the approval of the 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 2021. The profit after tax will be added to 'retained earnings'.

Equity	31/12/2021	31/12/2020
Share capital and share premium	75,000	75,000
Retained earnings	23,525	21,723
Revaluation reserves	(953)	(962)
Net profit	5,521	1,802
Shareholders' equity	**103,093**	**97,563**

	2021	2020
FVOCI	(244)	(35)
Cash flow hedge reserve	(709)	(709)
Revaluation reserves	**(953)**	**(962)**

Cash flow hedge reserve is disclosed and explained in note 27 'Hedge accounting'. FVOCI revaluation reserves are under equity. The hedge fund is part of the revaluation reserve..

16 Commitments

31 December 2021	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	369	531	6	-	-	906
Irrevocable letter of credit	1,135	35,443	3,455	34,292	-	74,325
Total	**1,504**	**35,974**	**3,461**	**34,292**	**-**	**75,231**

31 December 2020	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	-	-	-	-	66	66
Irrevocable letter of credit	98	9,343	4,663	18,499	-	32,603
Total	**98**	**9,343**	**4,663**	**18,499**	**66**	**32,669**

17 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 2021	Parent	Control over the entity	Related parties	Total
Assets	**1,037**	**11,033**	**-**	**12,070**
Cash and cash equivalent	190	-	-	190
Banks	846	-	-	846
Loans and advances	-	11,033	-	11,033
Liabilities	**-**	**73,695**	**-**	**73,695**
Funds Entrusted	-	73,695	-	73,695
Off-balance	**46**	**-**	**-**	**46**
Letter of credit	46	-	-	46
Interest income	**77**	**578**	**-**	**655**
Interest expense	**1**	**887**	**-**	**888**
Other operating expenses	**278**	**-**	**-**	**278**

31 December 2020	Parent	Control over the entity	Related parties	Total
Assets	**3,210**	**14,561**	**-**	**17,771**
Cash and cash equivalent	434	-	-	434
Banks	2,776	-	-	2,776
Loans and advances	-	14,561	-	14,561
Liabilities	**-**	**38,929**	**-**	**38,929**
Funds Entrusted	-	38,929	-	38,929
Off-balance	**710**	**1,422**	**-**	**2,132**
Letter of credit	710	1,422	-	2,132
Interest income	**103**	**-**	**640**	**743**
Interest expense	**9**	**545**	**120**	**674**
Other operating expenses	**201**	**-**	**-**	**201**

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	2021	2020
Loans and advances	-	4
Deposits from customers	159	871
Guarantees issued	6	-

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

Key management personnel compensations	2021	2020
Short-term employee benefits	1,857	1,887
Post-employement benefits	93	68
Total	**1,950**	**1,955**

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

18 Lease commitments

As at 1 January 2019, Anadolubank 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 2021, EUR 230 has been paid for the rent of the office.

	2021	2020
Less than one year	200	202
Between one and five years	171	274
Total	**371**	**476**

19 Net interest income

Interest income	2021	2020
Loans and advances to banks	7,875	5,404
Loans and advances to customers	6,521	7,146
Interest bearing securities	2,498	2,773
Negative interest on liabilities	66	-
Total interest income	**16,960**	**15,323**

Interest Expense	2021	2020
Cash and cash equivalents	24	372
Deposits from banks	665	1,358
Deposits from customers	2,246	2,303
Total interest expense	**3,335**	**4,033**

20 Net fee and commission income

Fee and commission income	2021	2020
Corporate/banking credit related fees	1,792	1,113
Other	869	610
Total fee and commission income	**2,661**	**1,723**

Fee and commission expense	2021	2020
Corporate/banking credit related expense	122	122
Interbank transaction fees	44	47
Total fee and commission expense	**166**	**169**

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

21 Net trading income

Net trading income	2021	2020
Net income from trading securities	12	(50)
Net income from available-for-sale securities	221	304
Net income from option	-	1
Total trading income	**233**	**255**

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

22 Results from financial transactions

	2021	2020
Results from derivative transactions	**(103)**	**(2,850)**

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. In 2021, the loss compared to 2020 is materially different mainly due to decrease on the swap cost and increase on the fair value profit on derivatives.

23 Personnel expenses

The number of staff employed by the Bank as of 31 December 2021 is 44 (2020:46).

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

Personnel expenses	2021	2020
Wages and salaries	3,952	3,484
Compulsory social security obligations	394	460
Contributions to defined contribution plans	289	260
Other types of staff expense	310	35
Total	**4,945**	**4,239**

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended 31 December 2021 are as follows:

2021	Base salary	Other benefits	Variable remuneration	Total
Board of Supervisory Directors	96	-	-	96
Managing Board Directors	542	34	42	618

2020	Base salary	Other benefits	Variable remuneration	Total
Board of Supervisory Directors	101	-	-	101
Managing Board Directors	549	22	-	571

Since there were no high earners the amounts are not disclosed individually since the Bank meets the criteria of article 383b of the Dutch Civil Code.

24 Other expenses

Personnel expenses	2021	2020
Wages and salaries	3,952	3,484
Compulsory social security obligations	394	460
Contributions to defined contribution plans	289	260
Other fringe benefits	310	35
Total	**4,945**	**4,239**

Other expenses	2021	2020
Operating lease expense	56	61
Communication expenses	85	92
Business travel & accommodation	37	24
Audit fee	328	303
Sofware licening and other information technology expenses	665	535
Paid taxes other than income	122	146
Tax advisory	2	29
Other consultancy	266	238
Regulatory supervision expenses	368	317
Legal expenses	88	143
Deposit Guarantee Scheme	538	344
Other	300	203
Total	**2,855**	**2,434**

Audit-related fees	2021	2020
Audit fees related to previous year	173	163
Audit fees related to current year	155	140
Total audit fees	**328**	**303**

Financial statement audit fees	228	152
Other audit fees	100	151
Total audit fees	**328**	**303**

Other audit fees relate to regulatory reports audit and Deposit Guarantee Scheme audit performed by Deloitte Accountants B.V and member firms. Deloitte Accountants B.V. did not provide any non-audit services. The total audit fees amounting to 328 include 173 which relate to audit fees FY2020 that were not recognized in the accrued expenses in FY2020 (of which 133 relates to the Financial statements audit and 40 Other audit fees). The audit fees for FY2021 amount to 328, of which 228 relates to the Financial statement audit and 100 to Other audit fees.

25 Income tax expenses

Major components of income tax expense:

Reconciliation of income tax	**2021**	**2020**
Operating profit before tax	7,329	2,389
Weighted average statutory tax rate	24.7%	24.6%
Weighted average statutory tax amount	**1,808**	**587**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**1,808**	**587**
Effective tax rate	**24.7%**	**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	**2021**	**2020**
Tax loss-carry forwards	233	309
FVOCI	84	12
Total	**317**	**321**

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 amount is 25% of the unrealized loss of FVOCI and hedge fund.

Current taxes on income comprises tax payable on the taxable income for the period and adjustments in taxes payable for prior years. Current tax is EUR 573 as of 31 December 2021 (2020: EUR 928).

26 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 2021 and at 31 December 2020, 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 2021	Total	Level 1	Level 2
Assets			
Derivative financial assets	469	-	469
Securities measured at fair value	16,800	16,800	-
Total assets	**17,269**	**16,800**	**469**
Liabilities			
Derivative financial liabilities	6,880	-	6,880
Total liabilities	**6,880**	**-**	**6,880**

31 December 2020	Total	Level 1	Level 2
Assets			
Derivative financial assets	6,659	-	6,659
Securities measured at fair value	14,785	14,785	-
Total assets	**21,444**	**14,785**	**6,659**
Liabilities			
Derivative financial liabilities	3,405	-	3,405
Total liabilities	**3,405**	**-**	**3,405**

The Bank does not have any financial instrument measured at level 3 fair value as of 31 December 2021.

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.

c) Financial instruments not measured at fair value

31 December 2021	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equivalents	125,189	125,189	-	-	125,189
Loans	434,146	-	-	434,146	430,375
Banks	255,249	-	-	255,249	253,663
Corporate	178,897	-	-	178,897	176,712
Securities not measured at fair value	63,109	48,622	14,487	-	62,081
Total assets	**622,444**	**173,811**	**14,487**	**434,146**	**617,645**
Liabilities					
Banks	107,436	-	-	107,436	107,165
Funds entrusted	419,732	-	-	419,732	417,970
Total liabilities	**527,168**	**-**	**-**	**527,168**	**525,135**

31 December 2020	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equivalents	133,176	133,176	-	-	133,176
Loans	359,144	-	-	359,144	363,356
Banks	198,293	-	-	198,293	200,549
Corporate	160,851	-	-	160,851	162,807
Securities not measured at fair value	70,516	44,558	25,958	-	67,161
Total assets	**562,836**	**177,734**	**25,958**	**359,144**	**563,693**
Liabilities					
Banks	139,409	-	-	139,409	138,906
Funds entrusted	349,630	-	-	349,630	346,461
Total liabilities	**489,039**	**-**	**-**	**489,039**	**485,367**

27 Hedge accounting

The Bank's detailed accounting policies for these two hedge models are set out in paragraph 2.u.

Anadolubank N.V. uses the following derivative financial instruments in hedge accounting relationship:

31 December 2021	Notional amount	Fair value assets	Fair value liabilities
Fair value hedge	19,500	177	27
Cash flow hedge	24,721	-	162
Total	**44,221**	**177**	**189**

31 December 2020	Notional amount	Fair value assets	Fair value liabilities
Fair value hedge	35,500	18	388
Cash flow hedge	22,817	-	1,200
Total	**58,317**	**18**	**1,588**

31 December 2021	Notional Amounts	Up to 1 months	Up to 3 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Fair value hedge	19,500	3,500	-	5,000	5,000	-	-	6,000
Cash flow hedge	24,721	-	13,244	-	-	-	-	11,477
Total	44,221	**3,500**	**13,244**	**5,000**	**5,000**	**-**	**-**	**17,477**

31 December 2020	Notional Amounts	Up to 1 months	Up to 3 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years
Fair value hedge	35,500	-	10,000	3,500	5,000	5,000	-	12,000
Cash flow hedge	22,817	-	-	12,224	-	-	-	10,593
Total	58,317	**-**	**10,000**	**15,724**	**5,000**	**5,000**	**-**	**22,593**

Gains and losses on derivatives designated under fair value hedge accounting are recognized in the statement of profit or loss. The effective portion of the fair value change on the hedged item is also recognized in the statement of profit or loss.

Cash flow hedging – impact of hedging instruments on the statement of profit or loss and other comprehensive income

	Change in fair value of hedged instruments	Change in value of hedging instrument recognised in OCI	Hedge ineffectiveness recognised in the statement of profit or loss gain (+) / loss (-)
31 December 2021	**(372)**	**291**	**81**
31 December 2020	**1,200**	**(1,236)**	**36**

The effective portion of gains and losses on derivatives designated under fair value hedge accounting are recognized in OCI.

Hedged items included in fair value hedging relationship

	Carrying amount of hedged items	Change in fair value of hedged items	Change in fair value of hedged instruments	Hedge ineffectiveness recognised in the statement of profit or loss gain (+) / loss (-)
31 December 2021	**19,500**	**(411)**	**643**	**(232)**
31 December 2020	**35,111**	**372**	**(301)**	**71**

The main sources of ineffectiveness are:

- Small value movement causing hedge ineffectiveness is a known issue in hedge accounting, and
- Differences in timing of cash flows of the hedged item and hedging instrument.

28 Risk Management

(a) Introduction and overview

This section presents information about the Bank's exposure to each of the below mentioned risks, objectives, policies and processes for measuring and managing risks, and the 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 are aware of 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 2021	December 2020
Cash and cash equivalents	125,189	133,176
Loans and advances to customers	176,712	162,807
Loans and advances to banks	253,663	200,549
Interest bearing securities	78,709	81,766
Derivative financial assets	469	6,659
Total balance Sheet	**634,742**	**584,957**
Commitments	75,231	32,669
Total credit risk exposure	**709,973**	**617,626**

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, 2021	175,824	-	-	-	3,414	2,525
December 31, 2020	161,201	-	-	-	3,226	1,621

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, which would not have been granted, had the debtor not been in financial difficulties.

	31 December 2021	31 December 2020
Corporate loans	4,273	6,225
ECL charge	(10)	(37)
Balance at 31 December	**4,263**	**6,188**

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 2021	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	125,189	125,189	-	-	-	-	-	-	-
Banks	253,663	253,866	203	-	-	-	-	-	-
Interest bearing securities	77,510	77,791	285	1,199	1,199	168	-	-	-
Loans and advances	166,909	167,229	319	8,915	8,939	24	889	3,414	2,525
Off-balance sheet liabilities	75,222	75,231	9	-	-	-	-	-	-
		699,306	**816**		**10,138**	**192**		**3,414**	**2,525**

	Stage 1			Stage2			Stage3		
31 December 2020	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	133,176	133,176	-	-	-	-	-	-	-
Banks	200,524	200,696	172	25	25	-	-	-	-
Interest bearing securities	76,353	76,527	174	5,413	5,413	185	-	-	-
Loans and advances	128,589	128,884	294	32,612	32,612	199	1,605	3,226	1,621
Off-balance sheet liabilities	32,669	32,669	15	-	-	-	-	-	-
		571,952	**655**		**38,434**			**3,226**	**1,621**

	Stage 1		Stage2		Stage3	
	Financial Assets	**ECL**	**Financial Assets**	**ECL**	**Financial Assets**	**ECL**
01 January 2021	**571,952**	**655**	**38,434**	**384**	**3,226**	**1,621**
Transfers from Stage 1 to Stage 2	(1,431)	-	1,431	0	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Net re-measurement on the stage transfer	-	-	-	-		-
Other changes in net exposure	122,931	161	(30,074)	(192)	188	904
Currency translation	5,854	-	348	-	-	-
31 December 2021	**699,306**	**816**	**10,138**	**192**	**3,414**	**2,525**

	Stage 1		Stage2		Stage3	
	Financial Assets	**ECL**	**Financial Assets**	**ECL**	**Financial Assets**	**ECL**
01 January 2020	**484,448**	**477**	**60,810**	**604**	**973**	**616**
Transfers from Stage 1 to Stage 2	(6,152)	(3)	6,152	3	-	-
Transfers from Stage 1 to Stage 3	(625)	-	-	-	625	127
Net re-measurement on the stage transfer	-	-	5,831	21	-	-
Other changes in net exposure	94,372	181	(33,331)	(244)	1,628	878
Currency translation	(91)	-	(1,027)	-	-	-
31 December 2020	**571,952**	**655**	**38,434**	**384**	**3,226**	**1,621**

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-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**
Against neither past due nor impaired:								
Secured by cash collateral	4,600	9,226	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	34,792	34,538	-	-	-	-	-	-
Other collateral	88,086	66,921	-	-	-	-	-	-
Uncollateralized exposure	49,234	52,122	253,663	200,549	78,709	81,766	125,189	133,176
Carrying amount	**176,712**	**162,807**	**253,663**	**200,549**	**78,709**	**81,766**	**125,189**	**133,176**

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-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**
Corporate:										
Basic materials	33,810	32,432	-	-	-	-	-	-	576	179
Transport&Logistics	34,753	29,323	-	-	4,998	4,005	-	-	22	21
Automotive	25,073	27,693	-	-	-	-	-	-	65	11
Chemicals	22,888	17,241	-	-	-	-	-	-	25	430
Construction& Infrastructure	4,919	13,204	-	-	-	-	-	-	9	1,071
Consumer products non-food	15,547	12,178	-	-	-	4,995	-	-	39	47
Oil&Gas	15,462	9,843	-	-	-	-	-	-	1,599	-
Agriculture &Fishing	8,478	7,678	-	-	-	-	-	-	7	11
Financial intermediation	3,047	4,983	-	-	4,003	-	-	-	51	69
Services	4,255	4,427	-	-	2,543	-	-	-	17	-
Building materials	-	3,012	-	-	-	-	-	-	-	113
Food, Beverages&Tobacco	459	602	-	-	-	2,547	-	-	436	17
Private individuals	-	4	-	-	-	-	-	-	-	58
Technology	-	-	-	-	-	-	-	-	-	95
Telecom	-	-	-	-	-	-	-	-	-	-
Others	-	187	-	-	-	5,458	-	-	-	5
Utilities	-	-	-	-	-	-	-	-	-	-
Real Estate	8,021	-	-	-	-	-	-	-	29	-
Central Bank	-	-	-	-	-	-	113,983	125,425	-	-
Government	-	-	-	-	30,212	21,207	-	-	343	202
Bank	-	-	253,663	200,549	36,953	43,554	11,206	7,751	316	333
Carrying amount	**176,712**	**162,807**	**253,663**	**200,549**	**78,709**	**81,766**	**125,189**	**133,176**	**3,534**	**2,662**

December 31, 2021

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	114,435	190	10,564	125,189
Loans and advances to customers	90,331	18,758	67,623	176,712
Loans and advances to banks	71,970	181,053	640	253,663
Interest bearing securities	51,286	20,513	6,910	78,709
Derivative financial assets	469	-	-	469
Total balance Sheet	**328,491**	**220,514**	**85,737**	**634,742**
Commitments	9,915	60,459	4,857	75,231
Total credit risk exposure	**338,406**	**280,973**	**90,594**	**709,973**
ECL charge	**2,288**	**632**	**614**	**3,534**

December 31, 2020

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	127,234	434	5,508	133,176
Loans and advances to customers	85,288	32,137	45,382	162,807
Loans and advances to banks	61,224	131,167	8,158	200,549
Interest bearing securities	45,286	29,929	6,551	81,766
Derivative financial assets	6,659	-	-	6,659
Total balance Sheet	**325,691**	**193,667**	**65,599**	**584,957**
Commitments	2,013	29,557	1,098	32,669
Total credit risk exposure	**327,704**	**223,224**	**66,697**	**617,626**
ECL charge	**1,889**	**432**	**341**	**2,662**

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-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**	**Dec-21**	**Dec-20**
Rated BBB- to AAA	17,068	12,048	42,334	29,465	58,196	51,836	124,974	132,714	51	140
Rated B- to BB+	22,339	18,408	186,720	138,043	20,513	29,930	190	435	732	450
CCC	-	-	-	-	-	-	-	-	-	-
Unrated	137,305	132,351	24,609	33,041	-	-	25	27	2,750	2,072
Carrying amount	**176,712**	**162,807**	**253,663**	**200,549**	**78,709**	**81,766**	**125,189**	**133,176**	**3,534**	**2,662**

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

Analysis on sensitivity

The table below presents the analysis on the sensitivity of GDP inputs used in the ECL collective-assessment modelling. The purpose of the sensitivity analysis is to enable the reader to understand the extent of the impact on model based reportable ECL from the upside and downside scenario.

In the table below the Real GDP for 2022 is presented in percentage year-on-year change.

	GDP	ECL
EU		
Upside	5.0 %	2,288
Baseline	3.8 %	2,288
Downside	-1.0 %	2,642
Turkey		
Upside	5.0 %	423
Baseline	3.7 %	631
Downside	-2.0 %	720
Rest		
Upside	5.0 %	590
Baseline	4.1 %	614
Downside	0.0 %	720

(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 with the guidance of ALCO, 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 horizons. 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 funding 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 (for example: 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 cash outflows under various levels of adverse conditions.

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.

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 shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2021 figures with those of 31 December 2020. 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 results demonstrate that the excess liquidity is maintained at all times.

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

31 December 2021

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	125,189	125,189	-	-	-	-	-	-
Banks	253,663	-	44,296	29,870	168,919	10,578	-	-
Loans and advances	176,712	-	17,120	11,916	35,501	92,995	19,180	-
Interest bearing securities	78,709	-	4,367	9,301	1,779	35,528	27,734	-
Current tax assets	573	-	-	-	-	573	-	-
Deferred tax assets	317	-	-	-	-	317	-	-
Other assets	1,152	-	-	-	-	470	-	682
Total assets	**636,315**	**125,189**	**65,783**	**51,087**	**206,199**	**140,461**	**46,914**	**682**
Liabilities								
Banks	107,165	-	21,913	24,777	26,146	34,329	-	-
Funds entrusted	417,970	147,932	118,271	61,254	37,656	51,214	1,643	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	7,716	-	7,716	-	-	-	-	-
Lease obligation	371	-	17	33	150	171	-	-
Total liabilities	**533,222**	**147,932**	**147,917**	**86,064**	**63,952**	**85,714**	**1,643**	**-**
Shareholders' equity	103,093	-	-	-	-	-	-	103,093
Total liabilities and equity	**636,315**	**147,932**	**147,917**	**86,064**	**63,952**	**85,714**	**1,643**	**103,093**
Net liquidity		**(22,743)**	**(82,134)**	**(34,977)**	**142,247**	**54,747**	**45,271**	**(102,411)**

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

31 December 2020	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	587,262	133,176	42,150	49,665	167,580	162,292	31,344	1,055
Total liabilities and equity	587,262	129,333	106,206	85,532	90,288	75,693	2,647	97,563
Net liquidity		**3,843**	**(64,056)**	**(35,867)**	**77,292**	**86,599**	**28,697**	**(96,508)**

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputation 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 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 (i.e. compliance, legal and integrity risk types). 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 incidents, as a requirement for operational risk management, including detailed analyses, the identification of mitigating actions, and timely information of the Management Board. As being the second line of defense, Risk Management, Compliance and Internal Control departments work closely in order to identify any exposures and make sure the mitigating actions are taken.

Inadequate compliance with obligations under civil, administrative, tax or criminal law, internal standards, rules and codes of conduct may result in regulatory or supervisory actions, including fines. In addition, non-compliance may damage the reputation of the bank which may also translate into financial loss. The Compliance Department monitors and ensures that the bank complies with all applicable laws, regulations and rules. Complying with the regulations plays an essential role in helping to preserve the integrity and reputation of the bank. Tasks include monitoring the bank's activities and controls, as well as identifying and analyzing risk areas. The department also designs and implements solutions to address any identified compliance risks; develop compliance programs for new regulations, and oversees employees' training programs. In addition, various risk appetite indicators are assigned for the compliance risk in order to control and mitigate the inherit risks.

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 with the co-ordination of Information Technology Department.

Security in finance is a significant topic for the operations. When mentioning about cyber security, we know it is an extremely hot topics for all the banks. We at Anadolubank Nederland N.V. consider not only how customer data is valuable but also think about integrity and resilience. We follow global trends and establish required controls powering a layered approach to deal with security issues. We protect all of our assets obtaining foundational security principles and new technologies in a continuous manner.

(e) Market risk

Market risk is the risk of changes in market prices of the underlying assets. 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 for proprietary position taking.

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 a 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 advices on the 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.

The Bank effectively has interest rate risk in two currencies: EUR and USD. Other currencies are minor, including the TRY interest rate position, thus not significant. The TRY interest rate position is close to none.

Economic Value of Equity (EVE)

31 December 2021 **in EUR**

Currency	EVE	Parallel up	Parallel down	Steep	Flat	Short up	Short down
EUR	105,124,728	2,272,731	-590,137	-749,149	1,437,613	2,025,441	-656,537
USD	6,809,409	-1,089,341	886,883	391,590	-568,353	-1,005,950	750,380
USD + EUR	**111,934,137**	**47,025**	**-146,695**	**-553,354**	**150,454**	**6,771**	**-281,347**
% of EVE	-	0.00 %	-0.10 %	-0.50 %	0.10 %	0.00 %	-0.30 %
Outlier criterion		**0.00 %**	**-0.10 %**	**-0.50 %**	**0.10 %**	**0.00 %**	**-0.30 %**

As can be observed from the above table, outlier criterion results (as a percentage of Tier 1 capital) are well below the predefined 15% regulatory limit set by the EBA guidelines.

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 (net interest income) 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.

The EaR is calculated as the impact of 200bps shift (both up and down) on the interest rates over a 1 year and 2 year horizon, under an assumption of a stable balance sheet. The results are presented below for the 1 year horizon.

Price value of a basis point (PV01)

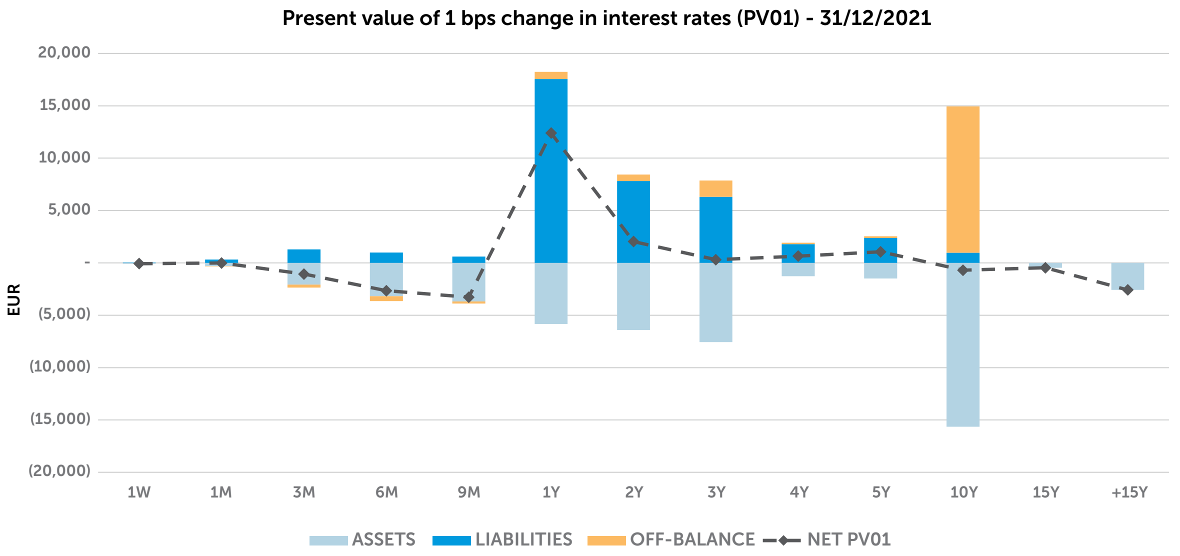
The price value change of 1 bps or PV01 is the value change of an item in the assets or liabilities given a single basis point increase on the interest rates. The measure is additive and therefore the basis point price value of equity can be determined by subtracting the sum of basis point values of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

Net Interest Income (NII)

31 December 2021 **in EUR**

Currency	NII (1 year)	Gradual shift up	Instantaneous shift up	Gradual shift down	Instantaneous shift down
EUR	4,395,227	1,560,312	3,744,240	-816,805	-945,302
USD	6,724,587	467,114	1,157,253	-443,481	-767,848
GBP	-13,422	-14,123	-33,167	12,036	21,133
AUD	0	0	0	0	0
TRY	-5,506	-289	-635	289	635
TOTAL	**11,100,886**	**2,013,014**	**4,867,691**	**-1,247,961**	**-1,691,382**
% of NII	**-**	**18 %**	**44 %**	**-11 %**	**-15 %**

The graph below shows the sensitivity to a 1bp increase in interest rates on 31/12/2021. It is presented across multiple durations.



Interest rate gap profile (IRG)

The PV01 and notional amounts are also presented in a term structure (from 1 week to 15 years) with a repricing view. 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 2021	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Assets						
Cash and cash equivalents	125,189	-	-	-	-	125,189
Banks	253,663	74,165	54,007	114,912	10,579	-
Loans and advances	176,712	29,036	12,915	22,586	112,175	-
Interest bearing securities	78,709	13,669	-	1,779	63,261	-
Current tax assets	573	-	-	-	573	-
Deferred tax assets	317	-	-	-	-	317
Other assets	1,152	-	-	-	470	682
Total assets	**636,315**	**116,870**	**66,922**	**139,277**	**187,058**	**126,188**
Liabilities						
Banks	107,165	46,688	2,666	23,482	34,329	-
Funds entrusted	417,970	248,368	21,716	15,939	52,859	79,088
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	8,087	6,880	-	-	-	1,207
Total liabilities	**533,222**	**301,936**	**24,382**	**39,421**	**87,188**	**80,295**
Surplus/deficit	**103,093**	**(185,066)**	**42,540**	**99,856**	**99,870**	**45,893**

31 December 2020	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	587,262	217,284	42,157	125,424	193,314	9,078
Total liabilities	489,699	274,084	43,870	46,265	78,067	47,413
Surplus/deficit	**97,563**	**(56,800)**	**(1,713)**	**79,159**	**115,247**	**(38,335)**

(f) Currency risk

31 December 2021

Assets	**EUR**	**USD**	**TRY**	**Other**	**Total**
Cash and cash equivalents	114,50	10,370	40	279	125,189
Banks	86,056	167,607	-	-	253,663
Loans and advances	111,697	65,015	-	-	176,712
Interest bearing securities	51,459	27,250	-	-	78,709
Current tax assets	573	-	-	-	573
Deferred tax assets	317	-	-	-	317
Property and equipment	489	-	-	-	489
Derivative financial assets	469	-	-	-	469
Other assets	194	-	-	-	194
Total assets	**365,754**	**270,242**	**40**	**279**	**636,315**
Liabilities					
Banks	68,404	37,333	-	1,428	107,165
Funds entrusted	273,797	144,131	37	5	417,970
Derivative financial liabilities	6,649	230	-	1	6,880
Share capital and share premium	75,000	-	-	-	75,000
Retained earnings	23,525	-	-	-	23,525
Revaluation reserves	(82)	(162)	-	-	(244)
Hedge fund	(709)	-	-	-	(709)
Net Profit	5,521	-	-	-	5,521
Other liabilities	1,073	134	-	-	1,207
Total liabilities	**453,178**	**181,666**	**37**	**1,434**	**636,315**
Net on balance sheet position	**(87,424)**	**88,576**	**3**	**(1,155)**	**-**
Net notional amount of derivatives	**85,247**	**(91,720)**	**-**	**1,153**	**(5,320)**
Net position	**(2,177)**	**(3,144)**	**3**	**(2)**	**(5,320)**

31 December 2020	**EUR**	**USD**	**TRY**	**Other**	**Total**
Total assets	345,145	240,761	76	1,280	587,262
Total liabilities	423,881	161,129	58	2,194	587,262
Net on balance sheet position	**(78,736)**	**79,632**	**18**	**(914)**	**-**
Net notional amount of derivatives	**91,314**	**(85,331)**	**-**	**886**	**6,869**
Net position	**12,578**	**(5,699)**	**18**	**(28)**	**6,869**

On a daily basis, the net FX open position on the banking and trading book is measured per each currency. The net open position in the banking book is expected to be hedged, translating into tight limits available to accommodate the hedging process. For the trading book all open positions are evaluated per each mandated currency and are restricted based on the aggregated position. In addition to the position limits, trading book is also subject to the stop loss limits.

The Bank applies the Standardized Approach to capture the market risk under Pillar I capital requirement calculation. Market risk incorporates a range of risks including the currency risk.

Sensitivity	**31/12/2021**
Own funds requirement	255
Own funds requirement (-)10% shock on USD/EUR rate	230
Own funds requirement (+)10% shock on USD/EUR rate	280

(g) Capital management

Anadolubank N.V. 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 in place.

Capital requirements	**2021**	**2020**
in thousands of EUR		
Total risk weighted assets	454,304	396,844
Credit risk	430,121	373,274
Market risk	3,190	5,769
Operational risk	20,992	17,801
Tier 1 capital	**103,802**	**98,492**
Paid-in capital	75,000	75,000
Retained earnings	23,525	21,725
Revaluation reserves	(244)	(35)
Net profit	5,521	1,802
Total capital	**103,802**	**98,492**
Tier 1 ratio %	**22.9 %**	**24.8 %**
Solvency ratio %	**22.9 %**	**24.8 %**

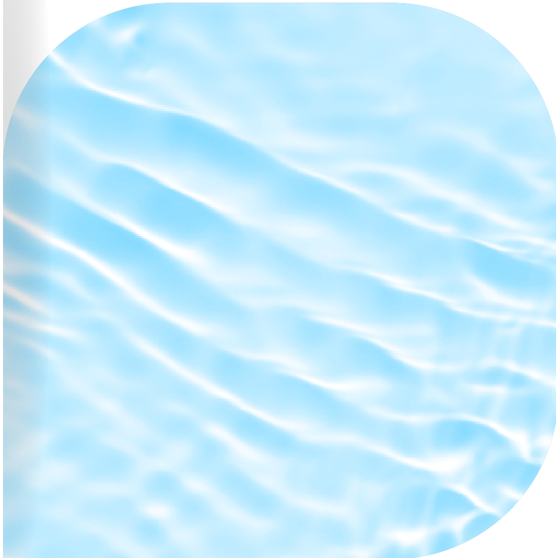
29 Subsequent events

Anadolubank N.V. does not have any material Russia (EUR 30 thousands at 31 December 2021, there is no risk at 14 June 2022) and Ukraine related risks, i.e. whether there is an associated indirect risk at the origination country or destination country of the transactions. As a result there is no indirect risk associated with Russia or Ukraine, either.

Even though the Bank does not carry any direct nor indirect exposures, the Bank is alert for global consequences and will continue to closely monitor the impact on the financials and on its' clients.

Business lines and Compliance department will continue to monitor the transactions concerning the sanctions.

Mr. Johan Buitenga has been presented by the Supervisory Board to the shareholder as new member of the Supervisory Board. Meanwhile Mr. Johan Buitenga has been approved by DNB and will therefore join the Supervisory Board as from May 25, 2022.



Amsterdam, June 14, 2022

Supervisory Board

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

J. Buitenga, Member

Managing Board

O.Sakizligolu, CEO / Managing Director

N. Plotkin, Managing Director

A.H.Otten, Managing Director

30 Other informations

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. It has been decided not to pay any dividend for the year 2020 on June 10, 2021.

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Independent auditor's report

To the Shareholders the Supervisory Board of Anadolubank Nederland N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2021 of Anadolubank Nederland N.V., 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 31 December 2021, and of its result and its cash flows for 2021 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 31 December 2021.
2. The following statements for 2021: 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.

Emphasis of the impact of the Russia/Ukraine-Crisis

The Russia/Ukraine-Crisis also impacts Anadolubank Nederland N.V. Management disclosed the estimated impact on financial performance and health of Anadolubank Nederland N.V. and her plans to deal with these events or circumstances in note 29 of the financial statements. Our opinion is not modified in respect of this matter.

Deloitte.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 750,000. The materiality is based on 0.75% of equity. 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 Managing Board and Supervisory Board that misstatements in excess of EUR 35,000, 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.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.
As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the risk of management override of control as a fraud risk. Our procedures to address this risk included the following:

(i) We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

(ii) We considered available information and made enquiries of relevant executives, directors including internal audit, legal, compliance and the Supervisory Board.

(iii) We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

(iv) We evaluated whether the selection and application of accounting policies by the Company, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

(v) We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 2 of the financial statements. We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements.

(vi) For significant transactions we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit approach fraud risks compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with management, internal audit, compliance and the Supervisory Board. We have read Management Board minutes, communication with regulatory authorities, and reports of internal audit. We involved our compliance specialists in this evaluation.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the Company’s business and the complexity of the regulatory environment for banks, there is a risk of non-compliance with the requirements of these laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company’s ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to:

(i) Inquiry of management, the Supervisory Board, the Management Board and others within the Company as to whether the Company is in compliance with such laws and regulations.

(ii) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.
Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us. For our conclusions, reference is made to our key audit matter on regulatory compliance.

Deloitte.

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we evaluated management's assessment of the Company's ability to continue as a going concern for the next 12-months and considered key regulatory ratios. Based on our procedures performed, we did not identify significant doubts on the Company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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 Managing Board and 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 Nederland N.V. recognizes a loss allowance for expected credit losses ("ECL") on the financial assets at amortized cost and the financial assets at fair value through OCI. At 31 December 2021 the expected credit loss allowance amounted EUR 3,533 thousand, related to a gross carrying amount of EUR 712,858 thousand. The ECL of stage 1 and stage 2 exposures is calculated collectively. The ECL on the stage 3 exposures is calculated individually. Because of the inherent uncertainty and risk in a number of areas when determining the expected credit loss allowance, the expected credit loss provision is an important area of judgements and estimates by the Management Board. As a result, we have identified the expected credit loss allowance to be a key audit matter.	**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 Nederland N.V. We have tested the design and implementation of the controls related to the timely recognition and measurement of the expected credit loss allowances. For the collective expected credit loss 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 and involved a specialist. For individually assessed impairment allowances, we obtained corroborating and contradictory evidence to substantiate and challenge Management's assertions regarding the reasonableness of the accounting estimates and the used assumptions in the individual impairment analyses for 31 December 2021. We assessed whether the impact of COVID-19 and Russia/Ukraine Conflict has appropriately been incorporated in the impairment allowance calculation. For a selection of individual exposures, we have assessed whether Anadolubank Nederland N.V. correctly applied its provisioning and staging policy.

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.	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 reportable matters.
Reliability and continuity of the Information Technology systems **Description** An adequate Information Technology 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 Information Technology infrastructure as also explained in note 28 Financial risk management of the financial statements. Therefore, reliability and continuity of the Information Technology 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 Information Technology systems relevant for our audit of the financial statements. Furthermore, we have tested the implementation of key controls ensuring that Information Technology systems can be recovered in case disruptions occur. For this purpose, we have made use of Information Technology auditors within our audit team. These procedures included testing the design, implementation and operating effectiveness of the relevant General Information Technology and application controls. Our audit approach relies on automated controls and therefore on the effectiveness of the General Information Technology controls over Information Technology systems. *Our observations* For the purpose of our financial statements audit we believe that the reliability and continuity of the Information Technology systems of Anadolubank Nederland N.V. are at a sufficient level to support our controls reliance audit strategy.

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.

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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 Managing 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.

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

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

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not 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 Managing Board and 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 audit committee 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 Managing Board and 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 Managing Board and 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, 14 June 2022

Deloitte Accountants B.V.

Signed on the original: A. den Hertog