ANNUAL REPORT 2022

Anadolubank Nederland

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Anadolubank Nederland

Vision

To become the bank of choice for customers

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

Mission

Setting new standards

In order to become the bank of choice for customers, we must set new standards for banking operations that benefit our customers, shareholders, society, 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.

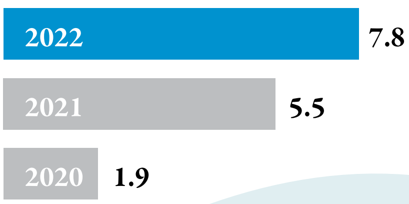
Working together
We firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

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

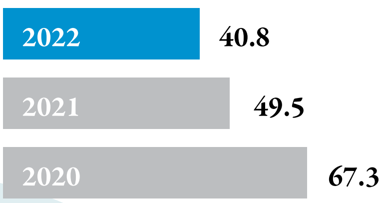
THREE-YEAR KEY FIGURES

in EUR thousand	2022	2021	2020
Total assets	833,065	636,315	587,262
Loans	468,305	430,375	363,356
Bank loans	262,889	253,663	200,549
Corporate loans	205,416	176,712	162,807
Securities	113,929	78,709	81,766
Deposits	572,774	417,970	346,461
Shareholders' equity (including results after tax)	112,068	103,093	97,563
Operating result before tax and impairments	12,217	8,202	3,355
Expected credit losses	(958)	(873)	(966)
Result after tax and impairments	8,397	5,521	1,802
%			
Net return on average equity	7.8	5.5	1.9
Loans/deposits	81.8	103.0	104.9
Cost/income ratio	40.8	49.5	67.3
Cost/average assets	1.2	1.4	1.2
Capital adequacy ratio	22.3	22.9	24.4
Liquidity coverage ratio	369	549	369
Net stable funding ratio	188	172	166

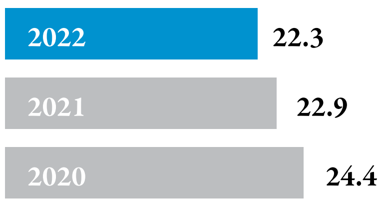
Net return on average equity



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 advisory role in the setting of risk appetite of the Bank, the strategy and define the culture in the organization. Members of the Supervisory Board, in particular the Chairman of the Supervisory Board, have – next to the contacts with the Members of the Management Board in the formal meetings – also many informal contacts with the Management Board as a whole or the individual members.

The year 2022

Anadolubank Nederland NV continued the transformation program intended to reduce reliance on Turkish or Türkiye related corporate customers 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 through inflationary pressures had limited impact on Anadolubank Nederland NV following its consistent conservative approach on lending. The Bank was still able to maintain a high level of liquidity and solid capital ratios in 2022.

The key priorities for 2022 were:

- Strategy of continued expansion diversification of lending, where feasible;
- Preserve a solid, capitalized and liquid bank to weather the difficult economic environment following the Covid-19 impact and aftermath effects of the Russian-Ukrainian conflict;
- Adjust the risk appetite, maintain a very conservative approach towards new customers.

As Supervisory Board we are pleased and confident that Anadolubank Nederland NV 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 Nederland NV 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. However it remains high on the agenda of the Supervisory Board and the Management Board. It is therefore scheduled that we will have a refreshed culture program in 2023, as we have a few changes on Board level and it is important to have all in the bank focused that a open and sound culture is of utmost importance.

Strategy

During the year 2022, 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 Nederland NV Is to diversify and focus more on the diversified corporate lending, 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.

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 Nederland NV 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.

Management Board

In January 2023 Mr. Ozgur Sakizlioglu resigned as CEO of the bank and has become the Managing Director of Habas International in Amsterdam. We thank Mr. Sakizlioglu for the years he acted as CEO of the bank and wish him success in his new position.

The Supervisory Board propose Mr. Nedim Sabah, the Chief Marketing Officer, as a new member of the Management Board. Meanwhile Mr. Nedim Sabah has been approved by DNB, and therefore is effectively as from 28 March 2023 a member of the Management Board. We wish him all success in his new role.

Mrs. Nuriye Plotkin will serve as interim CEO until 31 December 2023 at the latest. We believe that the new management heralds a new era for our bank and Anadolubank Nederland NV will continue its successful course under the leadership of new Management Board.

Management Board

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

Supervisory Board structure

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

As per May 2022 Mr. Johan Buitenga has become a member of the Supervisory Board. However, due to personal reasons, Mr. Johan Buitenga decided to resign from the Supervisory Board as per December 31, 2022. We thank Mr. Johan Buitenga for being a valuable member of the Supervisory Board. We wish him all success in his further career.

Supervisory Board meetings

During the year 2022 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. 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 2022 the topics of the training were:

- Value of Cloud
- Fraud in Lending
- Environment, Social and Governance
- IFRS 9
- Anti-Money Laundering and Customer Due Diligence

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.

Priorities for 2023

We will continue to transform the Bank into a bank that is focused on the Dutch and European SME markets, and good clients related to the Turkish home market in Europe or UK. Next to this the Bank will also analyze the consequences and impact on banking of the regulations in relation to the ESG factors (Environment, Social and Governance).

Adoption of financial statements

We hereby present the annual report and financial statements for the 2022 financial year, as prepared by the Managing Board. The achievements and overall results of 2022 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. The year 2022 was (again) a challenging year. The Bank reported net profit of EUR 8.4 million for 2022. Taking into account the difficult market circumstances this is a result the Bank can be very proud of.

The Supervisory Board has discussed the 2022 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 Shareholder adopt the financial statements for 2022 at the General Meeting of Shareholder to be held on 11 May 2023. We propose that the profit after tax and impairments be added to the Bank's reserves. Furthermore, we propose that the General Meeting of Shareholder discharge the members of the Management Board from responsibility for their management and the Supervisory Board from responsibility for their supervision in the 2022 financial year.

Conclusion

The Supervisory Board wishes to express its appreciation to our shareholder 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, June 01, 2023

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

MANAGEMENT BOARD REPORT

As the post pandemic era has continued with increasing uncertainty and volatility in the macroeconomic environment, high inflation, interest rate hikes and geopolitical tensions left their mark on the past year and we stayed focused on our strategy.

The Management board is pleased to report that the Bank has exceeded all financial targets for the year 2022. The bank reached a net profit of 8.4 million Euros, an increase of 52% compared to the previous year. These results were driven by the strength of our core business activities, our prudent approach to credit risk management and the progress we've made in execution according to our plan. With a CET1 of 22.3% and a high liquidity, our healthy bank balance sheet maintains its strength. The improved efficiency of 40.8%, an increase of 9% represents the optimum management in our institution. We are incredibly proud of what our team has accomplished.

Looking forward to 2023 we would like to pursue the momentum that is achieved. Whilst keeping the above at the top of our agenda, our priority will be keeping our customers at heart of strategy.

The Bank will focus on the following elements and key priorities:

- Diversify the loan portfolio to reduce earnings volatility (geographic, sectoral, product);
- Focus on trade finance, marine and vessel finance and corporate banking products;
- Increase of diversity of our clientele and establishment of a solid corporate customer portfolio;
- Increase organizational and operational efficiency with solid performance management and financial performance reporting.

In terms of our responsibilities towards the environment, the Board of Directors initiated the project in 2022 to implement measures to improve Environmental and Climate risk management. We have developed and continue to implement our Environmental and Climatic risk roadmap, which defines the Bank>s climate-related priorities and aims to better understand the impact of climate-related risks on our business. We will accomplish this through in-depth discussions with our stakeholders, further strengthening our internal capacity and collaborating with external experts to identify additional strategic priorities to guide our approach.

As the Management Board, we would like to express our gratitude to the trust of our Supervisory Board and our shareholders, the loyalty of our customers and, finally, to our esteemed colleagues who are with us every day on this path we have embarked on.

The Management Board is composed of the following members:

Name	*Position*	*Membership Since*
N. Plotkin	Interim CEO	2013
A.H. Otten	Managing Director	2013
N. Sabah	Managing Director	2023

2.1 Outlook

The global economy encountered major disturbances in 2022. High energy prices, inflation impacting the cost of everyday life and low consumer confidence affected the economy. All these disturbance were even worsened by Russia-Ukraine tensions. It pushed up inflation dramatically in Europe, US and the rest of the world. This caused pain among businesses and consumers alike and rapidly slowed the global economies to stagnation, bordering on recession.

The invasion of Ukraine by Russia and the resulting energy crisis was one of the biggest shocks for the global economy in 2022. Global growth slowed from over 6.2% in 2021 to 3.4% and inflation skyrocketed to multi-decade highs in many countries, reaching 8.8% at the end of 2022. Global inflation is expected to slow down to 5.5% and 3.5% levels through 2025.

The US also battled a surge in prices and China continued to struggle economically due to the continued impact of Covid-related lockdowns and a struggling real estate sector. The UK battled financial instability after the Truss Government>s mini-budget and the budget cuts announced afterwards.

High inflation also prompted a strong response from central banks worldwide. The Fed led the global interest rate hike cycle, but the ECB also made quick moves towards normalization of interest rate policy. Ending net purchases in the ECB's Pandemic Emergency Purchase Program and Asset Purchase Program was followed by rapid rate hikes over the course of the second half of 2022 and beginning of 2023, which turned into the most aggressive hike cycle ever by the ECB. This had a marked impact on the financing environment globally with investment appetite slowing for both households and corporates.

That said, activity in many jurisdictions has slowed less sharply than had been feared at the onset of the Ukraine war, and by early 2023 there were even signs of a slight pickup in activity. However, the smaller slowdown in activity adds to concerns of stubbornly high inflation. And thus, central banks still have work ahead of them, despite the fact that they already tightened monetary policy at an unprecedented pace last year. Given that the impact of higher policy rates will only be felt with a delay, the interest rate environment is now one of the key risks for global economic activity and asset prices over the medium term. Even as an increasing number of economies may have averted recession, global growth is likely to be subdued this year, at around 2.5%, as many businesses face tight labor markets, rising (labor) costs and an increasingly challenging and uncertain geo-economic environment in which government actions such as sanctions, protectionism or subsidy regimes and the possibility of a spark of another financial sector turmoil could lead to renewed price volatility.

2022 has been a very successful year for Anadolubank Nederland NV benefiting from widening spreads which had and still having a positive impact on the banking sector profits. Given the uncertainty of the markets for 2023 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.

Sustainability, together with high customer satisfaction, will remain our strategic priorities.

We will continue to optimize our business mix, with trade finance and corporate banking remaining the Bank>s major business areas.

In an ethical fashion, the bank will continue to provide opportunities for its customers, shareholders, workers, and society as a whole.

The Bank was incorporated with the objective to engage banking activities and therefore did not engage in any research and development activities during 2022. It is not expected to do so in the future.

2.2 Economic Developments

Macro-economic developments

Global growth

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Normalization of monetary and fiscal policies that delivered unprecedented support during the pandemic is cooling demand as policymakers aim to lower inflation back to target. But a growing share of economies are in a growth slowdown or outright contraction. The global economy's future health rests critically on the successful calibration of monetary policy, the course of the war in Ukraine, and the possibility of further pandemic-related supply-side disruptions, for example, in China.

Global growth slowed down from 6.2% in 2021 to 3.4% in 2022 and forecasted to pick up to 2.9% and 3.3% levels in 2024 and 2025 after bouncing back from 2.4% at 2023 year end. The growth profile is projected to climb back to historical average levels since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 5.3% in 2023, 3.6% in 2024 and 3.3% in 2025. Monetary policy should stay the course to restore price stability and curb the inflation, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy. Structural reforms can further support the fight against inflation by improving productivity and easing supply constraints, while multilateral cooperation is necessary for fast-tracking the green energy transition and preventing fragmentation.

Inflation and interest rates

Increasing price pressures remain the most immediate threat to current and future prosperity by squeezing real incomes and undermining macroeconomic stability. Central banks around the world are now laser-focused on restoring price stability, and the pace of tightening has accelerated sharply. There are risks of both under and over-tightening. Under-tightening would entrench further the inflation process, erode the credibility of central banks, and de-anchor inflation expectations. Over-tightening risks pushing the global economy into an unnecessarily harsh recession. As several prominent voices have argued recently, over-tightening is more likely when central banks act in an uncoordinated fashion. Financial markets may also struggle to cope with an overly rapid pace of tightening. As economies start slowing down, and financial fragilities emerge, calls for a pivot toward looser monetary conditions will inevitably become louder. Where necessary, financial policy should ensure that markets remain stable, but central banks around the world need to keep a steady hand with monetary policy firmly focused on taming inflation.

For many emerging markets, the strength of the dollar is causing acute challenges, tightening financial conditions, and increasing the cost of imported goods. The dollar climbed to its highest level since the early 2000s. So far, this appreciation appears mostly driven by fundamental forces, such as the tightening of monetary policy in the United States and the energy crisis. The appropriate response in most countries is to calibrate monetary policy to maintain price stability, while letting exchange rates adjust, conserving valuable foreign exchange reserves for when financial conditions really worsen. Divergences in economic policies may continue to hinder US dollar strength, which could create cross-border tensions. The course of monetary policy tightening in the US and the euro area might continue to diverge if inflation persists for longer and a sharp monetary tightening proves difficult to implement in the euro area in the presence of fragmentation risks.

According to latest committees, press announcements and statements rake hike increases from both FED and ECB is expected by the markets. Given the ongoing high inflation both in Europe and United States, terminal rates for USD is seen at 5.375% and for EUR above 4% in the course of 2023.

Following the concerns around the health of the global financial system which was triggered by turmoil in SVB and CS banks, 10 year US and German bonds declined by 50 to 100 bps. After strong year-to-date gains, turmoil gripped European banks last week as Credit Suisse's bonds and stock plummeted, triggering a broader sector selloff. On 19 March 2023, Swiss investment bank UBS Group AG agreed to buy Credit Suisse for CHF 3 billion in an all-stock deal brokered by the government of Switzerland and the Swiss Financial Market. The shock brought European bank valuations back to where they were in October, and average price-to-earnings ratios to levels seen during past crises. Amid easing concerns, European equities were higher led by banks while The Stoxx Europe 600 index climbed and banks rallied.

Traders are also bracing for rate decisions from the Federal Reserve and the Bank of England, amid hopes that peak interest rates are in sight as policymakers weigh recession risks from the banking turmoil. While ECB delivered the expected 50bps hike, markets are expecting a more reluctant FED decision between the increasing inflation and unrest in the banking sector.

Dutch Economy

Although the Dutch economy started the year 2022 on the wrong foot due to severe lockdown measures implemented until mid-February, the signs for another year of dynamic recovery were strong. However, the war in Ukraine, and the related sanctions and trade barriers adopted by all sides, have cooled the high hopes of a strong recovery. The direct impact of the conflict on the Dutch economy is limited. The total trade between the Netherlands and Russia/Ukraine is less than 3% of Dutch trade (2021). The Dutch direct dependence on Russian gas is limited, only 3-4% of energy consumption was imported from Russia in recent years. Gas storage levels over 90% and a 25% reduction of gas consumption in the first half of 2022 significantly mitigate the risk of gas shortages. Nevertheless, the Netherlands is a net importer of gas and therefore vulnerable to spill-over effects from rising global energy prices. The government introduced an energy price cap in 2023 to protect households and other small energy consumers as well as a separate measure that provides an allowance to energy-intensive SMEs.

To balance out the decrease in gas production and the dependence on Russian gas imports, the state wants to increase its capacity to import liquefied natural gas (LNG), for instance at the existing terminals in Rotterdam. However, in the meantime, European gas prices increased by 55% between the beginning of the year and early April. Because gas is the main heating source in the Netherlands and 3.5 million households (44% of all households) have a variable heating contract (with a term of 6 months, after which the prices are adjusted again), while another 2 million households will see their fixed contracts expire, the increase in gas prices is rapidly reflected in inflation rates. In addition, gas is the main source for electricity and a major input for manufacturing production in the Netherlands. The high energy prices are also increasingly mirrored in producer prices, as well as consumption goods, especially in the food sector. However through the start of 2023, energy prices declined to almost seasonal average levels, given the warmer weather conditions in winter.

Following a 4.3% expansion in 2022, economic growth is projected to slow to 0.5% in 2023 and 1.3% in 2024. Inflation is expected to moderate to 2.6% by the end of 2024, after peaking at 10% in 2022. Private consumption is projected to weaken in the short term, but will gradually strengthen, aided by government support measures and welfare adjustments. Despite a small increase over the projection period, unemployment will remain low at 4.5% in 2024 as the labor market remains tight. Unemployment is low, at 3.6% in 2022. The number of vacancies remains high, with less than one unemployed person per vacancy, indicating a tight labor market.

2022 will be the third consecutive year with a noticeable public deficit in the Netherlands. Nevertheless, the deficit should decrease thanks to higher income tax due to the further economic recovery, as well as a reduction in COVID-19 related expenditures, as most ended in late June 2022. Even the new energy prices related measures should not change the improvement in public finances. Accordingly, the public debt ratio should fall and remain limited. The Dutch current account surplus will decrease, but remain at a high level. While the exports of goods should still moderately increase, nominal imports will increase noticeably, especially due to high import prices. 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. The Netherlands' net international investment surplus reached 114% of GDP in early 2021 as corporate and households are creditors to the rest of the world.

Turkish Economy

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.

Turkish Lira continued its decline in 2022 and the first month of 2023. The decline continued mainly due to the unorthodox economic management and number of other factors including inflation remaining very high, uncertainties on global economic recovery due to COVID-19, Russia-Ukraine crisis and its impact on global supply chains and energy prices, early election announcement in Türkiye and its potential impacts for the future of the country.

After growing by a stronger-than-expected 11% in 2021, Türkiye's economy would slow to 7.5% levels in 2022 mainly on the back of sharp increases in energy prices and supply disruptions in key commodities due to the war in Ukraine. Türkiye imports nearly 30% of its natural gas from Russia, as well as nearly 20% of metals and chemicals required for its domestic production. Imposition of Western sanctions on Russia, the removal of some Russian banks from the SWIFT system and the closure of some ports in the Black Sea region due to the war have affected negatively trade flows between Russia and Türkiye. Due to the heavy sell-off of the Turkish lira in November and December 2021 and globally rising commodity prices, inflation soared in 2022 which resulted back in more lira depreciation due to Turkish economy being heavily dependent on imports. The government's announcement of a new financial mechanism based on protecting local currency deposits from the lira's depreciation may shield the lira in the short-term, however it might have financial burdens for the Turkish treasury in the long term.

As elections get closer (14 May 2023), risk of polarization within the society may increase. However, this should not threaten the political stability of the country. Recently, moving beyond regional issues of contention, Türkiye has restored its relations with the United Arab Emirates (UAE). In November 2021, both countries signed bilateral cooperation agreements in multiple fields including trade, energy and environment. According to some media reports, Saudi Arabia, Egypt and Israel have also taken action to create a new level of relations with Türkiye. These improvements are expected to have reciprocal positive economic contributions.

Turkish Central Bank cut the rates by 50 bps points to 8.50% which was lower than the market expectations of 100 bps. Citing possible supply-side effects on inflation, the CBT stated that it sees the current policy rate adequate to support the necessary recovery in the aftermath of the devastating earthquake and that it will monitor the effects of the earthquake in the first half of 2023. This might be signaling an intention to keep the policy rate on hold at 8.50% during 1H23. World Bank estimates that the physical impact of the earthquake would be approximately $35 billion.

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 Nederland NV 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 ceased to be published as from 3 January 2022 and Anadolubank Nederland NV seamlessly transitioned to 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 Nederland NV has limited transaction passing June 2023.

Anadolubank Nederland NV has amended the related legal contracts and has also adhered to the ISDA 2020 IBOR Fallback Protocol. We are continuously working with our counterparties and consulting partner 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, maintaining and developing the relationships with domestic and foreign financial institutions and central banks, and supports the bank in the process of repositioning itself in a changing competitive environment. The department is working closely with Treasury, Trade Finance, Corporate Banking, Operations and Credit Risk departments to ensure the smooth and most efficient services to be provided to the banks valued customers. FI is active in asset generation within the bank's core markets, procurement of long-term wholesale funding through syndications and trade-related transactions and distribution of trade-related assets in the secondary markets since establishment in 2008. The department focuses on forfaiting business model through products as Letters of Credit, Promissory Notes, Bills of Exchange, Bank Guarantees, Schuldschein, Syndicated and Bilateral Loans primary and secondary trading. Being a member of the International Trade & Forfaiting Association (ITFA), enables the Bank to benefit from a wide variety of business and partnership options in the world of trade finance. In 2022 one of the targets of the department was to expand the list of counterparties - Financial Institutions in Bulgaria, Italy, Spain and other European countries, which is accomplished and provided the Bank comprehensive business opportunities within European sector. Within the risk mitigation targets in 2022, Financial Institution department applied IFC and EBRD, in order to join their Global Trade Finance Program and Trade Facilitation Programme as confirming bank respectively. 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 latest regulations.

2.4 Trade Finance

Trade Finance business has been one of the key business lines consistently adding value to Anadolubank Nederland NV 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. One year after Russia invaded Ukraine and sent commodities into turmoil, it's clear that the main takeaway is that markets are remarkably resilient and adapt quickly to changing circumstances. While the attack on February 2022 initially sent prices for most of the commodities sky-rocketing, most commodity prices have retreated from their peaks in the aftermath of the post-pandemic demand surge and war in Ukraine as global growth slows and worries about a global recession intensify. High energy prices are also a factor in the current bout of inflation and the associated tightening of monetary policy. On the other hand, fears were never fully realised, largely because Russian commodities were re-routed to new buyers and some consuming nations cut consumption of commodities such as natural gas.

Anadolubank Nederland NV closely monitored the aggression in Ukraine since the first day and scaled down her trade finance activities and appetite in the region. Anadolubank Nederland N.V doesn't have a single direct exposure in Russia or Ukraine as of 2022 year end.

Anadolubank Nederland NV Trade Finance team had an excellent year in 2022 in terms of commission income, trade finance volume as well operating income. Trade Finance department demonstrated another record year in terms of both volume and operating income. For the first time in its history Trade Finance department's income commission exceeded EUR 3mn at the end of the year representing 17% 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 2 billion in 2022 which was EUR 1.5bn in 2021, recording a year-on-year growth of over 33%.

2.5 Corporate Banking

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

2022 was a year where the interest rates started to increase. New opportunities and also new risks were in the market. Our corporate team brought in new clients and new transactions with the existing clients. Risk assessment was as always important. At the end, 2022 was a good year for the corporate banking department and also for the bank.

2023 will bring new opportunities and new risks as well. With a prudent approach to the assessment of new clients and new transaction, we believe that we will have another successful year.

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 Nederland NV 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 2022, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

2.7 Compliance

The international sanctions on particular the Russian Federation, created additional sanction checks for the compliance department in 2022 related to trade finance activities.

The gatekeeper's role, which is a very important role in order to avoid money laundering and/or financing of terrorism activities, is highly on the agenda of the Management Board. The head of the Compliance department participates in the Management Board meetings. The Compliance department reports on regular basis also to the Supervisory Board.

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 Laundering.

The Systematic Integrity Risk Analysis was performed and the outcome of residue risks was accepted by the Management Board.

Compliance management resulted in several relevant trainings to staff and creating constant awareness. The head of department participates in the Lifelong training program on a yearly basis.

In 2023 further digitalization possibilities of the Compliance function will be investigated, as already started in 2022.

2.8 Financial Performance Summary

Anadolubank Nederland NV posted EUR 8.4 million net profit in 2022, EUR 2.9 million higher than 2021 (2021: EUR 5.5 million), despite the challenging conditions of global economy.

Net interest income rose to EUR 17.3 million from EUR 13.6 million in 2021, aligned with the increase on the interest bearing assets. Net commission income increased by 18%, the increase was mainly from high volume trade finance activities.

The Bank's total assets at 31 December 2022 were EUR 833 million, 31% higher than previous year (2021: EUR 636 million). The major increases relate to cash and securities.

Cash and cash equivalents were EUR 245 million (2021: EUR 125 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 114 million at the end of 2022.

On the back of a conservative risk appetite and strong capital structure, the Tier 1 ratio was 22.3% in 2022 (2021:22.2%).

Deposits from customers increased 37% and reached to EUR 573 million due to increase in corporate funding (2021: EUR 418 million).

Cost / Income ratio increased to 40.8% in 2022 from 49.5% in 2021 because of the increase in the operating income.

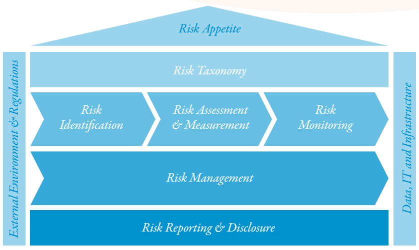
Asset quality remained strong during 2022. Non-performing exposure decreased from EUR 3.4 million to EUR 2.5 million. NPL coverage was 86% (2021: 74%).

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. Anadolubank Nederland NV has been subject to various regulator inspections with topics ranging from corporate governance to risk management (i.e., credit risk or operational risk) by DNB. The SB and MB appreciate the open, constructive and effective dialogue that the bank has established with DNB on regulatory and financial matters in relation to Anadolubank.

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 shareholder 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, 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. 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 Nederland NV is comprised of three members, two dependent members, having positions in Anadolubank Türkiye, and one independent members. The chairman of the Supervisory board is one of the independent members.

Currently the board consists of one female and three male members:

A.J. Smith, *Chairman*

G. Taran Ünver, *Member*

F. Canbay, *Vice Chairman*

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 Nederland NV is comprised of three members. One of them holds the title of CEO.

The board consists of one female and two male members:

Mrs. N.Plotkin, *Interim CEO*

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

Mr. N. Sabah, *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 Nederland NV 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 Nederland NV is a member of the NVB since its activities started in 2008 so the Banking code is followed by the Bank.

SUSTAINABILITY

The banking sector is exposed to both physical risks related to extreme weather events or chronic impacts of changing weather patterns, as well as transition risks related to the move to a net-zero carbon economy. At the same time, financial institutions have an important role to play in supporting their customers in this transition. In 2022, the Anadolubank Nederland NV made good progress on E&C risk program.

Anadolubank would like to step up in the ESG space through the dimension of Climate and Environment (C&E) with the aim to become in alignment with the expectations of ECB through its national competent authority (NCA), DNB. In this perspective, the Bank has decided to develop and implement a C&E action plan by initiating a project with the support of an external advisory firm. Key benefits of this action plan are i) Comply with the DNB regulations and ensure alignment with EU level supervisory standards on ESG and ii) Better mitigate financial risks in the loan portfolio by managing C&E risks.

The project consists of two main workstreams as described in the below schema; general regulatory analysis and materiality assessment. The first one incorporated a review of regulatory analysis and based on the requirements of corresponding frameworks, identify potential implication for Anadolubank. The latter, a more thorough one incorporated the following;

- Maping relevant C&E risks for Anadolubank and identifying the ones that are the most relevant. Align them with the DNB Materiality Assessment to ensure completeness and accuracy of the DNB response letter provided on the self assessment,

- Preparing a C&E policy,

- Creating a road map, in order to integrate the C&E risks in the Bank.

	Workstream	Methodology & Detailed steps
1	Regulatory analysis & understand organizational direction, strategy and disclosures	• Conduct a review of regulatory analysis and based on the requirements of corresponding frameworks, identify potential implication for Anadolubank • Conduct interviews with key internal stakeholders to gain a good understanding of Anadolubank's strategic direction and goals.
2	DNB materiality assessment & policy, business plan development with an implementation roadmap	• Map relevant C&E risks for Anadolubank and identify the ones that are the most relevant. Align them with the DNB Materiality Assessment to ensure completeness and accuracy of the DNB response letter provided on the self assessment • Develop a climate and environmental policy by leveraging on the outcomes from the DNB Materiality Assessment • Create a roadmap as a set of recommended actions to integrate C&E risks in Business Model & Strategy, Governance & Risk Appetite, Risk Management and Disclosures

Key Outputs

1. Business implications of EU regulations on EU
2. Draft content for DNB Materiality Analysis
3. C&E Risk Heatmap
4. Implementation Roadmap
5. C&E Policy

Risk analysis approach

The purpose of C&E risk analysis is to identify the most material C&E risks for Anadolubank's portfolio in terms of credit risk. During the analysis the focus areas of and sectors finance by Anadolubank (e.g. trade finance, financial services, etc.) as well as the relevance of C&E for corresponding sectors were taken into consideration.

A six-step approach for C&E risk analysis is followed:

1. Data collection: We collected data on portfolio breakdown to understand the exposures to different sectors and what the focus areas in terms of financing are.

2. Sector selection: The relevant sectors for the portfolio are determined based on level of exposure.

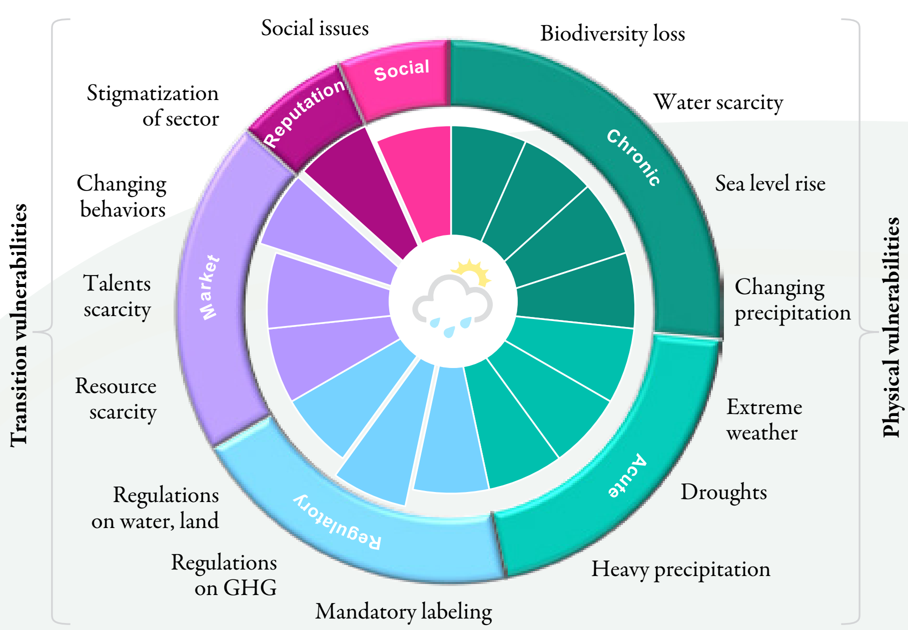
3. Countries selection: Geographies relevant to the portfolio that might pose additional geography-specific C&E risks are determined.

4. C&E vulnerability identification: We listed vulnerabilities per sector and allocated a risk score for each vulnerability corresponding to each and every sector.

5. Developed heatmap: In the light of the previous elements, we created a risk heatmap. Qualitatively identified, assessed and reflected the relevant business implications of these risks on the loan portfolio.

6. Advised on the next steps: We developed a set of recommendations that will help the bank to take further steps for better C&E integration.

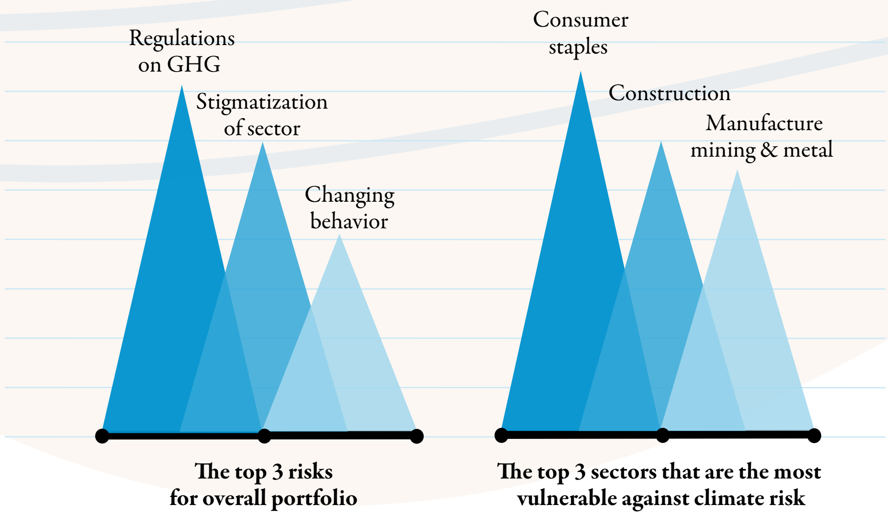
Most relevant vulnerabilities for a loan portfolio in terms of C&E risks are provided below, grouped under two main headlines; Transitional and Physical;.



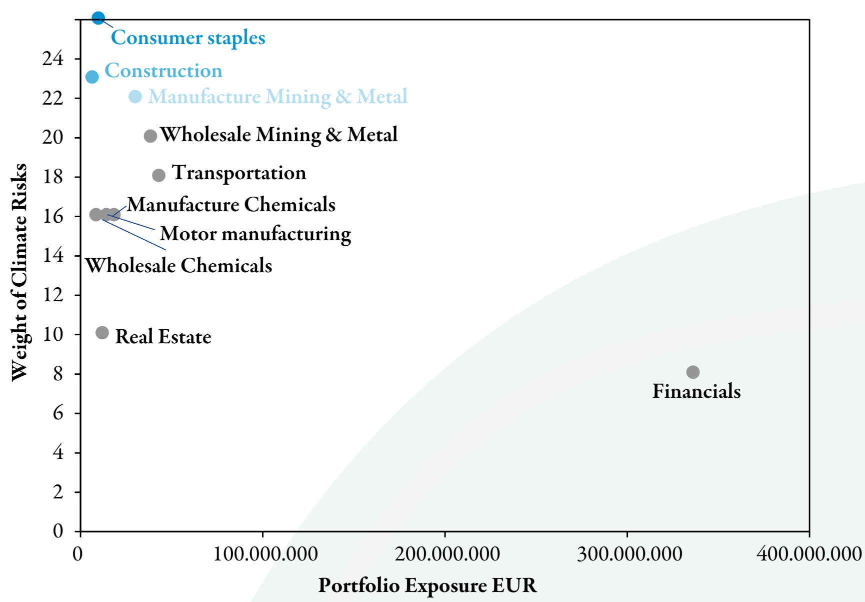
Outcome of the risk analysis (Credit Risk)

Based on the outcome of the heatmap analysis and taking into consideration evaluating the risks qualitatively as low, medium or high for each sector based on each vulnerability, we have aggregated the points and identified:

1. The top 3 risks for overall portfolio:
2. The top 3 sectors in the loan portfolio that are the most vulnerable against climate change:



The weight of different climate risks for each sector {i.e. the sum of each vulnerability's risk score (none: 0, low risk: 1, medium risk: 2 and high risk: 3) for all sectors} are mapped against the exposures to each sector in Euro as per the end of year portfolio data.



C&E risks go beyond credit risks and can be further incorporated in the risk appetite. The rest of the C&E risk analysis can be elaborated in the following headlines;

- **Business and Strategy Risk**

  C&E risks might affect the resilience of Anadolubank business model over the medium to longer term, predominantly where it is reliant on trade financing and supply chains, which are particularly vulnerable to C&E risks. Physical and transition risk drivers affect economic activities, which in turn affect the financial system. This impact can occur:

  1. Directly: through for example lower corporate profitability or the devaluation of assets
  2. Indirectly: through macro-financial changes.

- **Reputational Risk**

  Changing market sentiment and preferences regarding climate related issues can lead to reputation loss because of the public scrutiny. This can be a result of client engagement such as Anadolubank being affiliated with carbon-intense companies or Anadolubank itself being perceived as an institution that does not take action against climate change (e.g. lack of robust climate related actions and visibility).

- **Operational Risk**

  The operational risks that Anadolubank can encounter are disruption of business continuity and operations of Anadolubank due to implications of climate change which may not be considered as an imminent risk for financial institutions.

- **Compliance, Legal and Integrity Risk**

  Being non-compliant with the requirement of local and international regulatory bodies could result for Anadolubank to get penalized. In addition, from a legal perspective individuals and institutions are seen to be more often file legal claims against banks and other financial institutions due to C&E issues. In addition, stakeholders of Anadolubank may also be impacted by legal risks arising from C&E factors.

In summary:

Our focus over the past year has been to gain a solid understanding of our strengths and areas for improvement. We achieved this through careful discussion with our stakeholders and involving third-party experts to identify key strategic priorities to guide our approach. At the Bank, the Management Board acts as the ESG Steering Committee, enabling risks and opportunities related to E&C to be integrated into the strategic planning process. While we know that there is still more work to be done in light of increased regulation and a very challenging economic environment, we look forward to establishing a sustainability program at a much better level in 2023 and onwards.

In 2022, the Bank made good progress on our E&C risk project.

- Determining how to prioritize and manage E&C-related risks and gaps

- Ensuring commitment across the bank

- Awareness sessions and training programs for the bank

- Clear division of duties and responsibilities for C&E ((environment and climate)

- Drawing Heatmap and Qualitative materiality assessment,

- Planning to update the qualitative risk appetite statement to include E&C risks

- Incorporation of initial qualitative statement on E&C risk materiality in the ICAAP as well as initial stress testing

- Plan to update the Business Continuity Plan to take into account the impact of C&E events and the Bank>s response to such events

- Developing a Sustainability Statement

We launched Sustainability Finance Certificate sessions for all mid-management in 2023 and are continuing to roll out this training throughout the related departments in 2024.

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 2022 was EUR 252 thousand and fixed remuneration for SB was EUR 70 thousand and for MB was EUR 545 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 Nederland 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 defence. 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 results 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 2022, business and compliance processes were prioritized as a result of the risk assessment conducted. The related risk assessment is based on a broad risk analysis of the Bank's processes, taking into account the possible risks that may occur (including operational and fraud risks) and the current controls to avoid all types of risks. 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 01, 2023

N. Plotkin, Interim CEO

A.H.Otten, Managing Director

N. Sabah, Managing Director

Statement of financial position as at 31 December 2022

in EUR thousand

Assets	**Note**	**31/12/2022**	**31/12/2021**
Cash and cash equivalents	5	244,584	125,189
Derivative financial assets	6	5,134	469
Loans and advances to banks	7	262,889	253,663
Loans and advances to customers	8	205,416	176,712
Interest bearing securities	9	113,929	78,709
Property and equipment	10	532	489
Current tax assets	25	164	573
Deferred tax assets	25	133	317
Other assets	11	284	194
Total assets		**833,065**	**636,315**
Liabilities			
Derivative financial liabilities	6	7,164	6,880
Deposits from banks	12	136,391	107,165
Deposits from customers	13	572,774	417,970
Other liabilities	14	4,668	1,207
Total liabilities		**720,997**	**533,222**
Equity			
Share capital and share premium	15	75,000	75,000
Retained earnings	15	29,046	23,525
Revaluation reserves	15	(375)	(953)
Net profit	15	8,397	5,521
Shareholders' equity		**112,068**	**103,093**
Total liabilities and equity		**833,065**	**636,315**
Off-balance sheet liabilities	**16**	**25,529**	**75,231**

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	2022	2021
Interest income	19	22,379	16,960
Interest expense	19	(5,043)	(3,335)
Net interest income	**19**	**17,336**	**13,625**
Fee and commission income	20	3,095	2,661
Fee and commission expense	20	(154)	(166)
Net fee and commission income	**20**	**2,941**	**2,495**
Net trading income	21	(82)	233
Results from financial transactions	22	458	(103)
Operating income		**20,653**	**16,250**
Expected credit losses	28	(958)	(873)
Personnel expenses	23	(5,260)	(4,945)
Depreciation and amortisation	10	(247)	(248)
Other expenses	24	(2,929)	(2,855)
Profit before income tax		**11,259**	**7,329**
Tax expense	25	(2,862)	(1,808)
Profit for the year		**8,397**	**5,521**

Other comprehensive income	**12/31/22**	**12/31/21**
Movement in available for sale reserve	(640)	(279)
Cash flow hedge reserve	1,411	291
Related tax	(193)	(3)
Total (after tax)	**578**	**9**

Profit attributable to:	**12/31/22**	**12/31/21**
Equity holders of the Bank	**8,397**	**5,521**
Total		
Equity holders of the Bank	**8,975**	**5,530**

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

Statement of cash flows

in EUR thousand

Cash flows from operating activities	**2022**	**2021**
Profit/(loss) for the period	8,397	5,521
Adjustments for:		
- Depreciation and amortisation	247	248
- Net interest income	(17,336)	(13,625)
- Results from financial transactions	(376)	(130)
- Income tax expense	2,862	1,808
	(6,206)	**(6,178)**
Movements in operating assets and liabilities		
Change in derivative financial instrument (assets)	60	6,190
Change in loans and advances to banks	(9,758)	(53,114)
Change in loans and advances to customers	(29,336)	(13,905)
Change in FVOCI and trading portfolio	(15,146)	(2,015)
Change in other assets	(90)	361
Change in derivative financial instrument (liabilities)	284	3,475
Change in deposits from banks	29,226	(31,741)
Change in deposits from customers	154,804	71,509
Change in other liabilities and provisions	3,461	280
	133,505	**(18,960)**
Acquisition of financial assets at fair value through PL	(979)	(429)
Proceeds from sales of financial assets at fair value through PL	(82)	233
Interest received	18,795	16,686
Interest paid	(5,225)	(4,687)
Income tax paid	(2,449)	(1,456)
Net cash from operating activities	**137,359**	**(14,791)**
Cash flows from investing activities		
Acquisition of securities at amortized cost	(25,855)	(15,382)
Redemptions of securities at amortized cost	8,188	22,536
Acquisition of property and equipment	(79)	(105)
Net cash used in investing activities	**(17,746)**	**7,049**
Net increase in cash and cash equivalents	119,615	(7,742)
Cash and cash equivalents at 1 January	125,189	133,176
Effect of exchange rate fluctuations on cash and cash equivalents held	(218)	(245)
Cash and cash equivalents at 31 December	**244,584**	**125,189**

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Revaluation reserves	Total
Balance at 1 January 2021	**75,000**	**21,723**	**1,802**	**(962)**	**97,563**
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**
Balance at 1 January 2022	**75,000**	**23,525**	**5,521**	**(953)**	**103,093**
Profit/(loss) allocation	-	5,521	(5,521)	-	-
Net income for the year	-	-	8,397	-	8,397
Revaluation of reserves	-	-	-	578	578
Balance at 31 December 2022	**75,000**	**29,046**	**8,397**	**(375)**	**112,068**

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2022

1 Reporting entity

Anadolubank Nederland NV (the "Bank") is a public limited liability company domiciled in the Netherlands. The Bank was established on 5 April 2006 and was granted a full banking license by De Nederlandsche Bank (Dutch Central Bank) on 2 August 2007. The Bank has been operational since early 2008. The Bank primarily is involved in corporate and retail banking – retail banking deposit activities. The registered office of the Bank is 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 Türkiye. Anadolubank A.S. belongs to the Habas Sınai ve Tıbbi Gazlar İstihsal Endüstrisi A.S., which is one of the biggest industrial conglomerates of Türkiye, 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 11 May 2023.

(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.

iv) Cash flow hedge

Anadolubank Nederland NV 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 Bank assumes these deposit base is stable and above a certain threshold based on previous years> figures.

(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 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 15% for the first EUR 395,000 and 25.8% of the remaining amount.

(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 wits 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 Nederland NV 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.

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

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

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

(k) Investment securities

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

i) Securities at AC

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

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

ii) FVOCI

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

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

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

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

iii) FVPL

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

(l) Property and equipment

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

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

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

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

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

Right-of-use assets

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

Anadolubank Nederland NV 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 2022

The following amended standards became effective in 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The above changes did not have significant impact on the Bank's financial statements.

The following published standards and amendments are effective for annual periods beginning on or after 1 January 2023 and have been endorsed by the EU and have not been early adopted by Anadolubank Nederland N.V.

- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosures of Accounting policies (issued in February 2021)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued in February 2021)
- IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued in June 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued in January 2020 and in July 2020 respectively)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued in September 2022)

The expected impact of these changes on the financial statements is insignificant.

(u) Hedge accounting

The Bank elected, as a policy choice, to continue to apply the requirements of IAS 39 for hedge accounting purposes instead of the requirements in IFRS 9 when IFRS 9 was firstly adopted. When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, the Bank applies fair value hedges or cash flow hedges.

The Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39, the Bank applies fair value hedges or cash flow hedges.

At inception, the Bank formally documents how the hedging relationship meets the hedge accounting criteria.

It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

In order to qualify for hedge accounting, a hedging relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective in the previous designated period. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. It is also necessary to assess, retrospectively, whether the hedge was highly effective at a minimum, at the time an entity prepares its annual or interim financial statements. The hedge accounting documentation includes the method and results of the hedge effectiveness assessments.

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 Nederland NV 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 Nederland NV 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 Nederland NV 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 Nederland NV 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 Nederland NV 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 Nederland NV uses a smearing range of maximum six buckets (6 months). 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 at stable net interest income by adopting a hedge strategy which reduces the cash flow fluctuations arising from the floating interest-bearing liabilities.

Anadolubank Nederland NV has classified its USD bank and corporate deposits at amortized cost, while the hedging 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 Nederland NV applies hedge accounting.

Hedge strategy

The hedge strategy is performed by entering into USD denominated interest rate swap transactions which require Anadolubank Nederland NV 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 Nederland NV is applying Cash Flow hedge accounting.

Description of hedge relation

Anadolubank Nederland NV 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 Nederland NV 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 Nederland NV 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, 2.5% 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.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortised cost or at FVTOCI) arising from the hedged risk is amortised to profit or loss commencing no later than the date when hedge accounting is discontinued.

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 2022	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(2,430)	19,364	1,934	1,785	20,653
Expected credit loss and other general administrative expenses	-	9	(967)	(8,436)	(9,394)
Net operating profit	**(2,430)**	**19,373**	**967**	**(6,651)**	**11,259**
Provision for taxes	627	(4,998)	(249)	1,758	(2,862)
Net Profit	**(1,803)**	**14,375**	**718**	**(4,893)**	**8,397**
Cash and cash equivalents	-	-	244,584	-	244,584
Loans and advances to banks	-	262,889	-	-	262,889
Loans and advances to customers	-	205,416	-	-	205,416
Interest bearing securities	-	-	113,929	-	113,929
Other assets	-	-	-	6,247	6,247
Total assets	**-**	**468,305**	**358,513**	**6,247**	**833,065**
Deposits from banks	-	-	136,391	-	136,391
Deposits from customers	297,967	274,807	-	-	572,774
Other liabilities	-	-	-	11,832	11,832
Shareholder's equity	-	-	-	112,068	112,068
Total liabilities and equity	**297,967**	**274,807**	**136,391**	**123,900**	**833,065**

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
Expected credit loss and other general administrative expenses	-	(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	233,569	184,401	-	-	417,970
Other liabilities	-	-	-	8,087	8,087
Shareholder's equity	-	-	-	103,093	103,093
Total liabilities and equity	**233,569**	**184,401**	**107,165**	**111,180**	**636,315**

5 Cash and cash equivalents

	2022	2021
Cash and balances with banks	21,923	11,201
Unrestricted balances with central banks	211,387	113,988
Money market placements within three months	11,276	-
ECL charge	(2)	-
Position as at 31 December	**244,584**	**125,189**

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 2022						
	Notional Amounts	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Over 1 year**	**Fair value assets**	**Fair value liabilities**
Foreign currency swaps - Buy	197,133	91,580	-	65,553	40,000	1,870	-
Foreign currency swaps - Sell	204,385	92,791	-	70,816	40,778	-	7,055
Interest rate swaps - Buy	50,189	5,000	-	-	45,189	3,264	-
Interest rate swaps - Sell	50,189	5,000	-	-	45,189	-	7
Cross currency swaps - Buy	5,780	-	-	-	5,780	-	-
Cross currency swaps - Sell	5,689	-	-	-	5,689	-	102
Total	**513,365**	**194,371**	**-**	**136,369**	**182,625**	**5,134**	**7,164**

	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**
Foreign currency swaps - Buy	104,422	9,422	35,000	50,000	10,000	66	-
Foreign currency swaps - Sell	50,222	-	3,500	13,244	33,478	-	-
Interest rate swaps - Buy	9,708	-	275	1,104	8,329	403	-
Interest rate swaps - Sell	110,110	9,410	37,024	53,292	10,384	-	5,021
Cross currency swaps - Buy	50,222	-	3,500	13,244	33,478	-	1,854
Cross currency swaps - Sell	10,129	-	270	1,181	8,678	-	5
Total	**334,813**	**18,832**	**79,569**	**132,065**	**104,347**	**469**	**6,880**

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

	31 December 2022		31 December 2021	
	Carrying value assets	Carrying value liabilities	Carrying value assets	Carrying value liabilities
Derivatives held for risk management - economic hedge relationships				
Interest rate swaps	1,687	-	-	75
Cross currency swaps	-	102	403	5
Foreign currency swaps	1,870	7,055	66	5,021
Subtotal	3,557	7,157	469	5,101
Derivatives held for risk management - fair value hedge accounting relationships				
Interest rate swaps	859	7	-	615
Subtotal	859	7	-	615
Derivatives held for risk management - cash flow hedge accounting relationships				
Interest rate swaps	718	-	-	1,164
Subtotal	718	-	-	1,164
Total	**5,134**	**7,164**	**469**	**6,880**

7 Loans and advances to banks

	31 December 2022	31 December 2021
Bank loans	256,292	246,234
Advances to banks	6,714	7,632
ECL charge	(117)	(203)
Position as at 31 December	**262,889**	**253,663**

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 2022	31 December 2021
Corporate loans	208,360	179,581
ECL charge	(2,944)	(2,869)
Balance at 31 December	**205,416**	**176,712**

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

9 Interest bearing securities

	2022	2021
Amortized cost	81,985	62,362
FVOCI	32,911	16,800
ECL charge	(967)	(453)
Balance at 31 December	**113,929**	**78,709**

In 2022, there were no reclassifications between the portfolios.
The Bank has given the ECB eligible bonds with carrying values of EUR 41,510 as collateral to DNB (2021: EUR 38,123).
EUR 30,241 of the securities was under repo (2021: EUR 35,484).

Amortized cost	**2022**	**2021**
Government bonds	13,604	13,755
Corporate bonds	13,311	7,544
Issued by banks	55,070	41,063
ECL charge	(748)	(280)
Balance at 31 December	**81,237**	**62,082**

FVOCI	**2022**	**2021**
Government bonds	32,911	16,801
ECL charge	(221)	(172)
Balance at 31 December	**32,690**	**16,629**

10 Property and equipment

	2022	2021
Balance at 1 January	489	501
Additions	79	116
Depreciation	35	27
Additions Right-of-use asset	211	121
Depreciation of right-of-use asset	212	222
Balance at 31 December 2022	**532**	**489**

Changes in Right-of-use assets	**Property**	**Cars**
Opening balance	269	100
Addition	211	-
Depreciation	184	28
Balance at 31 December 2022	**296**	**72**

11 Other assets

	2022	2021
Suspense accounts	284	194
Balance at 31 December	**284**	**194**

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

12 Deposits from banks

	2022	2021
Sale and repurchase, securities lending and similar agreements	63,842	46,271
Money market deposits	72,549	60,894
Total	**136,391**	**107,165**

Securities lending is EUR 30,241 (2021: EUR 29,768), similar agreements is EUR 33,601. (2021: EUR 16,503).

13 Deposits from customers

	2022	2021
Retail customers	297,967	233,570
Savings	199,657	147,931
Time deposits	98,310	85,639
Corporate customers	274,807	184,400
Demand deposits	107,376	79,088
Time deposits	167,431	105,312
Total	**572,774**	**417,970**

EUR 5,221 of term deposits served as cash collateral for loans advances extended as of 31 December 2022 (2021: EUR 6,772).

14 Other liabilities

	2022	2021
Lease liability	367	371
Transfer orders	3,164	28
Taxes other than income	183	170
Other provisions	643	355
Short-term employee benefits	2	2
Others	309	281
Balance at 31 December	**4,668**	**1,207**

EUR 4 of ECL charge for commitments were recognized under others (2021: EUR 9). Other provisions include EUR 223 Deposit Guarantee Scheme premium (2021: EUR 75).

Changes in lease liabilities	2022	2021
Open balance	371	476
Addition	216	122
Interest expenses	(2)	(2)
Lease payment	(218)	(225)
Balance at 31 December	**367**	**371**

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 was proposed for the year 2022. The profit after tax will be added to 'retained earnings'.

Equity	2022	2021
Share capital and share premium	75,000	75,000
Retained earnings	29,046	23,525
Revaluation reserves	(375)	(953)
Net profit	8,397	5,521
Shareholders' equity	**112,068**	**103,093**

	2022	2021
FVOCI	(724)	(244)
Cash flow hedge reserve	349	(709)
Revaluation reserves	**(375)**	**(953)**

Cash flow hedge reserve is disclosed and explained in note 27 'Hedge accounting'.

16 Commitments

31 December 2022	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	3	938	93	-	-	1,034
Irrevocable letter of credit	2,247	15,645	4,460	2,143	-	24,495
Total	**2,250**	**16,583**	**4,553**	**2,143**	**-**	**25,529**

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**

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, shareholder 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 2022	Parent	Control over the entity	Related parties	Total
Assets	**197**	**17,213**	**-**	**17,410**
Cash and cash equivalent	197	-	-	197
Banks	-	-	-	-
Loans and advances	-	17,213	-	17,213
Liabilities	**11,255**	**83,327**	**169**	**94,751**
Funds Entrusted	11,255	83,327	169	94,751
Off-balance	**446**	**-**	**-**	**446**
Letter of credit	446	-	-	446
Interest income	**22**	**770**	**-**	**792**
Interest expense	**197**	**1,535**	-	**1,732**
Other operating expenses	**255**	**-**	-	**255**

31 December 2021	Parent	Control over the entity	Related parties	Total
Assets	**1,036**	**11,033**	**-**	**12,069**
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**

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	2022	2021
Deposits from customers	635	159
Guarantees issued	-	6

Key management personnel compensation, including managing board members and senior management comprised the following:

Key management personnel compensations	2022	2021
Short-term employee benefits	2,029	1,950
Post-employement benefits	228	148
Total	**2,257**	**2,098**

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

18 Lease commitments

As at 1 January 2019, Anadolubank Nederland NV 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 2022, EUR 230 has been paid for the rent of the office.

	2022	2021
Less than one year	231	200
Between one and five years	136	171
Total	**367**	**371**

19 Net interest income

Interest income	2022	2021
Cash and cash equivalents	577	-
Loans and advances to banks	11,182	7,875
Loans and advances to customers	7,700	6,521
Interest bearing securities	2,671	2,498
Negative interest on liabilities	249	66
Total interest income	**22,379**	**16,960**

Interest Expense	2022	2021
Cash and cash equivalents	258	424
Deposits from banks	1,131	665
Deposits from customers	3,654	2,246
Total interest expense	**5,043**	**3,335**

20 Net fee and commission income

	2022	2021
Corporate/banking credit related fees	2,088	1,792
Other	1,007	869
Total fee and commission income	**3,095**	**2,661**

Fee and commission expense	**2022**	**2021**
Corporate/banking credit related expense	130	122
Interbank transaction fees	24	44
Total fee and commission expense	**154**	**166**

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

21 Net trading income

	2022	2021
Net income from trading securities	(36)	12
Net income from available-for-sale securities	(46)	221
Total trading income	**(82)**	**233**

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

22 Results from financial transactions

	2022	2021
Results from derivative transactions	504	(246)
Results from foreign currency exchange transactions	(46)	143
Total results from financial operations	**458**	**(103)**

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.

23 Personnel expenses

The number of staff employed by the Bank as of 31 December 2022 is 49 (2021:44), all staff are employed in Netherlands.

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

Personnel expenses	**2022**	**2021**
Wages and salaries	4,107	3,952
Compulsory social security obligations	196	201
Contributions to defined contribution plans	321	289
Other types of staff expense	506	398
Total	**5,260**	**4,945**

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended 31 December 2022 are as follows:

2022	Base salary	Other benefits	Variable	Total
Board of Supervisory Directors	70	-	-	70
Managing Board Directors	507	37	84	628

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

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

	2022	2021
Operating lease expense	58	56
Communication expenses	88	85
Business travel & accommodation	51	37
Audit fee	500	328
Sofware licening and other information technology expenses	695	665
Paid taxes other than income	116	122
Tax advisory	28	2
Other consultancy	223	266
Regulatory supervision expenses	419	368
Legal expenses	45	88
Deposit Guarantee Scheme	506	538
Other	200	300
Total	**2,929**	**2,855**

Audit-related fees	2022	2021
Audit fees related to previous year	131	11
Audit fees related to current year	369	317
Total audit fees	**500**	**328**

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 EUR 500 include EUR 131 which relate to audit fees FY2021 that were not recognized in the accrued expenses in FY2021. The audit fees related to current year amount to EUR 369, of which EUR 216 relates to the Financial statement audit fees and EUR 153 to other fees.

25 Income tax expenses

Major components of income tax expense:

Reconciliation of income tax	**2022**	**2021**
Operating profit before tax	11,259	7,329
Weighted average statutory tax rate	25.4 %	24.7 %
Weighted average statutory tax amount	**2,862**	**1,808**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**2,062**	**1,808**
Effective tax rate	**25.4%**	**24.7%**

Deferred tax assets	**2022**	**2021**
Tax loss-carry forwards	(248)	233
FVOCI	381	84
Total	**133**	**317**

Tax is calculated according to the current Dutch nominal tax rate of 15% for the first EUR 395,000 and 25.8% of the remaining amount in 2022.

Deferred tax amount is 25.8% of the unrealized loss of FVOCI.

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 164 as of 31 December 2022 (2021: EUR 573).

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 2022 and at 31 December 2021, 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 above.

b) Financial instruments measured at FVOCI

31 December 2022	Total	Level 1	Level 2
Assets			
Derivative financial assets	5,134	-	5,134
Securities measured at fair value	32,911	32,911	-
Total assets	**38,045**	**32,911**	**5,134**
Liabilities			
Derivative financial liabilities	7,164	-	7,164
Total liabilities	**7,164**	**-**	**7,164**

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**

The Bank does not have any financial instrument measured at level 3 fair value as of 31 December 2022.

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 measured at amortized cost

31 December 2022	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equivalents	244,584	244,584	-	-	244,584
Loans	469,825	-	-	469,825	468,305
Banks	261,638	-	-	261,638	262,889
Corporate	208,187	-	-	208,187	205,416
Securities not measured at fair value	77,660	61,544	16,116	-	81,238
Total assets	**792,069**	**306,128**	**16,116**	**469,825**	**794,127**
Liabilities					
Banks	135,819	-	-	135,819	136,391
Funds entrusted	572,233	-	-	572,233	572,774
Total liabilities	**708,052**	**-**	**-**	**708,052**	**709,165**

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**

27 Hedge accounting

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

Anadolubank Nederland NV uses the following derivative financial instruments in hedge accounting relationship:

31 December 2022	Notional amount	Fair value assets	Fair value liabilities
Fair value hedge	16,000	788	7
Cash flow hedge	12,189	820	-
Total	**28,189**	**1,608**	**7**

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 2022	Notional Amounts	Up to 1 month	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	16,000	5,000	-	-	-	-	-	11,000
Cash flow hedge	12,189	-	-	-	-	-	4,688	7,501
Total	28,189	**5,000**	**-**	**-**	**-**	**-**	**4,688**	**18,501**

31 December 2021	Notional Amounts	Up to 1 month	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	4,000	-	-	7,000
Cash flow hedge	24,721	-	13,244	-	-	-	-	11,477
Total	44,221	**3,500**	**13,244**	**5,000**	**4,000**	**-**	**-**	**18,477**

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 2022	**1,882**	**1,684**	**198**
31 December 2021	**372**	**291**	**81**

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.

The effective portion of gains and losses on derivatives designated under fair value hedge accounting 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 2022	**16,000**	**(1,291)**	**1,467**	**176**
31 December 2021	**19,500**	**(411)**	**643**	**232**

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.
- Different interest rate curves applied to discount the hedged items and hedging instruments.

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	**2022**	**2021**
Cash and cash equivalents	244,584	125,189
Loans and advances to customers	205,416	176,712
Loans and advances to banks	262,889	253,663
Interest bearing securities	113,929	78,709
Derivative financial assets	5,134	469
Total balance sheet	**831,952**	**634,742**
Commitments	25,529	75,231
Total credit risk exposure	**857,481**	**709,973**

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, 2022	205,057	-	-	-	2,610	2,252
December 31, 2021	175,824	-	-	-	3,414	2,525

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.

	2022	2021
Corporate loans	2,245	4,273
ECL charge	(3)	(10)
Balance at 31 December	**2,242**	**4,263**

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 2022	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	244,584	244,586	2	-	-	-	-	-	-
Loans and advances to banks	262,889	263,016	127	-	-	-	-	-	-
Interest bearing securities	110,573	111,133	569	3,356	3,544	398	-	-	-
Loans and advances to customer	199,873	200,296	424	5,185	5,453	269	358	2,610	2,252
Off-balance sheet liabilities	25,525	25,529	4	-	-	-	-	-	-
	-	**844,560**	**1,126**	**-**	**8,997**	**667**	**-**	**2,610**	**2,252**

	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	-	-	-	-	-	-	-
Loans and advances to banks	253,663	253,866	203	-	-	-	-	-	-
Interest bearing securities	77,510	77,791	285	1,199	1,199	168	-	-	-
Loans and advances to customer	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	
	Financial Assets	**ECL**	**Financial Assets**	**ECL**	**Financial Assets**	**ECL**
01 January 2022	**699,306**	**816**	**10,138**	**192**	**3,414**	**2,525**
Transfers from Stage 1 to Stage 2	-	-	-	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Net re-measurement on the stage transfer	-	-	-	-	-	-
Write off	-	-	-	-	(615)	(530)
Other changes in net exposure	147,871	310	(945)	475	(189)	173
Currency translation	(2,617)	-	(196)	-	-	84
31 December 2022	**844,560**	**1,126**	**8,997**	**667**	**2,610**	**2,252**

	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	-	-	-
Transfers from Stage 1 to Stage 3	-	-	-	-	-	-
Net re-measurement on the stage transfer	-	-	-	-	-	-
Other changes in net exposure	122,931	161	(30,075)	(192)	188	904
Currency translation	5,854	-	348	-	-	-
31 December 2021	**699,306**	**816**	**10,138**	**192**	**3,414**	**2,525**

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-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Against neither past due nor impaired:								
Secured by cash collateral	5,221	4,600	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	26,910	34,793	-	-	-	-	-	-
Other collateral	104,433	90,577	-	-	-	-	-	-
Uncollateralized exposure	68,852	46,742	262,889	253,663	113,929	78,709	244,584	125,189
Carrying amount	**205,416**	**176,712**	**262,889**	**253,663**	**113,929**	**78,709**	**244,584**	**125,189**

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-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Corporate:										
Basic materials	50,671	33,810	-	-	3,042	-	-	-	82	576
Transport&Logistics	41,590	34,753	-	-	4,995	4,998	-	-	49	22
Automotive	44,252	25,073	-	-	-	-	-	-	187	65
Chemicals	14,052	22,888	-	-	-	-	-	-	6	25
Construction& Infrastructure	4,030	4,919	-	-	-	-	-	-	2	9
Consumer products non-food	3,595	15,547	-	-	-	-	-	-	26	39
Oil&Gas	13,933	15,462	-	-	-	-	-	-	1,655	1,599
Agriculture &Fishing	11,406	8,478	-	-	-	-	-	-	12	7
Financial intermediation	2,942	3,047	-	-	12,467	4,003	-	-	278	51
Services	-	4,255	-	-	-	2,543	-	-	-	17
Food, Beverages&Tobacco	1,343	459	-	-	2,689	-	-	-	647	436
Capital Goods	4,283	-	-	-	-	-	-	-	38	-
Others	10,271	-	-	-	2,540	-	-	-	18	-
Real Estate	3,048	8,021	-	-	-	-	-	-	1	29
Central Bank	-	-	-	-	-	-	211,386	113,983	-	-
Government	-	-	-	-	45,895	30,212	-	-	620	343
Bank	-	-	262,889	253,663	42,301	36,953	33,198	11,206	424	316
Carrying amount	**205,416**	**176,712**	**262,889**	**253,663**	**113,929**	**78,709**	**244,584**	**125,189**	**4,045**	**3,534**

December 31, 2022

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	223,005	197	21,382	244,584
Loans and advances to customers	114,406	38,454	52,556	205,416
Loans and advances to banks	31,980	212,592	18,317	262,889
Interest bearing securities	84,701	19,172	10,056	113,929
Derivative financial assets	5,134	-	-	5,134
Total balance sheet	**459,226**	**270,415**	**102,311**	**831,952**
Commitments	791	22,197	2,541	25,529
Total credit risk exposure	**460,017**	**292,612**	**104,852**	**857,481**
ECL charge	**2,782**	**1,161**	**102**	**4,045**

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**

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-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**	**Dec-22**	**Dec-21**
Rated BBB- to AAA	26,301	17,068	31,954	42,334	89,027	58,197	244,380	124,974	189	51
Rated B- to BB+	29,346	22,339	217,512	186,720	24,902	20,512	197	190	1,345	732
CCC	-	-	-	-	-	-	-	-	-	-
Unrated	149,769	137,305	13,423	24,609	-	-	7	25	2,511	2,751
Carrying amount	**205,416**	**176,712**	**262,889**	**253,663**	**113,929**	**78,709**	**244,584**	**125,189**	**4,045**	**3,534**

(*) 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 %	2,626
Baseline	1.3 %	2,781
Downside	-1.0 %	3,093
Turkey		
Upside	5.0 %	655
Baseline	3.6 %	1,160
Downside	-2.0 %	2,859
Rest		
Upside	5.0 %	53
Baseline	2.7 %	102
Downside	0.0 %	159

(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 2022 figures with those of 31 December 2021. 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 2022

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	244,584	233,330	11,254	-	-	-	-	-
Banks	262,889	-	19,952	50,420	168,505	24,012	-	-
Loans and advances	205,416	-	10,419	20,761	32,832	127,085	14,319	-
Interest bearing securities	113,929	-	17,106	8,663	12,315	59,332	16,513	-
Current tax assets	164	-	-	-	-	164	-	-
Deferred tax assets	133	-	-	-	-	133	-	-
Other assets	5,950	-	-	-	-	5,134	-	816
Total assets	**833,065**	**233,330**	**58,731**	**79,844**	**213,652**	**215,860**	**30,832**	**816**
Liabilities								
Banks	136,391	-	42,786	26,178	53,013	14,414	-	-
Funds entrusted	572,774	199,658	77,983	194,232	53,733	46,324	844	-
Other liabilities	11,465	-	11,444	21	-	-	-	-
Lease obligation	367	-	17	33	180	137	-	-
Total liabilities	**720,997**	**199,658**	**132,230**	**220,464**	**106,926**	**60,875**	**844**	**-**
Shareholders' equity	112,068	-	-	-	-	-	-	112,068
Total liabilities and equity	**833,065**	**199,658**	**132,230**	**220,464**	**106,926**	**60,875**	**844**	**112,068**
Net liquidity		**33,672**	**(73,499)**	**(140,620)**	**106,726**	**154,985**	**29,988**	**(111,252)**

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

31 December 2021	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	636,315	125,189	65,783	51,087	206,199	140,461	46,914	682
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)**

(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.

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.

(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 risk under Pillar II in the ICAAP. Anadolubank Nederland NV 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 Nederland NV 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 Nederland NV'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 2022 — **in EUR**

Currency	EVE	Parallel up	Parallel down	Steep	Flat	Short up	Short down
EUR	116,632,580	1,082,937	-1,055,706	-856,378	1,043,590	1,305,713	-1,336,615
USD	8,284,551	-985,764	1,110,465	402,680	-590,204	-969,083	989,232
USD + EUR	**124,917,131**	**-444,296**	**-500,473**	**-655,038**	**-68,409**	**-316,226**	**-841,999**
% of EVE	-	-0.36 %	-0.40 %	-0.52 %	-0.05 %	-0.25 %	-0.67 %
Outlier criterion		**-0.42 %**	**-0.47 %**	**-0.61 %**	**-0.06 %**	**-0.30 %**	**-0.79 %**

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.

Net Interest Income (NII)

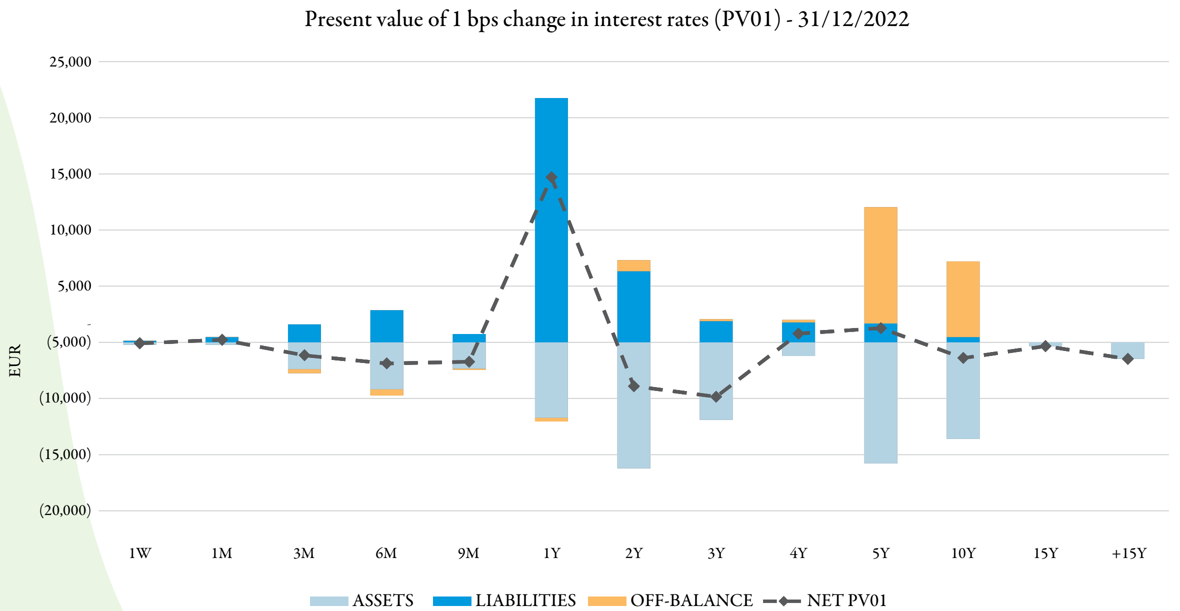
31 December 2022 **in EUR**

Currency	NII (1 year)	Gradual shift up	Instantaneous shift up	Gradual shift down	Instantaneous shift down
EUR	11,462,231	1,919,661	4,630,885	-1,919,661	-4,630,885
USD	16,107,674	-274,265	212,546	274,265	-212,546
GBP	-8,027	-9,954	-21,460	9,954	21,460
TRY	-1,117	-53	-117	53	117
TOTAL	**27,560,761**	**1,635,389**	**4,821,854**	**-1,635,389**	**-4,821,854**
% of NII	**-**	**6 %**	**17 %**	**-6 %**	**-17 %**

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.

The graph below shows the sensitivity to a 1bp increase in interest rates on 31/12/2022. 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 2022	Carrying amount	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest bearing
Assets						
Cash and cash equivalents	244,584	11,254	-	-	-	233,330
Banks	262,889	70,372	77,946	90,559	24,012	-
Loans and advances	205,416	31,180	21,603	11,229	141,404	-
Interest bearing securities	113,929	25,769	2,540	9,776	75,844	-
Current tax assets	164	-	-	-	164	-
Deferred tax assets	133	-	-	-	-	133
Other assets	5,950	-	-	-	5,134	816
Total assets	**833,065**	**138,575**	**102,089**	**111,564**	**246,558**	**234,279**
Liabilities						
Banks	136,391	68,962	51,041	1,974	14,414	-
Funds entrusted	572,774	364,495	20,918	32,815	47,170	107,376
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	11,832	7,164	-	-	-	4,668
Total liabilities	**720,997**	**440,621**	**71,959**	**34,789**	**61,584**	**112,044**
Surplus/deficit	**112,068**	**(302,046)**	**30,130**	**76,775**	**184,974**	**122,235**
Derivatives Net	**364**	**19,865**	**15,688**	**10,000**	**(45,189)**	**-**

31 December 2021	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	636,315	116,870	66,922	139,277	187,057	126,189
Total liabilities	533,222	301,936	24,382	39,421	87,188	80,295
Surplus/deficit	**103,093**	**(185,066)**	**42,540**	**99,856**	**99,869**	**45,894**

(f) Currency risk

31 December 2022

Assets	**EUR**	**USD**	**TRY**	**Other**	**Total**
Cash and cash equivalents	211,760	32,573	32	219	244,584
Banks	55,518	207,371	-	-	262,889
Loans and advances	135,513	69,903	-	-	205,416
Interest bearing securities	87,006	26,923	-	-	113,929
Current tax assets	164	-	-	-	164
Deferred tax assets	133	-	-	-	133
Property and equipment	532	-	-	-	532
Derivative financial assets	5,134	-	-	-	5,134
Other assets	284	-	-	-	284
Total assets	**496,044**	**336,770**	**32**	**219**	**833,065**
Liabilities					
Banks	104,346	30,972	-	1,073	136,391
Funds entrusted	332,504	240,100	8	162	572,774
Derivative financial liabilities	6,749	415	-	-	7,164
Share capital and share premium	75,000	-	-	-	75,000
Retained earnings	29,046	-	-	-	29,046
Revaluation reserves	(467)	(257)	-	-	(724)
Hedge fund	349	-	-	-	349
Net Profit	8,397	-	-	-	8,397
Other liabilities	4,553	115	-	-	4,668
Total liabilities	**560,477**	**271,345**	**8**	**1,235**	**833,065**
Net on balance sheet position	**(64,433)**	**65,425**	**24**	**(1,016)**	**-**
Net notional amount of derivatives	**59,148**	**(67,604)**	**-**	**1,071**	**(7,385)**
Net position	**(5,285)**	**(2,179)**	**24**	**55**	**(7,385)**

31 December 2021	**EUR**	**USD**	**TRY**	**Other**	**Total**
Total assets	365,754	270,242	40	279	636,315
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)**

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	**31/12/2022**
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 Nederland NV 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	**2022**	**2021**
in thousands of EUR		
Total risk weighted assets	501,291	454,304
Credit risk	468,734	430,121
Market risk	2,179	3,190
Operational risk	29,171	20,992
Tier 1 capital	**111,637**	**100,949**
Paid-in capital	75,000	75,000
Retained earnings	29,048	23,525
Revaluation reserves	(375)	(244)
Net profit	8,397	5,521
Total capital	**111,637**	**100,949**
Tier 1 ratio %	**22.3 %**	**22.2 %**
Solvency ratio %	**22.3 %**	**22.2 %**

29 Subsequent events

Two devastating earthquakes hit southern Türkiye on 6 February 2023 causing significant destruction in the region. The effects of the earthquakes on the Turkish economy are being closely monitored by the Management. Anadolubank Nederland NV has no direct risk associated with the affected region. This qualifies as a non-adjusting subsequent event.

Amsterdam, June 01, 2023

Supervisory Board

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

Managing Board

N. Plotkin, Interim CEO

A.H.Otten, Managing Director

N. Sabah, 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 2022 on June 01, 2023.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2022 included in the annual accounts

Our opinion

We have audited the financial statements 2022 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 2022, and of its result and its cash flows for 2022 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 2022.
2. The following statements for 2022: the statement of profit or loss and other comprehensive income, the statements of cash flows and changes in equity.
3. The notes comprising a summary of the significant accounting policy 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.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 800,000. The materiality is based on 0.75% of equity. We consider equity to be the most appropriate benchmark given the relative stability of this benchmark over years and the focus of regulators and other stakeholders on this benchmark. 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 Management Board and Supervisory Board that misstatements in excess of EUR 40,000, 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 refer to note "28 Risk Management" in the Annual Report for the Management Board's risk assessment. 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 in cooperation with our forensic. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following fraud risk and performed the following specific procedures:

- Management override of controls (presumed significant risk).

We rebutted the presumed fraud risk on revenue recognition, as the accounting of interest income and commission income is mainly based on automatically generated accruals in the source system and therefore concern routine transactions not subject to management judgement. These are high volume transactions with a relative low value per transaction.

We evaluated the design and implementation of the financial closing and reporting process. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgements areas and significant accounting estimates as disclosed in the financial statements. We have used data analysis to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Deloitte.

Additionally, we performed further procedures including, amongst others, 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 non-compliance.

(ii) We considered available information and made enquiries of relevant executives, directors including Internal Audit, 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 Anadolubank Nederland N.V., 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 (such as the expected credit losses estimates as required by IFRS 9).

Our procedures performed did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach 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 compliance and forensic 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: (corporate) tax law, 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 Anadolubank Nederland N.V. 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 Anadolubank Nederland N.V.'s business and the complexity of these other laws and regulations , there is a risk of non-compliance with the requirements of such 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 Anadolubank Nederland N.V.'s ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) 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) Obtaining an understanding of the legal and regulatory requirements for Anadolubank Nederland N.V. considering that Anadolubank Nederland N.V. is operating in a highly regulated environment.

(ii) Inquiry of the Supervisory Board, the Management Board and others within Anadolubank Nederland N.V. as to whether the Anadolubank Nederland N.V. is in compliance with such laws and regulations.

(iii) Inspecting correspondence 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.

(iv) Obtaining an understanding of the process around transaction monitoring, customer due diligence and sanction screening.

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.

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 Anadolubank Nederland N.V.'s ability to continue as a going concern for the next 12-months and considered key regulatory ratios including liquidity and solvency ratios.

The Management Board has performed its going concern assessment and has not identified any going concern risks. Our main procedures to assess the Management Board's going concern assessment were:

(i) Considering whether the Management Board's going concern assessment includes all relevant information of which we are aware as a result of our audit.

(ii) Inquired with the Management Board about its knowledge of going concern risks after the period of the continuity assessment performed by the Management Board and considering the impact of the financial, operational, and other conditions.

(iii) Analysing the Anadolubank Nederland N.V.'s financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

(iv) Assessing the duration gap between financial assets and liabilities and reported liquidity ratios to the Dutch Central Bank to assess the liquidity of Anadolubank Nederland N.V.

(v) Assessing the reported capital ratios as imposed by the Capital Requirements Regulation to assess the solvency position of Anadolubank Nederland N.V.

(vi) Inspecting regulatory correspondence to obtain an understanding of Anadolubank Nederland N.V.'s capital and liquidity position, that underpins management's assessment of the going concern assumption of financial reporting.

(vii) Obtaining an understanding of economic hedge policy and the overall risk framework of the Bank.

Based on our procedures performed, we did not identify significant doubts on Anadolubank Nederland N.V.'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 Management 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	**How the key audit matter was addressed in the audit**
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 Other Comprehensive Income ("OCI"). On 31 December 2022 the expected credit loss allowance amounted EUR 4,045 thousand, related to a gross carrying amount of EUR 856,167 thousand. The ECL of stage 1 and stage 2 exposures is calculated collectively. The ECL on the stage 3 exposures is calculated individually.	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 macroeconomic forecast and scenarios used and involved a specialist. The assessment of the macroeconomic variables includes the impact of the Russia/Ukraine conflict and the direct and indirect exposures to borrowers in Turkey.

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. Anadolubank Nederland N.V.'s disclosures concerning the expected credit loss allowance are included in note 3 sub g (vii) "Identification and measurement of impairment" and note 28 "Financial risk management" of the financial statements.	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 2022. For a selection of individual exposures, we have assessed whether Anadolubank Nederland N.V. correctly applied its provisioning and staging policy. Finally, we have assessed whether the disclosures are accurate and in compliance with EU-IFRS requirements. *Our observations* Our procedures performed on the expected credit loss allowance did not result in reportable matters.

Reliability and continuity of the Information Technology systems	
Description	**How the key audit matter was addressed in the audit**
An adequate Information Technology infrastructure ensures the reliability and continuity of Anadolubank Nederland N.V.'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.	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.

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Regulatory compliance	**How the key audit matter was addressed in the audit**
Description	
In accordance with ISA 315 "Identifying and assessing the risks of material misstatements through understanding the entity and its environment" we have obtained an understanding of the Bank's control environment. The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the Bank's internal control and its importance within the Bank. The corporate governance of the Bank is determined by the Articles of Association, Dutch law including the Dutch Financial Supervision Act ("WFT") and the Dutch Banking Code ("DBC"). As disclosed in the Management Board Report the Bank is subject to various regulatory inspections including inspections on Corporate Governance. As disclosed in the Supervisory Board Report, in January 2023 the CEO of the bank stepped down, one of the independent Supervisory Board members stepped down as of year-end 2022 and the Bank had a vacancy with respect to the compliance function after year-end 2022. Currently the Bank has appointed an interim CEO, has appointed a new Compliance Director and is actively searching for a new independent Supervisory Board member.	We involved experienced, senior, dedicated team members including compliance specialists (including forensic specialists) and dedicated experienced quality reviewers. To identify potential investigations performed by the supervisors that could lead to the need for potential provisions or disclosures in the financial statements, we read the Bank's relevant correspondence with its key regulator De Nederlandsche Bank ("DNB") more specially on the Corporate Governance of the Bank. We read the minutes of the Management Board and the Supervisory Board meetings and interacted with the Supervisory Board members throughout the year up to the signing date of our auditor's report. We held bilateral meetings with the chair of the Supervisory Board, Executive Board members and relevant stakeholders like the Director of Internal Audit and the Finance Director. We obtained an understanding of the actions taken the Supervisory Board and the Management Board related to the Corporate Governance of the Bank. During the inquiries performed and reading of the minutes and reports we noted that the Corporate Governance of the Bank receives attention of the Supervisory Board and the Management Board. Finally, we assessed the Management Board Report and Supervisory Board Report that highlight the facts and circumstances related to the Banks Corporate Governance. *Our observations* The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matters. Our procedures did not result in any reportable matters other than the matters disclosed in the Management Board Report and the Supervisory Board Report.

We consider the changes to the composition of the Board, in particular the step down of the CEO, the changes in the Supervisory Board, in particular the step down of an independent member and the vacancy of the compliance director as a key audit matter as these events have an impact on the corporate governance of the Bank and the supervision of the financial reporting process.	

Report on the other information included in the annual accounts

The annual accounts contains other information, in addition to the financial statements and our auditor's report thereon.

The other information consists of:

- Management Board's Report.
- Supervisory Board Report.
- Vision, Mission, and our values.
- Three-year key figures.
- Other Information.

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

- Is consistent with the financial statements and does not contain material misstatements.
- Contains all the information regarding the management report and the other 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 Management Board and Supervisory Board as auditor of Anadolubank Nederland N.V. as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of Management and the Supervisory Board for the financial statements

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

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

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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 Management 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.

We provide the Management 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 Management 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, 1 June 2023

Deloitte Accountants B.V.

Signed on the original: T.J.M. Lommerse