Anadolubank
Nederland

Annual Report 2020

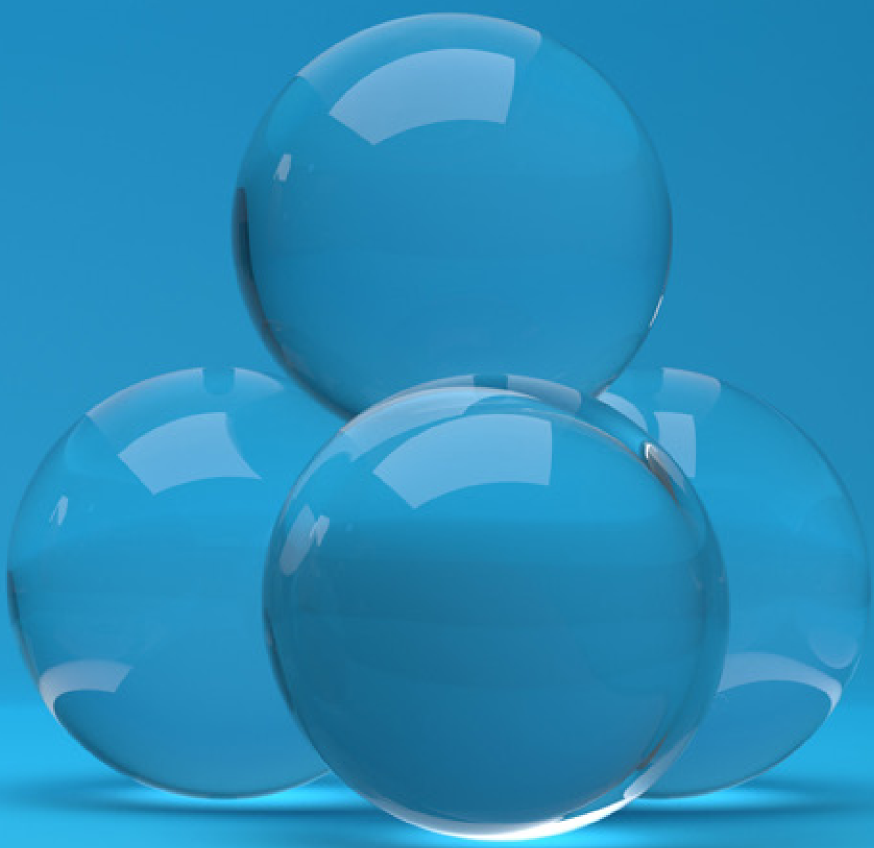


Table of contents

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*

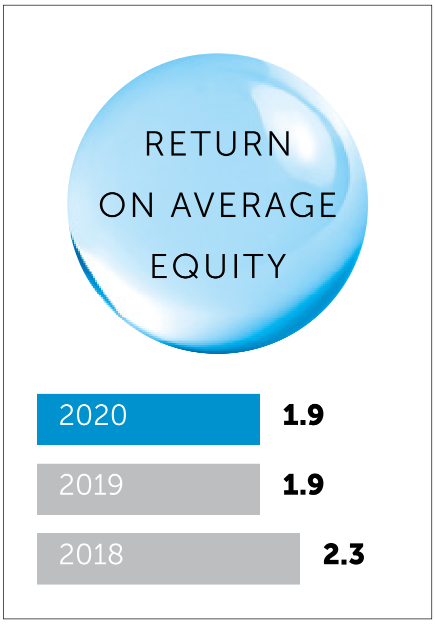
Integrity // be fair, honest, and sincere in all of our business relationships.

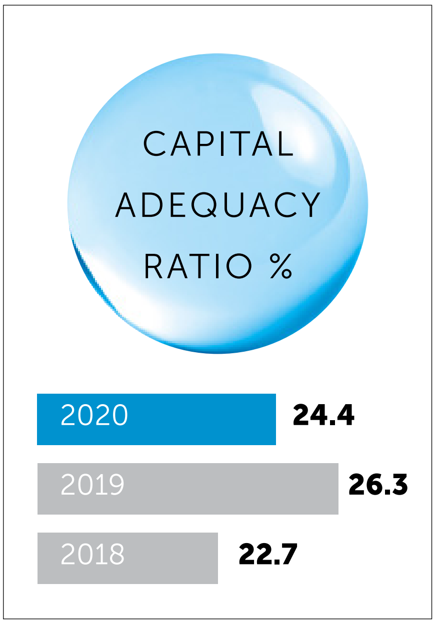
Working together // we firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

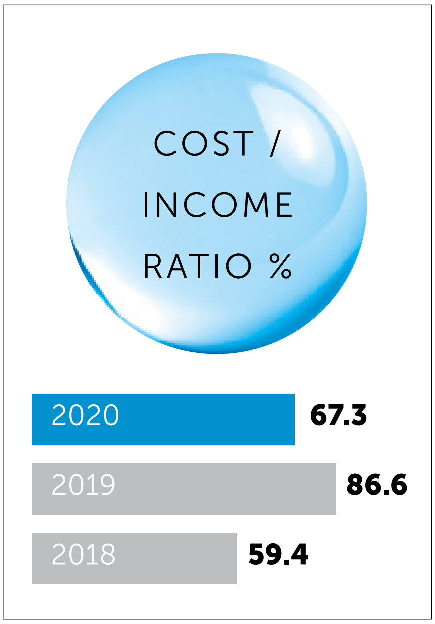
Products and services // we will always strive for excellence in serving our internal and external customers, through professionalism, innovation and creativity.

Three-year Key Figures

in thousands EUR	2020	2019	2018
Total assets	587,262	542,906	582,695
Loans	363,356	297,649	334,723
Bank loans	200,549	101,231	151,087
Corporate loans	162,807	196,418	183,636
Securities	81,766	81,735	100,618
Deposits	346,461	315,018	321,245
Shareholders' equity (including results after tax)	97,563	96,513	88,084
Operating result before tax and impairments	3,355	1,088	4,487
Expected credit losses	(966)	1,252	(1,820)
Result after tax and impairments	1,802	1,765	2,010
%			
Net return on average equity	1.9	1.9	2.3
Loans/deposits	104.9	94.5	104.2
Cost/income ratio	67.3	86.6	59.4
Cost/average assets	1.2	1.2	1.1
Capital adequacy ratio	24.4	26.3	22.7







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 2020

Anadolubank N.V. continued the transformation program intended to reduce direct lending in Turkish corporates and limit our Turkish exposure at a reasonable and acceptable level and diversify our risk profile and client base by concentrating more on providing financial services to European customers. The Economic Crises following COVID-19, and the significant impact on several economies, including Turkey, had limited impact on Anadolubank 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 2020.

The key priorities for 2020 were:

- Continued strategy of the expansion Dutch/European assets, where feasible;
- Preserve a solid, capitalized and liquid bank;
- Weather the difficult economic environment following the Covid-19 impact;
- Adjust the risk appetite with conservative approach towards new customers.

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

Dutch Corporate Governance Code

While the code is applicable to listed companies, Anadolubank N.V. uses the principles in the code as guideline for its structure, policies and procedures.

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

Culture

Supervisory Board and Management Board consider an open and transparent communication structure in the bank of utmost importance. During the past years much time was spent to analyze the culture of the bank and which improvements are needed, or to be considered. The Combined Team is pleased to note that almost all recommendations have been implemented.

Strategy

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

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

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

Risk Appetite

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

In its two-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 and risk dashboard. It is the Supervisory Board's opinion that a conservative risk appetite protects the Bank's reputation and ensures the continuity and sustainability of the Bank for its clients.

Control Framework

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

The Bank continuously evaluates the design and effectiveness of risk management, compliance and internal controls to oversee the embedded risks and also enable the right business growth. The Management Board is responsible for the control, the actual daily routines framework and the staff mindset, whilst working in close collaboration with the Supervisory Board. The Supervisory Board is satisfied with the strength, stability and performance of all those functions that are part of the control framework.

Cooperation with the Management Board

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

Supervisory Board structure

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

Supervisory Board meetings

During the year 2020 the Supervisory Board met six times (in principle once per two months) with the Management Board to review the interim figures, management reports, reports of the internal and external auditors and audits by DNB. Due to COVID-19 most of the meetings were by means of a video-conference call. Further, the Supervisory Board meets at least once a year with the external auditor. In all these meeting the members of the Management Board were present. Further, the Supervisory Board meets at least once a year without the presence of the Management Board to perform a self-evaluation. During all these Supervisory Board meetings all appointed members of the Supervisory Board were present.

Life-long training

The Supervisory Board members, members of the Management Board and senior officers do participate in a permanent education program to stay on top of new developments in the industry like new regulations, technological developments and culture issues. In 2020, the topics of the training were:

- Climate changes and its effect on banking in the Netherlands;
- Tax integrity;
- Anti-Money Laundering developments in NL;
- Recovery planning/ crisis management.

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. It had been decided that the self-evaluation under the guidance of an independent advisor would be postponed due to all limitations related to COVID-19.

Priorities for 2021

Apart from the challenging market circumstances in which to transform the Bank with the objective to focus more on the Dutch and other European markets, the Bank is still confronted with the effects of the outbreak of the COVID-19 and its impacts on economies, trade-flows and business continuity. This makes the challenges for the Bank even greater. Nevertheless, we will continue with this diversification and transformation.

Adoption of financial statements

We hereby present the annual report and financial statements for the 2020 financial year, as prepared by the Management Board. The achievements and overall results of 2020 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability.

The year 2020 was (again) a challenging year with net interest income reduction versus the previous year, due to the low interest rates having a downward impact on the Bank's interest margin. Despite this negative effect, the Bank reported net profit of EUR 1.8 million for 2020.

The Supervisory Board has discussed the 2020 financial statements with the Management Board and the independent auditor, Deloitte Accountants N.V., who issued an unqualified opinion. The Supervisory Board members have signed the financial statements in conformity with their statutory obligation. We recommend that the General Meeting of Shareholders adopt the financial statements for 2020 at the General Meeting of Shareholders to be held on May 20, 2021. We propose that the profit after tax and impairments be added to the Bank's reserves. Furthermore, the General Meeting of Shareholders discharge the members of the Management Board from responsibility for their management and the Supervisory Board from responsibility for their supervision in the 2020 financial year.

Conclusion

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

Amsterdam, 17 June 2021

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

V. van der Kwast, Member

Management Board REPORT

That was another challenging year marked mainly by the spread of COVID-19 and the impact on the economic, financial and social aspects on global scale. Against this uncertainty and global volatility in financial markets, we took our stand and still succeeded to close the financial year 2020 with positive results and realized a net profit of EUR 1.8 million.

Under such persistent pressure of the coronavirus, continuing market volatility and concerns about global economy, we reshuffled our organization and risk appetite accordingly and rather than an aggressive targeting with high ambitious to growth, we took all operational and financial preemptive measures to stay immune as much as possible and revised our budget and targets accordingly.

For this purpose, an agile and resilient approached has been adopted by the Board and in order to absorb any unexpected impacts of this unpredictable economic environment, liquidity, strong capital buffer and credit quality became high priority for the Bank. In this respect, marketing, treasury, credit risk and all related department worked in close coordination, monitored all portfolio and exposed risks proactively, considered all possible mitigation factors.

Consequently, we maintained a high level of liquidity and capital ratio which was supported by risk oriented and effective balance sheet management. A conscious decrease in corporate loan book and its negative effects on interest and commission income has been balanced and compensated by an increase on banking book. This delicate balance sheet and risk management prevented the Bank from any major losses and resulted with a sustainable level of profit for the year 2020.

Although our selective stance for new credit engagement under COVID-19 outbreak economic environment, in line with our business plan we still continued to keep our interest in Dutch and EU market in 2020. Our EU assets constitute 55% of our total assets. For diversification purpose, the Bank has also expanded its customer basis by number.

Beside financial and risk oriented measures, the continuity of our operations and services without any interruption and ensuring personal well-being of our employees were, and still are, another important item of our priorities during this epidemic outbreak period. At an early stage of COVID -19 pandemic, we restructured our organizational capabilities and IT infrastructure and switched to remote working organization to prevent any spread of the virus in the Bank. For any contamination risk to the Bank, a back-up system has been put in place for each department.

Additionally, enhancing a new regulatory environment and its implementation was also one of the main concerns of the Bank. There has been a specific focus on tax integrity assessment for 2020. In this respect specific internal trainings have been realized in the Bank and an external assessment has been performed for the adequacy of our internal process. All these steps taken resulted in a full compliance of the new regulation.

Although the consecutive economic uncertainties and volatilities of the last couple of years, on global scale resulted in some deviation of our final targets, the main strategy of the Bank consist of diversification of risk, customer, geography and asset class, combined with a constant focus on the Dutch and EU market within the same conservative risk appetite and a final objective of sustainable profit generation will still remain valid.

Finally, we would like to extend our appreciation for valued employees who were always the pioneer behind this success, all our depositors who trusted us, our customers which we always considered as a business partner, Supervisory Board and shareholder who have given us their support.

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

2.1 Outlook

We expect that the year 2021 will be a year of partial recovery, after strict vaccination programs are fully applied by major economies and other countries. The new economic, financial and business norms will not be the same as before COVID-19 pandemic period but the expected "back to the normal" will definitely have its positive effects on the economies. Increased utilization of digital platforms and digitalization itself every aspect of our daily life, remote working practice and other important novelties recently and intensively became our new norms, and appear to remain important hereafter.

Meanwhile, the increase of commodity prices, raising inflation expectation in global economies, trade wars and market volatilities with their financial and economic results will be major risk factors.

The Management Board will keep the same prudent and selective approach for the coming period in 2021. We will continue to keep our priorities and measures defined in 2020, monitor closely financial and economic developments in the coming period and any possible effects on credit portfolio and make appropriate adjustments accordingly. Prudent, agile and effective balance sheet and a pro-active risk and treasury management will remain our norm while we continue our long term strategy and targets towards a well-diversified risk profile by geography, sectors, business lines and a constant focus on growth opportunities for Dutch and other EU exposures.

We will continue to invest in and strengthen our relation with our customers, keep our strong asset quality and well diversified asset structure in 2021. Interests of our business partners and our shareholders will still have highest priority for us. To achieve our long term targets in a steady and confident way, a continuous and sustainable level of profit within our conservative risk appetite will remain our constant and ultimate objective for 2021 and beyond.

2.2 Economic Developments

Macro-economic developments

Global growth

Global output collapsed in the first half of 2020 as the COVID-19 pandemic took hold, with declines of more than 20% in some advanced and emerging market economies. Without the prompt and effective policy support introduced in all economies, the contraction in output would have been substantially larger. Output picked up swiftly following the easing of confinement measures and the initial reopening of businesses, but the pace of the global recovery has lost some momentum over the summer months.

Global GDP is recorded a decline by -3.3% in 2020. It is expected to pick up to 6.0% and 4.4% in 2021 and 2022 respectively. The actual drop in global output in 2020 is smaller than expected, though still unprecedented in recent history, masking considerable differences across countries, with upward revisions in China, the United States and Europe, but weaker than expected outcomes in India, Mexico and South Africa. In most economies, the level of output at the end of 2021 is projected to remain below that at the end of 2019, and considerable weaker than projected prior to the pandemic, highlighting the risk of long-lasting costs from the pandemic.

Household spending on many durable goods has bounced back relatively quickly, but spending on services, especially those requiring close proximity between workers and consumers or international travel, has remained subdued. Hours worked have fallen significantly everywhere, but government support schemes have helped to maintain household incomes. Corporate investment and international trade remain weak, holding back the pick-up in manufacturing production in many export oriented economies.

Since end-2019, the bank deposits of non-financial corporations (NFCs) have increased rapidly in Japan, the United States and many European countries, far above the average growth rates over the same period in the past five years. In contrast, in the global financial crisis, corporate deposits declined amid the credit crunch and, in some cases, a delayed policy response. Deposits of households have also increased but to a smaller extent; though still, in many countries, at a faster rate than in the previous years or at the beginning of the global financial crisis.

Countries and regions with effective test, track and isolate systems are likely to perform relatively well, as they have done since the onset of the pandemic, but will still be held back by the overall weakness of global demand. These output prospects would allow only gradual declines in unemployment, and damp near-term incentives for companies to invest. Persistent slack would also temper increases in wage and price inflation.

Inflation rates in advanced economies have rebounded since the trough in early/mid-2020, especially in the United States, but generally remain below pre-pandemic levels. This trend is projected to persist in the short term, with inflation being subdued in 2021 and converging slowly to pre-crisis levels only by the end of 2022 in most countries. Inflation in most emerging-market economies is also expected to remain moderate, or even decline, over the next two years. The inflation rate decreased to 1.8% in 2019, approaching the 2% target fixed by the Fed. Inflation rate was at 1.2% in 2020 and expected to increase to 2.3% in 2021 and 2.4% in 2022. Following a deep contraction in the second quarter that reflected the impact of the containment measures, the U.S. economy contracted by -3.5% in 2020 and expected to pick up to 6.4% and 3.5% in 2021 and 2022 respectively.

World trade is projected to continue recovering slowly, rising on average by around 4.25% per annum over 2021-22, after declining by 10.25% in 2020. The weak recovery in investment – a trade-intensive component of demand – and the likelihood that containment measures will continue to weigh on international travel and tourism both contribute to the modest rebound in overall trade.

Eurozone developments

Major central banks appear to be adopting a more cautious approach. The European Central Bank introduced a new liquidity facility PELTRO, carried out with an interest rate that is 50bp below the average MRO rate prevailing over the life of the operation. In March 2020, the ECB introduced an additional €750 billion asset purchase program of private and public sector securities (PEPP), initially through end-2020. On June 4, the weaker inflation outlook in the ECB's June projections prompted the Governing Council to expand the size of the PEPP by €600 billion to €1.35 trillion. The duration of the program has been extended to at least June 2021, and the ECB will reinvest maturing securities until at least the end of 2022.

The ECB Banking Supervision allowed significant institutions to operate temporarily below the Pillar 2 Guidance, the capital conservation buffer, and the liquidity coverage ratio (LCR). In addition, new rules on the composition of capital to meet Pillar 2 Requirement (P2R) were front-loaded to release additional capital. The ECB Banking Supervision further decided to exercise – on a temporary basis – flexibility in the classification requirements and expectations on loss provisioning for non-performing loans (NPLs) that are covered by public guarantees and COVID-19 related public moratoria; it also recommended that banks avoid pro-cyclical assumptions for the determination of loss provisions and opt for the IFRS9 transitional rules. The inflation rate decreased to 1.2% in 2019 and 0.3% in 2020. Inflation rate should pick up to 1.4% and 1.2% in 2021 and 2022 respectively. Following a deep contraction in the second quarter that reflected the impact of the containment measures, the EU economy rebounded strongly by 12.4% in the third quarter. In 2020, overall contraction was at -6.6%, however it is expected to pick up to 4.4% and 3.8% in 2021 and 2022 respectively. While unemployment was at 8% in 2020, it is expected to continue to slightly increase for the next couple of years, before returning to the pre-pandemic levels.

Dutch Economy

For the past few years, the recovery in Europe has allowed the Dutch economy to grow at a dynamic pace, and despite a maturing business cycle the country's growth remained resilient in 2019, at 1.8% of GDP (from 2.6% in 2018). The main growth drivers were domestic demand and exports, however trade uncertainty at global level and lower business investments should contribute to a moderate slowdown of the Dutch economy in the short term.

Due to the outbreak of the COVID-19, GDP growth fell to -3.7% in 2020 and expected to pick up to 3.5% in 2021 and 3.0% in 2022, subject to the post-pandemic global economic recovery. A series of fiscal measures have been introduced since the start of the pandemic to contain the economic impact of the outbreak. The two first support packages (announced in March and May, respectively) include spending measures estimated at about 33 billion euros (4.2% of GDP) in 2020.

In addition, the Dutch Central Bank has reduced systemic buffer requirements for the three largest banks to support bank lending. The central bank is also taking measures to provide temporary regulatory relief to less significant banking institutions. Furthermore, the planned introduction of a floor for mortgage loan risk weighting is postponed. In turn, the largest Dutch banks have agreed to grant SMEs a six-month postponement of their loan repayments.

On October 6, the authorities adopted a law to facilitate debt restructuring for companies facing financial difficulties. The law is intended to prevent bankruptcies. Inflation picked up in 2019 and reached 2.6%, following a rise in the reduced VAT-tariff and an increase in wages, although it decreased to 1.3% in 2020 due to the COVID-19 and expected to increase to 1.5% in both 2021 and 2022.

Unemployment rate is relatively low, at 3.6% in 2019, down from 3.8% in 2018. At the same time, the workforce expanded significantly in the last couple of years, reaching a post-crisis high. However, the IMF expects the unemployment trend to be affected by the negative economic impact of the COVID-19 pandemic, the rate being currently estimated to slightly increase to 3.8% in 2020 and to 4.9% in 2021 and to 4.7% in 2022.

Turkish Economy

The Turkish economy showed slow signs of recovery in 2019 after experiencing a recession in the second half of 2018, against a backdrop of a currency crisis. Consumer confidence and purchasing managers' index recovered to pre-2018 levels. Due to the outbreak of the COVID-19, GDP growth was recorded at 1.6% in 2020 and expected to pick up to 6% in 2021 and 3.5% in 2022, subject to the post-pandemic global economic recovery.

On March 31, 2020, the CBRT introduced a program of outright purchases of sovereign bonds, and has substantially increased its liquidity facilities to banks. The bank regulator announced a number of forbearance measures, primarily to limit the accounting impact of the Turkish Lira depreciation and fall in securities' prices.

In addition, the LTV limit on mortgages was raised from 80 to 90%; the minimum payment for individual credit cards was reduced to 20%; and banks postponed repayments on credit card loans for housing, consumer and vehicle purchases. The regulator implemented a new regulatory ratio to incentivize banks to support the real economy, which was removed at end-2020. In December, the bank regulator tightened the maximum tenure of retail auto loans and credit card instalment plans for purchases of certain types of goods.

It is expected the 2020 budget deficit at 5.1%, which is expected to fall by 4.6% in 2021. Moreover, IMF evaluates the 2019 government debt at 30.1%, expecting it increase further to 30.8% and 31.7% in 2020 and 2021, respectively. The IMF expects the unemployment trend to be affected by the negative economic impact of the COVID-19 pandemic, the rate being currently 13.7% in 2020 and expected to decrease slightly to 13.1% in 2021 and 12.4% in 2022. Inflation was recorded at 12.3% in 2020, down from 16.2% two years ago, and it is expected to increase slightly to 13.6% before decreasing to 12.4% in 2021 and 2022 respectively.

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 EURIBOR. During second quarter of 2020, Anadolubank N.V. has established a team to manage the IBOR change process. Our impact analysis shows that the effect will be financially insignificant.

The Belgian Financial Services and Markets Authority authorized EURIBOR under the EU Benchmarks Regulation. On the other hand, EONIA will cease to be published by 3 January 2022 and EONIA cannot be used in any contracts that may be outstanding as of 1 January 2022. Anadolubank N.V. use EONIA only for margin call calculations and we will replace it with STR.

Non-derivative financial instrument prior to transition	Maturing in	Nominal in currency ('000 €)	Transition progress for non-derivative financial instruments
EURIBOR / SECURITIES	2024	3,004	Discussions begun with aim to finalise in H1 2021
USD-LIBOR / SECURITIES	2023	4,010	
EURIBOR / LOANS	2023-2026	25,009	
USD-LIBOR / LOANS	2023-2025	9,911	
Total floating rate non-derivative assets		**41,933**	
Amounts subject to the interest rate benchmark reform		**41,933**	
Total floating rate non-derivative Liabilities		-	

Hedge type	Instrument type	Maturing in	Nominal in currency ('000 €)	Transition progress for derivatives
Fair value hedges	Pay 6-month EURIBOR, receive EURO fixed interest rate swaps	2023	5,000	Discussions begun with aim to finalise in H1 2021
	Pay 6-month EURIBOR, receive EURO fixed interest rate swaps	2028	7,000	
	Pay 12-month EURIBOR, receive EURO fixed interest rate swaps	2024	5,000	
	Pay 12-month EURIBOR, receive EURO fixed interest rate swaps	2027	5,000	
Cash flow hedges	Pay 6-month USD LIBOR,receive USD fixed interest rate swaps	2027	4,074	Discussions begun with aim to finalise in H1 2021
	Pay 6-month USD LIBOR,receive USD fixed interest rate swaps	2028	6,519	

The ICE Benchmark Administration of LIBOR will publish the 1, 3, 6, 12 months Libor till June 2023. Anadolubank N.V. has limited transaction passing June 2023.

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

2.3 Financial Institutions

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

The FI department works together with Trade Finance and Corporate Banking departments, coordinating wholesale funding through Promissory Notes, Letters Of Credit, SWIFT trade finance products and TRS.

During year 2020, FI was constantly looking for expanding business network and opportunities. FI also works closely with other departments to improve work efficiency due to the impact of COVID-19. Under the pressure of global pandemic, FI still maintained the content trading volume and enhanced trading profits from EUR 730k to EUR 1.3 million.

2.4 Trade Finance

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

2020 is a candidate year to be known as catastrophic among its peers in the last couple of decades, thanks (!) to COVID-19. There has been no single day that COVID-19 was not mentioned in the news. The word "unprecedented" has not been used that much frequently in recent history. No one would have believed it if a worldwide lockdown was mentioned at the beginning of the year. It is easy to increase the number of examples to emphasize that 2020 is an "unprecedented" year. On the other hand, this infamous 2020 has served the commodity market very well by uncovering the faces of fraudsters who were thinking to live happily forever with their Ponzi-like schemes. The pandemic affected commodity prices very badly, especially during the first wave. Before it started, oil prices were already on the brink of a sharp fall due to the clash between Russia and Saudi Arabia. Then the lockdowns came and in April, the first time in history, oil futures prices turned negative. That was the turning point for most of the rogue traders. Their schemes exploded, not only in their hands but unfortunately in the faces of their creditors too. The world of trade and commodity finance has been rocked by what many see as a series of recent existential threats, whether it is the collapse of several notable commodity traders or the retrenchment of various international banks, either reducing their exposure or withdrawing completely. Many banks aim to take their commodity trade finance business "back to basics," meaning a more rigorous approach to the transactional self-liquidating financing principles that have always constituted the foundations of trade finance including stricter KYC due diligence. The banks' new focus also includes more warehouse checks, better collateral management agreements, more audits of borrowing bases and investment in technology platforms to reduce the risk of fraud.

During the turmoil that shook the commodity and trade finance world in 2020, Anadolubank N.V. Trade Finance team, successfully registered another profitable year. Trade Finance department excelled in areas such as client acquisition, asset quality, revenues, profits and return on allocated capital. The commission income generated by Trade Finance department was EUR 1.7mn level at the end of the year representing a slightly decrease compared the previous year. Addition of new clients to the customer portfolio as well as activation of some existing inactive customers had a strong positive impact on trade finance volumes. Our involvement in the steel business has increased drastically thanks to the support of the ultimate beneficial owner HABAS group. During 2020, up to 30% of global steelmaking capacity (excluding China) was idled or production at steel mills significantly reduced in response to a pandemic-induced drop in demand. However, the recovery in automotive production and white goods manufacturing was quicker than expected when the strictest lockdown measures were lifted. The construction sector was less affected, as it was supported by government stimulus schemes in many regions. The restarting of steel plants was not sufficiently quick to meet growing demand, while inventory levels reduced to historical lows, with restocking across the steel value chain in Europe and the US creating additional demand. Steel prices rallied in all regions in late 2020 as a result.

2.5 Corporate Banking

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

2020 was an unprecedented year. COVID-19 has entered our daily lives. Many people became ill, unfortunately lost their lives, many countries closed their borders and took further measures. Thus, this had inevitably a big effect on our world, on our daily lives and on the other hand many companies suffered from the declining trade and demand. Nearly every business in the world has been affected by COVID-19 in different ways. Most of the companies saw their sales falling.

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

We, as Anadolubank N.V. corporate team while being prudent managed to acquire new customers and new transactions. We managed to maintain sustainability for our liability items and diversify our funding facilities while maximizing risk-adjusted return on capital.

2021 looks more promising. With the effect of the vaccines most of the countries will be re-opened in the second half of the year. Therefore we will continue acquiring new clients and pursuing new transactions in 2021.

2.6 Retail Banking

Retail deposits provide us stable funding base and have been a key focus area for us since commencing operations. The retail banking products of Anadolubank N.V. are straightforward. The Bank offers its customers a savings account and a range of term deposit options with market rates. Retail deposits are collected primarily via Internet and call center channels. In 2020, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

2.7 Compliance

Compliance operates as an independent function with a mandate to oversee all compliance and regulatory matters for the Bank. This includes being a proactive, independent function that partners with the businesses by continuously challenging and supporting them to effectively manage compliance risks. Prevention of money laundering, corruption, bribery and terrorist financing are amongst key goals of the Bank. The Bank has profound directives and regularly holds trainings for its employees on these matters. The Bank has established robust systems and procedures to prevent, detect and sanction money laundering activities and other financial crimes. This also includes reporting to the Dutch Financial Intelligence Unit (FIU).

The regulatory environment, in which we operate, is continuously developing with existing legislation being regularly updated or new laws being implemented. One of the Supervisor's focus areas in 2020 was Tax Integrity. In 2020, a Tax Integrity Framework has been implemented, including a Tax Integrity Risk Management Policy, Questionnaire, Assessment and relevant processes.

The Compliance department performs control activities independent of line management with a view to assure compliance with (i) the conformity of activities to standards, (ii) rules and limitations determined by the Management Board and Supervisory Board, and (iii) the regulatory environment to which the Bank is subject.

The Compliance department reports to the Executive Board on a monthly basis and has a direct reporting line to the Supervisory Board.

The Bank recognizes the critical role of its employees in helping to preserve its financial integrity and aims for the highest standards of personal accountability and ethical conduct. All employees are responsible to report any concerns of potential legal, regulatory or ethical misconduct to their direct line managers or to Compliance officer in accordance with the Bank's Code of Conduct.

There have been no integrity or other incidents in 2020. Anadolubank N.V. has not been not been involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements competition, data protection or product liability.

2.8 Financial Performance Summary

Anadolubank N.V. posted EUR 1.8 million net profit in 2020 similar to 2019 (2019 : EUR 1.8 million) while the year was defined by the unprecedented challenges of COVID-19.

Expected credit losses increased by EUR 0.9 million due to increase on the stage 3 loans. The cumulative expected credit loss of non-performing loans was EUR 1.6 million (2019: EUR 0.6 million).

Net interest income is reduced by EUR 2.3 million, which is offset by the decrease in swap costs (EUR 2.2 million). There were no significant change in commission despite the decrease in global trade volume due to COVID-19.

Hedge accounting was introduced in 2020. The negative impact of cash flow hedges is recognized in equity as a cash flow hedge reserve. (EUR 0.9 million). Negative impact is as a result of declining interest rates due to Covid-19. The positive impact of fair value hedges is recognized in the income statement. (EUR 0.4 million).

The Bank's total assets at 31 December 2020 were EUR 587 million (2019: EUR 543 million). The major increase relates to bank lending.

Cash and cash equivalents are EUR 133 million (2019: EUR 160 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 82 million at the end of 2019, similar to the previous year.

On the back of a conservative risk appetite and strong capital structure, the Tier 1 ratio was 24.8% in 2020. (2019:26.3%)

Deposits from customers increased by EUR 31 million due to increase in corporate funding.

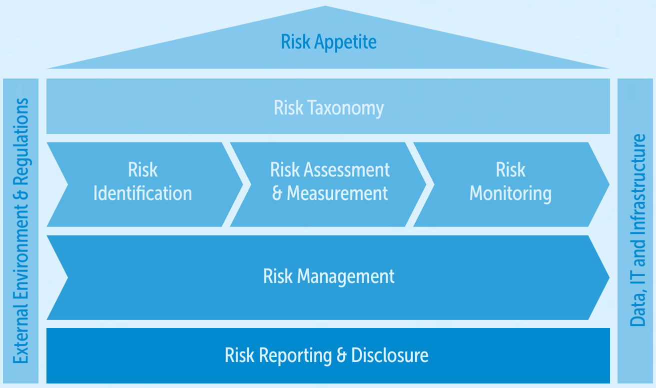
Cost / Income ratio is decreased to 67.3% in 2020 from 86.6% in 2019 because of the increase in the operating income.

2.9 Risk Governance and Management

The Bank has two tier management system, the Management Board (MB) that is responsible for the day-to-day management of the Bank and the Supervisory Board (SB) that is responsible for the supervision of the Bank. The Supervisory and Management Boards have set policy-level standards in accordance with the regulations of the Dutch Central Bank (De Nederlandsche Bank – DNB) and European Union, and the guidelines published by the Basel Committee and the European Banking Authority.

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

The risk management is based on the three lines of defense principles for segregation of duties. Business units form the first line of defense, Risk Management, Information Security, Financial Control & Accounting 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 year, in 2021 the risk culture will be further developed by improving risk knowledge and awareness throughout the organization.

2.10 Risk and Capital Management

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

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

Capital and Risk Management Pillar III Disclosures contain information that enables an assessment of the risk profile and capital adequacy of the Bank. This publication fulfils the requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV (CRR/CRDIV). The Bank also publishes its disclosures on its website.

2.11 Credit Committee

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

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

Tier-1 Credit Committee recommends the Tier-2 Credit Committee (composed of a member of the Board of the Parent Bank, a manager of the Parent Bank's Credit Risk Department and Managing Director/CEO of the Bank) with respect to individual proposals that exceed its approval authorities. As such, Tier-1 Credit Committee is the initiator and Tier-2 Credit Committee is the highest approval authority regarding individual credit proposals that exceeds the approval authorities of Tier-1 Credit Committee. Regarding Credit Risk Policies, Tier-2 may be consulted for advice by the Supervisory Board.

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

2.12 Asset & Liability Committee

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

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

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

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

2.13 Corporate Governance, Supervisory Board and the Management Board

Supervisory Board

The Supervisory Board of Anadolubank N.V. is comprised of four members, two dependent members, having positions in Anadolubank Turkey, and two independent members. The chairman of the Supervisory board is one of the independent members.

The board consists of one female and three male members:

Mr A.J. Smith, *Chairman*

Mrs. G. Taner Unver, *Member*

Mr F. Canbay, *Member*

Mr V. van der Kwast, *Member*

The Supervisory Board held seven formal meetings during the year 2020 of which six together with the Management Board. As a result of the COVID-19 measures, all meetings were held via Vido conference. The main topics in these meetings were related to the strategy of the Bank, the solvency and liquidity, credits and in – and external audit and compliance reports. Also the Supervisory Review and Evaluation Process (SREP) outcome was specifically discussed.

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

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

Management Board

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

The board consists of one female and two male members:

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

Mrs. N.Plotkin, *Managing Director*

Mr. A.H.Otten, *Managing Director* Each member has specific attention areas and together the Management Board is responsible for the day-to-day executive management of the Bank. This includes amongst others the development of strategies, active balance sheet management and the fulfilment of the Bank's obligations towards regulatory bodies.

Specific attention in the Management Boards agenda was related to anti-money laundering and combatting financing terrorism measures. During the year, the board member in charge of anti-money laundering and combatting financing of terrorism (AML/CFT) measures, was constantly involved with the compliance department specific to check if AML/CFT measures are not only in place but also working effectively. The AML/CFT committee of the Bank, gives advises on specific on boarding topics and other customer due diligence related issues. The AML/CFT topic was discussed several times within the Management Board.

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

The Dutch Banking code (Code Banken) is initiated in 2009 by the Dutch Banking association (NVB). Anadolubank N.V. is a member of the NVB since its activities started in 2008 so the Banking code is followed by the Bank. One of the topics of this code is that both Supervisory Board and Management Board should have a life-long training education program in place every year. In 2020, all members together and senior managers of the Bank as well, took part of a life-long training session as conducted by the chairman of the Supervisory Board. External expertise parties were invited to perform the life-long training; the subjects covered were Tax integrity, Corporate Governance and Climate Changes versus banking.

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.

There was no variable remuneration in 2020 and None of the employees have received remuneration over EUR one million.

2.15 Internal Audit

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

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

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

Amsterdam, 17 June 2021

O.Sakizligolu, CEO

N. Plotkin, Managing Director

A.H.Otten, Managing Director

Statement of financial position as at 31 December 2020

in EUR thousand

Assets	Note	31 December 2020	31 December 2019
Cash and cash equivalents	5	133,176	159,790
Derivative financial assets	6	6,659	763
Loans and advances to banks	7	200,549	101,231
Loans and advances to customers	8	162,807	196,418
Interest bearing securities	9	81,766	81,735
Property and equipment	10	501	637
Current tax assets		928	1,537
Deferred tax assets	26	321	70
Other assets	12	555	725
Total assets		**587,262**	**542,906**
Liabilities			
Derivative financial liabilities	6	3,405	5,703
Deposits from banks	13	138,906	124,563
Deposits from customers	14	346,461	315,018
Other liabilities	15	927	1,109
Total liabilities		**489,699**	**446,393**
Equity			
Share capital and share premium	16	75,000	75,000
Retained earnings	16	21,723	19,958
Revaluation reserves	16	(962)	(210)
Net profit	16	1,802	1,765
Shareholders' equity		**97,563**	**96,513**
Total liabilities and equity		**587,262**	**542,906**
Off-balance sheet liabilities	**17**	**32,669**	**5,420**

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	2020	2019
Interest income	20	15,323	20,038
Interest expense	20	(4,033)	(6,431)
Net interest income	**20**	**11,290**	**13,607**
Fee and commission income	21	1,723	1,781
Fee and commission expense	21	(169)	(196)
Net fee and commission income	**21**	**1,554**	**1,585**
Net trading income	22	255	410
Results from financial transactions	23	(2,850)	(7,455)
Operating income		**10,249**	**8,147**
Expected credit losses	28	(966)	1,252
Personnel expenses	24	(4,239)	(4,501)
Depreciation and amortisation	10,11	(221)	(237)
Other expenses	25	(2,434)	(2,321)
Profit before income tax		**2,389**	**2,340**
Tax expense	26	(587)	(575)
Profit for the year		**1,802**	**1,765**

Other comprehensive income		**2020**	**2019**
Movement in available for sale reserve		233	2,219
Cash flow hedge reserve		(1,236)	
Related tax		251	(555)
Total (after tax)		**(752)**	**1,664**

	2020	**2019**
Profit attributable to:		
Equity holders of the Bank	1,802	1,765
Total comprehensive income (after tax)		
Equity holders of the Bank	1,050	3,429

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

Statement of cash flows

in EUR thousand

Cash flows from operating activities	**Note**	**2020**	**2019**
Profit/(loss) for the period		1,802	1,765
Adjustments for:			
- Depreciation and amortisation	10	221	237
- Net interest income	20	(11,290)	(13,607)
- Results from financial transactions	22,23	2,595	7,045
- Income tax expense	26	587	575
		(6,085)	**(3,985)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	(5,896)	2,424
Change in loans and advances to banks	7	(99,470)	49,795
Change in loans and advances to customers	8	31,592	(13,966)
Change in FVOCI and trading portfolio	9	10,716	20,832
Change in other assets	12	170	10
Change in derivative financial instrument (liabilities)	6	(2,298)	1,510
Change in deposits from banks	13	14,343	(43,895)
Change in deposits from customers	14	31,443	(6,227)
Change in other liabilities and provisions	15	(182)	394
		(19,582)	**10,877**
Acquisition of financial assets at fair value through PL		(1,826)	(967)
Proceeds from sales of financial assets at fair value through PL		255	410
Interest received	20	15,415	20,612
Interest paid	20	(4,679)	(6,762)
Income tax paid / received (net)		21	(1,888)
Net cash from operating activities		**(16,481)**	**18,297**
Cash flows from investing activities			
Acquisition of securities at amortized cost	9	(15,926)	(12,269)
Redemptions of securities at amortized cost		2,080	11,024
Acquisition of property and equipment	10	(24)	(6)
Net cash used in investing activities		**(13,870)**	**(1,251)**
Net increase in cash and cash equivalent		**(30,351)**	**17,046**
Cash and cash equivalents at 1 January	5	159,790	142,492
Effect of exchange rate fluctuations on cash and cash equivalents held		3,737	252
Cash and cash equivalents at 31 December	**5**	**133,176**	**159,790**

in 2020, 1,368 was received from the tax office and 1,347 was paid to the tax office. (2019 : 1,888 is paid)

Statement of changes in equity

in EUR thousand

	Share capital	Retained earnings	Profit for the year	Revaluation reserves	Total
Balance at 1 January 2019	**70,000**	**17,948**	**2,010**	**(1,874)**	**88,084**
Share capital increase	5,000	-	-	-	5,000
Profit/(loss) allocation	-	2,010	(2,010)	-	-
Net income for the year	-	-	1,765	-	1,765
Revaluation of reserves	-	-	-	1,664	1,664
Balance at 31 December 2019	**75,000**	**19,958**	**1,765**	**(210)**	**96,513**
Balance at 1 January 2020	**75,000**	**19,958**	**1,765**	**(210)**	**96,513**
Share capital increase	-	-	-	-	-
Profit/(loss) allocation	-	1,765	(1,765)	-	-
Net income for the year	-	-	1,802	-	1,802
Revaluation of reserves	-	-	-	(752)	(752)
Balance at 31 December 2020	**75,000**	**21,723**	**1,802**	**(962)**	**97,563**

Notes to the financial statements

AS OF DECEMBER 31, 2020

1 Reporting entity

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

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

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

2 Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Dutch Civil Code. They were authorized for issue by the Bank's Supervisory Board and Management Board on 20 May 2021.

(b) Basis of measurement

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

Impact of Covid-19

The various measures implemented by governments to mitigate the effects of Covid-19 have an impact on the classification of assets as forborne. Assets subject to Covid-19 payment holidays granted before September 30, 2020 were not classified as forborne, according to European Banking Authority (EBA) guidelines. As a result, these payment holidays did not result in the automatic recognition of lifetime ECL. This had no impact on the Bank's financial.

As a result of the economic effects of Covid-19, there will be uncertainty in determining the fair values of financial assets and liabilities in 2020. For a more detailed explanation, see paragraph 2.8.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

The most significant of judgments and estimates are as follows:

Judgements

i) Fair value of financial instruments

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

ii) Deferred tax assets

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

iii) Impairment of financial instruments

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

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

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

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

(e) Going concern

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

3 Significant accounting policies

(a) Foreign currency transactions

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

(b) Interest

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

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

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

(c) Fees and commission

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

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

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

(d) Net trading income

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

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

(e) Lease payments made

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

(f) Income tax

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

(g) Financial assets and financial liabilities

(i) Recognition

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

(ii) Classification

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

The classifications are determined by:

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

IFRS 9 identifies three business models:

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

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

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

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

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

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

The Bank does not have any reclassified transaction.

All financial liabilities are at amortized cost and the Bank does not have any reclassification from financial liabilities.

(iii) Derecognition

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

(iv) Offsetting

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

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

(v) Amortized cost measurement

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

(vi) Fair value measurement principles

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

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

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

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

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

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

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

(vii) Identification and measurement of impairment

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

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

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

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

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

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

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

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

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

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

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

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

(h) Cash and cash equivalents

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

(i) Derivatives

Derivative financial instruments consisting of foreign currency contracts, currency and interest swaps are measured at fair value. All derivatives are separately evaluated and carried as assets when each transaction's fair value is positive and as liabilities when each transaction's fair value is negative. Derivative contracts are included in derivative financial instruments lines of assets and liabilities, and changes in the fair value are included in the profit or loss, under net trading income. The Bank started applying hedge accounting for the interest rates swaps in 2020.

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

(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 N.V. as the lessee

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

(m) Intangible assets

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

(n) Repurchase transactions

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

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

(o) Provisions

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

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

(p) Employee benefits

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

(q) Share capital & reserves

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

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

(r) Off balance sheet engagements

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

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

Income on off balance sheet engagements is in 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 2020

The changes in IFRS that became effective in 2020:

- Amendments to IFRS 3 'Business Combinations': Definition of a Business (issued in October 2018);
- Amendments to IAS 1 and IAS 8: 'Definition of Material' (issued in October 2018); and
- Amendments to References to the Conceptual Framework in IFRS Standards (issued in March 2018).

Those changes did not have an impact on the Bank's financial and accounting policies.

(u) Changes in accounting policy – hedge accounting

Hedge accounting is applied by Anadolubank N.V. prospectively in compliance with IAS 39 since 1 January 2020.

The impact of hedge accounting in the financials:

31 December 2020	Fair Value Hedge	Cash flow hedge	Total
Hedged items	(372)		(372)
Income statement	279	1,236	1,515
Income tax	93		93
Deferred tax		(309)	(309)
OCI		(927)	(927)

Fair value hedge

Risk management objective

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

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

Hedge strategy

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

Hedged risk

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

Description of hedge relation

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

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

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

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

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

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

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

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

Hedge effectiveness

Prospective test

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

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

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

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, 1% 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.

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

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

Accounting

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

To summarize, the booking figures are determined as follows:

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

Cash flow hedge

Risk management objective

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

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

Hedge strategy

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

Hedged risk

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

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

Description of hedge relation

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

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

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

Hedge effectiveness

Prospective test

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

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

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

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

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

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

Retrospective test

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

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

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

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

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

The most common sources of hedge ineffectiveness are:

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

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

Accounting

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

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

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.

Any ineffectiveness is recognized in the income statement immediately.

4. Operating segments

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

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

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

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

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

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

31 December 2019	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(2,467)	12,127	(647)	(866)	8,147
Other operating income, loan loss provisions and expenses, net	-	1,663	(411)	(7,059)	(5,807)
Net operating profit	**(2,467)**	**13,790**	**(1,058)**	**(7,925)**	**2,340**
Provision for taxes	617	(3,448)	265	1,991	(575)
Net Profit	**(1,850)**	**10,342**	**(793)**	**(5,934)**	**1,765**
Cash and cash equivalents	-	-	159,790	-	159,790
Loans and advances to banks	-	89,232	11,999	-	101,231
Loans and advances to customers	-	196,418	-	-	196,418
Interest bearing securities	-	-	81,735	-	81,735
Other assets	-	-	-	3,732	3,732
Total assets	**-**	**285,650**	**253,524**	**3,732**	**542,906**
Deposits from banks	-	-	124,563	-	124,563
Deposits from customers	228,919	86,098	-	-	315,017
Other liabilities	-	-	-	6,812	6,812
Shareholder's equity	-	-	-	96,513	96,513
Total liabilities and equity	**228,919**	**86,098**	**124,563**	**103,325**	**542,905**

5 Cash and cash equivalents

	2020	2019
Cash and balances with banks	7,790	5,019
Unrestricted balances with central banks	125,386	97,364
Money market placements within three months	-	57,407
Position as at 31 December	**133,176**	**159,790**

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 2020						
	Notional Amounts	**Up to 1 month**	**Up to 3 months**	**Up to 1 year**	**Over 1 year**	**Fair value assets**	**Fair value liabilities**
Swap purchase	168,634	6,443	45,000	56,292	60,899	11,248	-
Swap sale	166,638	6,453	42,766	54,964	62,455	-	(6,375)
Total	**335,272**	**12,895**	**87,766**	**111,257**	**123,354**	**11,248**	**(6,375)**

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

The bank started applying hedge accounting in 2020. Reference is made to Note 28 'Derivatives and hedge accounting' for information on derivatives used in hedge accounting.

7 Loans and advances to bank

	31 December 2020	31 December 2019
Bank loans	197,853	95,143
Advances to banks	2,868	6,128
ECL charge	(172)	(40)
Balance at 31 December	**200,549**	**101,231**

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 2020	31 December 2019
Corporate loans	164,922	197,602
ECL charge	(2,115)	(1,184)
Balance at 31 December	**162,807**	**196,418**

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

9 Interest bearing securities

	2020	2019
Amortized cost	67,341	56,466
FVOCI	14,785	25,680
ECL charge	(360)	(411)
Balance at 31 December	**81,766**	**81,735**

In 2020, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 22.690 as collateral to DNB (De Nederlandsche Bank) (2019: EUR 16,449).

EUR 52,232 of the securities was under repo (2019: EUR 56,730).

Amortized cost	2020	2019
Government bonds	12,088	6,269
Corporate bonds	7,546	7,548
Issued by banks	47,708	42,648
ECL charge	(181)	(196)
Balance at 31 December	**67,161**	**56,269**

FVOCI	2020	2019
Government bonds	9,321	9,425
Corporate bonds	5,463	5,267
Issued by banks	-	10,988
ECL charge	(179)	(215)
Balance at 31 December	**14,605**	**25,465**

10 Property and equipment

	2020	2019
Balance at 1 January	637	42
Additions *	24	6
Depreciation	17	24
Additions Right-of-use asset	60	817
Depreciation of right-of-use asset (-)	203	204
Balance at 31 December 2020	**501**	**637**

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

Changes in Right-of-use assets	Property	Cars
Opening balance	584	30
Addition	60	-
Depreciation	187	17
Balance at 31 December 2020	**457**	**13**

11 Intangible assets

	2020	2019
Balance at 1 January 2020	-	8
Additions	-	-
Depreciation	-	8
Balance at 31 December 2020	**-**	**-**

Balances with regard to intangible assets is related to software.

12 Other assets

	2020	2019
Receivable with regard to DGS for DSB Bank	408	408
Suspense accounts	147	317
Balance at 31 December	**555**	**725**

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

13 Deposits from banks

	31 December 2020	31 December 2019
Sale and repurchase, securities lending and similar agreements	42,747	49,307
Money market deposits	96,159	75,256
Total	**138,906**	**124,563**

14 Deposits from customers

	31 December 2020	31 December 2019
Retail customers	223,960	228,920
Savings	129,332	129,158
Time deposits	94,628	99,762
Corporate customers	122,501	86,098
Demand deposits	46,487	29,573
Time deposits	76,014	56,525
Total	**346,461**	**315,018**

EUR 9,226 of term deposits served as cash collateral for loans advances extended as of 31 December 2020 (2019: EUR 10,163).

15 Other liabilities

	2020	2019
Lease liability	476	621
Transfer orders	8	12
Taxes other than income	274	185
Other provisions	-	29
Short-term employee benefits	25	157
Others	142	105
Balance at 31 December	**925**	**1,109**

EUR 15 of ECL charge for commitments were recognized under others (2019: EUR 1)

Changes in lease liabilities	2020	2019
Open balance	621	821
Addition	60	-
Interest expenses	3	3
Lease payment	(208)	(203)
Balance at 31 December	**476**	**621**

16 Capital and reserves

Dividend payments are subject to the approval of Dutch Central Bank as the regulatory body and are not accounted for until they have been ratified at the Annual General Meeting. No dividend will be proposed for the year 2020. The profit after tax will be added to 'retained earnings'.

	31/12/2020	31/12/2019
Share capital and share premium	75,000	75,000
Retained earnings	21,723	19,958
Revaluation reserves	(962)	(210)
Net profit	1,802	1,765
Shareholders' equity	**97,563**	**96,513**

	2020	2019
FVOCI	(35)	(210)
Cash fund hedge reserve	(927)	-
Revaluation reserves	**(962)**	**(210)**

Cash flow hedge reserve is disclosed and explained in note 3.u 'Changes in accounting policy – hedge accounting'.

17 Commitments

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

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

18 Related parties

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

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

31 December 2020	**Parent**	**Control over the entity**	**Related parties**	**Total**
Assets	**3,210**	**14,561**	**-**	**17,771**
Cash and cash equivalent	434	-	-	434
Banks	2,776	-	-	2,776
Loans and advances	-	14,561	-	14,561
Liabilities	**-**	**38,929**	**-**	**38,929**
Funds Entrusted	-	38,929	-	38,929
Off-balance	710	1,422	-	2,132
Letter of credit	**710**	**1,422**	**-**	**2,132**
Banks	-	-	-	-

Interest income	**103**	**-**	**640**	**743**
Interest expense	**9**	**545**	**120**	**674**
Other operating expenses	**201**	**-**	**-**	**201**

31 December 2019	**Parent**	**Control over the entity**	**Related parties**	**Total**
Assets	**997**	**12,057**	**-**	**13,054**
Cash and cash equivalent	239	-	-	239
Banks	758	-	-	758
Loans and advances	-	12,057	-	12,057
Liabilities	**-**	**23,721**	**-**	**23,721**
Banks	-	-	-	-
Funds Entrusted	-	23,721	-	23,721

Interest income	**35**	**103**	**273**	**411**
Interest expense	**9**	**874**	**-**	**883**
Other operating expenses	**216**	**-**	**-**	**216**

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	**2020**	**2019**
Loans and advances	4	13
Deposits from customers	871	838
Guarantees issued	-	2

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

Key management personnel compensations	2020	2019
Short-term employee benefits	1,887	2,032
Post-employement benefits	68	60
Total	**1,955**	**2,092**

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

19 Lease commitments

As at 1 January 2019, Anadolubank N.V. adopted IFRS 16 Leases. As a lessee, the Bank enters into lease contracts, mainly for office buildings and cars which the bank leases for its own use. More specifically, The Bank has entered into a long-term financial obligation in 2017 with duration of 5 years as far as the office premises are concerned. In 2020, EUR 224 has been paid for the rent of the office.

	2020	2019
Less than one year	202	188
Between one and five years	274	433
Total	**476**	**621**

20 Net interest income

Interest income	2020	2019
Loans and advances to banks	5,404	6,613
Loans and advances to customers	7,146	9,735
Interest bearing securities	2,773	3,690
Total interest income	**15,323**	**20,038**

Interest Expense	2020	2019
Cash and cash equivalents	372	320
Deposits from banks	1,358	2,285
Deposits from customers	2,303	3,826
Total interest expense	**4,033**	**6,431**

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

21 Net fee and commission income

Fee and commission income	2020	2019
Corporate/banking credit related fees	1,113	1,245
Other	610	536
Total fee and commission income	**1,723**	**1,781**

Fee and commission expense	2020	2019
Corporate/banking credit related expense	122	139
Interbank transaction fees	47	57
Total fee and commission expense	**169**	**196**

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

22 Net trading income

Net trading income	2020	2019
Net income from trading securities	(50)	(147)
Net income from available-for-sale securities	304	535
Net income from option	1	22
Total trading income	**255**	**410**

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

23 Results from financial transactions

	2020	2019
Results from derivative transactions	**(2,850)**	**(7,455)**

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

24 Personnel expenses

The number of staff employed by the Bank as of 31 December 2020 is 46 (2019:44).

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

Personnel expenses	2020	2019
Wages and salaries	3,484	3,694
Compulsory social security obligations	460	498
Contributions to defined contribution plans	260	263
Other fringe benefits	35	46
Total	**4,239**	**4,501**

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended 31 December 2020 are as follows:

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

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

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

25 Other expenses

Other expenses	2020	2019
Operating lease expense	61	34
Communication expenses	92	91
Business travel & acommodation	24	54
Audit fee	303	225
Software licening and other information technology expenses	535	507
Paid taxes other than income	146	93
Tax advisory	29	13
Other consultancy	238	201
Regulatory supervision expenses	317	337
Legal expenses	143	119
Deposit Guarantee Scheme	344	380
Other	202	267
Total	**2,434**	**2,321**

Audit-related fees	2020	2019
Audit fees related to previous year	163	122
Audit fees related to current year	140	103
Total audit fees	**303**	**225**

Financial statement audit fees	152	182
Other audit fees	151	43
Total audit fees	**303**	**225**

Audit related fees are paid to Deloitte Accountants B.V.

The other audit fees are related to quarterly reviews, group reporting, regulatory reports and deposit guarantee scheme.

26 Income tax expenses

Major components of income tax expense:

Reconciliation of income tax	2020	2019
Operating profit before tax	2,389	2,340
Weighted average statutory tax rate	24.6%	24.6%
Weighted average statutory tax amount	**587**	**575**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**587**	**575**
Effective tax rate	**24.6%**	**24.6%**

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

Deferred tax assets	2020	2019
Tax loss-carry forwards	309	-
FVOCI	12	70
Total	**321**	**70**

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

27 Fair value information

See accounting policy in Note 3 (g).

(a) Valuation models

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

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

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

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

As at 31 December 2020 and at 31 December 2019, the fair value of the securities measured at fair value represents closing bid price quoted in an active market. Actively traded quoted securities are classified as Level 1. The Bank also held financial instruments classified as level 2 of the fair value hierarchy. A description of the valuation technique(s) and the inputs used in the fair value measurements in included below.

b) Financial instruments measured at fair value

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

31 December 2019	Total	Level 1	Level 2
Assets			
Derivative financial assets	763	-	763
Securities measured at fair value	25,680	18,209	7,471
Total assets	**26,443**	**18,209**	**8,234**
Liabilities			
Derivative financial liabilites	5,703	-	5,703
Total liabilities	**5,703**	**-**	**5,703**

The Bank does not have any financial instrument measured at level 3 fair value as of 31 December 2020.

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

c) Financial instruments not measured at fair value

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

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

28 Hedge accounting

Anadolubank N.V. started applying hedge accounting prospectively in 2020.

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

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

31 December 2020	Notional amount	Fair value assets	Fair value liabilities
Fair value hedge	35,500	18	388
Cash flow hedge	22,817	-	1,200
Total	**58,317**	**18**	**1,459**

Notional Amounts	Up to 1 months	Up to 3 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Not distributable
Fair value hedge	35,500	-	10,000	3,500	5,000	5,000	-	12,000
Cash flow hedge	22,817	-	-	12,224	-	-	-	10,594
Total	**58,317**	**-**	**10,000**	**15,724**	**5,000**	**5,000**	**-**	**22,594**

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

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

31 December 2020	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 (-)
Interest rate swaps	**(1,200)**	**(1,236)**	**36**

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

Hedged items included in fair value hedging relationship

31 December 2020	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 (-)
Loans and advances to customers	8,305	30		
Interest bearing securities	26,805	342		
Total	**35,111**	**372**	**(301)**	71

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

29 Financial risk management

(a) Introduction and overview

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

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

Risk management framework

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

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

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

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

(b) Credit risk

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

Maximum exposure subject to credit risk	December 2020	December 2019
Cash and cash equivalents	133,176	159,790
Loans and advances to customers	162,807	196,418
Loans and advances to banks	200,549	101,231
Interest bearing securities	81,766	81,735
Derivative financial assets	6,659	763
Total balance Sheet	**584,957**	**539,937**
Commitments	32,669	5,420
Total credit risk exposure	**617,626**	**545,357**

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, 2020	161,201	-	-	-	3,226	1,621
December 31, 2019	196,055	-	-	-	979	616

Forbearance Loans

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

A concession refers to either of the following actions:

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

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

	31 December 2020	31 December 2019
Corporate loans	6,225	7,293
ECL charge	(37)	(80)
Balance at 31 December	**6,188**	**7,213**

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 2020	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	133,176	133,176	-	-	-	-	-	-	-
Banks	200,524	200,696	172	25	25	-	-	-	-
Interest bearing securities	76,353	76,527	174	5,413	5,598	185	-	-	-
Loans and advances	128,589	128,884	294	32,612	32,811	199	1,605	3,226	1,621
Off-balance sheet liabilities	32,669	32,669	15	-	-	-	-	-	-
		571,952	**656**		**38,434**	**385**		**3,226**	**1,621**

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

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

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

Collateral policy

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

	Loans and advances to customers		Loans and advances to banks		Interest bearing securities		Cash and cash equivalents	
Collateral analysis	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Against neither past due nor impaired:								
Secured by cash collateral	9,226	10,163	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	34,538	36,120	-	-	-	-	-	-
Other collateral	66,921	85,801	-	-	-	-	-	-
Uncollateralized exposure	52,122	64,334	200,549	101,231	81,766	81,735	133,176	159,790
Carrying amount	**162,807**	**196,418**	**200,549**	**101,231**	**81,766**	**81,735**	**133,176**	**159,790**

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-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Corporate:										
Basic materials	32,432	24,805	-	-	-	-	-	-	179	110
Transport&Logistics	29,323	30,642	-	-	4,005	4,988	-	-	21	110
Automotive	27,693	13,705	-	-	-	-	-	-	11	58
Chemicals	17,241	43,775	-	-	-	-	-	-	430	144
Construction& Infrastructure	13,204	15,842	-	-	-	-	-	-	1,071	24
Consumer products non-food	12,178	1,507	-	-	4,995	-	-	-	47	1
Oil&Gas	9,843	10,335	-	-	-	-	-	-	-	12
Agriculture &Fishing	7,678	5,777	-	-	-	-	-	-	11	47
Financial intermediation	4,983	28,252	-	-	-	6,070	-	-	69	55
Services	4,427	-	-	-	-	-	-	-	-	-
Building materials	3,012	-	-	-	-	-	-	-	113	-
Food, Beverages&Tobacco	602	4,729	-	-	2,547	-	-	-	17	617
Private individuals	4	13	-	-	-	-	-	-	58	-
Technology	-	-	-	-	-	-	-	-	95	-
Telecom	-	2,947	-	-	-	5,255	-	-	-	24
Others	187	10,925	-	-	5,458	2,551	-	-	5	25
Utilities	-	1,212	-	-	-	-	-	-	-	1
Real Estate	-	1,952	-	-	-	-	-	-	-	-
Central Bank	-	-	-	-	-	-	125,425	97,364	-	-
Government	-	-	-	-	21,207	15,515	-	-	202	179
Bank	-	-	200,549	101,231	43,554	47,356	7,751	62,426	333	289
Carrying amount	**162,807**	**196,418**	**200,549**	**101,231**	**81,766**	**81,735**	**133,176**	**159,790**	**2,662**	**1,696**

December 31, 2020

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

December 31, 2019

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

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-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**	**Dec-20**	**Dec-19**
Rated BBB- to AAA	12,048	20,028	29,465	17,268	51,836	56,454	132,714	140,420	140	209
Rated B- to BB+	18,408	24,030	138,043	83,963	29,930	23,223	435	239	450	432
CCC	-	-	-	-	-	-	-	-	-	-
Unrated	132,351	152,360	33,041	-	-	2,058	27	19,131	2,072	1,057
Carrying amount	**162,807**	**196,418**	**200,549**	**101,231**	**81,766**	**81,735**	**133,176**	**159,790**	**2,662**	**1,698**

(*) 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 2021 is presented in percentage year-on-year change.

2020	**GDP**	**ECL**
EU		
Upside	5.0 %	1,922
Baseline	4.3 %	1,938
Downside	-1.0 %	2,665
Turkey		
Upside	6.0 %	312
Baseline	4.7 %	432
Downside	-2.0 %	1,342
Rest		
Upside	5.0 %	280
Baseline	4.5 %	292
Downside	0.0 %	380

(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 2020 figures with those of 31 December 2019. 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 2020

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	133,176	133,176	-	-	-	-	-	-
Banks	200,549	-	27,695	25,705	120,052	27,097	-	-
Loans and advances	162,807	-	10,452	12,787	30,809	97,535	11,224	-
Interest bearing securities	81,766	-	4,003	11,173	16,719	29,751	20,120	-
Current tax assets	928	-	-	-	-	928	-	-
Deferred tax assets	321	-	-	-	-	321	-	-
Other assets	7,715	-	-	-	-	6,660	-	1,055
Total assets	**587,262**	**133,176**	**42,150**	**49,665**	**167,580**	**162,292**	**31,344**	**1,055**
Liabilities								
Banks	138,906	-	35,579	33,929	49,448	19,950	-	-
Funds entrusted	346,461	129,333	66,754	51,572	40,686	55,469	2,647	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other liabilites	3,856	-	3,856	-	-	-	-	-
Lease obligation	476	-	17	31	154	274	-	-
Total liabilities	**489,699**	**129,333**	**106,206**	**85,532**	**90,288**	**75,693**	**2,647**	**-**
Shareholders' equity	97,563	-	-	-	-	-	-	97,563
Total liabilities and equity	**587,262**	**129,333**	**106,206**	**85,532**	**90,288**	**75,693**	**2,647**	**97,563**
Net liquidity		**3,843**	**(64,056)**	**(35,867)**	**77,292**	**86,599**	**28,697**	**(96,508)**

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

31 December 2019	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	542,906	102,383	102,106	42,042	116,408	156,521	22,084	1,362
Total liabilities and equity	542,285	129,158	90,106	34,659	115,559	70,927	4,873	97,003
Net liquidity		**(26,775)**	**12,000**	**7,383**	**849**	**85,594**	**17,211**	**(95,641)**

(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. Operational risks emerge from all of the bank's operations. This also includes legal, compliance and integrity risk.

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

The objective in managing operational risk is to increase the effectiveness of the Bank's resources, minimize operational losses and exploit opportunities. The Risk Management Department has initiated a project to the self-assessment processes and to enhance the resulting qualitative risk management information set. This will align, connect and integrate key non-financial risk assessment processes (i.e.

compliance, legal and integrity risk types). Based on the self-assessment processes, there are several Key Risk Indicators (KRI) assigned for the monitoring of the processes that may be exposed to operational risk.

The Bank continuously collects the operational risk loss incidents, as a requirement for operational risk management, including detailed analyses, the identification of mitigating actions, and timely information of the Management Board. As being the second line of defense, Risk Management, Compliance and Internal Control departments work closely in order to identify any exposures and make sure the mitigating actions are taken.

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

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

(e) Market risk

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

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held for proprietary position taking.

Exposure to interest rate risk – non-trading portfolios

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

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

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

Economic Value of Equity

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

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

Economic Value of Equity (EVE)

31 December 2020 **in EUR**

Currency	EVE	Parallel up	Parallel down	Steep	Flat	Short up	Short down
EUR	112,087,641	2,485,371	-462,790	-366,564	1,240,546	1,910,654	-462,790
USD	5,588,319	-1,608,183	891,917	293,627	-669,270	-1,312,545	776,102
USD + EUR	**117,675,960**	**-365,497**	**-16,831**	**-219,751**	**-48,997**	**-357,218**	**-74,738**
% of EVE	-	-0.30 %	0.00 %	-0.20 %	0.00 %	-0.30 %	-0.10 %
Outlier criterion	**-0.40 %**	**0.00 %**	**-0.20 %**	**-0.10 %**	**-0.40 %**	**-0.10 %**	**-1,608,183**

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)

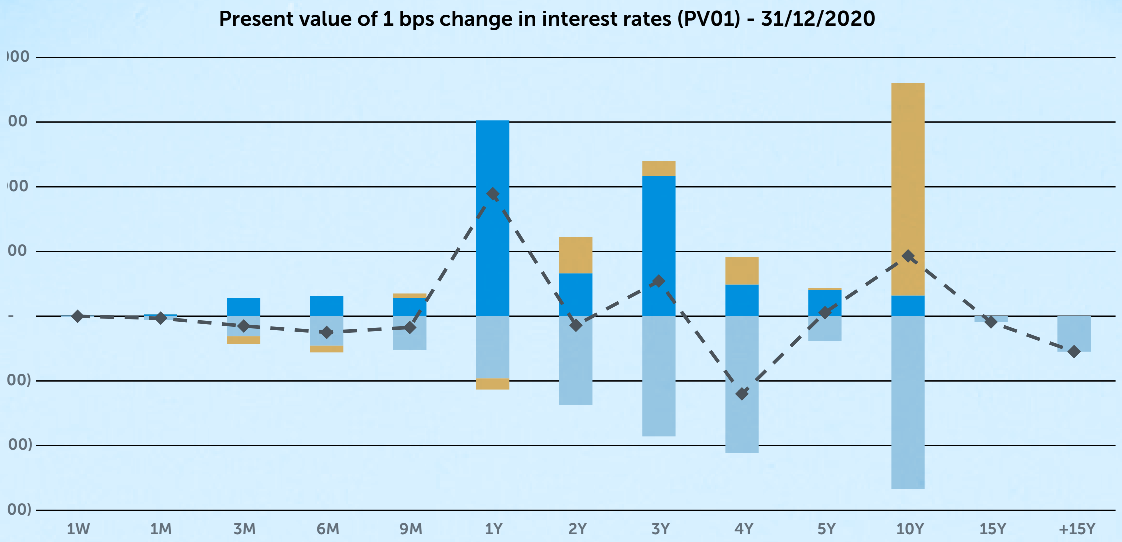
31 December 2020 **in EUR**

Currency	NII (1 year)	Gradual shift up	Instantaneous shift up	Gradual shift down	Instantaneous shift down
EUR	3,039,247	1,644,660	3,513,600	-794,037	-908,599
USD	4,802,785	186,986	420,125	-172,732	-219,195
GBP	746	-20,071	-43,380	15,854	22,699
AUD	0	0	0	0	0
TRY	-7,426	-448	-998	448	998
TOTAL	**7,835,352**	**1,811,127**	**3,889,348**	**-950,467**	**-1,104,096**
% of NII	**-**	**23 %**	**50 %**	**-12 %**	**-14 %**

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 31/12/2020. 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:

31 December 2020	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Assets						
Cash and cash equivalents	133,176	125,474	-	-	-	7,702
Banks	200,549	53,400	26,008	94,045	27,096	-
Loans and advances	162,807	23,239	8,608	22,201	108,759	-
Interest bearing securities	81,766	15,176	7,541	9,178	49,871	-
Current tax assets	928	-	-	-	928	-
Deferred tax assets	321	-	-	-	-	321
Other assets	7,715	-	-	-	6,660	1,055
Total assets	**587,262**	**217,289**	**42,157**	**125,424**	**193,314**	**9,078**
Liabilities						
Banks	138,906	69,507	26,130	23,319	19,950	-
Funds entrusted	346,461	201,172	17,740	22,946	58,117	46,486
Deferred tax liabilites	-	-	-	-	-	-
Other liabilites	4,332	3,405	-	-	-	927
Total liabilities	**489,699**	**274,084**	**43,870**	**46,265**	**78,067**	**47,413**
Surplus/deficit	**97,563**	**(56,795)**	**(1,713)**	**79,159**	**115,247**	**(38,335)**

31 December 2019	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	542,906	144,148	44,050	72,359	178,534	103,814
Total liabilities	446,393	224,352	46,249	69,311	75,800	30,681
Surplus/deficit	**96,513**	**(80,204)**	**(2,199)**	**3,048**	**102,734**	**73,133**

(f) Currency risk

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

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

The Bank is exposed to the impact of the fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of net open position in total, which is monitored on a daily basis. The Bank's exposure to foreign currency exchange rate risk at 31 December 2020, on the basis of the carrying amounts, categorized by currency, is shown in the following table:

31 December 2020

Assets	EUR	USD	TRY	Other	Total
Cash and cash equivalents	127,524	5,513	76	63	133,176
Banks	82,594	117,955	-	-	200,549
Loans and advances	79,807	81,783	-	1,217	162,807
Interest bearing securities	46,256	35,510	-	-	81,766
Current tax assets	928	-	-	-	928
Deferred tax assets	321	-	-	-	321
Property and equipment	501	-	-	-	501
Derivative financial assets	6,659	-	-	-	6,659
Other assets	555	-	-	-	555
Total assets	**345,145**	**240,761**	**76**	**1,280**	**587,262**
Liabilities					
Banks	77,085	59,652	-	2,169	138,906
Funds entrusted	245,267	101,115	58	21	346,461
Derivative financial liabilites	3,113	288	-	4	3,405
Share capital and share premium	75,000	-	-	-	75,000
Retained earnings	21,723	-	-	-	21,723
Revaluation reserves	(43)	8	-	-	(35)
Cash flow hedge reserve	(927)	-	-	-	(927)
Net Profit	1,802	-	-	-	1,802
Other liabilities	861	66	-	-	927
Total liabilities	**423,881**	**161,129**	**58**	**2,194**	**587,262**
Net on balance sheet position	**(78,736)**	**79,632**	**18**	**(914)**	**-**
Net notional amount of derivatives	**91,314**	**(85,331)**	**-**	**886**	**6,869**
Net position	**12,578**	**(5,699)**	**18**	**(28)**	**6,869**

31 December 2019	EUR	USD	TRY	Other	Total
Total assets	344,926	190,149	3,555	4,276	542,906
Total liabilities	415,109	126,764	994	39	542,906
Net on balance sheet position	**(70,183)**	**63,385**	**2,561**	**4,237**	**-**
Net notional amount of derivatives	**71,082**	**(68,767)**	**(2,664)**	**(4,204)**	**(4,553)**
Net position	**899**	**(5,382)**	**(103)**	**33**	**(4,553)**

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	**31/12/2020**
Own funds requirement	462
Own funds requirement (-)10% shock on USD/EUR rate	416
Own funds requirement (+)10% shock on USD/EUR rate	507

(g) Capital management

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

The Bank also comfortably meets the leverage ratio requirement due to the business strategy in place. 2020 net profit is added to the eligible capital.

Capital requirements	**2020**	**2019**
in thousands of EURO		
Total risk weighted assets	396,844	366,808
Credit risk	373,274	342,021
Market risk	5,769	5,491
Operational risk	17,801	19,296
Tier 1 capital	**98,492**	**96,513**
Paid-in capital	75,000	75,000
Retained earnings	21,725	19,958
Revaluation reserves	(35)	(210)
Net profit	1,802	1,765
Total capital	**98,492**	**96,513**
Tier 1 ratio %	**24.8 %**	**26,3 %**
Solvency ratio %	**24.8 %**	**26.3 %**

30 Subsequent events

There has been no subsequent event between the balance sheet date and the date of approval of these accounts which would be reported by the Bank.

Amsterdam, June 23, 2020

Supervisory Board

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

V. van der Kwast, Member

Managing Board

O.Sakizligolu, CEO / Managing Director

N. Plotkin, Managing Director

A.H.Otten, Managing Director

31 Other information

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

The appropriation of profit is governed by Article 23 of the articles of association, the profit is at free disposal of the general meeting. The general meeting may decide to pay dividend (if the Company is profitable), only after adoption of the annual accounts and if profit so permits. It has been decided not to pay any dividend for the year 2020 on May 20, 2021.

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Independent auditor's report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2020 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 December 31, 2020, and of its result and its cash flows for 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The statement of financial position as at December 31, 2020.

2. The following statements for 2020: the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Anadolubank Nederland N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 400,000. The materiality is based on 0.5% of equity. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 20,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of fraud and non-compliance with laws and regulations

In accordance with Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Consideration of fraud

In identifying potential risks of material misstatement due to fraud, we obtained an understanding of Anadolubank Nederland N.V. and its environment, including the entity's internal controls. We evaluated the fraud risk assessment of Anadolubank Nederland N.V. and made inquiries with the Management Board, the Supervisory Board and with others within Anadolubank Nederland N.V., including but not limited to the Heads of Internal Audit, Compliance and Risk Management. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Management Board, the Supervisory Board and others within Anadolubank Nederland N.V., which may represent a risk of material misstatement due to fraud. Furthermore, we identified and considered the fraud risk related to management override of controls.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation and, where considered appropriate, tested the operating effectiveness of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including detailed testing of journal entries, evaluating the accounting estimates for bias (including retrospective reviews of prior year's estimates, and the supporting documentation in relation to post-closing adjustments). We also incorporated elements of unpredictability in our audit. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a Key Audit Matter.

Consideration of laws and regulations

We assessed the laws and regulations relevant to Anadolubank Nederland N.V. through discussion with the Management Board, the Supervisory Board and with others within Anadolubank Nederland N.V., including but not limited to the Heads of Internal Audit, Compliance and Risk Management, reading minutes and reports of internal audit and the correspondence with the regulators.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union 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.

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Apart from these, 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 regulation, 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) inquiry of the Management Board, the Supervisory Board and others within Anadolubank Nederland N.V. as to whether Anadolubank Nederland N.V. is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	
Expected credit loss allowance **Description** Anadolubank Nederland N.V. recognizes a loss allowance for expected credit losses ("ECL") on the financial assets at amortized cost and the financial assets at fair value through OCI. At December 31, 2020 the expected credit loss allowance amounted EUR 2,647 thousand, related to a total gross exposure of EUR 584,957 thousand.	**How the key audit matter was addressed in the audit** We have tested the design, implementation and operating effectiveness of the key controls in the loan origination process and the process of purchasing interest bearing securities. In addition, we have obtained an understanding of the credit monitoring process and the provisioning process within Anadolubank Nederland N.V. We have tested the design and implementation of the controls related to the timely recognition and measurement of the expected credit loss allowances.

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The ECL of stage 1 and stage 2 exposures is calculated collectively. The ECL on the stage 3 exposures is calculated individually. Because of the inherent uncertainty and risk in a number of areas when determining the expected credit loss allowance, the expected credit loss provision is an important area of judgements and estimates by the Management Board. The COVID-19 pandemic further increases the estimation uncertainty. As a result, we have identified the expected credit loss allowance to be a key audit matter. Anadolubank's disclosures concerning the expected credit loss allowance are included in note 3 sub (vii) "Identification and measurement of impairment" and note 29 "Financial risk management" of the financial statements.	For the collective expected credit loss allowance, we have tested the adequacy of assumptions and the input data used by management to calculate the expected credit loss. For the macroeconomic variables, we have challenged Management's macro-economic forecast and scenarios used and involved a specialist. For individually assessed impairment allowances, we obtained corroborating and contradictory evidence to substantiate and challenge Management's assertions regarding the reasonableness of the accounting estimates and the used assumptions in the individual impairment analyses for December 31, 2020. We assessed whether the impact of COVID-19 has appropriately been incorporated in the impairment allowance calculation. For a selection of individual exposures, we have assessed whether Anadolubank Nederland N.V. correctly applied its provisioning and staging policy. Finally, we have assessed whether the disclosures are accurate and in compliance with EU-IFRS requirements. *Our observations* The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed on the expected credit loss allowance did not result in reportable matters.
Reliability and continuity of the Information Technology systems **Description** An adequate Information Technology infrastructure ensures the reliability and continuity of Anadolubank's business processes and financial reporting. In addition, the continuity of the operations is highly dependent on the Information Technology infrastructure as also explained in note 29 Financial risk management of the financial statements. Therefore, reliability and continuity of the Information Technology systems has been a key audit matter during our audit.	**How the key audit matter was addressed in the audit** We have tested the reliability of the Information Technology systems relevant for our audit of the financial statements. Furthermore, we have tested the implementation of key controls ensuring that Information Technology systems can be recovered in case disruptions occur. For this purpose, we have made use of Information Technology auditors within our audit team. These procedures included testing the design, implementation and operating effectiveness of the relevant General Information Technology and application controls. Our audit approach relies on automated controls and therefore on the effectiveness of the General Information Technology controls over Information Technology systems. *Our observations* For the purpose of our financial statements audit we believe that the reliability and continuity of the Information Technology systems of Anadolubank Nederland N.V. are at a sufficient level to support our controls reliance audit strategy.

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REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual REPORT contain other information that consists of:

- Vision, Mission and Our Values.
- Three- Year Key Figures.
- Supervisory Board Report.
- Management Board Report.
- Other Information.

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

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by 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.

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DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of the Management Board and the Supervisory for the financial statements

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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- Concluding on the appropriateness of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, June 17, 2021

Deloitte Accountants B.V.

Signed on the original: A. den Hertog