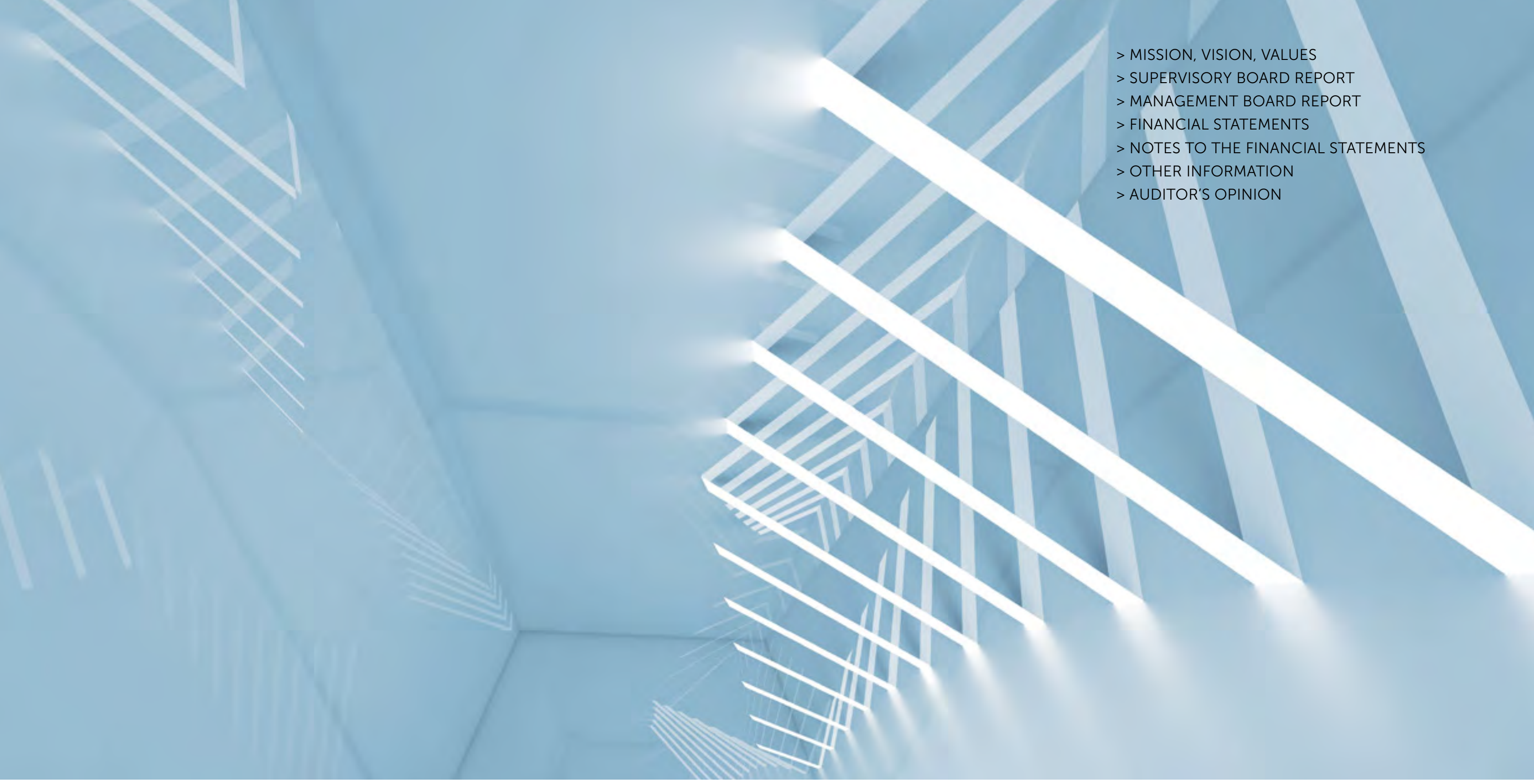
Anadolubank
Nederland

ANNUAL REPORT 2018

TABLE OF CONTENT



Vision

To become the bank of choice for customers

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

Mission

Setting new standards

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

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

Values

• Integrity
• Working together
• Products & services

Integrity

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

Working together

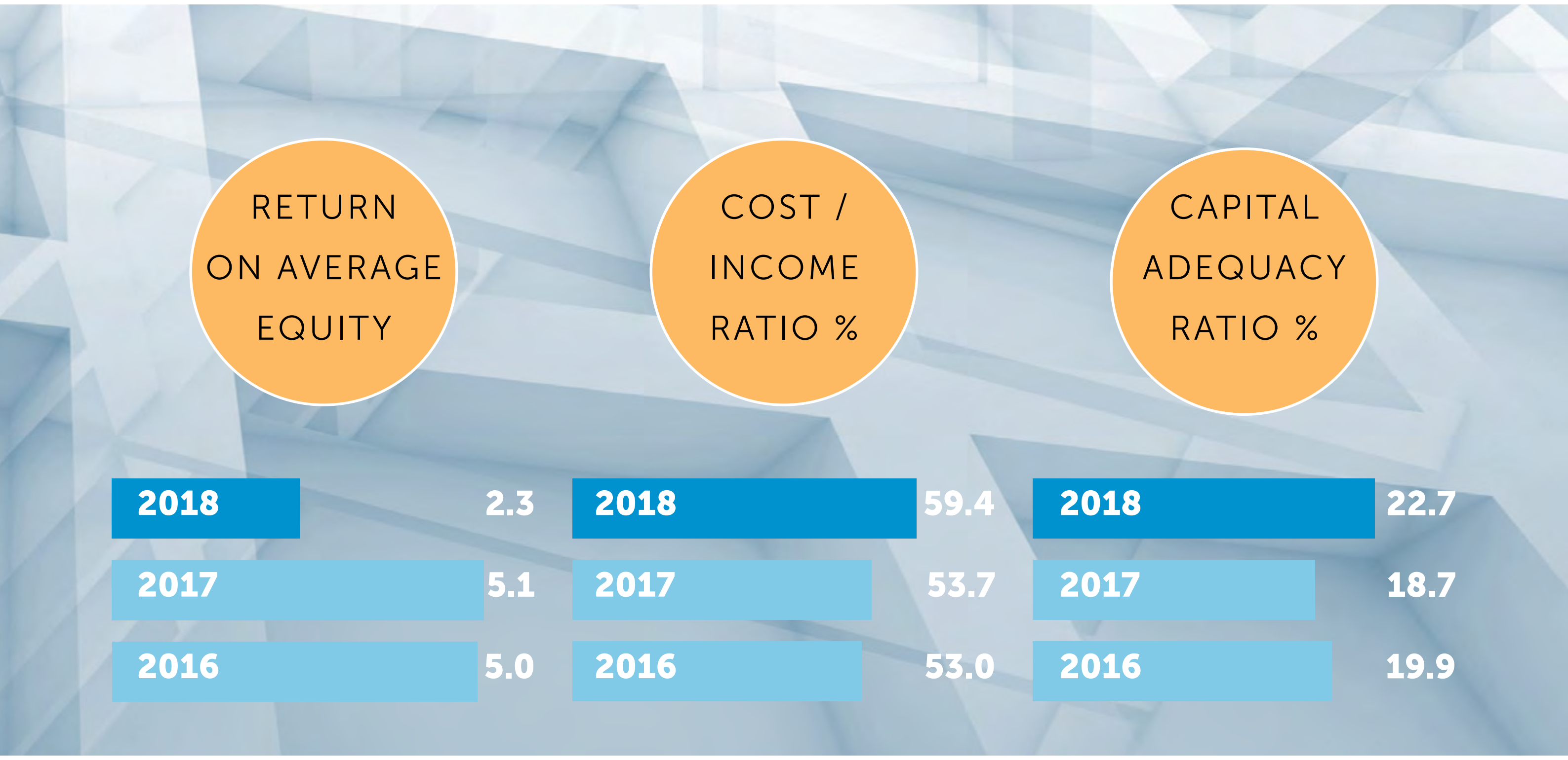
We firmly believe that working together, inspiring each other and to achieve collective strength is essential for banking. We can support each other and serve our clients as one. We want long-term relationships with our customers that create value for both parties.

Products and services

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

Three-year Key Figures

in EUR thousand	2018	2017	2016
Total assets	582,695	618,594	552,491
Loans	334,723	396,781	310,414
Bank loans	151,087	106,988	62,562
Corporate loans	183,636	289,793	247,852
Securities	100,618	107,981	124,779
Deposits	321,245	335,020	340,783
Shareholders' equity (including results after tax)	88,084	88,303	82,624
Operating result before tax and impairments	4,487	5,828	5,434
Loan loss provisions	(1,820)	-	-
Result after tax and impairments	2,010	4,381	4,085
%			
Net Return on average equity	2.3	5.1	5.0
Loans/deposit	104.2	118.4	91.1
Cost/income ratio	59.4	53.7	53.0
Cost/average assets	1.1	1.2	1.1
Capital adequacy ratio	22.7	18.7	19.9



SUPERVISORY BOARD REPORT

General

The most important role of the Supervisory Board is ensuring effective governance. Among other duties, it is an impartial arbiter of corporate conduct and compliance. In general, the Supervisory Board is very much involved in its advisory role in the risk appetite of the bank, the strategy and 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 2018

The year 2018 was a challenging year with lower income despite a similar operational income as the previous year, directly related to reducing the risk profile on Turkey linked assets and also bringing down the concentration risks. Also the implementation of IFRS 9 contributed to the lower income.

Anadolubank Nederland N.V. continued with the transformation into a bank which is more concentrating on providing financial services to Dutch and European customers.

Even with the lower result in 2018 the Bank was able to maintain high liquidity and capital ratios.

The key priorities for 2018 were:

- Further transformation into a Dutch/European bank with link to Turkey
- Implementation of a full professional HR framework. Although steps have been made in 2018, there is still work in progress to further strengthen the HR Function.

Dutch Corporate Governance Code

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

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

Culture

Supervisory Board and Management Board consider an open and transparent communication structure in the bank of utmost importance. During the last years much time was spent to analyze the culture of the bank and what improvements needed to be considered. Almost all recommendations have been implemented. For 2018 it was foreseen that also the last main item, to further improve and strengthen the HR function, can be finalized in 2019.

Strategy

The strategy of Anadolubank Nederland N.V. is to focus more on the Dutch and the European corporate market. The strategy has been developed by the Management Board in close cooperation with the Supervisory Board. In 2016 a start was made to implement this new strategy. The effective implementation of the new strategy is a key priority for the next years.

The Supervisory Board has emphasized that remains as one of the bank's key objectives is to increase profitability in a sustainable and long-term manner, but this would not be done to the detriment of prudent and stringent risk management. Successful execution of this new strategy is being monitored by the Supervisory Board. The Supervisory Board concludes that good progress is made on the implementation of the new strategy and that as per end of 2018 the bank is ahead of the budgeted target.

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 a dashboard. It is the Supervisory Board's opinion that a low risk appetite protects the bank's reputation and contributes to the continuity of the bank.

Control Framework

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

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

Cooperation with the Management Board

The Supervisory Board is closely involved, in its advisory role, in the company's business, especially regarding the Bank's strategy and the risk appetite. The Chairman of the Supervisory Board and 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 established. Instead, all members have been assigned specific attention areas. Each attention area is in principle assigned to two members, an independent member together with a dependent member.

Supervisory Board Composition

In October 2018 **Mr. Aridasir** resigned from his duty of the parent bank and therefore also from the Supervisory Board of Anadolubank Nederland. Mr. Aridasir had been a member of the Supervisory Board for almost one year.

In December 2018 **Mr. Star** resigned from the Supervisory Board. Mr. Star had been a member of the Supervisory Board for five years.

We thank Mr. Aridasir and Mr. Star for all their contributions to the Bank and wish them all the best in their future career.

In case of vacancy in the Supervisory Board, an individual job profile based on the defined attention areas and present expertise available in the Supervisory Board, is drawn up.

Due to the resignation of Messrs Star and Aridasir two vacancies existed in the Supervisory Board as per December 31, 2018.

Mrs. Gulden Taran Ünver was presented by the parent bank shareholder for the position of dependent Member of the Supervisory Board. We are glad to announce that Mrs. Gulden Taran Ünver has been approved by DNB in March 2019 and therefore has meanwhile started as Member of the Supervisory Board. Mrs. Taran Ünver holds the position of Legal advisor in Anadolubank Turkey.

The potential candidate for the vacant position of independent Supervisory Board member is presently assessed by DNB.

Supervisory Board Meetings

During the year 2018 the Supervisory Board met six times (in principle once per two months) the Management Board to review the interim figures, management reports, reports of the internal and external auditors and audits by DNB. Furthermore the Supervisory Board meets at least once a year with the external auditor. In all these meeting the members of the Management Board were present. Furthermore 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 members of the Supervisory Board were present.

Lifelong Training

The Supervisory Board members, members of the Management Board and senior officers do participate in a permanent education program to stay on top of new developments in the industry like new regulations, technological developments and culture issues. In 2018, the topics of the training were Fintech, Artificial Intelligence and Finance updates.

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.

Due to the changes in the Supervisory Board this self-evaluation over 2018 had another character. At the time of the self-evaluation only two of the present SB members were active during the whole year 2018. Therefore the self-evaluation 2018 had more a character of exchanging last year's experiences and discussing some first time impression from the new member.

In April 2019 the CEO of the Bank, Mr. S. Yakar, resigned from the service of the Bank to pursue other career opportunities. We want to thank Mr. Yakar for his contribution to the Bank and managing the Bank through various turbulent times. We wish him all the best in his future professional life.

Meanwhile the Bank has been able to find a new CEO however, subject to the approval of DNB, we expect the new CEO to start in the middle of 2019.

Adoption of Financial Statements

We hereby present the annual report and financial statements for the 2018 financial year, as prepared by the Management Board. The achievements and overall results of 2018 are in line with our vision and with our continuing efforts to maximize the Bank's performance and stability.

The Bank has a business model and a structure that are straightforward. The Bank reported net profit of EUR 2.010 thousand for 2018.

The Supervisory Board has discussed the 2018 financial statements with the Managing Board and the independent auditor, Deloitte Accountants N.V., who issued an unqualified opinion. The Supervisory Board members have signed the financial statements in conformity with their statutory obligation. We recommend that the General Meeting of Shareholders adopt the financial statements for 2018 at the General Meeting of Shareholders was held on May 24, 2019. The Board proposed that the profit after tax and impairments be added to the Bank's reserves. Furthermore, we propose that the General Meeting of Shareholders discharged the members of the Management Board from responsibility for their management and the Supervisory Board from responsibility for their supervision in the 2018 financial year.

Conclusion

The Supervisory Board wishes to express its appreciation to our shareholders and clients for their trust, as well as to our Management Board and our employees for their ongoing commitment to create value and to participate in the long-term growth of our business.

Amsterdam, June 14, 2019

A.J. Smith, Chairman

F. Canbay, Vice Chairman

G. Taran Ünver, Member

MANAGEMENT BOARD

REPORT

WE ARE PLEASED TO PRESENT OUR REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018. WHILE 2018 WAS CERTAINLY MARKED BY CHALLENGING WEATHER AND TOUGH MARKET CONDITIONS, ANADOLUBANK NEDERLAND N.V. RESPONDED WITH GREAT PRUDENCE AS WELL AS WITH CONFIDENCE IN OUR ABILITY TO MEET THE CHALLENGES.

The Bank has adopted the requirements of IFRS 9 'Financial Instruments' on 1 January 2018. Under IFRS 9, the recognition and measurement of expected credit losses differs from the approach under IAS 39. The change in expected credit losses related to financial assets under IFRS 9 is recorded in the income statement under 'expected credit losses' ('ECL'), (EUR 1.8 million). As at 31 December 2018, Anadolubank N.V.'s net profit is EUR 2.0 million; our performance is the result of staying focused on our strategy of diversification by business and geography.

Our ongoing focus on, the Bank continued to increase its footprints into Dutch and EU market in line with its business plan. We continue to balance expectations for growth and performance against acceptable levels of risk and capital. The Bank's capital ratio is at 22.7%. The Bank's strong capital adequacy ratio, low leverage ratio, ample liquidity and effective risk management, coupled with high asset quality support its sustainable profitability. We continued to increase our footprints into Dutch and EU market segments in line with our business plan. For many years, we have been proactively managing our credit risk and benefited from a significant improvement in credit quality.

We maintained a high level of liquidity and capital which was supported by prudent balance sheet management. This performance is particularly noteworthy in view of the prevailing uncertain economic context and regulatory environment. Over the past five years, the Bank has generated approximately EUR 14.7 million of internal capital.

Our strategy will be to withstand its sustainability focused- growth that maintains asset quality and efficiency in our operation through investments and initiatives, as we have done over the last few years.

An effective corporate governance structure and risk culture into corporate strategy

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

We advanced on several important initiatives during 2018 that strengthened our risk management practices and maintained compliance with evolving regulatory requirements. Our Bank has been responsive to changes in regulation and has invested considerably to adapt to the new standards. Our comprehensive risk appetite framework incorporates risk principles aligned with business model, governing financial objectives and frequent risk appetite measures. Flexibility in executing our strategy is key to the Bank's success.

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

We would like to extend thanks to our valued employees as well as all our customers, Supervisory Board and shareholders who have given us their support and their trust.

The Management Board is composed of the following members:

Name	Position	Membership Since
N. Plotkin	Managing Director	2013
A.H. Otten	Managing Director	2013

2.1 Outlook

Despite more challenging market conditions at the end of the year and a weaker global economic outlook, we are committed to the targets. We remain alert to the downside risks of the current economic environment, especially those related to Turkish economy. In 2019, we will continue to execute our strategy and aim to improve profitability and margins.

Regulatory requirements and economic conditions will continue to influence our decisions. Putting the customer at the center of everything we do has been the key to our present strength and success, and that will continue to be so going forward.

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

For the year 2019 and beyond, our three major priorities–increasing profitability, improving efficiency, and developing our human capital–will essentially continue to guide all of our actions and decisions.

We execute our Strategic Plan based on:

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

Profitability : We will put emphasis on resources dedicated to diversify the statement of financial position structure and to the development of operations with sustainable profitability.

Maintaining an essential presence in EU and Dutch market: The Bank has a very clear plan to bring about its strategic repositioning to concentrate and grow in the EU markets and the Dutch market specifically. We are confident that this approach will deliver concrete results over the coming years. As an overall strategy, we continue to believe strongly in our diversified business model, and our geographic mix.

Operational efficiency: To attain our objectives, it is important to optimize the efficiency of our operations at every level. In 2018 we increased IT projects to improve the productivity of key processes and procedures to reduce operational costs.

Human resource: Our employees are the most valued asset of the Bank. Further enhance employee engagement through efficient human resources practices and inspiring communications will continue in 2019.

2.2 Economic Developments

Global economic developments

Global growth in 2018 was estimated to be 3.7 percent, as it was last fall, but signs of a slowdown in the second half of 2018 have led to downward revisions for several economies.

Weakness in the second half of 2018 will carry over to coming quarters, with global growth projected to decline to 3.5 percent in 2019 before picking up slightly to 3.6 percent in 2020. This growth pattern reflects a persistent decline in the growth rate of advanced economies from above-trend levels, together with a temporary decline in the growth rate for emerging market in 2019. Specifically, growth in advanced economies is projected to slow from an estimated 2.3 percent in 2018 to 2.0 percent in 2019 and 1.7 percent in 2020. For the emerging market and developing economy group, growth is expected to tick down to 4.5 percent in 2019 (from 4.6 percent in 2018), before improving to 4.9 percent in 2020.

Crude oil prices have been volatile since August 2018, reflecting supply influences, including US policy on Iranian oil exports and, more recently, fears of softening global demand. As of early January, crude oil prices stood at around $55 a barrel, and markets expected prices to remain broadly at that level over the next 4–5 years. Prices of metals and agricultural commodities have softened slightly since August, in part due to subdued demand from China. Consumer price inflation has generally remained contained in recent months in advanced economies. Among emerging market economies, inflationary pressures are easing with the drop in oil prices. For some, this easing has been partially offset by the pass through of currency depreciations to domestic prices.

Eurozone developments

Growth in the euro area is set to moderate from 1.8 percent in 2018 to 1.6 percent in 2019 and 1.7 percent in 2020. Growth rates have been marked down for many economies, notably Germany due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand; Italy due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated; and France due to the negative impact of street protests and industrial action.

There is substantial uncertainty around the baseline projection of about 1.5 percent growth in the United Kingdom in 2019-20. The projection reflects the offsetting negative effect of prolonged uncertainty about the Brexit outcome and the positive impact from fiscal stimulus announced in the 2019 budget. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, still the shape that Brexit will ultimately take remains highly uncertain.

The Netherlands

The Dutch economy has grown above the euro area average over the past few years reflecting recovering consumption and investment and strong net exports. After a solid first half of the year, growth fell back in the third quarter of 2018 amid a wider slowdown across the euro area. For 2018 as a whole, growth was at 2.6%, exceeding the forecasts. The economic expansion is set to continue over the forecast horizon but at a slower pace than in previous years. GDP is projected to grow by 1.7% in both 2019 and 2020, driven mainly by domestic demand.

The fiscal stimulus is projected to be supportive to growth in 2019, with higher expenditure focused on education, defense and infrastructure. However, observed underspending in 2018 combined with supply constraints in the economy point to implementation risks.

The growth contribution of net exports is expected to be close to zero as a result of the weaker external environment. Headline inflation is projected to rise from 1.6% in 2018 to 2.4% in 2019, largely driven by an increase in the VAT tariff from 6% to 9%. Gradually increasing wages are also set to exert upward pressure on the price level. Higher energy prices pushed up inflation in recent months, but their influence is expected to dissipate in line with lower oil prices compared to the second half of 2018. In 2020, inflation is forecast to fall back to 1.7%.

Turkey

Following several years of strong growth and significant external borrowing, the exchange rate has depreciated steadily since mid-2017. Intensified market pressures in August 2018 led to a further depreciation of around 30%, followed by a partial recovery thereafter. With inflation reaching almost 25% a "Comprehensive Plan against Inflation" was announced in October. CBRT raised its benchmark policy rate substantially in September to 24%. Market consensus for the cut in interest rates is in second half of 2019. The economy is projected to contract in 2019 as a sharp fall in domestic demand from the second half of 2018 will be offset only partially by an increase in exports. A gradual recovery in domestic confidence and demand is projected to help growth to recover in 2020.

Turkey remains vulnerable to a tightening in global financial conditions, which could lead to higher interest costs, further exchange rate instability and external funding tensions. Geopolitical risks related to the neighboring regions and beyond could also impact on confidence and trade prospects. The large external funding needs, estimated to reach 25% of GDP in 2019, could then be secured, albeit at increased cost. Export growth is projected to remain strong and related investments to be unimpaired.

2.3 Financial Institutions

2018 has been a strenuous year, Financial Institution was indefatigably focusing on profits. Forfaiting is FI's main business. Products include syndicated loan primary and secondary trading, promissory notes, bills of exchange, letters of credit, etc. Meanwhile FI has been expanding and maintaining relationships with counterparties. Besides, FI also arranged wholesale funding through products such as TRS, promissory note, SWIFT trade finance, etc.

FI connects retail customers with wholesale market by working closely with Trade Finance and Corporate Banking departments. Forfaiting products include letter of credit, promissory notes, bill of exchange, etc. Even with tremendous challenge of market conditions from last year, FI still continued to generate sustainable profits.

2.4 Trade Finance

Trade Finance business has been one of the key business lines consistently adding value to Anadolubank Nederland N.V. financially and reputation-wise. While diversifying Trade Finance product range, execution and understanding of customer requirements have also been 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. Many steps have been taken to expand the Trade Finance business at Anadolubank Nederland N.V. 2018 was full of adverse geopolitical developments, commodity and currency price fluctuations as well as ever-changing regulatory landscape. We serve customers that physically trade various commodities and corporations that produce, import and export and distribute commodities such as ferrous and non-ferrous metals, agricultural products and energy commodities. They are mostly located in the European Union, Switzerland, Turkey, and United Kingdom.

Anadolubank Nederland N.V. Trade Finance team, successfully registered another profitable year in 2018. 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 exceeded EUR 2 million level at the end of the 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 efforts to broaden our customer base and sector coverage during 2018 resulted in a greater sector diversification and decreasing country concentration in our non-bank exposures. This strategy will be further pursued during 2019 and new customers from various new geographies as well as existing and prospect sectors will contribute further to the success of the Trade Finance team.

2.5 Corporate Banking

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

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

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

2018 was a problematic year for some of the markets which the Bank was exposed to. Amid this environment, the Bank aimed to maintain sustainability for its liability items and diversify its funding facilities while maximizing risk-adjusted return on capital.

Finally, Corporate Banking Department will continue to enlarge its customer portfolio. Meantime maximizing our clients' satisfaction will still be our priority.

2.6 Retail Banking

Retail deposits provide us stable funding base and have been a key focus area for us since commencing operations. The retail banking products of Anadolubank Nederland 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 2018, the Retail Banking Department maintained its focus on fast, reliable and consistent customer service.

2.7 Compliance

Anadolubank Nederland N.V. attaches great value to its reputation as a solid and respectable bank for the public sector. For this reason, compliance and integrity play an important role in the Bank's control mechanism. Both domestic and international laws continue to increase in volume and complexity. We need to constantly appraise whether our processes and procedures remain compliant with changing laws and regulations.

Therefore Anadolubank Nederland N.V. has internal policies, rules and procedures in place to guarantee that management complies with relevant laws and regulations regarding customers and business partners. Policies and procedures are regularly reviewed. In addition, the compliance department independently monitors the extent to which the Bank complies with its rules and procedures. The compliance 2018 monitoring plan was approved by the Supervisory Board.

During the year 2018 Compliance Department gave compliance introduction trainings to all new staff and also took care of relevant anti-money laundering and combatting terrorist financing courses.

The Supervisory and Managing Board members as well as all staff have taken the banker's oath (which includes the relevant code of conduct and disciplinary rules) pursuant to the Dutch Oath or Promise (Financial Sector) Regulation or the Dutch Banking Code, which took effect on 1 January 2015.

There were no significant incidents in 2018 concerning compliance and integrity. Anadolubank N.V. was not involved in material legal proceedings or sanctions associated with non-compliance with legislation or regulations in terms of financial supervision, corruption, advertisements, competition, data protection or product liability.

Compliance department reported on a monthly basis to the Management Board and has a direct reporting line to the Supervisory Board.

2.8 Financial Performance Summary

Anadolubank Nederland N.V. posted EUR 2.0 million net profit in 2018. (2017: EUR 4.4 million).

In 2018, IFRS 9, financial instruments, which replaces most of the guidance in IAS 39 was adopted. As a result impairment methodology changed from ILM (Incurred Loss Model) to ELM (Expected Loss Model). The results were affected by the loan loss provision, EUR 1.8 million. The expected credit loss of non-performing loans was EUR 0.3 million.

The Bank's total assets at 31 December 2018 were EUR 583 million. (2017: EUR 619 million). The main decrease is on the corporate loans (EUR 106 million).

Cash and cash equivalents are EUR 143 million. (2017: EUR 107 million). The Bank continues to focus on maintaining the good level of liquidity. High level of stable funding and with well managed maturity profile the Bank comfortably meets the liquidity requirements.

Interest bearing securities closed the year with a balance of EUR 101 million at the end of 2018, which decreased by EUR 7 million compared to the previous year.

Deposits from banks decreased by EUR 23 million and deposits from customers decreased by EUR 14 million.

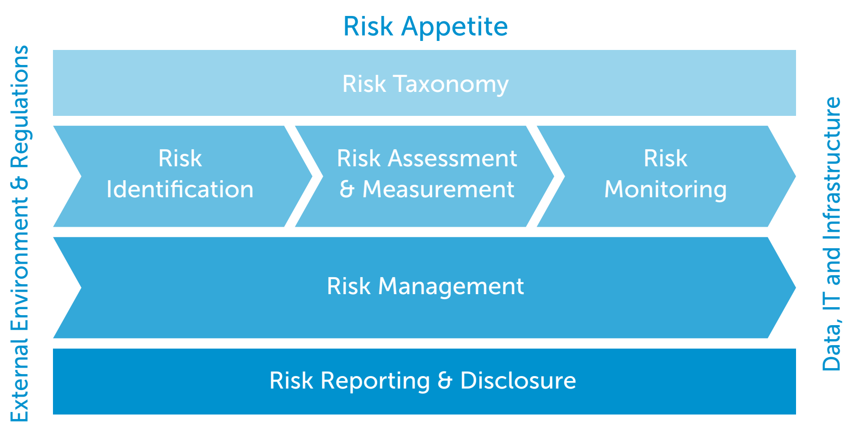
Total administrative expenses were EUR 6.6 million this year, a decrease of EUR 0.2 million compared to financial year 2017.

2.9 Risk Governance and Management

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

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

The risk management in the Bank is based on the three lines of defense principles for segregation of duties. Business units form the first line of defense, the Financial and Operational Risk Management Department, the Treasury Mid-office Department, the Internal Control and the Credit Risk Management Department, along with the Compliance Department form the second line of defense. Those departments support the business units in their decision-making, but have also appropriate independence and countervailing power to avoid risk. Internal Audit, as the third line of defense, oversees and assesses the functioning and effectiveness of the first two lines. The risk appetite is established upon the external environment and regulations, and data, IT and infrastructure. It covers the rules and regulations imposed by the national and international regulatory bodies, and provides data aggregation, transparency and consistency. A risk taxonomy is created to provide a common set of definitions on the risk types within the organization. As a result, definition and classification of risks are comparable across the organization. Risk identification is performed to detect the external and internal events that might affect the realization of the strategic objectives. Identified risks are further analyzed through risk



assessment and 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 2019 the risk culture will be further developed by improving risk knowledge and awareness throughout the organization. Also the operational risk management framework will be further enhanced to increase the effectiveness of the internal controls.

2.10 Risk and Capital Management

The Total Capital Ratio (TCR) was 22.7% as of 31 December 2018, compared to 18.7% as of previous year, and remained well above the regulatory minimum requirements. As of end of 2018, capital requirements for credit risk decreased due to the scaling down of the credit portfolio compared to the previous year. At the same time, capital requirements for market risk and operational risk were almost unchanged compared to previous year.

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

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

Anadolubank Nederland N.V.'s Capital and Risk Management Pillar III Disclosures contain information that enables an assessment of the risk profile and capital adequacy of the Bank. This publication fulfils the requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV (CRR/CRDIV). CRD IV was enforced in Dutch law as amendments to the 'Wft' (Wet Financieel Toezicht) and further accompanying regulations as well as Pillar III disclosures. Anadolubank Nederland N.V. also publishes its disclosures on its website. The Pillar III disclosure will be available in the first half of 2019 based on 31 December 2018 figures.

2.11 Credit Committee

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

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

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

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

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

2.12 Asset & Liability Committee

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

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

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

The Bank finds it prudent to keep a high level of liquidity and maintains liquidity significantly above the minimum requirements of the Dutch Central

Bank. It also keeps an eye on diversification, cost robustness of funding sources, current and new funding structure.

2.13 Corporate Governance, Supervisory Board and the Management Board

The Supervisory Board of Anadolubank Nederland N.V. is comprised of four members, two of which also hold positions on Anadolubank Turkey, the shareholder. 50 percent of the Supervisory Board members are independent, including the chairman of this Board. In 2018, one non-independent member left the Supervisory board. The process to find a new member had started by the end of 2018 and it is expected that a new member will be appointed in the first half of 2019.

The Supervisory Board held seven formal meetings during the year 2018 of which six together with the Management Board. Main topics were related to the strategy of the Bank including the economic developments in Turkey and Europe specifically, but also the solvency and liquidity, credits and internal and external audit and compliance reports were main topics on the agenda. Specific attention on the agenda with the Management Board was related to anti-money laundering and combatting financing terrorism measures.

During the year, several anti-money laundering breaches at financial institutions came in the press. As a result, the board member in charge of anti-money laundering and combatting financing of terrorism (AML/CFT) measures, ordered an event driven review on the specific AML/CFT measures in place. The outcome of this grand review was satisfying. The time spent by Compliance department on analyzing alerts as a result of the Bank's monitoring activities did increase significantly during the year and this development is under constant attention.

The AML/CFT topic was discussed several times within the Management Board. At the end of the year it was decided to install a specific AML/CFT committee with representatives of the business lines, Central Registry and Compliance Departments.

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

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

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

Although the Dutch Corporate Governance Code is formally not applicable to our bank, the main topics of the code are followed voluntarily by Anadolubank Nederland N.V. The way Anadolubank Nederland 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 Nederland N.V. is a member of the NVB since its activities started in 2008 so the Banking code is followed by the Bank. One of the topics of this code is that both Supervisory Board and Management Board should have a life-long training education program in place every year. In 2018, all members together as well as senior managers of the Bank, took part of a life-long training session as conducted by the chairman of the Supervisory Board. For 2018 again an external party was invited to perform the life-long training; the subjects covered were Fintech, Artificial Intelligence and Finance updates.

2.14 Remuneration

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

The report identifies the following four key principles:

Remuneration is:

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

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

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

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

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

There was no variable remuneration in 2018.

2.15 Internal Audit

The Internal Audit Department is an essential part of the control mechanism of Anadolubank Nederland N.V. and plays an important role in ensuring ever-better governance at the Bank level. The Internal Audit Department represents an independent and objective assurance and consulting function as a third line of 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 2018, 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 etcetera as well as risk-based process audits. The Internal Audit Department also provided assurance on several data requirements requested by DNB and the Tax Office.

Amsterdam, June 14, 2019

N. Plotkin, Managing Director

A.H.Otten, Managing Director

Statement of financial position as at 31 December 2018

in EUR thousand

Assets	Note	31 December 2018	31 December 2017
Cash and cash equivalents	5	142,492	106,910
Derivative financial assets	6	3,187	5,985
Loans and advances to banks	7	151,087	106,988
Loans and advances to customers	8	183,636	289,793
Interest bearing securities	9	100,618	107,981
Property,plant and equipment	10	42	57
Intangible assets	11	8	31
Current tax assets		265	-
Deferred tax assets	26	625	163
Other assets	12	735	686
Total assets		**582,695**	**618,594**
Liabilities			
Derivative financial liabilities	6	4,193	2,038
Deposits from banks	13	168,458	191,860
Deposits from customers	14	321,245	335,020
Current tax liabilities		-	432
Other liabilities	15	715	941
Total liabilities		**494,611**	**530,291**
Equity			
Share capital and share premium		70,000	70,000
Retained earnings	16	17,948	14,412
Revaluation reserves	16	(1,874)	(490)
Net profit		2,010	4,381
Shareholders' equity		**88,084**	**88,303**
Total liabilities and equity		**582,695**	**618,594**
Off-balance sheet liabilities	**17**	**19,721**	**19,600**

Statement of profit or loss and other comprehensive income

in EUR thousand

	Note	2018	2017
Interest income	20	20,279	20,945
Interest expense	20	(5,766)	(6,370)
Net interest income	**20**	**14,513**	**14,575**
Fee and commission income	21	2,138	1,744
Fee and commission expense	21	(145)	(149)
Net fee and commission income	**21**	**1,993**	**1,595**
Net trading income	22	32	649
Results from financial transactions	23	(5,491)	(4,245)
Operating income		**11,047**	**12,574**
Expected credit losses	28	(1,820)	-
Personnel expenses	24	(4,358)	(4,290)
Depreciation and amortisation	10,11	(53)	(81)
Other expenses	25	(2,149)	(2,375)
Profit before income tax		**2,667**	**5,828**
Tax expense	26	(657)	(1,447)
Profit for the year		**2,010**	**4,381**

Other comprehensive income		2018	2017
Movement in available for sale reserve		(1,845)	1,731
Related tax		461	(433)
Total (after tax)		**(1,384)**	**1,298**

	2018	2017
Profit attributable to:		
Equity holders of the Bank	2,010	4,381
Total comprehensive income (after tax)		
Equity holders of the Bank	626	5,679

Statement of cash flows

in EUR thousand

Cash flows from operating activities	Note	2018	2017
Profit/(loss) for the period		2,010	4,381
Adjustments for:			
- Depreciation and amortisation	10	53	81
- Net interest income	20	(14,513)	(14,575)
- Results from financial transactions	22,23	5,459	3,596
- Income tax expense	26	657	1,447
		(6,334)	**(5,070)**
Movements in operating assets and liabilities			
Change in derivative financial instrument (assets)	6	2,798	(3,126)
Change in loans and advances to banks	7	(44,830)	(32,913)
Change in loans and advances to customers	8	104,933	(53,454)
Change in FVOCI and trading portfolio	9	8,695	1,690
Change in other assets	12	(49)	(127)
Change in derivative financial instrument (liabilities)	6	2,155	(9,134)
Change in deposits from banks	13	(23,402)	74,777
Change in deposits from customers	14	(13,775)	(5,763)
Change in other liabilities and provisions	15	(226)	112
		36,299	**(27,938)**
Acquisition of financial assets at fair value through PL		(4,156)	(2,542)
Proceeds from sales of financial assets at fair value through PL		32	615
Interest received	20	20,405	22,241
Interest paid	20	(5,267)	(6,915)
income tax paid		(946)	(1,128)
Net cash from operating activities		**40,033**	**(20,737)**
Cash flows from investing activities			
Acquisition of investment securities	9	(13,222)	(8,911)
Redemptions of investment securities		9,947	24,019
Acquisition of property and equipment	10	(15)	(7)
Acquisition of intangible assets	11	-	-
Net cash used in investing activities		**(3,290)**	**15,101**
Net increase in cash and cash equivalent		**36,743**	**(5,636)**
Cash and cash equivalents at 1 January	5	106,910	113,106
Effect of exchange rate fluctuations on cash and cash equivalents held		(1,161)	(560)
Cash and cash equivalents at 31 December	5	**142,492**	**106,910**

Statement of changes in equity

in EUR thousand

		Share capital	Retained earnings	Profit for the year	Reserves for available for sale portfolio	Total
Balance at 1 January 2017		70,000	10,327	4,085	(1,788)	82,624
Share capital increase		-	-	-	-	-
Profit/(loss) allocation		-	4,085	(4,085)	-	-
Net income for the year		-	-	4,381	-	4,381
Revaluation of reserves		-	-	-	1,298	1,298
Balance at 31 December 2017	16	70,000	14,412	4,381	(490)	88,303
Effect of change in accounting policy		-	(845)	-	-	(845)
Balance at 31 December 2017(IFRS 9)		70,000	13,567	4,381	(490)	87,458
Balance at 1 January 2018		70,000	13,567	4,381	(490)	87,458
Share capital increase		-	-	-	-	-
Profit/(loss) allocation		-	4,381	(4,381)	-	-
Net income for the year		-	-	2,010	-	2,010
Revaluation of reserves		-	-	-	(1,384)	(1,384)
Balance at 31 December 2018	16	70,000	17,948	2,010	(1,874)	88,084

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2018

1. Reporting entity

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

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

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and in accordance with the legal requirements for the annual accounts of banks contained in Part 9, Book 2 of the Dutch Civil Code. They were authorized for issue by the Bank's Supervisory Board and Management Board in 24 May 2019.

(b) Basis of measurement

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

(c) Functional and presentation of 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:

A-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 tax assets are recognized for all tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilized.

iii) Impairment of financial instruments

IFRS 9 introduces a new impairment model based on expected losses which replaces the incurred loss models under IAS 39.

A three-stage model is applied for the measurement of ECLs of financial assets (e.g. loans): performing (stage 1), under-performing (stage 2), and impaired (stage 3). For performing assets, i.e. assets with no sign of deterioration in credit quality, banks should estimate the ECLs for the upcoming 12 months. For both under-performing and impaired assets, banks should estimate the ECLs for the lifetime of the credit. Moving an asset (e.g. a loan) from stage 1 to stage 2 (or stage 3) is triggered by a "significant increase in credit risk" (SICR) after the asset was originated. The shift from stage 2 to stage 3 for an asset is triggered by a default12 event under IFRS 9, which is in line with the loss recognition approach under IAS 39. The impact of the adoption of IFRS 9 is disclosed in note 5.t Implementation IFRS 9 Financial Instruments.

Prior to 1 January 2018 under IAS 39

The Bank evaluates the assets, which are accounted for at amortized cost, for impairment. The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on best estimate of the present value of the future cash flow. In estimating these cash flows, management makes judgments about a debtor's financial situation and net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Bank.

(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

Payments made under operating leases are recognized in the statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(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 20% for the first EUR 200,000 and 25% of the remaining amount.

(g) Financial assets and financial liabilities

(i) Recognition

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

(ii) Classification

Financial assets

The Bank classifies its financial assets into one of the following categories:

- loans and receivables
- securities at AC
- securities at FVOCI
- securities at FVPL

Prior to 1 January 2018 under IAS 39

- loans and receivables
- held to maturity
- available-for-sale and
- at FVPL; held for trading

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or fair value through profit or loss.

(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

IFRS 9 introduced requirements for the assessment of credit impairments, aimed at more timely recognition of credit losses. Consequently, a Loan Loss Provision (LLP) is recognized based on an "expected credit loss" model, whereas IAS 39 recognized a LLP based on an "incurred credit loss "model. The impact of the adoption of IFRS 9 is disclosed in note 3.t Implementation IFRS 9 Financial Instruments.

Prior to 1 January 2018 under IAS 39

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- Restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- Disappearance of an active market for a security; or
- Observable data relating to a bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Bank considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets measured at amortized cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables or held-to- maturity investment securities. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognized in OCI.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank determines that there is no realistic prospect of recovery.

(h) Cash and cash equivalents

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

(i) Derivatives held for risk management purposes

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

(j) Loans and advances to banks and customers

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

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

(k) Investment securities

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

i) Securities at AC

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

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

ii) FVOCI

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

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

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

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

iii) FVPL

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

(l) Property and equipment

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

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

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

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

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

(m) Intangible assets

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

(n) Repurchase transactions

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

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

(o) Provisions

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

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

(p) Employee benefits

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

(q) Share capital & reserves

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

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

(r) Off balance sheet engagements

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

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

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

(s) Segment reporting

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

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

(t) Implementation IFRS 9 Financial Instruments

As of 1st January 2018, the new accounting standard IFRS 9 became effective which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 changes accounting and financial reporting on three subjects: classification and measurement of financial assets, impairment, hedge accounting.

Implementation of IFRS 9 by the bank was completed in the first quarter of 2018. The Bank decided not to apply for the IFRS 9 capital transitional arrangements and full impact is reflected to the eligible capital.

1. Classification and measurement

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

The classifications are determined by:

- Business Model
- the contractual cash flow characteristics of the financial asset

IFRS 9 identifies three business models:

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

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

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

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

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

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

The Bank doesn't have any reclassified transaction.

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

2. **Impairment allowances**

IFRS 9 introduces a new impairment model based on expected losses which replaces the incurred loss models under IAS 39.

A three-stage model is applied for the measurement of ECLs of financial assets (e.g. loans): performing (stage 1), under-performing (stage 2), and impaired (stage 3). For performing assets, i.e. assets with no sign of deterioration in credit quality, banks should estimate the ECLs for the upcoming 12 months. For both under-performing and impaired assets, banks should estimate the ECLs for the lifetime of the credit.

Moving an asset (e.g. a loan) from stage 1 to stage 2 (or stage 3) is triggered by a "significant increase in credit risk" (SICR) after the asset was originated. The shift from stage 2 to stage 3 for an asset is triggered by a default12 event under IFRS 9, which is in line with the loss recognition approach under IAS 39.

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 primarily has a non-granular corporate and FI portfolio and has a very low default experience (five in the last five years). 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.

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. The bank had no loan loss provision under IAS 39.

thousands of Euros	**01 januari 2018**
Stage 1 - 12 month ECL	924
Stage 2 - Lifetime ECL	204
Stage 3 - Lifetime ECL	-
Total	**1,128**

3. **Hedge accounting**

   IFRS 9 hedge accounting rules are not applicable for the Bank.

   IFRS 9 transition impact impairments as at 1 January 2018.

Reconciliation of carrying amounts on the date of application of IFRS 9

in EUR thousand	31 December 2017 (IAS 39)	Expected Credit Loss	01 January 2018(IFRS 9)
Assets			
Cash and cash equivalents	106,910		106,910
Derivative financial assets	5,985		5,985
Banks	106,988	(270)	106,718
Loans and advances	289,793	(669)	289,124
Interest bearing securities	107,981	(187)	107,794
Property and equipment	57		57
Intangible assets	31		31
Current tax assets	-		-
Deferred tax assets	163		163
Other assets	686		686
Total assets	**618,594**		**617,468**
Liabilities			
Derivative financial liabilites	2,038		2,038
Banks	191,860		191,860
Funds entrusted	335,020		335,020
Current tax liabilities	432	(281)	152
Deferred tax liabilities	-		-
Other liabilities	941		941
Total liabilities	**530,291**		**530,010**
Equity			
Share capital and share premium	70,000		70,000
Retained earnings	14,412	(845)	13,567
Revaluation reserves	(490)		(490)
Net profit	4,381		4,381
Shareholders' equity	**88,303**		**87,458**
Total liabilities and equity	**618,594**		**617,468**
Off-balance sheet liabilities	**19,600**	**(2)**	**19,598**

IFRS 15

IFRS 15, the new accounting standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts. In 2018, there was no impact on the Bank's financials.

IFRS 16

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

The introduction of IFRS 16 has an increase of EUR 723 on assets. In addition, equity will be affected negatively by EUR 10.

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

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

31 December 2017	Retail Banking	Corporate and Commercial Banking	Treasury	Other	Total
Net interests, fees, and commissions income	(2,621)	13,589	2,073	(467)	12,574
Other operating income, loan loss provisions and expenses, net	-	-	-	(6,746)	(6,746)
Net operating profit	**(2,621)**	**13,589**	**2,073**	**(7,213)**	**5,828**
Provision for taxes	655	(3,397)	(518)	1,813	(1,447)
Net Profit	**(1,966)**	**10,192**	**1,555**	**(5,400)**	**4,381**
Cash and cash equivalents	-	-	106,910	-	106,910
Loans and advances to banks	-	97,089	9,899	-	106,988
Loans and advances to customers	-	289,793	-	-	289,793
Interest bearing securities	-	-	107,981	-	107,981
Other assets	-	-	-	6,922	6,922
Total assets	**-**	**386,882**	**224,790**	**6,922**	**618,594**
Deposits from banks	-	-	191,860	-	191,860
Deposits from customers	235,897	99,123	-	-	335,020
Other liabilities	-	-	-	3,411	3,411
Shareholder's equity	-	-	-	88,303	88,303
Total liabilities and equity	**235,897**	**99,123**	**191,860**	**91,714**	**618,594**

5. Cash and cash equivalents

	2018	2017
Cash and balances with banks	12,131	5,547
Unrestricted balances with central banks	130,361	89,372
Money market placements within three months	-	11,991
Position as at 31 December	**142,492**	**106,910**

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

	31 December 2017						
	Notional Amounts	**Up to 1 months**	**Up to 3 months**	**Up to 1 year**	**Over 1 year**	**Fair value assets**	**Fair value liabilities**
Currency swap purchase	317,568	73,808	57,077	66,956	119,727	5,985	-
Currency swap sale	315,817	74,113	57,103	66,461	118,140	-	2,038
Total	**633,385**	**147,921**	**114,180**	**133,417**	**237,867**	**5,985**	**2,038**

7. Loans and advances to banks

	31 December 2018	31 December 2017
Bank loans	148,828	106,639
Advances to banks	2,994	349
ECL charge	(735)	-
Balance at 31 December	**151,087**	**106,988**

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 2018	31 December 2017
Corporate loans	184,794	289,697
Retail loans	66	96
ECL charge	(1,224)	-
Balance at 31 December	**183,636**	**289,793**

The details of ECL charge is disclosed in note 28 financial risk management. There was no loan loss provision under IAS39 in 2017.

9. Interest bearing securities

	2018	2017
Amortized cost	54,862	52,015
FVOCI	46,727	55,966
FVPL	-	-
ECL charge	(971)	-
Balance at 31 December	**100,618**	**107,981**

In 2018, there were no reclassifications between the portfolios.

The Bank has given the ECB eligible bonds with carrying values of EUR 8,850 as collateral to DNB (De Nederlandsche Bank) (2017: EUR 14,739).

EUR 73,517 of the securities was under repo (2017: EUR 70,751).

Amortized cost	**2018**	**2017**
Government bonds	9,342	9,396
Corporate bonds	7,550	2,558
Issued by others	37,970	40,060
ECL charge	(427)	
Balance at 31 December	**54,435**	**-**

FVOCI	**2018**	**2017**
Government bonds	15,150	24,537
Corporate bonds	2,617	2,717
Issued by others	28,960	28,712
ECL charge	(544)	
Balance at 31 December	**46,183**	**-**

10. Property and equipment

	2018	2017
Balance at 1 January 2018	57	100
Additions	15	7
Depreciation	30	50
Balance at 31 December	**42**	**57**

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.

11. Intangible assets

	2018	2017
Balance at 1 January 2018	31	62
Additions	-	-
Depreciation	23	31
Balance at 31 December	**8**	**31**

12. Other assets

	2018	2017
Receivable with regard to DGS for DSB Bank	493	493
Suspense accounts	242	193
Balance at 31 December	**735**	**686**

13. Deposits from banks

	31 December 2018	31 December 2017
Sale and repurchase, securities lending and similar agreements	91,386	91,173
Money market deposits	77,072	100,687
Balance at 31 December	**168,458**	**191,860**

14. Deposits from customers

	31 December 2018	31 December 2017
Retail customers	226,226	235,896
Savings	127,506	143,519
Time deposits	98,720	92,377
Corporate customers	95,019	99,124
Demand deposits	15,403	18,757
Time deposits	79,616	80,367
Total	**321,245**	**335,020**

EUR 6,898 of term deposits served as cash collateral for loans advances extended as of 31 December 2018 (2017: EUR 4,568).

15. Other liabilities

	2018	2017
Transfer orders	7	9
Taxes other than income	236	230
Other provisions	43	159
Short-term employee benefits	119	299
Others	310	244
Balance at 31 December	**715**	**941**

EUR 2 of ECL charge for commitments were recognized under others.

16. Capital and reserves

As at 31 December 2018, the total issued and fully paid-up share capital of the Bank amounted to EUR 70,000.

Dividend payments are subject to the approval of Dutch Central Bank as the regulatory body and are not accounted for until they have been ratified at the Annual General Meeting. No dividend will be proposed for the year 2018. The profit after tax will be added to 'retained earnings'.

17. Commitments

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

31 December 2017	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Guarantee issued	-	-	3	-	66	69
Irrevocable letter of credit	760	9,937	8,834	-	-	19,531
Other commitments	-	-	-	-	-	-
Total	**760**	**9,937**	**8,837**	**-**	**66**	**19,600**

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 2018				
	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**2,075**	**-**	**-**	**-**	**2,075**
Cash and cash equivalent	1,216	-	-	-	1,216
Banks	859	-	-	-	859
Loans and advances	-	-	-	-	-
Liabilities	**-**	**44,452**	**-**	**-**	**44,452**
Banks	-	-	-	-	-
Deposits from customers	-	44,452	-	-	44,452
Interest income	**51**	**-**	**151**	**-**	**202**
Interest expense	**2**	**641**	**-**	**-**	**643**
Other operating expenses	**240**	**-**	**-**	**-**	**240**

	31 December 2017				
	Parent	Control over the entity	Related parties	Key Management	Total
Assets	**924**	**-**	**-**	**-**	**924**
Cash and cash equivalents	481	-	-	-	481
Banks	443	-	-	-	443
Loans and advances	-	-	-	-	-
Liabilities	**1,403**	**20,892**	**-**	**-**	**22,295**
Banks	1,403	-	-	-	1,403
Deposits from customers	-	20,892	-	-	20,892
Interest income	**48**	**-**	**393**	**-**	**441**
Interest expense	**13**	**239**	**-**	**-**	**252**
Other operating expenses	**245**	**-**	**-**	**-**	**245**

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	2018	2017
Loans and advances	65	66
Deposits from customers	744	362
Guarantees issued	8	-

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

Key management personnel compensations	2018	2017
Short-term employee benefits	1,799	1,727
Post-employement benefits	68	56
Total	**1,867**	**1,783**

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

19. Lease commitments

The Bank has entered into a long-term financial obligation in 2017 with duration of 5 years. In 2018, EUR 210 has been paid for the rent of the office.

	2018	2017
Less than one year	216	206
Between one and five years	487	713
Total	**703**	**919**

20. Net interest income

Interest income	2018	2017
Cash and cash equivalents	10	8
Loans and advances to banks	5,130	4,453
Loans and advances to customers	11,731	12,517
Interest bearing securities	3,408	3,967
Total interest income	**20,279**	**20,945**

Interest Expense	2018	2017
Cash and cash equivalents	369	300
Deposits from banks	1,818	1,842
Deposits from customers	3,579	4,228
Total interest expense	**5,766**	**6,370**

21. Net fee and commission income

Fee and commission income	2018	2017
Corporate/banking credit related fees	1,627	1,218
Other	511	526
Total fee and commission income	**2,138**	**1,744**

Fee and commission expense	2018	2017
Corporate/banking credit related expense	113	110
Interbank transaction fees	32	39
Total fee and commission expense	**145**	**149**

22. Net trading income

Net trading income	2018	2017
Net income from trading securities	(87)	107
Net income from available-for-sale securities	124	557
Net income from option	(5)	(15)
Total trading income	**32**	**649**

23. Results from financial transactions

	2018	2017
Foreign exchange gain (net)	(5,491)	(4,245)
Other operating income (net)	**(5,491)**	**(4,245)**

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

Personnel expenses	2018	2017
Wages and salaries	3,566	3,586
Compulsory social security obligations	497	422
Contributions to defined contribution plans	256	239
Other fringe benefits	39	43
Total	**4,358**	**4,290**

The number of staff employed by the Bank as of 31 December 2018 is 45 (2017:45).

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

The remuneration and fees of the members of the Board of Supervisory Directors and Management Board for the year ended 31 December 2018 are as follows:

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

2017	Base salary	Other benefits	Variable renumeration	Total
Board of Supervisory Directors	90	-	-	90
Managing Board Directors	504	49	62	615

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	2018	2017
Operating lease expense	237	232
Communication expenses	98	97
Business travel & acommodation	37	36
Audit fee	178	200
Sofware licening and other information technology expenses	517	565
Paid taxes other than income	83	89
Tax advisory	6	30
Other consultancy	93	206
Regulatory supervision expenses	336	302
Legal expenses	72	73
Deposit Guarantie Scheme	336	336
Other	156	209
Total	**2,149**	**2,375**

Audit-related fees	2018	2017
Audit fees related to previous year	82	114
Audit fees related to current year	96	86
Total audit fees	**178**	**200**

Financial statement audit fees	133	114
IFRS 9 audit fees	25	30
Other audit fees	20	56
Total audit fees	**178**	**200**

26. Income tax expense

Major components of income tax expense:

Reconciliation of income tax	2018	2017
Operating profit before tax	2,667	5,828
Weighted average statutory tax rate	24.6 %	24.8 %
Weighted average statutory tax amount	**657**	**1,447**
Expenses not deductible for tax purposes	-	-
Effective tax amount	**657**	**1,447**
Effective tax rate	**24.6 %**	**24.8 %**

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	2018	2017
Tax loss-carry forwards	-	-
FVOCI	625	163
Total	**625**	**163**

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 2018 and at 31 December 2017, the fair value of the securities measured at fair value represents closing bid price quoted in an active market. Actively traded quoted securities are classified as Level 1. The Bank also held financial instruments classified as level 2 of the fair value hierarchy. A description of the valuation technique(s) and the inputs used in the fair value measurements in included below.

b) Financial instruments measured at fair value

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

31 December 2017	Total	Level 1	Level 2
Assets			
Derivative financial assets	5,985	-	5,985
Securities measured at fair value	55,966	30,589	25,377
Total assets	**61,951**	**30,589**	**31,362**
Liabilities			
Derivative financial liabilites	2,038	-	2,038
Total liabilities	**2,038**	**-**	**2,038**

The Bank does not have any financial instrument measured at level 3 fair value as of 31 December 2018.

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

31 December 2017	Fair value	Level 1	Level 2	Level 3	Carrying value
Assets					
Cash and cash equilavents	106,910	106,910	-	-	106,910
Loans	395,856	-	-	395,856	396,781
Banks	*107,609*	-	-	*107,609*	*106,988*
Corporate	*288,246*	-	-	*288,246*	*289,793*
Securities not measured at fair value	54,824	24,520	30,304	-	52,015
Total assets	**557,590**	**131,430**	**30,304**	**395,856**	**555,706**
Liabilities					
Banks	192,310	-	-	192,310	191,860
Funds entrusted	344,095	-	-	344,095	335,020
Total liabilities	**536,405**	**-**	**-**	**536,405**	**526,880**

28. Financial risk management

(a) Introduction and overview

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

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

Risk management framework

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

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

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

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

(b) Credit risk

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

Maximum exposure subject to credit risk	December 2018	December 2017
Cash and cash equivalents	142,492	106,910
Loans and advances to customers	183,636	289,793
Loans and advances to banks	151,087	106,988
Interest bearing securities	100,618	107,981
Derivative financial assets	3,187	5,985
Total balance Sheet	**581,020**	**617,657**
Commitments	19,721	19,600
Total credit risk exposure	**600,741**	**637,257**

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, 2018	182,261	-	-	-	1,637	263
December 31, 2017	286,186	3,607	-	-	-	-

Forbearance loans

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

A concession refers to either of the following actions:

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

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

	31 December 2018	31 December 2017
Corporate loans	12,056	-
ECL charge	59	-
Balance at 31 December	**11,997**	**-**

Expected credit loss

As of 1 January 2018, the IFRS 9 accounting rules on expected credit loss have been implemented. These accounting rules do not change the actual credit losses, but have an impact on the timing of when these losses are reflected in the P&L. Loan loss provisioning becomes more forward-looking under IFRS 9 partly due to the fact that provisions will be based on the macroeconomic outlook, amongst other factors. Additionally expected credit loss will be calculated on the lifetime expected losses for assets that have experienced a significant deterioration in credit quality. To summarize, expected credit loss in the P&L could become more volatile. More information on the impairment methodology for financial assets under IFRS 9 can be found in 'Note 3' under part t) Implementation IFRS 9 Financial Instruments.

	Stage 1			Stage2			Stage3		
31 December 2018	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	142,491	142,492	-	-	-	-	-	-	-
Banks	119,898	120,364	466	31,189	31,458	269	-	-	-
Interest bearing securities	79,371	79,565	194	21,247	22,024	777	-	-	-
Loans and advances	134,029	134,287	258	48,232	48,936	704	1,375	1,638	262
Off-balance sheet liabilities	3,914	3,931	16	-	14	1	-	-	-
		480,492	**934**		**102,036**	**1,751**		**1,638**	**262**

	Stage 1			Stage2			Stage3		
01 January 2018	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**	**Net carrying**	**Gross carrying**	**ECL**
Cash and cash equivalents	106,903	106,903	-	-	-	-	-	-	-
Banks	106,714	106,984	270	-	-	-	-	-	-
Interest bearing securities	106,967	107,134	167	826	846	20	-	-	-
Loans and advances	277,247	277,732	485	11,877	12,061	184	-	-	-
Off-balance sheet liabilities	3,918	3,920	2	-	-	-	-	-	-
		602,673	**924**		**12,907**	**204**			

	Stage 1		Stage2		Stage3	
	Financial Assets	**ECL**	**Financial Assets**	**ECL**	**Financial Assets**	**ECL**
01 January, 2018	**601,749**	**924**	**12,908**	**204**	**-**	**-**
Transfers from Stage 1 to Stage 2	(63,866)	(159)	63,866	159	-	-
Transfers from Stage 1 to Stage 3	(720)	-	-	-	720	-
Net re-measurement on the stage transfer	-	-	-	1,204	-	116
Other changes in net exposure	(50,291)	169	24,268	184	918	147
Currency translation	(6,380)	-	995	-	-	-
31 December, 2018	**480,492**	**934**	**102,036**	**1,751**	**1,638**	**263**

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-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Against neither past due nor impaired:								
Secured by cash collateral	6,898	4,567	-	-	-	-	-	-
Secured by cash bonds	-	-	-	-	-	-	-	-
Secured by mortgages	35,815	42,205	-	-	-	-	-	-
Other collateral	79,737	154,121	-	-	-	-	-	-
Uncollateralized exposure	61,186	88,900	151,087	106,988	100,618	107,981	142,492	106,910
Carrying amount	**183,636**	**289,793**	**151,087**	**106,988**	**100,618**	**107,981**	**142,492**	**106,910**

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-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Corporate:										
Basic materials	14,508	17,496	-	-	-	-	-	-	17	-
Consumer products non-food	3,673	17,438	-	-	-	-	-	-	11	-
Private individuals	65	96	-	-	-	-	-	-	2	-
Technology	-	-	-	-	160	170	-	-	1	-
Financial intermediation	25,713	67,893	-	-	2,113	2,153	-	-	376	-
Construction& Infrastructure	16,796	12,851	-	-	-	-	-	-	160	-
Automotive	8,706	7,482	-	-	-	-	-	-	36	-
Transport&Logistics	47,138	56,886	-	-	4,990	-	-	-	256	-
Food, Beverages&Tobacco	3,282	18,597	-	-	-	-	-	-	264	-
Agriculture &Fishing	10,376	11,737	-	-	-	-	-	-	20	-
Chemicals	21,350	40,047	-	-	-	-	-	-	16	-
Oil&Gas	6,017	9,134	-	-	5,007	5,105	-	-	15	-
Telecom	5,728	8,226	-	-	-	-	-	-	48	-
Others	4,988	2,881	-	-	-	-	-	-	3	-
Utilities	3,489	5,592	-	-	-	-	-	-	4	-
Healthcare (Inc. Social Work)	1,000	3,003	-	-	-	-	-	-	1	-
Real Estate	10,807	10,434	-	-	-	-	-	-	11	-
Central Bank	-	-	-	-	-	-	130,360	89,372	-	-
Government	-	-	-	-	24,356	33,933	-	-	135	-
Bank	-	-	151,087	106,988	63,992	66,620	12,132	17,538	1,572	-
Carrying amount	**183,636**	**289,793**	**151,087**	**106,988**	**100,618**	**107,981**	**142,492**	**106,910**	**2,948**	**-**

December 31, 2018

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

December 31, 2017

Geographical concentration	Eu Countries	Turkey	Other countries	Total Exposure
Cash and cash equivalents	102,133	481	4,296	106,910
Loans and advances to customers	147,341	83,573	58,879	289,793
Loans and advances to banks	30,511	76,477	-	106,988
Interest bearing securities	61,972	33,629	12,380	107,981
Derivative financial assets	5,105	880	-	5,985
Total balance Sheet	**347,062**	**195,040**	**75,555**	**617,657**
Commitments	19,533	66	-	19,600
Total credit risk exposure	**366,595**	**195,106**	**75,555**	**637,257**

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-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Rated BBB- to AAA	14,027	17,049	26,621	26,522	66,451	73,724	140,978	101,400	79	-
Rated B- to BB+	23,579	26,181	101,599	76,818	32,055	32,104	1,216	5,486	2,001	-
CCC	-	-	-	-	-	-	-	-	-	-
Unrated*	146,030	246,563	22,867	3,648	2,112	2,153	298	24	868	-
Carrying amount	**183,636**	**289,793**	**151,087**	**106,988**	**100,618**	**107,981**	**142,492**	**106,910**	**2,948**	**-**

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

(c) Liquidity risk

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

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

The Bank monitors intraday liquidity risk, short-term 30 day liquidity risk, liquidity risk for one year horizon and risk arising from mismatches of longer term assets and liabilities. The Bank's liquidity management process includes: projecting expected cash flows in a maturity profile rather than relying merely on contractual maturities; monitoring balance sheet liquidity; monitoring and managing the maturity profile of liabilities and off-balance sheet commitments; monitoring the concentration of liquidity risk in order to avoid undue reliance on large financing counterparties projecting cash flows arising from future business; and, maintaining liquidity and contingency plans which outline measures to take in the event of difficulties arising from liquidity crisis.

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

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

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

Furthermore, the Bank has carried out an internal liquidity adequacy assessment process (ILAAP) based on DNB's ILAAP Policy Rule and submitted the required documentation to DNB for purposes of Supervisory Review and Evaluation Process (SREP). The internal process, governance and consultative dialogue with the regulatory supervisory body required to meet the ILAAP rules are similar to the ICAAP.

The ILAAP Supervision Manual is the main reference for the Bank's liquidity risk management. It gives an all-encompassing qualitative and quantitative guidance for liquidity risks management as well for the implementation of the liquidity regulation with the Basel III accord.

Residual contractual maturities of financial assets and liabilities

The tables below show the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity, comparing 31 December 2018 figures with those of 31 December 2017. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or an increasing balance. Daily liquidity and the liquidity maturity calendar are part of the Bank's Risk Management. Liquidity tests and stress test scenarios are made under ICAAP, ILAAP and Recovery Plan.

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

31 December 2018

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	142,492	142,509	(17)	-	-	-	-	-
Banks	151,087	-	30,900	25,302	90,436	4,449	-	-
Loans and advances	183,636	-	20,381	30,029	28,247	101,360	3,619	-
Interest bearing securities	100,618	-	4,391	2,667	20,736	42,025	30,799	-
Current tax assets	265	-	-	-	-	265	-	-
Deferred tax assets	625	-	-	-	-	625	-	-
Other assets	3,972	-	-	-	-	3,187	-	785
Total assets	**582,695**	**142,509**	**55,655**	**57,998**	**139,419**	**151,911**	**34,418**	**785**
Liabilities								
Banks	168,458	-	43,061	54,038	34,169	37,191	-	-
Funds entrusted	321,245	127,506	86,388	9,222	28,688	64,060	5,380	-
Current tax liabilites	-	-	-	-	-	-	-	-
Other liabilites	4,908	-	4,193	-	-	-	-	715
Total liabilities	**494,611**	**127,506**	**133,642**	**63,260**	**62,857**	**101,251**	**5,380**	**715**
Shareholders' equity	88,084	-	-	-	-	-	-	88,084
Total liabilities and equity	**582,695**	**127,506**	**133,642**	**63,260**	**62,857**	**101,251**	**5,380**	**88,799**
Net liquidity		**15,003**	**(77,987)**	**(5,262)**	**76,562**	**50,660**	**29,038**	**(88,014)**

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

31 December 2017	Carrying amount	Demand	<= 1 month	1-3 months	> 3 months <= 1 year	> 1 year <= 5 years	> 5 years	Not distributable
Total assets	618,594	94,919	102,719	105,383	117,912	156,918	39,969	774
Total liabilities	618,594	166,792	102,678	119,505	62,035	72,978	4,930	89,676
Net liquidity		**(71,873)**	**41**	**(14,122)**	**55,877**	**83,940**	**35,039**	**(88,902)**

(d) Operational risk

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

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

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

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

(e) Market risk

Market risk is the risk of changes in market prices. Interest rate, equity prices, foreign exchange rates and credit spreads will 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.

Management of market risk

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

Exposure to interest rate risk – non-trading portfolios

Since IRRBB is not separately identified by Pillar I regulatory capital, the bank captures this under Pillar II in the ICAAP. Anadolubank has, to a large extent, a linear interest position. The only significant behavioural elements in its balance sheet are the retail savings accounts. Assumptions are made on their interest sensitivity but essentially these will be short term and as a result will not have an undue large impact on its interest position.

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

Additionally, the bank has "minor" risk tolerance towards interest rate risk in its banking book. The risk appetite is quantified such that "change in the fair value of the equity, under a 200 bps standard interest rate shock, should not exceed 7% of the total own funds. The interest rate risk position is discussed in the regular ALCO meetings by presenting the EVE and EAR results on currency basis. If necessary, ALCO takes necessary actions to adjust the on- and off- balance sheet asset and liability positions, so that the bank is able to keep its liquidity and interest rate risk below the pre-determined limits. That said, as of December 2017 the gross IRRBB accounts for 3.6% of the total capital required.

Economic Value of Equity

The EVE basis measures value changes in the entire balance sheet as a result of interest rate changes. Anadolubank's balance sheet is fairly well hedged except in the over 5 years' buckets. The over 5 years' position is primarily derived from the exposures in long dated securities in the Available-for-Sale portfolio. By nature, this portfolio represents a flexible position which can be adapted according to market conditions. The core assets, its loan book and the HTM securities portfolio, are fairly well hedged by its liabilities.

Earnings at Risk

The EaR basis measures earnings changes as a result of interest rate changes under the assumption of a stable portfolio. EaR should be limited to achieve stable earnings but it should not result in a large interest position (basis point value (bpv), an EVE measure).

The EaR is calculated over a 1 year and 2 year horizon, under an assumed stable portfolio.

The bank uses the results derived from EVE to calculate the capital charge of the interest rate risk under Pillar II. Improvements in the management of the interest rate risk position decreased the volatility of the position in 2018.

The EaR is calculated with scenarios of 200 bps up and down and both in a scenario where the shift takes place gradually as well as instantly, while the EVE assesses the impact of flat upward and downward shift of 200 bps. w

Per end 2018, a 200 bps sudden up shift results in a increase in the equity of EUR 1.8 million (in 2017: EUR (-) 3.2 million). The sudden 200 bps down scenario results in an increase of EUR 2.1 million (in 2017: EUR 4.6 million) in the equity. The

ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps.The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

31 December 2018	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Assets						
Cash and cash equivalents	142,492	130,344	-	-	-	12,148
Banks	151,087	56,201	36,416	54,020	4,450	-
Loans and advances	183,636	50,410	12,029	16,218	104,979	-
Interest bearing securities	100,618	7,058	8,734	12,002	72,824	-
Current tax assets	265	-	-	-	265	-
Deferred tax assets	625	-	-	-	-	625
Other assets	3,972	-	-	-	3,187	785
Total assets	**582,695**	**244,013**	**57,179**	**82,240**	**185,705**	**13,558**
Liabilities						
Banks	168,458	97,098	34,169	-	37,191	-
Funds entrusted	321,245	207,714	12,866	15,822	69,440	15,403
Current tax liabilites	-	-	-	-	-	-
Other liabilites	4,908	4,193	-	-	-	715
Total liabilities	**494,611**	**309,005**	**47,035**	**15,822**	**106,631**	**16,118**
Surplus/deficit	**88,084**	**(64,992)**	**10,144**	**66,418**	**79,074**	**(2,560)**

31 December 2017	Total	<= 3 months	3-6 months	>6 months <= 1 year	> 1 year	Non interest
Total assets	618,594	297,474	62,390	55,522	196,725	6,483
Total liabilities	530,291	346,944	32,218	29,818	77,907	43,404
Surplus/deficit	**88,303**	**(49,470)**	**30,172**	**25,704**	**118,818**	**(36,921)**

(f) Currency risk

Currency risk arises when an entity's 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 counterpart, 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 takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Bank's exposure to foreign currency exchange rate risk at 31 December 2018, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is shown in the following table:

For purposes of the evaluation of the table below, the figures present the EUR-equivalent of the related currencies.

31 December 2018

Assets	EUR	USD	TRY	Other	Total
Cash and cash equivalents	132,168	9,821	274	229	142,492
Banks	73,791	77,296	-	-	151,087
Loans and advances	109,573	63,213	5,855	4,995	183,636
Interest bearing securities	51,693	48,925	-	-	100,618
Current tax assets	265	-	-	-	265
Deferred tax assets	625	-	-	-	625
Property and equipment	42	-	-	-	42
Derivative financial assets	3,187	-	-	-	3,187
Intangible assets	8	-	-	-	8
Other assets	735	-	-	-	735
Total assets	**372,087**	**199,255**	**6,129**	**5,224**	**582,695**
Liabilities					
Banks	112,507	53,205	-	2,746	168,458
Deposits from customers	231,834	89,194	67	150	321,245
Derivative financial liabilites	4,047	137	-	9	4,193
Share capital and share premium	70,000	-	-	-	70,000
Retained earnings	17,948	-	-	-	17,948
Revaluation reserves	(247)	(1,627)	-	-	(1,874)
Net profit	2,010	-	-	-	2,010
Other liabilities	602	113	-	-	715
Total liabilities	**438,701**	**141,022**	**67**	**2,905**	**582,695**
Net on balance sheet position	**(66,614)**	**58,233**	**6,062**	**2,319**	**-**
Net notional amount of derivatives	**67,822**	**(62,183)**	**(6,037)**	**(2,456)**	**(2,854)**
Net position	**1,208**	**(3,950)**	**25**	**(137)**	**(2,854)**

31 December 2017	EUR	USD	TRY	Other	Total
Total assets	387,852	181,884	42,899	5,959	618,594
Total liabilities	471,983	121,153	15,233	10,225	618,594
Net on balance sheet position	**(84,131)**	**60,731**	**27,666**	**(4,266)**	**-**
Net notional amount of derivatives	**86,396**	**(62,439)**	**(26,434)**	**4,227**	**1,750**
Net position	**2,265**	**(1,708)**	**1,232**	**(39)**	**1,750**

(g) Capital management

Management 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 and as such controls compliance throughout the year.

The Bank has taken part in the Basel III Monitoring Exercises since 2011, supervised by DNB and the Basel Committee. The results of these analyses indicate that the Bank is well-placed for the regulatory changes. The impact of the changes in the definition of capital, as well as the minimum capital requirements, is expected to be limited given that the Bank has a high common equity Tier I ratio. The Bank comfortably meets the leverage ratio requirement, as determined in the monitoring exercises. Finally, the Bank maintains a high liquidity buffer and given its strong retail funding base, the Bank expects to have a smooth transition and meet both liquidity requirements.

Capital requirements	**2018**	**2017**
Total risk weighted assets	386,267	471,665
Credit risk	361,663	449,250
Market risk	3,983	1,760
Operational risk	20,621	20,655
Tier 1 capital	**88,053**	**88,272**
Paid-in capital	70,000	70,000
Retained earnings	17,948	14,412
Revaluation reserves	(1,874)	(490)
Net profit	2,010	4,381
Regulatory adjustments	(31)	(31)
Tier 2 capital	**-**	**-**
Total capital	**88,053**	**88,272**
Tier 1 ratio %	**22.7 %**	**18.7 %**
Solvency ratio %	**22.7 %**	**18.7 %**

29. 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.

30. Other information

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

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
P.O.Box 58110
1040 HC Amsterdam
Netherlands

Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9737
www.deloitte.nl

Independent auditor's report

To the shareholder of Anadolubank Nederland N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements 2018 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, 2018, and of its result and its cash flows for 2018 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, 2018.

2. The following statements for 2018: the income statement, the statements of comprehensive income, changes in equity and cash flows.

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 "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.

Deloitte.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 440,000. The materiality is based on 10% of Profit before tax. 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.

Overview materiality	
Materiality for the financial statements as a whole	EUR 440,000
Benchmark for materiality	Profit before tax
Threshold for clearly trivial misstatements	EUR 22,000

We agreed with Management Board and Supervisory Board that misstatements in excess of EUR 22,000, 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.

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 Management Board and Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

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

Counterparty credit risk	
Description of key audit matter	How our audit addressed the key audit matter
Anadolubank Nederland N.V. has a loan portfolio without a significant loan loss provision. We refer to note 28b of the financial statements. Because of the remaining uncertainty and risk in a number of areas when determining the loan loss provisioning for the loan portfolio, loan impairment provisions continue to be an important estimate in determining Anadolubank Nederland N.V.'s results. The economic environment continues to be challenging. Determining appropriate provisions for loan impairments requires considerable judgment.	We have tested the controls over the credit function to ensure that such controls operate effectively and reviewed key judgments made as at year-end, including a review of a sample of loan files - both "performing" and "non-performing" loans - to assess the requirement for any specific impairment provisions. We also performed analytical procedures to compare and assess the appropriateness of provisioning levels compared to actual levels of default.

Deloitte.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

- Mission, Vision, and Values.
- Supervisory Board Report.
- Management Board's Report.
- Other Information as required by International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code.

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. on November 12, 2018, to perform the statutory audit for the year 2018. We have operated as statutory auditor since 2016.

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.

Deloitte.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Amsterdam, June 14, 2019

Deloitte Accountants B.V.

Signed on the original: A. den Hertog

DIRECTORY
ANADOLUBANK NEDERLAND N.V.

Officia I, De Boelelaan 7,
1083 HJ Amsterdam,
The Netherlands
K.v.K nr. 34239060

Anadolubank Nederland