

**ANADOLUBANK ANONIM ŐIRKETI  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED  
31 DECEMBER 2022  
WITH INDEPENDENT AUDITOR'S REPORT THEREON**



## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of AnadoluBank Anonim Şirketi,

### ***Our opinion***

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AnadoluBank Anonim Şirketi (the “Bank”) and its subsidiaries (together the “Group”) as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRS”).

### ***What we have audited***

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (“ISA”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

### ***Other Matter***

The financial statements of the Group for the year ended 31 December 2021 were audited by another independent audit firm, that expressed an unqualified opinion in the audit report dated 14 June 2022.



### ***Independence***

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC"), "Regulation on Independent Audit of Banks" published by the Turkish Banking Regulation and Supervision Agency on the Official Gazette No.29314 dated 2 April 2015 and Communiqué Series: X No: 22 on "Principles Regarding Independent Auditing Standards in the Capital Markets" (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with these requirements.

### ***Our audit approach***

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the financial services industry in which the Group operates.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p data-bbox="272 495 773 552"><b>Expected credit losses for loans and advances to customers</b></p> <p data-bbox="272 583 834 947">The Group has total expected credit losses for loans and advances to customers amounting to TL 755,830 thousand in respect to total loans and advances to customers amounting to TL 32,336,491 thousand which represent a significant portion of the Group’s total assets in its consolidated financial statements as at 31 December 2022. Explanations and notes related to expected credit losses for loans and advances to customers are presented in Note 10 in the accompanying consolidated financial statements as at 31 December 2022.</p> <p data-bbox="272 978 850 1367">The Group recognizes provisions for impairment in accordance with IFRS 9 expected credit loss model. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation. These judgements are key in the development of the financial models built to measure the expected credit losses on loans recorded at amortized cost. Impairment allowances are calculated on a collective basis for portfolios of loans of a similar nature and on individual basis for significant loans taking into account management’s best estimate at the balance sheet date and historical losses incurred.</p> <p data-bbox="272 1398 850 1875">Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the appropriateness of classification of loans and advances to customers as per their credit risk (staging) and the importance of determination of the associated impairment allowances. Timely and correctly identification of loss event and the level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p data-bbox="878 583 1500 856">Within our audit procedures, we assessed policies and procedures together with the overall governance established by the Group with respect to classification of loans and advances to customers and estimation of impairment in-line with the IFRS 9 framework. We have tested the design and operating effectiveness of controls implemented by the Group in line with its governance, policies and procedures.</p> <p data-bbox="878 888 1479 1188">Together with our modelling specialists, we have evaluated and tested the methodologies used in building impairment models in line with the requirement of IFRS 9 and the Group’s policies for the significant portfolio of loans. We have independently assessed together with our related specialists methodologies used in the models with respect to segmentation, life time expected credit losses, losses given default and use of macro-economic expectations.</p> <p data-bbox="878 1220 1500 1398">We have carried loan review on a selected sample of loans and advances with the objective to identify whether the classification of loans is performed, whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the IFRS 9 framework.</p> <p data-bbox="878 1430 1490 1730">In addition, for non-performing loans and other significant loans that are subject to individual assessment based on the Group policies, we have evaluated the appropriateness of specific impairment provision with supportable input. Based on our discussions with the Group management, we have evaluated and challenged whether the key assumptions and other judgements underlying the estimation of impairment were reasonable.</p> <p data-bbox="878 1761 1430 1875">We have reviewed the appropriateness and sufficiency of disclosures made in the financial statements of the Group with respect to loan receivables and related impairment provision.</p>



***Application of IAS 29-Financial Reporting in Hyperinflationary Economies***

As described in Note 2 Part B, IAS 29 “Financial reporting in hyperinflationary economies” is effective for the Group.

IAS 29 requires financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2022 and non-monetary balances at the end of the period were restated to reflect a price index that is current at the balance sheet date as of 31 December 2022. The implementation of IAS 29 leads to a change in several of the financial statement line items and is reliant upon a number of key judgements. The preparation of financial statements using a current purchasing power approach requires a complex series of procedures and reconciliations to ensure accurate results.

We considered the application of IAS 29 to be a matter of most significance to the audit due to judgement applied in the restatement, high degree of complexity in calculation and the risk of the data used in the restatement being incomplete or inaccurate.

Our audit procedures included, among others:

- We obtained an updated understanding of the Group’s processes and accounting policies (and accounting for consolidated entities with different functional currencies),
- We gained an understanding the relevant controls designed and implemented by management resulting from implementation of IAS 29,
- We evaluated the reasonableness of judgements used by management by comparing them with recognised practices and applying our industry knowledge and experience. We also checked if the judgements were used consistently in all periods,
- We assessed appropriateness of the segregation of monetary and non-monetary items made by the management,
- We obtained detailed listings of non-monetary items, and agreed the original cost and dates of acquisition to supporting documentation,
- We tested the restatement of non-monetary items, the income statement and preparation of the cash flow with recognition of inflationary effects by checking the methodology and general price index rates used,
- We evaluated the adequacy of the disclosures in the consolidated financial statements of the Group.



### ***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### ***Auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. 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 consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.



- Obtain 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 actions taken to eliminate threats or safeguards applied.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. 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, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "T. Gül", is written over a light blue horizontal line.

Talar Gül, SMMM  
Partner

Istanbul, 6 October 2023



## Notes To The Consolidated Financial Statements

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# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	31 December 2022	31 December 2021
<b>ASSETS</b>			
Cash and cash equivalents	5	712,857	1,167,745
Balances with central bank	6	3,052,074	4,130,158
Reserve deposits at central bank	6	2,263,659	4,699,001
Loans and advances to banks and other financial institutions	5	8,175,250	7,816,130
Receivables from reverse repurchase transactions	5	450,256	-
Financial assets at fair value through profit or loss	7	51,420	18,374
Derivative financial assets held for trading	8	781,837	1,905,159
Investment securities	9	5,894,369	7,608,550
<i>Financial assets at fair value through other comprehensive income</i>		2,530,905	2,262,329
<i>Financial assets measured at amortised cost</i>		3,363,464	5,346,221
Loans and receivables	10,11	31,580,661	41,711,629
Property and equipment	12	1,017,515	784,744
Intangible assets	13	104,412	60,463
Deferred tax assets	21	-	53,419
Current tax assets	21	4,693	73,877
Non-Current Assets Held For Sale		634,598	742,897
Other assets	14	593,369	833,806
<b>Total assets</b>		<b>55,316,970</b>	<b>71,605,952</b>
<b>LIABILITIES</b>			
Deposits from banks	16	41,021	169,221
Deposits from customers	16	41,752,207	54,700,697
Obligations under repurchase agreements	16	884,503	3,215,247
Interbank money market borrowings	16	631,384	410,439
Funds borrowed	16	2,576,219	2,661,609
Derivative financial liabilities held for trading	8	308,629	930,459
Current tax liabilities	21	143,407	15,906
Obligations from leasing transactions	19	137,409	152,291
Deferred tax liabilities		196,620	-
Other liabilities and provisions	20	1,296,710	1,763,367
<b>Total liabilities</b>		<b>47,968,109</b>	<b>64,019,236</b>
<b>EQUITY</b>			
Share capital	22	1,100,000	1,100,000
Adjustment to share capital	22	4,300,506	4,300,506
Legal reserves	22	599,786	562,848
Other reserves	22	56,963	(56,766)
Translation reserve	22	945,189	985,135
Hedging reserve	22	(2,449,479)	(1,787,771)
Fair value reserve	22	(110,957)	(154,260)
Retained earnings		2,887,560	2,618,324
<b>Total equity attributable to equity holders of the Bank</b>		<b>7,329,568</b>	<b>7,568,016</b>
<b>Non-controlling interests</b>	22	<b>19,293</b>	<b>18,700</b>
<b>Total equity</b>		<b>7,348,861</b>	<b>7,586,716</b>
<b>Total liabilities and equity</b>		<b>55,316,970</b>	<b>71,605,952</b>

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	2022	2021
<b>Continuing operations:</b>			
<i>Interest income:</i>			
Interest on loans and receivables	24	5,779,905	5,670,798
Interest on marketable securities	24	413,263	1,067,375
Interest on loans and advances to banks and other financial institutions	24	104,572	149,812
Interest on other money market placements	24	54,995	15,722
Other interest income	24	10,233	24,364
<b>Total interest income</b>		<b>6,362,968</b>	<b>6,928,071</b>
<i>Interest expenses:</i>			
Interest on deposits	24	(3,407,428)	(3,698,445)
Interest on other money market deposits	24	(140,640)	(1,029,433)
Interest on funds borrowed	24	(176,196)	(211,816)
Interest on finance lease expenses	24	(22,849)	(33,012)
Other interest expenses	24	(68,226)	(27,301)
<b>Total interest expenses</b>		<b>(3,815,339)</b>	<b>(5,000,007)</b>
<b>Net interest income</b>		<b>2,547,629</b>	<b>1,928,064</b>
Fee and commission income	25	685,512	658,240
Fee and commission expenses	25	(97,598)	(86,615)
<b>Net fee and commission income</b>		<b>587,914</b>	<b>571,625</b>
Trading income from marketable securities		62,792	53,380
Trading gains/(losses) from derivatives, net		2,641,659	1,922,962
Foreign exchange gain/(loss), net		(1,614,739)	(1,623,643)
Other income		306,344	106,456
<b>Revenue</b>		<b>4,531,599</b>	<b>2,958,844</b>
Salaries and employee benefits	26	(843,202)	(842,345)
Provision for possible loan losses, net of recoveries	10	(139,545)	(96,060)
Depreciation and amortisation		(92,239)	(106,248)
Taxes other than on income		(111,277)	(96,058)
Other expenses	27	(327,334)	(475,248)
Monetary Gains/( Losses)		(1,925,456)	(1,015,330)
<b>Profit before tax</b>		<b>1,092,546</b>	<b>327,556</b>
Income tax expense	21	(786,372)	(262,534)
<b>Profit for the year</b>		<b>306,174</b>	<b>65,022</b>
<b>Profit for the year attributable to:</b>			
Equity holders of the Bank		302,305	59,906
Non-controlling interests		3,869	5,116
<b>Profit for the year</b>		<b>306,174</b>	<b>65,022</b>
<b>Basic earnings per share from continuing operations (full TL)</b>		<b>0.000278</b>	<b>0.000059</b>

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
<b>Profit for the year</b>		<b>306,174</b>	<b>65,022</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property and equipment		190,648	-
Remeasurements of defined benefit liability	20	(71,925)	(19,808)
Equity investments at FVOCI – change in fair value		5,866	13,587
<i>Related tax</i>	21	(6,843)	2,034
<b>Items that will be reclassified to profit or loss</b>			
Foreign currency translation differences for foreign operations		(39,946)	462,064
Gain / (loss) on hedges of net investments in foreign operations		(971,462)	(1,346,420)
Debt investments at FVOCI – change in fair value		50,224	(123,914)
<i>Related tax</i>	21	281,095	308,824
Gain / (loss) from cash flow hedges		17,721	(3,679)
<b>Other comprehensive income for the year, net of income taxes</b>		<b>(544,622)</b>	<b>(707,312)</b>
<b>Total comprehensive income for the year</b>		<b>(238,448)</b>	<b>(641,083)</b>
Equity holders of the Bank		(239,041)	(671,803)
Non-controlling interests		593	30,720
<b>Total comprehensive income for the year</b>		<b>(238,448)</b>	<b>(641,083)</b>

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Attributable to equity holders of the Bank							Retained earnings	Total	Non-controlling interests	Total
		Share capital	Adj. to Share capital	Legal reserves	Other reserves	Translation reserve	Hedging reserve	Fair value reserve				
<b>Balances at 1 January 2021</b>	22	600,000	3,979,158	518,088	(41,135)	523,071	(718,159)	(70,028)	2,622,603	7,413,598	9,582	7,423,180
<b>Net profit for the year</b>		-	-	-	-	-	-	-	65,022	65,022	9,143	74,165
<b>Other comprehensive income</b>		-	-	-	(15,532)	462,064	(1,069,612)	(84,232)	-	(707,312)	-	(707,312)
Remeasurements of defined benefit liability		-	-	-	(19,808)	-	-	-	-	(19,808)	-	(19,808)
Revaluation of property and equipment		-	-	-	-	-	-	-	-	-	-	-
Foreign operations – foreign translation differences		-	-	-	-	462,064	-	-	-	462,064	-	462,064
Gain on hedges of net investment in foreign operations		-	-	-	-	-	(1,346,420)	-	-	(1,346,420)	-	(1,346,420)
Gain / (loss) on hedges of net investments in cash flow		-	-	-	-	-	(3,679)	-	-	(3,679)	-	(3,679)
Equity investments at FVOCI – change in fair value		-	-	-	-	-	-	13,587	-	13,587	-	13,587
Debt investments at FVOCI – change in fair value		-	-	-	-	-	-	(123,914)	-	(123,914)	-	(123,914)
<i>Tax on other comprehensive income</i>		-	-	-	4,276	-	280,487	26,095	-	310,858	-	310,858
<b>Total comprehensive income for the year</b>		-	-	-	(15,532)	462,064	(1,069,612)	(84,232)	-	(707,312)	-	(707,312)
<b>Transactions with owners, recorded directly in equity</b>		500,000	321,348	44,760	(99)	-	-	-	(69,301)	796,708	(25)	796,683
Transfers to other reserves		-	-	44,760	-	-	-	-	(44,760)	-	-	-
Capital increase in cash		485,000	311,708	-	-	-	-	-	-	796,708	-	796,708
Capital increase from internal sources		15,000	9,640	-	(99)	-	-	-	(24,541)	-	-	-
<b>Increase or Decrease as the result of other changes</b>		-	-	-	-	-	-	-	-	-	(25)	(25)
<b>Balances at 31 December 2021</b>	22	1,100,000	4,300,506	562,848	(56,766)	985,135	(1,787,771)	(154,260)	2,618,324	7,568,016	18,700	7,586,716

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	Notes	Share capital	Adj. to Share capital	Legal reserves	Attributable to equity holders of the Bank					Non-controlling interests	Total	
					Other reserves	Translation reserve	Hedging reserve	Fair value reserve	Retained earnings			Total
<b>Balances at 1 January 2022</b>	22	1,100,000	4,300,506	562,848	(56,766)	985,135	(1,787,771)	(154,260)	2,618,324	7,568,016	18,700	7,586,716
<b>Net profit for the year</b>		-	-	-	-	-	-	-	306,174	306,174	593	306,767
<b>Other comprehensive income</b>		-	-	-	113,729	(39,946)	(661,708)	43,303	-	(544,622)	-	(544,622)
Remeasurements of defined benefit liability		-	-	-	(71,925)	-	-	-	-	(71,925)	-	(71,925)
Revaluation of property and equipment		-	-	-	190,648	-	-	-	-	190,648	-	190,648
Foreign operations – foreign translation differences		-	-	-	-	-39,946	-	-	-	(39,946)	-	(39,946)
Gain on hedges of net investment in foreign operations		-	-	-	-	-	(971,462)	-	-	(971,462)	-	(971,462)
Gain / (loss) on hedges of net investments in cash flow		-	-	-	-	-	17,721	-	-	17,721	-	17,721
Equity investments at FVOCI – change in fair value		-	-	-	-	-	-	5,866	-	5,866	-	5,866
Debt investments at FVOCI – change in fair value		-	-	-	-	-	-	50,224	-	50,224	-	50,224
Tax on other comprehensive income		-	-	-	(4,994)	-	292,033	(12,787)	-	274,252	-	274,252
<b>Total comprehensive income for the year</b>		-	-	-	113,729	(39,946)	(661,708)	43,303	-	(544,622)	593	(544,029)
<b>Transactions with owners, recorded directly in equity</b>		-	-	36,938	-	-	-	-	(36,938)	-	-	-
Transfers to other reserves		-	-	36,938	-	-	-	-	(36,938)	-	-	-
Capital increase in cash		-	-	-	-	-	-	-	-	-	-	-
Capital increase from internal sources		-	-	-	-	-	-	-	-	-	-	-
<b>Increase or Decrease as the result of other changes</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Balances at 31 December 2022</b>	22	1,100,000	4,300,506	599,786	56,963	945,189	(2,449,479)	(110,957)	2,887,560	7,329,568	19,293	7,348,861

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2022	31 December 2021
<b>Cash flows from operating activities:</b>			
Profit for the year		306,174	65,022
<b>Adjustments for:</b>			
Taxation	21	(786,372)	(262,534)
Provision for loan losses	10	(139,545)	(96,060)
Depreciation and amortisation		(92,239)	(106,248)
Provision for retirement pay liability	20	16,364	15,822
Unused vacation accruals	20	22,659	10,311
Derivative financial instruments		781,837	1,905,159
Net interest income		2,547,629	1,928,063
Other		(3,501,146)	(1,385,508)
Reversal of monetary items		1,635,650	518,877
		<b>791,011</b>	<b>2,592,904</b>
<b>Changes in:</b>			
Reserve deposits at the Central Bank		2,263,659	(3,555,709)
Financial assets at fair value through profit or loss		(39,935)	99,546
Loans and receivables		(5,514,758)	(7,281,481)
Funds borrowed (net)		950,904	487,270
Other assets		(1,430,054)	(1,429,573)
Deposits from other banks and customers		8,073,943	13,694,855
Other liabilities and provisions		(2,516,242)	(2,154,402)
Blocked loans and advances to banks and other financial institutions		(66,172)	(176,974)
Loans and advances to banks with original maturity of more than 3 months		-	--
		<b>2,512,356</b>	<b>2,276,436</b>
Interest received		5,144,695	5,441,077
Interest paid		(2,948,342)	(4,119,004)
Retirement benefits paid	20	(12,482)	(9,717)
Unused vacation liability paid	20	(3,705)	(3,077)
Income taxes paid		(221,548)	(250,204)
<b>Net cash provided by operating activities</b>		<b>4,470,974</b>	<b>3,335,511</b>
<b>Cash flows from investing activities</b>			
Acquisition of financial assets measured at amortised cost	9	(521,598)	(385,199)
Proceeds from sale of financial assets measured at amortised cost	9	700,255	2,485,709
Acquisition of property and equipment	9	(35,836)	(73,325)
Proceeds from sale of property and equipment		247,179	168,163
Acquisition of intangible assets		(43,949)	(17,387)
Acquisitions of financial assets at FVOCI		(268,576)	(2,567,677)
Proceeds from sale of financial assets at FVOCI	9	40,941	483,564
Other		(1,718,074)	2,130,752
<b>Net cash used in investing activities</b>		<b>(1,599,658)</b>	<b>2,224,600</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of debt securities		-	-
Proceeds from capital increase		-	485,000
Repayment of debt securities		-	207,226
Leasing payments		(44,701)	(42,306)
<b>Net cash provided by financing activities</b>		<b>(44,701)</b>	<b>649,920</b>
Effect of exchange rate fluctuations on cash held		459,366	614,521
Net increase in cash and cash equivalents		2,826,615	6,210,030
Cash and cash equivalents at the beginning of the year	5	12,847,957	7,346,414
Effect of opening cash		(5,026,694)	(1,323,008)
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b>11,107,244</b>	<b>12,847,957</b>

The accompanying policies and explanatory notes are an integral part of these consolidated financial statements

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 1. GENERAL INFORMATION

Anadolubank Anonim Şirketi (the “Bank”) started its operations on 25 September 1997 in Turkey under the Turkish Banking Law and the Turkish Commercial Code pursuant to the permit of the Turkish Undersecretariat of Treasury dated 25 August 1997 and numbered 39692. The Bank provides corporate, commercial and retail banking services through a network of 116 (31 December 2021: 115) domestic branches. The address of the headquarters and registered office of the Bank is Saray Mahallesi Toya Sokak No: 3 Ümraniye / Istanbul-Turkey.

The ultimate parent of the Bank is Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ. Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ was founded by Hamdi Başaran in 1956 with the name “Hamdi Başaran Topkapı Oxygen Plant” to implement modern industrial gas production.

The Bank has three subsidiaries, which are Anadolu Yatırım Menkul Kıymetler AŞ (“Anadolu Yatırım”), Anadolu Faktoring AŞ (“Anadolu Faktoring”) and AnadoluBank Nederland NV (“Anadolubank Nederland”).

The Bank has 91.90% ownership in Anadolu Yatırım, a brokerage and investment company, located in Istanbul. Anadolu Yatırım was established on 21 September 1998 and is mainly involved in trading of and investing in securities, stocks, treasury bills and government bonds provided from capital markets; the management of mutual funds and performing intermediary services.

The Bank acquired 99.99% of Anadolu Faktoring from Habaş Petrol Ürünleri Sanayi ve Ticaret AŞ (which is a related party) on 27 October 2008. Anadolu Faktoring was established in Istanbul on 20 March 2007 by obtaining the factoring license which is required to operate in the factoring sector.

The Bank has 100.00% ownership in AnadoluBank Nederland, located in Amsterdam – Netherlands. The Bank engages in banking operations in the Netherlands.

For the purposes of the consolidated financial statements, the Bank and its subsidiaries are referred to as “the Group”.

### 2. BASIS OF PREPARATION

#### 2.1. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The Bank and its subsidiaries which are located in Turkey, maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting practices as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority, the Turkish Commercial Code, and the Turkish Tax Legislation. The Bank’s foreign subsidiary AnadoluBank Nederland maintains its books of account and prepare its statutory financial statements in EUR in accordance with the regulations of the country in which it operates.

The consolidated financial statements of the Group as at and for the year ended 31 December 2022 are authorised for issue by the management on 06 October 2023. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

The amendments to IAS / IFRS effective from 1 January 2021 do not have any significant effect on the Group’s accounting policies, financial position and performance except IFRS 16 - Leases (“IFRS 16”). The amendments to IAS and IFRS that were issued but not yet effective as of the date of finalization of the financial statements will have no material effect on the Group’s accounting policies, financial position and performance.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 2. BASIS OF PREPARATION (Continued)

#### 2.2. Basis of measurement

The consolidated financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except that the following assets and liabilities are stated at their fair values: derivative financial assets and liabilities held for trading purposes, financial assets at fair value through profit or loss (“FVTPL”), financial assets at fair value through other comprehensive income (“FVOCI”), loans and receivables at FVTPL, and real estates.

#### 2.3. Functional currency and presentation currency

These consolidated financial statements are presented in TL, which is the Bank’s functional currency. Except as indicated, the financial information presented in TL has been rounded to the nearest thousand.

#### 2.4. Restatement of financial statements during the hyperinflationary periods

The financial statements of the Bank and those of the subsidiaries located in Turkey for the year ended 31 December 2022 were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 (“IAS 29”) “*Financial Reporting in Hyperinflationary Economies*”. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms.

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Cumulative three-year inflation rate in Turkey reached 156.2% as at 31 December 2022, based on the Turkish nation-wide Consumer Price Index (“CPI”) announced by the Turkish Statistical Institute (“TSI”). However, IAS 29 does not establish the rate of 100% as an absolute rate at which hyperinflation is deemed to arise. It is a matter of judgment when restatement of financial statements in accordance with IAS 29 becomes necessary. Moreover, hyperinflation is also indicated by characteristics of the economic environment of a country.

The table below shows the evolution of CPI in the last three years and as of 31 December 2022:

	2022	2021	2020
Annual Index	1,128.45	686.95	504.81
Average Index	967.71	561.61	469.59
Yearly Inflation	64.3%	36.1%	14.6%
Cumulative Inflation (Since 2020)	156.2%	55.9%	14.6%

The Bank restated all the non-monetary items in order to reflect the impact of the inflation restatement reporting in terms of the measuring unit current as of 31 December 2022. Consequently, the main items restated were Property and Equipment, Intangible assets, Right-of-Use Assets, Asset held for sales, and the Equity items. Monetary items have not been restated because they are stated in terms of the measuring unit current as of 31 December 2022.

Comparative figures must also be presented in the current currency of 31 December 2022 and are restated using the general price index of the current year. Therefore, comparative figures for the previous reporting periods have been restated by applying a general price index, so that the resulting comparative financial statements are presented in terms of the current unit of measurement as of the closing date of the reporting period.

The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS as issued by the IASB. The financial statements have been prepared on a historical cost basis, except for the following measured at fair value:

- Derivative financial instruments,
- Financial asset at fair value through profit or loss and other comprehensive income,
- Buildings recognized under property and equipment

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 2. BASIS OF PREPARATION (Continued)

#### 2.5. Use of estimates and judgments

Accounting estimates are made on the basis of reliable information and reasonable estimation methods. However, estimations are revised because of a change in the conditions in which the estimation is made, new information is obtained or additional developments occur. If the application of changes in the accounting estimates affects the financial results of a specific period, the changes in the accounting estimates are applied in that specific period, if they affect the financial results of current and following periods; the accounting estimate is applied prospectively in the period in which such change is made.

The nature and amount of a change in the accounting estimate that has an effect on the current period's financial result or is expected to have an effect on subsequent periods is disclosed in the notes of the financial statements unless it is not possible to estimate the effect on future periods. There are no changes in accounting estimates that are expected to have an impact on the financial results in the current period.

As of 31 December 2022, the information regarding the judgments, estimations and assumptions that involve the risk of a significant adjustment in the carrying value of assets and liabilities in the next financial year is explained in this note:

#### a) Expected Credit Losses

The Group provides an expected credit loss provision (“ECL”) in accordance with IFRS 9 for loan commitments and non-cash loans whose fair value is not reflected in profit or loss, and financial assets measured at amortized cost and at fair value through other comprehensive income. The provision for impairment of financial assets is based on assumptions regarding default risk and expected loss rates. The Group makes assessments while making these assumptions in each reporting period and uses the group's past experience and current market conditions as well as forward-looking estimations to select the data to be used in the impairment calculations. In the expected credit loss calculation, the main parameters expressed as probability of default, loss given default and exposure at default, and the methods used in estimating the significant increase in credit risk and forward-looking macroeconomic information are explained in Note 3.8.

#### b) Fair value determination process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. At the end of each reporting period, the Group uses its own assessments based on current market conditions among various methods and assumptions. The valuation method used and the inputs used in determining the fair value are disclosed in the fair value measurement.

#### Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices),
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 2. BASIS OF PREPARATION (Continued)

#### 2.5. Use of estimates and judgments (Continued)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 – Financial assets at fair value through profit or loss
- Note 8 – Derivative financial assets and liabilities held for trading purpose
- Note 12 – Property and equipment
- Note 28 – Financial risk management

#### c) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

### 2.6. Changes in accounting policies

#### a) Standards, amendments and interpretations applicable as at 31 December 2022:

- **Amendment to IFRS 16, ‘Leases’ – COVID 19 related rent concessions extension of the practical expedient (effective as of 1 April 2021);** Due to the COVID 19 pandemic, some privileges have been provided to lessees in rent payments. In May 2020, with the amendment published in the IFRS 16 Leases standard, IASB introduced an optional expedient practice for the lessees not to evaluate the concessions granted due to COVID 19 in the lease payments, whether there is a change in the lease. On 31 March 2021, IASB published an additional amendment to extend the date of expedient implementation from 30 June 2021 to 30 June 2022. Lessees may choose to account for such lease concessions in accordance with the terms that would apply in the absence of a lease modification. This ease of application often causes the lease concession to be recognized as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16; effective from Annual periods beginning on or after 1 January 2022.**
  - **Amendments to IFRS 3 ‘Business combinations’;** this amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 16 ‘Property, plant and equipment’;** this amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to IAS 37 ‘Provisions, contingent liabilities and contingent assets’;** this amendment specifies which costs a company includes when assessing whether a contract will be loss-making.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 2. BASIS OF PREPARATION (Continued)

#### 2.6. Changes in accounting policies

##### b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022:

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Group does not expect material impact of new standards and interpretations on the Group’s accounting policies.

#### 2.7. Comparative information and revision of prior period financial statements

The consolidated financial statements of the Group are prepared comparatively with the previous period in order to enable the monitor the financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when deemed necessary and significant differences are disclosed. Significant changes in accounting policies and significant accounting errors are applied retrospectively and prior period financial statements are restated. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when necessary and significant differences are disclosed. The Group made no reclassification in previous period consolidated financial statements, except those necessary to reflect the impact of the inflation restatement reporting in terms of the measuring unit current as of 31 December 2022.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 3. SIGNIFICANT ACCOUNTING POLICIES

Except the changes disclosed in Note 2.6, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### 3.1. Basis of consolidation

##### (i) *Subsidiaries*

Subsidiaries are investees controlled by the Group. The Group ‘controls’ an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

##### (ii) *Non-controlling interests*

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at the acquisition date. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### (iii) *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### (iv) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 3.2. Foreign currency

##### i) *Foreign currency transactions*

Transactions are recorded in TL, which represents the Group’s functional currency except for Anadolubank Nederland of which they are recorded in Euro. 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 on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in the statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The official TL exchange rates used by the Group for foreign currency translation are as follows:

	EUR / TL	USD / TL
31 December 2022	19.9349	18.6983
31 December 2021	15.0867	13.3290

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.2. Foreign currency (Continued)

##### ii) Foreign operations

The assets and liabilities of foreign subsidiaries are translated into presentation currency of the Group at the rate of exchange ruling at the reporting date. The statement of profit or loss of foreign subsidiaries is translated at the weighted average exchange rates after the acquisition date. On consolidation exchange differences arising from the translation of the net investment in foreign entity are included in equity as currency translation reserve.

Foreign currency differences, arising from foreign subsidiaries, are recognised in other comprehensive income (“OCI”), under the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss, as part of the profit or loss on disposal.

#### 3.3 Interest

Interest income and expense are recognised in profit or loss using the effective interest 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.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of **the financial instrument (for example, prepayment, call and similar options) but does not consider** future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest for financial assets at FVOCI calculated on an effective interest basis,

#### 3.4. Fees and commission

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

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

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

#### 3.5. Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes, except for the unrealised gains of financial assets at FVOCI.

#### 3.6. Dividends

Dividend income is recognised when the right to receive the income is established.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.7. Income tax expense

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or in other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses can be utilised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

#### 3.8. Financial assets and liabilities

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments “Recognition and Measurement”.

##### *Recognition*

The Group initially recognises loans, factoring receivables and advances, deposits and funds borrowed on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date on which the Group commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

##### *i. Classification and measurement of financial assets and financial liabilities*

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

#### Financial assets:

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

Financial assets measured at amortised cost

Financial assets at FVOCI; and

At fair value through profit or loss, and within this category as:

- Financial assets at FVTPL.

#### Financial liabilities:

The Group classifies its financial liabilities as measured at amortised cost.

#### *Derecognition*

The Group derecognises 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.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognised to the extent of the Group’s continuing involvement in the asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

#### *Offsetting*

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group’s trading activity.

#### *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

#### *Derivative financial instruments*

The Group enters into transactions with derivative instruments including forwards, swaps, currency options and interest rate cap/floor agreements in the foreign exchange and capital markets. Most of these derivative transactions are considered as effective economic hedges under the Group’s risk management policies; however, since they do not qualify for hedge accounting under the specific provisions of International Accounting Standard 39 – Financial instruments: Recognition and measurement (“IAS 39”) or IFRS 9, because IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice, they are treated as derivatives held for trading.

Derivative financial instruments are initially recognised at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in profit or loss.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

Fair values are obtained from quoted market prices in active markets, including recent market transactions, to the extent publicly available, and valuation techniques, including discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

##### *Identification and measurement of impairment*

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

Loans and receivables are presented net of specific and portfolio basis allowances for uncollectibility. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts. In assessing the recoverable amounts of the loans and receivables, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. In order to determine allowance rate for portfolio basis, the Group uses historical allowance rates based on its own statistical data.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest rate, penalty or principal payments;
- the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the Bank.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and estimated recoverable amount. The carrying amount of the asset is reduced through use of an allowance account. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on financial assets at FVOCI are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income. No impairment loss is recognised on equity investments.

When a subsequent event causes the amount of impairment loss on a debt security classified under financial assets at FVOCI to decrease, the impairment loss is reversed through profit or loss.

A write off is made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Such loans are written off after all the necessary legal and regulatory procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the principal amount of a loan. Subsequent recoveries of amounts written off are included in profit or loss.

IFRS 9 replaces the “incurred loss” model in IAS 39 with an expected credit loss (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of cash and cash equivalents, loans and investment securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

#### *Expected credit loss calculation:*

The Group considers macroeconomic adjusted forward looking PD, LGD and EAD components in the estimation of expected credit loss from a financial asset. Expected credit loss is calculated under three different scenarios with different macroeconomic expectations and final outcome is a weighted average of the calculations.

Expected credit loss is calculated through three stages as described below;

Stage 1: 12 month expected credit loss is calculated for financial assets in stage 1. 12 month expected credit loss represents the expected credit loss that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Stage 2: There is a significant increase in credit risk for a financial asset in stage 2 since their origination and lifetime expected credit loss is calculated for stage 2.

Stage 3: Financial assets considered as impaired are in stage 3. Lifetime expected credit loss is calculated for stage 3.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.8. Financial assets and liabilities (Continued)

*Probability of default, exposure at default and loss given default models:*

Internal Probability of Default (“PD”) models consider financial standing and demographical, internal-external behavioral data of customers. The Bank adopts different PD models for customers with different characteristics. Loss Given Default (“LGD”) models are segment level models and represent time value of money by calculating present value of all future cash flows by using the effective interest rate. The Bank uses future cash flows and behavioral data in estimating exposure at default (“EAD”).

*Transfer logic:*

The Bank uses quantitative and qualitative methods in identifying significant increase in credit risk. As a quantitative analysis, the Bank measures the significant credit deterioration by comparing the risk of default at inception (initial rating) and the reporting date. The Bank uses watch-list, memzuc and customer days past due information as qualitative criteria and classifies loans in stage 2. The change in the loan payment plan (restructuring) due to financial difficulty or concession is also considered as stage 2.

*Individual assessment*

For financial assets above a threshold in stage 3, the Bank conducts individual assessments in calculation of expected credit loss. The Bank has proper documentation of the calculations and the methodology for individual assessment. Calculations are performed by discounting the expected cash flows for the individual financial instrument to its present value using the effective interest rate. Future cash flows are determined based on two scenarios: going concern and gone concern scenarios. The choice of these scenarios depends on whether the customer is still operating and has operating cash flows that may be used to repay the debt, or whether the customer is not operating anymore and has collateral that may be used to pay the debt.

*Repurchase and resale transactions*

The Group enters into sales of securities under agreements to repurchase such securities. Such securities, which have been sold subject to a repurchase agreement (“repos”), continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy of the security portfolio which they are part of securities sold subject to repos are reclassified in the consolidated financial statements as loaned securities when the transferee has the right by contract or custom to sell or repledge the collateral. The counterparty liability for amounts received under these agreements is included in other money market deposits. The difference between sale and repurchase price is treated as interest expense and accrued over the life of the repurchase agreements using effective interest method.

Securities purchased with a corresponding commitment to resell at a specified future date (“reverse repos”) are not recognised in the statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in other money market placements. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement using effective interest method.

#### 3.9. 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 Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.10. Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss on initial recognition, may be reclassified out of the fair value through profit or loss – i.e. trading – category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met.

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as financial asset at fair value through profit or loss at initial recognition), then it may be reclassified if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity.
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in rare circumstances.

#### 3.11. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Financial assets held for trading”, designated as “Financial assets designated at fair value through other comprehensive income” or “Financial assets designated at fair value through profit or loss”. After initial measurement, loans, receivables and advances are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Certain loans are subsequently designated irrevocably as financial assets at FVTPL as permitted by IFRS 9. The Bank classifies certain loans at their origination dates, as financial assets at fair value through profit or loss in compliance with IFRS 9. Financial assets at fair value through profit or loss are initially recorded at cost and measured at fair value in subsequent periods. The amortisation is included in “Interest income” in profit or loss. The losses arising from impairment are recognised in profit or loss in “Net impairment loss on financial assets”.

“Loans and receivables” captions in the statement of financial position include:

- loans and receivables measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and receivables mandatorily measured at FVTPL or designated as at FVTPL: these are measured at fair value with face value changes recognised immediately in profit or loss; and
- finance lease receivables

#### 3.12. Investment securities

*Financial assets measured at amortised cost*

Financial assets measured at amortised cost are financial assets with fixed maturities that the Group has the intent and ability to hold until maturity. Financial assets measured at amortised cost are initially recognised at cost. Financial assets measured at amortised cost are accounted for by using a discounting method based on internal rate of return applied on the net investment amounts after the deduction of provision for impairments. Interest earned on financial assets measured at amortised cost are recognised as interest income and reflected in the consolidated statement of profit or loss.

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.12. Investment securities (Continued)

##### *Financial assets at FVOCI*

Financial assets at FVOCI are non-derivative investments that are not designated as another category of financial assets. If a quoted market price is not available, fair value of an instrument is estimated using the available market information and the appropriate valuation methodologies. All other financial assets at FVOCI are carried at fair value. Unrealised gains and losses are recognised directly in equity in the “Fair value reserves”.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on debt security investments at FVOCI are recognised in the consolidated statement of profit or loss.

If a financial asset at FVOCI is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss. Reversals in respect of equity instruments classified as at FVOCI are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired and the balance in other comprehensive income is recognised in profit or loss.

#### 3.13. Property and equipment

##### *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

As of 1 January 2017, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible and intangible assets instead of cost model in accordance with IAS 16 “Property, Plant and Equipment”.

Accordingly, for all real estates registered in the ledger, a valuation study was performed by independent expertise firms authorized by Capital Markets Board (“CMB”) and BRSA. Revaluations are performed in line with IFRS 13 “Fair Value Measurement Financial Reporting Standard”.

##### *Subsequent costs*

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.13. Property and equipment (Continued)

##### *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	<b>Years</b>
Buildings and improvements	50
Machinery and equipment	5
Office equipment	5
Furniture, fixtures and vehicles	5
Leasehold improvements	4-10

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Leasehold improvements are depreciated on a straight-line method over a period of time of their lease contract.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### 3.14. Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful lives of software are three to five years.

Amortisation methods, useful lives and residual values are reserved at each reporting date and adjusted if appropriate.

#### 3.15. Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held for sale, intangible assets and property and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.



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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.16. Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in statement of other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of other assets, impairment losses recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 3.17. Deposits and funds borrowed

Deposits are the Bank’s main source of debt funding. Deposits of the Bank comprised of the deposits from banks and customers.

Deposits and funds borrowed are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### 3.18 Hedge accounting

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Group continues to apply hedge accounting in accordance with IAS 39 in this context.

##### *Policy applicable for all hedging relationships*

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.18 Hedge accounting (Continued)

##### *i. Net investment hedges*

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of a derivative or the foreign exchange gains and losses of a non-derivative is recognised in OCI and presented in the translation reserve within equity.

The effective portion of the change in fair value of the hedging instrument is computed with reference to the functional currency of the parent entity against whose functional currency the hedged risk is measured. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in profit or loss. The amount recognised in OCI is fully or partially reclassified to profit or loss as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

##### *ii. Cash flow hedge*

The Group applies fair value hedge and cash flow hedge accounting. Hedging accounting is applied to prevent the fluctuations that may arise in the income statement in the short term as a result of the differences in the valuation methods of the assets and liabilities in the balance sheet that are subject to interest rate risk and derivative instruments. Some of the Group's fixed rate foreign currency securities and foreign currency loans are subject to fair value hedge accounting. The fair value risk of the related fixed rate financial assets is hedged with interest rate swaps. The Group also hedges floating rate foreign currency corporate deposits from cash flow risk with interest rate swaps. The assessment that derivative transactions used for hedging purposes can effectively offset changes in the fair value of the hedged item is measured regularly and the measurement results are documented. In cases where the hedge does not meet the hedge accounting requirements, hedge accounting is discontinued. If hedge accounting requirements are met, a) Changes in the fair value of the hedged item under fair value hedge accounting is recognized in profit or loss, b) Changes in the fair value of the hedging instrument under cash flow hedge accounting is recognized in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

#### 3.19. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3.20. Employee benefits

##### *Reserve for employee severance indemnity*

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee’s probable future liability arising from the retirement. IAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the bank’s obligation under defined employee plans. IAS 19 has been revised effective from the annual period beginning after 1 January 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognised in other comprehensive income.

##### *Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 3.21. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components, whose operating results are reviewed regularly by the Group’s Management Committee (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Board of Directors include items directly attributable to that segment as well as those that can be allocated on a reasonable basis.

#### 3.22. Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 4. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group’s strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the chief operating decision maker, the Board of Directors reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group’s reportable segments:

#### *Corporate and commercial banking*

Includes loans, deposits and other transactions and balances with corporate customers.

#### *Retail banking*

Includes loans, deposits and other transactions and balances with retail customers.

#### *Agricultural banking*

Agricultural banking serves its customers in a way to cover transactions such as loans, deposits and non-cash loans.

#### *Treasury*

Undertakes the Group’s funding and centralised risk management activities through borrowings, and investing in liquid assets such as short-term placements and corporate and government debt securities.

#### *Investment banking*

Includes the Group’s trading and corporate finance activities.

#### *Subsidiaries*

Includes the profits of the subsidiaries.

Information regarding the results of each reportable segment is included in the following page. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm’s length basis.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 4. OPERATING SEGMENTS (Continued)

#### Information about operating segments

Current Period	Corporate and commercial banking	Retail banking	Treasury&other	Total operations
Operating income <sup>(*)</sup>	1,545,244	137,997	2,899,247	4,582,488
Operating loss <sup>(**)</sup>	-	-	(4,254,932)	(4,254,932)
Profit before tax	1,545,244	137,997	(1,355,685)	327,556
Income tax expense	-	-	(262,534)	(262,534)
<b>Profit for the year</b>	<b>1,545,244</b>	<b>137,997</b>	<b>(1,618,219)</b>	<b>65,022</b>
Segment assets	18,889,370	124,673	36,302,927	55,316,970
Subsidiaries	-	-	-	-
<b>Total assets</b>	<b>18,889,370</b>	<b>124,673</b>	<b>36,302,927</b>	<b>55,316,970</b>
Segment liabilities	11,118,933	15,445,064	21,166,257	47,730,254
Equity	-	-	7,586,716	7,586,716
<b>Total liabilities</b>	<b>11,118,933</b>	<b>15,445,064</b>	<b>28,752,973</b>	<b>55,316,970</b>

(\*) Operating income includes net interest income, net fee and commission income and other income items presented in the consolidated statement of profit or loss.

(\*\*) Operating loss includes salaries and employee benefits, provision for possible loan losses - net of recoveries, depreciation and amortisation and other expense items presented in the consolidated statement of profit or loss.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 4. OPERATING SEGMENTS (Continued)

#### Information about operating segments (Continued)

Prior Period	Corporate and commercial banking	Retail banking	Treasury&other	Total operations
<b>Operating income</b> (*)	<b>613,348</b>	<b>73,008</b>	<b>5,459,982</b>	<b>6,146,338</b>
Operating loss (**)	-	-	(5,053,792)	(5,053,792)
<b>Profit before tax</b>	<b>613,348</b>	<b>73,008</b>	<b>406,190</b>	<b>1,092,546</b>
Income tax expense	-	-	(786,372)	(786,372)
<b>Profit for the year</b>	<b>613,348</b>	<b>73,008</b>	<b>(380,182)</b>	<b>306,174</b>
Segment assets	16,821,717	100,905	54,683,330	71,605,952
Subsidiaries	-	-	-	-
<b>Total assets</b>	<b>16,821,717</b>	<b>100,905</b>	<b>54,683,330</b>	<b>71,605,952</b>
Segment liabilities	12,259,430	12,101,069	39,658,737	64,019,236
Equity	-	-	7,586,716	7,586,716
<b>Total liabilities</b>	<b>12,259,430</b>	<b>12,101,069</b>	<b>47,245,453</b>	<b>71,605,952</b>

(\*) Operating income includes net interest income, net fee and commission income and other income items presented in the consolidated statement of profit or loss.

(\*\*) Operating loss includes salaries and employee benefits, provision for possible loan losses - net of recoveries, depreciation and amortisation and other expense items presented in the consolidated statement of profit or loss.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 5. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash and cash equivalents	712,857	1,167,745
Loans and advances to banks (with original maturity of less than 3 months)	8,263,211	7,749,323
Unrestricted balances with the central bank	1,743,371	4,130,158
Receivables from reverse repurchase transactions	450,256	-
IFRS 9 allowances	5,669	5,623
<b>Total cash and cash equivalents in the consolidated statement of financial position</b>	<b>11,175,364</b>	<b>13,052,849</b>
Blocked loans and advances to banks and other financial institutions	(66,272)	(176,974)
Loans and advances to banks (with original maturity of more than 3 months)	-	-
Interest accruals on cash and cash equivalents	(1,848)	(27,918)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>11,107,244</b>	<b>12,847,957</b>

As at 31 December 2022, the deposits with banks which are blocked at financial institutions for the interest rate swaps and credit default swaps entered into by the Group is 66,172 (31 December 2021: 176,974).

### 6. BALANCES WITH CENTRAL BANK

#### a) Unrestricted balances with central bank

	31 December 2022	31 December 2021
Demand deposits-TL	908,928	1,801,492
Demand deposits-FC	834,443	2,328,666
<b>Total</b>	<b>1,743,371</b>	<b>4,130,158</b>

#### b) Reserve deposits with central bank

	31 December 2022	31 December 2021
Foreign currency reserve	3,572,362	4,699,001
<b>Total</b>	<b>3,572,362</b>	<b>4,699,001</b>

Reserve deposits are kept as blockage in Central Bank of Turkey (CBRT) for foreign currency liabilities. The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency liabilities in TL and foreign currencies at the rates of 3.0% - 8.0% and 5.0% - 26.0%, respectively as per the Communiqué no.2005/1 “Reserve Deposits” of the CBRT (31 December 2021: 3.0% - 8.0% and 5.0% - 26.0% respectively).

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2022 and 2021, financial assets at fair value through profit or loss comprised the following:

	31 December 2022		31 December 2021	
	Carrying value	Effective interest rate (%)	Carrying value	Effective interest rate (%)
Eurobonds issued by the Turkish Government	38,692	4.59-9.27	16,785	3.74-7.53
Government bonds in TL	5,783	7.72	841	20.02
Other	6,945	7.94	748	7.54-7.64
<b>Total</b>	<b>51,420</b>		<b>18,374</b>	

As at 31 December 2022, there are no financial assets at fair value through profit or loss given as collateral under repurchase agreements (31 December 2021: None).

As at 31 December 2022, there are no government securities kept at İstanbul Takas ve Saklama Bankası Anonim Şirketi (Takasbank - Istanbul Clearing and Custody Incorporation) and at Capital Markets Board of Turkey for legal requirements and as a guarantee for stock exchange and money market operations (31 December 2021: None).

### 8. DERIVATIVE FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING

In the ordinary course of business, the Group 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 of the Group mainly include foreign currency forwards, cross currency interest rate swaps, foreign currency options and credit default swaps.

The table below shows the favourable (assets) and unfavourable (liabilities) fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date and option pricing models. In the absence of reliable forward rate estimations in a volatile market, current market rate is considered to be the best estimate of the present value of the forward exchange rates.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 8. DERIVATIVE FINANCIAL ASSETS / LIABILITIES HELD FOR TRADING (Continued)

31 December 2022									
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	132,711	2,301	3,674,960	1,100,143	1,208,117	1,073,880	292,820	-	-
-Forward sale contract	-	-	3,476,196	1,084,353	1,149,051	987,617	255,175	-	-
Currency swap purchase	151,139	171,863	12,532,674	8,853,621	1,222,794	-	39,734	2,292,514	124,011
Currency swap sale	-	-	12,683,081	8,864,076	1,221,508	-	37,396	2,433,867	126,234
Interest swap purchase	-	-	1,848,568	60,000	500,000	650,000	200,000	-	438,568
Interest swap sale	-	-	1,848,568	60,000	500,000	650,000	200,000	-	438,568
Put option purchase	497,987	134,006	10,923,769	2,740,344	6,513,707	1,309,291	360,427	-	-
Put option sale	-	-	10,669,421	2,617,595	6,419,004	1,259,894	372,928	-	-
<b>Total</b>	<b>781,837</b>	<b>308,170</b>	<b>57,657,237</b>	<b>25,380,132</b>	<b>18,734,181</b>	<b>5,930,682</b>	<b>1,758,480</b>	<b>4,726,381</b>	<b>1,127,381</b>

31 December 2021									
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	160,477	301,831	3,735,900	2,116,665	1,161,506	347,987	109,742	-	-
Forward sale contract	-	-	3,824,738	2,151,702	1,238,059	352,217	82,761	-	-
Currency swap purchase	213,836	287,528	11,277,041	6,926,469	1,165,013	839,699	-	2,106,544	239,316
Currency swap sale	-	-	11,333,768	6,768,765	1,220,152	867,278	-	2,247,928	229,646
Interest swap purchase	69,491	13,999	5,741,222	205,337	492,809	2,135,505	2,644,741	262,831	-
Interest swap sale	-	-	5,741,222	205,337	492,809	2,135,505	2,644,741	262,831	-
Put option purchase	1,461,355	327,102	8,623,837	956,215	1,749,966	1,642,405	4,275,251	-	-
Put option sale	-	-	8,802,904	701,738	1,591,046	1,398,381	5,111,738	-	-
<b>Total</b>	<b>1,905,159</b>	<b>930,460</b>	<b>59,080,632</b>	<b>20,032,228</b>	<b>9,111,360</b>	<b>9,718,977</b>	<b>14,868,974</b>	<b>4,880,134</b>	<b>468,962</b>

### 9. INVESTMENT SECURITIES

#### *Financial assets at fair value through other comprehensive income*

	31 December 2022		31 December 2021	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
Eurobonds issued by the Turkish Government	795,980	7.72-9.02	-	-
Foreign currency denominated bonds	1,622,892	(0.83)-5.22	2,200,146	(0.76)-7.70
Equity instruments	54,187	-	62,183	-
Other	57,846	-	-	-
<b>Total</b>	<b>2,530,905</b>		<b>2,262,329</b>	

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 9. INVESTMENT SECURITIES (Continued)

The movement of financial assets at fair value through other comprehensive income is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
<b>Balance at beginning of period</b>	<b>2,262,329</b>	<b>4,830,005</b>
Index difference	(885,123)	(1,280,642)
Foreign currency differences on monetary assets	375,835	908,978
Purchases during the period	1,207,262	364,789
Disposals through sales and redemptions	(40,941)	(483,564)
Changes in amortised cost	(388,457)	(2,077,237)
<b>Balance at the end of period</b>	<b>2,530,905</b>	<b>2,262,329</b>

Carrying value of financial assets at FVOCI given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2022	31 December 2021
Deposited at financial institutions for repurchase transactions	356,607	29,721
Collaterals	1,345,556	1,596,356
Other	828,742	636,252
<b>Total</b>	<b>2,530,905</b>	<b>2,262,329</b>

#### *Financial assets measured at amortised cost*

	31 December 2022		31 December 2021	
	Amount	Effective interest rate (%)	Amount	Effective interest rate (%)
<i>Debt instruments:</i>				
Foreign currency denominated bonds	1,619,473	(0.66)-8.30	1,538,544	(0.65)-8.30
TL denominated government bonds	1,743,991	10.01-10.25	3,807,677	9.19-21.55
<b>Total</b>	<b>3,363,464</b>		<b>5,346,221</b>	

The movement of financial assets measured at amortised cost is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
<b>Balance at beginning of period</b>	<b>5,346,222</b>	<b>9,442,878</b>
Index difference	(2,091,680)	(2,503,713)
Foreign currency differences on monetary assets	262,349	438,209
Purchases during the period	521,598	385,199
Disposals through sales and redemptions	(700,255)	(2,485,709)
Changes in amortised cost	35,836	73,325
Changes in allowance for impairment	(10,606)	(3,967)
<b>Balance at the end of period</b>	<b>3,363,464</b>	<b>5,346,222</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 9. INVESTMENT SECURITIES (Continued)

Carrying value of financial assets measured at amortised cost given as collateral under repurchase agreements and for other banking transactions under the normal course of the banking operations are as follows:

	31 December 2022	31 December 2021
Deposited at financial institutions for repurchase transactions	578,669	3,357,777
Collaterals	763,195	1,645,132
Other	2,021,600	343,312
<b>Total</b>	<b>3,363,464</b>	<b>5,346,221</b>

As at 31 December 2022, carrying value of financial assets measured at amortised cost collateralised against repurchase agreements is TL 581,273 (31 December 2021: TL 3,357,777).

### 10. LOANS AND RECEIVABLES

	31 December 2022						
	Amount				Effective interest rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC indexed
Corporate loans	16,083,494	13,692,445	5,286	29,781,225	0.00-61.17	0.00-14.50	6.04
Consumer loans	239,618	-	251	239,869	0.00-46.40	-	6.03
Credit cards	142,768	8	-	142,776	16.32	0.00	-
Factoring receivables	1,341,991	-	-	1,341,991	22.42-44.39	-	-
<b>Total performing loans</b>	<b>17,807,871</b>	<b>13,692,453</b>	<b>5,537</b>	<b>31,505,861</b>			
Non-performing loans	-	-	-	830,630	-	-	-
Allowance for:	-	-	-	-	-	-	-
Individually impaired loans	-	-	-	(579,257)	-	-	-
Collectively impaired loans	-	-	-	(176,573)	-	-	-
<b>Loans and receivables, net</b>	<b>17,807,871</b>	<b>13,692,453</b>	<b>5,537</b>	<b>31,580,661</b>	-	-	-

  

	31 December 2021						
	Amount				Effective interest rate (%)		
	TL	FC	FC Indexed	Total	TL	FC	FC indexed
Corporate loans	21,623,929	17,749,261	48,384	39,421,574	0.00-60.00	0.10-9.48	-
Consumer loans	176,361	-	1,066	177,427	0.00-35.40	3.00-8.76	5.88-8.76
Credit cards	162,471	108	-	162,579	21.60-24.00	-	-
Factoring receivables	1,371,226	-	-	1,371,226	19.31-36.21	-	-
<b>Total performing loans</b>	<b>23,333,987</b>	<b>17,749,369</b>	<b>49,450</b>	<b>41,132,806</b>			
Non-performing loans	-	-	-	2,077,799	-	-	-
Allowance for:	-	-	-	-	-	-	-
Individually impaired loans	-	-	-	(1,287,489)	-	-	-
Collectively impaired loans	-	-	-	(210,994)	-	-	-
<b>Loans and receivables, net</b>	<b>23,333,987</b>	<b>17,749,369</b>	<b>49,450</b>	<b>41,712,122</b>	-	-	-

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 10. LOANS AND RECEIVABLES (Continued)

“Loans and receivables” captions in the statement of financial position include the following:

	31 December 2022	31 December 2021
Loans and receivables measured at amortised cost	30,986,781	41,719,032
Factoring receivables	1,349,710	1,382,033
Less: impairment loss allowance	(755,830)	(1,498,484)
Loans and receivables at FVTPL	-	109,047
<b>Total loans and receivables</b>	<b>31,580,661</b>	<b>41,711,628</b>

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

The specific allowance for possible loan losses is comprised of amounts for specifically identified as being impaired and non-performing loans and receivables plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

Movements in the reserve for possible loan losses:

	1 January – 31 December 2022	1 January – 31 December 2021
<b>Reserve at beginning of the period/year</b>	<b>1,498,484</b>	<b>2,069,569</b>
Index Difference	(615,826)	(558,055)
Adjustment from adoption of IFRS 9	-	-
Adjusted balance at 1 January 2019	882,658	1,511,514
Provision for possible loan losses, net of recoveries	139,545	96,060
Provision for possible loan losses	555,847	693,663
Recoveries	(416,302)	(597,603)
<b>Provision, net of recoveries</b>	<b>139,545</b>	<b>96,060</b>
Loans written-off during the period/year	(279,856)	(130,379)
Foreign currency differences on monetary assets	13,483	21,289
<b>Reserve at end of the period/year</b>	<b>755,830</b>	<b>1,498,484</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 10. LOANS AND RECEIVABLES (Continued)

The movement of loss allowances per asset class for loans and receivables as of 31 December 2022 is as follows:

Loans and receivables	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Balances at 1 January 2022	62,555	65,889	783,766	912,210
Additions	297,012	86,869	155,897	539,778
Disposals	(253,540)	(74,439)	(88,323)	(416,302)
Debt sales	-	-	(182,046)	(182,046)
Write offs	-	-	(111,293)	(111,293)
Transfer to stage 1	4,344	(4,344)	-	-
Transfer to stage 2	(14,324)	14,373	(49)	-
Transfer to stage 3	(73)	(9,879)	9,952	-
Effects of movements in exchange rates	2,448	117	10,918	13,483
<b>Balances at the end of the period</b>	<b>98,422</b>	<b>78,586</b>	<b>578,822</b>	<b>755,830</b>

The credit quality analysis of loans and receivables excluding factoring receivables, including related income accruals, is as follows as at 31 December 2022 and 2021:

	31 December 2022		
	Stage 1	Stage 2	Stage 3
Stage 1: Low-fair risk	29,157,499	-	-
Stage 2: Watch list	-	296,805	-
Stage 3.1: Substandard	-	-	9,295
Stage 3.2: Doubtful	-	-	62,845
Stage 3.3: Loss	-	-	532,210
Total loans	29,157,499	296,805	604,350
Income accrual on loans	696,519	13,047	226,280
Loss allowance	(98,422)	(78,151)	(579,257)
<b>Total carrying amount</b>	<b>29,755,596</b>	<b>231,701</b>	<b>251,373</b>

  

	31 December 2021		
	Stage 1	Stage 2	Stage 3
Stage 1 : Low-fair risk	38,092,500	-	-
Stage 2 : Watch list	-	1,135,093	-
Stage 3.1: Substandard	-	-	104,857
Stage 3.2: Doubtful	-	-	147,028
Stage 3.3: Loss	-	-	1,342,634
Total loans	38,092,500	1,135,093	1,594,519
Income accrual on loans	626,337	(92,842)	483,280
Loss allowance	(102,759)	(108,236)	(1,287,489)
<b>Total carrying amount</b>	<b>38,616,078</b>	<b>934,015</b>	<b>790,310</b>

### 11. FACTORING RECEIVABLES

As at 31 December 2022 and 2021, short-term and long-term factoring receivables included in the loans and receivables are as follows:

	31 December 2022	31 December 2021
Short-term	1,344,131	1,361,253
Long-term	5,579	20,780
<b>Total</b>	<b>1,349,710</b>	<b>1,382,033</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 12. PROPERTY AND EQUIPMENT

Movements of property and equipment as at and for the year ended 31 December 2022 and 2021 are as follows:

	Buildings	Motor vehicles	Right of use assets	Furniture, office equipment and leasehold improvements	Total
<b>Cost</b>					
Opening balance, 1 January 2021	491,978	1,903	288,609	495,074	1,277,564
Additions	12,681	-	52,756	11,404	76,841
Disposals	-	(81)	-	(55,414)	(55,495)
Effect of movements in exchange rates	-	-	-	-	-
Revaluation	(30,388)	-	-	-	(30,388)
<b>Closing balance, 31 December 2021</b>	<b>474,271</b>	<b>1,822</b>	<b>341,365</b>	<b>451,064</b>	<b>1,268,522</b>
Opening balance, 1 January 2022	474,271	1,822	341,365	451,064	1,268,522
Additions	11,089	-	88,078	62,540	161,707
Disposals	-	(38)	-	(113,815)	(113,853)
Effect of movements in exchange rates	-	-	-	-	-
Revaluation	195,934	-	-	-	195,934
<b>Closing balance, 31 December 2022</b>	<b>681,294</b>	<b>1,784</b>	<b>429,443</b>	<b>399,789</b>	<b>1,512,310</b>
<b>Accumulated depreciation</b>					
Opening balance, 1 January 2021	-	1,903	96,431	385,231	483,565
Additions	-	-	5,756	2,283	8,039
Disposals	-	(81)	-	(7,745)	(7,826)
Revaluation	-	-	-	-	-
<b>Closing balance, 31 December 2021</b>	<b>-</b>	<b>1,822</b>	<b>102,187</b>	<b>379,769</b>	<b>483,778</b>
Opening balance, 1 January 2022	-	1,822	102,187	379,769	483,778
Additions	-	-	6,244	4,811	11,055
Disposals	-	(38)	-	-	(38)
Effect of movements in exchange rates	-	-	-	-	-
<b>Closing balance, 31 December 2022</b>	<b>-</b>	<b>1,784</b>	<b>108,431</b>	<b>384,580</b>	<b>494,795</b>
<b>Net carrying value</b>					
1 January 2021	491,978	-	192,178	109,843	793,999
31 December 2021	474,271	-	239,178	71,295	784,744
31 December 2022	681,294	-	321,012	15,209	1,017,515

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 13. INTANGIBLE ASSETS

Movements of intangible assets as at and for the year ended 31 December 2022 and 2021 are as follows:

	Software	Other intangibles	Total
<b><u>Cost</u></b>			
Opening balance, 1 January 2021	98,672	-	98,672
Additions	20,781	-	20,781
Disposals	-	-	-
<b>Closing balance, 31 December 2021</b>	<b>119,453</b>	<b>-</b>	<b>119,453</b>
Opening balance, 1 January 2022	119,453	-	119,453
Additions	51,866	-	51,866
Disposals	-	-	-
<b>Closing balance, 31 December 2022</b>	<b>171,319</b>	<b>-</b>	<b>171,319</b>
<b><u>Accumulated amortisation</u></b>			
Opening balance, 1 January 2021	55,596	-	55,596
Additions	-	-	-
Disposals	3,394	-	3,394
<b>Closing balance, 31 December 2021</b>	<b>58,990</b>	<b>-</b>	<b>58,990</b>
Opening balance, 1 January 2022	58,990	-	58,990
Additions	7,917	-	7,917
Disposals	-	-	-
<b>Closing balance, 31 December 2022</b>	<b>66,907</b>	<b>-</b>	<b>66,907</b>
<b>Net carrying value</b>			
1 January 2021	43,076	-	43,076
31 December 2021	60,463	-	60,463
31 December 2022	104,412	-	104,412

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 14. NON-CURRENT ASSETS OR DISPOSAL HELD FOR SALE

Movements of Non-Current Asstes or Disposal rroups Held For Sale as at and for the year ended 31 December 2021 and 2020 are as follows:

	Non-Current Asstes or Disposal For Sale	Total
<b><u>Cost</u></b>		
Opening balance, 1 January 2021	784,289	784,289
Additions	80,794	80,794
Disposals	(121,515)	(121,515)
<b>Closing balance, 31 December 2021</b>	<b>743,568</b>	<b>743,568</b>
Opening balance, 1 January 2022	743,568	743,568
Additions	25,065	25,065
Disposals	(133,369)	(133,369)
<b>Closing balance, 31 December 2022</b>	<b>635,264</b>	<b>635,264</b>
<b><u>Accumulated depreciation</u></b>		
Opening balance, 1 January 2021	1,692	1,692
Additions	-	-
Disposals	(1,021)	(1,021)
<b>Closing balance, 31 December 2021</b>	<b>671</b>	<b>671</b>
Opening balance, 1 January 2022	671	671
Additions	-	-
Disposals	(5)	(5)
<b>Closing balance, 31 December 2022</b>	<b>666</b>	<b>666</b>
<b>Net carrying value</b>		
1 January 2021	782,597	40,721
31 December 2021	742,897	742,897
31 December 2022	634,598	634,598

### 15. OTHER ASSETS

	31 December 2022	31 December 2021
Transfer cheques	247,011	551,931
Collateral for leveraged operations <sup>(1)</sup>	105,283	63,405
Prepaid expenses	17,775	16,248
Credit card payments	121,945	24,971
Advances given	1,359	66
Collateral for OTC operations	42,771	74,388
Other	57,225	102,803
<b>Total</b>	<b>593,369</b>	<b>833,812</b>

<sup>(1)</sup> Collateral for leveraged operations are composed of the collaterals given for transactions, which take place through Anadolu Yatırım Menkul Kıymetler AŞ.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 15. OTHER ASSETS (Continued)

#### *Assets held for sale*

An asset (or a disposal group) classified as asset held for sale is measured at lower of the carrying amount and fair value less costs to sell. An asset (or a disposal group) is regarded as asset held for sale only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

As at 31 December 2022, TL 218,265 (31 December 2021: TL 422,110) of the other assets is comprised of foreclosed real estates acquired by the Bank against its impaired receivables.

### 16. DEPOSITS

#### Deposits from banks

	31 December 2022				31 December 2021			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Demand	2	156	-	-	11	194	-	-
Time	40,863	-	19.95	-	169,015	-	15	-
<b>Total</b>	<b>40,865</b>	<b>156</b>			<b>169,026</b>	<b>194</b>		

#### Deposits from customers

	31 December 2022				31 December 2021			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Saving:</i>								
Demand	186,368	4,996,710	-	-	168,794	5,314,297	-	-
Time	12,882,600	9,514,287	5.00-26.00	0.01-4.00	9,942,626	16,565,375	4.00-29.00	0.01-2.50
	<b>13,068,968</b>	<b>14,510,997</b>			<b>10,111,420</b>	<b>21,879,672</b>		
<i>Commercial and other deposits:</i>								
Demand	1,427,281	3,435,199	-	-	806,314	3,316,468	-	-
Time	5,341,120	3,968,642	0.01-26.00	0.05-4.40	5,146,509	13,440,313	0.10-23.00	0.01-1.80
	<b>6,768,401</b>	<b>7,403,841</b>			<b>5,952,823</b>	<b>16,756,781</b>		
<b>Total</b>	<b>19,837,369</b>	<b>21,914,838</b>			<b>16,064,243</b>	<b>38,636,453</b>		

The Parent Bank decided on implementing its strategy to avoid any possible currency risks originating from its consolidated subsidiary, Anadolubank NV, as of 1 May 2018, to the extent that foreign exchange denominated net asset value of Anadolubank Nederland NV and Euro denominated term deposit accounts of Anadolubank as a protective measure against currency risks would be correlated consequently with protective measures against net investment risk. Any relevant changes on financial debts related to currency volatilities are being kept on the Parent Bank’s books under equity as other accumulated comprehensive income and expenses that are to be booked as profit or loss.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 16. DEPOSITS (Continued)

The amounts relating to items designated as hedging instruments at 31 December 2022 and 2021 were as follows.

		Nominal amount	Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness for 2020	Change in the value of the hedging instrument recognised in OCI
			Assets	Liabilities			
2021	Foreign currency denominated deposits	EUR 100 million	-	2,478,286	Deposits	(480,795)	(480,795)
2022	Foreign currency denominated deposits	EUR 100 million	-	1,993,490	Deposits	(484,820)	(484,820)

### Other money market deposits

	31 December 2022				31 December 2021			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
<i>Obligations under repurchase agreements and Interbank Money Markets Borrowings:</i>								
Due to banks	371,480	1,144,407	7.65	0.7-5.20	2,395,325	1,148,175	-	(0.25)-1.35
Other	-	-	-	-	82,186	-	11.90-14.00	-
<b>Total</b>	<b>371,480</b>	<b>1,144,407</b>			<b>2,477,511</b>	<b>1,148,175</b>		

As at 31 December 2022, there are no carrying values of underlying financial assets at fair value through profit or loss collateralised against repurchase agreements (31 December 2021: None). Financial asset measured at amortised cost collateralised against repurchase agreements amounts to TL 581,273 (31 December 2021: TL 3,357,777) and carrying values of underlying financial assets at FVOCI collateralised against repurchase agreements amounts to TL 356,607 (31 December 2021: TL 29,721).

### 17. FUNDS BORROWED

	31 December 2022				31 December 2021			
	Amount		Effective interest rate (%)		Amount		Effective interest rate (%)	
	TL	FC	TL	FC	TL	FC	TL	FC
Short-term <sup>(*)</sup>	1,207,474	681,147	16.00-2	0.28-2.85	1,081,653	678,345	14.15-30.45	0.28-2.85
Medium/long term <sup>(*)</sup>	3,925	683,625	16.00	(0.50)-3.10	25,381	876,184	17..	(0.50)-3.10
<b>Total</b>	<b>1,211,399</b>	<b>1,364,772</b>			<b>1,107,034</b>	<b>1,554,529</b>		

<sup>(\*)</sup> Borrowings are presented considering their original maturities and factoring payables are excluded.

Repayment plans of funds borrowed are as follows:

	31 December 2022	31 December 2021
2023	2,288,839	1,781,412
2024	287,332	521,269
2025	-	358,883
<b>Total</b>	<b>2,576,171</b>	<b>2,661,564</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 18. DEBT SECURITIES ISSUED

As of 31 December 2022, the Group has issued debt securities amounting to TL 0 (31 December 2021: TL 0). Details of the debt securities issued are as follows:

	Latest maturity	Interest rate %	Carrying value
TL denominated bonds payable	2022	-	-

	Latest maturity	Interest rate %	Carrying value
TL denominated bonds payable	2021	-	-

### 19. OBLIGATIONS FROM LEASING TRANSACTIONS

As of 1 January 2019, IFRS 16 Leases standard is started to be applied, and the difference between lease transactions and operating transactions ended. Lease transactions have been started to be displayed by the tenants under the Liabilities from Leasing Transactions item.

As of 31 December 2021, the Group's liabilities arising from leasing transactions are as follows:

	31 December 2022		31 December 2021	
	Gross	Net	Gross	Net
Less than 1 year	35,396	32,241	40,343	34,965
Between 1-4 years	39,297	30,927	40,080	32,289
More than 4 years	140,704	74,241	149,367	85,037
<b>Total</b>	<b>215,397</b>	<b>137,409</b>	<b>229,790</b>	<b>152,291</b>

### 20. OTHER LIABILITIES AND PROVISIONS

	31 December 2022	31 December 2021
Transfer orders	389,490	826,082
Collections from guarantee cheques	89,824	124,295
Reserve for employee severance indemnity and vacation	136,491	102,487
- <i>Employee severance indemnity</i>	96,121	66,316
- <i>Vacation pay liability</i>	40,370	36,171
Taxes other than on income	74,838	83,644
Collateral for leveraged operations	27,333	22,475
Assignment fee	38,156	70,026
Payables due from credit cards	150,905	109,415
Personnel bonuses	42,792	36,258
Provision for lawsuits	9,120	19,607
From loan commissions	57,065	61,189
Other various provisions	24,143	17,261
Other	256,552	290,627
<b>Total</b>	<b>1,296,709</b>	<b>1,763,366</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### 20. OTHER LIABILITIES AND PROVISIONS (Continued)

The movement of employee severance indemnity is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Net liability at the beginning of the year	66,315	75,009
Index difference	(25,945)	(19,888)
Payments during the period	(12,482)	(9,717)
Actuarial losses	51,869	5,089
Changes during the period	16,364	15,822
<b>Total</b>	<b>96,112</b>	<b>66,315</b>

IAS 19 requires that all actuarial gains and losses to be recognised immediately in other comprehensive income in accordance with the change in IAS 19.

The movement of vacation pay liability is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Total provision at the beginning of the year	36,170	39,376
Index difference	(14,151)	(10,440)
Paid during the year	(3,705)	(3,077)
Total expense recognised in the profit or loss	22,659	10,311
<b>Total</b>	<b>40,973</b>	<b>36,170</b>

### 21. INCOME TAXES

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate has been applied as 22% for 3 the years between 2018-2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017. With Article 11 of the Law No. 7316 on the Procedure for Collection of Public Claims and Amending Certain Laws, which was published in the Official Gazette dated 22 April 2021 and numbered 31462, and with the Provisional Article 13 added to the Corporate Tax Law No. 5520, the Corporate Tax rate applied as 25% for the corporate earnings of the 2021 taxation period and will be applied 23% for the corporate earnings of the 2022 taxation period. The corporate tax rate has been determined as 25% with the amendment made in the temporary 13th article of the Law. This amendment is applied for the corporate profits of the taxation period starting from 1 January 2022, starting from the declarations that must be submitted as of 1 July 2022. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Pursuant to the Repetitive Article 298 of the Tax Procedure Law No. 213, the inflation adjustment requirement for the financial statements has occurred depending on the fact that the increase in the price index in the 2021 accounting period is more than 100% in the last three accounting periods, including the current period, and more than 10% in the current accounting period. However, with the Provisional Article 33 added to the Tax Procedure Law with the Law No. 7352, the financial statements should be prepared regardless of whether the conditions for the inflation adjustment within the scope of the repetitive article 298 are met in the 2021 and 2022 accounting periods and the 2023 accounting period temporary tax periods, including the temporary tax periods. Accordingly, the financial statements for the 2021 will not be subject to inflation adjustment in accordance with the TPL, and the financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met, and the profit/loss difference arising from the inflation adjustment will be shown in the retained earnings and will not be subjected tax calculation.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### 21. INCOME TAXES (Continued)

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

There is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### *Tax applications for foreign branches and foreign operations*

The principal tax rates (%) of the tax authorities in each country as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Netherlands	25.8%	25.8%

As of 31 December 2022, and 31 December 2021, major components of income tax expense:

	2022	2021
<i>Current income taxes:</i>		
Current income tax charge	(426,132)	(79,669)
<i>Deferred taxes:</i>		
Relating to origination and reversal of temporary differences	(360,240)	(182,865)
<b>Income tax expense</b>	<b>(786,372)</b>	<b>(262,534)</b>

The current income tax charges and prepaid taxes are detailed below:

	31 December 2022	31 December 2021
Current income tax charge	(426,132)	(79,669)
Income tax paid in advance	229,512	133,088
<b>Income tax (assets)/liabilities</b>	<b>(196,620)</b>	<b>53,419</b>

#### *Deferred Taxes*

Taxes on income for the year also comprise deferred taxes. Deferred income tax is provided, using the liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liability and asset are recognised when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. Deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Currently enacted or substantively enacted tax rates are used to determine deferred taxes on income. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes.

As the tax rate used in the calculation of deferred tax assets and liabilities; 25% for temporary timing differences expected to occur within 2023, and 25% for temporary timing differences expected to occur after 2023, was used. (31 December 2021: 23%).

Individual consolidated subsidiaries offset deferred tax asset and deferred tax liability if the deferred tax asset and deferred tax liability relate to income taxes levied by the same taxation authority. Subsidiaries that have deferred tax assets position are not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 21. INCOME TAXES (Continued)

As at 31 December 2022 and 2021, deferred tax assets and liabilities are attributable to the following items:

	31 December 2022		31 December 2021	
	Deferred tax Assets/ (Liabilities)		Deferred tax Assets/ (Liabilities)	
	Asset	Liability	Asset	Liability
Valuation difference of derivative financial instruments	-	(86,374)	-	(243,347)
Differences in the measurement of the debt securities	-	(46,790)	-	(27,269)
Personnel bonuses	10,500	-	6,914	-
Reserve for employee severance indemnity and vacation	33,726	-	21,675	-
Valuation of financial assets at FVOCI	47,007	-	47,960	-
Loan loss provisions	-	-	46,150	-
Revaluation of property and equipment	-	(214,995)	-	(126,375)
Financial Loss	-	-	252,573	-
Other	60,306	-	75,138	-
<b>Total deferred tax assets/(liabilities)</b>	<b>151,539</b>	<b>(348,159)</b>	<b>450,410</b>	<b>(396,991)</b>
Offsetting	(151,539)	151,539	(396,991)	396,991
<b>Deferred tax assets/(liabilities)</b>	<b>-</b>	<b>(196,620)</b>	<b>53,419</b>	<b>-</b>
		<b>1 January – 31 December 2022</b>		<b>1 January – 31 December 2021</b>
<b>Deferred tax asset / (liability) at 1 January</b>		<b>53,419</b>		<b>68,401</b>
Deferred tax recognised in profit or loss		(360,340)		(182,865)
Deferred tax recognised in equity		110,301		167,883
<b>Deferred tax asset / (liability) at 31 December</b>		<b>(196,620)</b>		<b>53,419</b>

A reconciliation of income tax expense applicable to profit from operating activities before income taxes at the statutory income tax rate to income tax expense at the Group’s effective income tax rate for the year ended 31 December 2022 and 2021 were as follows:

	2022	2021
<b>Net profit from ordinary activities before income taxes and non-controlling interest</b>		
	1,092,545	327,556
Taxes on income per statutory tax rate	229,873	72,837
Disallowable expenses	3,577	1,037
Effect of income not subject to tax	552,922	188,660
<b>Income tax expense</b>	<b>786,372</b>	<b>262,534</b>

For the year ended 31 December 2022, the effective tax rate is 71.98% (2021: 80.15%).

### 22. CAPITAL AND RESERVES

#### Share capital

	31 December 2022	31 December 2021
Number of common shares, TL 0.01 (in full TL), par value authorised, issued and outstanding 110,000 millions	5,400,506	5,400,506

As at 31 December 2022 and 2021, the authorised nominal share capital of the Bank amounted to TL 1,100,000.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 22. CAPITAL AND RESERVES (Continued)

As at 31 December 2022 and 2021, the composition of shareholders and their respective percentage of ownership can be summarised as follows:

	31 December 2022			31 December 2021		
	Share capital	Inflation Adjustment	%	Share capital	Inflation Adjustment	%
Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ	915,364	3,578,937	83.22	915,364	3,578,937	83.22
Mehmet Rüştü Başaran	167,992	656,665	15.27	167,992	656,665	15.27
Other shareholders	16,644	64,904	1.51	16,644	64,904	1.51
<b>Nominal value</b>	<b>1,100,000</b>	<b>4,300,506</b>	<b>100.00</b>	<b>1,100,000</b>	<b>4,300,506</b>	<b>100.00</b>

#### Total

#### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation. As at 31 December 2022 and 2021, the amounts of translation reserve of the Bank are TL 945,189 and TL 985,135 respectively.

#### Fair value reserve

The fair value reserve comprises the effective portion of the cumulative net change in the fair value of financial assets at fair value through other comprehensive income net change in the fair value of FVOCI as at 31 December 2021 until the assets are derecognized or impaired. As at 31 December 2022 and 2021, the amounts of fair value reserve of the Bank are TL (110,957) and TL (154,260) respectively.

#### Hedging reserve

The Parent Bank decided on implementing its strategy to avoid any possible currency risks originating from its consolidated subsidiary, AnadoluBank NV, as of 1 May 2018, to the extent that foreign exchange denominated net asset value of AnadoluBank Nederland NV and Euro denominated term deposit accounts of AnadoluBank as a protective measure against currency risks would be correlated consequently with protective measures against net investment risk. Any relevant changes on financial debts related to currency volatilities are being kept on the Parent Bank’s books under equity as other accumulated comprehensive income and expenses that are to be booked as profit or loss.

As of 31 December 2022, the nominal amount of transactions of AnadoluBank Netherlands for hedging the risk of changes in fair value is TL (1,094,091). Transactions aimed at hedging cash flow risk amount to TL (797,364).

#### Other reserves and legal reserves

Other reserves consist of the revaluation of property and equipment and actuarial difference in total of TL 56,964 (31 December 2021: Revaluation of property and equipment which is amounted to TL (56,766)).

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code and amounted to TL 599,786 (31 December 2021: TL 562,848). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity’s share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 22. CAPITAL AND RESERVES (Continued)

#### Non-controlling interests

As at 31 December 2022, non-controlling interests amount to TL 19,213 (31 December 2021: TL 18,700).

### 23. 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 in making financial and operating decisions. The Group is controlled by Habaş Sınai ve Tıbbi Gazlar İstihsal Endüstrisi AŞ which owns 83.22 % (31 December 2021: 83.22%) of ordinary shares, and included in Habaş Group of companies. For the purpose of these consolidated financial statements, shareholders and Habaş Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group’s Board of Directors and their families. In the course of conducting its banking business, the Group conducted various business transactions with related parties on commercial terms.

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

#### Outstanding balances

	31 December 2022	31 December 2021
Cash loans	408,005	681,093
Non-cash loans	105,138	150,459
Deposits taken	5,107,694	10,849,304
Derivative financial assets	1,852,253	3,740

#### Transactions

	1 January – 31 December 2022	1 January – 31 December 2021
Interest income	23,057	15,320
Interest expense	109,534	80,765
Other operating income	-	-

#### Directors’ remuneration

For the year ended 31 December 2022, the key management and the members of the Board of Directors received remuneration and fees amounting to TL 68,030 (31 December 2021: TL 88,985).

### 24. INTEREST INCOME / EXPENSES

	1 January – 31 December 2022	1 January – 31 December 2021
Interest on loans and receivables	5,779,905	5,670,798
Interest on marketable securities	413,263	1,067,375
<i>Financial assets at FVTPL</i>	13,548	2,618
<i>Financial assets at FVOCI</i>	63,661	102,844
<i>Financial assets measured at amortized cost</i>	336,054	961,913
Interest on loans and advances to banks and other financial institutions	104,572	149,812
Interest on other money market placements	54,995	15,722
Other interest income	10,233	24,364
<b>Total interest income</b>	<b>6,362,968</b>	<b>6,928,071</b>



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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### 24. INTEREST INCOME / EXPENSES (Continued)

	1 January – 31 December 2022	1 January – 31 December 2021
Interest on deposits	3,407,428	3,698,445
Interest on other money market deposits	140,640	1,029,433
Interest on funds borrowed	176,196	211,816
Interest on securities issued	-	-
Interest on finance lease expenses	22,849	33,012
Other interest expenses	68,226	27,301
<b>Total interest expenses</b>	<b>3,815,339</b>	<b>5,000,007</b>

### 25. FEE AND COMMISSION INCOME / EXPENSES

	1 January – 31 December 2022	1 January – 31 December 2021
From non-cash loans	89,567	104,530
Other	595,945	553,710
<i>From cash loans</i>	339,556	233,733
<i>From individual loan application</i>	56,300	33,945
<i>Other</i>	200,089	286,032
<b>Fee and commission income</b>	<b>685,512</b>	<b>658,240</b>

	1 January – 31 December 2022	1 January – 31 December 2021
Credit card commissions	34,398	16,481
Credit card exchange commissions	-	31,682
Foreign correspondents' commissions	12,833	10,203
EFT commissions	16,645	5,582
Istanbul stock exchange commissions	19,287	6,998
Credit bureau commissions	-	3,872
ATM commissions	1,140	1,104
Securities commissions	4,041	3,226
Other	9,254	7,467
<b>Fee and commission expenses</b>	<b>97,598</b>	<b>86,615</b>

### 26. SALARIES AND EMPLOYEE BENEFITS

	1 January – 31 December 2022	1 January – 31 December 2021
<b>Staff costs:</b>		
Wages and salaries	600,335	625,956
Cost of defined contribution plan (employer's share of social security premiums)	93,082	89,559
Other fringe benefits	73,585	68,972
Provision for employee termination benefits and unused vacation accruals	76,200	57,858
<b>Total</b>	<b>843,202</b>	<b>842,345</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 26. SALARIES AND EMPLOYEE BENEFITS (Continued)

The number of employees during the years is:

	1 January – 31 December 2022	1 January – 31 December 2021
The Bank	1,671	1,655
Subsidiaries	174	163
<b>Total</b>	<b>1,845</b>	<b>1,818</b>

### 27. OTHER EXPENSES

	1 January – 31 December 2022	1 January – 31 December 2021
Forex expenses	-	128,802
Saving Deposit Insurance Fund Premium	35,709	43,518
Communication expenses	35,930	33,124
Chartered accountants	48,335	24,768
Maintenance expenses	27,171	17,959
Energy costs	31,625	19,552
Cleaning service expenses	12,939	12,918
Transportation expenses	942	14,278
Expertise expenses	-	7,383
BRSA participation fee	6,014	7,146
Advertising expenses	41,177	10,212
Office supplies	730	4,627
Operating lease charges	2,943	985
Other	83,819	149,976
<b>Total</b>	<b>327,334</b>	<b>475,248</b>

### 28. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business activities, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the consolidated financial statements. Commitments and contingent liabilities comprise the following:

	31 December 2022	31 December 2021
Letters of guarantee	6,793,984	8,338,256
Letters of credit	1,159,841	3,587,891
Acceptance credits	42,802	79,529
Other guarantees	1,836,497	2,365,072
<b>Total non-cash loans</b>	<b>9,833,124</b>	<b>14,370,748</b>
Credit card limit commitments	213,267	245,455
Other commitments	4,258,276	4,804,071
<b>Total</b>	<b>14,304,667</b>	<b>19,420,274</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 28. COMMITMENTS AND CONTINGENCIES (Continued)

#### Litigations

In the normal course of its operations, the Group faces with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

As at 31 December 2022, there are 110 cases against the Group which have a probability to result against the Group with respect to information received from Law Departments of the Group. The total amount of these cases is TL 18,000 and provision amount for these cases is TL 8,929.

### 29. FINANCIAL RISK MANAGEMENT

#### (a) Introduction and overview

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

- credit risk
- liquidity risk
- market risks
- operational risks

#### *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the audit committee. Consequently, the Risk Management Department, which carries out the risk management activities and works independently from executive activities, report directly to the Board of Directors.

The Bank’s risk management policies are established to identify and analyse 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 Group, 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. At the same time, studies for compliance with the international banking applications, such as Basel III, are carried out.

*Audit Committee:* The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Bank, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. 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. Credit risk is considered in depth covering the counterparty risks arising from not only from future or option contracts but also credit risks originating from the transactions in Banking Law.

#### Exposure to credit risk

	Loans and receivables to customers		Other assets	
	2022	2021	2022	2021
Impaired	825,143	2,080,465	5,487	7,719
Individual allowance for impairment	(573,770)	(1,279,770)	(5,487)	(7,719)
<b>Carrying amount</b>	<b>251,373</b>	<b>800,695</b>	-	-
Past due but not impaired	48,052	40,402	-	-
<b>Carrying amount</b>	<b>48,052</b>	<b>40,402</b>	-	-
Neither past due nor impaired	31,276,131	40,512,948	-	-
Loans with renegotiated terms	181,678	568,578	-	-
<b>Carrying amount</b>	<b>31,457,809</b>	<b>41,081,526</b>	-	-
Collective allowance for impairment	(176,573)	(210,994)	-	-
<b>Total carrying amount</b>	<b>31,580,661</b>	<b>41,711,629</b>	-	-

#### Impaired loans and receivables

Impaired loans and receivables are loans and receivables for which the Group 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 agreements.

#### Past due but not impaired loans

Loans and receivables where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

#### Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to temporary deterioration in the borrower’s financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

#### Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when Group determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer’s financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure and the completion of the legal procedure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

The Bank has written off the non-performing loans from the loan portfolio as of 31 December 2022 and subtracted which is amounted to TL 293,970. (31 December 2021 TL 130,379)

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (Continued)

##### Collateral policy

The Group holds collateral against loans and receivables to customers in the form of 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. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2022 or 2021.

The breakdown of performing cash and non-cash loans and receivables to customers by type of collateral is as follows:

Cash loans	31 December 2022	31 December 2021
Secured loans:		
Secured by cash collateral	2,396,152	1,108,154
<i>Secured by mortgages</i>	2,195,982	3,199,339
<i>Secured by government institutions or government securities</i>	21,526	10,834
<i>Guarantees issued by financial institutions</i>	7,508	86,831
<i>Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)</i>	17,212,638	11,299,698
Unsecured loans	8,330,064	24,056,231
<b>Total performing loans and receivables</b>	<b>30,163,870</b>	<b>39,761,087</b>
<b>Non-cash loans</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Secured loans:		
<i>Secured by mortgages</i>	335,013	422,996
<i>Secured by cash collateral</i>	344,720	482,705
<i>Guarantees issued by financial institutions</i>	8,559	1,206
<i>Other collateral (pledge on assets, corporate and personal guarantees, promissory notes)</i>	8,391,732	1,146,884
Unsecured loans	753,100	12,316,957
<b>Total non-cash loans</b>	<b>9,833,124</b>	<b>14,370,748</b>

An estimate of the fair value of collaterals held against non-performing loans and receivables is as follows:

	31 December 2022	31 December 2021
Mortgages	191,468	835,147
Pledge on automobile	-	14,727
<b>Total</b>	<b>191,468</b>	<b>849,874</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (b) Credit risk (Continued)

##### Sectorial and geographical concentration of impaired loans

The Bank and its subsidiaries monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of non-performing loans is shown below:

	31 December 2022	31 December 2021
Service sector	255,307	769,091
Construction	246,212	607,359
Agriculture and stockbreeding	64,717	206,975
Textile	29,744	70,532
Consumer loans	75,352	187,399
Food	38,581	84,122
Metal and metal products	17,458	26,645
Durable consumption	33,538	77,639
Others	69,721	48,037
<b>Total non-performing loans and receivables</b>	<b>830,630</b>	<b>2,077,799</b>

	31 December 2022	31 December 2021
Turkey	778,591	1,993,198
Netherlands	52,039	70,429
Switzerland	-	14,172
<b>Total non-performing loans and receivables</b>	<b>830,630</b>	<b>2,077,799</b>

##### Sectorial break down of cash and non-cash loans

	31 December 2022				31 December 2021			
	Cash	Cash (%)	Non cash	Non-cash (%)	Cash	Cash (%)	Non-cash	Non-cash (%)
<b>Agriculture</b>	<b>818,422</b>	<b>2.60</b>	<b>128,312</b>	<b>1.30</b>	1,321,427	3.17	114,136	0.79
<i>Farming and stockbreeding</i>	679,998	2.16	104,797	1.06	1,049,560	2.52	62,137	0.43
<i>Forestry</i>	97,752	0.31	17,371	0.18	44,072	0.10	29,322	0.20
<i>Fishing</i>	40,672	0.13	6,144	0.06	227,796	0.55	22,677	0.16
<b>Industry</b>	<b>11,454,032</b>	<b>36.36</b>	<b>4,134,578</b>	<b>42.05</b>	14,371,072	34.45	5,415,298	37.68
<i>Mining and quarrying</i>	620,874	1.97	138,071	1.41	880,662	2.11	371,752	2.59
<i>Manufacturing</i>	10,804,419	34.29	3,850,810	39.16	13,061,963	31.31	4,856,499	33.79
<i>Electricity, gas, water</i>	28,739	0.09	145,697	1.48	428,446	1.03	187,047	1.30
<b>Construction</b>	<b>1,669,257</b>	<b>5.30</b>	<b>1,560,539</b>	<b>15.87</b>	2,785,759	6.68	2,103,246	14.64
<b>Services</b>	<b>15,740,815</b>	<b>49.96</b>	<b>3,683,724</b>	<b>37.46</b>	22,712,723	54.45	6,296,753	43.82
<i>Wholesale and retail trade</i>	6,218,888	19.74	2,051,704	20.86	9,261,231	22.20	2,359,224	16.42
<i>Hotel and restaurant services</i>	97,960	0.31	42,047	0.43	386,489	0.93	79,718	0.56
<i>Transportation and communication</i>	1,292,481	4.10	231,303	2.35	1,870,354	4.48	312,927	2.18
<i>Financial institution</i>	6,639,102	21.07	1,160,055	11.80	9,592,809	23.00	3,259,007	22.68
<i>Real estate and rent services</i>	506,465	1.61	15,203	0.15	278,586	0.67	7,796	0.05
<i>Professional services</i>	333,934	1.06	130,010	1.32	623,070	1.49	1,546	0.01
<i>Educational services</i>	71,839	0.23	8,539	0.09	38,556	0.09	130,714	0.91
<i>Health and social services</i>	580,146	1.84	44,863	0.46	661,629	1.59	145,820	1.01
<b>Consumer loans</b>	<b>239,869</b>	<b>0.76</b>	<b>-</b>	<b>0.00</b>	191,055	0.46	-	-
<b>Credit card</b>	<b>142,776</b>	<b>0.45</b>	<b>-</b>	<b>0.00</b>	162,579	0.39	-	-
<b>Others</b>	<b>1,440,690</b>	<b>4.57</b>	<b>325,971</b>	<b>3.32</b>	167,013	0.40	441,315	3.07
<b>Total</b>	<b>31,505,861</b>	<b>100.00</b>	<b>9,833,124</b>	<b>100.00</b>	<b>41,711,628</b>	<b>100.00</b>	<b>14,370,748</b>	<b>100.00</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk

In order to avoid the liquidity risk, the Group diversifies funding resources as customer deposits and foreign borrowings, considers the maturity mismatch between assets and liabilities and maintains liquid assets to guarantee sufficient liquidity during market fluctuations.

While the Group short term liquidity need is met mainly with deposits, its long term liquidity is provided through foreign funding sources such as syndication and securitization transactions. There are no significant idle liquidity resources.

#### Liquidity coverage ratio

The Bank makes use of liquidity stress tests in the internal measurement of liquidity risk. In liquidity gap analysis and liquidity stress scenarios, the Bank’s compensation level of net cash outflows which are more likely to happen in short term are presented. Measurements regarding liquidity risk are performed by Risk Management Department and measurement results are reported regularly to performer units responsible of management of the related risk and top management and the Board of Directors.

Liquidity risk may occur as a result of funding long-term assets with short-term resources. Utmost care is taken to maintain the consistency between the maturities of assets and liabilities; strategies are used to acquire funds over longer terms. In order to avoid adversely affecting the Bank's liquidity risk profile on the funding side of concentrations that may occur, deposit and non-deposit debt concentration limits are used in an active way.

Liquidity risk exposure of the bank, depending on the basic strategy of the Bank is consistent with the resulting risk appetite with risk capacity determined within the limits anticipated by the legislation is a key priority.

The Bank, against a reduction in the huge levels may occur in liquidity sources it is essential to have adequate levels free liquid assets that can be sold in any case or pledged. The level of liquidity buffer consisting of liquid assets in question, expressed in liquidity risk limits are determined by the Board of Directors and is set in accordance with the Bank’s liquidity risk tolerance. The Bank's Asset Liability Committee (ALCO) is responsible for determination of the required funding sources and maturities, revising the liquidity situation to determine the appropriate level of liquidity, within the limits approved by the Board of Directors.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

Current Period	Total Unweighted Value (average) (*)		Total Weighted Value (average) (*)		
	TL+FC	FC	TL+FC	FC	
<b>HIGH QUALITY LIQUIDITY ASSETS</b>					
1	High Quality Liquidity Assets		11,470,818	8,899,586	
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers' Deposits	24,982,362	12,598,244	2,348,280	1,249,939
3	Stable Deposits	2,999,122	197,707	149,956	9,885
4	Less Stable Deposits	21,983,240	12,400,537	2,198,324	1,240,054
5	Unsecured Fundings besides retail and small business customers' deposits	21,434,914	10,619,662	10,136,647	4,812,299
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	19,784,259	10,106,431	8,519,219	4,299,068
8	Other unsecured fundings	1,650,655	513,231	1,617,428	513,231
9	Secured Fundings	-	-	97,983	97,983
10	Other Cash Outflows	126,794	3,132,898	126,794	3,132,898
11	Derivatives cash outflows and collateral outflows	126,794	3,132,898	126,794	3,132,898
12	Obligation related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	342,526	342,526	17,126	17,126
15	Other irrevocable or conditionally revocable off-balance sheet obligations	8,890,715	2,313,302	785,100	293,505
<b>16</b>	<b>TOTAL CASH OUTFLOWS</b>			<b>13,511,930</b>	<b>9,603,750</b>
<b>CASH INFLOWS</b>					
17	Secured Lending	464,768	-	-	-
18	Unsecured Lending	10,621,434	7,144,730	8,845,904	6,872,002
19	Other Cash Inflows	294,784	2,315,649	294,784	2,315,649
<b>20</b>	<b>TOTAL CASH INFLOWS</b>	<b>11,380,986</b>	<b>9,460,379</b>	<b>9,140,688</b>	<b>9,187,651</b>
			<b>Total Adjusted Value</b>		
<b>21</b>	<b>TOTAL HQLA STOCK</b>			<b>11,470,818</b>	<b>8,899,586</b>
<b>22</b>	<b>TOTAL NET CASH OUTFLOW</b>			<b>4,565,211</b>	<b>2,446,820</b>
<b>23</b>	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>251.27</b>	<b>363.72</b>

(\*) It is the average calculated for the last three months of the consolidated liquidity coverage, calculated by taking a monthly simple arithmetic mean.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

Prior Period	Total Unweighted Value (average) (*)		Total Weighted Value (average) (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUIDITY ASSETS</b>				
1	High Quality Liquidity Assets		12,126,899	10,094,409
<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Customers' Deposits		2,652,335	1,630,754
3	28,741,102	16,585,871	222,188	16,601
4	Stable Deposits		2,430,147	1,614,152
4	4,444,201	369,469	-	-
5	Less Stable Deposits		10,086,626	6,405,627
5	24,296,901	16,216,402	-	-
6	Unsecured fundings besides retail and small business customers' deposits		8,661,464	6,094,796
6	21,419,422	15,103,211	1,425,162	310,831
7	Operational Deposits		190,630	190,630
7	19,911,814	14,772,936	-	-
8	Non-Operational Deposits		175,507	1,000,722
8	1,507,607	330,276	175,448	1,000,722
9	Other unsecured fundings		-	-
9	574,899	574,899	-	-
10	Secured Fundings		1,231,923	854,386
10	11,797,491	6,373,108	5,905,427	3,803,617
10	Other Cash Outflows		5,905,427	3,803,617
10	175,507	980,581	-	-
10	Derivatives cash outflows and collateral outflows		-	-
10	175,507	980,581	-	-
10	Obligation related to structured financial products		-	-
10	-	-	-	-
10	Commitments related to debts to financial markets and other off-balance sheet obligations		-	-
10	-	-	-	-
10	Other revocable off-balance sheet commitments and contractual obligations		28,741	28,741
10	574,899	574,899	-	-
10	Other irrevocable or conditionally revocable off-balance sheet obligations		1,231,923	854,386
10	11,797,491	6,373,108	5,905,427	3,803,617
10	<b>TOTAL CASH OUTFLOWS</b>		<b>5,905,427</b>	<b>3,803,617</b>
<b>CASH INFLOWS</b>				
10	Secured Lending		-	-
10	107,820	-	-	-
10	Unsecured Lending		6,047,740	4,500,282
10	7,729,938	4,921,718	-	-
10	Other Cash Inflows		215,949	1,329,301
10	215,937	1,294,060	6,263,689	5,829,583
10	<b>TOTAL CASH INFLOWS</b>		<b>6,263,689</b>	<b>5,829,583</b>
10	8,053,695	6,215,778	-	-
			<b>Total Adjusted Value</b>	
10	<b>TOTAL HQLA STOCK</b>		<b>12,126,899</b>	<b>10,094,409</b>
10	<b>TOTAL NET CASH OUTFLOW</b>		<b>8,102,016</b>	<b>4,304,269</b>
10	<b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>153.05</b>	<b>375.48</b>
10				

(\*) It is the average calculated for the last three months of the consolidated liquidity coverage, calculated by taking a monthly simple arithmetic mean.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

	Current period		Prior period	
	TL+FC	FC	TL+FC	FC
<b>Lowest related month</b>	<b>163.90%</b>	<b>249.27%</b>	<b>121.50%</b>	<b>175.72%</b>
	30 November 2022	30 November 2022	30 November 2021	16 December 2021
<b>Highest related month</b>	<b>327.55%</b>	<b>503.29%</b>	<b>195.11%</b>	<b>377.26%</b>
	11 November 2022	30 December 2022	29 December 2021	29 December 2021

Liquidity coverage ratio aims to ensure banks maintain adequate levels of high quality liquid assets against net cash outflows. High quality liquid assets are mainly cash and cash equivalents, reserve requirements maintained at CBRT and marketable securities that are not subject to repurchase agreements or not given as collateral. 69% of the Bank’s high quality assets are cash & cash equivalents and reserve requirements maintained at CBRT; 26% are marketable securities and 5% are cash. Besides, time deposits, derivatives, loans up to 1 month and non-cash loans are balance sheet accounts that are significant on the ratio. 80% of cash outflows are unsecured funding, 2% are secured funding and 18% are off-balance items.

#### *Residual contractual maturities of monetary liabilities*

	Carrying amount	Gross Nominal outflow	Demand	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
<b>31 December 2022</b>								
Deposits from banks	41,021	41,045	158	40,887	-	-	-	-
Deposits from customers	41,752,207	48,274,486	10,045,558	23,469,451	18,182,0237	10,345,2122	3,450,879	945,965
Obligations under repurchase agreements	884,503	890,022	-	282,062	607,960	-	-	-
Funds borrowed	2,576,219	2,592,594	-	655,204	448,736	1,202,562	286,092	-
<b>Total</b>	<b>45,253,950</b>	<b>51,798,147</b>	<b>10,045,716</b>	<b>24,447,604</b>	<b>11,401,908</b>	<b>4,653,441</b>	<b>1,232,057</b>	<b>17,421</b>
<b>31 December 2021</b>								
Deposits from banks	169,221	169,847	207	169,640	-	-	-	-
Deposits from customers	54,700,697	54,992,019	10,036,260	29,867,536	11,620,668	2,125,074	1,300,723	41,759
Obligations under repurchase agreements	3,215,247	3,222,317	-	2,483,160	233,013	506,144	-	-
Funds borrowed	2,661,609	2,672,494	-	473,149	684,930	634,504	879,910	-
<b>Total</b>	<b>60,746,774</b>	<b>61,056,677</b>	<b>10,036,467</b>	<b>32,993,485</b>	<b>12,538,611</b>	<b>3,265,722</b>	<b>2,180,633</b>	<b>41,759</b>

The previous table shows the undiscounted cash flows on the Group’s monetary liabilities on the basis of their earliest possible contractual maturity. The Group’s expected cash flows on these instruments vary significantly from this analysis.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (c) Liquidity risk (Continued)

The table below analyses contractual maturities of derivative transactions:

	31 December 2022								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	132,711	2,301	3,674,960	1,100,143	1,208,117	1,073,880	292,820	-	-
Forward sale contract	-	-	3,476,196	1,084,353	1,149,051	987,617	255,175	-	-
Currency swap purchase	124,160	167,585	12,532,674	8,853,621	1,222,794	-	39,734	2,292,514	124,011
Currency swap sale	-	-	12,683,082	8,864,077	1,221,508	-	37,396	2,433,867	126,234
Interest swap purchase	26,979	4,278	1,848,568	60,000	500,000	650,000	200,000	-	438,568
Interest swap sale	-	-	1,848,568	60,000	500,000	650,000	200,000	-	438,568
Put option purchase	497,987	134,465	10,923,769	2,740,344	6,513,707	1,309,291	360,427	-	-
Put option sale	-	-	10,669,421	2,617,595	6,419,004	1,259,894	372,928	-	-
<b>Total</b>	<b>781,837</b>	<b>308,629</b>	<b>57,657,238</b>	<b>25,380,133</b>	<b>18,734,181</b>	<b>5,930,682</b>	<b>1,758,480</b>	<b>4,726,381</b>	<b>1,127,381</b>

  

	31 December 2021								
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
<i>Derivatives financial instruments held for trading purpose:</i>									
Forward purchase contract	160,477	301,831	3,735,900	2,116,665	1,161,506	347,987	109,742	-	-
Forward sale contract	-	-	3,824,738	2,151,702	1,238,059	352,217	82,761	-	-
Currency swap purchase	213,675	281,294	11,277,041	6,926,469	1,165,013	839,699	-	2,106,544	239,316
Currency swap sale	-	-	11,333,768	6,768,765	1,220,152	867,278	-	2,247,928	229,646
Interest swap purchase	69,491	13,999	5,741,222	205,337	492,809	2,135,505	2,644,741	262,831	-
Interest swap sale	-	-	5,741,222	205,337	492,809	2,135,505	2,644,741	262,831	-
Put option purchase	1,461,355	327,102	8,623,837	956,215	1,749,966	1,642,405	4,275,251	-	-
Put option sale	-	-	8,802,904	701,738	1,591,046	1,398,381	5,111,738	-	-
<b>Total</b>	<b>1,904,998</b>	<b>924,226</b>	<b>59,080,632</b>	<b>20,032,228</b>	<b>9,111,360</b>	<b>9,718,977</b>	<b>14,868,974</b>	<b>4,880,134</b>	<b>468,962</b>

#### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads will affect the Group’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 Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are 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 market risk – trading portfolios

The market risk arising from trading portfolio is monitored, measured and reported using Standardised Approach according to the legal legislation. The monthly market risk report and the weekly currency risk reports prepared using Standardised Approach are reported to BRSA.

The principal tool used to measure and control market risk exposure within the Bank’s trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 1 day holding period. The VaR model used is based mainly on Monte Carlo simulation. Taking account of market data from the previous 252 days, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios and stress tests for market price movements. The VaR model used is based on and Monte Carlo simulation with using with Nelson Siegel method for yield curve and GARCH method for volatility. The VaR analysis of the Bank are not reported outside and used only by the top management.

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

The consolidated value at market risk as of 31 December 2021 calculated as per the statutory consolidated financial statements prepared for the BRSA reporting purposes within the scope of “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” published in Official Gazette no. 29511 dated 23 October 2015 is as follows:

		<b>RWA</b>
1	Indirect (Cash) Products	
2	Interest Rate Risk (general and specific)	2,153,638
3	Stock risk (general and specific)	80,800
4	Currency risk	714,412
	Commodity risk	-
5	Options	
6	Simplified Approach	-
7	Delta-Plus Method	94,363
8	Scenario Approach	-
9	Securitization	-
	<b>Total</b>	<b>3,043,213</b>

#### Exposure to interest rate risk – non-trading portfolios

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 instrument 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. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group’s interest rate gap position is as follows:

31 December 2022	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 years	Non- interest	Carrying amount
Cash and balances with the Central Bank	3,126,882	-	-	-	-	2,901,299	<b>6,028,181</b>
Loans and advances to banks and other financial institutions	6,859,128	-	-	-	-	1,316,531	<b>8,175,659</b>
Receivables from reverse repurchase transactions	450,256	-	-	-	-	-	<b>450,256</b>
Financial assets at FVTPL	-	1,166	5,651	20,430	24,173	-	<b>51,420</b>
Financial assets at FVOCI	206,479	111,035	150,128	905,244	1,045,986	112,033	<b>2,530,905</b>
Loans and receivables	4,436,443	7,436,797	14,890,791	4,053,292	529,970	233,370	<b>31,580,663</b>
Financial assets measured at amortised cost	38,292	-	1,935,605	1,135,170	254,997	-	<b>3,363,464</b>
Other assets	178,631	302,123	266,369	34,714	-	2,354,585	<b>3,136,422</b>
<b>Total assets</b>	<b>15,296,111</b>	<b>7,851,121</b>	<b>17,248,544</b>	<b>6,148,850</b>	<b>1,854,526</b>	<b>6,917,818</b>	<b>55,316,970</b>
Deposits from banks	40,863	-	-	-	-	158	<b>41,021</b>
Deposits from customers	17,305,318	10,175,794	3,277,240	931,126	17,171	10,045,558	<b>41,752,207</b>
Obligations under repurchase agreements and interbank money market borrowings	899,973	521,865	94,049	-	-	-	<b>1,515,887</b>
Debt securities issued	-	-	-	-	-	-	<b>-</b>
Funds borrowed	1,228,610	23,481	1,036,748	287,332	-	48	<b>2,576,219</b>
Other liabilities, provisions and equity	283,627	77,896	170,644	77,334	53,656	8,768,479	<b>9,431,636</b>
<b>Total liabilities</b>	<b>19,758,391</b>	<b>10,799,036</b>	<b>4,578,681</b>	<b>1,295,792</b>	<b>70,827</b>	<b>18,814,243</b>	<b>55,316,970</b>
<b>Net</b>	<b>(4,462,280)</b>	<b>(2,947,915)</b>	<b>12,669,863</b>	<b>4,853,058</b>	<b>1,783,699</b>	<b>(11,896,425)</b>	<b>-</b>

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

31 December 2021	Less than one month	1-3 months	3-12 months	1 -5 years	Over 5 years	Non-interest	Carrying amount
Cash and balances with the Central Bank	6,500,511	-	-	-	-	3,495,253	9,995,764
Loans and advances to banks and other financial institutions	3,988,518	-	-	-	-	3,828,751	7,817,269
Receivables from reverse repurchase transactions	-	-	-	-	-	-	-
Financial assets at FVTPL	-	841	3,354	5,342	8,837	-	18,374
Financial assets at FVOCI	-	-	604,417	300,960	1,294,769	62,183	2,262,329
Loans and receivables	5,250,897	7,857,662	22,170,153	4,676,501	1,003,531	752,884	41,711,628
Financial assets measured at amortised cost	897,305	156,169	64,206	3,648,088	580,453	-	5,346,221
Other assets	1,956,921	368	60,533	-	597	2,435,948	4,454,367
<b>Total assets</b>	<b>18,594,152</b>	<b>8,015,040</b>	<b>22,902,663</b>	<b>8,630,891</b>	<b>2,888,187</b>	<b>10,575,019</b>	<b>71,605,952</b>
Deposits from banks	168,524	490	-	-	207	-	169,221
Deposits from customers	31,577,597	9,447,467	2,313,350	1,285,273	40,750	10,036,260	54,700,697
Obligations under repurchase agreements and interbank money market borrowings	3,020,530	366,132	239,024	-	-	-	3,625,686
Debt securities issued	-	-	-	-	-	-	-
Funds borrowed	941,189	284,738	555,483	880,153	-	46	2,661,609
Other liabilities, provisions and equity	772,088	997	32,693	67,613	62,907	9,512,441	10,448,739
<b>Total liabilities</b>	<b>36,479,928</b>	<b>10,099,824</b>	<b>3,140,550</b>	<b>2,233,039</b>	<b>103,864</b>	<b>19,548,747</b>	<b>71,605,952</b>
<b>Net</b>	<b>(17,885,776)</b>	<b>(2,084,784)</b>	<b>19,762,113</b>	<b>6,397,852</b>	<b>2,784,323</b>	<b>(8,973,728)</b>	<b>-</b>

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for 2021 and 2020:

31 December 2022	Euro %	USD %	JPY %	TL %
Cash and balances with Central Bank	-	-	-	-
Loans and advances to banks and other financial institutions	0.48	3.62	-	10.17
Financial assets at FVTPL	5.26	8.04	-	7.72
Money market placements	-	4.30	-	8.82
Financial assets at FVOCI	(0.45)	8.08	-	8.59
Loans and receivables to customers	5.14	6.64	-	17.64
Financial assets measured at amortised cost	1.00	6.37	-	10.19
Deposits from banks	-	-	-	19.64
Deposits from customers	1.06	0.96	-	16.24
Debt securities issued	-	-	-	-
Money market debts	1.52	4.27	-	7.63
Funds borrowed	2.69	6.26	-	19.69
31 December 2021	Euro %	USD %	JPY %	TL %
Cash and balances with Central Bank	-	-	-	12.50
Loans and advances to banks and other financial institutions	-	0.01	-	-
Financial assets at FVTPL	4.98	7.01	-	20.02
Money market placements	0.09	-	-	-
Financial assets at FVOCI	(0.38)	5.31	-	-
Loans and receivables to customers	2.58	3.42	-	24.82
Financial assets measured at amortised cost	1.00	5.21	-	15.95
Deposits from banks	-	-	-	14.91
Deposits from customers	0.40	0.72	-	16.79
Debt securities issued	-	-	-	-
Money market debts	(0.20)	1.05	-	14.00
Funds borrowed	(0.15)	2.64	-	15.95

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

##### Interest rate sensitivity of the trading and non-trading portfolios

Interest rate risk in the banking book is evaluated considering the repricing risk, yield curve risk, basis risk and optionality, measured in compliance with the international standards and managed by risk mitigation through limits and hedging.

The interest rate sensitivity of assets, liabilities and off balance-sheet items are evaluated at the weekly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from banking book is established and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book and to consider the relevant repricing and maturity data.

Duration gaps, gaps by maturity buckets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks period.

In the duration gap analysis, the present values of interest-rate-sensitive asset and liability items are calculated using yield curves developed from market interest rates. In case of instruments with no maturities assigned, the maturity is determined as per interest rate fixing periods and customer behaviours. Such results are supported by sensitivity and scenario analysis applied periodically for possible instabilities in the markets.

The interest rate risk resulted from banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published in the Official Gazette no. 28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulted from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

As of 31 December 2022, the economic value differences resulted from interest rate instabilities calculated on a bank-only basis for the banking book according to the relevant legislation as per the standard shock method are as follows;

Type of currency	Shocks applied (+/- basis points)	Gains/losses	Gains/equity-Losses/equity
TL	(+) 500 bps	(42,508)	(%0.61)
TL	(-) 400 bps	37,242	%0.53
USD	(+) 200 bps	(9,945)	(%0.14)
USD	(-) 200 bps	11,060	%0.16
EUR	(+) 200 bps	11,199	%0.16
EUR	(-) 200 bps	(11,620)	(%0.17)
<b>Total (of negative shocks)</b>		<b>36,682</b>	<b>%0.53</b>
<b>Total (of positive shocks)</b>		<b>(41,254)</b>	<b>(%0.59)</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

##### 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 else 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 profit or loss except for foreign exchange gain/loss arising from the conversion of the net investments in subsidiaries in foreign countries into TL.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limit on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group’s exposure to foreign currency exchange rate risk at 31 December 2021 and 2020, on the basis of the Group’s assets and liabilities at carrying amounts, categorised by currency, is shown in the following table.

As at 31 December 2022	USD	Euro	Other currencies	Total
<b>Assets:</b>				
Cash and balances with the Central Bank	3,033,751	1,182,784	806,391	5,022,926
Loans and advances to banks and other financial institutions	2,905,980	4,468,240	219,908	7,594,128
Receivables from reverse repo transactions	224,372	133,851	-	358,223
Financial assets at FVOCI	1,033,648	629,490	-	1,663,138
Financial assets at FVTPL	40,751	4,886	-	45,637
Financial assets measured at amortised cost	514,514	1,104,959	-	1,619,473
Loans and receivables	7,792,167	5,059,415	755,033	13,606,615
Property and equipment	163	10,604	-	10,767
Other assets	29,110	88,224	2	117,336
<b>Total assets</b>	<b>15,574,456</b>	<b>12,682,453</b>	<b>1,781,334</b>	<b>30,038,243</b>
<b>Liabilities:</b>				
Deposits from other banks	10	130	16	156
Deposits from customers	10,539,815	10,552,994	822,026	21,914,835
Other money market deposits	392,958	730,057	21,392	1,144,407
Funds borrowed	2,231	1,362,541	-	1,364,772
Obligations from leasing transactions	164	7,313	-	7,477
Other liabilities and provisions	70,174	92,483	218	162,875
<b>Total liabilities</b>	<b>11,005,352</b>	<b>12,745,518</b>	<b>843,652</b>	<b>24,594,522</b>
<b>Net position on the consolidated statement of financial position</b>	<b>4,569,104</b>	<b>(63,065)</b>	<b>937,682</b>	<b>5,443,721</b>
<b>Off-balance sheet position:</b>				
Net notional amount of derivatives	(4,569,813)	(831,585)	(1,028,437)	(6,429,835)
<b>Net position</b>	<b>(709)</b>	<b>(894,650)</b>	<b>(90,755)</b>	<b>(986,114)</b>

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

As at 31 December 2021	USD	Euro	Other currencies	Total
<b>Assets:</b>				
Cash and balances with the Central Bank	4,712,878	2,174,516	1,181,294	8,068,688
Loans and advances to banks and other financial institutions	3,129,152	4,145,159	202,939	7,477,250
Receivables from reverse repo transactions	11,499	259,429	-	270,928
Financial assets at FVOCI	1,867,108	382,377	-	2,249,485
Financial assets at FVTPL	125,257	1,322	-	126,579
Financial assets measured at amortised cost	645,607	892,937	-	1,538,544
Loans and receivables	9,555,454	7,482,912	557,347	17,595,713
Property and equipment	192	12,131	-	12,323
Other assets	45,632	31,716	3,750	81,098
<b>Total assets</b>	<b>20,092,779</b>	<b>15,382,499</b>	<b>1,945,330</b>	<b>37,420,608</b>
<b>Liabilities:</b>				
Deposits from other banks	11	161	21	193
Deposits from customers	22,937,552	14,002,086	1,696,816	38,636,454
Other money market deposits	925,209	187,573	35,394	1,148,176
Funds borrowed	34,093	1,520,437	-	1,554,530
Obligations from leasing transactions	192	9,199	-	9,391
Other liabilities and provisions	122,456	46,120	641	169,217
<b>Total liabilities</b>	<b>24,019,513</b>	<b>15,765,576</b>	<b>1,732,872</b>	<b>41,517,961</b>
<b>Net position on the consolidated statement of financial position</b>	<b>(3,926,734)</b>	<b>(383,077)</b>	<b>212,458</b>	<b>(4,097,353)</b>
<b>Off-balance sheet position:</b>				
Net notional amount of derivatives	4,907,847	(450,406)	(209,872)	4,247,569
<b>Net position</b>	<b>981,113</b>	<b>(833,483)</b>	<b>2,586</b>	<b>150,216</b>

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related hard currencies.

#### Exposure to currency risk sensitivity analysis

A 10 percent devaluation of the TL against the following currencies as at 31 December 2022 and 2021 would have increased/(decreased) equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2022		31 December 2021	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
USD	14,504	(71)	114,103	98,112
EUR	(89,478)	(89,465)	(83,620)	(83,349)
Other currencies	(9,075)	(9,075)	258	258
<b>Total, net</b>	<b>(84,049)</b>	<b>(98,611)</b>	<b>30,741</b>	<b>15,021</b>

(\*) Equity effect also includes profit or loss effect of 10% devaluation of TL against related currencies.



# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

##### Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, during financial crisis, judgment is necessary requirement to interpret market data to determine the estimated fair value.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements, deposits from banks, and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair values and carrying amounts of loans and receivables and financial assets measured at amortised cost as follows:

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	31,443,286	29,196,062	40,945,221	39,910,099
Financial assets measured at amortised cost - investment securities	5,894,369	5,860,665	5,346,221	5,352,631

Fair values of financial assets measured at amortised cost are determined as Level 1 and fair values of loans and receivables are determined as Level 2.

Fair values of financial assets measured at amortised cost are derived from market prices or in case of absence of such prices they are derived from prices of other marketable securities, whose interest rate, maturity date and other conditions are similar to securities held.

Fair values of long-term fixed interest rate loans are calculated by discounting cash flows with current market interest rates. For the loans with floating interest rate and short term loans with fixed interest rate, carrying value also represents fair value.

*IFRS 7 – Financial Instruments* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not.

##### Classification of fair value measurement

Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Bank. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

Classification requires using observable market data if possible.

	31 December 2022			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	44,475	6,945	-	51,420
Loans at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	781,837	-	781,837
Financial assets at FVOCI				
Debt instruments issued by Turkish government	2,418,872	-	-	2,418,872
Equity securities	-	40,246	13,941	54,187
Other	-	57,846	-	57,846
<b>Total financial assets</b>	<b>2,463,347</b>	<b>886,874</b>	<b>13,941</b>	<b>3,364,162</b>

Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading	-	308,629	-	308,629
<b>Total financial liabilities</b>	<b>-</b>	<b>308,629</b>	<b>-</b>	<b>308,629</b>

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss:				
Financial assets at fair value:				
Debt instruments	17,626	747	-	18,373
Loans at fair value through profit or loss	-	-	109,047	109,047
Derivative financial assets held for trading	-	1,905,159	-	1,905,159
Financial assets at FVOCI				
Debt instruments issued by Turkish government	2,200,146	-	-	2,200,146
Equity securities	-	49,338	12,844	62,182
Other	-	-	-	-
<b>Total financial assets</b>	<b>2,217,772</b>	<b>1,955,244</b>	<b>121,891</b>	<b>4,294,907</b>

Financial liabilities at fair value through profit or loss:				
Derivative financial liabilities held for trading	-	930,459	-	930,459
<b>Total financial liabilities</b>	<b>-</b>	<b>930,459</b>	<b>-</b>	<b>930,459</b>

As of 31 December 2022, the revaluation model effect, net of deferred tax, for real estates under property and equipment amounting to TL 344,477 was accounted under shareholders' equity (2021: TL 115,345).

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (d) Market risk (Continued)

##### Level 3 fair value measurements

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Loans at fair value through profit or loss	Equity securities at FVOCI	Total
Balance at 1 January 2022	66,383	7,819	74,202
Revaluation	-	6,122	6,122
Sales/amortization	(66,383)	-	(66,383)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>13,941</b>	<b>13,941</b>

	Loans at fair value through profit or loss	Equity securities at FVOCI	Total
Balance at 1 January 2021	140,792	12,844	153,636
Revaluation	(31,745)	-	(31,745)
<b>Balance at 31 December 2021</b>	<b>109,047</b>	<b>12,844</b>	<b>121,891</b>

#### (e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank’s operations and are faced by all business entities.

The operational risk items in the Bank are determined in accordance with the definition of operational risk by considering the whole processes, products and departments. The control areas are set for operational risks within the Bank and all operational risks are followed by assigning the risks to these control areas. In this context, appropriate monitoring methodology is developed for each control area that covers all operational risks and control frequencies are determined.

The data and amount of operational losses, the Bank exposed to during its activities is collected and analysed regularly by Risk Management Department and reported to Board of Directors, Auditing Committee and senior management.

The Group calculated the value at operational risk in accordance with the “Computation of Value of Operational Risk” of the circular “Regulation Regarding Measurement and Assessment of Capital Adequacy Ratios of Banks” published in the Official Gazette dated 1 November 2007, using gross profit of the last three years 2019, 2020 and 2021 Value at operational risk is amounting to TL 2,742,815 (31 December 2021: TL 4,045,334).

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (f) Capital management – regulatory capital

The BRSA sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of minimum 8% of total capital to total value at credit, market and operational risks. The Bank and its affiliates’ consolidated regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and certain cost items.
- Tier 2 capital, which includes qualifying subordinated liabilities, general provisions and the element of the fair value reserve relating to unrealised gain/(loss) on assets classified as financial assets at fair value through other comprehensive income.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The Bank’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank and its individually regulated operations have complied with externally imposed capital requirements throughout the year. There have been no material changes in the Bank’s management of capital during the period.

The capital adequacy ratio is calculated within the scope of the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the “Regulation”)”, “Regulation on Credit Risk Mitigation Techniques” and “Regulation on Calculation of Risk Weighted Amounts for Securitisations” published in the Official Gazette no.29511 dated 23 October 2015 and the “Regulation on Equities of Banks” published in the Official Gazette no.28756 dated 5 September 2013. In calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as “trading book” and “banking book” according to the Regulation. The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions. In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables”. The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the “counterparty credit risk” is calculated for repurchase transactions, securities and commodities borrowing agreements.

# ANADOLUBANK ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### (f) Capital management – regulatory capital (Continued)

The Bank’s and its subsidiaries’ regulatory capital positions on a consolidated basis as of 31 December 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Tier 1 capital	6,831,071	7,236,465
Tier 2 capital	197,383	206,636
Deductions from capital	(230)	(588)
<b>Total regulatory capital</b>	<b>7,028,224</b>	<b>7,442,513</b>
Risk-weighted assets	30,622,103	39,521,192
Value at market risk	3,043,213	3,668,038
Operational risk	2,742,815	4,045,334
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk and operational risk	18.76%	15.32%
Total tier 1 capital expressed as a percentage of risk-weighted assets, value at market risk and operational risk	19.30%	15.76%

### 30. EVENTS AFTER THE REPORTING PERIOD

Due to the drawbacks caused by the earthquakes that took place in Kahramanmaraş on February 6, 2023, affecting many of our cities, it was decided to declare a state of emergency for three months in the provinces Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa in accordance with the Official Gazette numbered 32098, dated February 8, 2023. The Group reviewed the effects of the earthquake disaster and evaluated that it did not have an impact on the financial statements that would affect its continuity.

With the Law No. 7456, which was published in the Official Gazette dated 15 July 2023 and numbered 32249, the said rate was determined as 30% for the same companies. It is stipulated that the aforementioned regulation will be applied, starting from the declarations that must be submitted as of 1 October 2023, and to be valid for the corporate earnings for the taxation period starting from 1 January 2023. According to this; the tax rate will be applied as 25% until the second period temporary tax return to be submitted for the earnings of the June 2023 accounting period, and the current tax provision in the financials will be calculated over the 30% tax rate as of the September 2023 accounting period.

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