

ANNUAL REPORT 2024



ANNUAL REPORT 2024

GARANTIBANK
INTERNATIONAL N.V.



Contents

Who Are We ⁶

Report of the Managing Board ¹⁴

Corporate Governance ³⁶

Report of the Supervisory Board ⁴²

Contact Information ⁵⁰

Financial Statements ⁵³



Who We Are

GBI is a **wholly-owned subsidiary of Garanti BBVA** and a **member of BBVA Group**



Key Figures ⁸

About Us ⁹

Purpose & Values ¹⁰

Supervisory Board ¹¹

Managing Board ¹²

Senior Management Team ¹³

Key Figures

EUR 1,000	2024	2023	2022	2021	2020
Total assets	8,243,637	5,782,545	5,105,720	4,129,876	3,430,176
Cash and balances with central banks	3,316,013	2,254,639	1,533,188	675,396	524,911
Loans and advances to banks	660,483	405,051	753,633	620,651	654,246
Loans and advances to customers	3,490,869	2,651,006	2,552,939	2,535,213	2,092,514
Financial assets at fair value through other comprehensive income	703,412	430,001	220,562	250,198	102,773
Deposits from banks	365,517	287,495	333,829	409,982	344,614
Deposits from customers	6,936,216	4,685,907	3,995,313	3,037,822	2,444,457
Equity	862,919	755,179	653,322	619,765	600,875
Total income	199,159	187,921	98,553	69,635	56,306
Profit for the year	101,131	100,692	40,793	18,011	6,803

RATIOS

Common Equity Tier 1 ratio %	23.94	23.62	21.70	21.69	23.84
Total capital ratio %	23.94	23.62	21.70	21.83	23.88
LCR - Liquidity coverage ratio %	342.0	939.0	753.8	516.9	509.3
Cost to income ratio % 1	29	27	46	58	72
Return on average equity % 2	12.89	14.81	6.62	3.00	1.15
Non-performing loans % 3	0.64	1.01	0.60	0.93	1.02
Cost of Risk % 4	0.03	0.04	(0.07)	0.20	0.30
Return on average assets %	1.44	1.85	0.88	0.48	0.19

STAFF & NETWORK

Total average number of employees	249	226	221	224	240
Foreign branches & representative offices	3	3	3	3	3

1 — Cost-to-income ratio is calculated using total expenses and total income. Expected credit losses are excluded.

2 — Return on average equity is calculated using average shareholders' equity, excluding result after tax.

3 — Credit impaired loans to customers / Gross loans to customers

4 — Expected credit losses on financial instruments / Average gross amounts of loans and advances to customers.

About Us

GBI is a wholly-owned subsidiary of Garanti BBVA and a member of BBVA Group

GarantiBank International N.V., aka Garanti BBVA International is a mid-sized European bank established in Amsterdam, the Netherlands in 1990, with a branch in Germany. Garanti BBVA International (GBI) serves corporate, institutional and retail clientele, offering financial solutions in the areas of trade and commodity finance, corporate banking, global markets and retail banking.

The Bank is a wholly-owned subsidiary of Türkiye Garanti Bankasi A.S. (Garanti BBVA). Our ultimate parent is Banco Bilbao Vizcaya Argentaria S.A. (BBVA). We operate in accordance with the Dutch and European Union laws and regulations under the supervision of the European Central Bank (ECB), De Nederlandsche Bank (DNB) and De Autoriteit Financiële Markten (AFM).



Purpose & Values

OUR PURPOSE
TO BRING THE AGE OF OPPORTUNITY TO EVERYONE

OUR VALUES

CUSTOMER COMES FIRST

We are empathetic
We have integrity
We meet their needs

WE THINK BIG
We are ambitious
We break the mold
We amaze our customers

WE ARE ONE TEAM
We are committed
We collaborate
This is Our Bank

Supervisory Board

MR. MAHMUT AKTEN

Chair
Member of the Remuneration Committee

Mr. Akten joined GBI’s supervisory board in November 2024. Mr. Akten graduated from Boğaziçi University with a Bachelor’s degree in Electrical and Electronics Engineering and has a Master’s degree in Business Administration from Carnegie Mellon University. Mr. Akten has over 25 years of experience in banking and business administration. Mr. Akten started his professional career in the USA in 1999. After working in various positions in the finance and treasury departments of a global construction company, Mr. Akten joined a global consulting firm in 2006 and worked in the Boston and Istanbul offices between 2006 and 2012. Mr. Akten joined Garanti BBVA in July 2012. He served as the head of Retail Banking from 2012-2017; the executive vice president of Retail Banking from 2017-2022 and the executive vice president of Corporate Banking from 2022-2024. On August 2024, he was appointed CEO at Garanti BBVA and serves as a board member. Mr. Akten is also the chair of the board of directors of various Garanti BBVA subsidiaries. In addition to his responsibilities, he serves as a board of trustees member of the Teachers Academy Foundation.

MR. AYDIN DÜREN

Member of Audit and Compliance Committee
Member of Risk Committee

Mr. Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree in International Law from the American University, Washington College of Law. Mr. Düren was appointed as a Supervisory Board member and an Audit Committee member on 17 June 2020. He has 33 years of work experience in banking and business administration. After serving as an associate, partner, and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti BBVA on 1 February 2009 as executive vice president in charge of legal services and collections. Mr. Düren serves as the corporate secretary of Garanti BBVA since June 2015. Mr. Düren is also a member of Garanti BBVA’s Board of Directors, responsible for legal services. Furthermore, Mr. Düren serves as a board member at various Garanti BBVA subsidiaries and is a board of trustees member of the Teachers Academy Foundation.

MR. MIRJAM HALVERHOUT

Chair of Audit and Compliance Committee

Ms. Halverhout studied Civil Law and Tax Law at the University of Utrecht and University of Tilburg. Ms. Halverhout joined GBI’s supervisory board in 2021. She has been a member of the management team of Projective Biz and Projective Group, a European consultancy firm in financial services, since 2017. Since 2018, she has also been a member of the supervisory board and remuneration committee of Stichting Bureau Krediet Registratie (BKR), a Dutch credit registration agency. Between 2011 and 2016, Ms. Halverhout served as a board member of Solid Mortgages B.V. Between 2005 and 2009, she was the CEO of Direktbank N.V. and furthermore, she has over 20 years of management and board experience at Rabobank in corporate and retail banking.

MS. JOHN BOYLES

Chair of Remuneration Committee

Mr. Boyles is a graduate of Ithaca College with a degree in Economics. Mr. Boyles joined the Supervisory Board in 2023 with nearly 40 years of experience in corporate finance, wholesale banking, corporate funding and management. For nearly 23 years he was a senior leader at ING Bank where he was globally responsible for several sector business and lending products, as well as serving as the CEO of the bank’s banking platform in North America from 2008 to 2013. Prior to moving to the Netherlands, Mr. Boyles worked in New York City for Canadian Imperial Bank of Commerce in the securitization, asset finance and sector coverage areas. He also spent three years at Barclays Bank in the corporate lending, leverage finance and asset-based finance businesses.

MR. MURAT TALAYHAN

Chair of Risk Committee

Mr. Talayhan has a BSc degree in Management from the Middle East Technical University in Ankara, Türkiye and earned an MBA degree from Babson College in Massachusetts, USA. Mr. Talayhan joined the Supervisory Board in July 2024. Mr. Talayhan has over 35 years of experience in corporate and investment banking. Prior to joining Supervisory Board, Mr. Talayhan has taken senior regional and country coverage responsibilities, including Türkiye, Russian Federation, Central Asia and Central Eastern Europe for over 16 years and served as Managing Director at Barclays Bank, London. Previous to his work at Barclays, Mr. Talayhan has taken senior positions with various reputable multinational banks including Standard Bank, JPMorgan, Chase and Citibank.

Managing Board



Mr. Erhan Zeyneloğlu
Chief Executive Officer

Mr. Zeyneloğlu started his career at Garanti BBVA's Credits department in 1992 and has over 33 years of experience in banking. He joined GBI in 1995 where he held various managerial positions such as executive director of Credits, executive director of Structured Finance and Retail Banking. He was appointed as CEO in 2015. Mr. Zeyneloğlu holds a Bachelor of Arts degree in Economics from Boğaziçi University.



Mr. Marco Witteveen
Chief Operating Officer

Mr. Witteveen's professional life began in 1985. He has since enjoyed a 39-year banking career. Mr. Witteveen joined GBI in 2016 as the chief operating officer responsible for Technology and Operations. During his career, he was involved in expatriate assignments in Jakarta, London, New York and Geneva. During this time, he held various managerial positions in several Dutch banks. He is a business economics graduate of Vrije Universiteit Amsterdam.



Dr. Övünç Şişman
Chief Financial Officer

Dr. Şişman began his career in 1999 and has 25 years of experience in banking. He joined GBI in 2003 and before being appointed to GBI's Managing Board in 2015, he was the executive director of Risk Management, Control and Reporting. Dr. Şişman holds a Management Engineering degree from Istanbul Technical University, a Master of Arts degree in Money and Capital Markets and Financial Institutions and a PhD in Economics from Istanbul University.



Mr. Cem Bahadır Mutlu
Chief Risk Officer

Mr. Mutlu began his career in 1993. He has held various positions in several Turkish banks and has over 30 years of experience in banking. Mr. Mutlu joined GBI in June 2017 as the executive director of Credits. In January 2018, Mr. Mutlu was appointed as a member of the Managing Board. Since 2000 he has held managerial positions including expatriate assignments. He holds a Bachelor of Arts degree in Economics from Ankara University's Faculty of Political Sciences.

Senior Management Team

TRADE & COMMODITY FINANCE

Mr. Ali Arolat
Executive Director

TALENT & CULTURE

Ms. Mijke van Tilburg-van Alfen
Director

CORPORATE BANKING

Mr. Osman Barutçu
Executive Director

COMPLIANCE

Mr. Tahsin Ertan
Chief Compliance Officer

STRATEGY, SECURITY & CONTROL

Mr. Alex Hurkmans
Chief Digital Officer

INTERNAL AUDIT

Mr. Cenk Taşpınar
Chief Audit Executive

DUSSELDORF BRANCH

Mr. Nevzat Işık
Executive Director

LEGAL

Ms. Merve Kocamış
General Legal Counsel

Report of the Managing Board

GBI continued to
**deliver strong financial
performance in 2024**



- Economic Developments ¹⁶
- Financial Analysis ¹⁸
- Business Strategy & Developments ²⁰
- Digital Transformation ²⁶
- Sustainability ²⁸
- Outlook 2024 ³⁴

Economic Developments

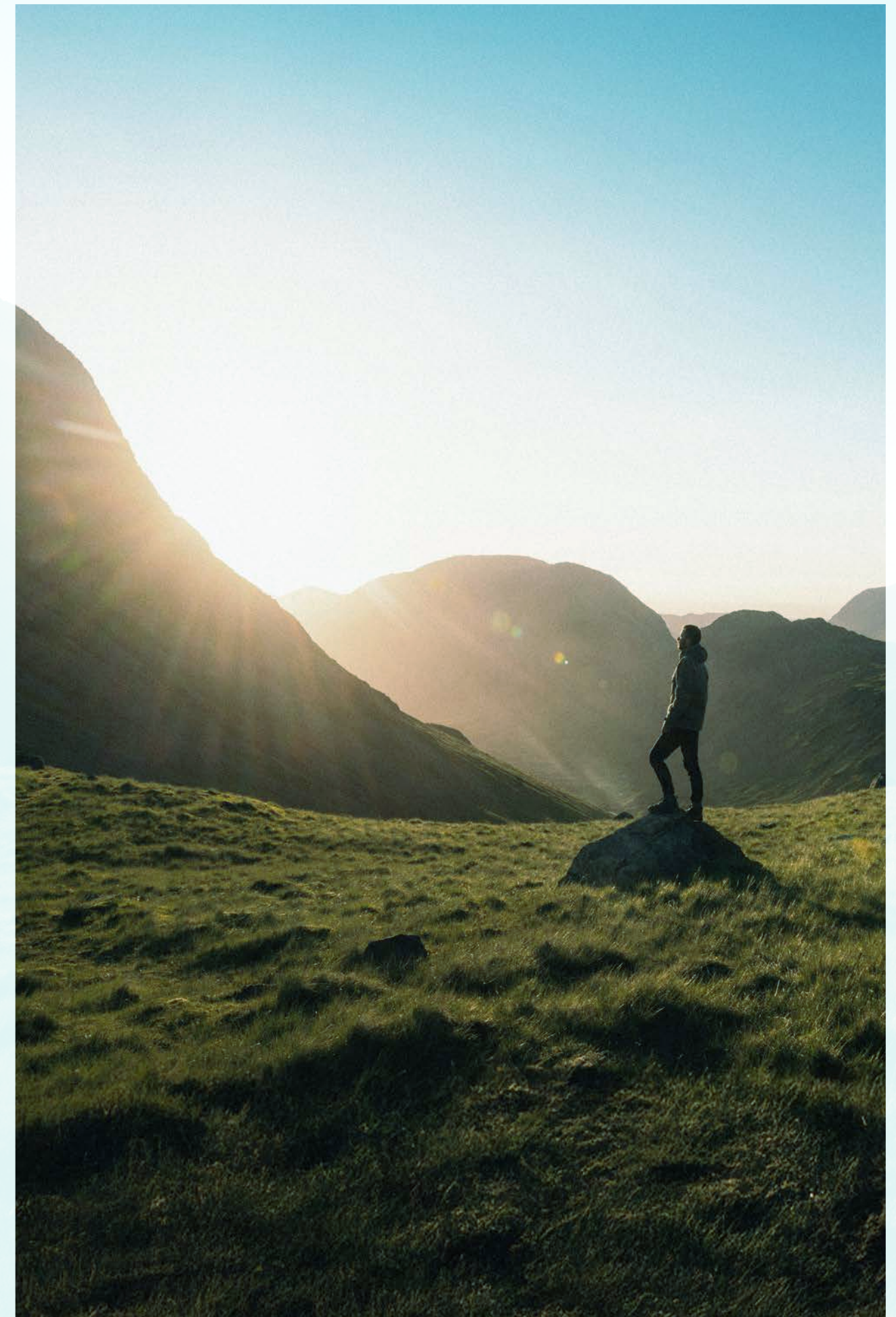
It has been a year marked by increased political uncertainties around the world. Rising geopolitical tensions and regional wars, as well as a busy election calendar in some developed countries caused an elevated degree of political volatility, which in turn had limited impact on trade and economic outlook. Commodity prices remained mostly under pressure from waning demand, as global growth outlook remained sluggish.

Global GDP growth is forecast to decrease to 3.2 percent in 2024, from 3.3 percent in 2023. The expected deceleration in US GDP growth from 2.9 percent in 2023 to 2.7 percent in 2024 is the main driver behind the expected decrease in global growth. In the Euro area, GDP growth is projected to tick slightly higher from 0.5 percent in 2023 to 0.8 percent in 2024.

Headline inflation continued to decrease in major economies in 2024. The limited impact of geopolitical developments on supply, and dampened demand due to lasting tightening of financial conditions resulted in lower inflation in most developed countries. The Euro area HICP (Harmonized Index of Consumer Prices) inflation is set to decrease to 2.4 percent, from the previous year's 2.9 percent. US inflation is expected to ease to 2.9 percent, from 3.4 percent in 2023.

The ECB lowered interest rates by 1.0 percent in 2024. The Deposit Facility Rate (DFR), the interest rate through which the ECB steers the monetary policy stance, decreased from its cycle peak of 4.0 percent to 3.0 percent. Similarly, the Federal Reserve also lowered the target range for the Federal Funds rate by 1.0 percent in 2024, to 4.25-4.50 percent. Most major central banks are expected to continue cutting rates in 2025, albeit at different paces, as inflation converges to desired levels.

Emerging market flows have been volatile, partly constrained due to political uncertainties. On the other hand, easing global inflation and beginning of rate cut cycles helped keep yearly flows positive. The outlook for emerging markets in 2025 is again expected to be volatile. Decreasing rates in developed markets will provide tailwinds for emerging market flows, while political developments may cause these flows to fluctuate and be more heterogenous over different geographies.



Financial Analysis

For yet another year GBI has met its strategic objectives and achieved outstanding financial results. Despite a volatile interest rate environment, increasing geopolitical uncertainties and competitive market conditions, GBI managed to repeat its strong performance by improving its profitability through an active and effective balance sheet management strategy.

In 2024, the bank's income before tax increased by 3 percent over the previous year. Customer spreads narrowed as a result of the year-over-year increase in deposit costs, particularly due to the growing competition in deposit markets. Nevertheless, by expanding its loan volume and diversifying its funding sources, GBI was able to reverse this negative effect. The bank continued to drive product, geography, and customer diversification, resulting in more active revenue generation and maintained its cost-balance discipline and performed well as last year.

GBI has preserved its high asset as the non-performing loan ratio improved to 0.64 percent in 2024 from 1.01 percent in 2023 thanks to strong collection performance and selective credit approach. There is no new inclusion to Stage 3 loans in 2024. The cost of risk further has come down to 0.03 basis points compared to 0.04 basis points in 2023. Finally, GBI maintained its strong capitalization with a CET1 capital ratio of 23.94 percent (2023: 23.62 percent).

SIGNIFICANT GROWTH IN BUSINESS VOLUMES WHILE IMPROVING ASSET QUALITY

GBI has continued to progress on its strategy that is based on customer centric transactional banking. With the help of its digital banking capabilities and actively managed campaigns, GBI has been able to diversify its funding sources and to grow its balance sheet from €5.8 billion at the end of 2023 to €8.2 billion in 2024. Stable funding sources have enabled this expansion through a €2,250 million increase in customer deposits, both from retail and non-retail distribution channels. The Loans and Advances to Banks have increased by €255 million mainly related with customer driven Trade finance activity. The Marketable Securities portfolio held in FVOCI has increased by €273 million to €703 million as a result of new purchases in line with our prudent asset and liability management practices. The Bank continues to invest in high quality liquid asset portfolio, which is mostly composed of Western European sovereign bonds. The Loans and Advances

to Customers have seen a significant increase by €840 million at the end of 2023. Despite the repayment of ECB borrowing, deposits from banks increased by €78 million and reached €365 million, in order to manage finance TRY denominated lending activity. Cash and Balances with Central Banks has increased by €1,061 million to €3,316 million providing a strong liquidity position.

GBI has managed the asset quality prudently throughout 2024. Stage 3 loans have further decreased to €22.5 million (2023: €27.1 million) in 2024, resulting in a recovery in Stage 3 ECL allowance by €1.4 million. NPL ratio has stayed low at 0.64 percent (2023: 1.01 percent). Total ECL allowance has decreased by €1.7 million, from €24.9 million in 2023 to €23.2 million in 2024 as a result of these developments, yielding to a low cost of risk of 0.03 percent in 2024.

Contingent Liabilities has increased by €98 million to €905 million (2023: €805 million) as a result of an increase in Letters of credit activity by €112 million.

The Net Income rises to €101.1 million level at the end of the 2024, which is an increase of 0.4 percent compared to 2023 (€100.7 million). Continuous improvement in all operational areas have contributed to the increase in profitability, but the most significant contribution comes from the growth in loans and deposits in 2024. As a result, GBI has realized a sound return on average equity (ROE) of 12.89 percent in 2024 (2023: 14.81percent).

Total Revenue amounted to €199.2 million, which is 6.0 percent higher than 2023 (€187.9 million). The increase is mostly as a result of the improvement in Net Interest Income (NII) due to the larger balance sheet volumes for loans and deposits. The increase in ECB's Euro monetary policy rate has also positively affected GBI's revenue generation in the bank's portfolio of high-quality liquid assets, which are largely made up of placements to the ECB. Thanks to its resilient deposit base, the Bank managed to keep the cost of funding at a low level throughout the year. As a result, NII increased by 7.3 percent to €183.0 million in 2024 (2023: €171 million), despite the decrease in the Net Interest Margin (NIM) to 2.88 percent (2023: 3.29 percent).

Net Commission Income decreased from €17.0 million in 2023 to €13.8 million in 2024. This is mainly due to less commission generation and higher level of fees and commissions paid on various financial services.

Valuation results and Net Trading Income increased to €5.1 million in 2024 (2023: €3.5 million), mostly attributable to higher realized securities trading, driven by customer transactions and partly to valuation differences in derivatives. In order to strategically align its portfolio to the changes in the interest rate environment, the Bank disposed part of its marketable securities in its FVOCI portfolio, resulting in an investment loss of €0.5 million (2023: €0.2) following the repayment of TLTRO funding from ECB.

Other expenses, mainly arising from the contributions to the Deposit Guarantee Scheme (DGS), increased from €3.0 million in 2023 to €3.4 million in 2024 in parallel to the increase in GBI's deposit base subject to DGS.

GBI continued its efforts to enrich its talent pool in 2024 in order to support the growing and developing operations of the bank. The average number of employees has increased by 10.2 percent to 249 FTE.

The increase in the number of employees coupled with the 3.3 change in the Harmonized Consumer Price index (HICP) in the Netherlands, total operating expenses increased by 14 percent to €57.8 million (2023: €50.3 million). Continuous investments in digitization have also resulted in a higher level of operational expenses. However, since the increase in total income has been higher than the increase in operational expenses, the jaws remained positive and the efficiency ratio stood at an outstanding level of 29 percent in 2024. The change in expected loan losses led to a loss of €0.8 million in 2024, similar with 2023 (€1.0 million in 2023), which was mainly due to non-performing loan flows. GBI remained cautious in the calibration of aggregate expected credit loss (ECL) models and individually assessed loans to reflect the potential impacts of the global macroeconomic outlook.

The income tax expense has increased to €39.4 million for 2024 (2023: €35.9 million) and the effective tax rate is 28.0 percent (2023: 26.3 percent).

Business Strategy & Developments

We provide simple yet customized solutions in a complex regulatory and macroeconomic environment

GBI is a mid-sized European bank, with a branch in Germany. We primarily serve retail, corporate, institutional and high-net-worth clientele. We strive to create an appealing and unique client experience to achieve mutually beneficial relationships and client loyalty.

Our personal approach, reliability, stability and sound balance sheet, provide comfort and value to our stakeholders. We provide simple yet customized solutions in a complex regulatory and macroeconomic environment. Our digital capabilities and aspirations, which are firmly supported by our parent, Garanti BBVA and by our ultimate parent BBVA, aim to enhance the value that we create for our clients and counterparties.

BUSINESS LINES

RETAIL BANKING

GBI has an established market position as a savings bank both in the Netherlands and Germany for more than three decades. We serve 95,000 clients in these markets. Savings deposits have always been a reliable funding source for GBI and played a key role in our funding strategy.

We offer simple savings products through digital and offline channels. Our continuously improving digital channels and dedicated customer relations teams deliver a unique customer experience through our own native-speaking and personable contact centers in the Netherlands and Germany, which differentiates us and bolsters client loyalty.

Our periodic customer surveys verify a high level of customer satisfaction. Together with these surveys we run a donation program in cooperation with Make-A-Wish Foundation and Stichting AAP Foundation. This feedback mechanism helps us constantly improve on our customer experience and contributes to our corporate social responsibility projects.

Digital channel experience and smooth customer journeys are becoming more important and are in high demand from customers. In 2024, 98 percent of GBI's retail customer onboardings and 75 percent of

transactions were completed through digital channels. We aim to keep these digital interactions consistent, while continuing to enhance customer experience in digital channels.

We successfully introduced a mobile app for our SME segment customers in the Netherlands, which has helped us improve our Net Promoter Score (NPS) and customer satisfaction. Moreover, we focused on streamlining the onboarding flow for this segment. Now we are also able to offer a paperless onboarding experience to our SME segment customers with API interfacing. The same experience will be offered to German SME clients in 2025.

In addition, we continued developing new mid-office solutions to digitalize end-to-end processes and increase operational excellence. Germany instance was taken to live and digital onboarding experience was enhanced for individual clients.

Throughout the year, we have increased our deposit base through acquiring new customers as well as focusing on our loyal customer base with targeted campaigns. These campaigns enabled us to increase our total retail funding base in 2024 and led to thousands of new customer onboardings.

In line with our business strategy, we have started to penetrate the Dutch residential mortgage market in 2024. Working with professional partners, GBI has successfully launched this new business line and aim to further focus on this initiative while increasing its network in 2025.

TRADE & COMMODITY FINANCE

Driven by strong trade figures in Asia, the WTO estimates 2024 global merchandise trade growth at 2.7 percent (2023: 1.1 percent). With China and Europe countering some headwinds, growth expectation for the coming year is still 3.0 percent.

Commodity markets, expressed by major commodity price indices, were fairly flat over the year as underlying dynamics moved in opposite directions: easing inflationary pressures and muted demand were offset by continued geopolitical tensions as well as price volatility in some specific areas.

Client financing requirements were also mixed: backwardation kept some commodity inventories low; the absence of a vibrant, hard-priced market also depressed business volumes. At the same time,

disease and weather concerns drove prices for cocoa and coffee, among other commodities, to record levels, leading customers to require significant increases in facilities.

The historic profits that several large traders booked in recent years normalised with the weakening of oil prices, following price action taken to counter tensions in the Middle East.

The metals industry is seeking relief from recent Chinese support measures; more fraud cases came to light, impressing upon traders the importance of vigilance and rigorous risk management.

Given the current direction of monetary policies, the expected easing of interest rates is welcomed by traders as market conditions often curtail passing on the high rates to buyers.

As GBI we weathered these challenging circumstances, meeting our target for financing the TCF complex. Importantly, our ESG roadmap successfully helped a significant part of our TCF book meets ESG criteria of both BBVA Group and the market at large. In 2024, GBI's Trade Finance function placed a strong emphasis on sustainable finance, actively engaging in corporate syndicated loans with ambitious sustainability KPIs among the various sustainability-linked loan structures in collaboration with leading global banks. Additionally, we contributed to trade finance transactions with a dedicated focus on circular economy financing. By integrating ESG-driven financial solutions, we continue to foster responsible and impactful banking practices in the global trade landscape, fully aligned with international sustainability goals. Digitization efforts, among others through the Komgo platform, are also fast becoming embedded into our business. Based on these strong core competencies we have continued to grow our TCF franchise in 2024, where our loans to customers have increased by 23 percent.



CORPORATE BANKING

In Corporate Banking, we serve a select group of international clients primarily based in the Netherlands, the European Union and Türkiye. We offer a well-rounded range of transactional banking products designed to meet the diverse needs of businesses with cross-border operations. These products include, but are not limited to, working capital loans, trade loans, term loans, receivable finance, shipping finance and Islamic finance. To maximize value for our clients, we provide a holistic approach by combining these products with a suite of financial services, such as cash management solutions, deposits, documentary credits and collections, correspondent banking arrangements and hedging solutions. This integrated offering enables us to deliver tailored financial solutions that address the unique needs of our clients and foster long-term partnerships.

The success of our Corporate Banking services is driven by clear communication, seamless coordination, a personal approach, swift execution and a strong sense of ownership in addressing our clients' challenges.

It was a remarkable year for our Corporate Banking division, marked by significant growth across several key performance indicators. Corporate Banking loan demand strengthened, driven by our tailored lending solutions. Simultaneously, our loan book increased by 25 percent. In line with the strong growth, our corporate deposits rose by 53 percent, underscoring the strength of our relationships and our ongoing commitment to delivering high-quality, responsive financial solutions to our corporate clients.

Within our Corporate Banking franchise, one of our primary goals is to support corporate companies that play a key role in the sustainable development of economy and provide the necessary solutions for their financial needs to help them improve their environmental, social and ethical performances. At GBI, we embrace this responsibility through our commitment to sustainable finance, providing innovative solutions to clients transitioning to a low-carbon economy.

In 2024, GBI's Corporate Banking facilitated various sustainable finance transactions, adhering to international standards such as the LMA Green and Sustainability Linked Loan Principles and BBVA Group's Sustainable Debt Financing Framework. A significant portion of these funds was allocated to renewable energy projects, emphasizing our commitment to green loans. Among these initiatives, a transformative deal in the paper industry stood out, advancing the circular economy and supporting the FEFCO Climate Neutrality Roadmap. This project, which incorporates cutting-edge energy efficiency technologies, renewable energy

integration, and waste reduction strategies, earned GBI the prestigious "Project Finance House of the Year" award by a reputable organization in 2024. This accolade recognizes the most innovative and impactful financial transactions across sovereign, corporate, and financial institution borrowers. Additionally, the same GBI-funded project achieved further distinction by winning "ESG Loan Deal of the Year" and "Loan Deal of the Year."

In 2024, digitalization in transactional banking continued to be a key focus for us, driving efficiency, accelerating transaction speeds and ensuring operational excellence. Our Corporate Banking digitalization program is aimed at providing customers with fully automated payment tools that enable near-perfect cash flow management. These advancements also offer customers a competitive edge in managing transactional costs. The share of payment customers that are actively using digital channels reached 91 percent, highlighting the growing preference for digital banking solutions. This shift toward digital platforms is further reinforced by a 6 percent increase compared to the previous year in digital payment transactions, reaching 84 percent, and emphasizing the growing adoption of technology for more seamless banking experience.

FINANCIAL INSTITUTIONS

GBI has had successful relationships and good cooperation with other reputable global and regional financial institutions since its establishment in 1990.

The Financial Institutions and Investor Relations (FI&IR) department covers GBI's correspondent banking relationships with other financial institutions (FIs) around the globe. It entails cooperation in a broad range of areas and products, including, but not limited to, transactional banking such as documentary credits, collections and cross-border payments, as well as financial markets such as FX and derivatives transactions. In addition, FI&IR is active in distribution of trade-related assets in the secondary markets.

By establishing and maintaining necessary correspondent banking relationships with FIs, and securing crucial credit limits with them, FI&IR also supports our Trade and Commodity Finance, Corporate Banking, ALM and Global Markets teams in terms of their related transactional needs.

FI&IR is also responsible for managing GBI's relations with the credit rating agencies and coordinating the external rating process of the bank.

GLOBAL MARKETS

Our Global Markets activity incorporates trading functions related to fixed income, rates and currencies carried out by experienced professionals.

The Global Markets team provides market access and insight to GBI's client-driven businesses, which support corporate and individual investor clientele. We are eagerly trying to evolve our business around client needs and generate ideas and solutions for their changing requirements in response to market dynamics.

We are able to reach sizeable transaction volumes through our broad network of market counterparties. This ensures fast, accurate and competitive pricings for our customers. Full compliance with regulations and internal procedures is implemented during trade executions and managing risks. We also are committed to promote sustainable investing and increase ESG awareness.

GLOBAL MARKETS SALES

Our Global Markets Sales (GMS) department specializes in providing bespoke financial products and strategic investment solutions to high-net-worth individuals and corporate clients. By prioritizing optimal financial outcomes and long-term value creation, we ensure our services meet the unique needs of each client.

We offer two distinct services: advisory and execution only. Our advisory services focus on delivering risk-based portfolio management and investment strategies, empowering clients with expert guidance for informed decision-making. Meanwhile, our execution-only services provide direct, efficient and precise order execution, granting clients seamless access to global financial markets.

At GBI, we aim to be the preferred banking partner for our core clients by delivering a comprehensive suite of financial services through our GMS activities, combining enhanced returns, insightful advisory, and transparent relationships.

In 2024, we achieved significant milestones in digitalization, introducing innovative products and services designed to enhance the client experience. To ensure our clients can seamlessly monitor their daily banking transactions and reports, we launched the GMSDirect mobile app. This platform provides uninterrupted access to their products and assets within our bank, empowering them with greater control and transparency.

Additionally, we expanded the capabilities of our iTRADER platform by introducing three new products—Mutual Funds, Listed Options, and Futures—alongside existing stock and ETF trading functionalities. These new offerings enable our clients to execute their investment transactions with ease directly through the platform. This enhancement has led to a remarkable increase in both transaction volume and user engagement on iTRADER in 2024, compared to the previous year.

Looking ahead to 2025, we remain committed to enriching the range of services and products accessible via GMSDirect and iTRADER, reinforcing our position as the preferred banking partner. By continuing to prioritize innovation, personalized services, and exceptional client satisfaction, we aim to lead the future of banking and ensure our clients' evolving needs are met with excellence. We have enhanced our investment themes in 2024 in line with BBVA Group's sustainability agenda, in advisory services, and implementation processes. Our goal is to comprehensively address our clients' needs while contributing to a more sustainable future. Looking ahead to 2025, further progress in sustainability remains a top priority for GMS. We are committed to driving innovation in sustainable banking products and services, ensuring our clients have access to forward-thinking solutions that support both their financial goals and global sustainability objectives.

In 2024, GMS achieved outstanding growth, with assets under management increasing by an impressive 44 percent compared to year-end 2023 figures. The GMS team further strengthened client relationships through continuous and transparent communication, driving satisfaction among existing clients while successfully acquiring new ones. This led to a notable 11 percent expansion in our total customer base, resulting in increased contribution to revenue generation capacity of GBI.

As we look to 2025, our focus is targeted at building upon this success. We aim to deliver even greater value by expanding our range of investment products and continuing to prioritize new client acquisition. With a steadfast commitment to growth and innovation, GMS is poised to achieve even higher levels of excellence in the year ahead.

ASSET, LIABILITY & CAPITAL MANAGEMENT

GBI focuses on prudent balance sheet management with the aim to sustain adequate risk-adjusted return on capital, a sound funding structure and strong level of solvency and liquidity. Our Asset and Liability Management (ALM) function acts as the central point and applies a funds transfer pricing mechanism, isolating business lines from market risks. These risks are translated into an institutional level to be strategically navigated by the Assets and Liabilities Committee (ALCO). GBI oversees the efficient capital allocation and the management of liquidity, interest rate and exchange rate risks through its Finance function, which analyzes and reports on these risks and proposes alternative strategies to ALCO. The Bank follows a prudent strategy in keeping a strong liquidity buffer as well as managing its liquid assets such as placements with ECB and investments in marketable securities of EU based issuers with strong credit quality.

The Bank’s overall approach to capital management is intended to maintain sufficient capital to cover the (economic) risks at all levels and to ensure compliance with regulations. GBI’s Capital Management strategy is driven by our strategic priorities and risk appetite. Our policy is to retain sufficient financial flexibility to implement GBI’s strategy in all market conditions. GBI’s Risk Appetite Statement forms the basis of the capital plan. The capital plan sets targets well above the minimum regulatory requirements. The Risk Appetite Statement and targets are developed and communicated to all affiliated businesses. Policies for recovery planning are a natural extension of GBI’s Capital Management policies. Within this context, and as a BBVA Group entity, GBI is subject to the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) as stipulated by the European Central Bank to BBVA Group.

RISK MANAGEMENT

In our day-to-day business, GBI is exposed to multiple financial risks. These include liquidity and funding risks, interest rate risk, credit risk in our lending and banking transactions and market risk in our trading positions.

Financial risk management at GBI is monitored and governed by an independent Risk Management function. The function primarily serves to correctly identify, measure and propose management actions for risks to the Credit Committee, ALCO, Risk Management Committee and the Supervisory Board in normal and stressed economic conditions and to oversee our business activities to ensure that they are consistent with GBI’s risk appetite.

In addition to these financial risks, GBI is subject to non-financial risks in our daily operations. These pertain to IT and cybersecurity, fraud, operational processes, integrity risks, compliance to regulations, laws, as well as the ethical and social norms that generally apply to our people and activities.

Fraud risk is a common risk in the financial sector. GBI has a set of operational controls to mitigate fraud risk, such as four-eye principle, access authentications, authorization checks, segregation of duties and transaction monitoring for lending and payment systems. All these controls are continuously monitored by Risk Control Assurers (first line of defense) and relevant Risk Control Specialists (second line of defense) in accordance with their responsibilities within the Bank’s Non-Financial Risk Management model, whereas the Internal Audit Department, as the third line of defense, provide independent assurance over these activities in accordance with their audit planning.

Additional measures such as internal training and awareness are in place and GBI has pre- and in-employment procedures resulting in a low-risk culture in relation to internal fraud. The code of conduct is signed by each employee and periodically brought to attention.

The overall amount of risk that GBI is willing to take is established in the Risk Appetite Framework. We monitor a range of risk metrics to ensure our risk profile is in line with our risk appetite.

The Risk Appetite Statement, the Principles of Risk Appetite and the Limit Framework, all of which are approved by the Supervisory Board, are designed to withstand market volatility and stress, while meeting strategic goals and regulatory requirements. They combine various financial and non-financial risk disciplines into a single converged approach and provide businesses with a clear and fair view of their risks and the way these risks are managed.

In 2024, geopolitical risks remained elevated, influencing global economic and financial stability. Most major central banks initiated gradual rate-cutting cycles, with significant policy easing measures introduced in December. In this shifting environment, GBI has continued to prioritize the management of interest rate risk, the composition of funding from both retail and non-retail deposits and the risk embedded in its lending portfolio.

GBI has further enhanced its practices throughout 2024 in managing the ESG related risks in its day-to-day operations and progressed in line with the ESG roadmap approved by the Supervisory Board. ESG as an integral part of the strategy, has been transposed to various strategic initiatives and adherence to ESG risk appetite has been monitored as part of the ongoing risk management processes. Materiality assessments and stress tests have been performed and included within the ICAAP. Please refer to the Sustainability section of this report for further information on ESG risk practices.

The EU agreed on a review of banking rules (the Capital Requirements Regulation and the Capital Requirements Directive), that completed the implementation of Basel III in Europe. This package of reforms is set to enter into application from 1 January 2025, with the first reporting date slated for March 2025.

In addition to the CRR/CRD reforms, 2024 has also seen several key regulatory developments across the EU financial sector, including the developments in EU Accessibility Act, the revised MiFIR/MiFID II, the Instant Payment Regulation, EMIR 3.0 and the Artificial Intelligence Act.

GBI continues to closely monitor these regulatory changes and broader market developments to assess their implications on its business model and strategic priorities. The Bank remains fully committed to compliance with all evolving regulatory requirements.

In 2024, GBI also remained deeply committed to maintaining robust regulatory compliance and adhering to industry good practices. The Compliance Department has continued its efforts in monitoring the activities of first-line operations, ensuring they comply with integrity-related policies and procedures. Additionally, The Compliance Department has supported new initiatives of the Bank in the onboarding and product approval process as part of the strategies set by the Banks’ management.

SIRA

In 2024, GBI further enhanced its Systematic Integrity Risk Analysis (SIRA) by incorporating additional risk factors for both the head office and the branch. The SIRA evaluates both inherent and residual integrity risks associated with financial crime, considering factors such as the bank’s customer base, geographical footprint, distribution channels, and product offerings. It also assesses the effectiveness of GBI’s existing processes and controls. This ongoing analysis enables the bank to better understand the integrity risks it faces, allowing for better management of those risks within the bank’s defined risk tolerance levels. In 2025 GBI will continue focusing on the enhancement of the SIRA with a comprehensive review of the SIRA of the Germany branch.

CODE OF CONDUCT

GBI continues to uphold its commitment to the highest standards of legal and ethical conduct. The GBI Code of Conduct remains the foundation for ethical behavior across the organization, outlining the ethical expectations for all employees and ensuring they comply with relevant laws and regulations in a transparent and professional manner. In 2024, the Bank continued to offer training programs to reinforce the importance of the Code of Conduct, highlighting the significance of ethical behavior, regulatory compliance, and adherence to internal policies.

AML AND SANCTIONS COMPLIANCE

In 2024, GBI continued to prioritize Anti-Money Laundering (AML) and Sanctions compliance, with a strong focus on adapting to the evolving regulatory landscape. AML and Sanctions compliance remained a critical area of attention, particularly as the Bank experienced growth in both business volumes and new customer onboarding. This expansion required continuous vigilance to ensure that GBI could scale in a controlled and compliant manner.

A key development in 2024 was the implementation of new Instant Payment Regulation, which came into force in early 2025. The regulation impacts the payment processes, requiring GBI to adjust its transaction screening procedures and enhance the customer screening processes to control the compliance risks attached to this process.

Additionally, GBI launched an important project aimed at enhancing its sanctions screening capabilities. The implementation of more sophisticated screening tools is expected to be completed by 2025, reinforcing GBI's commitment to robust compliance and risk management as the business continues to grow.

Digital Transformation

In 2024, the main focus of our Engineering and Data (E&D) organization was the implementation of the Digital Operational Resilience Act (DORA) and Instant Payments Regulation (IPR), next to further digitalization of our client onboarding processes for our SME and corporate clients.

The latter should facilitate faster onboarding, at the same time adhering to the extensive AML/ATF regulations. GBI further improved its customer servicing with better Do-It-Yourself capabilities and improving the touch points with our clients. We are extremely happy to see that all improvements in this area paid off with again a significant increase of clients in 2024 and an improved client satisfaction score.

DORA is a new EU law that applies to all financial entities and their critical third-party providers. It aims to ensure and strengthen their resilience to cyber and other operational risks. We have aligned our E&D organization to incorporate the requirements of DORA.

Our resilience towards Cyber Threats has been further hardened with best-in-class solutions aligned with our parent bank BBVA.

We are proud to say that our digitalization program continues to pay off in terms of reduction of manual handlings and focus on exception-driven processing which is best shown by the low-cost income ratio.

Over time, GBI developed a scalable and digitalized operating model, allowing GBI to integrate comfortably with business partners providing white label products and technologically advanced solutions enabling GBI to accelerate the delivery of new products and services.

Overall, we can again be proud of all achievements made in 2024. With our colleagues and trusted partners GBI has shown again that a lot can be achieved with a true 'One-Team-spirit' maintaining a good focus on clients and keeping an eye on regulations and compliance.



I. SUSTAINABILITY AT GBI

SUSTAINABILITY AS A STRATEGIC PRIORITY

Aligned with BBVA's strategic priority of sustainability, GBI has embedded environmental, social, and governance (ESG) considerations into its core operations. This commitment, first established as a strategic priority by BBVA and Garanti BBVA in 2019, underscores GBI's dedication to mitigating environmental impact, enhancing social well-being, and upholding ethical standards.

The year 2024 also marked a significant global shift towards sustainability, with notable developments shaping the business and policy landscape. Companies worldwide intensified efforts to combat the climate crisis, with several nations setting ambitious emissions reduction targets. Additionally, 2024 was a milestone for sustainability reporting regulations, highlighted by the European Union's Corporate Sustainability Reporting Directive (CSRD), requiring the first group of companies to comply for the 2024 financial year and establishing a harmonized framework to enhance transparency and enable easier comparisons across countries and industries. GBI will not be required to publish an individual sustainability report, as it is included in the consolidated sustainability report of its parent company in Spain. This exemption is in line with the CSRD provisions, which allow subsidiaries to be exempted if the parent company produces a consolidated sustainability report that conforms with the directive.

As one of the founding banks signing the Principles for Responsible Banking, BBVA has made many strides in sustainable development financing in recent years. In 2018, BBVA announced its first sustainable financial target: €100 billion by 2025. As of 2024 September, BBVA had reached €276 billion at a pace that has pushed the Group to raise the goal, to €300 billion, three times its initial commitment. This figure makes BBVA one of the most ambitious banks in Europe in terms of its sustainable finance goal. But above all, it is a tangible example of the Group's commitment to sustainability - one of its strategic priorities.

Thanks to the adoption of the BBVA Group's Sustainable Transaction Banking Framework last year, GBI has also demonstrated its strategic commitment to sustainable finance while mitigating greenwashing risks. In 2024, GBI actively contributed to the Group's sustainable finance mobilization target and is looking ahead to enhance its capabilities further. The focus will be specific climate finance categories such as cleantech and exploring sustainable finance

opportunities within its Trade & Commodity Finance portfolio. Various engagement plans and strategies are already underway, aligned with the latest global trends, to expand GBI's impact in these critical areas.

BBVA continues to achieve worldwide recognition for its leadership in sustainability this year too. For the fifth consecutive year, BBVA earned the highest score in the banking category in Europe and ranked joint third globally in the latest S&P Global Corporate Sustainability Assessment (CSA). This accomplishment secured BBVA's position as Europe's top-ranked bank in the Dow Jones Sustainability Index for 2024.

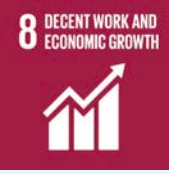







In addition to the Group's outstanding performance, our direct parent Garanti BBVA, affirmed its leadership in sustainability in Türkiye's banking sector with its highest-ever score of 85 in the 2024 S&P Global Corporate Sustainability Assessment. These achievements underscore the Group's unwavering commitment to a greener and more inclusive future.

In 2024, GBI joined the United Nations Global Compact (UNGC) as an affiliated subsidiary under BBVA, reinforcing its commitment to responsible business practices. By becoming part of the UNGC Netherlands network, GBI aligns with global sustainability principles and strengthens its local impact.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Recognizing its responsibility as a financial institution, GBI aligns its strategies with the SDGs, integrating sustainable practices into its operations to contribute to global goals. Acknowledging the interconnected nature of the 17 SDGs, GBI strives to address global challenges such as inequality, and climate change, emphasizing the need for collective action to achieve sustainable development.

As GBI, our contribution aligns with three Sustainable Development Goals and encompasses five specific targets, as outlined in the detailed Contribution to SDGs and Targets Table.

SDG	SDG Target	Description	GBI Action
		SDG 8.7 Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms	By incorporating General Exclusions into its robust Environmental and Social Framework , GBI not only aligns with international standards but also underscores its commitment to ethical practices. Human rights violations and child/forced labor are recognized as essential issues integrated into GBI's financial services availability for potential clients, reflecting GBI's dedication to promoting responsible and sustainable business practices across its credit relationships. This approach not only safeguards the interests of our clients but also contributes to fostering a socially responsible and compliant financial environment.
		SDG 8.8 Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment	
		SDG 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	As of 2024, GBI has successfully implemented a comprehensive waste management and reduction program as part of its ISO 14001 Environmental Management Certification . This initiative ensures systematic monitoring of waste production and establishes a strategic plan for responsibly reducing waste across our operations. In alignment with this approach, GBI has eliminated single-use plastics in its offices and is actively collaborating with circular economy firms, supporting them with sustainable finance solutions. GBI is fostering a culture of waste reduction among employees and continuously seeking opportunities to minimize waste across all operational areas.
		SDG 12.6 SDG 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	In response to increasing reporting requirements, GBI is enhancing its preparation efforts within the scope of CSRD, aligned with IFRS Sustainability and Climate Disclosures, as well as Pillar III ESG reporting . Through its financial engagements, GBI seeks reliable sustainability information from clients and utilizes various communication channels, including the Annual Report. GBI actively promotes the public disclosure of sustainability practices, advocating for their integration into the reporting cycle.
		SDG 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	In addition to GBI's internal initiatives aimed at fostering awareness about the climate crisis, including diverse training channels and measurement activities such as High Transition Risk assessments and financed emissions calculations to evaluate the impact of financing, GBI is actively leveraging its financing influence to drive greater awareness. This includes incorporating climate crisis-related prohibited activities into its environmental and social due diligence process when establishing relationships with credit clients, particularly those in hard-to-abate sectors. GBI also actively engages in climate financing activities to support sustainable projects and investments, further enhancing its commitment to addressing climate change.

SUSTAINABILITY GOVERNANCE

GBI solidified its commitment to sustainability with the establishment of its Sustainability Policy, setting the general standards and principles. Complementing the policy, The Supervisory Board and Managing Board, consisting of top executives and external oversight members, provide the main governance and strategic direction, forming the first and second line of defense

in the three lines of defense model of Sustainability Governance at GBI. Thirdly, GBI also established its Sustainability Committee in 2023. Comprising key decision-makers from the business units, including the Chief Executive Officer, this specialized team oversees ESG risk assessment, integrates sustainability into credit processes, and actively contributes to sustainable financing activities. Together, these entities ensure a cohesive approach, integrating sustainability

into both operational and strategic dimensions of GBI's operations. Last year, to advance our sustainability initiatives, GBI appointed a dedicated Sustainability Manager. Tasked with effectively managing ESG integration across financial activities, the manager ensures alignment with sustainable practices and industry standards.

Starting from 2024, GBI is implementing a bank-wide initiative to further strengthen its sustainability governance and integrate sustainability practices across all business units. This effort aims to embed sustainability into every aspect of GBI's operations, ensuring that all departments, from risk management to client engagement, are aligned with the BBVA Group's broader sustainability goals.

CLIMATE & ENVIRONMENTAL RISK ASSESSMENT

The risks associated with climate change (transitional and physical) are considered as an additional factor affecting the risk categories already identified and defined in GBI and are therefore managed through the Bank's risk management frameworks (credit, market, liquidity, operational and other non-financial risks), which is in line with BBVA Group practices. As a result, the integration of climate-change related risks into the Bank's risk management framework is based on their incorporation into the governance and processes currently in place, taking into account regulatory guidelines. In 2024, GBI intensified its efforts to address Climate and Environmental risks in line with regulatory expectations. Specific risk metrics are quantified in line with international best practices, including a physical risk assessment of our portfolio, decarbonization metrics aligned with Group-wide targets using the PACTA methodology, and emission accounting in accordance with PCAF standards in 2024. Ongoing improvements are being made to fully integrate these metrics into our decision-making processes, ensuring a more robust approach to sustainability and risk management. Some notable actions taken to enhance ESG risk management within our banking activities so far, include the following:

HIGH TRANSITION RISK: QUANTIFYING CLIMATE AND ENVIRONMENTAL RISK IN CREDIT PROCESSES

Quantifying climate and environmental risk in credit processes is essential to enhance risk management by providing a comprehensive understanding of potential impacts on financial stability and performance. This approach enables informed decision making, promotes sustainable practices, and ensures resilience against emerging environmental challenges in the financial landscape.

By taking these factors into account, GBI has integrated a quantitative transition risk metric into its risk framework. This High Transition Risk metric measures Exposure at Default (EAD) of the activities most exposed to transition risk, including but not limited to oil and or energy supply industries, in accordance with the Taxonomy defined internally (High Transition Risk), in relation to the Bank's own funds, focusing on activities classified as High or Very High risk. With respect to this metric, the Supervisory Board has approved thresholds, which determine the maximum appetite for this risk. Based on our current assessment the impact of ESG risks is expected to be limited for GBI, as a result of its prudent risk management approach and also thanks to its short term nature of its loan portfolio

ENVIRONMENTAL AND SOCIAL FRAMEWORK

As of 2023, GBI has adopted its parent company's Environmental and Social Framework in alignment with BBVA's commitment to sustainable development and human rights. This Framework, stemming from BBVA's General Sustainability Policy and Corporate Social Responsibility Policy, is a voluntary initiative that underscores our dedication to promoting responsible business practices. At GBI, we recognize the significance of managing environmental and social aspects in the due diligence process for decision making, especially given the potential impact of certain sectors on nature and communities. The Framework serves as a crucial tool to identify and manage potential social or environmental controversies, supporting clients in their transition. The Framework covers various sectors such as mining, agribusiness, energy, infrastructure, and defense, it is tailored to the credit processes of Corporate Banking and Trade & Commodity Finance clients.

In 2025, GBI is committed to strengthening its ESG Risk Management capabilities, in alignment with the newly introduced EBA Guidelines on the management of ESG risks.

II. ENVIRONMENTAL IMPACT

At GBI, our commitment to stakeholder value includes a strong focus on environmental responsibility. In 2023, we introduced the Environmental Management Policy to ensure a systematic approach to sustainability. In 2024, GBI achieved ISO 14001 certification with zero findings from an independent audit, reinforcing our dedication to minimizing environmental impact. As part of this, we developed robust policies, raised awareness, and integrated sustainable practices into operations. To ensure ongoing improvement, we established the Environmental Management Team (EMT), involving top management in overseeing its implementation. This year, GBI further strengthened its EMS by taking key steps to manage and mitigate its direct environmental impact

- Calculated XX tCO2e Scope 1 and XX tCO2e Scope 2 emissions of our direct operations aligned with GHG Protocol and fully offset them through the purchase of carbon credits. These credits support a Forest Restoration Project in Mexico, making us a carbon-neutral bank in terms of Scope 1 and 2 emissions.
- Converted to a 100 percent green electricity supplier.
- Eliminated all single-use plastic.
- In celebration of World Environmental Awareness Month in 2024, GBI participated in a river cleanup event in Amsterdam on 28 June, alongside Clear Rivers, a not-for-profit organization dedicated to combating plastic pollution.



III. SOCIAL RESPONSIBILITY

Embracing our role as a corporate citizen, our bank places a strong emphasis on social responsibility, driving employee-focused improvements, and fostering impactful stakeholder engagements through strategic partnerships with NGOs.

ONE TEAM: GBI EMPLOYEES

Our aspiration is to "Bring the age of opportunity to everyone". This purpose underscores our commitment to our dedicated employees. We aim to create an environment that fosters professional growth, both collectively and individually, by providing opportunities for continuous learning and development. We recognize the imperative to attract, motivate, train, and retain top-tier talents who resonate with our core values and embody our collective ambition. Our Employee Value Proposition (EVP) is meticulously crafted around three pivotal pillars: Bank, Team, and People.

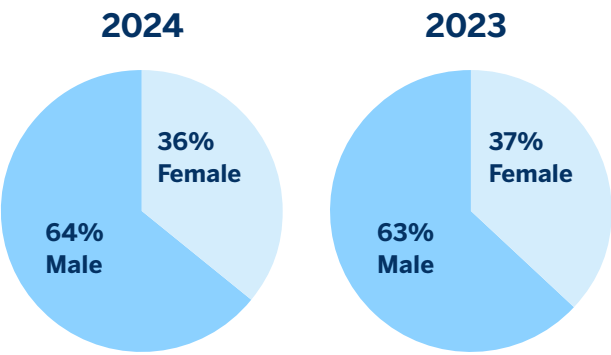
Our customer-centric approach propels us to prioritize their satisfaction by providing high quality solutions. Embracing unity through "One Team," we commit not only to individual roles but also to the overarching goals of the Bank.

In 2024, we achieved a 12.6 percent growth in our workforce. This reflects our ongoing commitment to fostering a sustainable working culture. Moreover, turnover rate saw notable improvements across the board, with the overall rate decrease from 12.0 percent in 2023 to 8.6 percent in 2024. These figures highlight our dedication to creating a workplace where employees feel supported and empowered.

DIVERSITY & INCLUSION

GBI is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its clients.

This year, our workforce expanded to include 24 nationalities, reflecting our commitment to a culturally diverse environment. While the proportion of female employees shifted slightly, we remain committed to further balancing our gender and cultural diversity ratio, ensuring an ongoing environment of inclusivity and equality.



In the current year, our organization has witnessed a commendable 10 percent promotion rate, with 40 percent of these advancements attributed to our female employees. This achievement underscores our commitment to fostering equal opportunities for career growth and development within our workforce.

EMPLOYEE ENGAGEMENT

In line with its priority to set up the best and most engaged team, employee centricity lies at the center of HR practice at GBI. Managing all its activities in this context under the heading “Talent and Culture”, GBI aims to create a culture that every employee will be proud to be a part of.

Our commitment to ongoing professional growth is exemplified through internationally recognized e-learning platforms, ensuring unrestricted access to a diverse array of training programs. To enhance leadership and business acumen, offsite programs with directors seamlessly integrate sessions designed to not only elevate the overall employee experience but also strategically contribute to improved business outcomes.

Complementing these learning platforms, our commitment to effective intercommunication is demonstrated through DISC training initiatives, strategically designed to strengthen team bonds and enhance interpersonal skills. This initiative is instrumental in fostering a collaborative and supportive work environment.

Furthermore, GBI is dedicated to promoting language diversity among its employees, including proficiency in Dutch, Spanish, and English.

The Bank aims to increase employee engagement by collecting employee opinions systematically via Gallup’s Employee Engagement Surveys. Aligned with the Group, the Bank conducts an annual Employee Engagement Survey, externally managed by Gallup, utilizing a methodology to assess workplace engagement and satisfaction through a combination of surveys and interviews, focusing on key factors such work-life balance, performance management, remuneration, recognition and training and development opportunities. In 2024, the participation rate of GBI employees to the Gallup Survey increased significantly to an impressive 96.5 percent, highlighting our employees’ growing involvement in shaping the company’s future and their confidence in our feedback-driven culture. Results revealed an outstanding performance in employee engagement with an overall rating of 4.33 (on a scale of 5).practices, a hybrid working model has been initiated in 2019. This model allows employees to be able to work remotely. Providing a high degree of autonomy, employees can flexibly distribute their remote working times throughout the week. This approach reflects the Group’s commitment to fostering flexibility, responsibility, and trust in its workforce.

On the other hand, the average absenteeism percentage in the Netherlands rose to 4.4 percent in September 2023, up from 4.1 percent in August 2023. Despite this trend in GBI’s primary operating region, the Bank has sustained a noteworthy continuity ratio throughout the year, owing to its flexible and remote working opportunities and high levels of employee engagement. Particularly remarkable is the sick leave ratio, which stands at 2.4 percent.

There was a noteworthy response to the Gallup question, “Does GarantiBBVA International always value diversity?”. The Employee Engagement Survey yielded an exceptional score of 4.54 out of 5, an increase compared to the previous year, underscoring our employees’ appreciation of the diverse and inclusive workspace fostered at GBI premises. This result surpassed the previous year’s performance, exemplifying the continuous improvement and dedication to fostering a diverse and inclusive workplace.

Moreover, as part of the ongoing cultural transformation and a commitment to flexible work practices, a hybrid working model was initiated in 2019. This model allows employees to work remotely. Providing a high degree of autonomy, employees can flexibly distribute this percentage throughout the week. This approach reflects the Group’s commitment to fostering flexibility, responsibility, and trust in its workforce.

2024
4.33/5
2023
4.35/5
2022
4.35/5

To further strengthen employee engagement, GBI organized a wide array of events in 2024, encompassing learning and development programs, vitality and well-being initiatives, business and sponsorship events, and company clubs’ activities. These initiatives provided employees with opportunities to grow professionally while cultivating connections and collaboration beyond their day-to-day responsibilities.

This year GBI also introduced rotation programs to offer employees the opportunity to explore different departments, gain insight into their daily tasks and workloads and foster a deeper sense of empathy and understanding across teams. These programs not only enhance interdepartmental awareness but also open doors for employees to discover different career possibilities within the company.

In line with reinforcing our core values, GBI organized several sessions aimed at deepening employees’ understanding of the company’s mission, vision and shared principles. These sessions provided a platform for meaningful discussions about our values and how they guide our daily operations. A notable initiative provided a platform to our new joiners and young professionals to directly engage with the CEO, bridging innovative ideas and fresh perspectives with the expertise, knowledge and strategic vision of senior leadership. Another significant event, held in collaboration with a student association, offered young students the chance to connect with financial sector professionals, including directors and Managing Board Members, facilitating an invaluable exchange of knowledge and wisdom.

STAKEHOLDER ENGAGEMENT

GBI believes that businesses play a crucial role in shaping a better world. Since 2020, as an expression of our gratitude, we have made charitable donations on behalf of our valued customers. A notable example of this is our commitment to contributing to charitable causes for every participation in our customer satisfaction survey. Through our ongoing efforts, we are proudly collaborating with Make-A-Wish Netherlands and Stichting AAP. Make-A-Wish is dedicated to fulfilling the cherished wishes of seriously ill children, while Stichting AAP (Animal Advocacy and Protection) focuses on the well-being of exotic animals subjected to poor conditions, illegal trade, and exploitation. Our consistent support for these impactful organizations reflects GBI’s commitment to contributing to the community and fostering positive change.

GBI continues its efforts to contribute to society by exploring new opportunities for impactful partnerships. While discussions with FOAM photography museum progressed, they culminated in a new sponsorship for their youth program, set to launch in 2025. This initiative underscores our dedication to supporting programs that inspire creativity and empower future generations.

Additionally, GBI has been one of the proud partners of Erasmus Commodity & Trade Centre (ECTC) since 2024. This sponsorship has further strengthened our commitment to fostering innovation and collaboration in international and academic platforms focused on shaping a sustainable future for commodity trading. As part of this partnership GBI also contributes to ECTC’s initiatives by participating in their Advisory Board, supporting the development of forward-looking ideas and impactful solutions for the sector.

In tandem with these sustainability initiatives, our approach to employee engagement is not only strategic but also extensive. Throughout the year, we orchestrated numerous employee events aimed at empowering the value of “One Team” and professional development, each event carrying the essence of sustainability. Simultaneously, our network-building events intentionally expanded our community, ensuring a broader and more interconnected professional network.

Outlook 2025

On global economy, a soft landing and a gradual rate cutting cycle is expected. Monetary easing cycles are now in place in the US and Eurozone as inflation has fallen due to demand moderation and supply gains. Inflation has eased more than expected over the last few months, but upward pressures on service prices remains in place. Growth remains strong in the US, slightly positive in the Eurozone, and relatively weak in China despite policy support.

Labor markets are slowing, manufacturing remains weak, but services and consumption continues to be relatively strong. Financial volatility has risen on growth deceleration concerns, geopolitical conflicts and China's economic situation, but markets continue to see a soft-landing ahead. Commodity prices remained lower despite the geopolitical tensions.

Growth is likely to converge to moderate levels. In the US, growth was revised up again, as incoming data surprised to the upside, but is still expected to gradually weaken as we forecast 2.1 percent in 2025. In the Eurozone, forecasts remain as 1.4 percent for 2025, as lower inflation and interest rates will support a cyclical recovery. In China, increasing policy stimulus will help to sustain growth, but a structural deceleration is still likely, so growth could be 4.2 percent in 2025.

Inflation revised downward in the US and Eurozone on clearer labor market easing and favorable incoming data. Further policy rate easing is expected, but monetary conditions will stay relatively tight. The Fed is likely to cut rates at a slower pace than expected to 4.0 percent till mid-2025. The ECB expected to cut rates to 2.5 - 2.0 percent before end of 2025. Risks to growth and inflation are now more balanced. The recent labor market slowdown and China's structural problems raise concerns about a hard landing. However, strong demand, fiscal policy, and geopolitical tensions, among other factors, keep upward inflation risks alive.

Geopolitical risks and economic policy uncertainty have risen on the global side, mostly on concerns over US foreign economic policies and conflicts in Ukraine and the Middle East. Euro weakness is expected to continue in the near term, driven by geopolitical tensions, tariff concerns, domestic political uncertainty, a weak economic backdrop, and rising gas prices.

In line with BBVA's new strategic priorities, sustainability will continue to be our strategic priority, where we will enhance our value proposition through product development and innovation to boost incremental business. We will continue to strengthen our position in Corporate Banking, Trade Finance and Global Market Sales, while aim for further penetrating to Retail Banking, including SMEs. We will continue placing the client perspective at the center of all our decisions, always available and solving needs with empathy and agility. Data and digital innovation will be the driving force to deliver services to our customers and to enhance the efficiency of our internal processes.

Our prudent risk management approach will remain as a key component of our strategy to sustain strong solvency, ample liquidity and low leverage, to maintain our asset quality while targeting a cost-effective funding structure. We will continue with our stable funding strategy, which is aimed at strengthening the retail franchise and diversifying our non-retail deposit base. While efficiency will remain a focus point, we will seek opportunities to attract, develop and engage the high-performance talent through leadership and excellence, with a proactive and personalized employee experience.

With regard to our Retail Banking business, we plan to increase our digital footprint by continuously delivering mobile solutions both for our individual and SME customers, while enhancing their digital experience. We will continue to cooperate with our parent banks, Garanti BBVA and BBVA, in increasing our corporate customer base. We will increase our Global Market Sales product range, through digital platforms to meet our customer needs and to further enlarge our asset under management. We will gradually increase our owner occupied mortgage portfolio in the Netherlands.

GBI's strengths and strategy - based on prudence and agility - will allow the bank to continue to grow and create opportunities for its customers, shareholders, employees and society as a whole, in a responsible manner.



Corporate Governance



- Financial Reporting Process ³⁸
- Managing Board Composition ³⁸
- Information on Members of ³⁸
The Managing Board
- Supervisory Board Composition ³⁹
- Information on Members of ³⁹
The Supervisory Board
- Outlook 2024
- Future-Oriented Banking ⁴⁰

Financial Reporting Process

GBI's internal control over financial reporting is a process designed under the supervision of management

As GBI is a wholly-owned subsidiary of Türkiye Garanti Bankası A.S. (Garanti BBVA), which is in turn a consolidated subsidiary of Banco Bilbao Vizcaya Argentaria S.A. (BBVA), GBI's policies and procedures for establishing and maintaining adequate internal control over financial reporting are broadly in line with those applied by Garanti BBVA, the parent and BBVA, the ultimate parent.

GBI's internal control over financial reporting is a process designed under the supervision of management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of GBI's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with the authorizations of our management and directors and;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, and any use or disposition of our assets that could have a material effect on our financial statements.

Managing Board Composition

GBI aims to have an adequate and balanced composition of its Managing Board. Thereto, annually, the Supervisory Board assesses the composition of the Managing Board. In the context of such assessment, GBI aims to achieve a gender balance in the Managing Board, with the aim that at least 30 percent of the members would be men and at least 30 percent of the members would be women. However, since GBI needs to balance several other relevant selection criteria when

composing its Managing Board, the composition of the Managing Board did not align with the gender balance goal in 2024. GBI will continue to strive for an adequate and balanced composition of the Managing Board in future appointments, by considering all relevant selection criteria including but not limited to gender balance, executive experience, experience in corporate governance of large stock-listed companies and experience in the political and social environment.

INFORMATION ON MEMBERS OF THE MANAGING BOARD

The Managing Board comprises the following members:

Name	Year of Birth	Position	Member since
Mr. S.E. Zeyneloğlu	1967	Chief Executive Officer	2015
Mr. Ö. Şişman	1977	Chief Financial Officer	2015
Mr. M. Witteveen	1960	Chief Operations Officer	2016
Mr. C.B. Mutlu	1968	Chief Risk Officer	2018

The full profile of the Managing Board can be found in the Charter Governing the Managing Board, which is published on GBI's websites www.garantibank.eu, www.garantibank.nl and www.garantibank.de.

Supervisory Board Composition

GBI needs to balance several relevant selection criteria when composing the Supervisory Board. We strive for an adequate and balanced composition, by taking into account all relevant selection criteria including, but not limited to; experience in banking, gender balance, executive experience, experience in corporate governance, and experience in the political and social environment.

The Supervisory Board assesses its composition annually (20 percent women as of December 2024). In the context of such assessment, GBI aims to have a gender balance in its Supervisory Board of at least 30 percent men and at least 30 percent women.

INFORMATION ON MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board currently consists of five members whose combined experience and technical knowledge are suitable for the international and specialized nature of GBI's businesses from commercial, economic, financial and risk management points of view. The full profile of the Supervisory Board can be found in the Charter Governing the Supervisory Board, which is published on GBI's websites www.garantibank.eu, www.garantibank.nl and www.garantibank.de.

In 2024 following changes were made to the composition of the Supervisory Board:

The Supervisory Board comprises the following members:

Name	Year of Birth	Position	Member since	End of Term
Mr. M. Akten	1974	Chair	2024	2028
Mr. A. Düren	1968	Vice Chair	2017	2025
Mr. M. Halverhout	1961	Member	2021	2025
Mr. J.H. Boyles III	1961	Member	2023	2027
Mr. M. Talayhan	1961	Member	2024	2028

Mr. R. Baştuğ resigned in September 2024 from his roles as a member and Chair of the Supervisory Board and member of the Remuneration Committee of the Supervisory Board. Following the resignation of Mr. R. Baştuğ, and subsequent to the regulatory approval, Mr. M. Akten was appointed as Chair of the Supervisory Board and member of the Remuneration Committee of the Supervisory Board as of November 2024 for a term of four years.

Subsequent to the regulatory approval, Mr. M. Talayhan was appointed to the seat vacated by Mr. J.H. de Roo, as a Member of Supervisory Board and Chair of Risk Committee of the Supervisory Board as of July 2024 for a term of four years.

Future-Oriented Banking

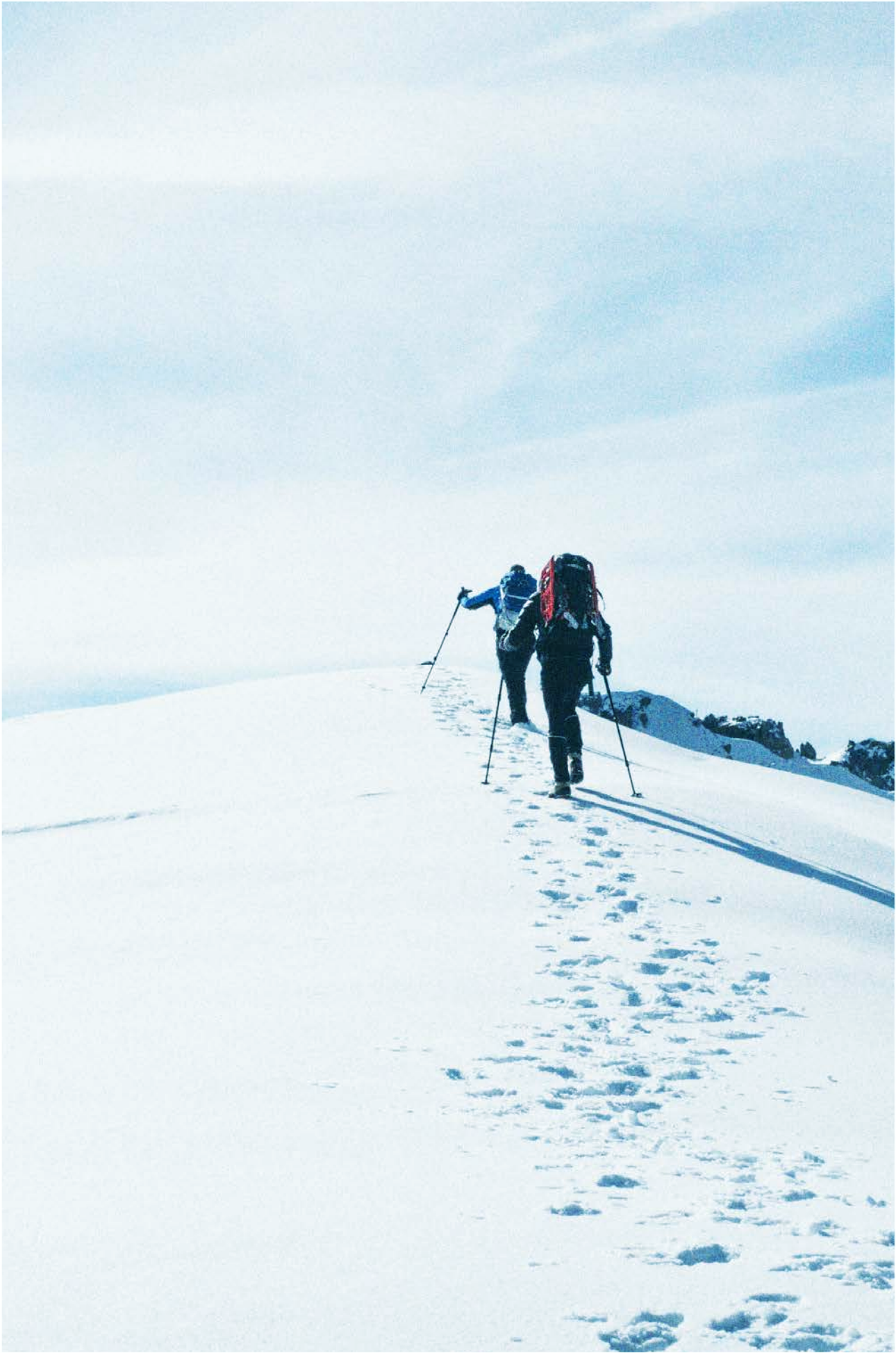
GBI applies the principles of Future-Oriented Banking by embedding the assumptions of the Social Charter, the Dutch Banking Code and the Rules of Conduct associated with the banker’s oath in its Code of Conduct and by embedding the principles of the updated Dutch Banking Code in the governance structure.

During 2024, GBI complied with the principles of the Dutch Banking Code. When applying the principles of the Dutch Banking Code, GBI considered its entire operational environment. GBI complies with all the Banking Code topics (unless otherwise stated): Supervisory Board, Executive Board, Risk Management, Audit and Remuneration Policy.

All employees must comply with the self-regulations that apply within GBI. The Managing Board and Supervisory Board are responsible for ensuring as such with due regard for each other’s duties and powers.

Amsterdam, 28 February 2025

The Managing Board
Mr. S.E. Zeyneloğlu, Chief Executive Officer
Mr. M.Ö. Şişman
Mr. M.J. Witteveen
Mr. C.B. Mutlu



Report of the Supervisory Board

Financial Statements ⁴⁴

Financial Statements And
Proposed Dividend ⁴⁴

Supervisory Board Meetings ⁴⁴

Moral And Ethical ⁴⁸
Conduct Declaration

Financial Statements

The financial statements were drawn up by the Managing Board and were audited in accordance with Article 27, paragraph 1 of the Articles of Association by EY Accountants B.V. (E&Y). In compliance with the provisions of the Articles of Association of GarantiBank International N.V. (GBI, the Bank), the Supervisory Board has reviewed the Annual Report and approved the financial statements of the year 2024. In accordance with Article 29 of the Articles of Association, the Supervisory Board advises and proposes that the shareholder adopts the 2024 financial statements at the next Annual General Meeting of Shareholders to be held in 2025.

The Supervisory Board also recommends that the Annual General Meeting of Shareholders discharge the members of the Managing Board and the Supervisory Board from their respective management and supervisory duties related to the financial year of 2024.

Financial Statements And Proposed Dividend

The Supervisory Board has voted to adopt the Managing Board’s proposal to transfer the net profit of 2024, which totals €100.7 million, to the other reserves rather than paying a dividend.

Supervisory Board Meetings

The Supervisory Board met on five occasions during the reporting period, and a quorum of members of the Supervisory Board was present at all meetings. In the meetings, the current business developments and performance of GBI were discussed thoroughly and considerable time was devoted to reviewing the Bank’s strategy, current and future economic challenges, intensified supervision, compliance with compounded international and national regulations, actions to address the expectations of De Nederlandsche Bank (DNB), correspondence with regulators, including the DNB, the Autoriteit Financiële Markten (AFM) and the European Central Bank (ECB) and Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); continuous focus on a prudent and proactive credit risk management, the Risk Appetite, and the review and approval of various policies related to the group alignment process with BBVA and the preservation of good relations with our stakeholders.

The 2023 annual figures and all related reports were assessed in the presence of our external auditor during the Supervisory Board meeting held on 28 February 2024. The Supervisory Board has EY Accountants B.V.’s external audit plan. Subsequently the independence of the external auditor has been confirmed for 2024. The Managing Board’s presentation incorporated the key developments around the implementation of the strategy, the financial impact of macroeconomic forecasts with regards to the provisions of IFRS 9 and the outcomes of loan portfolio reviews. The CFO and CRO attended all meetings and presented financial and risk management issues. The COO presented the implementation of the IT strategy, and the Supervisory Board discussed the steps required to realize our digital vision and elaborated on the outsourcing initiatives. Compliance-related updates were discussed at all meetings. The Bank’s business plan for expansion in the Dutch residential mortgage market has been discussed and the Supervisory Board has closely

followed-up the activities on Sustainability including GBI’s ESG roadmap. During the year, the chair of the Supervisory Board maintained close contact with the CEO, in addition to attending regular meetings of the Supervisory Board.

SUPERVISORY BOARD SUBCOMMITTEE MEETINGS

While retaining overall responsibility, the Supervisory Board assigns certain tasks to three permanent committees as listed below and further outlined in the Supervisory Board Charter:

- Audit and Compliance Committee
- Risk Committee
- Remuneration Committee.

AUDIT AND COMPLIANCE COMMITTEE

MEMBERS: Ms. M. Halverhout, Chair, and Mr. A. Düren

In 2024, the Audit and Compliance Committee of the Supervisory Board (ACSB) met five times. The Audit and Compliance Committee assists the Supervisory Board in supervising the activities of the Managing Board with respect to: (a) the quality and effectiveness of the internal risk management and controls systems of the Bank, including supervision of the enforcement of relevant laws and regulations and operation of the Codes of Conduct, whistleblower regulations and corporate governance framework; (b) overseeing the quality and efficiency of the financial reporting processes; (c) submitting proposals for the selection, appointment, re-election and replacement of the external auditor; (d) ensuring that the internal audit and compliance functions can complete their responsibilities in an independent manner; (e) internal audit and compliance activities, findings, reports and acting as the ultimate reporting authority for the internal audit and compliance departments; (f) ensuring that the recommendations of the internal and external auditors and any deficiencies identified are remedied within the appropriate time frames; (g) overseeing external auditor independence and fees.

Throughout 2024, the Audit and Compliance Committee has been, and will continue to be overseeing GBI’s business conduct. The committee has focused on maintaining a strong control environment for integrity risks, particularly as the business continues to expand. In addition, ongoing attention has been paid to the outcomes of examinations by supervisory authorities, the tightening of sanctions regulations, AML efforts, and the continuous education of employees. Regular updates on the progress of the Systematic Integrity Risk Analysis (SIRA) have been provided to the Supervisory Board, ensuring continued commitment to

meeting evolving regulatory requirements.

Cybersecurity, AML & TF and non-financial risks have been prioritized as a result of the risk assessment, which is based on a broad risk analysis of the Bank’s processes, taking into account the possible risks that may occur and the current controls in place to mitigate those risks, ensuring a comprehensive evaluation of the Bank’s operational resilience and regulatory compliance. The Committee has discussed the external audit plan for 2024 and assessed the independence of the external auditor through the Group. The Committee discussed the report of the external auditor regarding the audit of the 2023 financial statements, including the management letter observations.

RISK COMMITTEE

MEMBERS: Mr. M. Talayhan, Chair, and Mr. A. Düren

The Risk Committee of the Supervisory Board met six times in 2024 The Risk Committee assists the Supervisory Board with its responsibilities related to the supervision of the Managing Board’s activities with respect to the review and assessment, as appropriate, of risk management policies, practices and processes through the establishment and maintenance of an effective risk management framework, including the corporate risk policies for each risk type. It also advises the Supervisory Board regarding the adoption of said policies and analyzes and assesses the control and management policies of the GBI’s different risks and information and internal control systems, including the Risk Appetite Statement, together with other Risk Appetite Framework metrics of GBI, ICAAP and ILAAP. The Committee manages an agenda on all material risk areas requiring Supervisory Board approval concerning proposals and recommendations, as per an initiative led by the Managing Board or the Supervisory Board.

The Risk Committee monitors and periodically assesses the effectiveness of GBI’s risk governance. In this capacity, the Risk Committee reviewed the Risk Appetite Statement and various Management Policies, such as the Credit Policies, Market Risk Policy, Liquidity Risk Policies, Interest Rate Risk Policy, Operational Risk Policies, Concentration Policies and Investment Policy, and submitted its recommendations to the Supervisory Board for approval. The Risk Committee also discusses DNB and ECB correspondences, such as the SREP letter, and ensures that the findings are addressed adequately. It also reviews and approves the Bank’s Pillar 3 Disclosures before publication.

The major developments in the jurisdictions relevant to GBI’s business model have been regular discussion points. The bank failures in US and Europe, the heightened interest rate risk as a result of FED and

ECB's continued interest rate changes, the composition of GBI's funding both from retail and non-retail depositors, revisions to the management limits and GBI's Dutch mortgage initiative have been specific points of attention throughout the year. The Committee has received detailed information relating to these developments and provided feedback to the Managing Board regarding, among other issues, credit risk issues and business model.

REMUNERATION COMMITTEE

MEMBERS: Mr. J.H. Boyles, Chair,
and Mr. A. Duren as the proxy
of Mr. M. Akten

The Remuneration Committee of the Supervisory Board convened five times in 2024. Its primary role is to assist the Supervisory Board in overseeing the activities of the Managing Board concerning:

(a) the development, implementation, and approval of a long-term remuneration policy aligned with the Bank's strategy, risk appetite, objectives, and values, while considering the Bank's long-term interests, the international context, and broader societal expectations;

(b) the employment terms, conditions, and remuneration of Managing Board members, including oversight of performance targets for individual members and the Board as a whole; and

(c) the design, approval, and evaluation of the remuneration policy for Identified Staff and senior management.

During its meetings, the Committee addressed various personnel-related topics, including:

- Strategic workforce planning to attract, develop, and retain high-performing talent through leadership and merit, supported by a proactive and personalized employee experience;
- Diversity and inclusion, succession planning, strategic priorities, and global mobility;
- Employee engagement initiatives, sponsorship programs, learning and development cycles, and sustainability-focused efforts;
- The hybrid working model and associated adjustments;
- Personnel budgeting, including remuneration packages for Managing Board members, fixed salaries, and variable remuneration for Identified Staff.

Proposals were reviewed and approved including remuneration packages comprising fixed and variable components, training budgets, pension plans, and promotions. The Committee also reviewed and updated the Remuneration Policy, presenting proposed revisions to the Supervisory Board.

GOVERNANCE

Effective corporate governance in accordance with high international standards is fundamental for GBI. The Supervisory Board will ensure responsible, value-driven management and control of GBI through strong corporate governance. This has five key elements:

- Good relations with all stakeholders
- Effective cooperation between the Managing Board and the Supervisory Board
- Sound remuneration policy for all staff
- Transparent reporting system
- Checks and balances
- Sound and ethical operations in accordance with GBI's mission, strategy and objectives.

The Charter Governing the Supervisory Board contains the Supervisory Board Principles of the Dutch Banking Code. The content of this charter is taken from the Articles of Association, Dutch legislation, Capital Requirements Directive and the respective EU directives, EBA guidelines on internal governance and the Dutch Banking Code. The charter concerns the roles and responsibilities of the Supervisory Board, the supervision of the activities of the Managing Board, and the composition and structure of the Supervisory Board. This includes (re)appointment, rotation plans, retirement, meeting schedules, adoption of resolutions, conflicts of interest, and permanent education. The charter describes the different committees of the board, the cooperation with the Managing Board and includes a Supervisory Board profile. Additionally, the individual personal details of each board member are described. GBI meets the requirements that the Supervisory Board is composed in such a way that it can perform its tasks properly, ensuring that the competence, experience and independence requirements of the members are met. The governance of the Supervisory Board complies with the principles of the Dutch Banking Code.

The annual self-evaluation form for the past year has been circulated in line with the requirements prescribed by the Dutch Banking Code and has been discussed accordingly.



Moral And Ethical Conduct Declaration

The members of the Managing Board have signed the moral and ethical conduct declaration. By this declaration, the members declare to perform their duties as bankers with integrity and care, and that they will prioritize the customers' interests in accordance with the Dutch Banking Code and the principles of Future Oriented Banking. The moral and ethical conduct declaration is published on GBI's website www.garantibank.eu. Furthermore, as per the rules of conduct established by the NVB, all GBI personnel, the Supervisory Board members and the Managing Board members have taken the Banker's Oath.

PERMANENT EDUCATION

GBI annually organizes a permanent education program for the members of the Managing Board and the Supervisory Board, as required by the Dutch Banking Code. Each year, a subject is explored in the form of a workshop. GBI has organized online training sessions on relevant topics for Supervisory Board and Managing Board members to support their permanent education program.

RISK MANAGEMENT

As a financial institution, GBI is exposed to a variety of risks. To ensure measured risk-taking, we have integrated risk management into our daily activities and strategic planning. The Risk Management department assists with the formulation of its risk appetite, risk strategy and policies, and provides an overview, supervision and support function with regards to risk-related issues.

Risk management is frequently addressed in Supervisory Board meetings and in the meetings of the Supervisory Board's Risk Committee. Our risk appetite is discussed yearly and approved by the Supervisory Board. The Supervisory Board supervises the risk policy applied by the Managing Board, and as part of its supervision, discusses the GBI's risk profile and assesses at a strategic level whether the capital allocation and liquidity position of GBI and its operations are in line with our approved risk appetite. In the performance of this supervisory role, the Supervisory Board is advised by its Risk Committee. GBI's Managing Board has also established a Risk Management Committee, which supervises all risk management activities at the Bank. The Committee includes several members of the Managing Board.

The risk management principles of the Dutch Banking Code are met. Our risk policy is characterized by its comprehensive approach. It is transparent and has both a short-term and long-term focus, taking into account reputational and non-financial risks. Detailed disclosures on GBI's risk management practices can be found in the Report on Capital Adequacy and Risk Management, which is published on GBI's website www.garantibank.eu.

OPERATIONAL RISK ADMISSION AND PRODUCT GOVERNANCE PROCESS

The governance around the new business, product, service or outsourcing initiative is explained in the Operational Risk Admission and Product Governance (ORA&PG) Policy, which is approved by the Supervisory Board. The ORA&PG Policy covers the entire process, from the initial proposal to the approval of the business or product according to the assessment and approval processes.

New products and services that will go through the ORA&PG shall not be introduced to the market or distributed to various channels without prior careful examination of the risks for GBI and the client, and not without the approval of the ORA&PG Committee. The ORA & PG Committee, which consists of the Managing Board members and related Management Team members, is the ultimate body to approve or reject the introduction of a new product or a service. New business going through the ORA&PG process will be further escalated to the Supervisory Board for final approval.

INTERNAL AUDIT

GBI assumes all related Dutch and EU regulations including the Dutch Banking Code, the guidelines of the Basel Committee on Banking Supervision and the Institute of Internal Auditors regarding the Internal Audit function, which is formed as an independent, objective assurance and consulting activity designed to add value and improve the operations of the organization. An independent audit function directly reports to the Audit and Compliance Committee of the Supervisory Board. The chief audit executive is always present in meetings held by the Audit and Compliance Committee of the Supervisory Board. Furthermore, the external auditor sometimes takes part in the Audit and Compliance Committee meetings.

REMUNERATION

GBI has implemented a meticulous, restrained and long-term remuneration policy in line with our strategy and risk appetite. The policy focuses on ensuring sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these goals to the employees;
- including both financial and non-financial goals in performance and result assessments, and;
- making fixed salaries the main remuneration component.

The policy reflects GBI's objectives for good corporate governance and meets the requirements established in DNB's Guidelines on Controlled Remuneration Policy and the Dutch Banking Code, except for one item which has been neutralized by applying the proportionality principle. GBI will not meet the bonus share part of the guidelines as employees of GBI are not rewarded with shares of GBI.

GBI is following the Group policy on Annual Variable Compensation for certain identified staff members. This policy stipulates how the variable remuneration granted under the GBI remuneration policy to those identified staff members should be treated. For 2024, 60 percent of the annual variable compensation, as shares or as cash, will be paid in 2025 and the remaining 40 percent will be deferred over a period of four years, latest payable, if applicable, in 2029. Amounts deferred from the 2024 annual variable remuneration, both in cash and in BBVA shares, will be subject to multi-year performance indicators during the deferral period.

Once a year, the Remuneration Committee monitors compliance with the remuneration policy. The Remuneration Committee submits any policy adjustments for review to the Supervisory Board and for adoption to the Annual General Meeting of Shareholders. A description of the composition, duties and authority of the Remuneration Committee is defined in the remuneration policy and the Charter of the Supervisory Board. In 2024, one of the Managing Board members received an annual remuneration of more than EUR 1 million. The annual amount of variable remuneration paid out to natural persons amounts to EUR 2.194 million in 2024, which includes the deferred payments of the previous performance years amounting to EUR 0.235 million. As of 2024, one GBI employee was identified who met the quantitative criteria of the Group policy on annual variable compensation.

The Supervisory Board would like to thank the members of the Managing Board and all staff for their hard work and appreciate their strong commitment to the Bank in delivering a strong performance in 2024.

Amsterdam, 28 February 2025

The Supervisory Board
Mr. M. Akten (Chair)
Mr. A. Düren (Vice Chair)
Ms. M. Halverhout
Mr. J.H. Boyles III
Mr. M. Talayhan

Contact Information

HEAD OFFICE

Keizersgracht 569-575
1017 DR Amsterdam
The Netherlands
Telephone: + 31 20 553 9700
Facsimile: + 31 20 624 2466
SWIFT: UGBINL2A
www.garantibank.eu
info@garantibank.eu

DÜSSELDORF BRANCH

Tersteegenstrasse 2840474
Düsseldorf Germany
Telephone: + 49 211 86 222 400
Facsimile: + 49 211 86 222 350
Swift: UGBIDEDD
www.garantibank.de
info@garantibank.de

REPRESENTATIVE OFFICES

Türkiye Representative Office

Ms. Fulya Göyenç
Representative & Executive Director
Nispetiye Mah. Aytar Cad.
No: 2, Kat: 4
34340 Levent/Besiktas, Istanbul, Türkiye
IstanbulRepOffice@garantibank.eu

Switzerland Representative Office

Ms. Şirin Yüce Giess
Representative
5 rue de la Confédération
Geneva, 1204, Switzerland
Telephone: + 41 22 591 18 92
Facsimile: + 41 22 591 18 99
GenevaRepOffice@garantibank.eu

The image features a dark blue background with a complex, three-dimensional geometric pattern. This pattern is composed of several thick, light blue lines that intersect at various angles, creating a series of interconnected rectangular and polygonal frames. The lines have a slight 3D effect with subtle gradients and shadows, giving the impression of a wireframe or a structural framework. In the center of this geometric composition, the text "garantibank.eu" is displayed in a clean, white, sans-serif font.

garantibank.eu

Financial Statements 2024

GarantiBank International N.V.

Content of Financial Statements

Financial Statements	55
Statement of Financial Position	55
Statement of Comprehensive Income	56
Statement of Changes in Equity	58
Statement of Cash flows	60
Notes to the financial statements	61
Reporting entity	61
Authorisation of the financial statements	61
Basis of preparation	61
Use of estimates and judgements	61
Change in accounting policies	63
New and revised IFRSs in issue but not yet effective	64
Material Accounting Policies	64
Notes to the statement of financial position and statement of comprehensive income	79
Risk Management	100
Introduction	100
Credit Risk	102
Market risk	120
Liquidity and Funding Risk	131
Country by country reporting	136
Subsequent Events	136

Financial Statements

Statement of Financial Position

As at 31 December 2024

	Notes	31 December 2024	31 December 2023
Assets			
Cash and balances with central banks	3	3,316,013	2,254,639
Loans and advances to banks	4	660,483	405,051
Financial assets at fair value through profit or loss			
- Trading derivatives	38	382	2,068
- Non-trading derivatives	38	26,698	4,401
Financial assets at fair value through other comprehensive income	6	703,412	430,001
Loans and advances to customers	5	3,490,869	2,651,006
Property and equipment	7	30,235	25,027
Intangible assets	8	9,387	7,522
Current tax asset	12	1,853	-
Other assets	9	4,305	2,830
Total Assets		8,243,637	5,782,545
Liabilities			
Deposits from banks	10	365,517	287,495
Deposits from customers	11	6,936,216	4,685,907
Financial liabilities at fair value through profit or loss			
- Trading derivatives	38	337	1,746
- Non-trading derivatives	38	34,968	7,163
Current tax liability	12	-	19,199
Deferred tax liability	12	3,661	2,440
Other liabilities	13	40,019	23,416
Total Liabilities		7,380,718	5,027,366
Equity			
Share capital	14	136,836	136,836
Retained earnings	14	712,556	611,557
Other reserves	14	13,527	6,786
Total Equity attributable to owners of the Bank		862,919	755,179
Total Liabilities and Equity		8,243,637	5,782,545
Commitments and Contingencies	16	904,192	806,177

Statement of Comprehensive Income

For the Year Ended 31 December 2024

	Notes	2024	2023
Statement of Income:			
Interest income calculated using the effective interest method	17	450,312	273,474
Other interest and similar income	17	9,439	5,720
Interest expense calculated using the effective interest method	17	(272,238)	(108,315)
Other interest and similar expense	17	(4,542)	(404)
Net interest income		182,971	170,475
Fee and commission income	18	21,698	22,689
Fee and commission expense	18	(7,908)	(5,683)
Net fee and commission income		13,790	17,006
Valuation results and net trading income	19	5,113	3,516
Investment income / (loss)	20	(495)	(156)
Net income/(loss) arising from derecognition of financial assets measured at amortised cost	21	(1,625)	-
Other income	22	2,864	66
Other expenses	22	(3,459)	(2,986)
Total income		199,159	187,921
Expected credit losses on financial instruments	29	(831)	(1,026)
Personnel expenses	24	(38,239)	(32,332)
Depreciation and amortisation	7/8	(2,947)	(2,818)
Other operating expenses	23	(16,658)	(15,108)
Total expenses		(58,675)	(51,284)
Income before tax		140,484	136,637
Income tax expense	12	(39,353)	(35,945)
Net Income		101,131	100,692
Other Comprehensive Income			
<u>Items that will not be reclassified to profit or loss</u>			
<i>Property and equipment</i>			
Revaluation	7	4,503	(2,931)
Tax effect (deferred)		(1,162)	756
Net gain on revaluation of property and equipment		3,341	(2,175)
<u>Items that may subsequently be reclassified to profit or loss:</u>			
<i>Cash flow hedges</i>			
Effective portion of changes in fair value	38	(628)	292
Reclassified to profit or loss	38	(588)	(586)
Tax effect (deferred)		315	76
Net gain on cash flow hedges		(901)	(218)

	Notes	2024	2023
<i>Debt instruments at fair value through other comprehensive income</i>			
Valuation results		5,619	4,795
Tax effect (current)	12	(980)	(1,237)
Tax effect (deferred)	12	(470)	-
Net gain/ (loss) on debt instruments at fair value through other comprehensive income		4,169	3,558
Total other comprehensive income for the year, net of tax attributable to the shareholder		6,609	1,165
Total comprehensive income for the year, net of tax attributable to the shareholder		107,740	101,857

Statement of Changes in Equity

	Notes	Share Capital and Share Premium	Fair value reserve	Hedging Reserve	Other legal reserves	Retained Earnings	Total Equity
Balance as at 1 January 2024		<u>136,836</u>	<u>(3,127)</u>	<u>661</u>	<u>9,252</u>	<u>611,557</u>	<u>755,179</u>
Profit for the year						101,131	101,131
Other comprehensive income							
Net unrealised gains/(losses) on fair value assets portfolio			4,124				4,124
Net gains/(losses) on fair value assets and cash flow hedges transferred to profit or loss							
Foreign currency translation differences on fair value portfolio							
Net fair value gains/(losses) from cash flow hedges				(901)			(901)
Net change in expected credit losses on FVOCI instruments			45				45
Revaluation surplus on building					3,341		3,341
Total comprehensive income			4,169	(901)	3,341	101,131	107,740
Translation differences							
Other movements					132	(132)	
Balances as at 31 December 2024	14	<u>136,836</u>	<u>1,042</u>	<u>(240)</u>	<u>12,725</u>	<u>712,556</u>	<u>862,919</u>

	Notes	Share Capital and Share Premium	Fair value reserve	Hedging Reserve	Other legal reserves	Retained Earnings	Total Equity
Balance as at 1 January 2023		<u>136,836</u>	<u>(6,685)</u>	<u>879</u>	<u>11,082</u>	<u>511,210</u>	<u>653,322</u>
Profit for the year						100,692	100,692
<i>Other comprehensive income</i>							
Net unrealised gains/(losses) on fair value assets portfolio			3,548				3,548
Net gains/(losses) on fair value assets and cash flow hedges transferred to profit or loss							
Foreign currency translation differences on fair value portfolio							
Net fair value gains/(losses) from cash flow hedges				(218)			(218)
Net change in expected credit losses on FVOCI instruments			10				10
Revaluation surplus on building					(2,175)		(2,175)
Total comprehensive income			3,558	(218)	(2,175)	100,692	101,857
Translation differences							
Other movements					345	(345)	
Balances as at 31 December 2023	14	<u>136,836</u>	<u>(3,127)</u>	<u>661</u>	<u>9,252</u>	<u>611,557</u>	<u>755,179</u>

Statement of Cash flows

For the year ended 31 December 2024

	Notes	1 January 2024 - 31 December 2024	1 January 2023 - 31 December 2023
Cash flows from operating activities:			
Profit for the year		101,131	100,692
<i>Adjustments for:</i>			
Depreciation and amortisation	7,8	2,947	2,818
Expected credit losses on financial instruments	29	831	1,026
Tax expense	12	39,353	35,945
		144,262	140,481
<i>Changes in:</i>			
Loans and advances to banks	4	(282,788)	297,821
Financial assets at fair value through profit or loss	38	(21,827)	2,295
Loans and advances to customers	5	(840,695)	(99,093)
Other assets	9	(1,475)	(506)
Deposits from banks	10	65,051	(44,915)
Deposits from customers	11	2,250,309	690,594
Financial liabilities at fair value through profit or loss	38d	26,396	5,158
Other liabilities, accrued expenses and provisions	13	16,603	(86,546)
		1,355,836	905,289
Income taxes paid	12	(61,481)	(24,254)
Net cash from / (used in) operating activities		1,294,355	881,035
Cash flows from investing activities:			
Acquisitions in investment portfolio	6	(557,237)	(333,878)
Proceeds from investment portfolio	6	289,445	129,236
Purchase of tangible and intangible assets	7,8	(5,480)	(4,319)
Net cash from / (used in) investing activities		(273,272)	(208,961)
Effect of exchange rate changes		(1,588)	(1,411)
Net increase / (decrease) in cash and cash equivalents		1,019,495	670,662
Cash and cash equivalents at the beginning of the period	1	2,250,108	1,579,446
Cash and cash equivalents at the end of the period	1	3,269,603	2,250,108
Additional information on operational cash flows from interest			
Interest received		403,879	265,303
Interest paid		226,905	81,136

Notes to the financial statements

Notes to the accounting policies

Reporting entity

GarantiBank International N.V. (hereafter: 'GBI' or 'the Bank') has its statutory seat in Amsterdam, The Netherlands. Its head office is located at Keizersgracht 569-575, 1017 DR Amsterdam, The Netherlands. Its Chamber of Commerce number is 33225009. The Bank also operates a branch in Germany.

The financial information of GBI is included in the financial statements of its parent Türkiye Garanti Bankası A.Ş. (Garanti BBVA), incorporated in Türkiye, and in those of the ultimate parent of the group, Banco Bilbao Vizcaya Argentaria S.A. (BBVA), incorporated in Spain. GBI works in close cooperation with its parent, which owns 100% of the shares of GBI, and with the ultimate parent of the group, which owns 85.97% of the shares of Türkiye Garanti Bankası A.Ş.

GBI is mainly active in international trade finance and corporate lending, as well as in retail banking.

Authorisation of the financial statements

On 28 February 2025, the Managing Board prepared the annual accounts of GBI as at and for the year ended 31 December 2024 and the Supervisory Board adopted a resolution, to propose that the Shareholder adopt the 2024 financial statements at the next Annual General Meeting of Shareholders to be held in 2024.

Basis of preparation

The GBI financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Part 9 of Book 2 of the Dutch Civil Code.

GBI's annual accounts have been prepared on a going concern basis.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Notable areas that involved judgements, estimates and assumptions are:

- Credit risk of financial instruments as disclosed in notes 27 to 32:

Judgement is exercised in determining the extent of the expected credit loss (ECL) for financial assets assessed for impairment both individually and collectively. The ECL for financial assets is based on assumptions about risk of default and expected loss rates. GBI uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the historical observations, existing market conditions as well as forward-looking estimates at the end of each reporting period. Changes in such judgements and analyses may lead to changes in the ECL over time.

Use of estimates and judgements (continued)

The key judgement areas are:

- The criteria for identifying a significant increase in credit risk:

A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk (SICR) since initial recognition. GBI assesses significant increase in credit risk using qualitative and quantitative assessments.

The qualitative assessments require a considerable level of judgement from the credit officers that perform the assessment as well as from the members of the credit committee that review and approve the assessments.

For the quantitative assessment the Bank compares the probability of default occurring at the reporting date with the probability of default occurring at the initial recognition of the financial asset. Internal credit rating models are used for determining the probability of default (PD) of each financial asset. Judgement is used to determine whether the stage allocation thresholds are suitable for statutory reporting purposes and to assess the need for management overlays, if any such judgements are reviewed and approved by related management committees of the Bank.

The process of comparing a financial asset's PD with the PD banding thresholds determines its ECL stage. Assets in Stage 1 are allocated a 12-month ECL, and those in Stage 2 are allocated a lifetime ECL, and the difference is often significant. As such, the assumptions made in setting PD banding thresholds constitute a key source of estimation uncertainty. Analysis of the sensitivity associated with the assessment of significant increase in credit risk is presented in the Risk Management section of this report.

Assumptions used to measure ECL, including the use of forward-looking and macro-economic information for individual and collective ECL assessment:

Individually assessed loans (Stage 2 and 3): Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, three or more scenarios are used. Each scenario is analysed based on the probability of occurrence and includes forward looking information. In determining the scenarios, all relevant factors impacting the future cash flows are taken into account. These include expected developments in credit quality, business and economic forecasts, and estimates about recoveries, including the recoveries from the collaterals (where applicable), taking into account the structure of the financial asset and GBI's restructuring/recovery strategy. The macroeconomic forecast is captured in the estimation, as the expected future macroeconomic situation serves as basis for the cash flows in the scenarios. The management has also chosen to apply haircuts in relation to the valuation of collateral, in order to incorporate any additional uncertainty. For the individual assessment, with granular (company-specific) scenarios, specific factors can have a larger impact on the future cash flows than macroeconomic factors (i.e. for the country as a whole).

Collectively assessed loans (Stages 1 and 2) using ECL models: For the purposes of a collective evaluation of ECL's, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Expected future cash flows in a portfolio of financial assets that are collectively evaluated for ECL's, are estimated on the basis of the contractual cash flows of the assets in the portfolio, GBI's expectations on future economic developments and historical loss experience for assets with credit risk characteristics similar to those in the portfolio. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Use of estimates and judgements (continued)

Given that modelling assumptions and calculation methodologies that prevail in normal times may prove impaired in the current context of extraordinary uncertainty, management assesses the need for overlays based on expert opinion. The outcome of the models reflects forward looking macro-economic information.

- Assessment of a default: in certain cases, judgement is exercised in GBI's evaluation of whether there is objective evidence of impairment (e.g. in relation to assessing 'financial difficulties' of a borrower).
- Fair value measurement of financial instruments:

Even if quoted market prices and observable inputs are available, when markets are less liquid there may be a range of prices and inputs for the same asset from different sources. Selecting the most appropriate price or input requires judgement and could result in different estimates of fair value. Valuation techniques are subjective in nature and, depending on the liquidity of the market and the extent parameters are unobservable, the valuation uncertainty increases, and hence significant judgement is involved in establishing fair values for certain assets and liabilities. Valuation techniques involve various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could produce significantly different estimates of fair value.

Change in accounting policies

The following standards and amendments became effective in 2024:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date and Non-current Liabilities with Covenants
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

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

New and revised IFRSs in issue but not yet effective

Standards endorsed by the EU

The following published standards and amendments are effective for annual periods beginning on or after 1 January 2025 and have been endorsed by the EU and have not been early adopted by GBI.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued in August 2023)

The expected impact of this change on the financial statements is insignificant.

Standards not yet endorsed by the EU

For the following published amendments that have not been endorsed by the EU yet, GBI is in the process of assessing the detailed impact.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued in May 2024)
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (issued in May 2024)
- IFRS 18 Presentation and Disclosure in Financial Statements (issued in April 2024)
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued in December 2024)
- Annual Improvements Volume 11 (issued in July 2024)

New and revised IFRSs in issue but not yet effective (continued)

Standards not yet endorsed by the EU (continued)

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

Material accounting policies

Foreign currency

Transactions in the financial statements of the Bank are recorded in EUR, which is the Bank's functional currency and the presentation currency for the accompanying financial statements. Transactions in foreign currencies are translated into the functional currency of the Bank at exchange rates applicable at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates applicable at date of the statement of financial position with the resulting exchange differences recognized in statement of profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the statement of profit or loss as realized during the period.

Property and equipment and related depreciation and amortisation

At initial recognition, property and equipment (PPE assets) are measured at cost. After initial recognition, the Bank applies the revaluation model for properties and the cost model for all other PPE assets. Accordingly, properties are carried at a revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For all significant properties, a valuation study is performed by independent expertise firms in accordance with the Royal Institution of Chartered Surveyors (RICS) on an annual basis as part of the year-end closing routine to assess the fair value, which is defined as the price received to sell an asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions.

Subsequent expenditure

Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of such assets. All other expenditures are reflected as expense in the statement of income as incurred.

Expenditures for major renewals and improvement of PPE assets are capitalized and depreciated over the remaining useful lives of the related assets.

Material accounting policies (continued)

Property and equipment and related depreciation and amortisation (continued)

Depreciation

The estimated useful lives and depreciation rates of PPE assets are as follows. Depreciation and amortisation method in use is the straight-line method and was not changed in the current period.

<i>PPE Assets</i>	<i>Estimated useful lives (years)</i>	<i>Depreciation Rates (%)</i>
Properties	50	2
Improvement of properties	50	2
Furniture and equipment	5-10	10-20

The estimated useful lives, residual values and depreciation methods are reviewed at least once a year, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets

As per IAS 38, internally generated software should be recognised as intangible assets, if they meet all the below listed criteria:

- The technical feasibility of completing the asset so that it will be available for use,
- Availability of the intention to complete and use the asset,
- The ability to use the asset,
- Clarity in probable future economic benefits to be generated from the asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the asset, and
- The availability to measure reliably the expenditure attributable to the asset during the development phase.

The directly attributable development costs of intangible assets are included in the cost of such assets; however, the research costs are recognised as expense as incurred.

Subsequent expenditure

Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of such assets. All other expenditures are reflected as expense in the statement of income as incurred.

Expenditures for improvements of intangible assets are capitalized and depreciated over the remaining useful lives of the related assets.

Amortisation

The estimated useful lives are between 2 and 10 years and the depreciation rates are between 10% and 50% for intangible assets. Amortisation method in use is the straight-line method and was not changed in the current period.

The estimated useful lives, residual values and amortisation methods are reviewed at least once a year, with the effect of any changes in estimate accounted for on a prospective basis.

Material accounting policies (continued)

Leases

At inception of a contract, the Bank (as lessee) assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

For all leases not being a car lease, the Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component. The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairments, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can not be readily determined, the Bank's incremental borrowing rate.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or reduction is recorded in statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'tangible and intangible assets' and lease liability in 'other liabilities' in the statement of financial position.

Material accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Financial instruments

Recognition and derecognition of financial instruments

Recognition of financial assets

Financial assets are initially recognised in the balance sheet at fair value plus, for an item not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition when the Bank becomes a party to the contractual provisions of the instruments. Debt securities and derivatives are recognised using trade date accounting. Trade date is the date on which the Bank commits to purchase or sell the asset. Loans and advances and repurchase agreements are recognised using settlement date accounting.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. The difference between the carrying amount of a financial asset that has been extinguished and the consideration received is recognised in the statement of profit or loss.

Recognition of financial liabilities

Financial liabilities are initially recognised in the balance sheet at fair value minus transaction costs for an item not measured at fair value through profit or loss when the Bank becomes a party to the contractual provisions of the instrument.

Derecognition of financial liabilities

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished and the consideration paid is recognised in the statement of profit or loss.

Modifications

If the terms of a financial asset are renegotiated or otherwise modified (for example in forbearance measures), the Bank evaluates whether the cash flows of the modified asset are substantially different (in both qualitative and quantitative terms).

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the statement of profit or loss as part of the gain or loss on derecognition.

Material accounting policies (continued)

Financial instruments (continued)

Recognition and derecognition of financial instruments (continued)

Modifications (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms, qualitatively and quantitatively (a 10% difference in the present value of the cash flows) is accounted for as a derecognition of the original financial liability and recognition of a new financial liability. The difference between the former amortised cost and the consideration paid is recognised in the statement of profit or loss. Any subsequent resale is treated as a new issuance.

Classification and measurement

The Bank classifies its financial assets in the following measurement categories:

- fair value (either through other comprehensive income, or through profit or loss), and
- amortised cost.

Debt instruments

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

a) Business models

Business models are classified as either Hold to Collect (HtC), Hold to Collect and Sell (HtC&S) or Other depending on how a portfolio of financial instruments as a whole is managed. GBI's business models are based on the existing management structure of the Bank, and refined based on an analysis of how businesses are evaluated and reported, how their specific business risks are managed and on historic and expected future sales.

Sales are permissible in a HtC business model when these are due to an increase in credit risk, take place close to the maturity date, are insignificant in value (both individually and in aggregate) or are infrequent.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

- b) Assessing whether contractual cash flows are solely payments of principal and interest (SPPI test)

The contractual cash flows of a financial asset are assessed to determine whether they represent SPPI. Interest includes consideration for the time value of money, credit risk and also consideration for liquidity risk and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are SPPI, GBI considers all contractual terms of the instrument.

Depending on the Bank's business model for managing the asset and the cash flow characteristics of the asset (SPPI test), there are three measurement categories into which the Bank classifies its debt instruments:

- *Amortised Cost*: Debt instruments that are held for collection of contractual cash flows under a HtC business model where those cash flows represent SPPI are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the statement of profit or loss. Interest income from these financial assets is included in interest income using the effective interest rate method to the gross carrying amount of a financial asset (before any ECL allowance) except for credit impaired debt instruments, in which case the effective interest rate method is applied to the amortised cost. Expected credit losses are presented as a separate line item in the statement of profit or loss.
- *Fair value through other comprehensive income (FVOCI)*: Debt instruments that are held for collection of contractual cash flows and for selling the financial assets under a HtC&S business model, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of expected credit losses, interest revenue and foreign exchange gains and losses which are recognised in statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss and recognised in other operating income. Interest income from these financial assets is included in interest income using the effective interest rate method to the gross carrying amount of a financial asset (before any ECL allowance) except for credit impaired debt instruments, in which case the amortised cost.
- *Fair value through profit or loss (FVTPL)*: Debt instruments that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument is recognised in the statement of profit or loss and presented on a net basis within investment income in the period in which it arises. Interest income from these financial assets is included in interest income using the effective interest rate method.

Derivatives

Derivative contracts are measured at fair value through profit or loss, except for derivatives that are designated in a cash flow hedge. For those, the effective portion of changes in the fair value is recognized in equity. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets. All trading derivatives in a net payable position (negative fair value) are reported as trading liabilities.

Financial liabilities

Financial liabilities, not being derivatives, are classified and subsequently measured at amortised cost.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Expected credit losses of financial assets

ECL models are applied to on-balance sheet financial assets accounted for at amortised cost and FVOCI such as loans and debt securities as well as off balance instruments including financial guarantees and loan commitments. Under the ECL model GBI calculates the ECL allowance, by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The ECL is the sum of these probability-weighted outcomes and the ECL estimates are unbiased and include supportable information about past events, current conditions, and forecasts of future economic conditions. GBI's approach leverages on the existing credit risk models that are used within the scope of Foundation Internal Ratings Based (F-IRB) models used for the calculation of the regulatory capital requirement. Those credit rating models have been modified to meet the requirements of IFRS 9.

Three stage approach

Financial assets are classified in any of the below 3 Stages at each reporting date. A financial asset can move between stages during its lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

- Stage 1: 12-month ECL: Financial assets that have not had a significant increase in credit risk since initial recognition (i.e. no stage 2 or 3 triggers apply). Assets are classified as stage 1 upon initial recognition (with the exception of purchased or originated credit impaired (POCI) assets) and a provision for ECL is made associated with the probability of default (PD) events occurring during the next 12 months (12 months ECL);
- Stage 2: Lifetime ECL not credit impaired: Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the lifetime ECL representing losses over the life of the financial instrument (lifetime ECL) associated with the probability of default (PD) events occurring during the lifetime; or
- Stage 3: Loans considered as credit impaired, require a provision that is based on lifetime ECL's.

Significant increase in credit risk

A financial asset moves from stage 1 to stage 2 when there is a significant increase in credit risk (SICR) since initial recognition. GBI established a framework which incorporates quantitative and qualitative information to identify this on an asset level applying a relative assessment. Each financial asset is assessed at the reporting date on the triggers for significant deterioration. GBI assesses significant increase in credit risk using:

- Quantitative indicators: change in the lifetime probability of default (both absolute and relative);
- (Re)payment performance: loans with more than 30 days past due at the reporting date
- Forbearance measures taken and the status thereof;
- Qualitative assessment of the performance of the obligor.

The change in lifetime probability of default is one of triggers for movement between stage 1 and stage 2. For exposures originated after 1 January 2018, the trigger compares lifetime probability of default at origination versus lifetime point in time probability of default at reporting date, considering the remaining maturity. For exposures originated before 2018 a comparison is made based on the 'Through the Cycle' PD's (both current and origination) used for regulatory purposes.

Assets can also return to stage 1 if there is sufficient evidence that there has been a significant reduction in credit risk.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Significant increase in credit risk (continued)

Exposures with forbearance measures can be either performing (stage 2) or non-performing (stage 3). The Bank uses specific criteria to move forbore exposures from non-performing to performing and to remove the forbearance statuses that are consistent with the corresponding EBA Guidelines on the management of non-performing and forbore exposures. An exposure is reported as forbore for a minimum of two years. An additional one-year probation period is observed for forbore exposures that move from non-performing back to performing.

Credit impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment includes arrears of over 90 days on any material credit obligation, indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or distressed restructuring.

An asset that is in stage 3 will move back to stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired. The asset will migrate back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly since initial recognition.

Definition of default

GBI has aligned the definition of credit impaired under IFRS 9 (stage 3) with the definition of default for prudential purposes that stems from CRR article 178 on default of an obligor and the related EBA Guidelines thereon (Regulation (EU) No 575/2013). This is also the definition used for internal risk management purposes.

Macroeconomic scenarios

GBI has established a quarterly process whereby forward-looking macroeconomics scenarios and probability weightings are developed for ECL calculation purposes. GBI applies data from its parent company enriched with the internal views. A baseline, up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. As a baseline scenario, GBI applies the market-neutral view combining consensus forecasts for economic variables (e.g. GDP growth). Applying market consensus in the baseline scenario ensures unbiased estimates of the ECL's.

The alternative scenarios are based on observed events in the past. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The scenarios are reviewed on a quarterly basis.

Measurement of ECL

The Bank applies a collective assessment method to measure ECL for performing (stage 1) and under-performing (stage 2) assets, except for assets that are in stage 2 due to qualitative factors. For those assets and all assets in stage 3 an individual assessment method to calculate the ECL.

a) Collectively assessed assets (Stage 1 and 2)

For financial assets that are collectively assessed, GBI applies a model-based approach that calculates ECL in a formula that is expressed simplistically as $PD \times EAD \times LGD$, adjusted for the time value of money. Probability of Default (PD): PDs are assessed on the borrower level and refer to the likelihood that a borrower will default.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Measurement of ECL (continued)

The internal credit risk rating methodology is the basis on which the PD is calculated. The underlying internal rating models used for the corporate portfolio consider, amongst others, customer financial information and qualitative survey factors. As for the mortgage initiative specifically, the Bank decided to take into account external benchmarks as GBI did not have an internal model for the portfolio when the initiative was launched. PDs calculated as the outcome of the rating models are then adjusted by the PD term structure models to estimate the point in time PDs for the respective time period, i.e. 12 months or lifetime.

Loss Given Default (LGD): If a loan default occurs, it represents the expected economic loss on the loan. It is expressed as a percentage. LGD calculations are performed using professional judgement, regulatory benchmarks used in capital requirement calculations and other external benchmarks for collateralized exposures due to the low number of internal historical observations.

Exposure at Default (EAD): For cash loans, the expected outstanding balance at default corresponds to the amount of loan granted as of the reporting date plus expectations about future drawdowns. For commitments and contingencies, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor, which adjusts the potential increase of the exposure between the current date and the default date.

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless there is the legal right to call it earlier.

The ECL's are discounted using:

- the original effective interest rate for cash loans,
- a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to financial guarantee contracts or on loan commitments.

b) Individually assessed assets (stage 2)

For individually significant financial assets that are in stage 2 based on qualitative criteria, GBI estimates the ECL on an individual level at each reporting date and more frequently when circumstances warrant further assessment. Individual provisions are calculated using the discounted expected future cash flow method. To determine expected future cash flows, three or more scenarios are used. Each scenario is analysed based on the probability of occurrence and including forward looking information.

The ECL is calculated as the probability weighted average of the shortfall (gross carrying amount minus discounted expected future cash flow using the original effective interest rate) per scenario. The scenarios are based on the Bank's judgement regarding the magnitude and timing of recoveries. Recoveries can be from different sources including repayment of the loan, additional drawing, collateral recovery, asset sale etc. Cash flows from collateral and other credit enhancements are included in the measurement of the ECL's of the related financial asset when it is part of or integral to the contractual terms of the financial asset and the credit enhancement is not recognised separately. The estimation of future cash flows is subject to significant estimation uncertainty and assumptions.

c) Credit impaired financial assets (stage 3)

GBI estimates individual ECL allowance for credit impaired financial assets within stage 3. Financial assets are assessed for credit-impairment at each reporting date and more frequently when circumstances require further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, a breach of contract, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payment status of the borrower or economic conditions that correlate with defaults.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Measurement of ECL (continued)

For Financial assets that are credit-impaired, the ECL calculation method is identical to the approach for individually assessed assets in stage 2.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ECL allowance.

d) Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired.

These assets are recognised in 'other assets'. The Bank presents a gains or losses on a compensation right in the statement of profit or loss in the line item 'expected credit losses on financial instruments'.

Write-off and debt forgiveness

Loans and the related ECL are written off, either partially or in full, when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. When a loan is uncollectable, it is written off against the related ECL allowance. Subsequent recoveries of amounts previously written off are included in 'expected credit losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Changes in ECL

Changes in ECL are recorded in the statement of profit or loss in the line item expected credit losses on financial instruments.

Material accounting policies (continued)

Financial instruments (continued)

Classification and measurement (continued)

Presentation of ECL allowance

ECL allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the ECL allowance is recognised in OCI, instead of deducting the carrying amount of the asset. The ECL allowances related to off-balance sheet items are recorded under other liabilities.

Financial guarantees

A financial guarantee contract is a contract that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract is recognised at the date that the Bank becomes a party to the irrevocable commitment and is recorded at face value under commitment and contingencies. Income from issued financial guarantees, and expenses for bought financial guarantees, are amortised over the duration of the instruments and classified as "Fee and commission income" and "Fee and commission expense" respectively. The IFRS 9 ECL requirements apply to issued financial guarantee contracts that are not measured at fair value through profit or loss under IFRS 9 (see section expected credit loss on financial assets in this chapter).

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 that are subject to an insignificant risk of changes in their fair value and are readily available for use by GBI in the management of its short-term commitments.

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

Fair values of financial assets and liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It uses the assumptions that market participants would use and takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability. Fair values of financial assets and liabilities are based on unadjusted quoted market prices where available. Such quoted market prices are primarily obtained from exchange prices for listed financial instruments. Where an exchange price is not available, quoted prices in an active market may be obtained from independent market vendors, brokers, or market makers.

For certain financial assets and liabilities quoted market prices are not available. For these financial assets and liabilities, fair value is determined using valuation techniques. These valuation techniques range from discounting of cash flows to various valuation models, where relevant pricing factors including the market price of underlying reference instruments, market parameters (volatilities, correlations and credit ratings), and customer behavior are taken into account. GBI maximises the use of market observable inputs and minimises the use of unobservable inputs in determining the fair value.

Material accounting policies (continued)

Derivatives held for risk management purposes

As permitted by IFRS 9 paragraph 7.2.21, the Bank has elected to continue applying the requirements of IAS 39 instead of applying the hedge accounting requirements of IFRS 9.

Derivatives held for risk management purposes are measured at fair value in the statement of financial position. The treatment for the changes in their fair value depends on their classification into the following categories:

Cash flow hedge

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect the income, the effective portion of changes in the fair value of the derivative are recognized directly in other comprehensive income and presented in hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects the income. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in other comprehensive income is recognized immediately in the statement of profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the statement of profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to income from that date.

Repurchase and resale agreements over investments

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

Income and expenses arising from the repurchase and resale agreements over investments are recognized on an accrual basis over the period of the transactions and are included in interest income or expense.

Material accounting policies (continued)

Taxes on income

Taxes on income for the period comprise current taxes and deferred taxes. Current taxes on income comprises tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment in taxes payable for previous years.

Deferred income tax is provided, using the statement of financial position 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 liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of temporary differences will flow to or from the Bank. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Currently, enacted tax rates are used to determine deferred taxes on income.

The Bank offsets deferred tax assets and deferred tax liabilities if the Bank has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred taxes related to fair value remeasurement of financial assets measured at fair value through other comprehensive income and cash flow hedges, are charged or credited directly to OCI and subsequently recognized in the statement of profit or loss together with the deferred gains or losses that are realized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position if, and only if there is a legally enforceable right to set off the amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses from a group of similar transactions.

Impairment of non-financial assets

Non-financial assets are reviewed at each date of the statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

Income and expense recognition

Interest income and expense

Interest income and expense is recognized on an accrual basis by taking into account the effective interest of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fees received from the syndication loans purchased in the secondary markets or entered into in the primary markets are recorded as interest income as these are an integral part of the effective interest.

Fees for the loans that are paid by GBI is recorded as interest expense as these are an integral part of the effective interest.

Material accounting policies (continued)

Income and expense recognition (continued)

Fee and commission

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

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

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

Valuation results and net trading income

Valuation results and net trading income includes gains and losses arising from derivatives and investments that are recorded at fair value through profit or loss.

Investment income

Investment income includes gains and losses arising from sales of investments that are recorded at fair value through other comprehensive income.

Employee benefits

A description of the most material accounting policies relating to post-employment and other employee benefit commitments assumed by the employees in the Netherlands and the majority of staff employed outside the Netherlands is provided below.

Short-term employee benefits

Benefits for current active employees which are accrued and settled during the year and for which a provision is not required in the entity's accounts. These include wages and salaries, social security charges and other personnel expenses.

Costs are charged and recognized under the heading "Personnel expenses of the statement of profit or loss.

Post-employment benefits – Defined-contribution plans

Pension plans have been established for the employees in the Netherlands and the majority of staff employed outside the Netherlands in accordance with the regulations and practices of the relevant countries. Third parties, mostly insurance companies, administer and execute these plans. GBI has no further payment obligations once the contributions have been paid.

The contributions made to these plans are charged and recognized under the heading "Personnel expenses of the statement of profit or loss.

Cash flow statement

The statement of cash flows is prepared in accordance with the indirect method, classifying cash flows as cash flows from operating, investing and financing activities. In the net cash flow from operating activities, the result before tax is adjusted for those items in the statement of profit or loss and changes in items per the statement of financial position, which do not result in actual cash flows during the year. For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with central banks, treasury bills and other eligible bills, amounts due from other banks, and deposits from banks. Investments qualify as a cash equivalent if they are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Material accounting policies (continued)

Cash flow statement (continued)

Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows.

The difference between the net cash flow in accordance with the statement of cash flows and the change in Cash and cash equivalents in the statement of financial position is due to exchange rate differences and is accounted for separately as part of the reconciliation of the net cash flow and the change in Cash and cash equivalents in the statement of financial position.

Notes to the statement of financial position and statement of comprehensive income

1. Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, loans and advances to banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as of 31 December 2024 and 2023, included in the accompanying statements of cash flows are as follows:

	31 December 2024	31 December 2023
Unrestricted balances with central banks	3,254,812	2,215,644
Loans and advances to banks	41,211	47,912
Deposits from banks	(26,420)	(13,448)
	3,269,603	2,250,108

2. Related party disclosures

For the purpose of this report, the 100 percent shareholder Türkiye Garanti Bankası A.Ş. (GBI's parent company), its controlling shareholder Banco Bilbao Vizcaya Argentaria S.A and all their subsidiaries and key management personnel (being the members of the Supervisory Board and Managing Board of GBI, Garanti BBVA or BBVA) are referred to as related parties. In the course of conducting its banking business, the Bank engaged in various business transactions with its parent and other related parties. These transactions were carried out on commercial terms and at market rates. Transactions conducted with group companies are banking transactions including lending, borrowing funds, purchase and sale of financial assets, trade finance transactions and rendering international payment, derivative transactions and other banking services.

The Bank had the following balances outstanding from and transactions with related parties.

	Parent	Other Related Party	Key Management
31 December 2024			
Assets	25,950	103,154	5,649
Liabilities	17,043	518,318	5,695
Loan commitments, financial guarantees and other commitments received	2,311	-	-
2024			
Income received	3,857	33,493	489
Expense paid	(1,927)	(6,393)	(194)
31 December 2023			
Assets	62,562	40,466	4,435
Liabilities	9,458	2,836	7,715
Loan commitments, financial guarantees and other commitments received	-	-	-
2023			
Income received	4,779	823	257
Expense paid	(2,902)	(44)	(282)

The Bank has sold certain receivables measured at amortised cost to a related party. The details of the transaction is disclosed in note 21.

Key management personnel compensation comprises the remuneration of the Supervisory Board and Managing Board, which is disclosed in note 25.

3. Cash and balances with central banks

	31 December 2024	31 December 2023
Balances with central banks	3,316,480	2,254,735
	3,316,480	2,254,735
ECL allowance	(467)	(96)
	3,316,013	2,254,639

Cash and balances with central banks include cash on hand and all legal tenders, as well as demand deposits held at the central banks in countries in which GBI's Head Office and its branch are located. Information about the ECL allowance of cash and balances with central banks, their credit quality and the company's exposure to credit risk can be found in the Risk Management section under Credit Risk.

4. Loans and advances to banks

Classification of financial assets as loans and advances to banks

Loans and advances to banks are recorded at amortised cost and include the following financial instruments:

	31 December 2024	31 December 2023
Discounts to banks	561,804	351,922
Bank placements (cash margins, deposits)	97,671	56,009
Reverse sale-and-repurchase agreements	2,733	-
ECL allowance	(1,725)	(2,880)
Net loans and advances to banks	660,483	405,051

The Bank placements include EUR 41,211 (2023: EUR 47,912) of on-demand deposits.

Expected credit loss and risk exposure

Information about the ECL allowance of loans and advances to banks, their credit quality and the company's exposure to credit risk can be found in the Risk Management section under Credit Risk.

Total loans and advances to banks includes non-cash loans amounting to EUR 18,482 (31 December 2023: None) for letter of credits that the Bank has provided (note 13), for which a contractual obligation exists to deliver cash.

5. **Loans and advances to customers**

Classification of financial assets as loans and advances to customers

Outstanding loans and advances to customers are recorded at amortised cost and are categorised as follows:

	31 December 2024	31 December 2023
Non-financial corporations	2,917,656	2,415,706
Non-bank financial corporations	308,455	220,138
Government and official institutions	112,648	12,545
Households	110,411	23,085
Residential mortgages	61,490	-
ECL allowance	(19,791)	(20,468)
	3,490,869	2,651,006
Non-credit-impaired loans	3,488,115	2,644,403
Credit-impaired loans	22,545	27,071
ECL allowance	(19,791)	(20,468)
	3,490,869	2,651,006

Expected credit loss and risk exposure

Information about the ECL allowance of loans and advances to customers, their credit quality and the company's exposure to credit risk can be found in the Risk Management section under Credit Risk.

Total loans and advances to customers includes non-cash loans amounting to EUR 10,731 (31 December 2023: EUR 1,218) for letter of credits that the Bank has provided (note 13), for which a contractual obligation exists to deliver cash.

Write-offs

The Bank may write-off financial assets that might still be subject to enforcement activity. The Bank has written off financial assets amounting to EUR 2,699 which are still subject to enforcement activity during the year ended 31 December 2024 (During the year ended 31 December 2023: nil). This includes amounts that are written off as a result of disposals as well as amounts that are owed in full by the Bank but which have been (partially) written-off due to no reasonable expectation of full recovery.

6. **Financial investments at fair value through other comprehensive income**

Financial instruments at fair value through other comprehensive income (FVOCI) comprise the following investments in listed bonds having solely payments of principal and interest:

	31 December 2024	31 December 2023
Bonds issued by financial corporations	81,416	48,348
Bonds issued by non-financial corporations	50,992	53,726
Bonds issued by central governments	571,004	327,927
	703,412	430,001

Upon disposal of these debt investments, any balance within the OCI reserve for these debt investments is reclassified to the statement of profit or loss.

Debt securities include securities pledged in relation to ECB's targeted longer term refinancing operation. Further information is disclosed in note 10 on deposits from banks and note 40 on asset encumbrance.

7. *Property and equipment*

Movement in tangible assets from 1 January to 31 December 2024 is as follows:

	1 January	Additions	Revaluation	Disposals and transfers	31 December
<i>Cost or valuation</i>					
Land and building	24,173	669	4,503	(445)	28,900
Right of use building	1,200	533	-	(72)	1,661
Furniture and equipment	4,247	114	-	(5)	4,356
Right of use equipment	462	179	-	(46)	595
	30,082	1,495	4,503	(568)	35,512
<i>Less: Accumulated depreciation</i>					
Land and building	(74)	(371)	-	445	-
Right of use building	(1,091)	(155)	-	75	(1,171)
Furniture and equipment	(3,586)	(234)	-	5	(3,815)
Right of use equipment	(304)	(67)	-	80	(291)
	(5,055)	(827)	-	605	(5,277)
	25,027	668	4,503	37	30,235

Movement in tangible assets from 1 January to 31 December 2023 is as follows:

	1 January	Additions	Revaluation	Disposals and transfers	31 December
<i>Cost or valuation</i>					
Land and building	27,573	-	(2,931)	(469)	24,173
Right of use building	1,082	118	-	-	1,200
Furniture and equipment	3,786	511	-	(50)	4,247
Right of use equipment	392	96	-	(26)	462
	32,833	725	(2,931)	(545)	30,082
<i>Less: Accumulated depreciation</i>					
Land and building	(64)	(479)	-	469	(74)
Right of use building	(866)	(241)	-	16	(1,091)
Furniture and equipment	(3,479)	(104)	-	(3)	(3,586)
Right of use equipment	(266)	(65)	-	27	(304)
	(4,675)	(889)	-	509	(5,055)
	28,158	(164)	(2,931)	(36)	25,027

Depreciation expense of tangible assets for the year ended 31 December 2024 amounted to EUR 827 (2023: EUR 889).

An independent valuator was involved to assess the valuation of the land and buildings. As per 31 December 2024, the revaluation of land and buildings, net of def tax, amounting to EUR 3,341 was accounted under shareholders' equity (2023: EUR (2,175)). The fair value measurements of land and building have been categorized as Level 3 fair value measurements.

As of 31 December 2024, the net book value of property under cost model instead of revaluation model is EUR 16,710 (2023: EUR 16,022).

The reconciliation of the revaluation surplus on the building is as follows:

	2024	2023
Opening balance as at 1 January	7,002	9,177
Current year charge in OCI – gross amount	4,503	(2,931)
Current year charge in OCI – related tax	(1,162)	756
Closing balance as at 31 December	10,343	7,002

The revaluation surplus in OCI is part of a legal reserve as, under Dutch law, the balance cannot be distributed to the shareholder.

8. *Intangible assets*

Movement in intangible assets from 1 January to 31 December 2024 is as follows:

	01 January	Additions	Disposals and transfers	31 December
<i>Cost</i>				
Software	20,411	3,985	-	24,396
	20,411	3,985	-	24,396
<i>Less: Accumulated depreciation</i>				
Software	(12,889)	(2,120)	-	(15,009)
	(12,889)	(2,120)	-	(15,009)
	7,522	1,865	-	9,387

Movement in intangible assets from 1 January to 31 December 2023 is as follows:

	01 January	Additions	Disposals and transfers	31 December
<i>Cost</i>				
Software	16,817	3,659	(65)	20,411
	16,817	3,659	(65)	20,411
<i>Less: Accumulated depreciation</i>				
Software	(10,959)	(1,929)	-	(12,889)
	(10,959)	(1,929)	-	(12,889)
	5,858	1,730	(65)	7,522

Internally generated software of EUR 2,381 (2023: EUR 2,250) is included in the total Software. In accordance with the Dutch Civil Code legal reserves have to be established equal to the carrying value of the internally developed software. The legal reserve cannot be distributed to the shareholder.

9. *Other Assets*

	31 December 2024	31 December 2023
Prepaid expenses, insurance claims and similar items	2,982	1,711
Miscellaneous receivables	1,323	1,097
Other	-	22
	4,305	2,830

10. Deposits from banks

GBI's deposits from banks comprise the following element:

	31 December 2024	31 December 2023
Obligations under repurchase agreements	325,084	-
Central Bank borrowing	-	264,989
On demand deposits	26,420	13,449
Term deposits	14,013	9,057
	365,517	287,495

Obligations under repurchase agreements

The Bank raises funds by selling financial instruments under agreements to repurchasing these instruments at the same price plus interest at a predetermined date. In note 40 further detail is provided in relation to the collateral provided.

Central Bank borrowing: Targeted longer term refinancing operations

In June 2020 and March 2021, the Bank raised funds by participating in respectively the 4th tranche and the 7th tranche of ECB's third targeted longer term refinancing operations (TLTRO III) program that was announced on 22 July 2019. The funds are accounted for as financial liabilities in accordance with IFRS 9, which is further elaborated on the section material accounting policies.

The Bank repaid the fund that had been raised in the 4th tranche of the TLTRO III program in 2023 and 7th tranche was paid in 2024. The Bank does not have any outstanding borrowings as part of TLTRO III program as of 31 December 2024 (31 December 2023: EUR 174,320).

As of 31 December 2023, the remaining amount of Central Bank Borrowing represents a short-term borrowing from the Central Bank utilized as part of liquidity operations.

In note 40 further detail is provided in relation to the collateral provided.

11. Deposits from customers

Deposits from customers comprise the following:

	31 December 2024		
	Demand	Time	Total
Households	1,490,795	1,630,858	3,121,653
Non-financial corporations	642,112	1,386,021	2,028,133
Non-bank financial corporations	49,497	1,736,933	1,786,430
	2,182,404	4,753,812	6,936,216

	31 December 2023		
	Demand	Time	Total
Households	984,613	1,470,170	2,454,783
Non-financial corporations	543,112	828,677	1,371,789
Non-bank financial corporations	52,124	807,211	859,335
	1,579,849	3,106,058	4,685,907

From the deposits from customers EUR 2,825,141 (2023: EUR 2,228 million) is guaranteed under the Deposit Guarantee Scheme.

12. Taxation

In the Netherlands, corporate income tax is levied at the rate of 19% (2023: 19%) for tax profits up to EUR 200 (2023: EUR 200) and 25.8% (2023: 25.8%) for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. The corporate income tax rate for the Germany branch is 30%.

The Pillar Two model rules were adopted at the end of 2023 and are applicable starting from 1 January 2024. The Bank has performed an assessment of its potential exposure to Pillar Two income taxes based on the 2023 country-by-country reporting and 2024 financial information for the jurisdictions where the Bank operates. The Pillar Two effective tax rates in Germany where the Bank has a branch operation is above 15%. The Bank continues to follow Pillar Two legislative developments, to evaluate the potential future impact on its results of operations, financial position and cash flows.

Tax assets and liabilities are as follows:

	31 December 2024	31 December 2023
Current tax asset	1,853	-
Deferred tax asset	92	18
Tax assets	1,945	18
Current tax liability	-	(19,199)
Deferred tax liability	(3,753)	(2,458)
Tax liabilities	(3,753)	(21,657)
Net tax assets/(liabilities)	(1,808)	(21,639)

12. Taxation (continued)

The tax income and expense are as follows:

	2024	2023
Current tax income/(expense)	(39,445)	(36,102)
Deferred tax income/(expense)	92	157
Tax income/(expense)	(39,353)	(35,945)

The movement of current tax asset/liability is as follows:

	2024	2023
Opening balance as at 1 January	(19,199)	(6,109)
Current period taxation charge in the statement of profit or loss	(39,444)	(36,102)
Current period taxation charge in the statement of other comprehensive income	(980)	(1,237)
Movement from deferred to current tax	(5)	(5)
Advance tax paid during the period	53,998	24,254
Utilization of withholding tax credit	7,483	-
Closing balance as at 31 December	1,853	(19,199)

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability for the period. Accordingly, the taxation charge on income is not equal to the final tax liability appearing on the statement of financial position.

Deferred tax assets and liabilities are as follows:

	31 December 2024	31 December 2023
Valuation of (in)tangible fixed assets	84	18
Valuation of hedges	9	-
Total deferred tax assets	93	18
Revaluation of building	(3,145)	(2,084)
Valuation of securities	(470)	-
Valuation of hedges	-	(230)
Other	(139)	(144)
Total deferred tax liabilities	(3,754)	(2,458)
Net deferred tax assets/(liabilities)	(3,661)	(2,440)

Movements in deferred tax assets and liabilities are detailed in the table below:

	2024	2023
Opening balance as at 1 January	(2,440)	(3,434)
Movement from deferred to current tax	5	5
Deferred tax benefit recognized in the statement of profit or loss	101	190
Deferred tax charge recognized in the statement of profit or loss	(10)	(33)
Deferred tax charge recognized in the statement of other comprehensive income	(1,632)	-
Deferred tax benefit recognized in the statement of other comprehensive income	315	832
Closing balance as at 31 December	(3,661)	(2,440)

12. Taxation (continued)

The total provision for taxes on income is different than the amount computed by applying the Dutch statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	2024	2023
Profit before tax	140,484	136,637
Tax using the GBI's domestic tax rate	(36,245)	(35,252)
Effect of different tax rates in other countries	(38)	(18)
Disallowable expenses	(3,075)	(772)
Effect of the tax rate differences	14	32
Changes related to previous years taxation	(9)	65
Tax income/(expense)	(39,353)	(35,945)
Effective tax rate	28.01%	26.31%

13. Other liabilities

The principal components of other liabilities are as follows:

	31 December 2024	31 December 2023
Non-cash loans for letter of credits (*)	10,731	1,218
Accrued expenses	5,265	3,960
Short-term employee benefits	3,559	2,905
Prepayments received	3,122	2,856
Withholding taxes	3,631	2,178
Payables to suppliers	1,340	3,994
ECL for non-cash loans (note 29)	1,049	1,372
Lease liabilities	788	263
Vacation pay liability	401	215
Miscellaneous payables	10,133	4,455
	40,019	23,416

* The Bank gives non-cash loans through letter of credits it provides. As of 31 December 2024, non-cash loans provided to banks and customers are EUR 18,482 (note 4) and EUR 10,731 (note 5), respectively (31 December 2023: EUR zero and EUR 1,218).

Management recorded a provision in relation to other long term employee benefits (variable remuneration). Part thereof is to be paid within 12 months after the reporting date and the remainder is deferred and to be paid more than 12 months after the reporting date. The amount of provision that is set aside in relation to variable remuneration is based on the actual performance and is approved by the Supervisory Board. The amount set aside for termination benefits is based on management judgement (or Supervisory Board judgement in case of termination of member of the Managing Board) in relation to negotiations between parties involved.

The following table sets out the movements for short term employee benefits and vacation pay liability.

	2024	2023
Balance at 1 January	3,120	2,528
Provisions made during year	3,198	2,739
Provisions used during year	(2,358)	(2,147)
Provisions reversed during year	-	-
Balance at 31 December	3,960	3,120

14. Equity

Total equity

	31 December 2024	31 December 2023
Share capital and share premium	136,836	136,836
Share capital	136,836	136,836
Share premium	-	-
Retained Earnings	712,556	611,557
Other reserves	13,527	6,786
Fair value reserve	1,042	(3,127)
Hedging reserve	(240)	661
Other legal reserves	12,725	9,252
Revaluation reserve	10,343	7,002
Legal reserve of internally generated software	2,382	2,250
Total Equity	862,919	755,179

Share capital

As of 31 December 2024, the authorized nominal share capital of the Bank amounts to EUR 500 thousand and is subdivided into 500,000 shares with a nominal value of EUR 1 each, of which 136,836 shares have been issued and fully paid-in. No changes occurred in 2024.

Retained Earnings

	2024	2023
Opening balance as at 1 January	611,557	511,210
Transfer to/from other reserves	(132)	(345)
Result for the year	101,131	100,692
Dividend and other distributions	-	-
Other	-	-
Closing balance as at 31 December	712,556	611,557

Other reserves

Components of the other reserves are fair value reserve, hedging reserve and other legal reserves for revaluation of building and legal reserve of internally generated software

Other comprehensive income/loss that will not to be reclassified to the statement of profit or loss in subsequent periods:

- Revaluation of building:

In line with the applicable accounting policy, the Bank performs an annual revaluation of the office building that is reported under buildings in tangible assets (note 7). Under this policy, the revaluation surplus is recognized in the other comprehensive income and shall not be recycled to the statement of profit or loss in the subsequent periods.

The reconciliation of revaluation reserve in other comprehensive income (net of tax) are as follows:

	2024	2023
Opening balance as at 1 January	7,002	9,177
Gains/(losses) during the year	4,503	(2,931)
Deferred tax effect	(1,162)	756
Closing balance as at 31 December	10,343	7,002

14. Equity (continued)

- Legal reserve for internally generated software

In accordance with the Dutch Civil Code legal reserves have to be established equal to the carrying value of the internally developed software.

The movement of the legal reserve for internally generated software are as follows:

	2024	2023
Opening balance as at 1 January	2,250	1,905
Movement from/ to retained earnings	132	345
Closing balance as at 31 December	2,382	2,250

Other comprehensive income/(loss) that are or may be reclassified to profit or loss in subsequent periods:

- Financial assets at fair value through other comprehensive income reserve (FVOCI) is detailed as follows:

The Bank recognises changes between the amortised cost and market value of the securities measured at fair value through other comprehensive income in the other comprehensive income.

These changes are accumulated within the FVOCI reserve under equity. The Bank transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

	2024	2023
Opening balance at 1 January	(3,127)	(6,685)
Gains/(losses) during the year	5,558	4,782
Change in ECL	61	13
Tax effect (deferred + current)	(1,450)	(1,237)
Closing balance as at 31 December	1,042	(3,127)

- Cashflow hedge reserve

The hedging reserve comprises the effective portions of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (refer to note 38 'Derivatives and Hedge Accounting' for the details).

	2024	2023
Opening balance as at 1 January	661	879
Effective portion of changes in fair value	(628)	292
Reclassified to the statement of profit or loss	(588)	(586)
Deferred tax effect	315	76
Closing balance as at 31 December	(240)	661

In accordance with the Dutch Civil Code legal reserves have to be established in relation to the revaluation surplus on the building, cash flow hedging reserve, fair value through other comprehensive income (FVOCI) reserve and the legal reserve for internally generated software. Total Legal reserves amounts to EUR 13,527 (2023: EUR 6,786) and are not available for distribution to the Company's shareholders.

Capital management

GBI is part of the BBVA Group. Therefore, the European Central Bank (ECB) sets and monitors capital requirements for the Group as a whole and for GBI individually. The banking operations are directly supervised by De Nederlandsche Bank (DNB).

The standards applied for the capital requirements are based on the Capital Requirements Directive (CRD IV) and Capital Requirements Regulation (CRR) of the European Union. In accordance with the CRR, the Bank is using the Foundation Internal Rating Based (F-IRB) approach to calculate the regulatory capital ratios.

14. Equity (continued)

Capital management

These ratios compare GBI's total capital and Common Equity Tier 1 (CET1) with the required pillar I capital for credit risk (based on the total of risk-weighted assets and off-balance sheet items), the market risk associated with the trading portfolios and the operational risk.

GBI's regulatory capital consists of the sum of the following elements.

- Common Equity Tier 1 (CET1) capital, which includes ordinary share capital, related share premiums, retained earnings and reserves after adjustment for dividends proposed after the year end and deductions for goodwill, intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

The following table analyses actual capital in accordance with regulatory requirements:

	31 December 2024	31 December 2023
Total Eligible Equity	803,828	699,164
Prudent valuation	(488)	(1,101)
IRB shortfall of credit risk adjustments to ECL	(2,743)	(4,274)
Intangible assets	(7,036)	(5,636)
Core Tier 1	793,561	688,153
Perpetual Tier 1 capital	-	-
Transitional adjustments to AT1 Capital	-	-
Additional Tier 1	-	-
Total Tier I capital	793,561	688,153
IRB Provision Excess	-	-
Subordinated capital	-	-
Total Tier II capital	-	-
Total own funds	793,561	688,153
CET 1 ratio	23.94%	23.62%
Total Capital Ratio (TCR)	23.94%	23.62%

The Common Equity Tier 1 (CET1) ratio and Total Capital Ratio (TCR) does not include the second half 2024 net profit results, in line with the reports submitted to the regulatory authorities. When including the audited full year net result of 2024, the CET1 ratio is 25.41 percent (2023: 25.29 percent) and the TCR is 25.41 percent (2023: 25.29 percent).

GBI has preserved its prudent approach to capital and liquidity management in 2024. CET1 has increased to 23.94 percent from 23.62 percent in 2023, whereas the total capital ratio has increased to 23.94 percent from 23.62 percent in 2023. Both ratios are comfortably above the minimum required regulatory levels and provides a strong cushion for the Bank. GBI plans to move to Standardized Approach in 2025 for the calculation of its credit risk weighted assets, which is expected to have an increasing effect on RWA.

As part of the annual Supervisory Review and Evaluation Process (SREP), the regulatory authority sets individual capital guidance for GBI in excess of the minimum capital resources requirement. A key input to the SREP is GBI's internal capital adequacy assessment process (ICAAP).

Capital management

GBI's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater earning and the advantages and security afforded by a stronger capital position. The policies in respect of capital management and allocation are reviewed regularly by the Supervisory Board. Management uses regulatory capital ratios to monitor its capital base. Return on risk-adjusted capital is monitored to assess whether the allocation of the capital is in line with the risk appetite and the long-term objectives of the Bank.

15. Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined using available market information by the Bank. In case market information is unavailable the Bank applies appropriate valuation methodologies for fair value determination. However, judgment is necessarily required to interpret market data to determine the estimated fair value. While management uses available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

The Bank analyses financial instruments held at fair value in the three categories described below. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

The fair value hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: 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). Financial instrument valuation is the process of determining the fair market value of various financial assets. It involves assessing factors like market conditions, interest rates, and risk to provide accurate and up-to-date pricing for these instruments. For valuation of all derivatives of Garantibank International (GBI), Bloomberg BVAL service is used, which offers valuation and pricing information for a wide range of financial instruments.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 categorised 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 Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

15. Fair value information (continued)

Financial assets and liabilities measured at fair value

The table below analyses financial instruments carried at fair value, by valuation method:

31 December 2024	Level 1	Level 2	Level 3	Total
	Quoted prices (unadjusted) in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	
<i>Financial assets measured at fair value</i>				
Derivative financial assets				
Trading derivatives	-	382	-	382
Non-trading derivatives	-	26,698	-	26,698
Investment securities				
Financial corporations	81,416	-	-	81,416
Non-financial corporations	50,992	-	-	50,992
Central governments	571,004	-	-	571,004
Total	703,412	27,080	-	730,492
<i>Financial liabilities measured at fair value</i>				
Derivative financial liabilities				
Trading derivatives	-	337	-	337
Non-trading derivatives	-	34,968	-	34,968
Total	-	35,305	-	35,305
31 December 2023	Level 1	Level 2	Level 3	Total
	Quoted prices (unadjusted) in active markets	Valuation techniques - observable inputs	Valuation techniques - significant unobservable inputs	
<i>Financial assets measured at fair value</i>				
Derivative financial assets				
Trading derivatives	-	2,068	-	2,068
Non-trading derivatives	-	4,401	-	4,401
Investment securities				
Financial corporations	48,348	-	-	48,348
Non-financial corporations	53,726	-	-	53,726
Central governments	327,927	-	-	327,927
Total	430,001	6,469	-	436,470
<i>Financial liabilities measured at fair value</i>				
Derivative financial liabilities				
Trading derivatives	-	1,746	-	1,746
Non-trading derivatives	-	7,163	-	7,163
Total	-	8,909	-	8,909

15. Fair value information (continued)

No transfers occurred between Level 1, Level 2 and Level 3 in 2024 and 2023. There were no significant changes in the valuation techniques during 2024 and 2023.

Financial assets and liabilities not measured at fair value

The bank assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Non-interest-bearing deposits and cash and cash equivalents are excluded from the table as it's carrying value approximates the fair value. For deposits and loans with maturity, the fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. Unobservable inputs mainly relate to discount rates including credit spread.

31 December 2024	Carrying value	Level 1	Level 2	Level 3	Total
<i>Assets for which fair values are disclosed but not recognised at fair value:</i>		<i>Quoted prices (unadjusted) in active markets</i>	<i>Valuation techniques - observable inputs</i>	<i>Valuation technique - significant unobservable inputs</i>	
Loans and advances to banks	660,483	-	-	664,800	664,800
Loans and advances to customers	3,490,869	-	-	3,495,442	3,495,442
Total	4,151,352	-	-	4,160,242	4,160,242
<i>Liabilities for which fair values are disclosed but not recognised at fair value:</i>					
Deposits from banks	365,517	-	-	330,612	330,612
Deposits from customers	6,585,746	-	-	6,558,044	6,558,044
Total	6,951,263	-	-	6,888,656	6,888,656

15. Fair value information (continued)

31 December 2023	Carrying value	Level 1	Level 2	Level 3	Total
<i>Assets for which fair values are disclosed but not recognised at fair value:</i>					
		Quoted prices (unadjusted) in active markets	Valuation technique – observable inputs	Valuation technique – significant unobservable inputs	
Loans and advances to banks	405,051	-	-	410,442	410,442
Loans and advances to customers	2,651,006	-	-	2,667,134	2,667,134
Total	3,056,057	-	-	3,077,576	3,077,576
<i>Liabilities for which fair values are disclosed but not recognised at fair value:</i>					
Deposits from banks	287,495	-	-	282,090	282,090
Deposits from customers	4,390,288	-	-	4,370,618	4,370,618
Total	4,677,783	-	-	4,652,708	4,652,708

16. Commitments and contingencies

In the ordinary course of business, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the accompanying financial statements, including letters of guarantee and letters of credit. Commitments and contingent liabilities comprise the following:

	31 December 2024	31 December 2023
Letters of credit	407,160	294,885
Commitments for loan granting	319,551	272,172
Letters of guarantee	59,028	65,130
Commitments for mortgage origination	21,137	100,000
Mortgage loan proposals	4,373	-
Construction deposits	5,001	-
Other guarantees	87,942	73,990
	904,192	806,177

Most of the contingencies have a short-term nature and any outflow is normally reimbursed by the clients of the bank.

Letters of credit mainly secure payments to third parties for a customer's foreign and domestic trade transactions in order to finance a shipment of goods. GBI's credit risk in these transactions is limited since these transactions evolve with the shipment of physical commodities shipped and are of a short duration.

Commitments for loan granting mainly relate to the regular lending activities of the bank.

The Bank has participated a collective mandate program in order to originate mortgages in Dutch residential mortgage market at the end of 2023 and committed to purchase mortgage loans up to EUR 100 million. As a result of mortgage originations during 2024, the remaining amount of commitment for mortgage origination as of 31 December 2024 is EUR 21,137. Mortgage loan proposals refer to liabilities relating to irrevocable commitments for binding mortgage offers which have been sent to the clients by direct lender on behalf of GBI.

Guarantees relate both to credit (other guarantees) and non-credit substitute guarantees (letters of guarantee). Many of them are expected to expire without being drawn on and therefore do not necessarily represent future cash outflows.

17. Net interest income

Interest income and expense from various products of the Bank and the transactions engaged are as follows:

	2024	2023
Interest loans to customers	347,508	163,021
Interest on securities	16,214	4,858
Interest on loans to banks	170,052	109,744
Adjustments of income as a result of hedging transactions	(83,462)	(4,149)
Total interest income using effective interest method	450,312	273,474
Other interest income ⁽¹⁾	9,439	5,720
Total interest income	459,751	279,194
Interest on deposits from banks	(87,412)	(3,005)
Interest on deposits from customers	(184,758)	(105,516)
Negative interest on assets	-	(36)
Adjustments of expense as a result of hedging transactions	(68)	242
Total interest expense using effective interest method	(272,238)	(108,315)
Other interest expense ⁽¹⁾	(4,542)	(404)
Total interest expense	(276,780)	(108,719)
Net interest income	182,971	170,475

⁽¹⁾ Other interest income/expense represents interest on derivatives in economic hedge relationships.

18. Net fee and commission income

Disaggregation of fee and commission income

Fees and commissions the Bank charges and incurs due to the transaction engaged are as follows:

	2024	2023
Commissions on documentary credits and non-cash loans	11,395	14,024
Brokerage and advisory fees	3,484	2,539
Commissions on account maintenance	2,758	2,522
Commissions on funds transfers	2,049	1,975
Custody fees	1,854	1,619
Other fees and commissions	158	10
Total fee and commission income	21,698	22,689
Corporate banking fees	(3,703)	(3,361)
Commissions on documentary credits and non-cash loans	(1,798)	(1,330)
Brokerage and custody fees	(1,381)	(412)
Commissions and fees paid on foreign correspondents	(418)	(348)
Other fees and commissions	(608)	(232)
Total fee and commission expense	(7,908)	(5,683)
Net fee and commission income	13,790	17,006

18. Net fee and commission income (continued)

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	31 December 2024	31 December 2023
Receivables included in miscellaneous receivables (note 9)	-	22
Contract liabilities included in other liabilities (note 13)	3,122	2,856

The contract liabilities mainly relate to the fees received from customers in relation to retail and corporate banking services. This is recognised as revenue over the period for which the services are provided.

The amount of EUR 2,851 recognised in contract liabilities at the beginning of the period has been recognised as revenue for the period ended 31 December 2024. The remaining part will be accrued in 2025.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. GBI recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	<p>GBI provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, brokerage of securities, brokerage of spot foreign exchange, brokerage of derivatives, custody of services, security transfers, third party funds, and servicing fees.</p> <p>Fees for ongoing account management are charged to the customer's account on a monthly basis. GBI sets the rates separately for retail and corporate banking customers at least on an annual basis.</p> <p>Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.</p> <p>Servicing fees are charged on a monthly basis and are based on fixed rates reviewed at least annually by the Bank.</p>	<p>Revenue from account service and servicing fees is recognised over time as the services are provided.</p> <p>Revenue related to transactions is recognised at the point in time when the transaction takes place.</p>
Trade Finance	<p>GBI provides trade finance services to its corporate customers which include letters of credit, standby letters of credit, collection, letters of guarantee.</p> <p>The type of services is transaction based and are charged when the transaction takes place.</p>	<p>Revenue from account service and servicing fees is recognised as the services are provided.</p>

19. Valuation results and net trading income

Gains and losses from derivative financial instruments and changes in fair value of other trading instruments are reflected in net trading income including the fair value hedges, whereas gains and losses arising from changes in the effective portion of the fair value of cash flow hedges are reflected as a separate component of equity. Net trading income from trading of financial assets is detailed in the table below:

	2024	2023
Derivatives trading results	636	499
Securities trading results	859	-
Change in fair value of derivatives relating to fair value hedges	(1,696)	(1,706)
Change in fair value of derivatives relating to cashflow hedges	627	525
Change in the fair value of hedged items	1,718	1,387
Foreign exchange transaction results	2,969	2,811
Valuation results and net trading income	5,113	3,516

20. Investment income / (loss)

GBI realised a net loss on the disposal of debt instruments measured at FVOCI of EUR 495 (2023: a loss of EUR 156).

21. Net income / (loss) arising from derecognition of financial assets measured at amortised cost

During the year ended 31 December 2024, the Bank sold certain loan receivables measured at amortised cost to a related party.

The carrying amount of the financial assets sold is EUR 65,008 and the losses arising from the derecognition at 31 December 2024 is EUR 1,625.

22. Other income and expenses

Other income for the year ended 31 December 2024 includes EUR 2,856 received from the liquidation of DSB N.V. With respect to the payments made by the Bank in 2009 within the scope of Deposit Guarantee Scheme, the Bank received additional payments from the liquidator in 2024.

Other expenses represent contributions to the Deposit Guarantee Scheme (DGS) and Single Resolution Fund (SRF). The total contribution for 2024 consist solely of DGS-related expenses, amounting to EUR 3,423, as the Single Resolution Board has decided that there will be no regular contributions for the 2024 cycle (2023: DGS and SRF related expenses, EUR 2,986).

23. Other operating expenses

Operating expenses of the Bank is as follows:

	2024	2023
Electronic data processing	7,317	6,907
Audit & consultancy	2,631	2,627
Supervisory fees	1,636	1,520
Communication	1,891	1,500
Advertising	905	538
Utility	470	453
Insurance	319	171
Repair and maintenance	174	114
Stationary	66	64
Others	1,249	1,214
	16,658	15,108

Audit and consultancy expenses include expenses related to services provided by EY Accountants B.V. (2023: Ernst & Young Accountants LLP) as external auditor of GBI and other members of the international E&Y network.

The breakdown, in which these expenses have been allocated to the relevant period, is as follows:

	EY Accountants B.V.	Other EY network	Ernst & Young Accountants LLP	Other E&Y network
Statutory audit of financial statements	554	-	546	-
Other assurance services	107	-	122	-
Tax advisory services	-	-	-	-
Other non-audit services	-	-	-	-
Total	661	-	668	-

For the period to which our statutory audit relates, in addition to this audit, E&Y has provided the following services to the GarantiBank International N.V.:

- audit and review of financial information for consolidation purposes of the parent company;
- audit and audit-related services on prudential returns and other regulatory reporting to Supervisory Authorities.

24. Personnel expenses

	2024	2023
Short-term benefits - salaries	26,044	22,809
Short-term benefits - social security and insurance	3,272	2,776
Short-term benefits - other	1,971	1,356
Other benefits	2,847	2,248
Post employment benefits (pension insurance premium)	3,079	2,769
Termination benefits	1,026	374
	38,239	32,332

25. Board remuneration

In accordance with the Articles of Association, the remuneration of the members of the Managing Board is subject for approval by the shareholder at the Annual General Shareholders' Meeting.

The remuneration proposal for the members of the Managing Board will be submitted to the next Annual General Shareholders' Meeting in 2025 for adoption. The objective of the remuneration policy is to attract, motivate and retain a qualified Managing Board with an international mind-set and background.

The remuneration of current and former members of the Managing Board amounted to EUR 2,786 in 2024 (2023: EUR 2,733). The total remuneration consists of:

	2024	2023
Short-term benefits	2,617	2,570
Post-employment benefits	169	163
Other long-term employee benefits	-	-
Termination benefits	-	-
	2,786	2,733

The remuneration of current and former independent members of the Supervisory Board amounted to EUR 249 in 2024 (2023: EUR 210). The non-independent (current and former) members of the Supervisory Board did not receive remuneration. For further details regarding the remuneration, policy reference is made to the Report of the Supervisory Board. In Note 2 Related party disclosures, contracts transacted with key management personnel including the managing board is disclosed and is extension of this note.

26. Leases

The Bank leases certain properties in Germany (Branch office) and Türkiye (Representative Office) as well as cars and other office equipment.

Lease liabilities are recognized at the commencement of the lease contracts and presented under other liabilities. Interest in connection with lease payments are presented under interest expenses amounting to EUR 369 (in full) for the period ended 31 December 2024 (2023: EUR 216 in full). Some leases provide for additional rent payments that are based on changes in certain price indices.

Total cash outflow for the lease payments is EUR 195 for the period ended 31 December 2024 (31 December 2023: EUR 311).

Information about leases for which the Bank is a lessee is presented below.

Right-of-use assets

Right-of-use assets are presented within tangible.

2024	Property	Equipment	Total
Opening balance as at 1 January	109	158	267
Depreciation charge for the year	(80)	13	(67)
Additions to the right-of-use assets	533	179	712
Derecognition of right-of-use assets	(72)	(46)	(118)
Closing balance as at 31 December	490	304	794

2023	Property	Equipment	Total
Opening balance as at 1 January	216	126	342
Depreciation charge for the year	(225)	(38)	(263)
Additions to the right-of-use assets	118	96	214
Derecognition of right-of-use assets	-	(26)	(26)
Closing balance as at 31 December	109	158	267

Risk Management

Introduction

GBI has an overall risk management model tailored to its business and its organization. This model allows GBI to develop its activity in accordance with the risk strategy, risk controls and management policies defined by the governing bodies of the Bank and to adapt to a changing economic and regulatory environment. GBI follows a clear and proactive risk management strategy and adjusts its risk management structure continuously in an effort to further align with BBVA.

Given BBVA's stake in Türkiye Garanti Bankası A.Ş., GBI's shareholder, GBI is also qualified as a significant supervised entity under the Single Supervisory Mechanism (SSM). Since then, the alignment of risk management policies and practices with those of BBVA has been concluded.

GBI has preserved its prudent approach to capital and liquidity management in 2024. Common Equity Tier 1 (CET1) has increased to 23.94 from 23.62 in 2023. Because there is no provision excess in tier 2 capital and total capital ratio equals CET1 in 2024, the total capital ratio is equal to CET1 capital, increased to 23.94 percent from 23.62 percent in 2023. Both ratios are comfortably above the minimum required regulatory levels and provide a strong cushion for the Bank.

The Bank has continued to operate with a significant liquidity buffer, evidenced by a high LCR of 342.0 percent (31 December 2023: 939.0 percent). The decrease in LCR is mostly due to the increase in Net Liquidity Outflows due to the growth in non-retail deposits. Although the increase in HQLA is much higher than the increase in Net Liquidity Outflows, the LCR decreased, as a result of the considerable difference between the nominator and the denominator. The liquidity buffer is composed of placements to European Central Bank and investments in high quality liquid assets.

27. Overview on Governance Around Risk

GBI has established a governance structure based on the segregation of duties to facilitate sound and controlled business operations. Risk management is structured at various levels within the organization in the form of various committees at the Supervisory Board and at the Managing Board levels and dedicated departments with specific mandates for risk management and control.

The Supervisory Board (SB) bears the overall responsibility for approving the risk appetite of GBI and monitoring of the adherence thereto. The Risk Committee of the Supervisory Board (RCSB) advises and assists the Supervisory Board in monitoring the Bank's risk profile, risk appetite and effective risk management. The Audit and Compliance Committee of the Supervisory Board (ACSB) is the ultimate authority on independent audit functions, compliance-related risks, and advises the SB in monitoring the integrity of the financial statements and compliance with legal and regulatory requirements.

The Managing Board (MB) of GBI functions as a collegial body, as referred to in Section 2:129 of the Dutch Civil Code that reports to the SB. The MB is responsible for the management, general affairs, and business connected with GBI. The MB develops strategies, policies, and procedures to establish effective risk management and ensure that the Bank is in line with the approved risk appetite. CRO, as a member of the MB, is responsible for developing, implementing, and monitoring the effectiveness of risk policies and practices that strategically support the Bank's risk objectives.

The Risk Management Committee (RMC) is responsible for coordinating and monitoring risk management activities at the Bank level. Other committees at the Bank level manage specific key banking risks: the Credit Committee for credit risk; the Asset and Liability Committee (ALCO) for market, interest rate, and liquidity risks; and the Compliance Committee for compliance risks.

The Operational Risk Admission and Product Governance Committee is responsible for the assessment and introduction of new products and services.

The Credit Division is a separate risk control function, independent of commercial activities, ensuring the proper functioning of the Bank's credit processes.

27. *Overview on Governance Around Risk (continued)*

The Risk Management Department (RMD) of GBI is an independent risk monitoring function, also independent of commercial activities. The RMD develops and implements risk policies, procedures, methodologies, and risk management infrastructures. Risks in relation to the limits established by the Bank are continuously measured and comprehensively reported to the appropriate committees.

The Internal Control & Non-Financial Risk Department (IC-NFR) is involved in monitoring and reporting of operational risks and establishing preventive control processes.

The Compliance Department is also an independent body, reporting directly to the ACSB as well as to the Managing Board. The main purpose of the Compliance Department is to support GBI in complying with applicable laws and regulations, GBI policies and standards, and to follow the relevant group entities' policies and principles. Compliance Department is responsible for AML-CTF Compliance, Corporate Compliance, Customer Compliance, Securities Compliance, and conducts its activities in scope of those areas.

The Corporate Information Security Department (CISD) is responsible for identifying risks in the information technology systems and processes at GBI, as well as ensuring that technology-related threats to business continuity are identified and mitigated.

The Internal Audit Department (IAD) monitors the governance frameworks around all risks through regular audits and provides reports to the Managing Board and the ACSB.

28. *Risk Appetite*

GBI's Risk Appetite Framework, in line with that of the Group, determines the risks and risk levels that GBI is prepared to assume in order to achieve its business objectives. The establishment of the risk appetite has the following purposes:

- To set the maximum risk levels that the Bank is willing to assume.
- To establish guidelines and the management framework to avoid actions that could threaten the future viability of the Bank.
- To establish a common terminology in the organization and to develop a compliance-driven risk culture.
- To ensure compliance with the regulatory requirements
- To facilitate communication with the regulators, investors and other stakeholders

The Risk Appetite Framework is expressed through the following elements;

Risk Appetite Statement: It sets out the general principles of the risk strategy of the Bank and the target risk profile.

GBI is focused on promoting a multichannel and responsible universal banking model, based on values, committed to sustainable development and centered on our customer's needs and focused on operational excellence and the preservation of an adequate security and business continuity. The Bank intends to achieve these goals, while maintaining a moderate risk profile, so the risk model established aims at ensuring a robust financial position, facilitating its commitment with sustainability and obtaining a sound financial position and a solid through-the-cycle risk-adjusted profitability, as the best way to face adverse situations without jeopardizing the strategic goals. Risk management at GBI is based on prudent management, an integral and forward looking view of risks, that allows GBI to adapt to the disruption risk inherent to the banking business and includes the climate risk driver, portfolio diversification by asset class and client segment, anti-money laundering and combating the financing of terrorism and keeping a long term relationship with the client; thus contributing to sustainable future, to promote profitable growth and recurrent value creation.

28. Risk Appetite (continued)

Core Metrics: They define, in quantitative terms, the target risk profile set out in the risk appetite statement in line with the strategy of the Bank. The core metrics used internally are expressed in terms of solvency (i.e. CET1 ratio), liquidity (i.e. LCR, loan to stable customer deposits ratio) and recurrent income (i.e. return on equity, net margin, cost of risk). Each core metric has three thresholds (the traffic-light approach), ranging from usual management of the business to higher levels of risk: management reference, maximum appetite and maximum capacity. In determining risk appetite, the Supervisory Board seeks a balanced combination of risk and return while paying close attention to the interests of all stakeholders. As such, the Supervisory Board reviews it on an annual basis at minimum.

- GBI's solvency has always remained at an above-adequate level owing to its committed shareholders and risk-averse strategies. The Bank aims to hold a strong capital base with a high Tier 1 component.
- The Bank focuses in particular on ensuring sufficient liquidity and thus safe banking operations and sound financial conditions in both normal and stressed financial environments, while retaining a stable and diversified liquidity profile.
- In terms of financial performance, the Bank targets a return on equity level that is stable in the long-term and satisfies the stakeholders, including the shareholders, while maintaining core competencies and a strategic position in key markets.
- GBI is strongly committed to act with integrity and adhere to the highest ethical principles in its business conduct.

By Type of Risk Metrics: These are defined in conjunction with the risk appetite core metrics. Compliance with the levels of by type of risk metrics ensures the compliance with the core metrics.

Management Limits: The core metrics and metrics by type of risk are supported by an additional layer through the introduction of limits on specific risk types i.e. credit, market, structural interest rate, structural FX, liquidity and operational risk.

The RAF was created to support the Bank's core values and strategic objectives. Accordingly, GBI dedicates sufficient resources to ensure full compliance with all requirements as well as to establish and maintain a strong risk culture throughout the organization. Evaluation, monitoring and reporting is an important element of GBI's RAF, which allows the Bank to ensure the compliance with the Risk Appetite set by the Supervisory Board. The Bank's risk limits are continuously monitored through control functions.

Credit Risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the bank or otherwise fail to perform as agreed. The Bank is exposed to credit risk on various financial assets, including derivative instruments used for hedging and debt investments and credit risk on off balance sheet instruments (loan commitments and guarantees issued). GBI is predominantly involved in portfolios such as sovereigns, banks, large corporates and trade finance activities, where limited number of defaults are observed. GBI's objective is to preserve a moderate risk profile by proactively managing an adequate return on available capital.

GBI applies the Foundation Internal Ratings Based (F-IRB) Approach for the calculation of regulatory capital related to credit risk of Corporate, Institutional and Sovereign credit exposures since 2008 based on the permission obtained from DNB. GBI has dedicated internal rating models to assess the credit worthiness of counterparties, which are integrated in the credit decision making and monitoring processes. These models serve as a basis for the calculation of regulatory capital and economic capital that GBI has to maintain to cover expected and unexpected losses from its lending activities. Ratings are also integral parts of pricing and risk-based performance measurement processes. Independent third-party experts validate all rating models on an annual basis.

28. Risk Appetite (continued)

For the IFRS-based reporting, the Bank has adopted an ECL methodology that makes use of the credit rating models that also serve as a basis of regulatory requirement under Internal Rating Based (IRB) approach. However, the regulatory rating models produce Through the Cycle (TTC) probability of defaults (PD), therefore certain layers have been introduced to produce Point in Time (PIT) estimates of PDs to be able to leverage these models in line with the IFRS 9 requirements.

29. Approach expected credit loss of financial assets

GBI recognizes an ECL allowance on financial assets and loans measured at amortized cost and financial assets measured at FVOCI, loan commitments and financial guarantee contracts not measured at FVTPL based on IFRS 9. In chapter Material accounting policies, the approach for ECL allowance is further elaborated. The breakdown of individually and collectively assessed ECL's for loans, cash and non-cash loans is as follows:

Summary of financial instruments to which the IFRS9 ECL requirements apply

31 December 2024	Stage 1		Stage 2				Stage 3		Total carrying amount	Total ECL allowance
	Collective		Individual		Collective		Individual			
	Carrying amount	ECL allowance	Carrying amount	ECL allowance	Carrying amount	ECL allowance	Carrying amount	ECL allowance		
Cash and balance with Central Banks	3,316,013	467	-	-	-	-	-	-	3,316,013	467
Loans and Advances to Banks	660,483	1,725	-	-	-	-	-	-	660,483	1,725
Loans and Advances to Customer	3,464,623	10,836	9,719	402	2,528	6	13,999	8,547	3,490,869	19,791
Interest-bearing securities (FVOCI)	703,412	138	-	-	-	-	-	-	703,412	138
Total On-balance sheet assets	8,144,531	13,166	9,719	402	2,528	6	13,999	8,547	8,170,777	22,121
Commitment and Contingencies	904,192	1,049	-	-	-	-	-	-	904,192	1,049
Total	9,048,723	14,215	9,719	402	2,528	6	13,999	8,547	9,074,969	23,170

31 December 2023	Stage 1		Stage 2				Stage 3		Total carrying amount	Total ECL allowance
	Collective		Individual		Collective		Individual			
	Carrying amount	ECL allowance	Carrying amount	ECL allowance	Carrying amount	ECL allowance	Carrying amount	ECL allowance		
Cash and balance with Central Banks	2,254,639	96	-	-	-	-	-	-	2,254,639	96
Loans and Advances to Banks	405,051	2,881	-	-	-	-	-	-	405,051	2,881
Loans and Advances to Customer	2,632,527	10,105	1,344	427	-	-	17,135	9,936	2,651,006	20,468
Interest-bearing securities (FVOCI)	430,001	78	-	-	-	-	-	-	430,001	78
Total On-balance sheet assets	5,722,218	13,160	1,344	427	-	-	17,135	9,936	5,740,697	23,523
Commitment and Contingencies	806,177	1,372	-	-	-	-	-	-	806,177	1,372
Total	6,528,395	14,532	1,344	427	-	-	17,135	9,936	6,546,874	24,895

The gross carrying amount of the loans and advances to customers in Stage 2 has increased to EUR 12.2 million (2023: EUR 1.4 million) due to the transfers to Stage 2. The loan which had been classified as stage 2 as of 31 December 2023, has been transferred to stage 1 in 2024.

There has been no addition to stage 3 loans during the year ended 2024. The change in the gross carrying amount is due to the repayments and partial write-offs. The amount of loans that have been written off during the year ended 2024 is EUR 2,699.

ECL impact arising from the originations of loans and advances to customers is EUR 8.4 million. Gross carrying amount of these loans as of 31 December 2024 is EUR 2.6 billion.

ECL impact arising from the repayment of loans and advances to customers is EUR 7.8 million. Gross carrying amount of these loans as of 31 December 2023 was EUR 2.2 billion whereas their gross carrying amount as of 31 December 2024 is EUR 0.3 billion. The table below summarizes the movement of ECL allowance, per stage and balance sheet line item. Finally, the table shows the changes in ECL calculation during 2024 together with the drivers of changes (e.g. write-offs or transfer to Stage 2 or Stage 3).

29. Approach expected credit loss of financial assets (continued)

Expected Credit Loss allowance movements – 31 December 2024

Cash and balances with central banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	96	-	-	96
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	-	-	-	-
Matured or repaid	(94)	-	-	(94)
Originations	465	-	-	465
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	-	-	-	-
Balance at period end	467	-	-	467

Loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	2,881	-	-	2,881
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	-	-	-	-
Matured or repaid	(2,815)	-	-	(2,815)
Originations	1,656	-	-	1,656
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	3	-	-	3
Balance at period end	1,725	-	-	1,725

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	10,105	427	9,936	20,468
Transfer to Stage 1	427	(427)	-	-
Transfer to Stage 2	(15)	15	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	(159)	(9)	1,597	1,429
Matured or repaid	(7,844)	-	(677)	(8,521)
Originations	8,444	402	-	8,846
Financial assets that have been derecognised	(164)	-	-	(164)
Write-offs	-	-	(2,699)	(2,699)
Foreign exchange	42	-	390	432
Balance at period end	10,836	408	8,547	19,791

Investment securities	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	78	-	-	78
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	2	-	-	2
Matured or repaid	(43)	-	-	(43)
Originations	101	-	-	101
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	-	-	-	-
Balance at period end	138	-	-	138

Commitments and Contingencies	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,372	-	-	1,372
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	(330)	-	-	(330)
Matured or repaid	(743)	-	-	(743)
Originations	741	-	-	741
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	9	-	-	9
Balance at period end	1,049	-	-	1,049

29. Approach expected credit loss of financial assets (continued)

Expected Credit Loss allowance movements – 31 December 2023

Cash and balances with central banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	86	-	-	86
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	-	-	-	-
Matured or repaid	(84)	-	-	(84)
Originations	94	-	-	94
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	-	-	-	-
Balance at period end	96	-	-	96
Loans and advances to banks	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	3,752	-	-	3,752
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	(2)	-	-	(2)
Matured or repaid	(3,678)	-	-	(3,678)
Originations	2,814	-	-	2,814
Financial assets that have been derecognised	(4)	-	-	(4)
Write-offs	-	-	-	-
Foreign exchange	(1)	-	-	(1)
Balance at period end	2,881	-	-	2,881
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	12,435	1,329	5,934	19,698
Transfer to Stage 1	910	(910)	-	-
Transfer to Stage 2	-	1,484	(1,484)	-
Transfer to Stage 3	(204)	-	204	-
Remeasurement of ECL allowance	(198)	-	5,791	5,593
Matured or repaid	(10,090)	(1,476)	(406)	(11,972)
Originations	7,276	-	-	7,276
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	(24)	-	(103)	(127)
Balance at period end	10,105	427	9,936	20,468
Investment securities	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	64	-	-	64
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	(6)	-	-	(6)
Matured or repaid	(30)	-	-	(30)
Originations	50	-	-	50
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	-	-	-	-
Balance at period end	78	-	-	78
Commitments and Contingencies	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	1,124	-	-	1,124
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Remeasurement of ECL allowance	(54)	-	-	(54)
Matured or repaid	(508)	-	-	(508)
Originations	814	-	-	814
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange	(4)	-	-	(4)
Balance at period end	1,372	-	-	1,372

29. Approach expected credit loss of financial assets (continued)

Sensitivity analysis

GBI's ECL allowance per 31 December 2024 is EUR 23.2 million (2023: 24.9 million), out of which EUR 14.2 million (2023: 14.9 million) is calculated by use of collective assessment. Said collective ECL allowance is sensitive to the forward-looking macroeconomic forecasts used as model inputs, the probability-weights applied to each of the scenarios, the loss given default rates (LGD) and the criteria for identifying a significant increase in credit risk. These elements require management judgement and are subject to the Bank's internal processes and controls.

Macro-economic models and probability weights

GBI has internal credit risk rating models in place for regulatory capital purposes where the PDs are assessed on a borrower level and refer to the likelihood that a borrower will default. These models consider quantitative and qualitative scoring elements, and the produced PDs are through the cycle (TTC). For IFRS 9 purposes, the Bank has adopted an ECL methodology that makes use of the said credit rating models and converts the TTC PDs to lifetime Point in Time (PIT) PD's. IFRS 9 requires preparers to use multiple macroeconomic scenarios to produce probability-weighted lifetime ECL's. GBI has three different macroeconomic models that are used according to the relevant geography of the borrower as Türkiye, Europe and Global and a separate model for low-default portfolio (LDP) consisting of banks, and sovereigns. These are Vasicek models with one independent variable that aim to provide the best fit to the dependent variable, which is the observed default rates. GBI has seen that real GDP change is observed to be the most relevant factor that impacts GBI's credit forecast and actual credit losses and uses it as the explanatory variable in the said models.

Each macro model consists of three macroeconomic scenarios, namely baseline, upside and downside scenarios, which are determined to reflect an unbiased and probability weighted ECL amount. These forward-looking macroeconomic scenarios are subjective and incorporate uncertainty by nature. GBI makes use of BBVA's internal GDP estimates, which are developed by the economic research team of BBVA, for its Baseline Scenario, which is considered a market-neutral view or market consensus for forecasts. Similarly, GBI makes use of BBVA economic research team estimates for the upside and downside scenarios. GBI considers that the baseline macroeconomic scenario presents the current economic cycle the most and therefore assigns the largest probability weight to this scenario, being 60%. Other two scenarios, Upside and Downside, are equally weighted with 20%.

The table below shows the projections for the abovementioned model parameters under three scenarios.

31 December 2024	Downside Scenario			Base scenario			Upside Scenario		
	Türkiye	Global	EU	Türkiye	Global	EU	Türkiye	Global	EU
GDP									
2025	0.4%	0.9%	0.3%	2.5%	1.9%	1.0%	6.0%	3.0%	2.1%
2026	1.6%	0.8%	0.3%	4.5%	2.1%	1.1%	8.4%	3.3%	2.3%
2027	2.4%	0.8%	0.4%	4.2%	2.0%	1.1%	6.8%	3.2%	2.4%
31 December 2023	Downside Scenario			Base scenario			Upside Scenario		
	Türkiye	Global	EU	Türkiye	Global	EU	Türkiye	Global	EU
GDP									
2024	2.6%	1.0%	0.3%	3.5%	1.3%	0.7%	6.7%	2.1%	1.6%
2025	2.7%	2.0%	1.3%	3.5%	2.3%	1.7%	5.7%	3.0%	2.9%
2026	3.3%	2.0%	1.8%	3.8%	2.2%	2.1%	5.0%	3.0%	3.3%

The GDP estimates and the probability weights applied to each of the three scenarios require management judgement. GBI has internal processes and controls in place where the range of possibilities and expectations referring to said judgements, are assessed, discussed, approved and monitored under the four eyes principle concept (three lines of defence). The ECL could change as per the changes in GDP growth. For example, management assessed that in case of a decrease in GDP estimates by 25 basis points, the ECL allowance for collectively assessed exposures would increase by EUR 522 thousand (2023: EUR 527 thousand), whereas the increase of 25 basis points would result a decrease by EUR 408 thousand (2023: EUR 508 thousand). The following table shows the unweighted ECL amounts under three macroeconomic scenarios and the final ECL after weighting:

29. Approach expected credit loss of financial assets (continued)

Scenario	Weight	31 December 2024		31 December 2023	
		Unweighted ECL	Weighted ECL	Unweighted ECL	Weighted ECL
Upside	20%	12,290		12,492	
Base	60%	14,050	14,221	14,560	14,532
Downside	20%	16,223		15,358	

Loss given default

GBI's loan portfolio size is not sufficient to derive statistically significant data on historic losses and hence for most of the portfolio regulatory LGD benchmarks that are used for the regulatory capital requirement calculations, are employed to set the LGD.

Significant increase in credit risk

All assets that are subject to collective ECL assessment are allocated a 12-month ECL if it belongs in Stage 1, or a lifetime ECL in Stage 2. An asset belongs to Stage 2 if it is considered to have experienced a significant increase in credit risk since initial recognition. The staging process involves an assessment against both quantitative and qualitative criteria to determine the relative significance of credit risk deterioration. While qualitative criteria are based on, amongst others, forbearance indicators, the quantitative criterion is based on the assessment of the change in the probability of default (PD) of the borrower since initial recognition of the asset.

The Bank compares the current PD over the life of the transaction with the original adjusted PD, so that both values are comparable in terms of default probability for their residual life. While comparing these PDs, GBI tests whether both the absolute and relative difference in these two PDs are above certain thresholds. The thresholds used for considering a significant increase in risk might differ as per the asset classes (i.e. sovereign, financial institutions, corporates) in line with the differences in the observed default rates. The setting of thresholds requires management judgement and is a key source of estimation uncertainty. The sensitivity of the thresholds is as follows:

Analysis segment – 2024	Relative Threshold (%)	Absolute Threshold (%)	ECL impact with a 50 bps lower Threshold	ECL impact with a 50 bps higher Threshold
LDP (Banks & Sovereigns)	240	100	-	-
Corporate	150	100	97	-
Analysis segment – 2023	Relative Threshold (%)	Absolute Threshold (%)	ECL impact with a 50 bps lower Threshold	ECL impact with a 50 bps higher Threshold
LDP (Banks & Sovereigns)	240	100	-	-
Corporate	150	100	46	-

30. Concentration Risk

The Bank's Wholesale Credit Risk Policy establishes the Bank's decision-making process in granting credit limits, setting rules and guidelines for exposures that give rise to credit risk. In view of the internal ratings and credit assessment analyses of the obligors, the Credit Committee assigns the credit exposure limit. All obligors have individual credit limits based on their creditworthiness. Groups of connected obligors are subject to regulatory 'group exposure' limits, as well as internal Group Concentration Policy, to manage the concentration risk of the Bank effectively. Furthermore, as per the Country Concentration Policy, limits are in place that cap the maximum exposure to specific countries, to ensure that related risks do not threaten the asset quality or solvency of the Bank. Finally, the Sector Limit Policy is designed to minimize contagion risks. The effectiveness of risk monitoring is supported by internal systems ensuring proper compliance with the principle of segregation of duties and authorization levels. Regular monitoring by the Credit Risk Department of GBI's exposure and compliance with the established credit limits ensures timely management of credit risk. The exposures to various customers, business lines and geographical locations are monitored on a regular basis by the Credit Division to ensure compliance with the established limits. The geographical breakdown of carrying amounts assets and commitment and contingencies is based on customer domicile as follows in below tables

The geographical breakdown of financial assets based on domicile

As at 31 December 2024	Cash and Central Banks		Banks		Loans and advances		Interest-bearing securities		Commitments and contingencies		Total	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
— the Netherlands	3,302,545	466	5,539	1	555,034	6,354	63,690	15	95,680	75	4,022,488	6,911
Stage 1	3,302,545	466	5,539	1	552,269	1,564	63,690	15	95,680	75	4,019,723	2,121
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	2,765	4,790	-	-	-	-	2,765	4,790
— Türkiye	-	-	421,538	1,578	1,133,256	5,402	-	-	66,855	150	1,621,649	7,130
Stage 1	-	-	421,538	1,578	1,131,078	4,108	-	-	66,855	150	1,619,471	5,836
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	2,178	1,294	-	-	-	-	2,178	1,294
— Great Britain	-	-	696	-	134,508	659	4,643	-	42,826	56	182,673	715
Stage 1	-	-	696	-	129,909	602	4,643	-	42,826	56	178,074	658
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	4,599	57	-	-	-	-	4,599	57
— Switzerland	-	-	734	-	424,561	3,530	-	-	210,509	169	635,804	3,699
Stage 1	-	-	734	-	420,105	1,206	-	-	210,509	169	631,348	1,375
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	4,456	2,324	-	-	-	-	4,456	2,324
— Germany	13,468	1	47,708	14	231,412	624	62,166	18	7,083	3	361,837	660
Stage 1	13,468	1	47,708	14	221,693	140	62,166	18	7,083	3	352,118	176
Stage 2	-	-	-	-	9,719	402	-	-	-	-	9,719	402
Stage 3	-	-	-	-	-	82	-	-	-	-	-	82
— USA	-	-	19,884	4	194,786	878	13,012	1	186,881	274	414,563	1,157
Stage 1	-	-	19,884	4	194,786	878	13,012	1	186,881	274	414,563	1,157
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
— France	-	-	729	-	130,067	479	141,661	45	18,344	47	290,801	571
Stage 1	-	-	729	-	130,067	479	141,661	45	18,344	47	290,801	571
— Rest of Europe	-	-	32,636	71	421,593	1,379	418,240	59	53,045	175	925,514	1,684
Stage 1	-	-	32,636	71	419,065	1,372	418,240	59	53,045	175	922,986	1,677
Stage 2	-	-	-	-	2,528	7	-	-	-	-	2,528	7
— Rest of the world	-	-	131,019	57	265,652	486	-	-	222,969	100	619,640	643
Stage 1	-	-	131,019	57	265,652	486	-	-	222,969	100	619,640	643
Total:	3,316,013	467	660,483	1,725	3,490,869	19,791	703,412	138	904,192	1,049	9,074,969	23,170

As at 31 December 2023	Cash and Central Banks		Banks		Loans and advances		Interest-bearing securities		Commitment and contingencies		Total	
	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL	Carrying amount	ECL
— the Netherlands	2,242,827	95	2,940	-	470,106	5,175	50,561	17	158,650	84	2,925,084	5,371
Stage 1	2,242,827	95	2,940	-	464,166	1,618	50,561	17	158,650	84	2,919,144	1,814
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	5,940	3,557	-	-	-	-	5,940	3,557
— Türkiye	-	-	335,927	2,756	547,036	6,842	-	-	66,990	494	949,953	10,092
Stage 1	-	-	335,927	2,756	537,874	2,882	-	-	66,990	494	940,791	6,132
Stage 2	-	-	-	-	1,344	427	-	-	-	-	1,344	427
Stage 3	-	-	-	-	7,818	3,533	-	-	-	-	7,818	3,533
— Great Britain	-	-	2,699	1	172,490	606	-	-	11,732	11	186,921	618
Stage 1	-	-	2,699	1	172,490	606	-	-	11,732	11	186,921	618
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
— Switzerland	-	-	1,553	-	390,632	3,987	-	-	219,265	224	611,450	4,211
Stage 1	-	-	1,553	-	387,255	1,235	-	-	219,265	224	608,073	1,459
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	3,377	2,752	-	-	-	-	3,377	2,752
— Germany	11,812	1	14,476	5	146,960	515	58,638	8	8,891	16	240,777	545
Stage 1	11,812	1	14,476	5	146,960	421	58,638	8	8,891	16	240,777	451
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	94	-	-	-	-	-	94
— USA	-	-	13,464	2	218,041	861	-	-	118,093	357	349,598	1,220
Stage 1	-	-	13,464	2	218,041	861	-	-	118,093	357	349,598	1,220
Stage II	-	-	-	-	-	-	-	-	-	-	-	-
— France	-	-	804	-	118,546	421	117,019	32	27,336	58	263,705	511
Stage 1	-	-	804	-	118,546	421	117,019	32	27,336	58	263,705	511
— Rest of Europe	-	-	20,982	105	430,783	1,689	203,783	21	46,759	75	702,307	1,890
Stage 1	-	-	20,982	105	430,783	1,689	203,783	21	46,759	75	702,307	1,890
— Rest of the world	-	-	12,206	12	156,412	372	-	-	148,461	53	317,079	437
Stage 1	-	-	12,206	12	156,412	372	-	-	148,461	53	317,079	437
Total:	2,254,639	96	405,051	2,881	2,651,006	20,468	430,001	78	806,177	1,372	6,546,874	24,895

30. Concentration Risk (continued)

Concentration risk by industry

The Bank uses a common industry classification methodology based on the NACE system (European Statistical Classification of Economic Activities). This methodology has over 600 detailed industry descriptions, which are aggregated into 16 industry classes at the highest level.

31 December 2024	Carrying amount				ECL
	Stage 1	Stage 2	Stage 3	Total	
Wholesale and retail trade	1,497,248	2,528	5,313	1,505,089	8,328
Manufacturing	850,044	9,719	4,455	864,218	5,833
Financial and insurance activities	305,746	-	2,052	307,798	2,427
Private Individuals	171,646	-	-	171,646	255
Transport and storage	158,540	-	322	158,862	283
Public administration and defence; compulsory social security	123,423	-	-	123,423	525
Administrative and support service activities	71,920	-	-	71,920	465
Construction	67,594	-	1,857	69,451	1,300
Electricity, gas, steam and air conditioning supply	59,903	-	-	59,903	43
Human health services and social work activities	50,844	-	-	50,844	2
Real estate activities	44,799	-	-	44,799	90
Professional, scientific and technical activities	27,975	-	-	27,975	123
Accommodation and food service activities	27,673	-	-	27,673	74
Agriculture, forestry and fishing	7,268	-	-	7,268	43
Total Loans and Advances to Customers	3,464,623	12,247	13,999	3,490,869	19,791

31 December 2023	Carrying amount				ECL
	Stage 1	Stage 2	Stage 3	Total	
Wholesale and retail trade	1,263,681	-	8,274	1,271,955	7,426
Manufacturing	758,910	-	3,376	762,286	5,905
Financial and insurance activities	214,420	1,344	2,249	218,013	2,125
Transport and storage	119,149	-	646	119,795	508
Public administration and defence; compulsory social security	46,707	-	-	46,707	295
Electricity, gas, steam and air conditioning supply	41,705	-	-	41,705	203
Real estate activities	33,902	-	-	33,902	49
Accommodation and food service activities	31,952	-	-	31,952	157
Professional, scientific and technical activities	28,222	-	-	28,222	141
Administrative and support service activities	26,153	-	-	26,153	152
Construction	24,323	-	2,590	26,913	3,304
Private Individuals	22,925	-	-	22,925	164
Human health services and social work activities	12,772	-	-	12,772	3
Agriculture, forestry and fishing	7,706	-	-	7,706	36
Total Loans and Advances to Customers	2,632,527	1,344	17,135	2,651,006	20,468

30. Concentration Risk (continued)

Below is an overview of the portfolios split in Investment Grade (rating BBB- to AAA) and Non-Investment Grade (below BBB-) as of 31 December 2024 and 31 December 2023. All exposures that are covered under the F-IRB approach have a credit rating. Exposures subject to the Standardised Approach (SA) are classified based on the external credit ratings of Moody's, S&P and Fitch, with the 'average' formula prescribed by Article 138 of the CRR are used. Exposures that are subject to SA, but do not have an eligible external credit rating and that are retail or mortgage are classified as not rated. Table also shows whether assets measured at Amortised Cost or FVOCI were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Specialized Lending are distinguished and separately rated according the CRR based on Risk Weights Category.

31 December 2024	FVTPL	FVOCI	Amortised cost			Total
			Stage 1	Stage 2	Stage 3	
On-balance assets						
Cash at Central Banks	-	-	3,316,013	-	-	3,316,013
Investment Grade	-	-	3,316,013	-	-	3,316,013
Loans and advances to banks	-	-	660,483	-	-	660,483
Investment Grade	-	-	321,581	-	-	321,581
Sub-Investment grade	-	-	338,902	-	-	338,902
Not Rated	-	-	-	-	-	-
Loans and advances to customers	-	-	3,464,623	12,247	13,999	3,490,869
Investment Grade	-	-	1,417,651	-	-	1,417,651
Sub-Investment grade	-	-	1,536,510	12,247	-	1,548,757
Specialized Lending (RW 50%-90%)	-	-	288,639	-	-	288,639
Specialized Lending (RW 115%-250%)	-	-	43,762	-	-	43,762
Not Rated ⁽¹⁾	-	-	178,061	-	-	178,061
Credit Impaired	-	-	-	-	13,999	13,999
Investments	-	703,412	-	-	-	703,412
Investment Grade	-	703,412	-	-	-	703,412
Sub-Investment grade	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Carrying amount on-balance assets	-	703,412	7,441,119	12,247	13,999	8,170,777
Commitment and contingencies	-	-	904,192	-	-	904,192
Investment Grade	-	-	415,044	-	-	415,044
Sub-Investment grade	-	-	296,144	-	-	296,144
Specialized Lending (RW 50%-90%)	-	-	138,581	-	-	138,581
Specialized Lending (RW 115%-250%)	-	-	23,340	-	-	23,340
Not Rated	-	-	31,083	-	-	31,083
Carrying amount of total financial assets	-	703,412	8,345,311	12,247	13,999	9,074,969

(1) The net carrying amount of the private individuals in not-rated clients is EUR 171.6 million.

30. Concentration Risk (continued)

31 December 2023	FVTPL	FVOCI	Amortised cost			Total
			Stage 1	Stage 2	Stage 3	
On-balance assets						
Cash at Central Banks	-	-	2,254,639	-	-	2,254,639
Investment Grade	-	-	2,254,639	-	-	2,254,639
Loans and advances to banks	-	-	405,051	-	-	405,051
Investment Grade	-	-	66,778	-	-	66,778
Sub-Investment grade	-	-	337,431	-	-	337,431
Not Rated	-	-	842	-	-	842
Loans and advances to customers	-	-	2,632,527	1,344	17,135	2,651,006
Investment Grade	-	-	817,162	-	-	817,162
Sub-Investment grade	-	-	1,499,318	1,344	-	1,500,662
Specialized Lending (RW 50%-90%)	-	-	241,379	-	-	241,379
Specialized Lending (RW 115%-250%)	-	-	40,581	-	-	40,581
Not Rated ⁽¹⁾	-	-	34,087	-	-	34,087
Credit Impaired	-	-	-	-	17,135	17,135
Investments	-	430,001	-	-	-	430,001
Investment Grade	-	430,001	-	-	-	430,001
Sub-Investment grade	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Carrying amount on-balance assets	-	430,001	5,292,217	1,344	17,135	5,740,697
Commitment and contingencies	-	-	806,177	-	-	806,177
Investment Grade	-	-	347,505	-	-	347,505
Sub-Investment grade	-	-	251,293	-	-	251,293
Specialized Lending (RW 50%-90%)	-	-	70,677	-	-	70,677
Specialized Lending (RW 115%-250%)	-	-	4,937	-	-	4,937
Not Rated	-	-	131,765	-	-	131,765
Carrying amount of total financial assets	-	430,001	6,098,394	1,344	17,135	6,546,874

⁽¹⁾ The net carrying amount of the private individuals in not-rated clients is EUR 22.9 million.

31. Past-due analysis

Loans that are past due are monitored closely, with ECL allowances raised as appropriate and in line with the internal ECL policies. A financial asset is, among others, considered to be defaulted if 90 days have passed since its repayment date (i.e. default starts on the 91st day).

The following table sets out information about the past due status of loans and advances to customers in Stages 1, 2 and 3.

Portfolio Breakdown based on number of days past due

31 December 2024	Stage 1			Stage 2			Stage 3				
	Not past due	<=30 days past due	Total Stage 1	Not past due	<=30 days past due	Total Stage 2	Not past due	<=90 days past due	>= 90 days	Total Stage 3	Total
Cash and balances with central banks	3,316,013	-	3,316,013	-	-	-	-	-	-	-	3,316,013
Loans and advances to banks	660,483	-	660,483	-	-	-	-	-	-	-	660,483
Loans and advances to customer	3,464,623	-	3,464,623	12,247	-	12,247	2,374	-	11,625	13,999	3,490,869
Financial assets at FVOCI	703,412	-	703,412	-	-	-	-	-	-	-	703,412
Total carrying amount	8,144,531	-	8,144,531	12,247	-	12,247	2,374	-	11,625	13,999	8,170,777
<i>Commitment and contingencies</i>	<i>904,192</i>		<i>904,192</i>	-	-	-	-	-	-	-	904,192

31 December 2023	Stage 1			Stage 2			Stage 3				
	Not past due	<=30 days past due	Total Stage 1	Not past due	<=30 days past due	Total Stage 2	Not past due	<=90 days past due	>= 90 days	Total Stage 3	Total
Cash and balances with central banks	2,254,639	-	2,254,639	-	-	-	-	-	-	-	2,254,639
Loans and advances to banks	405,051	-	405,051	-	-	-	-	-	-	-	405,051
Loans and advances to customer	2,632,527	-	2,632,527	1,344	-	1,344	5,484	3,692	7,959	17,135	2,651,006
Financial assets at FVOCI	430,001	-	430,001	-	-	-	-	-	-	-	430,001
Total carrying amount	5,722,218	-	5,722,218	1,344	-	1,344	5,484	3,692	7,959	17,135	5,740,697
<i>Commitment and contingencies</i>	<i>806,177</i>		<i>806,177</i>	-	-	-	-	-	-	-	806,177

32. *Modified loans*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy as detailed in the Material Accounting Policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms;
- with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Bank's policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a significant increase in credit risk (i.e. Stage 2), there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. For financial assets that are modified, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal. As part of this process, the Bank regularly evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the ECL allowance reverts to being measured at an amount equal to Stage 1. Section 'Material accounting policies' paragraph 'Significant increase in credit risk' explains when there is significant increase or decrease in credit risk.

The following table provides information on financial assets that were modified while they had a ECL allowance measured at an amount equal to lifetime ECL (i.e. stage 2 and stage 3).

Financial Assets modified during the period

	31 December 2024	31 December 2023
Amortised costs of financial assets	3,145	9,497
Net Modification Loss	-	-

33. *Collateral held and other credit enhancements*

The bank holds collateral and other credit enhancements against certain of its credit exposures.

As at 31 December 2024	Carrying amount	Cash Collaterals Received	Off Balance sheet financial instruments ⁽¹⁾	Other collateral ⁽²⁾
Assets				
Loans and advances to banks	660,483	2,732	117,125	-
Financial assets at fair value through other comprehensive income	703,412	-	-	-
Loans and advances to customers	3,490,869	199,494	289,355	936,284
Total	4,854,764	202,226	406,480	936,284

(1) Off balance sheet financial instruments includes, guarantees and letters of credit.

(2) Other collateral consists of pledged stocks, receivables and commodities as well as mortgages on real estate and vessels.

33. Collateral held and other credit enhancements (continued)

As at 31 December 2023	Carrying amount	Cash Collaterals Received	Off Balance sheet financial instruments ⁽¹⁾	Other collateral ⁽²⁾
Assets				
Loans and advances to banks	405,051	-	33,148	-
Financial assets at fair value through other comprehensive income	430,001	-	-	-
Loans and advances to customers	2,651,006	71,830	116,308	443,000
Total	3,486,058	71,830	149,456	443,000

(1) Off balance sheet financial instruments includes, guarantees and letters of credit.

(2) Other collateral consists of pledged stocks, receivables and commodities as well as mortgages on real estate and vessels

Loans and Advances to banks and customers

The general creditworthiness of a counterparty tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security. The Bank may establish collateral in the form of a first charge over real estate, pledged goods, receivables, investments, deposit, and/or any other liens and guarantees.

At 31 December 2024, the net carrying amount of credit-impaired loans and advances to corporate customers amounted to EUR 14.0 million (2023: EUR 17.1 million) and the value of identifiable collateral (mainly residential and commercial properties) held against those loans and advances amounted to EUR 12.0 million (2023: EUR 14.0 million). For each loan, and where appropriate, the value of disclosed collateral is capped at the carrying value of the loan that it is held against.

In addition to the collaterals above, the Bank holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

The Bank's reverse sale-and-repurchase transactions are covered by master agreements with netting terms similar to those of International Swaps and Derivatives Association (ISDA) master netting agreements.

Investments

At 31 December 2024, the maximum exposure to credit risk of the investments in FVOCI is their carrying amount of EUR 703,412 (2023: EUR 430,001). The Bank has not mitigated the credit risk exposure on these investments.

Derivatives

The Bank mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash. Derivative transactions are entered into under ISDA master netting agreements. In general, under these agreements, in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions with the counterparty. The Bank executes a credit support annex in conjunction with the ISDA agreement, which requires the Bank and its counterparties to post collateral to mitigate counterparty credit risk. Collateral is also posted daily in respect of derivatives transacted on exchanges and with CCPs.

The following table sets out the principal types of collateral held against different types of financial assets. Quantification of the collateral arrangements relating to derivatives, reverse repurchase agreements and repurchase agreements is set out in the next section on offsetting financial assets and liabilities.

34. Offsetting financial assets and liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that:

- are offset in the Bank's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The 'similar agreements' include derivative clearing agreements and global master repurchase agreements. 'Similar financial instruments' include derivatives, sale-and-repurchase agreements and reverse sale-and-repurchase agreements. Financial instruments such as loans and deposits (excluding lending related to reverse sale-and-repurchase agreements) are not disclosed in the following tables unless they are offset in the statement of financial position. The ISDA and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously. The Bank receives and gives collateral in the form of deposits and marketable securities in respect of the following transactions:

- derivatives; and
- sale-and-repurchase, and reverse sale-and-repurchase, agreements.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

34. Offsetting financial assets and liabilities (continued)

Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

As at 31 December 2024	Gross amounts of recognised financial assets	Gross amounts of recognised liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amounts
Types of financial assets						
Trading & non-trading derivatives	27,080	-	27,080	-	17,778	9,302
Reverse sale-and repurchase agreements	2,733	-	2,733	2,733	-	-
Total	29,813	-	29,813	2,733	17,778	9,302

As at 31 December 2024	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments (including non-cash collateral)	Cash collateral pledged	Net amounts
Types of financial liabilities						
Trading & non-trading derivatives	35,305	-	35,305	-	29,668	5,637
Sale-and repurchase and similar agreements	325,084	-	325,084	325,084	26,724	(26,724)
Total	360,389	-	360,389	325,084	56,392	(21,087)

34. Offsetting financial assets and liabilities (continued)

As at 31 December 2023	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments (including non-cash collateral)	Cash collateral received	Net amounts
Types of financial assets						
Trading & non-trading derivatives	6,469	-	6,469	-	7,444	(975)
Reverse sale-and repurchase agreements	-	-	-	-	-	-
Total	6,469	-	6,469	-	7,444	(975)

As at 31 December 2023	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		
				Financial instruments (including non-cash collateral)	Cash collateral pledged	Net amounts
Types of financial liabilities						
Trading derivatives & non-trading derivatives	8,909	-	8,909	-	6,785	2,124
Sale-and repurchase and similar agreements	264,989	-	264,989	264,989	-	-
Total	273,898	-	273,898	264,989	6,785	2,124

34. Offsetting financial assets and liabilities (continued)

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- Trading derivatives: fair value;
- Non-trading derivatives: fair value; and
- assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements: amortised cost.

Reconciliation to the net amounts of financial assets and financial liabilities presented in the statement of financial position

The following tables reconcile the 'net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statement of financial position.

As at 31 December 2024	Net amount	Line item in statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of off-setting disclosures	Note
Types of financial assets					
Trading derivatives	382	Trading derivatives	382	-	38
Non-trading derivatives	26,698	Non-trading derivatives	26,698	-	38
Reverse sale-and repurchase agreements	2,733	Loans and advances to banks	660,483	657,750	4
Types of financial liabilities					
Trading derivatives	337	Trading derivatives	337	-	38
Non-trading derivatives	34,968	Non-trading derivatives	34,968	-	38
Sale-and repurchase and similar agreements/ Central Bank borrowing	325,084	Deposits from banks	365,517	40,433	10

34. Offsetting financial assets and liabilities (continued)

As at 31 December 2023	Net amount	Line item in statement of financial position	Carrying amount in statement of financial position	Financial assets not in scope of off-setting disclosures	Note
Types of financial assets					
Trading derivatives	2,068	Trading derivatives	2,068	-	37
Non-trading derivatives	4,401	Non-trading derivatives	4,401	-	37
Reverse sale-and repurchase agreements	-	Loans and advances to banks	405,051	405,051	4
Types of financial liabilities					
Trading derivatives	1,746	Trading derivatives	1,746	-	37
Non-trading derivatives	7,163	Non-trading derivatives	7,163	-	37
Sale-and repurchase and similar agreements/ Central Bank borrowing	264,989	Deposits from banks	287,495	22,506	10

Market risk

Market risk arises from fluctuations in interest rates, foreign currency exchange rates and security prices. It is GBI's policy to avoid exposure to significant open positions in interest rate and foreign currency risk, while optimising the return.

The main market risks to which GBI is exposed to are interest rate risk and foreign currency risk which would arise through positions in banking book or trading book. GBI uses derivatives to mitigate market risks for trading and banking books. The banking book positions are intended to be held for the long-term (or until maturity) or for hedging other banking book positions. The trading book positions are typically held with a short-term trading intent or in order to hedge other positions in the trading book. GBI assumes limited market risks in trading activities by taking positions in debt securities, foreign exchange, and derivatives. The Bank has historically been conservative in running its trading book. The main strategy is to keep end-of-day trading positions at low levels within the predefined limits.

35. Governance

The Managing Board has the overall responsibility for market risks and implements policies for effective market risk management. The Managing Board delegates its responsibilities to Risk Management Committee (RMC) for the purpose of monitoring market risks. It reviews and sets limits on products and desk levels based on the Bank's risk appetite. GBI's Global Markets unit actively manages market risk arising from the trading book within these limits. The Middle Office (first line) and the IC-NFR (second line) are established as independent control bodies. They monitor and follow up all trading transactions and positions on an ongoing basis. Trading activities are followed-up as per the position, stop-loss and sensitivity. RMD is responsible for the maintenance of internal models, monitoring of risk-based limits and performing stress tests and presenting the results to the related committees.

35. Governance (continued)

VaR is supplemented by stress tests and scenario analyses in order to determine the effects of potential extreme market developments on the value of market risk sensitive exposures. Stress tests have the advantage of out-of-model analyses of the trading book. These scenarios are reviewed periodically and updated when necessary. The foreign currency risk and the interest rate risk arising from the banking book is managed by the Asset and Liability Department (ALM) based on the Structural FX Rate and Structural Interest Rate Risk policies set by the Managing Board and monitored by ALCO and RMD.

Due to the fact that the bank hedges the market risk for the banking book and the trading book, concentration risk is insignificant.

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

Market risk – trading and non-trading portfolios

31 December 2024	Carrying amount	Trading portfolio	Non-trading portfolio
Assets			
Cash and balances with central banks	3,316,013	-	3,316,013
Loans and advances to banks	660,483	-	660,483
Financial assets at fair value through profit or loss			
- Trading derivatives	382	382	
- Non-trading derivatives	26,698	-	26,698
Financial assets at fair value through other comprehensive income	703,412	-	703,412
Loans and advances to customers	3,490,869	-	3,490,869
Other assets	4,305	-	4,305
Liabilities			
Deposits from banks	365,517	-	365,517
Deposits from customers	6,936,216	-	6,936,216
Financial liabilities at fair value through profit or loss			
- Trading derivatives	337	337	
- Non-trading derivatives	34,968	-	34,968
Other liabilities, accrued expenses and provisions	40,019	-	40,019

31 December 2023	Carrying amount	Trading portfolio	Non-trading portfolio
Assets			
Cash and balances with central banks	2,254,639	-	2,254,639
Loans and advances to banks	405,051	-	405,051
Financial assets at fair value through profit or loss			
- Trading derivatives	2,068	2,068	
- Non-trading derivatives	4,401	-	4,401
Financial assets at fair value through other comprehensive income	430,001	-	430,001
Loans and advances to customers	2,651,006	-	2,651,006
Other assets	2,830	-	2,830
Liabilities			
Deposits from banks	287,495	-	287,495
Deposits from customers	4,685,907	-	4,685,907
Financial liabilities at fair value through profit or loss			
- Trading derivatives	1,746	1,746	
- Non-trading derivatives	7,163	-	7,163
Other liabilities, accrued expenses and provisions	23,416	-	23,416

Note 15 Fair Value Hierarchy elaborates on used fair value data by GBI.

36. Interest Rate Risk on the Banking Book (IRRBB)

Interest rate risk is defined as the risk of loss in interest earnings or in the economic value of banking book items as a consequence of fluctuation in interest rates. GBI perceives interest rate risk as a combination of repricing risk, yield curve risk, basis risk and option risk. The asset and liability structure of the Bank creates a certain exposure to IRRBB. Repricing risk is the most relevant one for GBI and the others are at immaterial levels as a result of the business model of the Bank. However, all interest rate risk types are monitored, and their impact is assessed regularly. Business units are not allowed to run structural interest mismatch positions. As a result of this policy, day-to-day interest rate risk management is carried out by the ALM Department in line with the policies and limits set by ALCO, with the help of a well-defined internal transfer pricing process.

IRRBB is measured and monitored at each meeting of ALCO by using Duration, Repricing Gap and Sensitivity analyses. Sensitivity analyses are based on both economic value and earnings perspectives. Interest sensitivity is measured by applying standard parallel yield curve shifts, historical simulation and other yield curve twist scenarios. All analyses are based on the interest rate repricing maturities. Behavioral analyses are used for the products that do not have contractual maturities; for GBI the only product that falls under this condition is retail demand deposits. To assess the interest rate related behavior of these liabilities, GBI conducts a demand deposit modelling analysis to predict deposit outflow patterns over time, taking into account historical deposit trends and various factors such as deposit age and market rates. The Repricing Gap analysis shows interest bearing assets and liabilities broken down by when they are next due for repricing. This analysis is used as a supplementary measure to duration in order to point out interest bearing inflows/outflows and their maturities.

The following table provides a maturity calendar of all interest-bearing financial instruments, including derivatives as of 31 December 2024, which is based on remaining days to maturity for fixed rate instruments and next repricing date for floating rate instruments:

IRRBB

	Demand	<= 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total
Assets	97,672	5,587,520	1,840,872	764,531	68,739	8,359,335
Liabilities	455,347	4,131,799	2,109,260	207,044	7,309	6,910,760
Derivatives	-	(41,219)	112,949	(104,272)	(37,664)	(70,206)
Net interest position 31 December 2024	(357,675)	1,414,502	(155,439)	453,215	23,766	1,378,369
Net interest position 31 December 2023	(258,244)	1,682,532	(411,828)	135,779	(82)	1,148,157

The calculation of the Economic Value of Equity (EVE) analysis as at 31 December 2024 shows that, assuming an unchanged structure of assets, liabilities and off-balance sheet items, an interest increase of one percent, taking into account a parallel movement of the risk-free yield curves, would result in a decrease in the economic value of the Bank's equity amounting to approximately EUR 12,726 (31 December 2023: EUR 4,084 decrease).

The Earnings at Risk (EaR) analysis focuses on the effects of interest rate changes on the Bank's reported earnings over one year and two years. The standard gradual shift in the yield curve is applied for the calculation of the regulatory stress test; the interest rates are assumed to increase (or decrease) within one year and to remain at that level in the second year. The Bank has a moderate duration structure. The duration mismatch is stable as a natural consequence of the clear business model of the Bank.

36. Interest Rate Risk on the Banking Book (IRRBB) (continued)

All interest rate sensitivity analyses are also used for evaluating hedging strategies, internal limit setting and portfolio monitoring purposes, enabling GBI to manage interest rate risk in a proactive manner. GBI uses interest rate swaps and forward rate agreements to hedge interest rate risk in major currencies in its banking book, depending on the composition of the balance sheet.

37. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate compared to the functional currency (Euro). GBI manages structural currency risk in line with the policies and the risk appetite set by the Supervisory Board. The Bank uses FX hedging derivatives such as currency swaps and currency forward contracts in convertible currencies to manage the currency risk inherent to the balance sheet. For the derivative contracts concluded to mitigate currency risk, GBI applies cashflow hedge accounting as defined under IAS 39.

The total equivalent of net balance in foreign currencies is EUR (55,994) (2023: EUR (15,817)). The currency position is mitigated through derivative instruments. The notional amount of those derivatives is recorded as an off-balance sheet position.

Concentration risk by currency exposure

31 December 2024	USD	TRY	Other	Total
Assets				
Cash and balances with central banks	-	-	-	-
Loans and advances to banks	452,641	2,808	4,222	459,671
Financial assets at fair value through profit or loss				
- Trading derivatives	-	-	-	-
- Non-trading derivatives	-	-	-	-
Financial assets at fair value through other comprehensive income	32,386	-	-	32,386
Loans and advances to customers	1,193,533	533,246	117,721	1,844,500
Property and equipment	-	38	-	38
Intangible assets	-	-	-	-
Current tax asset	-	-	-	-
Other assets	185	-	-	185
Total Assets	1,678,745	536,092	121,943	2,336,780
Liabilities				
Deposits from banks	5,820	325,084	440	331,344
Deposits from customers	2,488,792	127,197	34,376	2,650,365
Financial liabilities at fair value through profit or loss	-	-	-	-
- Trading derivatives	-	-	-	-
- Non-trading derivatives	-	-	-	-
Current tax liability	-	-	-	-
Deferred tax liability	-	-	-	-
Other liabilities, accrued expenses and provisions	16,312	38	111	16,461
Shareholder's equity				
Total Liabilities	2,510,924	452,319	34,927	2,998,170
Net On Balance Sheet Position	(832,179)	83,773	87,016	(661,390)
Off Balance Sheet Position	828,897	(136,204)	(87,297)	605,396
Net Position	(3,282)	(52,431) ⁽¹⁾	(281)	(55,994)

⁽¹⁾ EUR (48,326) of the net TRY position arises from the hedging of TRY loans. The Bank hedges cash flows related with principal and future interest earnings on these loans by entering into FX Forward transactions. Since the future interest earnings of these loans have not yet been (fully) accrued on the financial statement of the Bank, this creates the FX position above. Excluding the hedge accounting impact, the net TRY position is EUR 4,105.

37. Currency risk (continued)

31 December 2023	USD	TRY	Other	Total
Assets				
Cash and balances with central banks	-	-	-	-
Loans and advances to banks	233,125	59	5,044	238,228
Financial assets at fair value through profit or loss				
- Trading derivatives	-	-	-	-
- Non-trading derivatives	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans and advances to customers	1,226,375	126,850	47,316	1,400,541
Property and equipment	-	-	-	-
Intangible assets	-	-	-	-
Current tax asset	-	-	-	-
Other assets	68	-	-	68
Total Assets	1,459,568	126,909	52,360	1,638,837
Liabilities				
Deposits from banks	106,121	-	754	106,875
Deposits from customers	1,604,050	1,484	30,488	1,636,022
Financial liabilities at fair value through profit or loss				
- Trading derivatives	-	-	-	-
- Non-trading derivatives	-	-	-	-
Current tax liability	-	-	-	-
Deferred tax liability	-	-	-	-
Other liabilities, accrued expenses and provisions	7,628	-	415	8,043
Shareholder's equity	-	-	-	-
Total Liabilities	1,717,799	1,484	31,657	1,750,940
Net On Balance Sheet Position	(258,231)	125,425	20,703	(112,103)
Off Balance Sheet Position	254,593	(137,961)	(20,346)	96,286
Net Position	(3,638)	(12,536)	357	(15,817)

Sensitivity analysis FX positions

Sensitivity analysis specifically on FX positions are not presented as result of effective risk mitigation whereby the net positions reported in the preceding tables are immaterial.

38. Derivatives and Hedge Accounting

Derivatives

The breakdown of the fair value of GBI's derivative portfolio to product type is as follows:

	31 December 2024		31 December 2023	
	Carrying value assets	Carrying value liabilities	Carrying value assets	Carrying value liabilities
Derivatives held for trading				
Interest rate swaps	-	-	1,874	1,581
Foreign currency swaps	106	57	40	32
Foreign currency forwards	273	262	139	111
Foreign currency options (purchased)	-	-	-	-
Foreign currency options (sold)	-	-	-	-
Other derivatives	3	18	15	22
<i>Subtotal</i>	<i>382</i>	<i>337</i>	<i>2,068</i>	<i>1,746</i>
Derivatives held for risk management - economic hedge relationships				
Interest rate swaps	250	-	-	-
Foreign currency swaps	23,963	700	100	5,276
Foreign currency forwards	-	-	-	3
Other derivatives	-	-	-	-
<i>Subtotal</i>	<i>24,213</i>	<i>700</i>	<i>100</i>	<i>5,279</i>
Derivatives held for risk management - fair value hedge accounting relationships				
Interest rate swaps	221	1,031	1,317	131
<i>Subtotal</i>	<i>221</i>	<i>1,031</i>	<i>1,317</i>	<i>131</i>
Derivatives held for risk management - cash flow hedge accounting relationships				
Interest rate swaps	66	-	-	-
Foreign currency swaps	2,062	23,213	2,608	1,668
Foreign currency forwards	136	10,024	376	85
<i>Subtotal</i>	<i>2,264</i>	<i>33,237</i>	<i>2,984</i>	<i>1,753</i>
Total	27,080	35,305	6,469	8,909

Derivatives held for trading

Derivatives held for trading relate to client-driven derivative sales and trading activities, and associated market risk hedging. Typical derivative transactions with clients mostly encompass standardised derivative products (so called "plain vanilla"). Any derivative transaction that is conducted with clients, is offset by GBI with a similar derivative transaction with a professional counterparty in order mitigate risks. Any realized and unrealized gains or losses on derivatives used for client driven trading business are recognized immediately in Valuation results and net trading income (see Note 19).

Derivatives held for risk management

GBI also uses derivatives for purposes other than trading, primarily for hedging, in conjunction with the management of interest rate and foreign exchange risk related to the funding, lending, and asset/liability management. This involves interest rate swaps to manage interest rate risk and currency swaps to manage foreign currency risk.

Certain derivatives are specifically designated and qualify for hedge accounting (see 'Hedge Accounting' section below). From time to time, the Bank also enters into derivative transactions to economically hedge certain exposures that do not otherwise qualify for hedge accounting, or where hedge accounting is not considered economically feasible to implement. In such circumstances, changes in fair value are presented in Valuation results and net trading income (see Note 19).

38. Derivatives and Hedge Accounting (continued)

Hedge Accounting

Fair value hedges of interest rate risk

GBI uses pay-fixed/receive-floating interest rate swaps to hedge its exposure to changes in the fair values of fixed rate bonds in FVOCI portfolio and loans to customers measured amortized cost (micro hedge) as well as interest rate risk on residential mortgage loans (macro hedge). GBI also uses pay-floating/receive-fixed interest rate swaps to hedge its exposure to changes in the fair values of customer deposits measured at amortized cost. GBI's approach to managing market risk, including interest rate risk, is discussed in market risk section of these disclosures. Interest rate risk to which GBI applies hedge accounting arises from fixed-rate bonds whose fair value fluctuates when benchmark interest rates change.

Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

Before fair value hedge accounting is applied by GBI, it first determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk. Occasionally, where deemed necessary, this is supported by quantitative analysis. GBI considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. In addition to this qualitative assessment, the prospective hedge effectiveness is assessed with a sensitivity analysis approach. This method consists of measuring the effect of a parallel shift in the underlying hedged risks on both the hedging instrument and the hedged item.

The Bank establishes a hedge ratio by aligning the par amount of the fixed-rate bonds and the notional amount of the interest rate swap designated as a hedging instrument. At each reporting period the effectiveness of the hedge relationship is assessed with a dollar off-set method on a cumulative basis. The hedge is demonstrated to be effective by dividing the cumulative change on the clean fair value (i.e. excluding accrued interest) of the hedging instrument with the cumulative change in clean fair value of the hedged items attributable to the hedged risk. If the ratio is within the range of 80%-125%, the hedge relationship is considered to be effective.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and GBI's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- difference in payment frequency between the fixed leg of the hedging instrument and the payment frequency of the hedged item
- difference between the expected and actual volume of prepayments for the mortgage portfolio

There were no other sources of ineffectiveness in these hedge relationships.

As at 31 December 2024, GBI held interest rate swaps as hedging instruments in fair value hedges of interest risk with the following maturity profile:

	2024			2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Risk category						
Interest rate risk						
Hedge of bonds in FVOCI						
Nominal amount	14,700	-	-	-	25,000	-
Average fixed interest rate	1.17%	-	-	-	1.64%	-
	2024			2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Risk category						
Interest rate risk						
Hedge of loans						
Nominal amount						
Average fixed interest rate	40,000	60,000	-	-	10,000	-
	2.42%	2.04%	-	-	3.18%	-

38. Derivatives and Hedge Accounting (continued)

Risk category	2024			2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Interest rate risk						
Hedge of mortgage pool						
Nominal amount	-	6,000	35,000	-	-	-
Average fixed interest rate	-	2.83%	2.54%	-	-	-

Risk category	2024			2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Interest rate risk						
Hedge of time deposits						
Nominal amount	-	-	-	50,000	-	-
Average fixed interest rate	-	-	-	3.64%	-	-

The amounts relating to items designated as hedging instrument and hedge ineffectiveness are as follows:

		Carrying amount		Line item in the statement of financial position where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness
	Nominal amount	Assets	Liabilities				
Interest rate risk 2024							
Interest Rate Swaps – Bonds in FVOCI	14,700	435	-	Financial liabilities at FVTPL – non trading derivatives	(600)	27	Valuation results and net trading income
Interest Rate Swaps –Loans	100,000	37	(12)	Financial liabilities at FVTPL – non trading derivatives	(29)	(28)	Valuation results and net trading income
Interest Rate Swaps – Mortgage Pool	41,000	-	(1,020)	Financial liabilities at FVTPL – non trading derivatives	(1,169)	(46)	Valuation results and net trading income
Interest Rate Swaps –Time deposits	-	-	-	Financial liabilities at FVTPL – non trading derivatives	-	-	Valuation results and net trading income
2023							
Interest Rate Swaps – Bonds in FVOCI	25,000	3,876	-	Financial liabilities at FVTPL – non trading derivatives	(201)	(27)	Valuation results and net trading income
Interest Rate Swaps –Loans	10,000	-	(131)	Financial liabilities at FVTPL – non trading derivatives	(29)	13	Valuation results and net trading income
Interest Rate Swaps –Time deposits	50,000	83	-	Financial liabilities at FVTPL – non trading derivatives	103	1	Valuation results and net trading income

38. Derivatives and Hedge Accounting (continued)

The amounts relating to items designated as hedged item are as follows:

		Nominal amount	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedge item		Line item in the statement of financial position where the hedged item is included	Changes in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
			Assets	Liabilities	Assets	Liabilities			
2024	Bonds in FVOCI	14,700	14,146	-	556	-	Financial Assets at Fair Value Through Other Comprehensive income	572	(16)
2024	Loans	110,008	110,297	-	13	-	Loans and advances to customers	16	-
2024	Mortgage pool Time	40,000	40,000	-	1,066	-	Deposits from customer	1,066	1,769
2024	deposits	-	-	-	-	-		-	-
2023	Bonds in FVOCI	33,700	38,331	-	(16)	-	Financial Assets at Fair Value Through Other Comprehensive income	245	(243)
2023	Loans	10,000	10,186	-	16	-	Loans and advances to customers	16	-
2023	Time deposits	34,981	-	35,232	-	84	Deposits from customer	84	-

38. Derivatives and Hedge Accounting (continued)

Cash flow hedges of interest rate risk and foreign currency

GBI uses pay-floating/receive-fixed interest rate swaps to hedge the interest rate risks in respect of the benchmark interest rate (mainly Euribor) from the received floating-rate EURO loans. The Bank hedges interest rate risk to the extent of benchmark interest rate exposure on its floating-rate EURO loans to mitigate variability in its cash flows. The Bank also uses currency swaps and cross currency swaps to hedge against the foreign currency exposure. These swaps enable GBI to fix exchange rate and eliminate variability in cash flows the external parties (both borrowers and lenders) as a result of currency fluctuations. Hedge accounting is applied where economic hedge relationships meet the hedge accounting criteria.

GBI's approach to managing market risk, including foreign currency risk, is discussed in note 35. GBI's exposure to market risk is disclosed in notes 36 and 37. GBI determines the amount of the exposure to which it applies hedge accounting by assessing the potential impact of changes in foreign currency exchange rates on the future cash flows. This assessment is performed using analytical techniques, such as cash flow sensitivity analysis.

As noted above for fair value hedges, by using derivative financial instruments to hedge exposures to changes in foreign currency exchange rates, GBI exposes itself to credit risk of the counterparties to the derivatives, which is not offset by the hedged items. This exposure is managed similarly to that for cash flow hedges.

GBI determines whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk. Occasionally, where deemed necessary, this is supported by quantitative analysis. GBI considers whether the critical terms (being: notional amount, contract currency, maturity date) of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship.

At each reporting date (i.e. monthly) the effectiveness of the hedge relationship is assessed using the same approach as used for prospective testing.

38. Derivatives and Hedge Accounting (continued)

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and GBI's own credit risk on the fair value of the swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate and foreign currency; and
- differences in maturities or timing of cash flows of the swap and the hedged item.

There were no other sources of ineffectiveness in these hedge relationships.

As at 31 December 2024, GBI held the following instruments to hedge exposures to changes in interest rates and foreign currency.

	31 December 2024			31 December 2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Interest Rate Risk						
<i>Interest rate swaps</i>						
Nominal amount	20,000	-	-	-	-	-
Foreign Currency Risk						
<i>Currency derivatives (EUR:TRY)</i>						
Nominal amount	124,112	53,914	-	131,261	1,134	-
Average EUR–TRY exchange rate	50.54	62.59	-	34.27	44.11	-
<i>Currency derivatives (EUR:USD)</i>						
Nominal amount	6,000	-	-	45,526	-	-
Average EUR–USD exchange rate	1.07	-	-	1.07	-	-
<i>Currency derivatives (EUR against other currencies)</i>						
Nominal amount	9,293	-	-	7,274	1,128	-

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

<div>Carrying amount</div>											
	Nominal amount	Assets	Liabilities	Line item in the statement of financial position where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness	Change in the value of the hedging instrument recognised in OCI in the period	Hedge ineffectiveness recognised in profit or loss	Line item in profit or loss that includes hedge ineffectiveness	Amount reclassified from the hedge reserve to profit or loss	Line item in profit or loss affected by the reclassification	
Interest rate risk											
2024											
Interest rate swaps	20,000	66	-	Financial liabilities at FVTPL Non-trading derivatives	66	66	-	Valuation results and net trading income	588	Valuation results and net trading income	
2023											
Interest rate swaps	-	-	-	Financial liabilities at FVTPL Non-trading derivatives	-	-	-	Valuation results and net trading income	586	Valuation results and net trading income	
Foreign currency risk											
2024											
(EUR:TRY)	178,026	36	32,961	Financial assets/liabilities at FVTPL Non-trading derivatives	(258)	(258)	-	Valuation results and net trading income	(372)	Valuation results and net trading income	
(EUR: Other)	15,293	88	276	Financial assets/liabilities at FVTPL Non-trading derivatives	(177)	(177)	-	Valuation results and net trading income	(322)	Valuation results and net trading income	
2023											
(EUR:TRY)	132,395	2,897	-	Financial assets/liabilities at FVTPL Non-trading derivatives	114	114	-	Valuation results and net trading income	134	Valuation results and net trading income	
(EUR: Other)	53,928	10	997	Financial assets/liabilities at FVTPL Non-trading derivatives	145	145	-	Valuation results and net trading income	158	Valuation results and net trading income	

38. Derivatives and Hedge Accounting (continued)

The amounts relating to items designated as hedged items were as follows.

	Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied
Interest rate risk				
2024				
Other loans	Loans and advances to customers	(66)	66	-
EUR deposits	Deposits from customers	-	-	45
2023				
EUR deposits	-	-	-	633
Currency risk				
2024				
TRY Loans	Loans and advances to customers	258	(258)	-
Other loans	Loans and advances to customers	140	(140)	-
Time deposits	Deposits from customers	37	(37)	-
2023				
TRY Loans	Loans and advances to customers	(114)	114	-
Other loans	Loans and advances to customers	(134)	134	-
Time deposits	Deposits from customers	(10)	10	-

Reconciliation of components of equity

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items resulting from hedge accounting.

	2024	2023
Balance at 1 January	661	879
Effective portion of changes in fair value:		
- Interest rate risk	66	-
- Currency risk	(694)	292
Net amount reclassified to statement of profit or loss:		
- Interest rate risk	(588)	(586)
- Currency risk	-	-
Related tax	315	76
Balance at 31 December	(240)	661

Liquidity and Funding Risk

Liquidity risk is defined as the risk that the Bank may not be able to fulfil its payment obligations in a timely manner due to the lack of available cash or cash inflows in quality and in quantity to cover the cash outflows in a complete and timely manner due to imbalances in the cash flows of the Bank. Thus, liquidity risk management focuses primarily on short-term scenarios and solutions. Funding risk arises when illiquid asset positions cannot be funded at the expected terms and when required or at extensive cost. Thus, funding risk management focuses primarily on long term scenarios and solutions.

The main objective of GBI's liquidity and funding risk policy is to maintain sufficient liquidity to ensure safe banking operations, a stable long-term liquidity profile, and a sound financial condition, both in normal and stressed financial environments. The liquidity and funding risk policy is approved by the Supervisory Board and aims to mitigate GBI's on and off-balance sheet risks that are associated with liquidity mismatches, while complying with the related regulatory framework. The policy describes the governance of liquidity risk at GBI and provides high level principles for day-to-day and long-term liquidity management.

Liquidity and Funding Risk (continued)

GBI carries out an extensive Internal Liquidity Adequacy Assessment Process (ILAAP), where all qualitative and quantitative aspects of liquidity risk management at the Bank are monitored using established limits and early warning indicators. The ILAAP framework details the liquidity risk appetite and funding strategy and is continuously reviewed. The funding strategy is also reviewed annually through the budget process with the establishment of the funding plan. The Supervisory Board monitors whether the Bank remains in line with the strategy and plan.

At the bank level, ALCO monitors liquidity risk, implements the appropriate policies as defined by the Supervisory Board, makes pricing decisions through the Internal Transfer Pricing (ITP) process, and directs the Bank's overall liquidity strategy. In case of a liquidity squeeze or an emergency situation, GBI has a detailed contingency funding plan, enabling the Bank to govern crisis management.

ALCO has delegated day-to-day liquidity management to the ALM, the department responsible for managing the overall liquidity risk position of the Bank. It also manages intraday liquidity as per the principles of intraday liquidity management established in the ILAAP Framework. The ALM manages all cash flows along with expected changes in business-related funding requirements. A related operations unit, independent from the front office, performs the role of collateral management and executes the settlements of all transactions. The RMD performs liquidity risk assessment and analyses, develops required methodologies, and conducts regular stress tests to ensure the Bank is operating with sufficient liquidity. The RMD also reports comprehensively on liquidity risk directly to ALCO and to the Supervisory Board.

39. *Funding concentration*

GBI aims for a diversified funding mix in terms of instrument types, fund providers, geographic markets, and currencies. In general, retail funding is the primary funding source, owing to the Bank's well-established position in Dutch and German retail markets. This funding structure enables the Bank to have a positive liquidity gap even when the wholesale funding market dries up. Non-financial corporations, with which the Bank has established long-lasting relationships through its various financial services offerings, constitute a major part of the non-retail deposits. Behavioral analyses of retail deposits held at the Bank show high stickiness ratios, even during times of stress in local and global markets, indicating the resilience of this funding base. Similarly, deposits by non-financial counterparties exhibit a high proportion of non-retail deposits which are held at the Bank over long periods of time, contributing to the stability of the Bank's unsecured funding.

The Bank's funding from other financial institutions includes of secured funding from ECB. The Bank also makes use of money market borrowings and transactional and structured instruments on bilateral or syndicated bases from time to time in order to increase the diversity of resources. These funding sources leverage the Bank's trade finance franchise and transaction flow reciprocity.

GBI aims primarily for a stable funding profile and conducts business activities that are characterized by short-term lending. This strategy enables the quick accumulation of a liquidity buffer in stressed financial environments, and the equally efficient build-up of short-term assets once the stress has passed.

40. Asset encumbrance

The following table sets out the total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities as at 31 December 2024 and 2023 as well as the availability of the Bank's financial assets to support future funding.

As at 31 December 2024	Carrying amount of encumbered assets		Carrying amount of non-encumbered assets		Total	
		Of which: ECB eligible		Of which: ECB eligible		Of which: ECB eligible
Loans and advances to banks	56,132	-	604,351	-	660,483	-
Loans and advances to customers	-	-	3,490,869	-	3,490,869	-
Financial assets at fair value through other comprehensive income	324,538	324,538	378,874	378,874	703,412	703,412
Total	380,670	324,538	4,474,094	378,874	4,854,764	703,412

As at 31 December 2023	Carrying amount of encumbered assets		Carrying amount of non-encumbered assets		Total	
		Of which: ECB eligible		Of which: ECB eligible		Of which: ECB eligible
Loans and advances to banks	6,783	-	398,268	-	405,051	-
Loans and advances to customers	48,957	48,957	2,602,049	-	2,651,006	48,957
Financial assets at fair value through other comprehensive income	235,756	235,756	194,245	194,245	430,001	430,001
Total	291,496	284,713	3,194,562	194,245	3,486,058	478,958

Financial assets are pledged as collateral as part of sales and repurchases, secured funding transactions and derivative transactions under terms that are usual and customary for such activities. In addition, as part of these transactions, the Bank has received collateral that it is also permitted to sell or repledge in the absence of default.

At 31 December 2024, the fair value of financial assets accepted as collateral that the Bank is permitted to sell or repledge in the absence of default is EUR 267.9 million (2023: EUR 98.7 million).

At 31 December 2024, the Bank has not sold or pledged any financial assets accepted as collateral (2023: zero). The Bank is obliged to return equivalent securities.

At 31 December 2024, for derivative liabilities that are classified as trading liabilities and derivatives liabilities held for risk management, the Bank had posted cash collateral with its counterparties for which it had recognised receivables of EUR 56.3 million (2023: 6.7 million). These receivables are regarded as encumbered and included in loans and advances to banks.

The encumbered assets have been pledged as collateral for the following financial liabilities:

Liabilities for which assets have been pledged

	31 December 2024	31 December 2023
Carrying amounts of financial liabilities		
Deposits from banks	325,084	264,989
Derivatives	34,157	2,270
Total	359,241	267,259

41. *Regulations on Liquidity Risk*

Compliance with regulatory requirements related to liquidity risk is an integral part of liquidity risk management at GBI. As such, the Bank ensures that it is in line with all regulations in place in its jurisdiction.

In this context, the Bank monitors and reports the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as per the Capital Requirement Regulation (CRR). Hence, GBI actively manages the level and composition of its High-Quality Liquid Asset (HQLA) buffer, which is composed of various types of assets including cash held at central banks as well as freely available central bank-eligible or investment grade-marketable securities.

Furthermore, GBI frequently monitors liquidity risk through various analyses including loan-to-deposit ratios, contractual maturity gap analyses, and stress tests that are designed according to a variety of scenarios. These allow the Bank to assess the impacts of diverse shocks on its liquidity position. Shock factors are based on bank- or market-specific liquidity squeezes. Shocks are applied to all on- and off-balance sheet items, including derivatives, to estimate cash flows under different stress scenarios. By using regulatory and internally developed stress tests, the Bank aims to hold a sufficient liquidity buffer in order to meet any sudden liquidity needs in times of stress.

42. *Exposure to liquidity risk*

The following table provides a maturity analysis of assets and liabilities according to their contractual remaining maturity at the reporting date. The amounts are gross and undiscounted and exclude the impact of netting agreements.

The inflows/(outflows) disclosed in this table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

Maturity analysis (contractual) assets and liabilities

<i>31 December 2024</i>	On demand	< = 3 months	3 months - 1 year	1 - 5 years	> 5 years	Undistri- buted ¹	Total
Cash and balances with central banks	61,201	3,254,812	-	-	-	-	3,316,013
Loans and advances to banks	97,587	110,888	452,008	-	-	-	660,483
Financial assets at fair value through profit or loss							
- Trading derivatives	-	360	-	22	-	-	382
- Non-trading derivatives	-	15,957	10,588	153	-	-	26,698
Financial assets at fair value through other comprehensive income	-	147,016	234,966	321,430	-	-	703,412
Loans and advances to customers	73,028	1,564,611	712,834	963,343	165,428	11,625	3,490,869
Total Assets	231,816	5,093,644	1,410,396	1,284,948	165,428	11,625	8,197,857
Deposits from banks	26,419	275,382	63,716	-	-	-	365,517
Deposits from customers	2,182,405	3,881,633	657,954	182,891	31,333	-	6,936,216
Financial liabilities at fair value through profit or loss							
- Trading derivatives	-	337	-	-	-	-	337
- Non-trading derivatives	-	12,175	13,782	8,173	838	-	34,968
Total Liabilities	2,208,824	4,169,527	735,452	191,064	32,171	-	7,337,038

42. Exposure to liquidity risk (continued)

Maturity analysis (contractual) assets and liabilities

<u>31 December 2023</u>	On demand	< = 3 months	3 months - 1 year	1 - 5 years	> 5 years	Undistri-buted ¹	Total
Cash and balances with central banks	38,995	2,215,644	-	-	-	-	2,254,639
Loans and advances to banks	55,895	78,967	270,189	-	-	-	405,051
Financial assets at fair value through profit or loss							
- Trading derivatives	-	143	51	1,874	-	-	2,068
- Non-trading derivatives	-	2,622	512	1,267	-	-	4,401
Financial assets at fair value through other comprehensive income	-	49,890	137,247	242,864	-	-	430,001
Loans and advances to customers	72,000	1,273,183	434,372	800,063	59,705	11,683	2,651,006
Total Assets	166,890	3,620,449	842,371	1,046,068	59,705	11,683	5,747,166
Deposits from banks	13,448	274,047	-	-	-	-	287,495
Deposits from customers	1,579,848	2,137,309	746,188	221,732	830	-	4,685,907
Financial liabilities at fair value through profit or loss							
- Trading derivatives	-	130	36	1,580	-	-	1,746
- Non-trading derivatives	-	6,217	700	246	-	-	7,163
Total Liabilities	1,593,296	2,417,703	746,924	223,558	830	-	4,982,311

¹ Represent assets and liabilities for which does not have a maturity date.

The following table sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled less than 12 months after the reporting date.

31 December 2024

Assets	Within 12 months	After 12 months
Cash and balances with central banks	3,316,013	-
Loans and advances to banks	660,483	-
Financial assets at fair value through other comprehensive income	381,981	321,431
Loans and advances to customers	2,350,473	1,140,396
Liabilities	Within 12 months	After 12 months
Deposits from banks	365,517	-
Deposits from customers	6,721,991	214,225

31 December 2023

Assets	Within 12 months	After 12 months
Cash and balances with central banks	2,254,639	-
Loans and advances to banks	405,051	255,432
Financial assets at fair value through other comprehensive income	187,137	242,864
Loans and advances to customers	1,779,555	871,451
Liabilities	Within 12 months	After 12 months
Deposits from banks	287,495	-
Deposits from customers	4,463,345	222,562

Country by country reporting

In line with Article 89 of the Capital Requirements Directives (CRD IV), the information on country-by-country reporting is as follows:

31 December 2024	Country	Location	Turnover	Average number of FTE	Result before Tax	Tax on result	Public subsidies received
Head Office	The Netherlands	Amsterdam	192,760	233	139,578	39,081	-
Dusseldorf Branch	Germany	Dusseldorf	4,001	16	906	272	-
31 December 2023							
Head Office	The Netherlands	Amsterdam	184,079	210	136,204	35,815	-
Dusseldorf Branch	Germany	Dusseldorf	3,402	16	433	130	-

Next to the abovementioned countries GBI also has representative offices in Türkiye and Switzerland. These offices do not perform any activities themselves. All transactions are recorded by GBI's Head Office or GBI's branch in Germany.

Subsequent Events

There are no events after the reporting date that require disclosure in these financial statements.

Amsterdam, 28 February 2025

The Managing Board:

Mr. S.E. Zeyneloğlu
Mr. M.Ö. Şişman
Mr. M. Witteveen
Mr. C.B. Mutlu

The Supervisory Board:

Mr. M. Akten (Chair)
Mr. A. Düren (Vice Chair)
Ms. M.A. Halverhout
Mr. J.H. Boyles III
Mr. M. Talayhan

OTHER INFORMATION

Provisions in the Articles of Association governing the appropriation of profit

The profit appropriation has been proposed in conformity with article 31 of the Articles of Association, which states:

Article 31

1. The profits shall be at the disposal of the general meeting.
2. Dividends may be paid only up to an amount which does not exceed the amount of the distributable part of the net assets.
3. Dividends shall be paid after adoption of the financial statements from which it appears that payment of dividends is permissible.
4. The general meeting may resolve to pay an interim dividend provided the requirement of the second paragraph has been complied with as shown by interim accounts drawn up in accordance with the provision of the law.
5. The general meeting may, subject to due observance of the provision of paragraph 2, resolve to make distributions to the charge of any reserve which need not be maintained by virtue of the law.

Independent auditor's report

To: the shareholder and supervisory board of GarantiBank International N.V.

Report on the audit of the financial statements 2024 included in the annual report

Our opinion

We have audited the accompanying financial statements for the financial year ended 31 December 2024 of GarantiBank International N.V. (the company) based in Amsterdam, the Netherlands.

In our opinion the financial statements give a true and fair view of the financial position of GarantiBank International N.V. as at 31 December 2024 and of its result and its cash flows for 2024 in accordance with International Financial Reporting Standards as adopted in the European Union (EU-IFRSs) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The statement of financial position as at 31 December 2024
- ▶ The following statements for 2024: the statements of comprehensive income, changes in equity and cash flows
- ▶ The notes comprising material accounting policy information and other explanatory information

Basis for our opinion

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

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

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

Information in support of our opinion

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

Our understanding of the business

GarantiBank International N.V. is a bank with focus on corporate lending to trade and commodity finance, corporate and retail banking. The company is wholly owned subsidiary of Türkiye Garanti Bankası A.Ş. and the ultimate parent is Banco Bilbao Vizcaya Argentaria S.A. Funding is predominantly attracted through retail saving and deposits in the Netherlands and its branch in Germany as well as deposits from non-retail clients. We paid specific attention in our audit to areas driven by these operations and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€10 million (2023: €9 million)
Benchmark applied	1.2% (rounded) of total equity as at 31 December 2024
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We consider a benchmark of 1% of total equity an appropriate quantitative indicator of materiality as it best reflects the financial position of GarantiBank International N.V. We determined materiality consistent with previous year.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €0.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

GarantiBank International N.V. has its head office in the Netherlands and a branch in Germany (hereinafter together: the group). The financial information of the group is included in the financial statements.

We are responsible for planning and performing the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the financial statements. We are also responsible for the direction, supervision, review and evaluation of the audit work performed for purposes of the group audit. We bear the full responsibility for the auditor's report.

Based on our understanding of the group and its environment, the applicable financial framework and the group's system of internal control, we identified and assessed risks of material misstatement of the financial statements and the significant accounts and disclosures. As part of our risk assessment, we visited the German branch to meet with local management, observed the branch' savings operations and discussed the risks of material misstatements for the German branch. Based on this risk assessment, we determined the nature, timing and extent of audit work performed for the head office and the branch in Germany. We performed the work ourselves.

By performing the audit work mentioned above at the head office and the German branch, together with additional work at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the financial statements.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the banking industry. We included specialists in the areas of IT audit, forensics and income tax and have made use of our own experts in the areas of credit risk modelling, valuations of derivatives and hedge accounting.

Our focus on climate-related risks and the energy transition

Climate change and the energy transition are high on the public agenda and lead to significant change for many businesses and society. The managing board reported in the section Sustainability at GarantiBank International of the report of the managing board how the company is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations. Furthermore, the managing board discloses its assessment, and implementation plans in connection to climate-related risks and the effects of energy transition.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition and the company's implementation plans are taken into account in estimates and significant assumptions. Furthermore, we read the report of the managing board and considered whether there is any material inconsistency between the non-financial information and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, accounting estimates or significant assumptions as at 31 December 2024.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. 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.

Our audit response related to fraud risks

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

We refer to Section Risk Management of the report of the managing board for the managing board's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We addressed the risks related to management override of controls, as this risk is present in all organizations. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in Section Use of estimates and judgements in the notes to the financial statements. As described in our key audit matter 'Estimation of expected credit losses on loans and advances to customers', we specifically considered the risk of management override of controls in relation to the expected credit loss allowance for defaulted (stage 3) loans and advances.

We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

When identifying and assessing fraud risks, we presumed that there are risks of fraud in revenue recognition. We evaluated that these risks of fraud are present in non-automated transactions, more specifically transactions related to the fee income recognition. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk. We evaluated the design and implementation of relevant internal controls, tested a sample of fees to ensure that the income recorded is accurate and had occurred and performed year-end cut-off procedures to evaluate timely recognition of transactions occurred.

We considered available information and made enquiries of relevant executives, directors, internal audit, legal, compliance, human resources and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the managing board, reading minutes, inspection of internal audit and compliance reports, inspection of the integrity risk analysis (SIRA) and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Our audit response related to going concern

As disclosed in Section Basis of preparation in the notes to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the managing board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the managing board exercising professional judgment and maintaining professional skepticism. We considered whether the managing board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern, also focusing on whether the company will continue to meet the regulatory solvency requirements. To this end, we also inspected the most recent Supervisory Review and Evaluation Process letter.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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 a company to cease to continue as a going concern.

Our key audit matters

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

In comparison with previous year, our key audit matters did not change.

Estimation of expected credit losses on loans and advances to customers

<p>Risk</p>	<p>The portfolio of loans and advances to customers of GarantiBank International N.V. is measured at amortized cost, less an allowance for expected credit losses. At 31 December 2024, the total gross loans and advances to customers of EUR 3,511 million and EUR 20 million of expected credit loss allowance are reported and disclosed in Note 5 to the Notes to the statement of financial position and statement of comprehensive income and further disclosed in the Risk Management section under Credit Risk.</p> <p>In accordance with IFRS 9 Financial Instruments and as disclosed in Sections Use of estimates and judgements and Expected credit losses of financial assets in the notes to the financial statements, the allowance is based on expected credit losses which includes assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward-looking information. These models are updated, validated and enhanced periodically.</p> <p>In accordance with the requirements of IFRS 9 GarantiBank International N.V. calculated the allowance for expected credit losses using a three-stage expected credit loss impairment model. GarantiBank International N.V. determined loan impairments in stage 1 on a modelled basis whereas the loan impairments in stage 2 are determined on either a modelled basis or on a specific loan-by-loan basis and loan impairments in stage 3 are determined on a loan-by-loan basis.</p> <p>The appropriateness of the expected credit loss allowance is a key area of judgment for the managing board. The identification of a significant increase in credit risk and the determination of recoveries is an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, the value of collateral and the assessment of whether a default has occurred with regard to loans and advances to customers. The use of different assumptions could produce significantly different estimates of the expected credit loss allowance. The modeling assumptions are disclosed in the Section Credit risk in the Risk Management chapter.</p> <p>Given the materiality of the loans and advances to customers of GarantiBank International N.V., the complex accounting requirements with respect to calculating allowances for expected credit losses and the subjectivity involved in the judgments made as well as the identified risk of management override of controls in relation to the expected credit loss allowance for defaulted (stage 3) loans and advances, we considered this to be a key audit matter.</p>
<p>Our audit approach</p>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of GarantiBank International N.V.'s accounting policies related to expected credit losses in accordance with the relevant paragraphs and application guidance of IFRS 9. We also obtained an understanding of the impairment allowance process, evaluated the design and tested operating effectiveness of internal controls relevant to the expected credit loss calculations including monitoring of arrears and the period-end estimation process for determining expected credit loss allowances and the governance over the calculations.</p>

Estimation of expected credit losses on loans and advances to customers

We analyzed the expected credit losses in relation to developments in the loans and advances to customers and the composition of the portfolio.

Further, with the support of our own modelling specialists, we assessed the appropriateness of the models used by GarantiBank International N.V. for collectively assess expected credit loss allowances and verified whether the models were adequately designed, implemented and periodically validated. We performed an overall assessment of the allowance levels by risk stage to determine if they were reasonable considering the risk profile of the loans and advances to customers, arrears management and credit risk management practices. We challenged the criteria used to allocate loans to risk stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate stage allocation. Finally, we assessed the retrospective review procedures performed by management which compare modelled predictions to actual results.

We performed substantive procedures including the reconciliation of the data used in the allowance calculations and disclosures to source systems. Regarding the application of macro-economic scenarios and forward-looking information, we involved our modeling specialist. This included challenging probability weights and the severity and magnitude of modelled downside scenarios, as well as assessing the sensitivity of changes in the assumptions in the calculations.

For the calculation of the expected credit loss allowance per 31 December 2024, we selected a sample of individual loans and performed detailed credit file reviews and challenged the internal assessment of impairment identification and measurement. In addition, we assessed the assumptions underlying the impairment identification and quantification, including forecasts of future cash flows and valuation of underlying collateral. We applied professional judgment in selecting those exposures for our detailed inspection of the reasonableness of the managing board's valuation of collateral for certain loans. We tested the data used in the expected credit losses calculation by reconciliation to source systems.

Additionally, in order to respond to the identified fraud risk, we specifically paid attention to any deviations from the expected credit loss allowance for stage 3 provisions, as approved by the Restructuring Credit Committee, as this may be indicative for management override of controls.

Finally, we evaluated the completeness and accuracy of the relevant disclosures in accordance with the relevant paragraphs and application guidance of IFRS 7 Financial instruments: disclosures.

Key observations

Based on our procedures performed we consider the expected credit loss allowances for loans and advances to customers to be reasonable.

Reliability and continuity of information technology

Risk	<p>The activities and financial reporting of GarantiBank International N.V. are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, infrastructure and operations, support the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls.</p> <p>The reliability and continuity of electronic data processing is disclosed in the Risk Management chapter to the notes of the financial statements. There is a risk that the general IT controls may not always operate as intended and, as a result, internal controls become ineffective. The dependency on IT environment could lead to undetected misstatements in financial reporting. Considering the importance of information technology to the continuity of the bank's operations and the increasing data granularity in financial reporting, we identified the reliability and continuity of the IT environment to be a key audit matter.</p>
Our audit approach	<p>IT audit specialists are an integral part of the engagement team and assess the reliability and continuity of the IT environment to the extent necessary for the scope of our audit of the financial statements. In this context, with help of our IT specialists, we obtained an understanding of the company's IT environment, evaluated the design of the IT processes and tested the operating effectiveness of general IT controls, as well as application controls over data processing, data feeds and interfaces where relevant for the financial reporting. As GarantiBank International N.V. has outsourced a part of their IT organization we also inspected the outsourcing agreement with the third party. We also evaluated the outsourced IT processes and IT general controls from service provider in the context of the financial audit of GarantiBank International N.V. Furthermore, we inspected the ISAE 3402 type 2 report from this party, evaluated testing exceptions and how complementary user entity control considerations have been addressed.</p>
Key observations	<p>Our testing of the IT general controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.</p>

Report on other information included in the annual report

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

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The managing board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of GarantiBank International N.V. on 28 January 2022, as of the audit for the year 2022 and have operated as statutory auditor since that financial year.

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of the managing board and the supervisory board for the financial statements

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

As part of the preparation of the financial statements, the managing board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the managing board should prepare the financial statements using the going concern basis of accounting unless the managing board either intends to liquidate the company or to cease operations or has no realistic alternative but to do so. The managing board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material misstatements, whether due to fraud or error during our audit.

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

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the managing board
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

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

In this respect we also submit an additional report to the audit and compliance committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 28 February 2025

EY Accountants B.V.

signed by R. Koekkoek