

**Capital and Risk Management
Pillar III Disclosures**

2018

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Introduction

Anadolubank Nederland N.V.'s Capital and Risk Management Pillar III Disclosures contains information that enables an assessment of the risk profile and capital adequacy of AnadoluBank Nederland N.V. (hereafter referred to as AnadoluBank or the "Bank"). This publication fulfils the requirements of the Basel III framework, as stipulated in the Capital Requirements Regulation and Directive IV (CRR/CRDIV) and should be read in conjunction with the Annual Report of the Bank (2018).

The CRR/CRD IV contains three pillars:

- Pillar I: Minimum requirements for capital adequacy
- Pillar II: Assessment of overall capital adequacy (ICAAP), liquidity adequacy (ILAAP) and supervisory review and evaluation (SREP)
- Pillar III: Requirements for disclosure of financial information

Pillar I covers the regulatory minimum requirements for capital allocation. The overall basis of calculation is the sum of capital needs for credit risk, market risk and operational risk. Pillar I allows banks to apply alternative methods of calculation. Some of these methods require prior approval from De Nederlandsche Bank/the Dutch Central Bank (DNB). AnadoluBank applies the following methods for measuring minimum capital requirement under The CRR/CRD IV.

Credit risk

- The Bank uses the standardized approach to calculate the capital requirements for credit risk. This approach entails using standard risk weights from 0% to 150%, on the Bank's assets depending on the creditworthiness of the borrower, the collateral and the type of the exposure.

Market risk

- The Bank uses the standardized approach to calculate the capital requirements for market risk. This approach entails using a standard risk weights ranging from 0% to 150% for interest rate and fx risk.

Operational risk

- The Bank uses the basic indicator approach to calculate capital requirements for operational risk. This approach entails using 15% of a three-year average of the sum of net interest income and net non interest income.

Pillar II defines the requirements for the Banks' own processes for assessing risk and capital adequacy through an Internal Capital Adequacy Assessment Process (ICAAP). Pillar II also provides guidelines for the supervisory review and evaluation. Besides ICAAP, DNB also reviews the Internal Liquidity Adequacy Assessment Process (ILAAP).

Pillar III defines the requirements for the disclosure of financial and non-financial information. The purpose of the requirements for disclosure of information is to ensure that market participants can evaluate the institutions' risk levels in different areas, their management and control of risks as well as the institution's level of capitalization.

Verification

The Bank's Pillar III Disclosures 2018 are not subject to external audit, and the document has been verified internally in accordance with the Bank's financial reporting and governance processes. Controls comparable to those for the Annual Report and Accounts 2018 have been applied in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the legal requirements for the annual accounts of Banks contained in the Netherlands Civil Code. The Pillar III disclosures are prepared for the Bank on solo basis. The Annual Report 2018 contains more detailed information on the accounting policies used by the Bank.

Frequency

The Pillar III disclosures are published annually on the Bank's website (www.anadolubank.nl).

Functional and presentation of currency

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

Risk Governance

All significant risks within the institution arise from operations of the Bank. To achieve sound governance, risk management principles are designed, the risk appetite statement, ICAAP and other risk related documents are approved by the Supervisory Board.

Risk and capital management

To ensure an effective and appropriate process for risk management, internal control and capital management, the Bank applies a framework of 10 components:

1. Strategic targets

Risk and capital management is based on strategic targets which are included in the Bank's business plan and yearly budget.

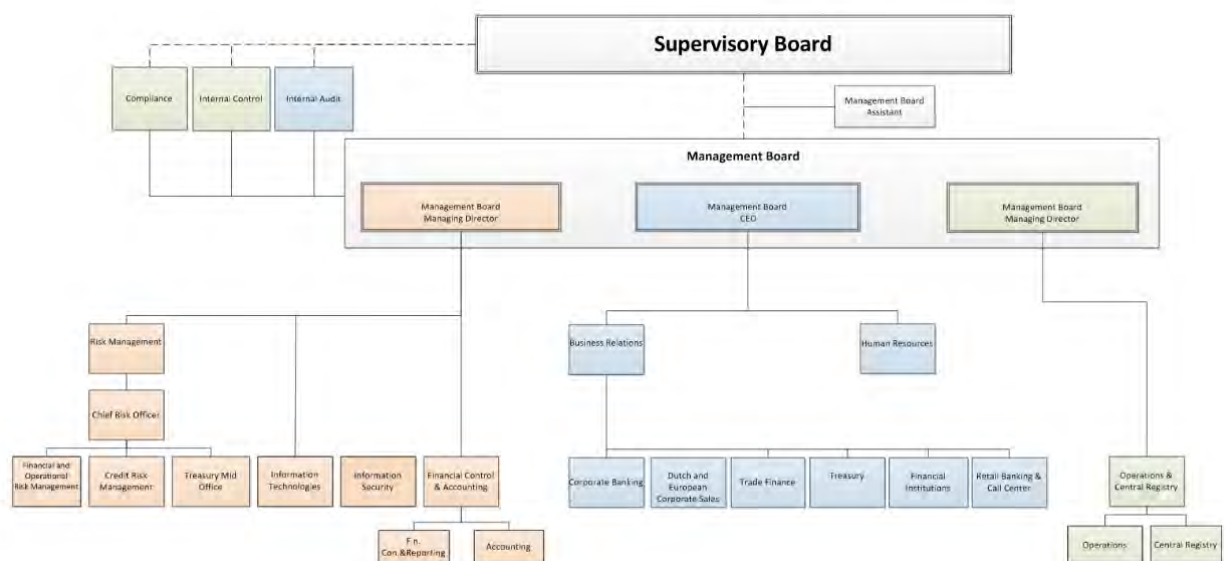
2. Organizational culture

In the process of risk and capital management, organizational culture is the foundation upon which the other elements are based. The organizational culture includes management model and human resources in the organization with their individual characteristics, such as integrity, ethical values and attitudes. A clear set of values and ethical guidelines that should be well known throughout the organization, shall be in place.

3. Organization

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

The table below shows the organization chart.



The responsibility for the Bank's risk management is distributed as follows:

The risk management in the Bank is based on the three lines of defense principles for segregation of duties. With business units assuming the first line of defense function, Financial and Operational Risk Management, Credit Risk Management, Information Securities, Financial Control & Reporting, Internal Control along with the Compliance Department form the second line of defense. Those departments support the business units in their decision-making, but have also appropriate independence and countervailing power to avoid risk concentrations. The Internal Audit Department, as the third line of defense, oversees and assesses the functioning and effectiveness of the first two lines.

Within Anadolubank, several parties play a role in managing and maintaining ICAAP and ILAAP. This concerns the Supervisory Board, the Management Board and the Asset & Liability Committee (ALCO).

In general, management of ICAAP and ILAAP is done by the Management Board, whereas the Supervisory Board ratifies and reviews their proposals and decisions.

4. Risk identification

Risk identification is part of the strategy and budget processes. The risks are identified and analyzed with respect to possible adverse events. Credit, market, operational, concentration, country, interest rate (banking book), liquidity, organizational, compliance and IT risks shall be measured in terms of the need for capital requirement. These measurements will be based on generally accepted and adequate methods.

5. Risk analysis and stress tests

The risk analysis will form the basis for how the Bank understands and manages risks. All major risk categories will be assigned with a risk profile as part of the Bank's ICAAP and ILAAP. The stress test is an important tool for analyzing the impact of negative events on the Bank's financial performance, balance sheet, capital and liquidity adequacy. Both the stress tests and scenario analyses are used to assess the impact of the potential adverse market and bank specific events.

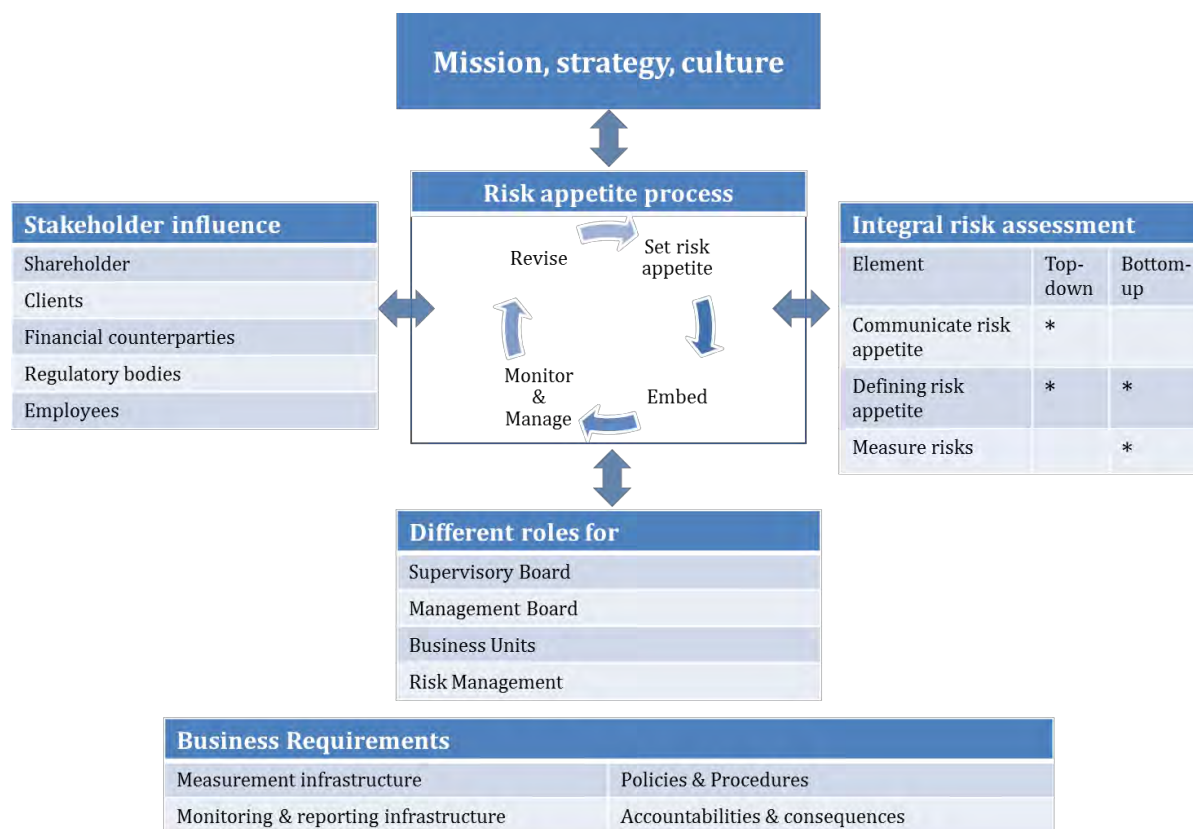
6. Risk appetite and risk strategies

The risk appetite framework sets the boundaries which are safe to operate. It is set and reviewed in an annual process reflected in the below picture:

Anadolubank's vision is 'to be recognized for our quality, reliability and excellence and to become the bank of choice for customers.' The objective of the Business Plan is expressed in the following four components:

- **Earnings:** Delivering sustainable profitability based on long-term relationship with our customers that create value for both parties.
- **Capital:** Preserving a strong/consistent/stable capital by enforcing effective capital management.
- **Liquidity:** Ensuring a strong liquidity position to fulfill financial requirements/obligations.

- **Reputation:** Establishing a long-term relationship with customers by providing high quality and tailor made services and products based on the values; fairness, honesty and sincerity.



7. Risk and capital management

Sound risk management is an important instrument to achieve the Bank's goals. The aim of risk management in the Bank is to be an integrated part of its planning, strategy, decision-making and monitoring processes. The Bank shall have a capital management process that ensures:

- An effective capital acquisition and optimal capital usage in relation to the Bank's strategic target and business strategies;
- A satisfactory capital adequacy based on chosen risk/return profile;
- Utilizing growth opportunities in the targeted markets.

8. Reporting, monitoring and surveillance

All managers and employees are responsible for the ongoing management of risk in their own areas. The Risk Management Department performs an independent assessment of the overall risk exposure and trends through periodical reports to the SB and MB in addition to ICAAP and ILAAP.

9. Contingency plans

Contingency plans (Business Continuity Plan (BCP), Contingency Funding Plan (CFP) and Recovery Plan (RP)) are prepared to address the Bank's operational, liquidity and capital situation and the potential action plans under unforeseen events/crises.

- Business Continuity Plan outlines the processes, procedures and staff necessary to recover and continue critical business processes in the event of a service interruption or major disaster. The tests are organized annually for the consistency of the defined plans.
- The Contingency Funding Plan outlines the potential action plans to recover from a liquidity crisis.
- The Recovery Plan outlines the potential action plans to recover from a solvency and/or liquidity crisis.

10. Compliance

There are established processes to ensure compliance with current laws and regulations, industry standards and internal guidelines.

Credit risk

Credit risk arises principally from loans and advances to customers and from investments in debt securities, but also from commitments, guarantees, documentary credits, and counterparty credit risk in derivatives contracts.

The Bank's asset portfolio is managed in accordance with the Bank's Credit Risk Policy, which applies qualitative and quantitative guidelines, with particular emphasis on avoiding excessive concentrations of risk.

The Bank's credit risk exposure consists of on-balance and off-balance sheet exposures. The on-balance sheet exposure is the book value of assets whereas the off-balance sheet exposure represents the amount that the Bank has committed to customers.

At the end of 2018, the Bank's total credit risk exposure was EUR 577 million (2017: EUR 608million). Loans which have the largest share in the Bank's total credit exposure decreased in 2018 compared to 2017. As a result cash and balances with Central Bank increased in 2018 compared to 2017.

(000 EUR)	Amount		Share	
	Dec-17	Dec-18	Dec-17	Dec-18
Breakdown by asset item				
Cash and balances with Central Bank	89,389	130,366	15%	23%
Banks	29,703	24,240	5%	4%
Loans	382,365	322,455	63%	56%
Securities	107,083	100,181	18%	17%
Total exposure	608,540	577,242	100%	100%

Management and policy

The Bank's credit risk management is based on active monitoring by the Management Board, the Credit Risk Management, the Credit Committees, and the business units. The Bank manages credit risk according to its Risk Appetite Statement and Credit Risk Policy which are approved by the Supervisory Board as well as detailed lending rules prepared by the Management Board. The Risk Appetite Statement and Credit Risk Policy include limits on large exposures to individual borrowers or groups of borrowers, concentration of risk and exposures to certain sectors and duration. The Management Board ensures that the Credit Risk Policy is reflected in the Bank's internal framework of regulation and guidelines. The Bank's executives are responsible for the Bank's business units to execute the Credit Risk Policy appropriately as the Management Board is responsible for the oversight of the process as a whole.

The key credit risk parameters are reported on a regular basis. Trends and performance versus specified benchmarks for credit risk are regularly reported to the Management Board and related departments. Credit limits are prudent, and the Bank uses standard mitigation and credit control approaches.

Business units are responsible for day-to-day management of existing credit exposures, and for periodic review of the client and related risks, within the framework developed and maintained by the Credit Risk Department. The Audit Department carries out separate assessment on business

units, to provide an independent opinion on the quality of the credit exposures, and adherence to credit policies and procedures. These measures, collectively, constitute the three lines of defense for an effective and prudent risk management for the Bank.

The Credit Risk Management Department is responsible for developing, enhancing and communicating an effective and consistent credit risk management framework across the Bank to ensure appropriate credit risk policies are in place to identify, measure, control and monitor such risks. Credit exposures are supervised more actively by the Credit Risk Management Department. Credit reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Interdependencies arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic structures that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other macroeconomic factors. In order to avoid concentration of risk, policies and procedures include specific guidelines to focus on country, sector and counterparty limits and the importance of maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Risk mitigation, collateral and other credit enhancements

The Bank takes a holistic approach when granting credit facilities that are based on credit analysis and assessment of individual files, where the primary basis is set as the repayment capacity of the borrower. As a fundamental credit principle, the Bank generally does not grant facilities only on the basis of collateral provided. Credit facilities are granted based on the credit standing of the borrower, source of repayment and debt service ability.

Nevertheless, collateral is taken whenever it is assumed to mitigate the credit risk. The Bank's Credit Risk Policy encourages the use of credit risk mitigation, justified by commercial prudence and good practice as well as capital efficiency. The value of collateral taken is also monitored periodically. The frequency of valuation depends on the type and volatility of the collateral value. The main types of collateral taken by the Bank include guarantees from banks and other eligible counterparties, mortgage on real estates and marine vessels, pledge of inventory and assignment of receivables. The amount and type of collateral depends on the counterparty credit risk assessment.

Credit Risk Management monitors the market value of collateral and where required, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained on an ongoing basis.

Collateral analysis is disclosed under the section financial risk management of the Bank's Annual Report 2018.

Large exposures

A large exposure is defined as an exposure to a group of related parties which exceeds 10% of the Bank's capital base. The Bank sets prudent exposure limits on large exposure risk related transactions in accordance with the Bank's overall strategy and policy, capital adequacy and provisions for potential risks, risk rating of each group, acceptable level of risk, and business opportunities in each counterparty or group of associated counterparties.

The Bank evaluates the customers' relationship both with respect to control and economic dependencies. Credit Risk Management monitors related party associations both prior to the granting of the loan and during the lifetime of the loan. Customers' exposures are updated daily and are available at any time through the Bank's core banking system.

Credit risk exposure by sector

The Bank's loan book is diversified regarding financial institutions and industrial sectors. The largest exposures are to the banking sector. The largest corporate sectors are transport & logistics, financial intermediation and chemicals, respectively. The Bank uses an internal industry classification which is based on the on the NACE standard.

(000 EUR)	Banks		Loans		Securities		Total	
Breakdown by sector	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18
AGRICULTURE & FISHING			11,676	10,340			11,676	10,340
AUTOMOTIVE			7,412	8,647			7,412	8,647
BANK	29,703	24,240	94,552	139,189	64,739	63,796	188,994	227,225
BASIC MATERIALS			17,385	14,465			17,385	14,465
CHEMICALS			39,942	21,211			39,942	21,211
CONSTRUCTION & INFRASTRUCTURE			12,670	16,738			12,670	16,738
CONSUMER PRODUCTS NON-FOOD			17,291	3,647			17,291	3,647
FINANCIAL INTERMEDIATION			67,395	25,813	3,332	2,048	70,727	27,861
FOOD, BEVERAGES & TOBACCO			18,494	3,537			18,494	3,537
GOVERNMENT					33,776	24,218	33,776	24,218
HEALTHCARE (INC. SOCIAL WORK)			3,000	1,000			3,000	1,000
OIL & GAS			9,085	6,000	5,067	4,969	14,152	10,969
OTHERS			2,850	4,952			2,850	4,952
PRIVATE INDIVIDUALS			96	66			96	66
REAL ESTATE			10,282	10,662			10,282	10,662
TECHNOLOGY					169	160	169	160
TELECOM			8,218	5,770			8,218	5,770
TRANSPORT & LOGISTICS			56,432	46,927		4,989	56,432	51,917
UTILITIES			5,587	3,489			5,587	3,489
Total exposure	29,703	24,240	382,365	322,455	107,083	100,181	519,151	446,876

Breakdown by the sector for the assets is also provided in the financial risk management section of the Bank's Annual Report 2018.

Credit risk exposure by country

Country risk is defined as the bank's aggregate exposure to a country. The exposures headed under country risk include all cross-border exposures to any counterparty in the relevant country as well as all sovereign exposures of the relevant country. The Bank adopted the "Policy Rule on Country Concentration" that prescribes a pillar II calculation for credit risk. Accordingly a separate country risk policy has been in force since 2018.

On top of that, the Bank closely monitors its country exposures and limits, total loans granted to the counterparties established in a specific country, for an effective monitoring of the collective debtor and foreign currency convertibility risk in a specific country.

The geographical breakdown of assets is also disclosed in section financial risk management of the Bank's Annual Report 2018.

(000 EUR)	Banks		Loans		Securities		Total	
Breakdown by geography	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18
EU MEMBER STATES	19,926	13,812	169,858	133,905	61,416	58,664	251,200	206,381
TURKEY	5,481	1,216	154,173	151,114	33,403	32,173	193,057	184,503
OTHER COUNTRIES	4,296	9,212	58,334	37,437	12,263	9,343	74,894	55,991
Total exposure	29,703	24,240	382,365	322,455	107,083	100,181	519,151	446,876

Portfolio credit quality

The Bank places great emphasis on monitoring and reporting the quality of the loan portfolio. To this end, it follows the development of credit ratings, defaults, loan impairments and the progress of the recovery of distressed loans (if any).

The Bank makes use of vendor rating models in order to assign external and/or internal ratings to its customers. All internal ratings are mapped to external rating scales.

Below table shows the breakdown of the portfolio by the assigned external ratings.

(000 EUR)	Banks		Loans		Securities		Total	
Breakdown by external rating	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18
AAA to BBB-	24,209	22,715	31,201	28,443	73,122	65,959	128,532	117,117
BB+ to B-	5,486	1,216	102,719	125,806	31,876	32,173	140,081	159,196
CCC+ to C							0	0
UNRATED	8	308	248,446	168,206	2,084	2,048	250,538	170,563
Total exposure	29,703	24,240	382,365	322,455	107,083	100,181	519,151	446,876

Defaults and write-downs of loans

The Bank's accounts are prepared in accordance with IFRS. This means that all items in the profit and loss statement and balance sheet, including recognition of receivables and provisioning and losses on loans and credits, follow these principles.

Considering the IFRS-9 methodology which is already in practice beginning from 2018, Anadolubank has decided on only one policy that covers its entire portfolio. As such, the distinction between stage 1 and 2 thereto is identified by a 'significant' increase in credit risk since origination for each specific exposure. Impairment allowances are then charged according to the aforementioned policy.

Credit impaired assets will be classified as stage 3. The stage 3 procedure does not change significantly from the current practice. A final write-off is recognized when it is evident that the loan will not be repaid and in such instances any corresponding provision (write-down) taken will be reversed. In the event of a payment on a previously written-off loan, these are recognized as a recovery on a previously written-off loan.

The following table shows the evolution of staging within 2018..

(000 EUR)	Stage1			Stage2			Stage3		
31 December 2018	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL
Cash and cash equivalents	142,491	142,492	0	0	0	0	0	0	0
Banks	119,898	120,364	466	31,189	31,458	269	0	0	0
Interest bearing securities	79,371	79,565	194	21,247	22,024	777	0	0	0
Loans and advances	134,029	134,287	258	48,232	48,936	704	1,375	1,638	262
Off-balance sheet liabilities	3,914	3,931	16	13	14	1	0	0	0
Total	479,703	480,639	934	100,681	102,432	1,751	1,375	1,638	262

(000 EUR)	Stage1			Stage2			Stage3		
01 January 2018	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL
Cash and cash equivalents	106,903	106,903	0	0	0	0	0	0	0
Banks	106,714	106,984	270	0	0	0	0	0	0
Interest bearing securities	106,967	107,134	167	826	846	20	0	0	0
Loans and advances	277,247	277,732	485	11,877	12,061	184	0	0	0
Off-balance sheet liabilities	3,918	3,920	2	0	0	0	0	0	0
Total	601,749	602,673	924	12,703	12,907	204	0	0	0

Counterparty credit risk for derivatives

Counterparty credit risk for derivatives entails a risk of financial loss for both parties to a transaction. This is because the market value of a transaction changes over time due to changes in the underlying market factors. The market values can thus fluctuate between positive and negative amounts. It arises mainly from the derivative contracts and securities financing.

The Bank's policy is to manage tightly all counterparty credit risks for derivatives while entering into the transactions necessary to maintain a sound operating environment.

Derivative financial instruments consisting of foreign currency forward contracts, foreign currency swaps and interest rate swaps are initially recognized at cost with subsequent measurement to their fair value at each balance sheet date. Fair values are obtained or determined from quoted market prices in active markets. All derivatives are separately evaluated and carried as assets when each transaction's fair value is positive and as liabilities when each transaction's fair value is negative. Derivative contracts are included in derivative financial instruments lines of assets and liabilities and changes in the fair value are included in the income statement. No hedge accounting has been applied.

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. The Bank uses derivative financial instruments to manage its exposure to foreign currency and interest rate risk. Counterparty credit risk for derivatives is measured by considering the potential future exposures of the derivative contracts.

The breakdown of the foreign currency transactions by maturity are presented below.

31 December 2018							
(000 EUR)	Notional Amounts	Up to 1 month	Up to 3 months	Up to 1 year	Over to 1 year	Fair value assets	Fair value liabilities
Currency swap purchase	248,536	46,597	10,660	52,225	139,054	3,187	0
Currency swap sale	252,920	46,605	10,977	54,137	141,201	0	4,193
Total	501,456	93,202	21,637	106,362	280,255	3,187	4,193

31 December 2017							
(000 EUR)	Notional Amounts	Up to 1 month	Up to 3 months	Up to 1 year	Over to 1 year	Fair value assets	Fair value liabilities
Currency swap purchase	317,568	73,808	57,077	66,956	119,727	5,985	0
Currency swap sale	315,817	74,113	57,103	66,461	118,140	0	2,038
Total	633,385	147,921	114,180	133,417	237,867	5,985	2,038

Mitigation and control

To mitigate counterparty credit risk for derivatives, contracts entered into with counterparties make use of ISMA (International Securities Markets Association), GMRA (Global Master Repurchase Agreement), and ISDA (International Swaps and Derivatives Association) agreements with Credit Support Annex (CSA). For such derivatives, the Bank may provide or require eligible collateral.

In order to minimize the risk arising from counterparties, the Bank selects well known market participants for derivatives transactions. Counterparties with above investment grade ratings composed over 96% of the total derivatives exposure.

Market risk

Market risk is the risk of loss from movements in market factors (i.e. interest rates, credit spreads, equity prices, foreign exchange rates and etc.), their implied volatilities and the correlations between them. Market risk stems from all positions included in the bank's trading book and net foreign exchange positions in the balance sheet.

The Bank applies the Standardized Approach to capture the market risk capital requirement in its trading book under Pillar I capital requirement calculation.

The following table shows the breakdown of capital requirement for market risk at the end of 2018 and 2017 respectively.

(000 EUR)	31/12/17		31/12/18	
Market risk	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Traded debt instruments	-	-	-	-
Equity	-	-	-	-
Foreign exchange	1,760	141	3,983	319
Commodities	-	-	-	-
Total	1,760	141	3,983	319

Foreign currency risk

Foreign currency risk arises when an entity's equity and profit are under threat as a result of foreign exchange rate fluctuations. Naturally, the Bank does business in multiple currencies and would be exposed to currency risks unless these risks are properly hedged. Net open currency position is managed with respect to the internal limits that are assigned for both banking book and trading book positions. The foreign currency risk is hedged generally by using derivatives transactions. As a result, the Bank has no material net exposure to foreign exchange rate fluctuations due to the efficient risk management.

The Management Board sets limits on the level of exposure by currency and in total which are monitored on a daily basis. The capital requirement for foreign currency risk of the Bank under Pillar I (standardized approach) is calculated as taking the net short or long position in each foreign currency and the total net open position is measured by aggregating the sum of the net short positions or the sum of net long positions, whichever is the greater. This total net open foreign currency position requires a capital of 8% of the exposure. The Bank's exposure to foreign currency exchange rate risk at 31 December 2018, on the basis of the Bank's assets and liabilities at carrying amounts, categorized by currency, is disclosed in the risk management section of the Bank's Annual Report 2018.

Interest Rate Risk

The Bank measures the minimum capital requirement for interest rate risk in the trading book by applying 'specific risk' and 'general market risk approaches'.

Interest rate risk on banking book

Interest Rate Risk in the Banking Book (IRRBB) is the risk a bank faces due to interest rate re-pricing mismatches. The re-pricing mismatch between the two sides of the balance sheet makes the Bank vulnerable to changes in the interest rates, a risk against which the Bank therefore needs to hold capital.

Since IRRBB is not separately identified by Pillar I regulatory capital, the Bank captures this risk under Pillar II in the ICAAP.

Anadolubank calculates the capital requirement by using measures listed below. These measures strongly relate to the regulatory report that is required to monitor at least on a quarterly basis

Earnings at Risk

Earnings at Risk (EaR) measure intends to quantify the volatility of the expected future earnings, depending on the potential future interest rates over the predefined horizon of this measure (at least one year). Obviously, these future interest rates, and new transactions during the time horizon, are not known in advance and consequently future earnings are uncertain as well.

However, by applying several interest rate scenarios, the volatility of the earnings can be forecasted over a particular future period. The Earnings at Risk is the level of earnings that correspond to a predefined scenario compared to the 'best estimate' on earnings, i.e. the expected change in the value of earnings.

Overall, the Bank aims to use matched currency funding and actively manages the balance sheet to avoid the duration mismatches. The following tables present the Bank's interest rate sensitivities in the Banking book from the income perspective at the end of 2018.

(000 EUR)	Earnings at Risk	
	31/12/17	31/12/18
Shock to yield curve		
200bps parallel gradual shift up (1 year)	1,476	1,594
200bps parallel gradual shift down (1 year)	384	597

Economic Value of Equity

Next to the EaR measure the Economic Value of Equity (EVE) measure is also used. For this measure, the fair values are calculated for the entire balance sheet against current discount rates and then compared to a revaluation with the shocked discount rates (200 bps parallel shift, up and down). The result for EVE is shown below.

(000 EUR)	Economic Value of Equity	
	31/12/17	31/12/18
Shock to yield curve		
200bps parallel sudden shift up (1 year)	-3,170	1,842
200bps parallel sudden shift down (1 year)	4,562	2,130

IRRBB strategy, governance, policy and processes

The Management Board retains ultimate responsibility for the effective management of IRRBB. The ALCO proactively manages IRRBB and the Treasury Department provides strategic insight and motivation in managing IRRBB to ALCO. The Risk Management Department provides appropriate risk reporting and analytics.

Appropriate limits have been set to measure this risk for both earnings and own funds, within which this risk must be managed. Compliance with these limits is measured and reported to the ALCO and the Management Board.

Liquidity risk

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

Anadolubank is responsible for the sound management of liquidity risk by establishing a good liquidity risk management framework that ensures sufficient liquidity, including a cushion of unencumbered, high quality liquid assets, to withstand a range of stress events, including those involving the loss of both unsecured and secured funding sources. The Bank needs to keep sufficient liquidity buffer to cover all risks taken over a foreseeable time horizon. The Bank strives to be efficient in its use of liquidity through active daily management of the balance sheet items with respect to different asset, liability and risk categories. The bank's goal is to enhance returns to shareholders while maintaining a prudent risk-return relationship with an adequate level of liquidity.

The relevant liquidity risk policy ensures effective liquidity risk management within the Bank. It is described how the Bank identifies, evaluates, measures, monitors, manages and reports its liquidity. Also, the policy clearly outlines the structure, responsibilities and controls for managing liquidity risk and overseeing the liquidity positions of the Bank. In addition to the liquidity risk policy, Contingency Funding Plan provides a framework for detecting an upcoming liquidity stress event with predefined early warnings and actions for preventing temporary or longer term liquidity disruptions.

Management

The objective of the Liquidity Risk Policy is to ensure that sufficient liquid assets and funding capacity are available to meet financial obligations and sustain withdrawals of confidence sensitive deposits in a timely manner and at a reasonable cost, even in times of stress.

The Policy aims to ensure that the Bank does maintain an adequate level of unencumbered, high-quality liquid assets that can be converted into cash, even in times of stress. The Bank has also implemented stringent stress tests that have a realistic basis in the Bank's operating environment to further measure the Bank's ability to withstand different and adverse scenarios of stressed operating environments.

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

The Bank monitors the short-term and the long term liquidity risks with various time horizons and also for different currencies. The contractual maturity breakdown of assets and liabilities are disclosed in the relevant section of the Bank's Annual Report 2018 which shows that the Bank does not carry a large maturity mismatch.

Measurement

Key indicators and metrics that are used to measure and monitor liquidity risk are listed below.

- Liquidity Coverage Ratio
- Net Stable Funding Ratio

- **Additional Liquidity Monitoring Metrics**

All above mentioned measures are monitored on a predefined frequency. The Liquidity Coverage Ratio was well above the minimum regulatory requirement (as of end 2018, 237%), where the NSFR was 158%, which is already above the minimum regulatory requirement set by DNB. Apart from the liquidity ratios, as being part of the regulatory requirements, the bank has established Additional Liquidity Monitoring Metrics that helps the Bank to have an overview of the liquidity profile of the Bank when assessing related liquidity risk in addition to the liquidity coverage and stable funding requirements.

Stress test & sensitivity analysis

Various stress tests have been constructed to measure how different scenarios affect the liquidity risk of the Bank. The stress tests are conducted periodically and measure the Bank's ability to withstand the potential outflows on the funding (i.e. deposit withdrawals) under various levels of adverse conditions. These stress tests are set up to measure the Bank's ability to operate in its current economic environment.

The stress test scenarios defined are in line with the requirements in the Internal Liquidity Adequacy Assessment Process (ILAAP). The Risk Management Department (RMD) with consultation of the Asset and Liability Committee (ALCO), designed an idiosyncratic, market wide and combined liquidity stress test to assess the flexibility of the bank in a consistent way to hypothetical adverse economic conditions.

The liquidity stress test results show that the available liquidity is sufficiently above the requirement level in each scenario as of 31 December 2018.

Control and monitoring

The Supervisory Board and the Management Board review the Bank's Risk Appetite Framework every year with regard to liquidity risk and, furthermore, the Management Board also discusses the Bank's balance sheet management with respect to liquidity risk in its periodic meetings. Risk-related matters are also discussed in detail by the Supervisory Board of the Bank. ALCO is responsible for deciding on strategies, policies and practices on liquidity risk in accordance with the risk tolerance while taking into account key business units, products, legal structures and regulatory requirements.

The Bank's Treasury Department is responsible for day-to-day liquidity management and execution within the Bank and that entails closely monitoring the risk profile and potential market developments that may present significant and complex challenges for the Bank's liquidity strategy. The management of the liquidity buffer and the high quality liquid assets is under the responsibility of the Treasury Department, which manages the portfolio in accordance with the Bank's Liquidity Risk Policy and respective Risk Appetite Limits. In addition to the ALCO, the Risk Management Department regularly evaluates the Bank's liquidity position, monitors internal and external events and factors that may affect the liquidity position and also ensures compliance with the Bank's liquidity management policy.

Furthermore, the Bank carries out Internal Liquidity Adequacy Assessment Process (ILAAP) based on DNB's ILAAP Policy Rule and submits the required documentation to DNB as part of the Supervisory Review and Evaluation Process (SREP). The internal process, governance and consultative dialogue with the regulatory supervisory body required to meet the ILAAP rules are similar to the ICAAP. The ILAAP Supervision Manual gives an all-encompassing qualitative and

quantitative guidance for liquidity risk management and for the implementation of the relevant liquidity risk regulations.

Early warning indicators and escalation procedures

There are escalation procedures that are applied if there is a danger that the lower limit of any early warning indicator is breached, using a 'traffic-lights' model. This is a system of warning signals that lead to an increased level of alertness with respect to the current situation. When none of the escalation criteria have been activated, this is known as green (safe). This can be escalated to yellow (warning) and finally red (trigger).

Contingency Funding Plan

The Bank has a Contingency Funding Plan which is set to provide a framework for detecting an upcoming liquidity event with predefined early warning indicators and actions for preventing temporary or longer term liquidity disruptions.

The Contingency Funding Plan stipulates the action plans and procedures which shall be taken if the occurrence of a liquidity event or a confidence crisis is likely or imminent.

Residual contractual maturities of financial assets and liabilities

The tables below represent the undiscounted cash flows of the Bank's financial assets and liabilities on the basis of their contractual maturities.. The expected cash flows on these instruments may vary from this analysis. For example, demand deposits (savings) from customers are expected to maintain a stable balance. The net liquidity gaps per tenor are monitored as part of the liquidity risk management within the Bank.

(000 EUR)		Liquidity Gap - Contractual View						
31 December 2018	Total	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not distributable
Assets								
Cash and cash equivalents	142,492	142,492	-	-	-	-	-	-
Banks	151,087	-	30,900	25,302	90,436	4,449	-	-
Loans and advances	183,636	-	20,381	30,029	28,247	101,360	3,619	-
Interest bearing securities	100,618	-	4,391	2,667	20,736	42,025	30,799	-
Current tax assets	265	-	-	-	-	265	-	-
Deferred tax assets	625	-	-	-	-	625	-	-
Other assets	3,972	-	-	-	-	3,187	-	785
Total assets	582,695	142,492	55,672	57,998	139,419	151,911	34,418	785
Liabilities								
Banks	168,458	-	43,061	54,038	34,169	37,191	-	-
Funds entrusted	321,245	127,506	86,388	9,222	28,688	64,060	5,380	-
Current tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	4,908	-	4,193	-	-	-	-	715
Shareholders' equity	88,084	-	-	-	-	-	-	88,084
Total liabilities	582,695	127,506	133,642	63,260	62,857	101,251	5,380	88,799
Net liquidity	-	14,986	-77,970	-5,262	76,562	50,660	29,038	-88,014

(000 EUR)		Liquidity Gap - Contractual View						
31 December 2017	Total	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not distributable
Total assets	618,594	94,919	102,719	105,383	117,912	156,918	39,969	774
Total liabilities	618,594	166,792	102,678	119,505	62,035	72,978	4,930	89,676
Net liquidity	-	-71,873	41	-14,122	55,877	83,940	35,039	-88,902

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those occurring from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks emerge from all of the Bank's operations.

The bank's operational risk management governance structure is based on the "three lines of defence" model.

- The 1st Line of Defence includes all the bank's Business lines, each one directly responsible for controlling and minimizing the operational risk within their business activities in compliance with the bank's standards and policies.
- The 2nd Line of Defence includes the Risk Management Department, which is primarily responsible for developing and providing the operational risk management methodologies, tools and guidance to be used at the department level for the management of operational risk. The Risk Management Department is supported by other supporting departments such as Compliance, Human Resources and Information Technology, Information Security, Internal Control, Financial Control & Reporting, and Treasury Mid-office. Furthermore, monitoring of operational risk and assisting in mitigating actions also belong to this line of defence.
- The 3rd Line of Defence is Internal Audit, which is responsible for independently ensuring that the operational risk management framework is effective, appropriate and functioning with integrity.

The bank has the Operational Risk Management Policy & Methodologies in place. The roles and responsibilities of the Supervisory Board and Management Board and also the business units, operational risk management governance, operational risk principles, operational risk typology, operational risk management process methodology, and operational risk reporting are clearly articulated in this policy.

A Risk Control Self-Assessment (RCSA) is carried out to further examine the bank's risks and related controls. The key objective is to identify risks and take actions to reduce them to an acceptable level. The RCSA has been done with the cooperation of each department based on their departmental processes. The Risk Management Department was involved ensuring the consistency of the assessment

Measurement, mitigation and processes

The primary responsibility for the development and implementation of controls to address operational risk is assigned to head of the each business unit. This responsibility is supported by the development of compliance to the Bank's overall standards for the management of operational risk in the following areas:

- Risk culture, human resource management practices, organizational changes and employee turnover;

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective; and;
- An independent internal audit department responsible for verifying that significant risks are identified and assessed and for testing controls to ensure that overall risk is at an acceptable level.

The Bank continuously has internal and external projects to ensure that it can continue to comply with changing legislation and regulation. The Bank devotes much attention to this area. Legislation and regulation in the financial sector continued to be subject to rapid change and increasing complexity. The departments of Compliance, Risk Management, Internal Control and Internal Audit have been strengthened accordingly.

Each department of the Bank is individually accountable for its results as well as for the risks associated with its operations. A balance must be struck between risk and return, and this must comply with the relevant risk limits.

The Bank collects and records operational loss events in a database, which is managed and maintained by the Risk Management Department to capture key information on operational losses. This data is analyzed and then reported to the Management Board to provide insight into operational risk exposures, trends and the relevant action plans. The Bank uses the Basic Indicator Approach to calculate the regulatory required capital for the operational risk. The calculation is based on a single indicator which is the gross income. Risk weighted assets are calculated as 15% of the average of the last three years' gross income.

The following table shows the regulatory capital requirement for operational risk.

(000 EUR)	Operational Risk	
	31/12/17	31/12/18
Basic indicator approach (BIA)		
Exposure	20,655	20,621
Capital requirement	1,652	1,650

Capital management

The Bank had a Total Capital Ratio (TCR) at the end of 2018 of 22.8%. In light of continued uncertainty in the financial environment, the Bank chooses to maintain its financial strength. DNB stringent requirements on capital and liquidity ratios, and even higher demands made by the Bank's Supervisory Board and the Management Board in this respect, have proven to be an important part of the Bank's strategy. As long as uncertainties remain in the Eurozone and emerging countries, it is beneficial for the Bank to maintain strong capital ratios.

The capital planning is subject to two overall considerations:

- i. Optimization of the Bank's risk and maximization of earnings;
- ii. Increase the banking activities within the defined risk appetite.

Capital structure

The Bank's capital base is composed of Common Equity Tier 1 (CET1) capital. This capital comprises of paid-in capital, reserves, the profits retained in prior years and the result for the current year. Intangible assets, deferred tax assets and the unrealized loss on investments carried as available for sale (AFS) are deducted from CET1 capital.

Calculation of capital requirements under Pillar I and Pillar II

The table presents an overview of the capital requirements and the risk-weighted exposure amounts at 31 December 2018 and 31 December 2017 for the various risk types. According to the respective regulations on capital requirements, the capital base of a financial undertaking is required to correspond to a minimum of 8% of the sum of RWA of credit risk, market risk, and operational risk as calculated under Pillar I. Additional capital requirements, buffers and other factors are determined under Pillar II.

Below table represents the capital requirements and the own funds.

(000 EUR)	Total Capital Ratio	
Capital requirements	31/12/17	31/12/18
Total risk weighted assets	471,655	386,707
Credit risk	446,253	361,396
Market risk	1,760	3,983
Credit valuation adjustment	2,987	707
Operational risk	20,655	20,621
Total capital	88,274	88,077
Tier 1 capital	88,274	88,077
Paid up capital instruments	70,000	70,000
Previous years retained earnings	14,414	17,948
Profit or loss eligible	4,381	2,011
Accumulated other comprehensive income	(490)	(1,874)
Other intangible assets	(31)	(8)
Tier 2 capital	-	-
Tier 1 ratio	18.7%	22.8%
Total capital ratio	18.7%	22.8%

The largest part of the capital requirement relates to credit risk (94%). Market risk accounts for 1% of the capital requirement and operational risk comprises 5% of the capital requirements as of 31 December 2018.

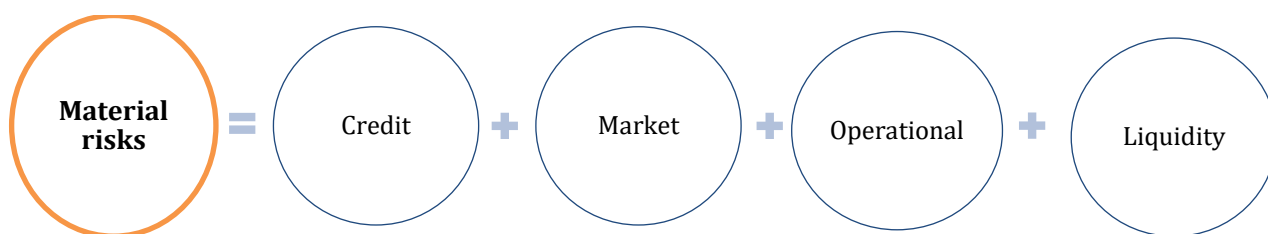
Leverage Ratio

In addition to the changes in the minimum required solvency, a non-risk based measure, namely the Leverage Ratio, has been established to limit excessive leverages in the financial industry. Anadolubank does not carry large amounts of assets with (very) low risk weights. As a result, Anadolubank has sustainable and high leverage ratio. The Bank's leverage ratio level of 14.8% is well above the Basel III proposal of 3%.

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is the bank's internal process to assess its overall capital adequacy in relation to its risk profile and strategy to maintain capital at healthy levels. It ensures the bank has adequate capital to support both Pillar I and Pillar II risks. In addition, ICAAP also ensures the bank has adequate capital to withstand stress.

The Bank is exposed to the following material risks which arise from financial instruments:



The following table presents the capital allocation process by the risk type.

Risk Type	Covered in
Credit Risk	Pillar I and Pillar II
Concentration Risk	Pillar II
Market Risk	Pillar I and Pillar II
Interest Rate Risk in the Banking Book	Pillar II
Operational Risk	Pillar I
Liquidity Risk	ILAAP Framework

The Bank's ICAAP report is prepared by the Management Board and approved by the Supervisory Board, and then submitted to the DNB annually or more frequently if there is a material change in strategy or risk profile of the Bank. DNB reviews the Bank's ICAAP report and sets capital requirements following its SREP.

In addition to the above the Bank uses the ICAAP to:

- Raise risk-awareness within the Bank;
- Perform a process to adequately identify and measure the Bank's risk factors;

- Carry out a process to monitor whether the Bank's capital is adequate in relation to its risk profile;
- Review the soundness of the Bank's risk management systems and controls that are used to assess, quantify and monitor the Bank's risks.

The ICAAP is embedded into the Bank's risk management framework. The Management Board and senior management participate in the process of identifying and evaluating their high risk areas, in cooperation with Risk Management Department. The result from the identification phase serves as the basis for the risk identification within the Bank's ICAAP and ILAAP.

Remuneration policy

Remuneration policy relates to the fixed and variable remuneration of staff, meaning all forms of payments and benefits made directly by, or indirectly, but on behalf of Anadolubank in exchange for employment services rendered by staff, which includes salaries, fringe benefits, bonuses, other fees, cost remuneration, severance payments which are contractual agreed upon and discretionary pension benefits (if any).

The Policy corresponds to sound and effective risk management and it will not encourage taking risks that are not acceptable to Anadolubank. It takes into account the interests of the customers, staff members, shareholders, other stakeholders and Anadolubank.

The remuneration revolves around following four key principles: Remuneration is

- Aligned with the business strategy of the Bank;
- Appropriately balanced between short term and long term;
- Differentiated relative to the realization of performance objectives and the results of the Bank;
- Externally competitive and internally fair.

Governance

Various bodies and functions have an important role in the determination, implementation and control of the Policy. Considering the size of the Bank, a separate Remuneration Committee is not established and relevant issues will be addressed by the Supervisory Board.

- The Management Board is responsible for the implementation of the Policy, except in relation to its own Remuneration policy. The Management Board will present a remuneration proposal annually to the Supervisory Board. The remuneration of the senior officers in the risk management, audit and compliance departments are directly overseen by the Supervisory Board.
- The Supervisory Board approves the general principles of the Policy and oversees its implementation by the Management Board. The Supervisory Board shall also be responsible for the implementation and evaluation of the Policy, adopted for the members of the Management Board.
- Internal Audit, Risk Management, and Compliance departments (Control Functions) are involved in the annual risk analysis of the remuneration policy, are independent from the business units they oversee and have appropriate authority to advise the Management Board and the Supervisory Board. These Control Functions act in joint cooperation with respect to the set-up, execution, evaluation and required amendments to the remuneration policy. Adequate processes are implemented for this within Anadolubank Nederland N.V., including an escalation procedure towards the Supervisory Board.

Method of Payment

i. Proportionality

In taking measures to comply with the remuneration principles Anadolubank complies in a way and to the extent that is appropriate with its size, internal organization and the nature, scope and complexity of its activities.

ii. Upfront/Deferred Payments

In the event the Bank awards variable remuneration, the variable remuneration comprises of an upfront (60%) and a deferred (40%) component. Payment of the unconditional upfront (60%) part will be made after the performance period. The payment of the conditionally deferred 40% part will be made in equal parts over the deferral period of 3 years and is subject to ex post performance adjustments as described in this Policy, designed to align incentives with the longer-term interests of Anadolubank Nederland N.V. No interest will be paid over the deferral period.

iii. Cash/Non-Cash Payments

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

- Bank remains unlisted and non-cash payments are not possible or convenient.
- Risks arising from the cash payment are adequately managed; using a calculation of variable remuneration which is based on the sustainable income of the Bank and the remuneration structure encourages staff members to act in line with the Bank's long-term interests.

iv. Certainty of Payments

Payment of both the upfront variable remuneration and the deferred variable remuneration is at the full and sole discretion of Anadolubank and is conditional upon the staff member's continuous employment until such time as variable remuneration vests. Any rights on deferred variable remuneration will extinguish in the event of termination of the employment before the end of the deferred term.

v. Monetary/Goods Payments

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of the policy and are solely made in a fully transparent manner.

vi. Category Level

When a selected category of identified staff can receive a variable remuneration of no more than one monthly salary and/or an amount of no more than EUR 10.000,- gross, this category may be exempted from a more rigorous regime of control measures. For other identified staff members, the following applies: as the variable salary rises in relation to the fixed component, the control measures must also be increased in the form of deferred payment.

The Bank's Annual Report 2018 contains a detailed overview of the quantitative information on the remuneration.

Annex 1: Own Funds Disclosure

Own Funds Disclosure	
(000 EUR)	31/12/18
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	70,000
of which: paid-in capital	70,000
of which: instrument type 2	-
of which: instrument type 3	-
Retained earnings	19,959
Accumulated other comprehensive income (and other reserves)	-1,874
Funds for general banking risk	-
Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from CET1	-
Public sector capital injections grandfathered until 1 January 2018	-
Minority interests	-
of which: independently reviewed interim profits net of any foreseeable charge or dividend	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	88,085
CET1 capital: regulatory adjustments	-
Additional value adjustments (-)	-
Intangible assets (net of related tax liability) (-)	-8
deferred tax assets that rely on future profitability excluding those arising from temporary differences	-
Fair value reserves related to gains or losses on cash flow hedges	-
Negative amounts resulting from the calculation of expected loss amounts	-
Any increase in equity that results from securitised assets (-)	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
Defined-benefit pension fund assets (negative amount)	-
Direct and indirect holding by an institution of own CET1 instruments (-)	-
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	-
Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	-
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	-
Empty set in the EU	-
Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
of which: qualifying holdings outside the financial sector (-)	-
of which: securitisation positions (-)	-
of which: free deliveries (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related eligible tax liabilities)	-

Amount exceeding the 15% threshold	-
Of which: direct and indirect holding by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
Empty set in the EU	-
of which: deferred tax assets arising from temporary differences	-
Losses for the current financial year (-)	-
Foreseeable tax charges relating to CET1 items (-)	-
Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	-
Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	-
Of which: Filter for unrealised losses	-
Of which: Filter for unrealised loss on exposures to central governments classified in the "available for sale" category in the EU endorsed IAS 39.	-
Of which: Filter for unrealised gains	-
Of which: Filter for unrealised gains on exposures to central governments classified in the "available for sale" category in the EU endorsed IAS 39.	-
Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	-
Of Which: ...	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution (-)	-
Total regulatory adjustments to CET1	-8
CET1 capital	88,077
Additional Tier 1 (AT1) capital: instruments	-
Capital instruments and the related share premium accounts	-
of which: classified as equity	-
of which: classified as liabilities	-
Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from AT1	-
Public sector capital injections grandfathered until 1 January 2018	-
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	-
of which: instruments issued by subsidiaries subject to phase out	-
AT 1 capital before regulatory adjustments	-
AT1 capital: regulatory adjustments	-
Direct and indirect holding by an institution of own AT1 instruments (-)	-
Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	-
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	-
Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	-
Regulatory adjustments applied to AT1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	-
Residual amounts deducted from AT1 capital with regard to deduction from CET1 capital during the transitional period pursuant to art. 472 of Reg. (EU) No 575/2013	-
Of which: intangibles	-
Of which: shortfall of provisions to expected losses	-

Residual amounts deducted from AT1 capital with regard to deduction from T2 capital during the transitional period pursuant to art. 475 of Reg. (EU) No 575/2013	-
Of which items to be detailed line by line, e.g., reciprocal cross holding in T2 instruments, direct holding of non-significant investments in the capital of other financial sector entities, etc.	-
Amount to be deducted from or added to AT1 capital with regard to additional filters and deductions required pre CRR	-
Of which: ... possible filter for unrealised losses	-
Of which: ... possible filter for unrealised gains	-
Of which: ...	-
Qualifying T2 deductions that exceed the T2 capital of the institution (-)	-
Total regulatory adjustments to AT1 capital	-
AT1 capital	-
Tier 1 capital (T1= CET1 + AT1)	88,077
Tier 2 (T2) capital: instruments and provisions	-
Capital instruments and the related share premium accounts	-
Amount of qualifying items referred to in art. 484 (3) and the related share premium accounts subject to phase out from T2	-
Public sector capital injections grandfathered until 1 January 2018	-
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third parties (excluding row 5 and 34)	-
of which: instruments issued by subsidiaries subject to phase out	-
Credit risk adjustments	-
T2 capital before regulatory adjustments	-
T2 capital: regulatory adjustments	-
Direct and indirect holding by an institution of own T2 instruments and subordinated loans (-)	-
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (-)	-
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	-
Of which new holdings not subject to transitional arrangements	-
Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-
Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)(-)	-
Regulatory adjustments applied to T2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	-
Residual amounts deducted from T2 capital with regard to deduction from CET1 capital during the transitional period pursuant to art. 472 of Reg. (EU) No 575/2013	-
Of which: shortfall of provisions to expected losses	-
Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period pursuant to art. 475 of Reg. (EU) No 575/2013	-
Of which items to be detailed line by line, e.g., reciprocal cross holding in T2 instruments, direct holding of non-significant investments in the capital of other financial sector entities, etc.	-
Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre-CRR	-
Of which: ... possible filter for unrealised losses	-
Of which: ... possible filter for unrealised gains	-

Of which: ...	-
Total regulatory adjustments to T2 capital	-
Tier 2 capital	-
Total capital (TC = T1 + T2)	88,077
RWA in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Reg. (EU) No 575/2013	-
Of which: ... items not deducted from CET1	-
Of which: ... items not deducted from AT1 items	-
Of which: ... items not deducted from T2 items	-
Total risk weighted assets	386,815
Capital ratios and buffers	-
CET1 (as a % of total risk exposure amount)	22.8%
T1 (as a % of total risk exposure amount)	22.8%
TC (as a % of total risk exposure amount)	22.8%
Institution specific buffer requirement	2.5%
of which: capital conservation buffer requirement	2.5%
of which: countercyclical buffer requirement	-
of which: systemic buffer requirement	-
of which: G-SII or O-SII buffer	-
CET1 available to meet buffers (as a % of risk exposure amount)	17.5%
Amounts below the thresholds for deduction	-
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
Applicable caps on the inclusion of provisions in Tier 2	-
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach	-
Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (1 Jan 2014 - 1 Jan 2022)	-
Current cap on CET1 instruments subject to phase out arrangements	-
Amount excluded from CET1 due to cap	-
Current cap on AT1 instruments subject to phase out arrangements	-
Amount excluded from AT1 due to cap	-
Current cap on T2 instruments subject to phase out arrangements	-
Amount excluded from T2 due to cap	-

Annex 2: Asset Encumbrance

(000 EUR)		Asset Encumbrance		
31 December 2018	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	87,450	88,356	13,168	13,161
Other assets	0	0	4,868	0
Total	87,450	88,356	18,036	13,161

(000 EUR)		Collaterals Received	
31 December 2018	Fair value of encumbered collateral received	Fair value of encumbered collateral received available for encumbrance	
Equity instruments	0	0	
Debt securities	0	0	
Total	0	0	