



**Capital and Risk Management  
Pillar III Disclosures**

**2020**

## Contents

<b>Introduction .....</b>	<b>1</b>
<b>Risk governance.....</b>	<b>3</b>
<b>Credit risk .....</b>	<b>7</b>
<b>Counterparty credit risk for derivatives.....</b>	<b>11</b>
<b>Market risk .....</b>	<b>12</b>
<b>Liquidity risk.....</b>	<b>15</b>
<b>Operational risk.....</b>	<b>19</b>
<b>Capital management.....</b>	<b>21</b>
<b>Remuneration policy.....</b>	<b>24</b>
<b>Annex 1: Own funds disclosure .....</b>	<b>26</b>

# Introduction

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Capital and Risk Management Pillar III Disclosures document 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.

The CRR/CRD IV contains three pillars:

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

**Pillar I** covers the regulatory minimum capital requirements for certain risks. The overall basis of the calculation is the sum of capital requirements 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 requirements under The CRR/CRD IV.

## Credit risk

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

## Market risk

- The Bank adopts the standardized approach to calculate the capital requirements for market risk. This approach entails using standard risk weights ranging from 0% to 150% on the exposures subject to market risk factors (i.e. interest rate, FX risk).

## Operational risk

- The Bank adopts the basic indicator approach to calculate capital requirements for operational risk. This approach entails using 15% of the average of the last three year's net 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). In addition to ICAAP, the Bank has Internal Liquidity Adequacy Assessment Process (ILAAP) in place. Pillar II also provides guidelines for the supervisory review and evaluation process which takes both ICAAP and ILAAP into consideration.

**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 as well as the institution's capitalization with subject to the measured risks.

### **Verification**

The Bank's Pillar III Disclosures are not subject to external audit, thus 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 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 the Netherlands Civil Code. The Pillar III disclosures are prepared for the Bank on non-consolidated basis. The Annual Report contains more detailed information on the accounting policies adopted by the Bank.

### **Frequency**

The Pillar III disclosures are published annually on the Banks' official website ([www.anadolubank.nl](http://www.anadolubank.nl)).

### **Functional and presentation of currency**

The financial statements are presented in Euros, which is the Bank's functional and presentation currency.

# Risk governance

Risk management principles are designed and complied in order to achieve sound governance. Risk management policies and framework are approved by the Management Board and also Supervisory Board of the Bank.

## Risk and capital management

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

### 1. Strategic targets

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

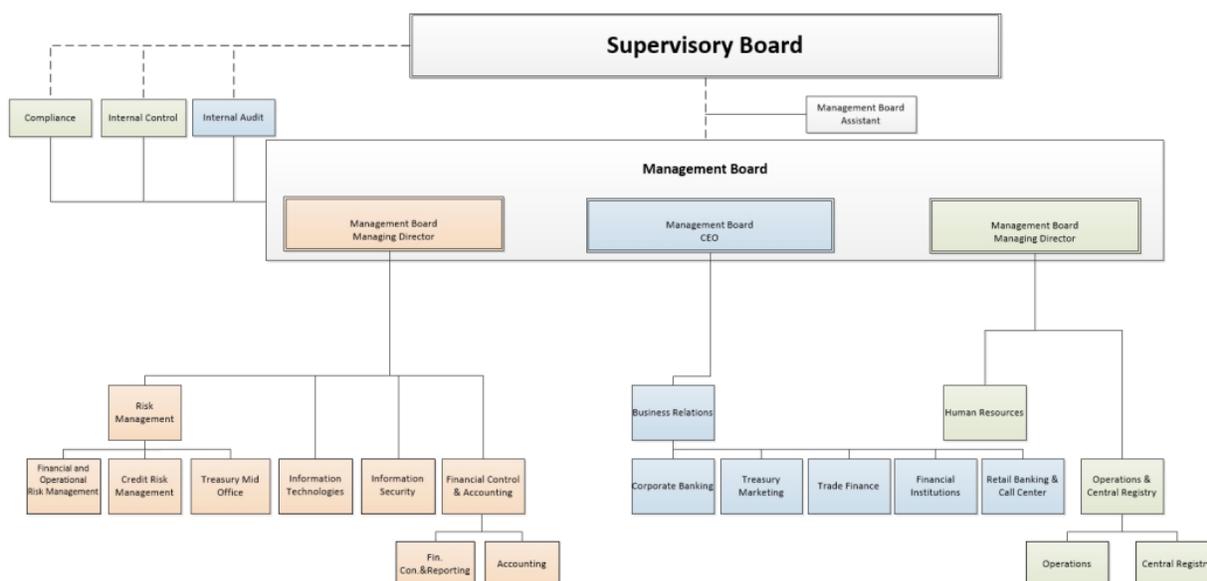
### 2. Organizational culture

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 are in place.

### 3. Organization

The Bank has a two tier management system, the Management Board (MB) who is responsible for the day-to-day management of the Bank and the Supervisory Board (SB) who 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 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. Business units being the first line of defense function, Risk Management, Information Securities, Financial Control & Reporting, Internal Control, and Compliance departments form the second line of defense. Those departments support the business units in their decision-making, but have also appropriate independence and countervailing power to avoid risk 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 mainly concerns the Supervisory Board, the Management Board, Credit Committee (CC) and the Asset & Liability Committee (ALCO).

In general, management of ICAAP and ILAAP is performed by the Management Board with the support and guidance of the relevant committees, whereas the Supervisory Board ratifies and reviews their proposals and decisions.

#### **4. Risk identification**

Risk identification is an important part of the strategy and budget planning processes. The risks are identified and analyzed with respect to the possible adverse events. Credit, market, operational, concentration, interest rate (banking book), liquidity, organizational, compliance and IT related risks are measured in terms of the additional capital requirement. These measurements are based on to adequate methods.

#### **5. Risk analysis and stress tests**

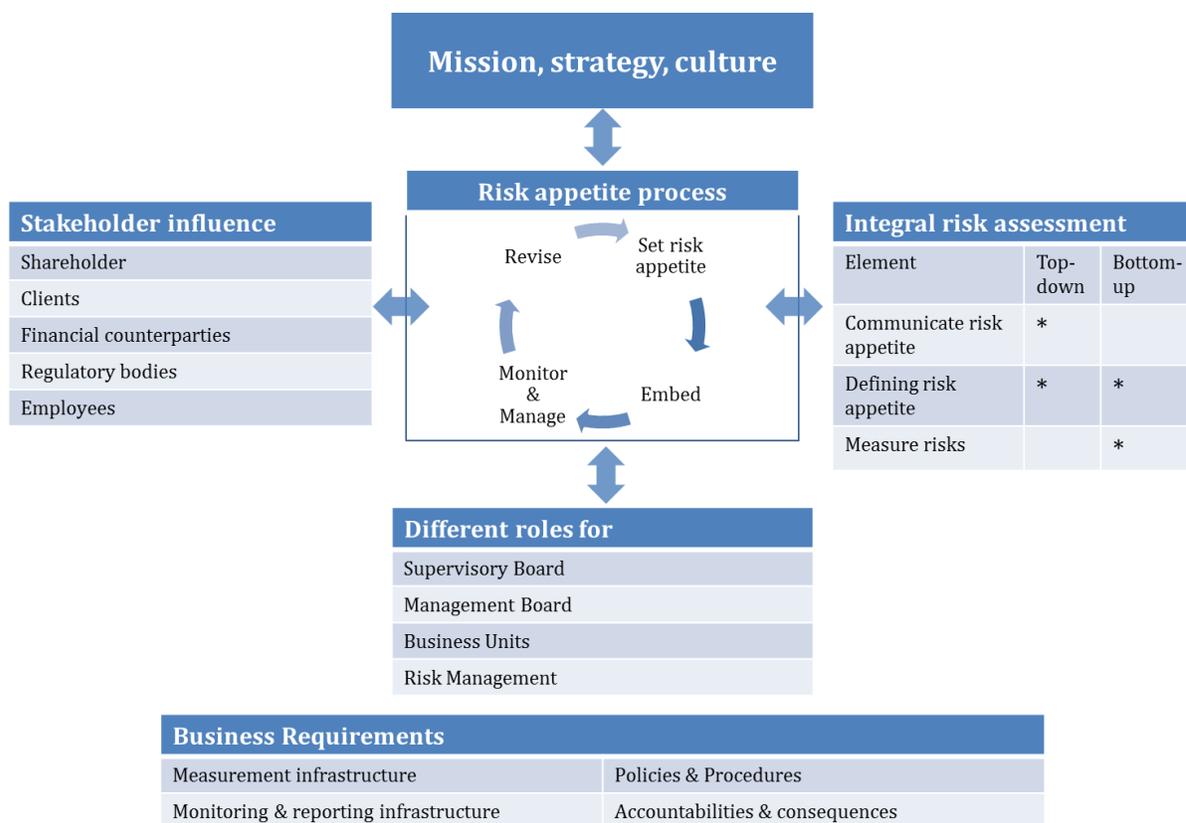
The risk analysis forms the basis for how the Bank measures and manages risks. All major risk categories are assigned with a risk profile as part of the Bank's ICAAP and ILAAP. The stress test is an important tool for analyzing the impact of adverse events on the Bank's financial performance, balance 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 by an annual process reflected in the below schema:

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 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 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 while absorbing the impacts of the unexpected losses.

## 8. Reporting, monitoring and surveillance

All employees are responsible for the ongoing management of risks 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 challenges and the potential action plans during unexpected events/crises.

- Business Continuity Plan outlines the processes and procedures necessary to recover and continue critical business processes in the event of a service interruption or major disaster. The test of the plan is organized annually for the consistency of the defined plans since the probability of an actual interruption is low compared to the financial events.
- The Contingency Funding Plan outlines the potential action plans to recover from a liquidity related crisis.
- The Recovery Plan outlines the potential action plans to recover from a solvency and/or liquidity related crisis.

## **10. Compliance**

There are established processes to ensure compliance with current laws and regulations, industry standards and internal guidelines. The Compliance Department has the responsibility to monitor the relevant regulations and introduce them to the Bank, accordingly.

# 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 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 2020, total credit risk exposure was EUR 578 million (2019: EUR 537 million). Loans which have the largest share in the total credit exposure increased in 2020 compared to previous year. The share of securities portfolio remained almost same.

<b>(000 EUR)</b>	<b>Amount</b>		<b>Share</b>	
	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-19</b>	<b>Dec-20</b>
<b>Breakdown by asset item</b>				
Cash and balances with Central	97,389	125,434	18%	22%
Banks	76,047	17,340	14%	3%
Loans	282,954	353,963	53%	61%
Securities	80,951	80,892	15%	14%
<b>Total exposure</b>	<b>537,342</b>	<b>577,630</b>	<b>100%</b>	<b>100%</b>

## Management and policy

The credit risk management is based on active monitoring by the Management Board, Credit Risk Department, Credit Committees and the relevant business units. The Bank manages credit risk according to its Risk Appetite Framework 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 Framework and Credit Risk Policy impose limits on several exposures such as large exposures to individual borrowers or groups of borrowers, concentration of risk, credit quality of borrowers 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 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 indicators are reported on a regular basis. Trends and performance versus specified benchmarks for credit risk are regularly reported to the Management Board and also 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 also 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 the processes of the business units, to provide an independent opinion on the 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 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 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. Required actions are taken proactively 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 affect their ability to meet contractual obligations if there are changes in economic, political or other macroeconomic environment. In order to avoid concentration of risk and maintain a diversified portfolio, policies and procedures include specific guidelines to focus on country, sector and counterparty/group limits. Identified concentrations of credit risks are monitored and managed accordingly in order to mitigate the risks.

### **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 principle, the Bank generally does not grant facilities only on the basis of collateral provided. Credit facilities are granted based on the credibility of the borrower, source of repayment and debt service ability.

Nevertheless, collateral is taken whenever it is assumed to mitigate the credit risk. The 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. Credit Risk Department 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. 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.

Collateral analysis is disclosed in the Annual Report.

### **Large exposures / single name concentration risk**

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, risk appetite and business opportunities in each counterparty or group of associated counterparties.

## Sector concentration risk

The Bank's loan book is diversified within the financial institutions and industrial sectors. The largest exposures are to the banking sector. The largest corporate sectors are transport & logistics, basic materials and automotive, respectively. The Bank uses an internal industry classification which is based on the NACE (EU classification system) standard.

(000 EUR)	Banks		Loans		Securities		Total	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
<b>Breakdown by sector</b>								
AGRICULTURE & FISHING			5,796	7,631			5,796	7,631
AUTOMOTIVE			13,438	27,482			13,438	27,482
BANK	76,047	17,340	87,250	190,433	46,851	42,895	210,148	250,668
BASIC MATERIALS			24,805	32,483			24,805	32,483
CHEMICALS			43,474	17,196			43,474	17,196
CONSTRUCTION & INFRASTRUCTURE			15,659	13,255			15,659	13,255
CONSUMER PRODUCTS NON-FOOD			1,500	12,189			1,500	12,189
FINANCIAL INTERMEDIATION			28,080	5,000	6,017	4,000	34,097	9,000
FOOD, BEVERAGES & TOBACCO			5,311	973			5,311	973
GOVERNMENT					15,353	21,037	15,353	21,037
HEALTHCARE (INC. SOCIAL WORK)							0	0
OIL & GAS			10,295	10,828			10,295	10,828
OTHERS			10,890	7,418	2,513	2,509	13,403	9,927
PRIVATE INDIVIDUALS			13	4			13	4
REAL ESTATE			1,939				1,939	0
TECHNOLOGY							0	0
TELECOM			2,956		5,227	5,458	8,183	5,458
TRANSPORT & LOGISTICS			30,336	29,071	4,991	4,993	35,327	34,064
UTILITIES			1,211				1,211	0
<b>Total exposure</b>	<b>76,047</b>	<b>17,340</b>	<b>282,954</b>	<b>353,963</b>	<b>80,951</b>	<b>80,892</b>	<b>439,953</b>	<b>452,196</b>

Breakdown by the sector for the assets is also provided in the Annual Report.

## Country concentration risk

Country risk is defined as the bank's aggregate exposure to a country. The exposures classified 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 adopts the "Policy Rule on Country Concentration" established by the DNB which prescribes a pillar II calculation for credit risk. In addition, a separate country risk policy has been in force for the management of those exposures.

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.

(000 EUR)	Banks		Loans		Securities		Total	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
<b>Breakdown by geography</b>								
EU MEMBER STATES	71,777	11,398	119,192	141,836	51,035	44,919	242,004	198,152
TURKEY	239	434	135,554	165,536	22,972	29,462	158,765	195,432
OTHER COUNTRIES	4,031	5,508	28,209	46,592	6,944	6,511	39,183	58,611
<b>Total exposure</b>	<b>76,047</b>	<b>17,340</b>	<b>282,954</b>	<b>353,963</b>	<b>80,951</b>	<b>80,892</b>	<b>439,953</b>	<b>452,196</b>

The geographical breakdown of assets is also disclosed in the Annual Report.

## Portfolio credit quality

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

The Bank makes use of rating models supported by vendors 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	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
<b>Breakdown by external rating</b>								
AAA to BBB-	56,682	16,888	23,660	31,903	55,967	51,430	136,309	100,221
BB+ to B-	239	434	107,546	155,949	22,972	29,462	130,757	185,846
CCC+ to C							0	0
UNRATED	19,127	18	151,748	166,111	2,011		172,886	166,129
<b>Total exposure</b>	<b>76,047</b>	<b>17,340</b>	<b>282,954</b>	<b>353,963</b>	<b>80,951</b>	<b>80,892</b>	<b>439,953</b>	<b>452,196</b>

## 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.

Problem loans are identified on an event basis (e.g. bad news regarding an obligor) or the result of a regular review (e.g. deteriorated financials and consequently credit rating). In order to properly classify problem loans (defined as any exposure that may have an indication of a (future) problem) Anadolubank reviewed its credit risk policy and updated the relevant sections with regards to the regulatory guidelines.

Any employee, but particularly front-office and Credit Risk Department employees, have a duty to report any potential event-based trigger for a problem loan. Any problem loan will be brought immediately to the attention of the Management Board by the Credit Risk Department.

Hence, the front office and Credit Risk Department are mutually responsible for both coordinating all related proceedings (e.g. organizing meetings by inviting all related parties within the Bank and also communications with the obligors) and making its appropriate recommendations to the Management Board respectively. Lawyers can be consulted at any stage about relevant issues by the Bank. The following table shows the evolution of staging within 2020.

(000 EUR)	Stage1			Stage2			Stage3		
	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL
<b>31 December 2020</b>									
Cash and cash equivalents	133,176	133,176	0	0	0	0	0	0	0
Banks	200,524	200,696	172	25	25	0	0	0	0
Interest bearing securities	76,353	76,527	174	5,413	5,598	185	0	0	0
Loans and advances	128,589	128,884	294	32,612	32,811	199	1,605	3,226	1,621
Off-balance sheet liabilities	32,669	32,669	15	0	0	0	0	0	0
<b>Total</b>	<b>571,311</b>	<b>571,952</b>	<b>656</b>	<b>38,050</b>	<b>38,434</b>	<b>385</b>	<b>1,605</b>	<b>3,226</b>	<b>1,621</b>

(000 EUR)	Stage1			Stage2			Stage3		
	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL	Net carrying	Gross carrying	ECL
<b>31 December 2019</b>									
Cash and cash equivalents	159,790	159,791	1	0	0	0	0	0	0
Banks	101,231	101,331	100	0	0	0	0	0	0
Interest bearing securities	73,887	74,015	188	7,848	8,071	223	0	0	0
Loans and advances	143,703	143,890	187	52,358	52,739	381	357	973	616
Off-balance sheet liabilities	5,419	5,420	1	0	0	0	0	0	0
<b>Total</b>	<b>484,030</b>	<b>484,447</b>	<b>477</b>	<b>60,206</b>	<b>60,810</b>	<b>604</b>	<b>357</b>	<b>973</b>	<b>616</b>

# 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 (profit) and negative (loss) amounts until the maturity date. It arises mainly from the derivative contracts and securities financing transactions.

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 the off-balance sheet items and changes in the fair values are included in the income statement unless hedge accounting is applied.

Derivative financial instruments include currency and interest swaps. The notional amounts and the respective fair value amounts of the positions in currency and interest rates swaps are presented below.

31 December 2020							
(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
Swap purchase	168,634	6,443	45,000	56,292	60,899	11,248	
Swap sale	166,638	6,453	42,766	54,964	62,455		-6,375
<b>Total</b>	<b>335,272</b>	<b>12,895</b>	<b>87,766</b>	<b>111,257</b>	<b>123,354</b>	<b>11,248</b>	<b>-6,375</b>

31 December 2019							
(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
Swap purchase	241,878	63,924	25,217	36,713	116,024	763	
Swap sale	246,607	64,779	26,499	37,502	117,827		5,703
<b>Total</b>	<b>488,485</b>	<b>128,704</b>	<b>51,716</b>	<b>74,215</b>	<b>233,851</b>	<b>763</b>	<b>5,703</b>

The bank applies hedge accounting for certain exposures. More details are provided in the Annual Report.

## 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 99% 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 calculate 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 2020 and 2019 respectively.

(000 EUR)	31/12/19		31/12/20	
	Risk weighted assets	Capital requirement	Risk weighted assets	Capital requirement
Traded debt instruments	-	-	-	-
Equity	-	-	-	-
Foreign exchange	5,491	439	5,769	462
Commodities	-	-	-	-
<b>Total</b>	<b>5,491</b>	<b>439</b>	<b>5,769</b>	<b>462</b>

## 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. Inherently, the Bank does business in multiple currencies and is exposed to currency risks unless these risks are properly hedged. Net open currency position is managed with respect to the internal risk appetite limits that are assigned for both banking book and trading book positions. The foreign currency exposure in the banking book 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 prudent risk management outlined in the relevant policies.

The Management Board and Supervisory Board set limits on the level of exposure by each currency or currency groups and also 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. Then the total net open position is calculated 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 the year end, 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 Annual Report.

## 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'. The Bank held no positions in the trading book subject to interest rate risk as of end of 2020.

## Interest rate risk on banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value.

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 respective capital requirement by using measures described 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. Earnings measures may, in addition to a run-off view, assume rollover of maturing items (i.e. a constant balance sheet view) and/or assess the scenario-consistent impact on the bank's future earnings inclusive of future business (i.e. a dynamic view).

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 an impact of pre-defined scenario compared to the 'best estimate' on earnings, i.e. the expected change in the value of earnings.

Overall, the Bank aims to adopt matched currency funding and actively manages the balance sheet to avoid the duration mismatches. The following table present the interest rate sensitivities in the Banking book from the income perspective under a constant balance sheet assumption at the end of 2020.

<b>(000 EUR)</b>	<b>Earnings at Risk</b>	
<b>Shock to yield curve</b>	<b>31/12/19</b>	<b>31/12/20</b>
200bps parallel gradual shift up (1 year)	2,289	1,811
200bps parallel gradual shift down (1 year)	-1,519	-950

### Economic value of equity

In addition to the EaR measure, the Economic Value of Equity (EVE) measure is also used for measuring the IRRBB. For this measure, the fair values are calculated for the entire balance sheet items against discount rates applicable as of report date and then compared to a revaluation with the shocked discount rates (200 bps parallel shift, up and down). Economic value measures reflect changes in value over the remaining life of the bank's assets, liabilities and off-balance sheet items, i.e. until all positions have run off.

The EVE result for the end of 2020 is presented below.

<b>(000 EUR)</b>	<b>Economic Value of Equity</b>	
<b>Shock to yield curve</b>	<b>31/12/19</b>	<b>31/12/20</b>
200bps parallel sudden shift up (1 year)	1,008	-366
200bps parallel sudden shift down (1 year)	-809	-17

### **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 in managing IRRBB, in addition to the execution mandates. The Risk Management Department provides appropriate risk measurement, reporting and analytics.

Anadolubank has fully implemented the methodology changes, published by European Banking Authority (EBA). The new methodology and the respective stress scenarios are monitored on a monthly basis.

Appropriate limits have been set regarding the exposures for both EaR and EVE. Compliance with these limits is monitored and reported to the ALCO and the Management Board on a regular basis.

# Liquidity risk

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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 viability while maintaining a prudent risk-return relationship with an adequate level of liquidity at all times.

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 indicators are calculated and monitored by the Risk Management Department. Both Treasury and Risk Management departments provide insight about the liquidity position of the Bank and the financial markets. 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 respect to various time horizons and also for different currencies. The contractual maturity breakdown of assets and liabilities are disclosed in the relevant section of the Annual Report which exhibits that the Bank does not carry a large maturity mismatch.

## **Measurement**

Key indicators and metrics that are used to measure and monitor liquidity risk with respect to regulatory reporting requirements are listed below.

- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Ratio (NSFR)
- Additional Liquidity Monitoring Metrics (ALMM)

All above mentioned measures are monitored on a predefined frequency. The Liquidity Coverage Ratio was well above the minimum regulatory requirement (as of end 2020, 369%), where the NSFR was 166%, which is already above the minimum regulatory requirement set by DNB. Apart from the liquidity ratios, as being part of the regulatory requirements, Additional Liquidity Monitoring Metrics are calculated and monitored accordingly. These metrics support the Bank to have a detailed overview of the liquidity profile in addition to the liquidity coverage and stable funding requirements.

In addition to the above measures, the Bank monitors the asset encumbrance ratio which is defined as the ratio of encumbered assets to the total assets. As it can be seen from the below table, the ratio is well below the 30% of internal risk appetite limit.

	31/12/19	31/12/20
Asset Encumbrance Ratio	19.3%	18.4%

The breakdown of the encumbered assets are presented in the below table.

(000 EUR)	Asset Encumbrance			
	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non-encumbered assets
31 December 2020				
Loans on demand	-	-	133,167	-
Equity instruments	-	-	-	-
Debt securities	74,914	77,832	6,851	7,289
Loans and advances other than loans on demand	38,396	-	324,960	-
Other assets	-	-	8,974	-
<b>Total</b>	<b>113,310</b>	<b>77,832</b>	<b>473,952</b>	<b>7,289</b>

### 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 defined stress test scenarios 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 level of minimum requirement in each scenario as of 31 December 2020.

## **Control and monitoring**

The Supervisory Board and the Management Board review the Bank's Risk Appetite Framework every once a year with regards 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 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 risk 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 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 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 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 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 2020	Total	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not distributable
Assets								
Cash and cash equivalents	133,176	133,176	0	0	0	0	0	0
Banks	200,549	0	27,695	25,705	120,052	27,097	0	0
Loans and advances	162,807	0	10,452	12,787	30,809	97,535	11,224	0
Interest bearing securities	81,766	0	4,003	11,173	16,719	29,751	20,120	0
Current tax assets	928	0	0	0	0	928	0	0
Deferred tax assets	321	0	0	0	0	321	0	0
Other assets	7,715	0	0	0	0	6,660	0	1,055
<b>Total assets</b>	<b>587,262</b>	<b>133,176</b>	<b>42,150</b>	<b>49,666</b>	<b>167,580</b>	<b>162,290</b>	<b>31,343</b>	<b>1,055</b>
Liabilities								
Banks	138,906	0	35,579	33,929	49,449	19,950	0	0
Funds entrusted	346,461	129,332	66,754	51,572	40,686	55,469	2,647	0
Current tax liabilities	0	0	0	0	0	0	0	0
Other liabilities	3,856	0	3,854	0	0	0	0	0
Lease obligation	476	0	17	31	154	274	0	0
Shareholders' equity	97,563	0	0	0	0	0	0	97,563
<b>Total liabilities</b>	<b>587,262</b>	<b>129,332</b>	<b>106,204</b>	<b>85,532</b>	<b>90,289</b>	<b>75,693</b>	<b>2,647</b>	<b>97,563</b>
<b>Net liquidity</b>	<b>-</b>	<b>3,843</b>	<b>-64,054</b>	<b>-35,866</b>	<b>77,291</b>	<b>86,597</b>	<b>28,696</b>	<b>-96,508</b>

(000 EUR)		Liquidity Gap - Contractual View						
31 December 2019	Total	Demand	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Not distributable
Total assets	542,906	102,383	102,106	42,042	116,408	156,521	22,084	1,362
Total liabilities	542,906	129,158	90,106	34,659	115,559	70,927	4,873	97,003
<b>Net liquidity</b>	<b>-</b>	<b>-26,775</b>	<b>12,000</b>	<b>7,383</b>	<b>849</b>	<b>85,595</b>	<b>17,211</b>	<b>-95,641</b>

# Operational risk

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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.

Operational risk is inherent in all banking products, activities, processes and systems, and the effective management of operational risk is a fundamental element of a bank's risk management program. Sound operational risk management is a reflection of the effectiveness of the bank in administering their portfolio of products, activities, processes, and systems.

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

- The 1st Line of Defence includes all the 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, Information Technology, Information Security, Internal Control, and Financial Control & Reporting. 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.

Risk Control Self-Assessment (RCSA) is carried out to further examine the operational 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 own processes. The Risk Management Department is involved to the assessment phase in order to ensure there is consistency and consolidation.

## 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 overall standards for the management of operational risk.

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 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 presents the regulatory capital requirement for operational risk.

<b>(000 EUR)</b>	<b>Operational Risk</b>	
<b>Basic indicator approach (BIA)</b>	<b>31/12/19</b>	<b>31/12/20</b>
Exposure	19,096	17,801
Capital requirement	1,528	1,424

# Capital management

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The Bank had a Total Capital Ratio (TCR) of 24.8% at the end of 2020. 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 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 economic environment, it is beneficial for the Bank to maintain strong capital ratios.

The capital planning is subject to two overall considerations:

- i. Optimization of the 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 only 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 SREP

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.

Based on the SREP decision letter, DNB expects that Anadolubank complies with Pillar 2 capital guidance (P2G) of 1%, to be made up entirely of Common Equity Tier 1 capital and to be held, on top of:

- i. the minimum own funds requirement under article 92(1)(a), (b) and (c) of the CRR;
- ii. the own funds requirement of 6.20% required to be held in excess of the minimum own funds requirement and to be maintained at all times, to be made up in the form of 56.25% of CET1 capital and 75% of Tier 1 capital, as a minimum.
- iii. the combined buffer requirement.

For establishing the P2G, DNB takes into account the impact of different stress scenarios on the capital ratio of Anadolubank.

The table presents a breakdown of the capital requirements and the risk-weighted exposure amounts as of 31 December 2020 and 31 December 2019.

(000 EUR)	Total Capital Ratio	
Capital requirements	31/12/19	31/12/20
<b>Total risk weighted assets</b>	<b>366,609</b>	<b>396,844</b>
Credit risk	340,983	370,838
Market risk	5,491	5,769
Credit valuation adjustment	1,038	2,436
Operational risk	19,096	17,801
<b>Total capital</b>	<b>96,515</b>	<b>98,492</b>
<b>Tier 1 capital</b>	<b>96,515</b>	<b>98,492</b>
Capital instruments eligible as CET1 Capital	75,000	75,000
Retained earnings	21,725	23,527
Accumulated other comprehensive income	(210)	(962)
Adjustments to CET1 due to prudential filters	-	927
<b>Tier 2 capital</b>	-	-
<b>Tier 1 ratio</b>	<b>26.3%</b>	<b>24.8%</b>
<b>Total capital ratio</b>	<b>26.3%</b>	<b>24.8%</b>

As can be deduced from the table, the largest part of the total risk weighted assets relates to credit risk (93%). Market risk accounts for 1% and operational risk comprises 5% of the total risk weighted assets as of 31 December 2020.

### 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 and/or off-balance sheet items which may not be captured in a risk based approach due to low risk weights assigned within the capital requirement regulations. As a result, Anadolubank has sustainable and high leverage ratio. At the end of 2020, the leverage ratio was at 16.3%, which 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 sound 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 stressed circumstances.

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.

<b>Risk Type</b>	<b>Covered in</b>
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 ICAAP is owned 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, the Bank uses the ICAAP to:

- Raise risk-awareness within the Bank;
- Perform a process to adequately identify and measure the risk factors;
- Carry out a process to monitor whether the capital is adequate in relation to the risk profile, including the stressed environment;
- Review the soundness of the risk management systems and controls that are used to assess, quantify and monitor the exposures.

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

# Remuneration policy

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Remuneration policy relates to the fixed and variable remuneration of staff, meaning all forms of payments and benefits made directly by, or indirectly, 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 does 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:

- 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 are 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 presents 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 is 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 within Anadolubank, 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 is made after the performance period. The payment of the conditionally deferred 40% part is made in equal parts over the deferral period of 3 years and is subject to ex post performance adjustments as described in the Policy, designed to align incentives with the longer-term interests of Anadolubank. No interest is 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 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 Annual Report contains a detailed overview of the quantitative information on the remuneration.

# Annex 1: Own funds disclosure

(000 EUR)	31/12/20
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	75,000
of which: paid-in capital	75,000
of which: instrument type 2	-
of which: instrument type 3	-
Retained earnings	23,527
Accumulated other comprehensive income (and other reserves)	-962
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	97,565
CET1 capital: regulatory adjustments	-
Additional value adjustments (-)	-
Intangible assets (net of related tax liability) (-)	-
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	927
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	927
CET1 capital	98,492
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)	98,492
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)	98,492
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	396,844
Capital ratios and buffers	-
CET1 (as a % of total risk exposure amount)	24.8%
T1 (as a % of total risk exposure amount)	24.8%
TC (as a % of total risk exposure amount)	24.8%
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)	7.7%
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	-