ANNUAL REPORT 2018

OYAK ANKER BANK


OYAK ANKER BANK

TABLE OF CONTENTS

OYAK ANKER BANK

OYAK ANKER Bank stands for reliable and cooperative financial services for more than 60 years. From the beginning, the bank has offered a broad variety of credit supplies and investment products to its customers and has always been successful in quickly adapting to new technological and other challenges today and in the future.

DIGITAL.
INNOVATIVE.
ROBUST.

Current banking system requires extensive understanding and knowledge in digitization. Based on state-of-the-art technology, we can offer our customers a whole new dimension of individuality and comfort.

Maximum transparency and flexibility are natural components of modern banking. In the interest of our customers, we there fore permanently adapt our products and services to the requirements of the time and align them precisely to current needs.

OYAK ANKER Bank's strength is not just based on over 60 years of experience and expertise in Germany and Europe. With the globally linked and operating OYAK Group behind us, we can always rely on additional resources in know-how, networking and synergies.

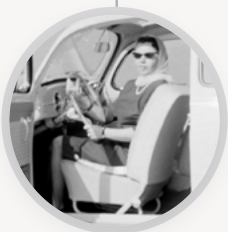
HISTORY & MILESTONES

The history of OYAK ANKER Bank is strongly connected to the everyday lives of people in Germany. Not just with its products and services, the bank has always been close to it's customers. 60 years of OYAK ANKER Bank – That is also 60 years of German history. Ideally prepared for the future challenges and customer expectations, we will keep contributing to prosperity, economic success and social progress of Germany.

ECONOMIC BOOST

„ATB Bank" was founded

1958



1981

PEACE AND ENVIRONMENTAL MOVEMENT

Member of the Deposit Protection Fund of the Association of German Banks

FALL OF THE BERLIN WALL

Renaming „Anker Bank"

1989

1996

EUROPEAN FOOTBALL CHAMPIONSHIP

Bank becomes part of OYAK Group

MOZART YEAR

New headquarter in Frankfurt/Main

2006

2018

60TH ANNIVERSARY

Becoming a part of Digital Banking Age

BUSINESS UNITS

TREASURY & FINANCIAL INSTITUTIONS

Treasury & Financial Institutions is responsible for asset and liability management of the bank and the hedging of interest rate and currency risks. Focusing on extended correspondent banking network, OYAK ANKER Bank is wishing to accompany exporters and importers by securing and financing their international trade transactions by partnering along with other banks in the region of Europe, America and the MENA.

RETAIL BANKING

Attractive conditions and tailor-made products – two very convincing arguments OYAK ANKER BANK can draw upon. Proof comes from a variety of awards from renowned media and institutions as well as top positions in several leading rankings.

CORPORATE BANKING

Being an experienced bank for “tailored services” of European and Turkish companies, OYAK ANKER Bank offers a broad range of products for trade finance and provides working capital loans and assists in client’s specific payment requirements.

NET WORTH

KEY FINANCIAL FIGURES	2017	2018
	TEUR	TEUR
Cash Funds	18.670	73.892
Financial Institutions	26.966	74.111
Bonds	118.188	146.203
Loans	729.600	768.197
Total Assets	897.955	1.065.615
Risk Weighted Assets	555.048	522.387
Deposits	790.171	955.644
Total Equity	105.097	107.272
Ratios		
ROE	5,15%	2,12%
ROA	5,76%	2,22%
CIR	67,10%	79,10%
NPL net	3,28%	2,64%
CAR	16,65%	18,55%

MISSION, VISION & VALUES

MISSION

OYAK ANKER Bank responds to the individual wishes and needs of its customers and strives to always exceed their expectations. With flexible and customer-oriented offers and services the bank accompanies them through all ages and changes of life.

VISION

OYAK ANKER Bank offers its clients, business partners and employees a fundamental and sustainable added value. It provides high-quality products and services to a broad target group. The bank consciously assumes social responsibility and remains true to its values. It wants to be leading, innovative and future-oriented in the diversity of its products and services. The commitment of high professional competence to the bank guarantees an extraordinary level of quality. All actions are always based on customer orientation.

VALUES

OYAK ANKER Bank stands for sincerity and transparency as well as for the highest sense of responsibility and reliability towards both customers and employees. Their satisfaction is the benchmark for any success. Competition and fairness are key parts of our corporate identity, just as much as innovation and perfectionism.

OYAK GROUP

Being a part of the worldwide OYAK Group, OYAK ANKER Bank benefits from its sustainable economic power. Founded in 1961 as an independent corporation, OYAK is the first and largest private pension fund in Turkey.

OYAK

Founded 1961

STRONG FIGURES

OYAK continued to grow in 2018, through successful investments to secure the sustainable operations and profitability of the Group Companies. The 2018 operating period marked the development of activities to increase the synergy of the Group and achievement of higher efficiency.

SUBSIDIARIES
21/44
countries / number

4.7 **EXPORT**
Billion USD

47.1
TOTAL REVENUES
Billion TL

MEMBERS
370,000

TOTAL ASSETS
Billion TL **101.5**

11.3 **EQUITY CAPITAL**
Billion TL

EMPLOYEES
> 32,000

Founded 1961

INVESTMENTS & INDUSTRIES

With their products, their sales, their exports and their taxes paid, OYAK's companies are adding an increasing value to their home countries economy.

MINING METALLURGY

Placed 13th in the World-Class Steelmaker Rankings / 9 Subsidiaries

AUTOMOTIVE LOGISTICS

18.6 % market share in Turkey Members of the World Cargo Alliance / 9 Subsidiaries

CEMENT CONCRETE PAPER

Market share of 16 % in terms of total sales in 2018 / 11 Subsidiaries

SERVICE

3 Subsidiaries

CHEMISTRY AGRICULTURE

World's leading manufacturer of PVC stabilizers / 3 Subsidiaries

ENERGY

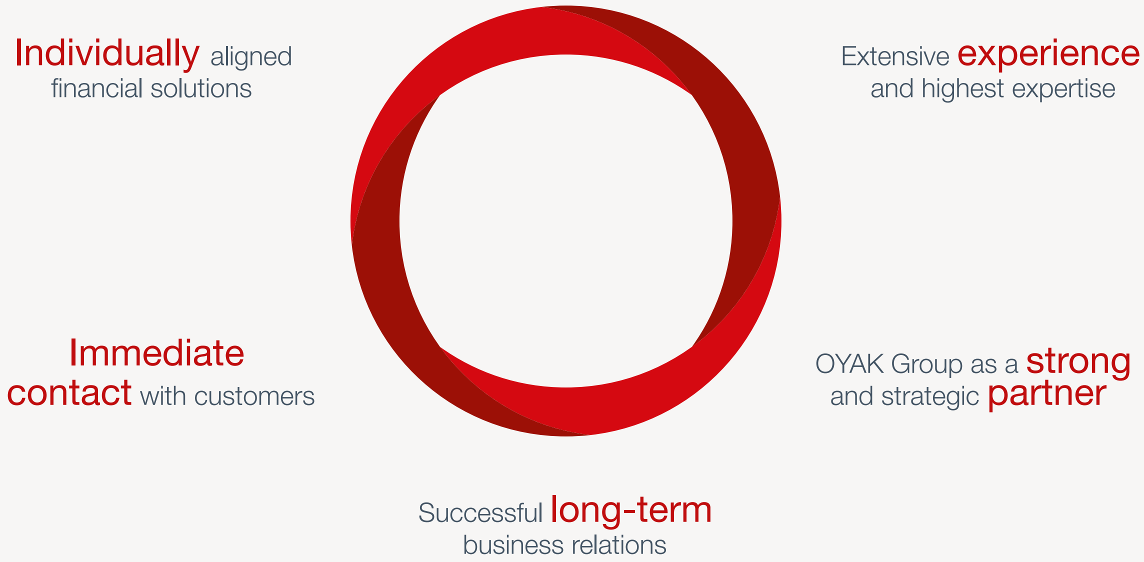
One of the largest thermal power plants in Turkey / 3 % of Turkey's total energy demand / 3 Subsidiaries

FINANCE

5 Subsidiaries

SYNERGIES

Being part of International OYAK Group OYAK ANKER Bank provides their customers with several benefits on German, European and international markets.



PREFACE BY THE CHAIRMAN OF THE SUPERVISORY BOARD

I. Emrah Silav

Dear Sir or Madam,

2018 has seen an economic development in Europe and all over the word that was as unstable as the global political environment. The international financial sector had to deal with the trade dispute between the USA and China just as much as with the consequences of Brexit. Companies were facing a substantial increase of caution and insecurity. With these given circumstances, OYAK ANKER Bank GmbH has once again proven to be extremely robust to any external challenges.

While global growth seems to lose some momentum, the bank was still able to continue its successful long-term strategy. Being deeply rooted in the German economy and society, OYAK ANKER Bank can relate on an extremely trusted relationship with its private and corporate customers. The prospects for this relationship are equally pleasing, since the bank and its clients benefit from mutual digitalization and innovation process for present and future.

Thus, the bank managed to achieve a profit before taxes of EUR 2,175,000. As the Supervisory Board, we strongly support the further implementation of the Management Board´s strategic plan. We continuously received detailed updates on current developments and future goals and were therefore able to provide our considerate advice. On behalf of the Supervisory Board, I wish to compliment the Management Board and the employees of OYAK ANKER Bank GmbH for their successful efforts in 2018 to making another great step into the future of both prosperous and ground-breaking financial services.

I. Emrah Silav

CHAIRMAN OF THE
SUPERVISORY BOARD

PREFACE BY THE MEMBER OF MANAGEMENT BOARD

Dear Sir or Madam,

Digital. Innovative. Robust. – This is what OYAK ANKER Bank GmbH stood for more than ever in 2018. While global economics were experiencing quite some turbulences, caused by political and trade conflicts both in Europe and worldwide, the bank was able to remain a stable anchor for its private and corporate clients. Focussing on digitalization of services and innovative banking products, we were able to create a robust foundation for future success and sustainable growth at a very early stage.

As part of our multi-year strategic planning, business with Corporate Banking and Financial Institutions is to be expanded even further. OYAK ANKER Bank GmbH will also extend its shares in international trading transactions with a strong focus on customers in Germany, Europe and Turkey. In addition to that, Trade Finance and Documentary Business products in particular will make a positive contribution to earnings growth. With increasing efficiency, we will always keep customer and service orientation in the centre of our attention.

For several years now, we have been taking pride in our pioneering role when it comes to providing state-of-the-art digital technology, comfortable online services and tailor-made solutions to our customers. In all our endeavours, OYAK ANKER Bank is privileged to exploit synergy effects from the international OYAK Group. The Bank will continue to support the settlement of the Group's trading transactions as well as cash management in return.

We gratefully thank our employees for their enormous personal commitment and inspirational work ethics. We thank our customers and business partners for the trusting cooperation in 2018. Which will motivate us even more to pursue our ambitious goals in the upcoming financial year.

Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD

Ümit Yaman
MEMBER OF MANAGEMENT BOARD

MANAGEMENT REPORT

1 ECONOMIC DEVELOPMENT

1.1 GLOBAL ECONOMIC GROWTH IS SLOWING DOWN

After a good start to 2018, economic momentum has weakened more and more. This was mainly due to political issues such as the ongoing trade dispute between the US and China, the Brexit and the budget dispute between the EU and Italy. The gloomy mood among companies and private households led to lower investment growth, declining exports and declining private consumption. This development has now spread to most industrialised and emerging countries with the exception of the USA. Experts expect global growth of only 3.6 % in 2019, after 3.8 % in 2018. The greatest risk for the global economy in 2019 is that the trade dispute will turn into a trade war – with unforeseeable consequences for the global economy. If the political issues are resolved, however, the risk of recession will be considerably reduced. Politics will therefore play a key role this year, leading to greater uncertainty than usual in the forecasts.

The US economy grew by about 3.0 % in 2018, boosted by tax relief and deregulation of the Trump administration. However, the strongest growth impulses came from private consumption, which benefited from a very good labour market. However, economic growth in the USA is also expected to slow to 2.5 % in 2019.

Growth in the Chinese economy slowed somewhat in 2018. The gross domestic product grew by 6.0 % compared to the previous year (2017, 6.9 %). The trade dispute with the USA is at the centre of the forecast for 2019, and the results of the negotiations will have a major impact on the development of the Chinese economy. Expectations are currently for growth of 6.1 % in 2019.

In the 19 countries of the euro zone, economic momentum has slowed significantly. Although economic growth in 2018 was still 1.9 %, it is expected to be only 1.7 % in 2019. The economic risks are immense. Exports, on which the euro zone is heavily dependent, have already weakened considerably and domestic demand has also provided less stimulus to the economy. The threat of Brexit and the populist government's confrontation with the EU in Rome are proving to be particular stress factors.

1.2 PROSPECT FOR GERMANY

The global economic slowdown and international trade conflicts have left their mark on the German economy. In the third quarter of 2018, the slump in automobile production even led to a downturn in the economy – for the first time since the beginning of 2015. The last quarter stagnated compared with the previous quarters, leaving the German economy in a slight recession at the end of 2018. Consumer spending rose only slightly and foreign trade was no longer able to provide growth impulses. Exports are suffering from trade disputes, particularly between the US and China, and the global economic downturn in general. Exports are expected to grow by around 2.1 % in 2019, roughly at the same level as in 2018. Consumption, on the other hand, is expected to be somewhat weaker in 2019 at 1.1 % than in the previous year at 1.2 %. The prerequisite for this, however, is that the decline in the oil price proves to be sustainable and stabilises at the current level.

The German government lowered its expectations for gross domestic product in 2019 to 1.0 % compared with its autumn forecast of 1.8 %.

The German labour market remains in good shape, with the unemployment rate falling to 5.2 % in 2018 (2017: 5.7 %). A further decline to 4.9 % is also expected for the current year.

The development of inflation in Germany depends largely on energy costs; should the oil price remain at the current level, the inflation rate is expected to decline slightly from 1.8 % in 2018 to 1.5 % in 2019.

1.3 TURKEY

The Turkish economy is about to consolidate in 2019. After strong growth in 2017 with an impressive 7.4 %, the increase in 2018 was around 3.5 %. For the current year, international analysts even expect GDP to fall by as much as - 0.8 %. The recent significant decline in imports played a major role in the downturn. By the end of 2018, the government had already taken targeted measures to support the economy and curb high unemployment. For example, various excise taxes and taxes and charges on property purchases were reduced.

After inflation in Turkey rose to an annual average of 16.3 % in 2018, a decline was reported in the following two months. Nevertheless, inflation of around 19.5 % is still expected for 2019. Market observers expect the Turkish central bank to cut interest rates in the second half of the year in order to revive the economy.

As far as investments are concerned, neither highly indebted private households nor the state are expected to provide any impetus in the current year. No new public projects are planned for 2019. The European Commission forecasts a decline in equipment investments in Turkey for 2019. The reason for the reluctance to invest is the high interest rates on loans. In addition, investment is expected to increase again in 2020.

Consumption is suffering from the sharp rise in consumer prices, the weak currency and the high interest rates on loans. The rising unemployment rate of around 13.5 % in December 2018 and the uncertain economic outlook are further dampening the propensity to buy. Wage increases in 2019 are not expected to have any significant effect either, as they are likely to be below the inflation rate.

Since mid-2018, Turkish imports of goods have declined by an average of 20.0 % on a monthly basis. Lower oil prices have also led to a decline in the value of imports. At the same time, Turkey's exports rose, supported by the weak lira. This scenario has a positive impact on the trade and current account balances. Among other things, the Turkish current account has been showing surpluses again since August 2018 due to steadily rising tourism revenues. In addition, this fact has positive effects on the Turkish currency.

1.4 GERMAN BANKING SYSTEM

The last few years have been particularly challenging for German banks. In addition to the implementation of extensive regulatory requirements and the ongoing processing of the consequences of the financial crisis, market conditions have changed fundamentally. The main influencing factors here are the ongoing low interest rate environment, the challenges posed by the digitisation of banks and changes in customer behaviour.

The stabilising factors for German banks were their large customer base of private and business customers with a stable income pool in terms of size and composition in recent years. Despite their high dependence on interest rates, they have so far been able to cushion the low interest rate situation and show stable net interest income both in absolute and relative terms. However, if the low-interest environment persists on a sustained basis, it can be assumed that the situation will deteriorate in absolute terms.

On the cost side, the German banks were able to limit the increase in expenses despite burdens from regulatory requirements and investments that could not be postponed. Between 2006 and 2016, their risk costs were always low by international standards. During the same period, their operating costs rose less than, for example, those of banks in Spain, France or the USA.

However, the German banking system is not very profitable, taking intoarcant international standards, despite a currently very good macroeconomic environment. As a result of the implementation of increased regulatory requirements and the associated build-up of capital buffers, the profitability of German banks has fallen significantly over the past ten years. So far, banks have prevented a further slide by international standards, in particular by releasing hidden reserves. If the macroeconomic situation deteriorates, risk costs are expected to rise, which could have a further negative impact on the profitability of German banks.

The German banking system has been on the consolidation path for some time. Particularly in the cooperative and savings bank sector, there is an extensive downsizing of branches and associated jobs. In addition, the central institutions of the public-law and cooperative associations also consolidate. Germany has so far made less rapid progress than other markets in consolidating its banking structure and remains a very fragmented market in contrast to other European countries.

2 BUSINESS AND GENERAL CONDITIONS

OYAK ANKER Bank GmbH is a private bank focused on private and corporate customers with headquarters in Frankfurt am Main. The Bank offers various loan models and all major deposit products.

OYAK ANKER Bank GmbH offers support for international trading transactions with a focus on customers in Germany, Europe and Turkey. In particular, the Trade Finance and Documentary Business products support the export and import business. This objective is also pursued by financing factoring and leasing companies of important Turkish corporate groups. Synergy effects can also be exploited from the OYAK Group. The portfolio is supported by syndicated and bilateral lending business with corporate customers and banks.

In 2016, the Bank opened a representative office in Istanbul. This supports the bank in terms of communication, contact management, market research and sales. It is part of the strategy and provides economic information about the Turkish market and the Turkish and Turkish European customers of OYAK ANKER Bank GmbH.

Treasury supports the strategy in private and corporate customer business within the framework of targeted asset/liability management. In addition, Treasury manages “Depot A” – business with fixed-interest securities – within the framework of a “non-trading book institution” – and conducts lending business with banks.

2.1 EMPLOYEES

At the end of 2018, the Bank had 89 employees (previous year: 105) (including 3 employees of the Verrechungsstelle für gewerbliche Wirtschaft GmbH, VFG GmbH (previous year: 3), of whom 4 were trainees and interns (previous year: 5). Converted on a full-time basis, this corresponds to 79.07 employees (full-time equivalent: FTE) (previous year 92.44), of whom 2.83 are FTE of VFG GmbH (previous year: 2.83 FTE).

The changed conditions in the financial services sector as a result of a difficult market environment, increasing regulation and digitization presented the Bank with new challenges in the area of human resources. Various adjustments were made to the Bank’s headcount and to its operational and organisational structure in order to make it fit for the future.

The measures already made their contribution to structural improvement and cost optimization as well as to a better earnings situation of the Bank in the past financial year.

The Bank’s modern face and the increase in brand awareness through good conditions as well as positive ratings as a financial services provider and employer will make it an attractive employer brand in a difficult labour market environment in the future.

The economic success of the company is based on the expertise, the high identification with the employer and the motivation of our employees.

Our thanks go to all of our employees who have committed themselves to the success of the Bank in the past 2018 financial year and who, together with us, want to shape the Bank’s future successfully.

2.2 NET ASSETS

In 2018, the balance sheet total increased by TEUR 167.660 to TEUR 1.065.615 (previous year: TEUR 897.955). The increase in total assets is related to the increase in business volume in several areas, which are described individually below.

The gross loan volume of TEUR 1.116.980 on the reporting date was TEUR 169.158 higher than in the previous year (TEUR 947.822). The gross loan volume is based on book values for loans, securities, participating interests, shares in affiliated companies and other assets and on credit equivalent amounts for derivatives. In addition, undrawn credit lines and guarantees are taken into account. Provisions, value adjustments and other loan loss provisions as well as accrued interest are not included in the gross loan volume. In the following, the figures refer to the gross loan volume.

Gross receivables from central banks increased by TEUR 55.220 to TEUR 73.889 (previous year: TEUR 18.669). This corresponds to an increase of 295.78 %.

Gross receivables from banks increased by TEUR 47.080 to TEUR 74.007 (previous year: TEUR 26.927). This corresponds to an increase of 174.84 %.

Receivables from corporate customers increased by TEUR 92.864 to TEUR 563.900 (previous year: TEUR 471.036). This corresponds to an increase of 19.7 %. Corporate customer business covered by cash increased by TEUR 151.077 to TEUR 383.973 (previous year: TEUR 232.895). The volume of syndicated loans fell by TEUR 10.275 (previous year: TEUR 60.198) to TEUR 49.922 and other commercial loans were reduced by TEUR 43.026 to TEUR 108.325 (previous year: TEUR 151.351). Receivables from business current accounts decreased by TEUR 4.911 to TEUR 21.680 (previous year: TEUR 26.591).

Loans and advances to private customers fell by 19.9 %. As of the balance sheet date, the broadly diversified private customer business accounted for 28.2 % (previous year: 37.0 %) of gross loans and advances to customers. Gross book receivables in the private customer business amounted to TEUR 221.629 (previous year: TEUR 276.545).

Receivables from borrowers domiciled in Turkey amounted to TEUR 456.278 (previous year: TEUR 243.650). Of these, receivables amounting to TEUR 206.948 (previous year: TEUR 4.394) were covered by cash collateral.

In total, receivables from customers increased by TEUR 37.948 (5.1 %) to TEUR 785.529 (previous year: TEUR 747.581).

At the end of the year, a securities portfolio in the amount of TEUR 145.005 (previous year: TEUR 116.905) were held as fixed assets.

From a risk perspective, derivative financial instruments were used to hedge foreign currency and interest rate risks.

Further loan commitments arose from off-balance-sheet transactions. The guarantees issued decreased to TEUR 8.914 (previous year: TEUR 10.968). As of December 31, 2018, these mainly comprised guarantees on behalf of private customers. Loan commitments increased slightly to TEUR 23.657 (previous year TEUR 23.233). The commitments (credit equivalent amount) for currency hedging positions increased to TEUR 3.806 (previous year: TEUR 1.797).

Investments made in 2018 in intangible assets amounted to TEUR 295 (previous year: TEUR 416). The balance at the end of the year was TEUR 628 (previous year: TEUR 599). The investments were mainly made to modernize risk management and expand user licenses. Additions to property, plant and equipment totaling TEUR 314 (previous year: TEUR 20) resulted mainly from IT equipment totaling TEUR 145 (previous year: TEUR 11). The remaining additions mainly resulted from fixtures at the Bank’s new headquarters at the new address in the amount of TEUR 78 and expenses for low-value assets in the amount of TEUR 48 (previous year: TEUR 9).

On the refinancing side, liabilities to banks increased to TEUR 90.387 (previous year: TEUR 82.297). This increase resulted from the increased use of refinancing transactions with Deutsche Bundesbank.

Customer deposits increased to TEUR 476.677 (previous year: TEUR 469.753). Savings deposits decreased to TEUR 24.194 (previous year: TEUR 30.683). Liabilities payable on demand increased to TEUR 128.627 (previous year: TEUR

124.641). The reason for this was the increase in the overnight money product to TEUR 126.105 (previous year: TEUR 120.714). Liabilities with an agreed term or period of notice increased to TEUR 323.856 (previous year: TEUR 314.430).

Provisions fell to TEUR 895 (previous year: TEUR 1.257). This results, among other things, from provisions used up for personnel restructuring (previous year: TEUR 159), taxes paid in 2018 (previous year: TEUR 153) and provisions no longer required for portfolio commissions (previous year: TEUR 119).

Subordinated liabilities increased in total to TEUR 388.581 (previous year: EUR 238.121) due to the increase in subordinated time deposits to secure cash-secured lending transactions in the same amount.

The Bank's equity under commercial law amounted to TEUR 107.272 on the balance sheet date. (previous year: TEUR 105.097). It was composed as follows: Share capital TEUR 90.000 (previous year: TEUR 90.000), reserves TEUR 15.097 (previous year: TEUR 9.985) and retained earnings TEUR 2.175 (previous year: TEUR 5.112). As at 31 December 2018, the modified balance sheet equity ratio in accordance with section 24(1) no. 16 of the KWG was 9.9 % (previous year: 11.5 %).

2.3 EARNINGS PERFORMANCE

A net profit of TEUR 2.175 was reported for the financial year (previous year: TEUR 5.112). Net interest income – including income from participations and the profit transferred from the subsidiary, VFG – decreased by TEUR 1.015 to TEUR 20.445 (previous year: TEUR 21.460). The Bank was able to maintain the average interest margin of the overall portfolio (excluding cash covered loans) at almost 2.7 % (previous year: 2.8 %).

Interest income from lending and money market transactions rose to TEUR 32,896 (previous year: TEUR 30.006). Fixed-interest securities contributed TEUR 3,427 (previous year: TEUR 3.109) to earnings. Income from profit pooling, profit transfer or partial profit transfer agreements" decreased to TEUR 460 (previous year: TEUR 515).

Interest expenses of TEUR 105 (previous year: TEUR 161) result from bank deposits. The liabilities to customers resulted in interest expenses of TEUR 3.421 (previous year: TEUR 4.194). Interest expenses for subordinated liabilities increased to TEUR 12.859 (previous year: TEUR 7.855).

Write-downs and value adjustments on receivables and certain securities as well as additions to provisions for possible loan losses decreased from TEUR 2.457 to TEUR 1.435. Net additions to generalized individual value adjustments of TEUR 2.423 were TEUR 4.745 lower than in the same period of the previous year. On balance, it was possible to reduce the allocation to risk provisions from individual value adjustments and § 340f HGB reserve by TEUR 3.128. The change in strategy in the private customer lending business continues to have a positive impact here. The allocation to the general bad debt allowance was reduced by TEUR 914 (previous year: TEUR 281).

As in the previous year, fixed-interest securities held as fixed assets were not written down due to unexpected permanent impairments. On balance, the bond portfolio showed hidden charges in the amount of TEUR 2.564 (previous year: hidden reserves TEUR 2.401).

Commission income fell by TEUR 507 to TEUR 949, primarily due to the lower brokerage of insurance contracts, and commission expenses fell by TEUR 754 to TEUR 1.336. This was mainly due to the decline in commissions for intermediaries in the installment credit segment.

General administrative expenses increased by TEUR 643 or 4.8 % compared to the previous year. The other administrative expenses included in this figure increased by non-recurring costs, primarily relocation costs, of TEUR 882 (12.86 %). It was connected to an external computer centre and the hardware of the core banking service provider was outsourced. Personnel expenses fell by TEUR 239 (3.7 %) as a result of the personnel restructuring.

In 2018, the item "Write-downs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets" recorded a loss contribution of TEUR 23 (previous year: "Income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets” TEUR 919).

Exchange rate risks from asset-side positions are hedged by FX forward transactions. The expense of TEUR 2.020 (previous year: TEUR 978) is allocated to other operating expenses.

The cost/income ratio increased to 79.1 % in 2018 (previous year: 67.1 %). Return on equity fell to 2.12 % (previous year: 5.15 %).

2.4 FINANCIAL AND LIQUIDITY POSITION

The Bank’s solvency was assured at all times during the financial year. In accordance with regulatory requirements, the Bank’s liquidity was always sufficient in the year under review. The liquidity risk was managed and monitored by means of a daily liquidity plan and regular forecasts. The Bank took advantage of the possibility of raising liquidity by submitting loan claims and securities as eligible collateral to the Deutsche Bundesbank. The cash and cash equivalents were planned and kept ready for payment at all times. Compliance with the liquidity ratio according to LCR DR was always ensured. At the end of the year, the LCR quota under the Delegation Act (DA) was 2.82 (previous year: 2.59).

The regulatory total capital ratio / core capital ratio / hard core capital ratio according to CRR was 18.55 % at the end of 2018 (previous year: 16.65 %).

In accordance with the new Supervisory Review and Evalution Process (SREP) requirements, the Federal Financial Supervisory Authority (BaFin) has informed the Bank that a regulatory minimum capital ratio must be maintained. The Bank complies with this requirement, including the capital maintenance buffer to be taken into account. The minimum internal target ratio is 16,5 %. This was complied with throughout the past fiscal year. Capital planning for 2019 determines a capital ratio including the target ratio of over 16.5 %. From today’s perspective, the Bank believes that it is well equipped to meet the regulatory requirements for the development of trade finance business, the growing corporate customer business and the continued focus on private customer business.

2.5 DERIVATIVE INSTRUMENTS

To cover exchange rate fluctuations, the Bank had 43 forward exchange transactions with a nominal value of TUSD 157.348 and TGBP 4.000 (previous year: TUSD 64.200 and TGBP 7.800) in its portfolio at the end of the year.

At the end of 2018, the Bank held an interest rate swap with a nominal value of TEUR 10.000 (previous year: TEUR 10.000) to hedge interest rate risks. The fixed-rate position was defined for the entire term; the variable position was linked to the six-month Euribor.

2.6 OVERALL STATEMENT ON THE ECONOMIC SITUATION

Management is generally optimistic about the economic situation at the time the annual financial statements and management report were prepared. The financial and liquidity position complies with regulatory and operational requirements. The implementation of the business strategy will lead to an increase in earnings.

3 REPORT ON THE EXPECTED DEVELOPMENT WITH ITS SIGNIFICANT OPPORTUNITIES AND RISKS

3.1 FORECAST REPORT

The Bank’s development is based on the multi-year business and risk strategy drawn up by management, which is reflected in budget planning. The core of this planning is the expansion of the divisions and the development of the Bank’s earnings position. The Bank’s strategy is to achieve sustainable growth through a “transparent”, “comprehensible” and “responsible” approach at all times, tailored to the needs of the Bank’s clients.

The Bank’s target markets are Germany, Western Europe and Turkey. There OYAK ANKER Bank focuses on companies and banks from the “first league” of Turkey. In setting these targets, account was taken not only of expectations for the global economy but also of economic forecasts for Germany, Europe and Turkey.

From the Bank's perspective, the global economy will continue to grow in 2019, albeit at a much slower pace. The trade dispute between the USA, Europe and China with the announced trade restrictions on the one hand and the threat of a "hard" BREXIT on the other are acting as a potential brake on growth.

With economic data from the USA continuing to be positive, albeit weakening slightly, and inflation rising sharply at the same time, the Bank expects a pause in the US Federal Reserve's cycle of interest rate hikes. In addition, an initial interest rate cut is possible at the end of 2019, with a further reduction in economic growth in the USA, as the significantly higher interest rate level is burdening the US economy and the inflation data is at the same time within the target corridor of the US Federal Reserve.

In an equally stable economic environment in Europe, with significantly lower growth rates and simultaneously lower inflation than in the USA, the Bank does not expect any changes in the ECB's monetary policy in 2019. In contrast to the USA, the Bank does not expect the ECB to take its first interest rate hike before mid-2020 and thus a slow return to a "normal" interest rate environment in the euro zone.

The prospects for the German economy in this global environment remain positive as long as the trade disputes do not escalate further and a threatening "hard" BREXIT scenario can be averted.

Business with Corporate Banking and Financial Institutions is to be expanded as part of the multi-year strategic planning. OYAK ANKER Bank GmbH will expand its shares in international trading transactions with a focus on customers in Germany, Europe and Turkey. The Trade Finance and Documentary Business products in particular will make a positive contribution to earnings growth.

Within this framework, OYAK ANKER Bank GmbH can exploit synergy effects from the OYAK Group. The Bank will provide support in the settlement of the Group's trading transactions as well as cash management.

Due to the current economic situation, loans are increasingly being granted with short-term maturities. The cash covered business is planned at the current level.

The expansion of the private customer portfolio via the website and online platforms, which has already begun, will be continued. This already paid off in 2017 and 2018. Risk provisioning was reduced. The bank is investing in video legitimation and electronic signatures as well as in the optimisation of scoring procedures for the credit decision process.

The expanded customer service centre connects the bank's customers with its wide range of products and services. Even if the processing of banking transactions is increasingly shifting to the Internet, the personal component and the very special relationship of trust between the customer and the bank advisor should be preserved and remain noticeable. Because, regardless of the application method used: with customer service or online, inquiries and orders must be processed everywhere equally quickly, conveniently and uncomplicatedly.

The development of retail loans is expected to remain stable in 2019. New business is intended to offset the scheduled and expected unscheduled loan repayments.

The securities portfolio is to be reduced moderately. The portfolio's investment focus is primarily on bonds issued by European investment grade companies with a maximum maturity of 7 years. Another important investment focus is on European government bonds and Turkish corporate bonds denominated in USD. The diversification of the bond portfolio is an important investment aspect for the Bank.

By the end of 2019, the Bank's balance sheet volume, less the cash-backed lending business, will increase by almost 5 %.

The expansion of the credit volume will be carried out in compliance with capital adequacy requirements. The planned growth in Corporate Finance and Financial Institution business is to be covered by the full retention of the profits generated in 2018. If necessary, the parent company, OYAK Ordu Yardimlasma Kurumu, may carry out further capital increases.

Based on the aforementioned framework conditions of the business model of OYAK ANKER Bank GmbH, the following impact on earnings was assumed in the extrapolation for 2019:

Net interest income will rise due to the expansion of trade finance and the increased volume of back-to-back transactions. Net commission income will move sideways. The allowance for losses on loans and advances was reduced on the basis of the improved portfolio.

The measures taken in 2017 and 2018 will reduce personnel costs in 2019 and subsequent years. At the same time, the quality of staffing increased. Administrative expenses continue to be subject to strict cost management. The optimization of IT systems and the further automation of processes will be continued. Expenditure on risk management and regulatory requirements will continue to rise. In 2018, the Bank changed its location within Frankfurt Niederrad. This has reduced the rental costs.

Negative interest rates have so far had only a marginal impact on the net assets, financial position and results of operations of the institution. Despite the negative interest rate environment in Europe, the Bank will continue its efforts to avoid significant financial losses in 2019. Treasury continues to strive to manage free liquidity granularly and optimally, to make use of various investment opportunities and to keep the negative interest rate as low as possible.

Strategic key figures are derived from the business plan for 2019 as follows: As a result of the expansion of the business divisions, the Bank expects a return on equity of between 5.6 % and 6.4 %. The regulatory core capital, taking into account the target ratios, will be between 16.7 % and 16.9 %. A cost/income ratio of between 63.3 % and 57.9 % is targeted.

The economic environment has improved. The year 2019 will be marked by the expansion of the divisions and closer integration into the OYAK Group. The Bank is also benefiting from the restructuring measures implemented. The Bank's future development will be sustainably positive. There are no discernible risks that could jeopardise the continued existence of the Bank.

3.2 RISK AND OPPORTUNITY REPORT

3.2.1 TASKS AND OBJECTIVES OF RISK MANAGEMENT

In addition to the overriding objective of ensuring risk-bearing capacity (RBC) at all times, one of the Bank's key objectives is to exploit market opportunities that are balanced in relation to the respective risk. The Bank's management of risks and returns is geared to consolidating its earning power. The principle of active, responsible risk management applies, which is reflected in the controlled assumption of risks, taking into account the strategic orientation, the framework conditions and the available risk capital.

The tasks of risk management include the definition of appropriate risk strategies and the establishment of effective internal control procedures, taking into account risk-bearing capacity:

- the identification of immediate risks as well as medium and long-term threats,
- the analysis of risks in terms of threat potential and urgency,
- active risk management in the form of risk assumption, risk delimitation and risk reduction,
- the monitoring of all risk-relevant information and measures with the communication of risks.

These requirements are implemented through clearly defined risk management processes and a risk management system for measuring, controlling and monitoring risk positions that encompasses all business segments. The risks are presented and assessed before measures are taken to limit the risks (gross assessment). The risk management system provides impetus for the operational management of risky business and serves as the basis for strategic decisions within the framework of risk-adequate overall bank management.

The system's processes, methods and risk quantification procedures are documented and reviewed annually. Processes and procedures are continuously being further developed, taking into account changes in the external framework conditions and business processes due to changes in the regulations of the financial services industry.

3.2.2 RESPONSIBILITIES

3.2.2.1 SUPERVISORY BOARD

At its regular meetings with the Supervisory Board, the Management Board discusses in detail the Bank's risk situation, business and risk strategy and risk management. In addition, the Supervisory Board is informed of the risk situation in writing at least quarterly.

3.2.2.2 GENERAL MANAGEMENT

Irrespective of the internal rules governing responsibility, the General Management is responsible for the proper organisation of the business and its further development. This responsibility relates to all material elements of risk management, taking into account outsourced activities and processes. Management determines the business and risk strategy, the limit structure and all risk parameters. The risk strategy reflects the risk tolerance and is based on the Bank's risk-bearing capacity and the risk and earnings expectations of the divisions. The risk strategy takes into account the objectives and planning of the main business activities laid down in the business strategy as well as the risks of major outsourcing and the limitation of risk concentrations. The level of detail of the strategies depends on the scope and complexity as well as the risk content of the planned business activities. The risk strategy is subdivided into the main types of risk. The management of risks and business strategy is the responsibility of the Executive Board.

3.2.2.3 INTERNAL AUDIT

Internal Audit is organised as a process-independent part of the risk management system in accordance with the Minimum Requirements for Risk Management (MaRisk), operates without instructions and reports directly to the management. All activities and processes are examined on the basis of risk-oriented audits.

In addition, Internal Audit conducts special audits for specific occasions. The management is kept informed of the audit results on an ongoing basis. In its annual report, Internal Audit informs the management in summary form about the essential and serious audit findings and their processing status. The latter in turn informs the Supervisory Board at least quarterly about current developments and results. It is ensured that the Chairman of the Supervisory Board can obtain information directly from the Head of Internal Audit, with the involvement of management.

3.2.2.4 RISK MANAGEMENT

Risk Management assumes responsibility for the documentation, identification, analysis and evaluation of risks and submits proposals for changes or recommendations for action to the management. In addition, the models used for risk quantification and credit assessment are reviewed, refined and validated there. Risk Management is responsible for determining the Bank's overall risk, monitoring its risk-bearing capacity, including stress test analyses, and reporting to management. The monitoring of operational risks is also centralised in the Risk Management division. This includes their identification, analysis and reporting. Risk Management is also responsible for preparing monthly reports on counterparty and market price risk (including interest rate risks in the banking book) and quarterly risk reporting.

3.2.2.5 ACCOUNTING/CONTROLLING/REPORTING

This division is responsible, among other things, for calculating and analysing counterparty, market price and liquidity risks, monitoring compliance with specified management limits and reporting on these.

3.2.2.6 SPECIAL FUNCTIONS (COMMISSIONER SYSTEM)

There are appropriate bodies in accordance with the statutory requirements (money laundering, data protection, information security as defined by BAIT, compliance as defined by KWG / MaRisk, risk controlling as defined by KWG / MaRisk, liquidity management as defined by CRR, complaints management).

3.2.3 STRUCTURE OF RISK MANAGEMENT

Risk management at overall bank level with regard to risk-bearing capacity, including the limits set, is the responsibility of management.

With regard to the risks associated with the individual business activities, risk management is carried out by the following organisational units:

TYPE OF RISK	ORGANIZATIONAL UNIT(S)
Counterparty risk	Back Office (Loan Processing Commercial Credits, Loan Processing Consumer Credits, Collections)
Market price risk	Treasury/Financial Institutions
Liquidity risk	Treasury/Financial Institutions
Operational risk	Decentralised by the respective risk manager

The following committees promote efficient, balanced risk management and the necessary communication. In addition, they support the management and the responsible bodies in managing and monitoring the individual risks.

- Asset and Liability Committee (ALCO)
- Liquidity Committee
- Credit Committee

The ALCO analyses the risk situation and decides on the main features of the interest rate strategies, asset/liability positions and liquidity management of the Bank. The current situation is assessed on the basis of reports on risk-bearing capacity, counterparty, market price and liquidity risks, as well as timely key financial figures. This committee also discusses changes on the money, capital and currency markets as well as investment decisions. Major risk positions and selected exposures relating to assets that are most affected by the market turmoil during a financial market crisis are discussed in detail here.

The Liquidity Committee discusses operational and strategic liquidity planning and management as well as the handling of liquidity risks on a fortnightly basis. The decisions taken by the Committee are implemented operationally by the relevant units.

The Credit Committee deals with credit issues (excluding retail loans), new grants and renewals, deferrals, specific loan loss provisions and limit reviews.

3.2.4 RISK STRATEGY

The basis for controlling and monitoring risks is a business and risk strategy defined by management. It forms the framework for the risk-type-specific sub-strategies, which in turn specify the requirements for dealing with risks within the structural and procedural organisation.

Business activities result in the following types of risk, which the Bank has classified as material within the meaning of MaRisk within the scope of the risk inventory:

- Counterparty risk (credit risk)
- Market price risk
- Operational risk
- Liquidity risk

3.2.5 RISK TYPES

3.2.5.1 COUNTERPARTY RISK (CREDIT RISK)

The counterparty risk is the risk that losses or lost profits due to the default of business partners and, if applicable, migration and/or address-related spread changes exceed the expected level. The focus is exclusively on the potential success effect. The liquidity effect is considered under liquidity risk. The counterparty risk primarily includes the following sub-risk types:

SUB-RISK TYPES	DEFINITION
Default risk	The risk that a counterparty may not be able to meet its obligations or not be able to meet them in full if services in the form of cash, securities or services have already been rendered.
Counterparty risk	The risk that an unrealized profit from pending transactions can no longer be collected due to the default of a contractual partner. This can result in additional counterparty default risks, which are reflected in the credit risk.
Country risk (foreign exchange restrictions)	Risk that does not exist due to the contracting party itself, but due to its registered office abroad. As a result, crisis-ridden political or economic developments in this country can lead to transfer problems and thus to additional counterparty default risks, which are also reflected in the credit risk.
Spread risk	Risk of losses due to spread fluctuations, regardless of their origin (address related / market liquidity related).
Migration risks	Risk of losses in value due to rating migrations

A detailed and market-independent risk assessment of a business partner is an important element of the credit approval process and the subsequent credit risk management process. When assessing the risk, both the creditworthiness and market environment of the business partner and the risks relevant to the credit facility or credit exposure are taken into account. The resulting risk rating not only affects the structuring of the transaction and the credit decision, but also determines the credit approval authority required to extend or substantially change the loan and determines the scope of monitoring for the respective exposure.

Country risks are assessed using the analyses of a leading rating agency (Fitch). Country risk concentrations are determined in the credit portfolio analysis.

For credit portfolio analysis, the Bank uses an asset value model extended to include country risks. Both the model and the parameters used are regularly reviewed by Risk Management for any need for adjustments or changes.

Risk quantification (confidence level 99.9 %) is based on the concepts of unexpected loss (value at risk). The counterparty default risk is quantified, analysed and managed at both borrower and portfolio level (including countries, sectors and customer segments). All credit risks of a group of affiliated customers (borrower unit) are aggregated. Risk concentrations are also mapped and managed at this level.

The key parameters for determining unexpected loss are the probability of default (PD) and the default loss ratios (LGD) of the borrower and the underlying credit exposure. The portion secured by deposits in the Bank (cash collateral) is not taken into account when quantifying risk. The PD for private customers is calculated using the portfolio scoring system developed in-house. Inventory scoring takes the customer's master data and payment history into account. For corporate customers, banks and government institutions, PD is derived primarily via the three external rating agencies (S&P, Moody's, Fitch). If no external rating is available, the PD is determined on the basis of the rating procedure used by the Bank (ratings until the end of November: GENO-RiskSolutions GmbH, ratings from December: IBM Deutschland GmbH).

In addition to the size concentrations taken into account immanently in the value-at-risk model to determine unexpected losses, analyses of risk concentrations in countries, sectors, size classes and borrower units are also included in risk reporting.

In addition to the standard scenario, further historical and hypothetical scenarios are calculated. The results are communicated and acknowledged in the monthly credit risk report and in the quarterly overall bank risk report.

3.2.5.2 MARKET PRICE RISKS

Market risk is the risk that the actual result may deviate from the planned result due to unexpected changes in market parameters (yield curve, share prices, exchange rates). This is based exclusively on the effect on earnings. The liquidity effect is considered under liquidity risk. Income effects from a lack of market liquidity are also included in market risk, as these are implicitly included in the histories used to calculate the risk. Market risk primarily includes the following sub-risk types.

SUB-RISK TYPES	DEFINITION
Interest rate risk	The risk that a realised interest result may be lower than expected due to changes in market interest rates. The interest rate risk can be divided into the interest margin risk and the market value risk. The accounting effect of market value risk is also referred to as valuation risk.
Equity risk	The risk that the value of an equity portfolio may fall unexpectedly as a result of market movements.
Currency risk	The risk that the value of a foreign currency asset/liability may fall due to changes in exchange rates, as these are not financed with matching currencies.
Other market risks	Risk that the value of e.g. precious metals/goods unexpectedly decreases due to market changes.

The equity risk and other market risks are currently not relevant, as the Bank does not currently have any positions subject to these types of risk.

The Bank invests in securities within the banking book and conducts money market transactions. The banking book also includes interest rate and currency swaps to hedge exchange rate and interest rate risk.

Open foreign currency positions from customer transactions are closed by corresponding offsetting transactions. The nominal open positions are subject to narrow limits (currency peaks). Corresponding processes for daily monitoring of the limit have been implemented.

Value-at-risk is determined jointly for interest rate and currency risks. Cash flows are calculated for all positions in the bank portfolio and interest and currency sensitivities are calculated. The risk distribution is evaluated using the Black-Karasinski model. The Bank assumes a holding period (forecast or risk horizon) of 261 business days (= one year). The model parameters are estimated with a history of 3.000 calendar days (for the market data used in the risk parameter estimation). The approach has the following statistical properties: mean value return as a stochastic process to describe the market factors, exact determination of present valuechanges with given development of the market factors instead of approximations, consideration of changes in the portfolio structure. The model parameters, i.e. volatilities and correlations of exchange rates and interest rates, are estimated daily on the basis of current yield curves and exchange rates.

In addition to the standard scenario, further historical and hypothetical scenarios are calculated. The results are communicated and assessed in the monthly market price risk report and in the quarterly overall bank risk report.

Interest rate risks in the Bank's banking book result from maturity transformation in connection with interest-sensitive transactions in the banking book and at overall bank level. Risks arise in particular from the rise or rotation of the yield curve.

The banking book comprises all fixed and variable-rate balance-sheet and off-balance-sheet items. Positions with an indefinite fixed-interest period are taken into account in accordance with the institution's internal fictions regarding the fixed-interest period and the capital commitment period.

A parallel shift of the interest structure curve of “200 basis points” upwards or downwards. According to the Circular, the change in present value of the interest book is compared in relation to regulatory own funds. The key figures have developed as follows:

in PERCENT	31.12.2018	31.12.2017
+ 200 basis points	-10.38	-10.70
- 200 basis points	+4,23	+4,55

3.2.5.3 OPERATIONAL RISKS

Operational risk is the risk of losses resulting from the inadequacy or failure of internal processes and systems, people or external events. This definition includes legal risks and fraudulent actions. Financial losses are only attributed to operational risks by the Bank if the loss incurred is clearly and exclusively attributable to the failure of internal procedures, people or systems.

Coordinated instruments are used to identify and assess operational risks. The relevant loss data required to establish a data history (period from 2007) are collected in a loss database irrespective of the amount of the loss. This forms the basis for a targeted and detailed root cause analysis and elimination. In addition, a risk database is in use. A risk report is used to record possible operational risks. These historical messages are categorized and evaluated.

The purpose of the annual training of all employees is to make the subject of “operational risks” more accessible to employees and to make them more aware of the significance of operational risks in their daily work processes.

By means of a self-assessment focusing on qualitative and quantitative statements on the risk situation, a Monte Carlo simulation (confidence level 99.9 %) is used to determine a value-at-risk for the normal, historical and hypothetical scenario.

3.2.5.4 LIQUIDITY RISKS

The liquidity risk is the risk that the company will not be able to pay at any time because the required funds are not available. The liquidity risk primarily includes the following sub-risk types.

SUB-RISK TYPES	DEFINITION
Insolvency risk	Risk that the Bank will not be able to meet its short-term payment obligations on time.
Refinancing risk	Risk that refinancing funds will not be available to the planned extent or not at all or cannot be procured at the expected conditions.
Market liquidity risk	Risk that financial securities cannot be traded on the financial markets at a specific time and/or at fair prices due to market disruptions or insufficient market depths.

The call risk is the risk that loan commitments will be unexpectedly drawn down or that deposits will be unexpectedly drawn down. This risk manifests itself in the risk types described above and is therefore not listed as a separate risk type.

Liquidity risk (in the narrower and wider sense) is one of the Bank's main risks. However, it is not backed by economic capital, as from the Bank's point of view liquidity risks cannot be reasonably backed by capital. Nevertheless, it is ensured that adequate account is taken of liquidity risks in the risk management and controlling processes.

Liquidity risks are quantified on an ongoing basis. The fulfilment of payment obligations at all times is guaranteed by the following measures:

- Monitoring of the daily cash flow overview
- Monitoring of open currency positions and control through limitation
- Monitoring by the daily short term liquidity plan
- Monitoring the LCR and extrapolating the LCR
- Monitoring liquidity risks on the basis of a standard scenario and three stress scenarios with limits
- Weekly monitoring of deposit developments and the sensitivity of customer deposits to external or internal interest rate changes

Liquidity management at the overall bank level is carried out by the Liquidity Committee. The measures are implemented by Treasury/Financial Institutions. This committee continuously and primarily analyses and assesses the refinancing side. Refinancing rates, but also the management of open refinancing sources, the use of monetary policy instruments and the availability of directly realisable securities play a decisive role here. In addition, the maturity structure of assets and liabilities is analysed for maturity mismatches.

The daily monitoring of short-term liquidity is performed as a supplement to the regulatory liquidity ratios. The Bank's short, medium and long-term liquidity requirements in the period under review were mainly covered by secured borrowing through participation in open market transactions and the acceptance of customer deposits.

The Bank uses an internal liquidity model to measure and control the liquidity situation. This creates transparency on a daily basis about the expected and unexpected liquidity flows within the respective maturity band and the liquidity reserves that can be used to offset liquidity shortfalls. To determine these liquidity cash flows, assumptions are made in particular about the deduction of customer deposits, also taking account of deposit concentrations. In the process, both a standard scenario and several different stress scenarios are presented. The goal is always a positive cash surplus in all relevant scenarios in the corresponding periods. In addition to the scenarios, liquidity limits are defined.

The standard scenario shows that the cumulative cash flow, taking into account the liquidity reserves, is positive over the next six months and that from this point of view no liquidity bottleneck is discernible. These will develop as follows over the next six months:

PERIOD	31.12.2018 in TEUR	31.12.2017 in TEUR
Up to one month	106.766	40.794
Up to two months	84.007	36.301
Up to three months	91.999	22.371
Up to four months	74.930	3.957
Up to five months	89.239	83.509
Up to six months	87.566	22.882

REFINANCING STRUCTURE

The Bank refinances itself primarily through customer deposits. Refinancing is partly carried out by participating in the long-term refinancing transactions of the Deutsche Bundesbank. Refinancing via the capital market does not take place.

The share of overnight deposits from private customers remained stable. Especially in the fourth quarter of 2018, inflows of short-term to long-term time deposits were recorded. Deposits from institutional clients were reduced in 2018. Overall, the capital commitment on the liabilities side is shorter than on the assets side. This results in a theoretical refinancing risk. However, it can be inferred from past years that the Bank has the overnight deposits of private customers at its disposal for the most part on a permanent basis. As part of liquidity management, longer availability is therefore assumed. The Bank has a stable and balanced refinancing structure.

3.2.6 RISK REPORTING

In general, reporting is carried out by Risk Management and Accounting/Controlling/Reporting to the Management Board and addressed executives.

The Bank uses a weekly report to present its risk-bearing capacity ("economic perspective"). In order to continuously ensure risk-bearing capacity, compliance is monitored in accordance with the risk limits. The risk limit utilisation report is prepared daily and reported weekly. The risk coverage potential, taking into account hidden charges, is updated on a monthly basis.

As part of the quarterly risk reporting, it is checked whether the regulatory ratios (risk-bearing capacity "normative perspective") are complied with for the future period under review. The risk report also contains a summary of the current situation, recommendations for action for management measures if necessary, and a forward-looking risk assessment.

3.2.7 RISK-BEARING CAPACITY "ECONOMIC PERSPECTIVE"

For the overall risk profile, the Bank ensures at all times that the risks classified as material are covered by the available risk coverage potential, thereby ensuring risk-bearing capacity.

From an economic perspective, it is ensured that the available risk coverage potential fully covers the risks entered into at all times. With this risk management, the Bank is pursuing the protection of senior creditors (creditor protection approach).

Significant risks that become relevant in the risk-bearing capacity analysis arise for the Bank in the following areas in the order of their importance:

- Counterparty risk (credit risk)
- Market price risk
- Operational risk

The risk-bearing capacity was as follows on the reporting date:

in TEUR	31.12.2018			31.12.2017
	normal scenario	Historical stress scenarios	Hypothetical stress scenario	
Risk Coverage Potential		103.058		113.039
Risk Buffer	4.058	0	0	14.039
Total Bank Limit	99.000	103.058	103.058	99.000

As part of the revision of the components of the risk coverage potential, positions were no longer offset in the course of 2018. The volume of positions no longer taken into account amounted to TEUR 8.030 as of 31 December 2017. Furthermore, the risk coverage potential was reduced by increased hidden charges. As in previous years, profits were reinvested, which increased the risk coverage potential.

The risks (normal scenario) developed as follows:

RISK TYPES	31.12.2018			31.12.2017		
	Limit in TEUR	Risk in TEUR	Occupancy rate in %	Limit in TEUR	Risk in TEUR	Occupancy rate in %
Credit risk	76.000	61.401	81 %	78.000	67.401	86 %
Market price risk	20.000	11.130	56 %	17.000	11.589	68 %
Operational risk	3.000	2.862	95 %	4.000	3.187	80 %
Sum	99.000	75.393	76 %	99.000	82.177	83 %

The risks in the stress scenarios were as follows:

RISK TYPES	HISTORICAL STRESS SCENARIOS				HYPOTHETICAL STRESS SCENARIO in TEUR
	Scenario 1	Scenario 2	Scenario 3	Scenario 4	
Credit risk	68.458	68.458	68.458	68.458	77.427
Market price risk	9.532	12.300	11.260	-3.969	13.913
Operational risk	3.736	3.736	3.736	3.736	3.736
Total bank limit	103.058				103.058
Occupancy rate	79 %	82 %	81 %	66 %	92 %

Values with negative signs are opportunities. They can arise, for example, from changes in the yield curves in the scenarios.

3.2.8 RISK-BEARING CAPACITY “NORMATIVE PERSPECTIVE“

In addition to the risk-bearing capacity “economic perspective”, OYAK ANKER Bank GmbH determines a future-oriented, multi-year capital planning process (risk-bearing capacity “normative perspective”), which ensures the planning and monitoring of the future bearing capacity of its own risks. Future capital requirements are planned annually over a planning horizon of at least three years in line with the business and risk strategy.

The Bank considers how changes in its own business activities or strategic objectives as well as changes in the economic environment affect regulatory and internal capital requirements.

In particular, the Bank takes the planned growth in line with its strategy into account in its capital planning. In this context, the development and the resulting capital adequacy requirements, which are significant in terms of both internal and external capital planning, are analysed.

Possible adverse developments (e.g. the handling of various risk events and their impact on subsequent years) that deviate from the Bank’s expectations are adequately taken into account in the planning. At least one adverse scenario reflects adverse developments in the sense of an impact of a recession or a similarly severe and comparable development.

Based on the medium-term benchmark planning (including balance sheet and off-balance sheet items), the income statement and the appropriation of net income are planned. The resulting own funds are compared with the regulatory own funds requirements for the individual plan years. This is done both for the multi-year plan scenario and at least for the adverse scenario “recession”.

3.2.9 CHANCES

The model-based quantification of the expected and unexpected loss in counterparty default risks is performed using statistical methods based on historical observations. Opportunities arise if the actual creditworthiness developments of the positions bearing credit risk are more favourable than observed in the past. In this case, the necessary credit risk provisioning is below the calculated counterparty default risks and there are fewer migrations to weaker credit ratings. In addition, higher proceeds than assumed can be realised from the realisation of collateral with respect to the positions bearing counterparty risk that meet the default definitions or show a more positive creditworthiness development than assumed over time.

The development of the interest rate level and the interest rate structure – taking into account the structure of the Bank’s interest book – may give rise to opportunities with regard to net interest income and the economic value of the interest book.

The liquidity potential available to secure liquidity includes the opportunity to react flexibly to business opportunities.

In the context of business development, opportunities may arise if the realised interest and commission income exceeds the planned results.

In the case of operational risk, opportunities arise in such a way that the actual losses realised are below the imputed risks. Damage cases that have occurred are analyzed and, if necessary, process improvements are made.

Positive external reporting can be an opportunity for the bank's reputation.

Overall, with regard to the risk-bearing capacity, there is a chance that the risks actually realised will be lower than the imputed risks.

4 ACCOUNTING AND CONTROL SYSTEM

The internal accounting control system ensures that assets and liabilities are recognized, reported and measured appropriately in the periodically prepared financial statements and that the results of operations are presented fairly. The main components are listed below.

The bank uses standard software components for the most important functionalities, such as the core banking system PASS Core Banking Suite. The systems used can only be used by employees with special access rights. The majority of business transactions are posted automatically in the system. If postings are nevertheless made manually in individual cases, they are subject to the principle of dual control.

All postings are supported by a G/L account plan that is systematically structured and structured according to accounting requirements. This can only be changed by an order from the Accounting/Controlling/Reporting department in the IT department. A comprehensively regulated new product process guarantees that new product solutions are also correctly mapped with regard to accounting.

A daily and documented reconciliation process also ensures that all transactions recorded in the systems are fully mapped. In addition, there are regular, centrally conducted plausibility checks at various levels in order to be able to intervene at an early stage.

Efficient monitoring of the entire accounting process is also ensured by the controlling evaluations, which are independent of accounting. Here, the individual earnings components of the Bank are prepared in different dimensions and degrees of detail. Reconciliations are made between the accounting results and the aforementioned evaluations, so that any deviations can be identified and eliminated at an early stage. Another important control component is the monthly reporting to the management, the market divisions and the sales units.

The valuation of the loan portfolio is based on the regulatory separation of functions in the back office. Individual value adjustments (IVA) are posted by the system. The EWB rates are validated annually and adjusted if necessary. General valuation allowances are formed on the basis of the maximum permissible tax rates. The valuation of securities portfolios is accompanied and monitored by trading settlement.

Internal Audit regularly reviews both the IT systems with regard to reliability, stability and correct mapping of business issues and the work processes in the market and central divisions. It is included in all projects and system changes and thus supports the quality management of accounting.

For the functions described above, the Bank relies on a team of professionally experienced employees who also perform the tasks of regulatory reporting, controlling, various management requirements and tax law.

5 MEMBERSHIPS

The Bank is a member of the Bundesverband deutscher Banken e.V. (Association of German Banks), Berlin, and of the respective regional associations. It is affiliated to the statutory and private Deposit Protection Fund of the private banking sector. The Bank is also a member of the Association of Foreign Banks in Germany e.V., Frankfurt am Main, and of the Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne.

Frankfurt am Main, 28 May 2019

OYAK ANKER Bank GmbH

Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD

Ümit Yaman
MEMBER OF MANAGEMENT BOARD

BALANCE SHEET AS OF 31.12.2018

ASSETS	EUR		EUR	EUR	PREVIOUS YEAR TEUR
1. Cash reserve					
a) Cash at hand			2.392,61		1
b) Deposits with central banks			73.889.259,18		18.669
of which with Deutsche Bundesbank	73.889.259,18	(previous year TEUR 18,669)			
c) balances with Post giro offices			0,00	73.891.651,79	
2. Debt instruments issued by public authorities and bills of exchange eligible for refinancing are eligible with central banks					
a) Treasury bills and non-interest-bearing treasury notes					
and similar public-sector debt instruments			0,00		0
b) bills of exchange			0,00	0,00	0
3. Receivables from banks					
a) payable on demand			7.196.886,92		5.116
b) other receivables			66.913.827,32	74.110.714,24	21.850
4. Receivables from customers				768.196.885,96	729.600
of which: secured by mortgages	0,00	(previous year TEUR 0)			
municipal loans	0,00	(previous year TEUR 0)			
5. Bonds and other fixed-income securities					
a) money market instruments					
aa) issued by public-sector borrowers		0,00			0
of which: eligible as collateral with Deutsche Bundesbank	0,00	(previous year TEUR 0)			
Ab) from other issuers		0,00	0,00		0
of which: eligible as collateral with Deutsche Bundesbank	0,00	(previous year TEUR 0)			
b) bonds and debt securities					
ba) from public issuers		16.235.265,31			15.935
of which: eligible as collateral with Deutsche Bundesbank	16.235.265,31	(previous year TEUR 15,935)			
bb) from other issuers		129.967.248,63	146.202.513,94		102.253
of which: eligible as collateral with Deutsche Bundesbank	79.676.049,88	(previous year TEUR 45,132)			
c) own bonds			0,00	146.202.513,94	0
nominal amount	0,00	(previous year TEUR 0)			
6. Shares and other non-fixed-income securities				0,00	0
6a. Trading portfolio				0,00	0
7. Participations				482.115,48	514
of which: in banks	0,00	(previous year TEUR 0)			
in financial service providers	0,00	(previous year TEUR 0)			
8. Shares in affiliated companies				460.162,70	460
of which: in banks	0,00	(previous year TEUR 0)			
in financial service providers	0,00	(previous year TEUR 0)			
9. Trust assets				0,00	0
of which: trust loans	0,00	(previous year TEUR 0)			
10. Equalisation claims against public authorities including bonds from their exchange				0,00	0
11. Intangible assets					
a) Internally generated intellectual property rights and similar rights and assets			0,00		0
b) Purchased concessions, industrial property rights and similar rights and assets, as well as licenses in such rights and assets			410.444,75		0
c) Goodwill			0,00		0
d) Advance payments made			217.615,30	628.060,05	599
12. Tangible fixed assets				422.462,25	356
13. Capital called but not yet paid in				0,00	0
14. Other assets				887.556,52	2.218
15. Other liabilities and deferred expenses				274.678,40	358
16. Deferred tax assets				0,00	0
17. Active difference from asset offsetting				57.728,81	26
18. Net loss not covered by shareholders' equity				0,00	0
Total Assets				**1.065.614.530,14**	**897.955**

LIABILITIES		EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Liabilities to banks					
a) payable on demand			163.893,35		996
b) with agreed term or period of notice			90.223.196,62	90.387.089,97	81.301
2. Liabilities to customers					
a) Savings deposits					
aa) with agreed period of notice					
of three months		5.004.652,23			4.099
ab) with agreed period of notice					
of more than three months		19.188.875,83	24.193.528,06		26.583
b) other liabilities					
ba) payable on demand		128.626.861,79			124.641
bb) with agreed term or period of notice		323.856.123,46	452.482.985,25	476.676.513,31	314.430
3. Securitised liabilities					
a) bonds issued			0,00		0
b) other securitised liabilities			0,00	0,00	0
of which: money market instruments	0,00	(previous year TEUR 0)			
own acceptances and promissory notes outstanding	0,00	(previous year TEUR 0)			
3a. Trading portfolio				0,00	0
4. Trust liabilities				0,00	0
of which: trust loans	0,00	(previous year TEUR 0)			
5. Other liabilities				1.312.054,10	1.256
6. Other liabilities and deferred expenses				491.023,66	174
6a. Deferred tax liabilities				0,00	0
7. Provisions					
a) provisions for pensions and similar obligations			61.963,14		50
b) tax provisions			0,00		153
c) other provisions			832.698,96	894.662,10	1.054
8. (omitted)				0,00	0
9. Subordinated liabilities				388.580.752,24	238.121
10. Profit participation capital				0,00	0
of which: due within two years	0,00	(previous year TEUR 0)			
11. Fund for general banking risks				0,00	0
12. Equity					
a) Capital called up					
Subscribed capital		90.000.000,00			90.000
less uncalled outstanding contributions	0,00	(previous year TEUR 0)	90.000.000,00		
b) Capital reserves			572.496,97		572
c) Retained earnings					
ca) statutory reserves		0,00			0
cb) reserves for shares in a controlled		0,00			0
or majority-owned undertaking					
cc) statutory reserves		0,00			0
cd) other retained earnings		14.524.750,39	14.524.750,39		9.413
d) Balance sheet profit/loss			2.175.187,40	107.272.434,76	5.112
Total Liabilities				**1.065.614.530,14**	**897.955**

	EUR	EUR	PREVIOUS YEAR TEUR
1. Contingent Liabilities			
a) Contingent liabilities on retransferred bills of exchange	0,00		0
b) Liabilities from sureties and guarantee agreements	8.798.076,82		10.863
c) Liability from the provision of collateral for third-party liabilities	0,00	8.798.076,82	0
2. Other liabilities			
a) Repurchase obligations from non-genuine repos	0,00		0
b) Placement and takeover obligations	0,00		0
c) Irrevocable credit commitments	0,00	0,00	10.000

INCOME STATEMENT
FOR THE PERIOD FROM 01.01.2018 TO 31.12.2018

EXPENSES	EUR	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Interest expenditures				16.384.820,22	12.211
of which positive interest deducted from banking business		5.939,93			
2. Commission expenses				1.335.514,89	2.090
3. Net expenses in the trading portfolio				0,00	0
4. General administrative expenses					
a) personnel expenditure					
aa) wages and salaries		5.173.344,05			5.354
ab) social security contributions and expenses for pensions and other employee benefits		1.033.274,32	6.206.618,37		1.092
of which: for pensions	32.772,31	(previous year TEUR 35)			
b) other administrative expenses			7.743.423,85	13.950.042,22	6.861
5. Depreciation and value adjustments for intangible assets and tangible fixed assets				395.109,46	400
6. Other operating expenses				2.582.207,60	2.064
7. Write-downs and value adjustments on receivables and certain Securities and allocations to loan loss provisions				1.434.874,24	2.457
8. Depreciation and value adjustments on participating interests, shares in affiliated companies and as securities treated as fixed assets				23.317,13	0
9. (omitted)				0,00	0
10. Allocation to fund for general banking risks				0,00	0
11. Extraordinary expenses				0,00	0
12. Taxes on income and earnings				152.697,24	69
13. Other taxes not shown under item 6				-440.154,53	-482
14. Profits transferred on the basis of a profit pooling, profit transfer or partial profit transfer agreement				0,00	0
15. Net profit for the year				2.175.187,40	5.112
Total Expenses				37.993.615,87	37.228

INCOME	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Interest income from				
a) Lending and money market transactions		32.896.342,05		30.006
of which negative interest deducted from banking business	127.479,94			
b) fixed-interest securities and debt register claims		3.426.650,83	36.322.992,88	3.109
2. Current income from				
a) shares and other non-fixed-income securities		0,00		0
b) participations		47.600,24		41
c) shares in affiliated companies		0,00	47.600,24	0
3. Income from profit pooling, profit transfer or partial profit transfer agreements			459.522,34	515
4. Commission income			949.343,36	1.457
5. Net trading income			0,00	0
6. Income from write-ups of receivables and certain securities and from the reversal of write-downs loan loss provisions,			0,00	
7. Income from write-ups of participations, shares in affiliated companies and as securities treated as fixed assets			0,00	
8. Other operating income			214.157,05	1.181
9. Release from the fund for general banking risks			0,00	0
10. (omitted)			0,00	0
11. Income from assumption of losses			0,00	0
12. Net loss for the year			0,00	0
Total income			37.993.615,87	37.228

	EUR	PREVIOUS YEAR TEUR
1. Net profit for the year	2.175.187,40	5.112
2. Profit/loss carried forward from previous year	0,00	0
3. Withdrawals from capital reserves	0,00	0
4. Withdrawals from revenue reserves		
a) from the statutory reserves	0,00	0
b) from reserves for shares in a controllled	0,00	0
or majority-owned undertaking	0,00	0
c) from registered reserves	0,00	0
d) from other retained earnings	0,00	0
5. Withdrawals from profit participation capital		
6. Allocations to revenue reserves	0,00	0
a) to the statutory reserves	0,00	0
b) to reserves for shares in a controlled or majority-owned undertaking		
c) to registered reserves	0,00	0
d) to other retained earnings	0,00	0
7. Replenishment of profit participation capital	0,00	0
8. Balance sheet profit/loss	2.175.187,40	5.112

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 GENERAL DISCLOSURE ON THE ANNUAL FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

1.1 ACCOUNTS AND VALUATION METHODS

OYAK ANKER Bank GmbH with its registered office in Frankfurt am Main is entered in the commercial register of the Frankfurt am Main District Court under HRB No. 77306.

The annual financial statements were prepared in accordance with the provisions of the Ger-man Commercial Code, the law on limited liability companies (Handelsgesetzbuch - HGB) and in compliance with the Ordinance on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute - RechKredV), in the version applicable at the time.

Balance sheets and valuation of assets and liabilities are prepared in accordance with §§ 252 et seq. and 340 et seq. of the German Commercial Code (HGB).

The basis for exchange into euros on first valuation is the exchange rate on the transaction date. Assets and liabilities denominated in foreign currencies are converted at the average spot exchange rate at the end of the year. In the case of forward exchange transactions, conversion is carried out at the forward rate at the end of the year. The scope of the special cover pursuant to § 340h HGB comprises foreign currency positions and pending foreign ex-change transactions (forward exchange transactions or currency swaps) that are not as-signed to the trading portfolio. For specially hedged transactions, the results from currency conversion are reported net under other operating income.

Use has been made of the offsetting options for certain expenses and income provided under § 340c (2) and § 340f (3) HGB as well as § 32 and § 33 RechKredV.

1.2 ACCOUNTING AND VALUATION METHODS

ASSETS

The cash reserve is stated at its nominal value.

Receivables from banks and customers are measured at nominal value less specific and general loan loss provisions plus accrued interest.

Recognisable individual risks in the lending business were taken into account through the formation of individual value adjustments. In the private customer business, a generalised specific bad debt provision is calculated on the basis of historical default and loss rates. For latent risks, lumpsum value adjustments were generally made in accordance with the circular of the Federal Ministry of Finance dated 10 January 1994.

The securities in the investment portfolio were valued using the mitigated lowest-value principle. In the case of permanent impairments, write-downs are made to the lower fair value. Fixed-interest securities acquired at (or above) par value are written up (or written down) to nominal value on periodic basis. Securities in the liquidity reserve are valued strictly at the lowest value principle.

Participating interests and shares in affiliated companies are carried at acquisition cost or at a lower fair value.

Intangible assets and tangible fixed assets were valued at acquisition cost. Intangible assets and operating and office equipment were depreciated on a linear basis. The low-value assets, which amount to at least EUR 250,00 for the individual asset but do not exceed EUR 1.000,00, are capitalised as a collective item and written down by one fifth each in the year of formation and in the following four financial years. Low-value assets not exceeding EUR 250,00 are booked directly to expenses.

Other assets and deferred expenses and accrued income are reported at their nominal value.

Deferred taxes are posted for differences between commercial and tax balance sheet valuations that are expected to reverse in the future, to the extent permitted by law. Deferred taxes are calculated on the basis of an income tax rate of 31.93 %, which includes corporate income tax, trade tax and the solidarity surcharge. In accordance with § 274 (1) sentence 2 of HGB, the option to recognize deferred tax assets is not exercised for reasons of conservative accounting.

LIABILITIES

Liabilities are valued at their settlement amount plus accrued interest. Other liabilities and deferred income are reported at the settlement amount.

The provision for pensions and similar obligations was determined on the basis of an actuarial report. The calculation was based on the projected unit credit method (PUC) using the 2018 G mortality tables of Heubeck-Richttafeln GmbH, Cologne, and an interest rate of 3.29 % p.a. Furthermore, a pension dynamic of 2.0 % p.a. was assumed.

In accordance with § 246 (2) sentence 2 of HGB, the provision is balanced against existing compensating assets.

Due to the application of § 253 (6) sentence 1 of HGB, the difference in the pension obligations reported in the balance sheet resulting from discounting at the average market interest rate for ten instead of seven financial years amounted to TEUR 26.4 as of 31 December 2018.

Provisions for partial retirement were calculated in accordance with the IDW's statement on the recognition of obligations arising from partial retirement arrangements on the basis of the asset retirement regulations. The actuarial interest rate used was 2.32 % p.a. in accordance with the provisions discounting regulation, 2.0 % p.a. for future salary dynamics and the 2018 G mortality tables of Prof. Dr. Klaus Heubeck.

Tax provisions and other provisions take into account all identifiable risks from pending transactions and contingent liabilities and have been recognised in accordance with § 253 (1) HGB in the value of the settlement amount required in accordance with reasonable commercial judgement.

In accordance with § 253 (1) sentence 2 in conjunction with § 253 (2) sentence 1 HGB, provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term.

We did not recognise a provision for expected losses due to the negative fair value of interest rate swaps as at the reporting date, since pursuant to IDW RS BFA 3 no excessive obligation was determined within the scope of measuring interest rate transactions in the banking book (interest rate portfolio) to the lower realisable value. The banking book was measured at its present value.

Provisions have been set up for uncertain liabilities in the amount of the expected claims.

Premiums and discounts on receivables and liabilities were included in prepaid expenses and deferred charges and amortised on a linear basis over the term.

BOTTOM LINE LIABILITIES

The provisions formed for contingent liabilities were deducted from the total amount of contingent liabilities.

2 NOTES TO THE BALANCE SHEET

2.1 ASSETS

RECEIVABLES FROM BANKS

Receivables from banks are classified by their remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	7.197	5.116
up to three months	0	0
from three months to one year	66.914	20.182
from one year to five years	0	1.668
more than five years	0	0

Receivables from banks amounting to TEUR 3.742 (previous year: TEUR 3.646) are foreign currency receivables.

RECEIVABLES FROM CUSTOMERS

The receivables from customers are classified by remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
with undetermined maturity	30.440	34.590
up to three months	85.519	137.544
from three months to one year	256.499	218.380
from one year to five years	358.571	302.375
more than five years	37.167	36.712

Receivables from customers include receivables from affiliated companies amounting to TEUR 409.992 (previous year: TEUR 253.416). Furthermore, receivables in the amount of TEUR 342.157 (previous year: TEUR 188.241) are denominated in foreign currencies. This item includes subordinated receivables amounting to TEUR 178.228 (previous year: TEUR 237.284).

DEPT SECURITIES AND OTHER FIXED-INCOME SECURITIES

	31.12.2018 TEUR	31.12.2017 TEUR
Unlisted	0	0
Exchangeable & listed	146.203	118.188
of which eligible as collateral with Deutsche Bundesbank	95.911	73.056

The bonds and other fixed-income securities are exchangeable and listed.

No securities were allocated to the liquidity reserve as of the balance sheet date.

The fixed-interest securities in the investment portfolio with a book value of TEUR 146.203 (previous year: TEUR 118.188) were valued according to the mitigated lowest-value principle. The hidden reserves in bonds and other fixed-income securities held as investments amounted to TEUR 571 (previous year: TEUR 2.408) at the balance sheet date.

Bonds and other fixed-income securities held as investments, which were reported above their current market value, amounted to TEUR 97.635 (previous year: TEUR 3.655) as of the balance sheet date; this is offset by a current market value of TEUR 94.500 (previous year: TEUR 3.648). This resulted in hidden liabilities of TEUR 3.135 (previous year: TEUR 7).

In accordance with the mitigated lower of cost or market principle pursuant to § 253 (3) sentence 3 of the German Commercial Code (HGB), no write-downs were made on these securities as there are no plans to divest them. There are no indications that repayments from the securities will be reduced. The price declines are exclusively attributable to the current market situation. A permanent depreciation in value is therefore not to be assumed.

Bonds with a nominal value of TEUR 2.000 (previous year: TEUR 24.755) will mature in 2019.

PARTICIPATIONS

The investments are not listed on the stock exchange. These are shares in companies from bail-out acquisitions.

AFFILIATES

The shares in affiliated companies refer to VFG Verrechnungsstelle für gewerbliche Wirtschaft GmbH, Koblenz, which collects non-performing receivables for the bank.

VFG Verrechnungsstelle für gewerbliche Wirtschaft GmbH did not report a net profit for the 2018 financial year following the profit transfer of TEUR 460 (previous year: TEUR 515). The company's equity amounts to TEUR 77 (previous year: TEUR 77).

The Bank is the sole shareholder.

STATEMENT OF CHANGES IN FIXED ASSETS

The fixed-asset movement schedule summarizes the assets of various balance sheet items to be valued according to the principles for fixed assets.

The changes of fixed assets is shown in the following table:

in TEUR	ACQUISITION / PRODUCTION COSTS						DEPRECIATION AND AMORTIZATION				BOOK VALUES	
	BALANCE 01.01.2018	ADDITIONS	DIVESTITURES	REPOSTINGS	APPRECIATIONS	BALANCE 31.12.2018	PREVIOUS YEAR ACCUMULATED	CURRENT YEAR	CHANGES / DIVESTITURES	ACCUMULATED BALANCE 31.12.2018	BALANCE 31.12.2018	BALANCE 31.12.2017
Bonds	118.188	67.846	39.831	0	0	146.203	0	0	0	0	146.203	118.188
Participations	1.429	0	0	0	0	1.429	915	33	0	947	482	515
Shares in affiliated companies	933	0	0	0	0	933	473	0	0	473	460	460
Intangible assets	3.180	295	11	0	0	3.464	2.581	260	5	2.836	628	599
Tangible fixed assets a) Plots of land and buildings	0	0	0	0	0	0	0	0	0	0	0	0
b) Operating and office equipment	1.069	251	446	0	0	874	765	98	348	515	359	304
c) Low value assets	236	48	0	0	0	284	184	37	0	221	63	52
d) Advance payments made	0	0	0	0	0	0	0	0	0	0	0	0

OTHER ASSETS

This item includes the following important individual amounts:

	31.12.2018 TEUR	31.12.2017 TEUR
Tax refund claims	827	365
Valuation of hedging transactions for receivables with special cover		1.812

In accordance with § 246 (2) sentence 2 HGB, claims from reinsurance policies with an attributable value of TEUR 169 (previous year: TEUR 198) were offset against the corresponding obligations.

ACCOUNTS AND DEFERRALS

Prepaid expenses include pro rata expenses that represent expenses for a specific period after the balance sheet date.

2.2 LIABILITIES

LIABILITIES TO BANKS

Liabilities to banks are classified by their remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	164	996
up to three months	21.723	12.801
from three months to one year	0	0
from one year to five years	68.500	68.500
more than five years	0	0

Liabilities to banks amounting to TEUR 1.719 (previous year: TEUR 797) are liabilities denominated in foreign currencies.

LIABILITIES TO CUSTOMERS

Savings deposits are classified by their remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Maturity daily	2	2
up to three months	21.361	28.635
from three months to one year	2.798	1.201
from one year to five years	33	845
more than five years	0	0

Other liabilities to customers are classified by their remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Maturity daily	128.627	124.641
up to three months	64.974	54.074
from three months to one year	102.392	139.533
from one year to five years	143.218	106.910
more than five years	13.272	13.913

Other liabilities to customers include liabilities to affiliated companies in the amount of TEUR 126.645 (previous year: TEUR 809). Of this amount, TEUR 0 (previous year: TEUR 0.3) relates to liabilities to the shareholder.

Other liabilities to customers amounting to TEUR 818 (previous year: TEUR 435) are liabilities denominated in foreign currencies.

OTHER LIABILITIES

This item contains the following important individual amounts:

	31.12.2018 TEUR	31.12.2017 TEUR
Valuation of hedging transactions for receivables with special cover	679	0
Liabilities from deliveries and services	450	1.069
Other liabilities	85	121
Taxes to be paid (capital income tax, turnover tax, wage tax and church tax)	63	57

ACCURALS AND DEFERRALS

Deferred income includes income received before the balance sheet date to the extent that it represents income for a specific period after that date.

This item contains the following important individual amounts:

	31.12.2018 TEUR	31.12.2017 TEUR
Discount accrual	483	166
Deferral of guarantee commissions	8	7

OTHER PROVISIONS

This item contains the following important individual amounts:

	31.12.2018 TEUR	31.12.2017 TEUR
Provisions for audit costs related to annual report	246	211
Personnel restructuring	0	159
Provisions for other portfolio commissions	0	119
Provisions for open invoices	135	112
Provisions for guarantees, customers	116	105

SUBORDINATED LIABILITIES

Subordinated liabilities are classified by their remaining maturities as follows:

	31.12.2018 TEUR	31.12.2017 TEUR
Payable on demand	0	0
up to three months	48.470	111.727
from three months to one year	212.250	116.310
from one year to five years	127.861	10.084
more than five years	0	0

Subordinated liabilities amounting to TEUR 319.509 (previous year: TEUR 168.052) are foreign currency liabilities. The deposits serve as collateral for existing loan receivables.

Borrowings exceeding 10 % of the total amount of subordinated liabilities:

DEPOSIT FROM	AMOUNT IN CURRENCY in TWHG	CURRENCY	INTEREST RATE in %	MATURITY UNTIL
ATAER Holding A.S., Ankara	17.425	EUR	3.95	18.01.2019
OYAK Birlesik Enerji A.S., Ankara	21.809	USD	8.22	03.05.2019
OYAK Global Investments, Luxemburg	10000	EUR	2.05	05.08.2019
OYAK Ordu Yardimlasma Kurumu, Ankara	300.000	TRY	26.30	03.01.2020
	286.306	TRY	28.00	03.05.2019
	188.097	TRY	27.00	22.01.2019
	89.706	USD	6.00	03.01.2020
	52.977	USD	6.50	09.12.2019
	49.813	USD	6.50	21.05.2019
	40.423	EUR	4.00	06.12.2019

Subordinated contributions are not recognised as supplementary capital. A premature repayment obligation is excluded.

Interest amounting to TEUR 12.859 (previous year: TEUR 7.855) was expended in 2018.

EQUITY

Equity has developed as follows:

	31.12.2018 TEUR	ADDITIONS TEUR	SUBTRACTIONS TEUR	31.12.2017 TEUR
Subscribed capital	90.000	0	0	90.000
Capital reserves	572	0	0	572
Retained earnings	14.525	5.112	0	9.413
Balance sheet profit/loss	2.065	-	-	5.112

The management proposes that the balance sheet profit for the 2018 financial year be allocated to retained earnings.

2.3 BOTTOM LINE LIABILITIES

CONTINGENT LIABILITIES

This item includes:

	31.12.2018 TEUR	31.12.2017 TEUR
Sureties and guarantees	8.798	10.863

The contingent liabilities item does not include any individual amounts that are of material importance to the bank’s overall activities.

OTHER LIABILITIES

This item includes:

	31.12.2018 TEUR	31.12.2017 TEUR
Irrevocable loan commitments	0	10.000

The commitments shown in items 1b) and 2c) below the balance sheet line are subject to the risk identification and management procedures applicable to all credit relationships, which ensure timely identification of risks.

Acute risks of a claim arising from the contingent liabilities shown below the balance sheet line are covered by provisions. The obligations reported relate primarily to widely diversified surety agreements and outstanding loan commitments to banks.

The risks were assessed in the course of an individual assessment of the creditworthiness of these customers. The amounts reported under 1b) do not show the actual future cash flows to be expected from these contracts, as the Bank estimates that the majority of contingent liabilities will expire without being called on.

3 NOTES TO INCOME STATEMENT

The profit and loss account has been drawn up in the account form.

3.1 INTEREST INCOME

Interest income is balanced with negative interest, which mainly consists of deposits with banks, the Bundesbank and interest rate swaps amounting to TEUR 127 (previous year: TEUR 57).

3.2 COMMISSION INCOME

Commission income from the brokerage of insurance policies fell in comparison with the previous year. Processing fees from lending business, guarantee business and foreign payment transactions declined as a result of new legal regulations.

3.3 OTHER OPERATING INCOME

Other operating income mainly results from the reversal of provisions totalling TEUR 150 (previous year: TEUR 197). Of these, TEUR 68 (previous year: TEUR 70) were released from the provision for partial retirement and TEUR 41 (previous year: TEUR 38) from the provision for residual leave.

3.4 INTEREST EXPENSES

Positive interest from loans and receivables from banks amounting to TEUR 5.9 (previous year: TEUR 2.7) was deducted from interest expenditure.

3.5 OTHER OPERATING EXPENSES

Other operating expenses include expenses of TEUR 2.020 (previous year: TEUR 978) in connection with exchange rate losses from currency valuation, TEUR 434 (previous year: TEUR 1.000) in personnel restructuring and TEUR 98 (previous year: TEUR 22) in losses from the disposal of fixed assets.

Under other operating expenses, expenses and income from the compounding or discounting of pension obligations and from the covering assets to be offset amounting to TEUR 3 (previous year: TEUR 3) were offset against each other.

Under other expenses, expenses and income from the compounding or dicounting of partial retirement obligations and from the covering assets to be offset amounting to TEUR 5 (previous year: TEUR 5) were offset against each other.

3.6 TAXES ON INCOME AND EARNINGS

Taxes on income and earnings relate exclusively to the result from ordinary activities.

4 OTHER FINANCIAL LIABILITIES

4.1 FINANCIAL LIABILITIES FROM MULTI-YEAR CONTRACTS

31.12.2018	MATURITY 2019 TEUR	MATURITY 2020 - 2023 TEUR	MATURITY FROM 2024 ANNUALLY TEUR
Rent	1.159	2.627	400
Maintenance (IT)	541	549	0
Leasing	92	64	0
Services	519	204	0

31.12.2017	MATURITY 2018 TEUR	MATURITY 2019 - 2022 TEUR	MATURITY FROM 2023 ANNUALLY TEUR
Rent	300	26	0
Maintenance (IT)	421	3	0
Leasing	119	45	0
Services	792	228	0

4.2 CONTINGENCIES

The required pro rata coverage capital of the provident fund amounts to TEUR 75 (previous year: TEUR 81). This amount is underfunded. No provisions were formed for the underlying pension commitments, as the cases in question occurred before 1 January 1987 (application of Article 28 EGHGB).

We are also liable for a loan from Grundbesitzgesellschaft bR Berlin, Karl-Marx-Allee II at Baden-Württembergische Bank, a dependent institution of Landesbank Baden-Württemberg, amounting to TEUR 11 (previous year: TEUR 11).

The Bank is a member of the Deposit Protection Fund of the Bundesverband deutscher Banken e.V. and of the Compensatory Fund of German Banks GmbH. The Deposit Protection Fund and the Compensation Scheme may in principle levy special charges in the event that the resources of the Deposit Protection Fund or the Compensation Scheme are insufficient.

4.3 FOREIGN EXCHANGE TRANSACTIONS

To hedge exchange rate fluctuations, the Bank has FX swaps in its portfolio at the end of the year. These are used to hedge positions of foreign currencies in the balance sheet. They are converted at the forward exchange rate.

	31.12.2018	31.12.2017
TUSD	157.348	64.200
TGBP	4.000	7.800

As of the balance sheet date, these transactions resulted in a negative market value of TEUR 679 (previous year: positive market value TEUR 1.812).

4.4 INTEREST RATE SWAPS

The Bank has concluded interest rate swaps in the form of payer swaps to manage interest rate risks. The variable position is linked to the six-month Euribor. Interest rate swaps in the banking book are not valued individually.

31.12.2018 NOMINAL	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
TEUR 10.000		26

31.12.2017 NOMINAL	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
TEUR 10.000		15

5 OTHER INFORMATION

5.1 REFINANCING

For refinancing facilities, there is a security account of TEUR 106.439 (previous year: TEUR 103.902) with the Deutsche Bundesbank. As of the balance sheet date, loan drawdowns of TEUR 88.500 (previous year: TEUR 80.500) were recorded in the form of open market transactions.

5.2 TOTAL AUDITOR´S FEE

The net expense of TEUR 168 (previous year: TEUR 185, of which TEUR 22 is attributable to the previous year's auditor) recorded for the services of the auditor for the financial year is broken down as follows:

	2018 TEUR	2017 TEUR
Year end audit services	157	163
Other verification services	11	0

The other verification services consist of TEUR 6 for the audit of the KEV (Kreditforderungen - Einreichung und Verwaltung) in accordance with Section V No. 11 (1) of the General Terms and Conditions of the Deutsche Bundesbank and TEUR 5 for the audit in accordance with Article 7 (5) of Decision ECB/2016/10 with regard to the targeted longer-term refinancing transactions of the Eurosystem (TLTRO).

6 DISCLOSURE PURSUANT TO § 26A (1) KWG

Pursuant to Part 8 of the Capital Requirements Regulation (CRR) and § 26a of the German Banking Act (KWG), certain information must be published in a separate disclosure report as part of the regulatory disclosure requirements (Pillar III). The Bank will publish the disclosure report as of 31 December 2018 with the required regulatory disclosures in the Federal Gazette (Bundesanzeiger).

The return on capital as a quotient of net profit and average balance sheet total is 0.22 % (previous year: 0.58 %).

7 SUPPLEMENTARY STATEMENT

There were no events of particular significance after the balance sheet date.

8 INFORMATION ABOUT THE BANK AND IT´S EXECUTIVE BODIES

8.1 EMPLOYEES

In accordance with § 267 (5) of HGB, the Bank had an annual average of 86 employees (previous year: 105). At the end of the year we had 37 (previous year: 51) female and 44 (previous year: 47) male employees. Converted to full-time employment, 73 employees (previous year: 87) were employed as of the balance sheet date.

8.2 MANAGEMENT

The remuneration of the managing directors totalled TEUR 447 (previous year: TEUR 552). Provisions of TEUR 62 (previous year: TEUR 50) exist for pension obligations to former managing directors.

8.3 SUPERVISORY BOARD

The expenses for the Supervisory Board in calendar year 2018 amounted to TEUR 2 (previous year: TEUR 77).

8.4 LOANS TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

There were no receivables from and outstanding loan commitments to members of the Supervisory Board as of the balance sheet date. There were receivables from and outstanding loan commitments to the managing directors totalling TEUR 0 (previous year: TEUR 101).

8.5 CORPORATION

Due to the ratio of total assets and revenues of VFG (Verrechnungsstelle für gewerbliche Wirtschaft) GmbH to those of OYAK ANKER Bank GmbH, consolidated financial statements were not prepared in accordance with § 296 (2) of HGB.

The financial statements of OYAK ANKER Bank GmbH are included in the consolidated financial statements of Ordu Yardımlaşma Kurumu (OYAK), Ankara (Turkey). This company prepares the consolidated financial statements for the smallest and largest group of consolidated companies. The consolidated financial statements may be inspected at the business premises of the Bank.

8.6 MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board was composed as follows in the 2018 financial year:

Mr. I. Emrah Silav, Chairman (from 08.06.2018)
CFO of the Erdemir Group
Istanbul (Turkey)

Mr. M. Emre Timurkan, Deputy Chairman
CEO of Almatis GmbH
Frankfurt (Germany)

Mr. H. Alper Karaçoban, Member (Chairman until 08.06.2018)
Deputy Managing Director of the OYAK Group
Ankara (Turkey)

Mr. Süleyman Erol, Member (until 29.03.2018)
Advisor to the Managing Director of the OYAK Group
Ankara (Turkey)

8.7 MEMBERS OF THE MANAGEMENT BOARD

As Managing Director were and is appointed:

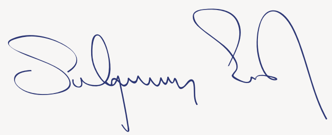
Dr. Süleyman Erol, Frankfurt am Main (from 16.04.2018)
from 01.05.2018 (Loan Processing Commercial Credits, Loan Processing Consumer Credits, Legal/Compliance, Internal Audit, Collection Department, Management Office, Operations with Accounting/Controlling/Reporting, Deposits/Transactions Settlement, Information Technology, VfG and Risk Management.

Ümit Yaman, Hainburg am Main (from 10.09.2018)
(Retail Credit Market, Retail Marketing & Public Relations, Retail Sales, Treasury/Financial Institutions, Marketing Commercial Credits, Human Resources and Representative Office Istanbul)

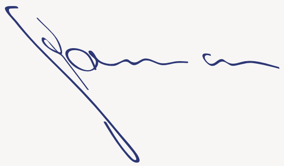
R. Emre Yalçınkaya, Bad Soden am Taunus
until 01.05.2018 Overall responsibility
from 02.05.18 to 09.09.2018 (Retail Credit Market/Loan Decision, Retail Marketing & Public Relations, Retail Sales, Marketing Commercial Credits, Treasury/Financial Institutions, Human Resources, Marketing (Online), Verrechnungsstelle für Gewerbliche Wirtschaft GmbH, VfG and Representative Office Istanbul)

Frankfurt am Main, 28. May, 2019

The Management Board



Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD



Ümit Yaman
MEMBER OF MANAGEMENT BOARD

ANNEX TO THE ANNUAL FINANCIAL STATEMENTS AS DEFINED BY SECTION § 26A (1) SENTENCE 2 OF THE KWG (GERMAN BANKING ACT)

THE CORPORATE NAME, THE TYPE OF ACTIVITY AND THE GEOGRAPHICAL LOCATION OF THE ESTABLISHMENTS

OYAK ANKER Bank GmbH, headquartered in Frankfurt, has no branch abroad. All information presented in the annual financial statements as defined by All information presented in the annual financial statements as defined by § 26a (1) sentence 2 in KWG refer exclusively to the Bank's business activities as a credit and deposit institution in the Federal Republic of Germany.

TURNOVER

Turnover amounted to TEUR 19.766 (previous year: TEUR 20.609). Turnover contains the total sum of net interest income, net commission income, net trading income and other operating income.

NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENTS

In accordance with § 267 (5) of HGB, the Bank had an annual average of 86 employees (previous year: 105). At the end of the year we had 37 (previous year: 51) female and 44 (previous year: 47) male employees. Converted to full-time employment, 73 employees (previous year: 87) were employed as of the balance sheet date

TAXES ON INCOME AND EARNINGS

Taxes on income and earnings relate exclusively to the ordinary result. Taxes on profit and loss amount to TEUR 153 (previous year: TEUR 69).

PROFIT OR LOSS BEFORE TAX

The profit before taxes amounts to TEUR 2.175 (previous year: loss TEUR 5.112).

PUBLIC AID RECEIVED

OYAK ANKER Bank GmbH did not receive any public aid in 2018 and 2017.

INDEPENDENT AUDITOR´S REPORT

TO OYAK ANKER BANK GMBH, FRANKFURT AM MAIN

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

OPINIONS

We have audited the annual financial statements of OYAK ANKER Bank GmbH, Frankfurt am Main, which comprise the balance sheet as of December 31, 2018, and the income statement for the financial year from January 1 to December 31, 2018, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of OYAK ANKER Bank GmbH, for the financial year from January 1 to December 31, 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Bank as of December 31, 2018, and of its financial performance for the financial year from January 1, 2018, to December 31, 2018, in compliance with German Legally Required Accounting Principles, and

- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

BASIS FOR THE OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

KEY AUDIT MATTERS IN THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1, 2018, to December 31, 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

DETERMINATION OF PORTFOLIO LOAN LOSS PROVISIONING

Please refer to section 2.3 of the management report for more information on the effect on earnings arising from loan loss provisioning. Please refer to the section “Accounting policies” in the notes to the financial statements for information on the accounting policies of OYAK ANKER Bank GmbH.

THE FINANCIAL STATEMENT RISK

OYAK ANKER Bank GmbH recognized net additions to specific loan loss provisions of EUR 2.4 million as of December 31, 2018, for acute default risks in the retail customer lending business. These concern additions to the portfolio loan loss provisions that have been determined on a blanket basis.

The determination of portfolio loan loss provisioning requires judgment and estimates for the expected payments of interest and principal claims. As a result, receivables from borrowers whose ongoing capacity to pay is no longer given must be identified and assigned to clusters based on the portfolio scoring of OYAK ANKER Bank GmbH; these clusters are then assigned an appropriate probability of default. The loss given default rates based on historical experience are calculated independently of the cluster. The particular risk for the financial statements is that the assumptions for determining portfolio loan loss provisioning do not properly reflect the amount of expected repayments from borrowers (their capacity to pay). These assumptions are reflected in the clustering of loans and in the estimated probability of default assigned to each cluster as well as the loss given default. Inaccurate assignment to clusters or inaccurately determined probability of default and loss given default result in the acute credit risks underlying the receivables not being considered in accordance with the requirements of German commercial law.

OUR AUDIT APPROACH

Based on our risk assessment and evaluation of the risks of material misstatement, we used both control-based and substantive audit procedures for our audit opinion. We therefore performed the following audit procedures, among others:

In a first step, we gained an extensive understanding of the performance of the credit portfolio, the associated credit risks and the internal control system with regard to identifying, controlling, monitoring and evaluating credit risks for the credit portfolio.

To assess the appropriateness of the internal control system with regard to identifying, controlling, monitoring and evaluating credit risks for the credit portfolio we conducted interviews and inspected the relevant documentation. In addition, we verified that the relevant controls were implemented and that they are effective to ensure compliance with the methodology for determining portfolio loan loss provisions in accordance with the requirements of German commercial law. For the IT systems used, we verified the effectiveness of rules and procedures relating to numerous IT applications and supporting the effectiveness of application controls as well as the IT application controls relevant for the credit assessment process by involving our IT experts.

With regard to the probability of default and loss given default incorporated into the calculation of the portfolio loan loss provision, we assessed the appropriateness of the validation and backtesting carried out by the Bank and reviewed the implementation of the recalibrations derived from this. In addition, we verified the accuracy and completeness of the data incorporated into the calculations.

In this regard, we used purposive sampling of individual cases determined on the basis of risk and size criteria to verify that the attributes for the assignment to the respective cluster were actually in place and that the loan loss provisioning was calculated using the probability of default specified for this cluster. Furthermore, we verified the mathematical calculation of the portfolio loan loss provisioning for selected exposures.

OUR OBSERVATIONS

The assumptions underlying the calculation of portfolio loan loss provisioning are within an appropriate range. The probability of default and loss given default used have been derived from historical representative data.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to banks, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

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

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.

- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.

- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

We also provide those charged with governance (Supervisory Board) with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance (Supervisory Board), we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as auditor by the shareholders' meeting held on June 26, 2018. We were engaged by the Supervisory Board on June 26, 2018. We have been the auditor of OYAK ANKER Bank GmbH without interruption since financial year 2017.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Christian Garz.

Frankfurt am Main, May 31, 2019
KPMG AG
Wirtschaftsprüfungsgesellschaft

[signature] Garz Wirtschaftsprüfer
[German Public Auditor]

[signature] Robbe Wirtschaftsprüfer
[German Public Auditor]

CHAIRMAN OF THE BOARD
I. Emrah Silav

MANAGEMENT BOARD
Dr. Süleyman Erol
Ümit Yaman

OYAK ANKER Bank GmbH
Lyoner Straße 9
60528 Frankfurt am Main
Tel +49 69 2992297 0
Fax +49 69 2992297 412
E-Mail info@oyakankerbank.de

OYAK ANKER BANK

www.oyakankerbank.de