ANNUAL REPORT 2019

OYAK ANKER BANK


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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 - corporate, financial institutions and retail - 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.

OYAK ANKER BANK

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.

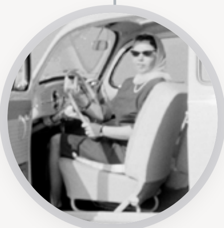
HISTORY & MILESTONES

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 the banks asset and liability management and for hedging of interest and currency risks. OYAK ANKER Bank focuses on the expanded correspondent banking network and would like to support exporters and importers in securing and financing their international trade transactions by working with other banks in the Europe, America and the Middle East / North Africa.

RETAIL BANKING

Attractive terms and tailor-made products – two very convincing arguments on which OYAK ANKER Bank can rely. Proof comes from a multitude of awards from institutions as well as from top positions in several leading rankings.

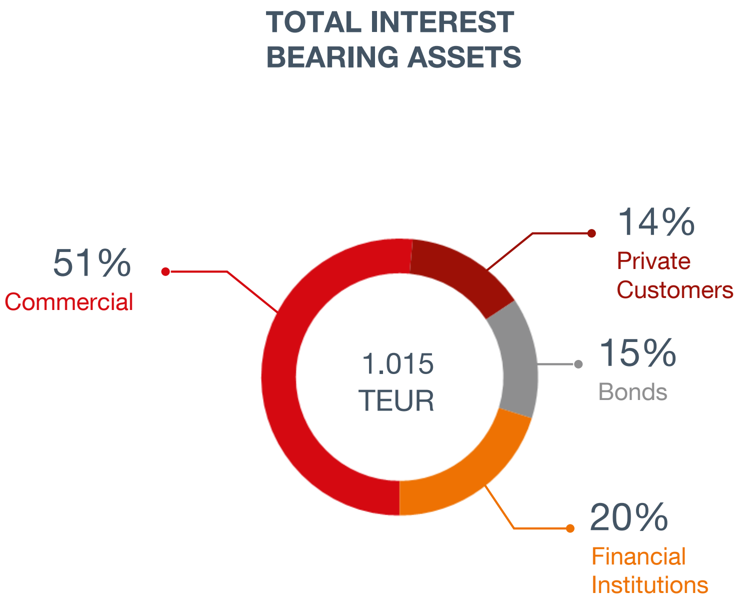
CORPORATE BANKING

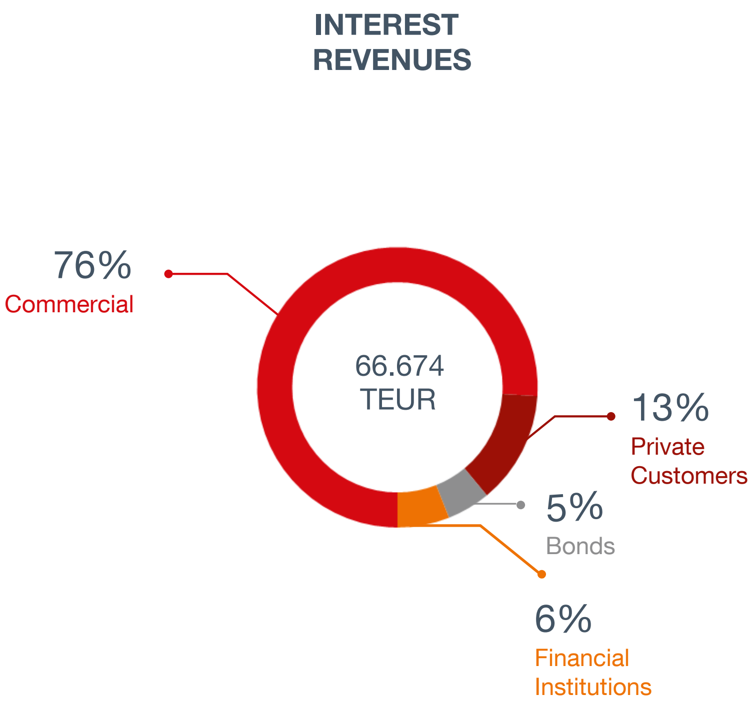
As experienced bank for “tailored services” for European and Turkish companies, OYAK ANKER Bank offers a wide range of products for trade finance, offers working capital loans and supports the customer´s specific payment requirements.

NET WORTH

KEY FINANCIAL FIGURES	2019	2018
	TEUR	TEUR
Cash Funds	216,310	73,892
Financial Institutions	214,999	74,111
Bonds	142,265	146,203
Loans Corporates	676,268	768,197
Loans Retail	147,246	200,374
Total Assets	1,253,016	1,065,615
Risk Weighted Assets	542,444	522,387
Deposits	1,136,523	955,644
Total Equity	113,283	107,272
Net Profit	6,010	2,175
Ratios		
ROE	5.66%	2.12%
ROAA	0.52%	0.22%
CIR	66.63%	79.12%
NPL net	1.62%	2.64%
CAR	18.21%	18.55%

BUSINESS AREAS 2019





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.

www.oyak.com.tr

OYAK

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 4th in the EU 28 and 8th in the Europe /
26% market share of total Turkish raw steel production / 9 Subsidiaries

AUTOMOTIVE LOGISTICS

Leader in Turkish total automotive production with 34.9% market share
Placed 1st in Turkish export automotive sector / 7 Subsidiaries

CEMENT CONCRETE PAPER

Operating in Turkey, Portugal, Cape Verde, Ivory Coast and Romania by ranking as market leader / 12 Subsidiaries

SERVICE

Operating for social service activities in Turkey`s security, construction and marketing sector / 3 Subsidiaries

CHEMISTRY AGRICULTURE

Operating in 5 different regions with 16 integrated plants /
Leader in worldwide PVC Stabilizer production /
4 Subsidiaries

ENERGY

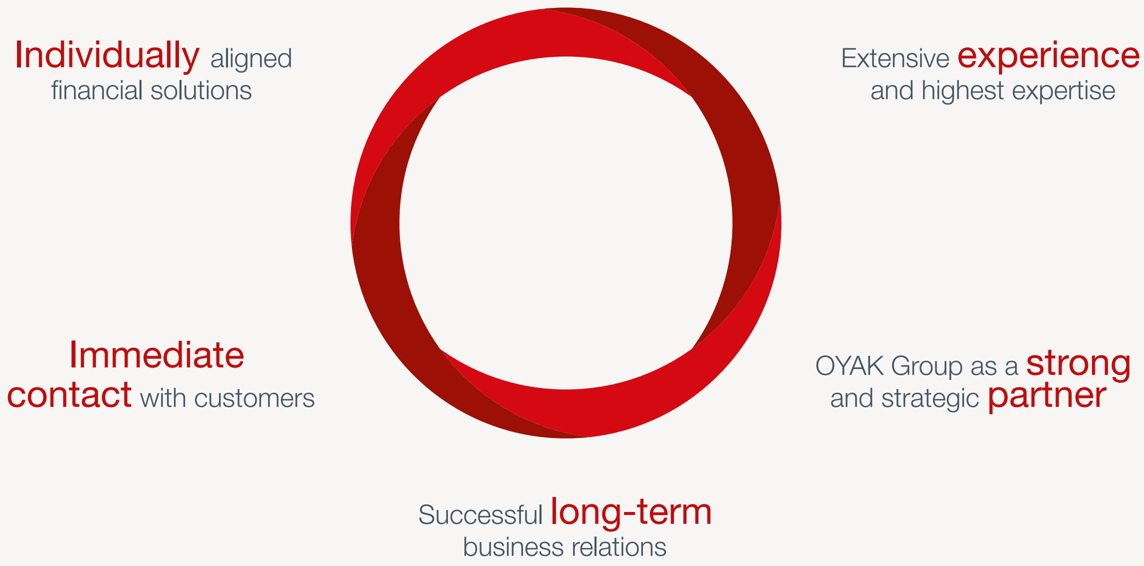
3% of Turkey`s total energy demand / 2 Subsidiaries

FINANCE

Providing corporate finance, financial and investment counseling, wealth management and insurance & reinsurance brokerage services to the domestic and foreign 70k investors Retail and Corporate Banking services in Germany by OYAK ANKER Bank GmbH /
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,

2019 gave us a foretaste of how the economy is currently facing completely new challenges worldwide. Disputes in international trade have continued, as have the difficulties in dealing with the Brexit in Europe. These and other issues have had a massive impact on global economic conditions. And even though the events of 2019 were not yet enough to question those fund-amental certainties that every company and every single one of us have relied on for years and decades, we have experienced once more that we are living in a time of change.

However, it is precisely at such historical watersheds where true strength and robustness can be recognized. In this respect, we can proudly and confidently determine that OYAK ANKER Bank GmbH has proven to be solid and well prepared for the future even under these unstable circumstances. More than ever, we see that the bank's successful long-term strategy is paying off. This applies in particular to the measures that were introduced at an early stage to respond to the increasing pressure for digitization in the world of finance and banking. Today, OYAK ANKER Bank does not only represent more than 60 years of banking tradition in Germany. At the same time, it can pride itself with innovation and service awareness being part of the company’s core DNA.

Both the bank and its clients benefit from this strategy. Cooperation with corporations as well as with private customers is therefore characterized by great respect and trust on both sides. The annual surplus of 6,010,000 euros did not only exceeded expectations, but also almost tripled the previous year's figures. The equity ratio has thus developed even more positively than anticipated. As the Supervisory Board, we want to continue on this successful path hand in hand with the Executive Board and all employees, whom I would like to thank for their great commitment, their openness and their good work in 2019.

I. Emrah Silav

CHAIRMAN OF THE
SUPERVISORY BOARD

PREFACE BY THE MEMBER OF MANAGEMENT BOARD

Ümit Yaman Dr. Süleyman Erol

Dear Sir or Madam,

In 2019, OYAK ANKER Bank GmbH benefited from the core values in which our company is rooted since 1958. We were able to face the impacts of ongoing political and economic conflicts around the world with experience and stead-fastness. At the same time, we have once again demonstrated what we are capable of as an organization when it comes to innovativeness and willingness to change. Digitization remains the central topic of the financial services sector in all areas. With the expertise and commitment of our employees, we have ensured that the digital services we are offering to our customers could be further expanded.

With the same ambition we have also extended and refined our product portfolio. As planned, business in the areas of Corporate Banking and Financial Institutions is showing the upward trend we were striving for, as is the participation of OYAK ANKER Bank in international trade transactions, which are increasingly making a substantial contribution to earnings growth. We are grateful for the loyalty and trust of our customers, who have again placed their trust on the quality and reliability of our company in 2019.

We are also pleased about the continuous support we get as part of the strong and solid OYAK group with its worldwide subsidiaries and business connections. This also guarantees us valuable synergy effects for the future. Last but not least, we would like to thank our employees, who are not only our representatives, but also the heart and soul of OYAK ANKER Bank. With their competence, their ideas and their engegemant, we will continue to build on the success of our company and its partners in the upcoming financial year.

Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD

Ümit Yaman
MEMBER OF MANAGEMENT BOARD

MANAGEMENT REPORT

1 OVERALL ECONOMIC DEVELOPMENT

1.1 GLOBAL ECONOMIC GROWTH

The global economic outlook remains subdued and downside risks have further increased as a result of growing political uncertainty and the deteriorating business climate. In particular, protectionist trade policies of the USA, a general downturn in the Chinese economy and the ongoing BREXIT negotiations have strained the global economy. Given these factors, global GDP growth in 2019 weakened by approx. 3.0% .

This increased uncertainty is also reflected in the expectations for global economic growth in 2020, which remain subdued at 3.3%. A growing proportion of companies are increasingly concerned about weak demand. The effect of rising political uncertainty, in particular the growing unpredictability of trade policies, can also be seen in the asset investments and spending of private households for certain consumer goods. The global demand for cars decreased sharply over the past twelve months. These developments have a particularly strong impact on Germany, which can be attributed to the major importance of the manufacturing industry for Germany's overall economic activity and the specialisation in production of capital goods in the automotive industry.

Growth was recorded in the United States, where it was supported by high consumer spending, along with many central European national economies. In all likelihood, GDP growth in the USA will decrease from 2.3% in 2019 to around 1.9% in 2020, as the stimulus provided by fiscal relaxation will gradually subside. Furthermore, higher customs duties and increasing uncertainly will most likely dampen the growth of corporate investments and exports.

In the euro area, the GDP for 2020-2021 is only anticipated to grow between 1.1% and 1.2%. Wage growth and accommodative macroeconomic policies support spending by private households, but investments and exports are strained by high levels of uncertainty, weak foreign demand and low confidence.

The growth rate in China will continue to weaken sharply by approximately 5.6% in 2020. Escalating trade tensions negatively impact investment activity and increase uncertainty. However, fiscal stimuli and loosening of minimum reserve requirements by the People's Bank of China should help to support credit growth and demand.

1.2 PROSPECT FOR GERMANY

The difficult economic environment in 2019 particularly affected the German economy. After 1.5% economic growth in 2018, growth in 2019 was merely 0.6%. Following a strong Q1, the German economy contracted in the second quarter of 2019 and narrowly escaped a technical recession in the third quarter. This reflects the German economy's heavy dependence on world trade, as it is driven by the export of cyclical industrial goods. Ongoing BREXIT negotiations and less dynamic growth in the People's Republic of China also negatively impacted the German economy. The increasingly negative sentiment among companies was particularly evident in significantly worse early warning indicators and was expressed in declining production numbers, especially in the automotive industry.

Alongside a decrease in corporate investments, domestic demand was particularly strong. According to the German Federal Statistical Office, the German economy experienced a "slight recovery" in the fourth quarter compared with the third quarter. For the entire year of 2019, German GDP increased by 0.6% as anticipated by economists on average.

Private consumption and public spending exhibited significant growth. While industrial production fell by 5.3% in 2019, retail sales experienced solid growth at approximately 2.9%.

As a result, overall economic downturn is not yet noticeable to a widespread extent. This can be attributed to a strong labour market that is highly stable with respect to the worsening economic environment. The unemployment rate was 5.0% in 2019 and similar figures are expected for the years 2020 and 2021.

For 2020, exports are expected to grow by 2.2% after a growth of 0.9% in 2019. Consequently, an overall growth estimate of 1.4% for the German economy is considered highly probable, while the estimate of the IMF is 1.1%. This growth would thus be weaker compared with Europe overall.

In 2020, the share of energy generated from wind and solar power as well as other alternative energy sources should be gradually expanded. The share of renewable energies in the power source mix for Germany at the end of 2019 was approximately 42%. To achieve the energy goals, the Federal government is actively supporting initiatives such as building refurbishment and electric cars. In the coming years, the objectives of energy transformation will also be achieved through increased and more sustainable energy efficiency, particularly in residential heating and mobility.

During the energy transformation, "green investments" are experiencing growing demand among investors. Above all, institutional investors are investing their capital in sustainable funds or accounts. The environmental investment aspect is the main factor here. By expanding portfolios of these sustainable investments, the financial industry can make a significant contribution towards achieving the planned climate goals and support the energy transformation in the coming years.

1.3 TURKEY

The feared economic downturn in 2019 was averted due to support initiatives introduced by the Turkish government. The Turkish economy has been on a slight path to recovery since, at the latest, the fourth quarter of 2019. Consequently, estimates for growth of the Turkish economy in 2019 increased from -2.3% to 0.3%. In addition, expectations for Turkish economic performance in 2020 range from 2.6% up to 3.1%. However, this positive outlook could be dampened by geopolitical risk factors, in particular the current situation in Syria.

The government has set ambitious growth targets of 5.5% over the next 3 years that should be achieved in part through a medium-term economic programme for the years 2020-2022.

The government's economic programme assumes that private asset investments will once more gain significant momentum starting in 2020. According to the plan, such investments are anticipated to grow significantly in the years 2020-2022. Eliminating the backlog of projects from recent years should revive investment activity starting in 2020.

Due to the widespread absence of foreign investments and the low savings rate domestically, such high growth rates are only possible with expansive monetary, lending and fiscal policies. Turkey's central bank cut the key interest rate from 24.0% to 12.0% over the last year. Further interest cuts and subsidies have already been announced. Inflation was significantly reduced over the course of the year. While the inflation rate was 20.35% in January 2019, it fell to 11.84% by the end of the year. The official inflation target for the end of 2020 is 8.2%.

The situation in the labour market remains strained. The unemployment rate for 2019 is anticipated to be approximately 14.0%. For 2020, the general expectation is approximately 13.6%. These figures are below the government's expectations but are particularly due to the difficult situation in the construction and energy sectors.

Over the course of the year, the Turkish lira depreciated compared with the euro from 6.1 in January to 6.68 in December and was subject to high volatility. Considerable currency devaluation and high inflation caused real losses in purchasing power in 2018 that were also noticeable in 2019. Consumer demand in the 1st half of 2019 fell significantly compared with the same period of the previous year. Private consumption is anticipated to grow significantly in the years 2020-2022 and single-digit growth is expected. The government is relying on lower lending rates, expansion of money supply and improved options for instalment payment when purchasing.

In the first three quarters of 2019, Turkish importation of goods fell considerably compared with the same period of the previous year. Due to the anticipated economic recovery, these figures should rise significantly in the years 2020 and 2021. As the third-largest supplier after Russia and China, Germany would benefit from this recovery.

The balance of trade and the balance of payments improved considerably in 2019 due to the reduced importation of goods.

1.4 CREDIT INSTITUTION SECTOR

In 2019, the German banking market was essentially consistent and stable. The bank merger between Deutsche Bank and Commerzbank, with a combined balance sheet total of 1.8 billion euros, failed to materialise despite intensive exploratory talks. Among other factors, the talks broke down due to the high costs of IT coordination that would be required.

The cooperative banking sector continues to be dominated by classic Volksbank and Raiffeisenbank institutions. This sector experienced considerable consolidation and a continual reduction in the number of institutions.

In the private banking sector there were few notable bank mergers in 2019. Hamburg-based private bank Berenberg sold its business with around 160 independent asset managers and a volume of around EUR 8 billion to the bank Donner & Reuschel that belongs to the SIGNAL IDUNA group. Additionally, Merkur Bank and Bank Schilling will in future operate under the name Merkur Privatbank.

Overall, 2019 was a very challenging year for banks in Germany, since business models, distribution channels and customer needs continue to undergo transformation. The search for a business model that promises sustainable success despite ongoing major regulatory challenges will continue to be a key factor in 2020. The interplay of personal and digital channels will play an important role in this context.

The low interest rate environment will persist longer than anticipated, as it is highly likely that the European Central Bank will not increase interest rates over the next 2 to 3 years. This will massively increase the pressure on bank margins. At the same time, digitalisation of business models and increased regulatory requirements will require banks to make additional investments.

For banks, the restructuring of business models means increasingly transforming into globally networked IT companies with a growing number of interfaces to customers and partner systems. The logical consequence of this opening is a growth in potential points of attack, particularly when it comes to cyber attacks. Banks must adopt preventive measures to prevent such attacks.

2 BUSINESS AND GENERAL CONDITIONS

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

OYAK ANKER Bank GmbH offers support for international trade transactions focusing on customers in Germany, Europe and Turkey. In particular, products for trade finance and documentary business assist with export and import business. This objective is also pursued through financing for factoring and leasing companies belonging to important Turkish company groups. Synergy effects are also generated within the OYAK Group. The portfolio is complemented by syndicated and bilateral loan business with corporate customers and banks.

In 2016, the Bank opened a representative office in Istanbul. This office assists the Bank with communication, contact maintenance, market research and sales. It is part of the bank's strategy and provides economic information about the market in Turkey as well as the Turkish customers of OYAK ANKER Bank GmbH and its European customers based in Turkey.

The Treasury division supports the strategy for private and corporate customer business within the context of targeted asset liability management. The Treasury division also manages "Depot A" – business with fixed-interest securities – within the framework of a "non-trading book institution”. Lending business with banks and trade financing, in particular, were expanded.

2.1 EMPLOYEES

At the end of 2019, the Bank had 79 employees (previous year: 89), including 3 employees of the subsidiary Verrechnungsstelle für gewerbliche Wirtschaft GmbH, Koblenz (VFG GmbH) (previous year: 3), of whom 2 were trainees and interns (previous year: 4). Converted on a full-time basis (full-time equivalent: FTE), this corresponds to 73.18 FTE (previous year: 79.07), 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, a modified strategic orientation and increasing regulation and digitalisation presented the Bank with new challenges in the area of human resources. Various adjustments were made to the Bank’s employee numbers and to its organisational structure in order to optimise process and make the Bank fit for the future.

The measures contributed significantly 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 due to good conditions as well as positive ratings as a financial services provider and employer will in future make it an attractive employer brand within a difficult labour market environment.

2.2 NET ASSETS

In 2019, the balance sheet total increased by TEUR 187,401 to TEUR 1,253,016 (previous year: TEUR 1,065,614). The increase in the balance sheet total is associated with the increase in business volume for trade finance and the central bank assets. In contrast, longer-term positions developed in corporate and private customer business. These were not built up as strongly as the forecast indicated. Despite this, the balance sheet volume increased more significantly than anticipated. With a forecast of approximately 5% without taking into account back-to-back business (BTB), the balance sheet total increased by 30%, which can be attributed to short-term investments and increased volume in the trade finance division.

The gross loan volume of TEUR 1,304,239 on the reporting date was TEUR 187,259 higher than in the previous year (TEUR 1,116,980). The gross loan volume is based on book values for loans, securities, participating interests, shares in affiliated companies and other assets as well as on credit equivalent amounts for derivatives. Undrawn credit lines and guarantees are also taken into account. Provisions, value adjustments, other risk provisions and 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 142,419 to TEUR 216,308 (previous year: TEUR 73,889). This corresponds to an increase of 192.7% and is due to a short-term investment of a single customer.

Gross receivables from banks increased by TEUR 139,961 (+189.1%) to TEUR 213,968 (previous year: TEUR 74,007). This development is due to the growth of receivables from the new business fields of trade financing (TEUR +92,063) and letters of credit (TEUR +35,946).

Gross receivables from corporate customers decreased by TEUR 44,910 to TEUR 518,990 (previous year: TEUR 563,900). This corresponds to a decrease of 8.0%.

Corporate customer business covered by cash decreased by TEUR 18,129 to TEUR 365,844 (previous year: TEUR 383,973). The volume of syndicated loans fell by TEUR 9,912 to TEUR 40,010 (previous year: TEUR 49,922) and other commercial loans were reduced by TEUR 15,578 to TEUR 92,747 (previous year: TEUR 108,325). Receivables from business current accounts decreased by TEUR 1,290 to TEUR 20,390 (previous year: TEUR 21,860).

As of the balance sheet date, the broadly diversified private customer business accounted for 24.4% (previous year: 28.2%) of gross loans and advances to customers. Receivables from private customers fell by TEUR 54,132 compared with the previous year to TEUR 167,497 (previous year: TEUR 221,629). The largest decrease was recorded in instalment credits, which decreased by 24.2% to TEUR 124,923 (previous year: TEUR 164,773).

Gross receivables from borrowers domiciled in Turkey amounted to TEUR 426,763 (previous year: TEUR 456,278). Of these, receivables amounting to TEUR 86,017 (previous year: TEUR 206,948) were covered by cash collateral.

In total, gross receivables from customers decreased by TEUR 99,042 (12.6%) to TEUR 686,487 (previous year: TEUR 785,529).

At the end of the year, a gross securities portfolio in the amount of TEUR 141,102 (previous year: TEUR 145,005) was held as fixed assets. From a risk perspective, derivative financial instruments were used to hedge foreign currency and interest rate risks. Liabilities (credit equivalent amount) for currency hedging positions increased to TEUR 5,080 (previous year: TEUR 4,006).

Further loan liabilities arose from off-balance-sheet transactions. The guarantees issued decreased to TEUR 7,274 (previous year: TEUR 8,914). As of 31 December 2019, these mainly comprised guarantees on behalf of private customers. Loan commitments increased to TEUR 32,020 (previous year: TEUR 23,657).

In 2019, investments in intangible assets amounted to TEUR 499 (previous year: TEUR 295). The balance at the end of the year was TEUR 724 (previous year: TEUR 628). The investments were mainly made to modernise risk management and expand user licenses. Additions to property, plant and equipment were lower than the previous year, totalling TEUR 61 (previous year: TEUR 314). This is primarily due to the decrease in investments in IT hardware, which fell by TEUR 135 to TEUR 10. Additions resulted predominantly from low-value assets in the amount of TEUR 34 (previous year: TEUR 48).

In the same way as the gross credit volume, liabilities are represented without accrued interest. On the refinancing side, liabilities to banks decreased by TEUR 28,965 to TEUR 61,411 (previous year: TEUR 90,376). This decrease resulted primarily from the reduced use of refinancing transactions with Deutsche Bundesbank (German Federal Bank), which fell by TEUR 30,000.

Customer deposits increased to TEUR 699,179 (previous year: TEUR 475,034). Savings deposits decreased to TEUR 21,199 (previous year: TEUR 24,065). Liabilities payable on demand increased to TEUR 319,485 (previous year: TEUR 128,627). The reason for this was the increase in business current accounts to TEUR 173,171 (previous year: TEUR 1,530). Liabilities with an agreed term or period of notice increased to TEUR 358,495 (previous year: TEUR 322,343).

Provisions rose to TEUR 1,247 (previous year: TEUR 895). This results primarily from accrued tax provisions amounting to TEUR 306 (previous year: TEUR 0).

Total subordinated liabilities decreased to TEUR 373,804 (previous year: TEUR 388,581) due to the decrease in subordinated time deposits to secure cash-secured lending transactions in the same amount. The Bank's equity under commercial law amounted to TEUR 113,283 on the balance sheet date (previous year: TEUR 107,272). It was composed as follows: Share capital TEUR 90,000 (previous year: TEUR 90,000), reserves TEUR 17,272 (previous year: TEUR 15,097) and net profit of TEUR 6,010 (previous year: TEUR 2,175). As of 31 December 2019, the modified balance sheet equity ratio in accordance with Section 24(1) No. 16 KWG was 9.0% (previous year: 9.9%).

2.3 EARNINGS PERFORMANCE

A net profit of TEUR 6,010 was reported for the financial year (previous year: TEUR 2,175), slightly above the forecast return on equity (of 5.6%) at 5.66%. Net interest income – including income from participations and the profit transferred from the subsidiary VFG – decreased by TEUR 882 to TEUR 19,564 (previous year: TEUR 20,446).

The average interest margin of the overall portfolio (excluding cash-covered loans) fell to 2.0% (previous year: 2.7%). Due to strong competition in the trade finance business and a deliberate reduction of long-term loans over the course of the year, it was not possible to achieve the planned increase of 5.2% in interest income.

Interest income from lending and money market transactions rose to TEUR 62,593 (previous year: TEUR 32,896). In particular, this development was due to interest income from cash-secured business with corporate customers amounting to TEUR 45,457 (previous year: TEUR 13,714).

Fixed-interest securities contributed TEUR 3,557 (previous year: TEUR 3,427) to earnings. In the new business areas of trade financing and documentary credit, interest income was generated in the amount of TEUR 2,196. Income from profit pooling, profit transfer or partial profit transfer agreements decreased to TEUR 334 (previous year: TEUR 460).

Interest expenses increased by TEUR 30,576 to TEUR 46,961 (previous year: TEUR 16,385). Interest expenses from liabilities to customers rose by 187.7% to TEUR 46,831 (previous year: TEUR 16,280). This includes interest expenses for subordinated liabilities amounting to TEUR 42,394 (previous year: TEUR 12,859). Interest expenses amounting to TEUR 130 (previous year: TEUR 105) were a result of bank deposits.

In 2019, the position "Income from write-ups on receivables and certain securities as well as the reversal of provisions for lending business" reported earnings of TEUR 713 (previous year: "Write-downs and value adjustments on receivables and certain securities as well as additions to provisions for lending business", TEUR 1,435). Net additions to generalized individual value adjustments of TEUR 1,759 were TEUR 664 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 Section 340f HGB reserve by TEUR 3,800. 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 623 (previous year: TEUR 914). It was therefore possible to reduce the loan loss provisions more than forecast (by an additional TEUR 977).

Exchange rate risks from asset-side positions are hedged by FX forward transactions. The expense of TEUR 2,473 (previous year: TEUR 2,020) is allocated to other operating expenses.

The cost/income ratio increased to 66.6% in 2019 (previous year: 79.1%). Return on equity increased to 5.66% (previous year: 2.12%). Due to significantly lower administrative costs, the comparatively lower interest margin resulted in just a slight increase from the forecast cost/income ratio of 63.3%.

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 reserves in the amount of TEUR 3,725 (previous year: hidden charges TEUR 2,564).

Commission income fell by TEUR 264 to TEUR 685, primarily due to the lower brokerage of insurance contracts, and commission expenses fell by TEUR 524 to TEUR 812. This was mainly due to the decline in commissions for intermediaries in the instalment credit segment.

General administrative expenses decreased by TEUR 2,547 or 18.3% to TEUR 11,403 compared with the previous year. Cost management was able to reduce administrative costs more than forecast. The other administrative expenses included in this figure decreased by 23.2% to TEUR 5,943 (previous year: TEUR 7,744). This is primarily due to the decrease in expenses for information services, which fell by TEUR 675, and for IT service providers which fell by TEUR 401. Personnel expenses fell by TEUR 747 (12.0%) as a result of the personnel restructuring carried out in 2017 and 2018. In 2019, the position "Income from write-ups on investments, shares in affiliated companies and securities treated as fixed assets" reported earnings of TEUR 160 (previous year: "Write-downs and value adjustments on investments, shares in affiliated companies and securities treated as fixed assets", TEUR 23).

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 (German Federal Bank). 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 quote under the Delegation Act (DA) was 230% (previous year: 282%).

The regulatory total capital ratio / core capital ratio / hard core capital ratio according to CRR was 18.21% at the end of 2019 (previous year: 18.55%). Due to the reduction of corporate and private customer business, the ratios were higher than the forecast of 16.37%.

In accordance with the new Supervisory Review and Evaluation 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 2020-2022 uses a capital ratio including the target ratio of 18.0%. 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 52 (previous year: 43) forward exchange transactions with a nominal value of TUSD 172,499 (previous year: TUSD 157,348 and TGBP 4,000) in its portfolio at the end of the year.At the end of 2019, 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 SITUAION

Overall, the Bank concluded the 2019 financial year successfully. This is expressed in a net profit of TEUR 6,010 (previous year: TEUR 2,175), but also in moderately increased loan and deposit volumes and a solid equity base. The primary cause for the increase in net profit is the significantly lower administrative expenses and reduced expenses for risk provisions.

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

As a preliminary remark to the forecast report, it should be noted that the anticipated development presented here may deviate from the actual development.

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 divisions and 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, one which is tailored to the needs of the Bank's clients.

The Bank's target markets are Germany, Western Europe and Turkey. In this area, OYAK ANKER Bank focuses on companies and banks from Turkey's "top league". In setting these targets, consideration was given to both to expectations for the global economy and also to economic forecasts for Germany, Europe and Turkey.

As part of multi-year strategic planning, business with Financial Institutions is to be expanded. OYAK ANKER Bank GmbH will extend its shares in international trade transactions focusing on customers in Germany, Europe and Turkey. In particular, trade finance and documentary business products will make a positive contribution to earnings growth.

In these endeavours, OYAK ANKER Bank GmbH is privileged to make use of synergy effects from the OYAK Group. The Bank will continue to support 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. A slight increase in cash-secured business is planned.

New business in the private customer portfolio via the website and online platforms will be further expanded. This already paid off in 2018 and 2019. Risk provisioning was reduced. The Bank invested in video verification and electronic signature technology as well as in the optimisation of scoring procedures for the credit decision process. Digitalisation, including automated credit decisions, online identification and digital contract conclusion will be expanded, in part with digital account verification.

The expanded customer service centre connects the Bank's customers with its wide range of products and services. Even though 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. Regardless of the application method used, with customer service or online, inquiries and orders must be processed everywhere with the same speed, convenience and ease.

The development of private customer loans is expected to decrease slightly in 2020. New business is intended to offset the scheduled and expected unscheduled loan repayments in the following years.

The securities portfolio is expected to grow further. 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. For liquidity management, a growing number of European government bonds are being added to the portfolio. The diversification of the bond portfolio is an important investment aspect for the Bank.

By the end of 2020, the Bank's balance sheet volume, less the cash-backed lending business, will increase by 7%.

The expansion of the credit volume will be carried out in compliance with capital adequacy requirements. The planned growth in Financial Institution business is to be covered by full retention of the profits generated in 2019 and capital increases of 25 million EUR from the parent company, OYAK Ordu Yardimlasma Kurumu. 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 2020:

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 show positive development based on documentary business and services in the forward exchange transaction division. Risk provisions for lending business will be further reduced on the basis of the improved portfolio.

The measures taken in 2019 to increase the quality of staffing will increase personnel costs in 2020. Administrative expenses continue to be subject to strict cost management. The optimisation of IT systems and further automation of processes will be continued. Expenditure on risk management and regulatory requirements will continue to rise.

Negative interest rates have so far had only a marginal impact on the net assets, financial position and operative results of the institution. Despite the negative interest rate environment in Europe, the Bank will continue its efforts to avoid significant financial losses in 2020. 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 2020 as follows: As a result of the expansion of the business divisions, the Bank expects a return on equity of 5.4%. The regulatory core capital, taking into account the target ratios, will be 18.0% according to the business plan. The leverage ratio will be 9.8% according to the plan. A cost/income ratio of between 53.9% is targeted.

The economic environment has improved. The year 2020 will be marked by the expansion of the divisions and closer integration into the OYAK Group. The Bank will also benefit 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.

As a consequence of the coronavirus pandemic, the bank expects a global economic down-turn for the year 2020 followed by a strong countermovement. Decreases in added value are anticipated. It is very likely that the coronavirus pandemic will interrupt the signs of recovery in the German economy.

Forecasts are subject to a great deal of uncertainty and are based on the most likely assumption that the pandemic will subside in the middle of the year and that noticeable economic recovery will be reported subsequently. A core assumption is that the spread of coronavirus will slow by summer and that sufficient treatment options will be available by autumn, allowing economic activity to return to normal levels in the second half of 2020.

Despite significant anticipated strain on the financial sector, the German Financial Supervisory Authority has not yet identified any systematic risk. The European Central Bank and the German Financial Supervisory Authority have announced measures to guarantee an extensive supply of liquidity for European banks.

In case of a precarious economic situation in Europe, the Bank expects supervisory measures that will take rapid effect to support the European and German banking sectors.

Given this global environment, the outlook for the German economy is negative overall and an economic downturn is anticipated that may be counteracted towards the end of 2020 as the coronavirus pandemic subsides.

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 management of risks and returns within the bank is geared towards stabilising earnings 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 risk-bearing business and serves as the basis for strategic decisions within the framework of risk-appropriate overall bank management.

The processes, methods and risk quantification procedures of the system 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 Executive Board discusses the Bank's risk situation, business and risk strategy and risk management in detail. In addition, the Supervisory Board is informed of the risk situation in writing at least quarterly.

3.2.2.2 EXECUTIVE BOARD

Irrespective of the internal rules governing responsibility, the Executive Board 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. The Executive Board 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). It operates with-out instructions and reports directly to the Executive Board. All activities and processes are examined on the basis of risk-oriented audits.

In addition, Internal Audit conducts special audits for specific occasions. The Executive Board is kept informed of the audit results on an ongoing basis. In its annual report, Internal Audit informs the Executive Board 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 the Executive Board.

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 Executive Board. 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 the Executive Board. The monitoring of operational risks is also centralised in the Risk Management division. This includes the identification, analysis and reporting of operational risks. 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 limits specified by the Executive Board and reporting on these.

3.2.2.6 SPECIAL FUNCTIONS (COMMISSIONER SYSTEM)

Appropriate bodies exist 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 the Executive Board.

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. 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 the Executive Board. This forms the framework for the risk-type-specific substrategies, 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 effect on earnings. 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 contractual partner 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. The default risk is differentiated according to credit risk, country risk, investment risk and fulfilment risk. Apart from classical credit risk, elements of credit risk include counterparty and issuer risk. Fulfilment risk is made up of the settlement risk and advance performance risk.
Migration risks	Risk of losses in value due to rating migrations.
Spread risk	Risk of losses due to spread fluctuations, regardless of their origin (counterparty related / market liquidity related).

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 (currency exchange risks) are assessed using the analyses of a leading rating agency (Fitch).

Risk quantification (confidence level 99.9%) is based on the concepts of unexpected loss. The counterparty default risk is quantified, analysed and managed at both borrower and portfolio level (including countries, sectors and customer segments). All counterparty 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 loss given default 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 (Provider: 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 or 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.

The equity risk is currently not relevant, as the Bank does not currently have any positions subject to this type 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. Risk is determined using a historical simulation. 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 1,000 calendar days (for the market data used in the risk parameter estimation).

In addition to the standard scenario, further historical and hypothetical scenarios are calculated. The results are communicated and acknowledged in the monthly market price 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 the 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 scenarios 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 is used to calculate the interest rate risk as defined by the BaFin circular 06.2019 (BA) dated 06/09/2019. 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	31.12.2019	31.12.2018
+ 200 basis points	- 8.62	-10.38
- 200 basis points	+2.70	+4,23

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 attrib-utable 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. 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 expected. These will develop as follows over the next six months:

PERIOD	31.12.2019 in TEUR	31.12.2018 in TEUR
Up to one month	97,742	106,766
Up to two months	118,874	84,007
Up to three months	117,207	91,999
Up to four months	125,042	74,930
Up to five months	131,614	89,239
Up to six months	137,315	87,566

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 (German Federal Bank). Refinancing via the capital market does not take place.

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 Executive Board and addressed executives.

The Bank uses a weekly report to present its risk-bearing capacity (“economic perspective”). 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	31.12.2019			31.12.2018
	normal scenario	Historical stress scenarios	Hypothetical stress scenario	
Risk Coverage Potential		112,216		103,058
% Risk Buffer	27,216	22,216	0	4,058
Total Bank Limit	85,000	90,000	112,216	99,000

The risks (normal scenario) developed as follows:

RISK TYPES	31.12.2019			31.12.2018		
	Limit in TEUR	Risk in TEUR	Occupancy rate in %	Limit in TEUR	Risk in TEUR	Occupancy rate in %
Credit risk	66,000	45,595	69%	76,000	61,401	81%
Market price risk	16,000	1,651	10%	20,000	11,130	56%
Operational risk	3.000	2,601	87%	4,000	2,862	95%
Sum	85,000	49,847	59%	99,000	75,393	76%

The risks in the stress scenarios were as follows:

RISK TYPES	HISTORICAL STRESS SCENARIOS		HYPOTHETICAL STRESS SCENARIO in TEUR
	Scenario 1 TEUR	Scenario 2 TEUR	
Credit risk	54,129	54,129	58,855
Market price risk	4,317	-4,023	2,069
Operational risk	4,069	4,069	4,069
Total bank limit	90,000		112,173
Utilisation in %	69%	60%	58%

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 equity capital is compared with the equity capital requirements for the individual planning years. This is done both for the multi-year plan scenario and at least for the adverse scenario "recession".

3.2.9 OPPORTUNITIES

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 analysed 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 INTERNAL ACCOUNTING 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 organised 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 monthly reporting to the Executive Board, the market divisions and the sales units.

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 IVA 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 Association of German Banks, Berlin, and of the respective regional associations. It is affiliated with 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 (VAB), Frankfurt am Main, and of the Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne.

Frankfurt am Main, 29 April 2020

Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD

Ümit Yaman
MEMBER OF MANAGEMENT BOARD

BALANCE SHEET AS OF 31.12.2019

ASSETS	EUR	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Cash reserve					
a) Cash at hand			2.039,58		2
b) Deposits with central banks			216.308.260,14		73.889
of which with Deutsche Bundesbank	216.308.260,14	(previous year TEUR 73.889)			
c) balances with Post giro offices			0,00	216.310.299,72	
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			18.049.145,48		7.197
b) other receivables			196.949.971,33	214.999.116,81	66.914
4. Receivables from customers				676.267.894,03	768.197
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		13.939.565,86			16.235
of which: eligible as collateral with Deutsche Bundesbank	13.939.565,86	(previous year TEUR 16.235)			
bb) from other issuers		128.325.047,22	142.264.613,08		129.967
of which: eligible as collateral with Deutsche Bundesbank	36.308.651,63	(previous year TEUR 79.676)			
c) own bonds			0,00	142.264.613,08	
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				336.473,60	482
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	
11. Intangible assets					
a) Internally generated intellectual property rights and similar rights and assets			0,00		
b) Purchased concessions, industrial property rights and similar rights and assets, as well as licenses in such rights and assets			658.575,98		410
c) Goodwill			0,00		0
d) Advance payments made			65.069,22	723.645,20	218
12. Tangible fixed assets				359.119,37	422
13. Capital called but not yet paid in				0,00	
14. Other assets				1.103.107,41	888
15. Other liabilities and deferred expenses				191.421,79	275
16. Deferred tax assets				0,00	0
17. Active difference from asset offsetting				0,00	58
18. Net loss not covered by shareholders' equity				0,00	0
Total Assets				**1.253.015.853,71**	**1.065.614**

LIABILITIES	EUR	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Liabilities to banks					
a) payable on demand			22.159,66		164
b) with agreed term or period of notice			61.398.521,67	61.420.681,33	90.223
2. Liabilities to customers					
a) Savings deposits					
aa) with agreed period of notice					
of three months		5.214.433,58			5.005
ab) with agreed period of notice					
of more than three months		16.060.070,98	21.274.504,56		19.189
b) other liabilities					
ba) payable on demand		319.484.572,27			128.627
bb) with agreed term or period of notice		360.538.986,34	680.023.558,61	701.298.063,17	323.856
3. Securitised liabilities					
a) bonds issued			0,00		
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				1.571.701,53	1.312
6. Other liabilities and deferred expenses				391.793,63	491
6a. Deferred tax liabilities				0,00	0
7. Provisions					
a) provisions for pensions and similar obligations			75.806,00		62
b) tax provisions			305.573,42		
c) other provisions			865.748,89	1.247.128,31	833
8. (omitted)				0,00	0
9. Subordinated liabilities				373.803.856,28	388.581
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 or majority-owned undertaking		0,00			0
cc) statutory reserves		0,00			0
cd) other retained earnings		16.699.937,79	16.699.937,79		14.524
d) Balance sheet profit/loss			6.010.194,70	113.282.629,46	2.175
Total Liabilities				**1.253.015.853,71**	**1.065.614**

	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	7.154.776,72		8.798
c) Liability from the provision of collateral for third-party liabilities	0,00	7.154.776,72	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	10.000.000,00	10.000.000,00	0

INCOME STATEMENT FOR THE PERIOD FROM 01.01.2019 TO 31.12.2019

EXPENSES	EUR	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Interest expenditures				46.960.851,82	16.385
of which positive interest deducted from banking business		5.554,23			
2. Commission expenses				811.558,35	1.336
3. Net expenses in the trading portfolio				0,00	0
4. General administrative expenses					
a) personnel expenditure					
aa) wages and salaries		4.572.650,24			5.173
ab) social security contributions and expenses for pensions and other employee benefits		887.492,88	5.460.143,12		1.033
of which: for pensions	35.292,32	(previous year TEUR 33)			
b) other administrative expenses			5.943.354,72	11.403.497,84	7.744
5. Depreciation and value adjustments for intangible assets and tangible fixed assets				339.839,79	395
6. Other operating expenses				2.525.943,55	2.582
7. Write-downs and value adjustments on receivables and certain Securities and allocations to loan loss provisions				0,00	1.435
8. Depreciation and value adjustments on participating interests, shares in affiliated companies and as securities treated as fixed assets				0,00	23
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				744.233,34	153
13. Other taxes not shown under item 6				-483.667,84	-440
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				6.010.194,70	2.175
Total Expenses				68.312.451,55	37.994

INCOME	EUR	EUR	EUR	PREVIOUS YEAR TEUR
1. Interest income from				
a) Lending and money market transactions		62.592.897,41		32.896
of which negative interest deducted from banking business	547.206,20			
b) fixed-interest securities and debt register claims		3.556.779,43	66.149.676,84	3.427
2. Current income from				
a) shares and other non-fixed-income securities		0,00		0
b) participations		40.622,72		48
c) shares in affiliated companies		0,00	40.622,72	0
3. Income from profit pooling, profit transfer or partial profit transfer agreements			334.271,45	460
4. Commission income			684.937,54	949
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,			713.332,50	
7. Income from write-ups of participations, shares in affiliated companies and as securities treated as fixed assets			160.026,74	
8. Other operating income			229.583,76	214
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			68.312.451,55	37.994

	EUR	PREVIOUS YEAR TEUR
1. Net profit for the year	6.010.194,70	2.175
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	6.010.194,70	2.175

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1 GENERAL INFORMATION ABOUT THE STRUCTURE OF THE ANNUAL ACCOUNTS AND ACCOUNTING AND VALUATION METHODS

1.1 GENERAL INFORMATION

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 German Commercial Code (Handelsgesetzbuch, HGB), the Limited Liability Companies Act (Gesetz betreffend die Gesellschaften mit beschränkter Haftung, GmbHG) and in compliance with the Ordinance on Accounting for Banks and Financial Services Institutions (Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungs-institute, Rech-KredV), in the versions applicable at the time.

Balance sheets and valuation of assets and liabilities are prepared in accordance with Sections 252 et seq. and 340 et seq. 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 Section 340(h) HGB comprises foreign currency positions and pending foreign exchange transactions (forward exchange transactions or currency swaps) that are not assigned 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 Sections 340c (2) and 340f (3) HGB as well as Sections 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 the nominal value less specific and general value adjustments 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 value adjustment is calculated on the basis of historical default and loss rates. For latent risks, lump sum value adjustments are 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 a nominal appropriate to the period. 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 are valued at acquisition cost. Intangible assets for operating and office equipment are depreciated as planned according to the rates admissible for tax purposes. Advance payments are stated at their nominal value. 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 addition 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 Section 274 (1) Sentence 2 HGB, the option to recognise 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 guideline tables of Heubeck-Richttafeln GmbH, Cologne, and an assumed interest rate of 2.75% p.a. Furthermore, a pension dynamic of 2.0% p.a. was assumed. An unchanged salary level was estimated. The difference between the plan assets assessed at fair value that are used to fulfil the pension obligations and the underlying acquisition costs results in an amount that is barred from distribution. Since there are sufficient available reserves, contributions toward funding are not necessary in the 2019 financial year.

In accordance with Section 246 (2) Sentence 2 HGB, the provision is balanced against existing cover assets.

Due to the application of Section 253 (6) Sentence 1 HGB, the difference in the pension obligations reported in the balance sheet that resulted from discounting at the average market interest rate for ten instead of seven financial years amounted to TEUR 24.0 as of 31 December 2019.

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

In accordance with Section 253 (1) Sentence 2 in conjunction with Section 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.

No provision was formed for expected losses due to the negative market value of interest rate swaps on the balance sheet date, as no net liability was determined within the scope of the loss-free valuation of interest-related transactions in the banking book (interest book) in accordance with IDW Circular BFA 3. The banking book was valued using the present value approach.

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.

LIABILITY ITEMS BELOW THE LINE

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:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable on demand	18,049	7,197
up to three months	0	0
from three months to one year	82,054	66,914
from one year to five years	114,896	0
more than five years	0	0

Receivables from banks amounting to TEUR 39,184 (previous year: TEUR 3,742) are foreign currency receivables.

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

	31.12.2019 TEUR	31.12.2018 TEUR
with undetermined maturity	26,638	30,440
up to three months	357,266	85,519
from three months to one year	106,733	256,499
from one year to five years	157,387	358,571
more than five years	26,244	37,167

Receivables from customers include receivables from affiliated companies amounting to TEUR 396,566 (previous year: TEUR 409,992). Furthermore, receivables in the amount of TEUR 176,396 (previous year: TEUR 342,157) are denominated in foreign currencies. This item includes subordinated receivables amounting to TEUR 218,466 (previous year: TEUR 178,228).

DEPT INSTRUMENTS, BONDS AND OTHER FIXED-INTEREST SECURITIES

	31.12.2019 TEUR	31.12.2018 TEUR
Non-negotiable	0	0
Marketable & listed	142,265	146,202
of which eligible as collateral with Deutsche Bundesbank	50,248	95,911

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 142,265 (previous year: TEUR 146,202) 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 3,776 (previous year: TEUR 571).

Bonds and other fixed-income securities held as investments which were reported above their current market value, amounted to TEUR 5,031 (previous year: TEUR 97,635); this is offset by a current market value of TEUR 4,980 (previous year: TEUR 94,500). This resulted in hidden liabilities of TEUR 51 (previous year: TEUR 3,135).

In accordance with the mitigated lowest-value principle pursuant to Section 253 (3) Sentence 3 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 15,231 (previous year: TEUR 2,000) will mature in 2020.

PARTICIPATIONS

The shareholdings 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 2019 financial year following the profit transfer of TEUR 334 (previous year: TEUR 460). 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 statement of changes in fixed assets summarises the assets of various balance sheet items to be valued according to the principles for fixed assets.

The changes in fixed assets are shown in the following table:

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

in TEUR	ACQUISITION / PRODUCTION COSTS					DEPRECIATION AND AMORTIZATION					BOOK VALUES	
	BALANCE 01.01.2019	ADDITIONS	DIVESTITURES	REPOSTINGS	BALANCE 31.12.2019	BALANCE 01/01/2019	DEPRECIATION	APPRECIATION	CHANGES / DIVESTITURES	ACCUMULATED BALANCE 31.12.2018	BALANCE 31.12.2019	BALANCE 31.12.2018
Bonds	146,203	7,101	11,039	0	142,265	0	0	0	0	0	142,265	146,202
Participations	1,429	0	271	0	1,158	947	0	125	0	822	336	482
Shares in affiliated companies	933	0	0	0	933	473	0	0	0	473	460	460
Intangible assets	3,246	312	0	158	3,717	2,836	222	0	0	3,058	659	410
Advance payments made on intangible assets	218	28	22	-158	65	0	0	0	0	0	65	218
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	874	27	114	0	787	515	83	0	107	491	296	359
c) Low value assets	284	34	0	0	318	221	34	0	0	255	63	63
d) Advance payments made	0	0	0	0	0	0	0	0	0	0	0	0

INTANGIBLE ASSETS

All items under intangible assets, including advance payments made, are amounts for purchased concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets.

OTHER ASSETS

This item includes the following important individual amounts:

	31.12.2019 TEUR	31.12.2018 TEUR
Tax refund claims	1,095	827

In accordance with Section 246 (2) Sentence 2 HGB, claims from reinsurance policies with an attributable value of TEUR 103 (previous year: TEUR 169) 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:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable on demand	22	164
up to three months	2,899	21,723
from three months to one year	58,500	0
from one year to five years	0	68,500
more than five years	0	0

Liabilities to banks amounting to TEUR 2,893 (previous year: TEUR 1,719) are foreign currency liabilities.

LIABILITIES TO CUSTOMERS

Savings deposits are classified by their remaining maturities as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Maturity daily	0	0
up to three months	16,890	21,361
from three months to one year	1,791	2,798
from one year to five years	2,592	33
more than five years	0	0

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

	31.12.2019 TEUR	31.12.2018 TEUR
Maturity daily	319,485	128,627
up to three months	69,836	64,974
from three months to one year	128,278	102,392
from one year to five years	137,986	143,218
more than five years	24,439	13,272

Other liabilities to customers include liabilities to affiliated companies to the amount of TEUR 171,745 (previous year: TEUR 126,645). Of this amount, TEUR 500 (previous year: TEUR 0) relates to liabilities to the shareholder.

Other liabilities to customers amounting to TEUR 9,248 (previous year: TEUR 818) are foreign currency liabilities.

OTHER LIABILITIES

This item contains the following important individual amounts:

	31.12.2019 TEUR	31.12.2018 TEUR
Valuation of hedging transactions for receivables with special cover	1,014	679
Trade accounts payable	340	450
Other liabilities	87	85
Taxes to be paid (capital income tax, turnover tax, wage tax and church tax)	70	63

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:

	31.12.2019 TEUR	31.12.2018 TEUR
Discount accrual	389	483
Deferral of guarantee commissions	3	8

OTHER PROVISIONS

This item contains the following important individual amounts:

	31.12.2019 TEUR	31.12.2018 TEUR
Provisions for audit costs related to annual report	246	246
Provisions for outstanding invoices	128	135
Provisions for guarantees to customers	114	116

SUBORDINATED LIABILITIES

Subordinated liabilities are classified by their remaining maturities as follows:

	31.12.2019 TEUR	31.12.2018 TEUR
Payable on demand	0	0
up to three months	330,428	48,470
from three months to one year	29,140	212,250
from one year to five years	14,236	127,861
more than five years	0	0

Subordinated liabilities amounting to TEUR 155,098 (previous year: TEUR 319,509) are foreign currency liabilities. The deposits serve as collateral for existing credit claims. Conversion into capital or any other form of debt is not planned.

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	38,000	EUR	3.20	27/01/2020
OYAK Ordu Yardimlasma Kurumu, Ankara	89,706	USD	6.00	03/01/2020
	53,026	USD	3.50	19/02/2020
	42,268	EUR	1.75	05/03/2020

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

Interest amounting to TEUR 42,396 (previous year: TEUR 12,859) was expended in 2019.

EQUITY

Equity has developed as follows:

	31.12.2019 TEUR	ADDITIONS TEUR	SUBTRACTIONS TEUR	01.01.2019 TEUR
Subscribed capital	90,000	0	0	90,000
Capital reserves	572	0	0	572
Retained earnings	16,700	2,175	0	14,525
Balance sheet profit/loss	6,010	-	-	2,175

Management proposes that the balance sheet profit for the 2019 financial year be allocated to retained earnings.

2.3 LIABILITY ITEMS BELOW THE LINE

CONTINGENT LIABILITIES

This item includes:

	31.12.2019 TEUR	31.12.2018 TEUR
Sureties and guarantees	7,155	8,798

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:

	31.12.2019 TEUR	31.12.2018 TEUR
Irrevocable loan commitments	10,000	0

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 income statement has been prepared in the form of an account.

3.1 INTEREST INCOME

Interest income is balanced with negative interest, which mainly consists of deposits with banks, the Bundesbank (Federal Bank) and interest rate swaps amounting to TEUR 547 (previous year: TEUR 127). Interest income from lending and securities transactions resulted predominantly from business relationships with customers and banks based in Turkey and Germany.

3.2 COMMISSION INCOME

Commission income from the brokerage of insurance policies fell in comparison with the previous year. Income from the brokerage of forward exchange transactions increased.

3.3 OTHER OPERATING INCOME

Other operating income mainly results from the reversal of provisions totalling TEUR 151 (previous year: TEUR 150). Of these, TEUR 14 (previous year: TEUR 68) were released from the provision for partial retirement and TEUR 69 (previous year: TEUR 41) from the provision for residual leave.

3.4 INTEREST EXPENSES

Positive interest from loans and receivables from banks amounting to TEUR 5.6 (previous year: TEUR 5.9) was deducted from interest expenditure.

3.5 OTHER OPERATING EXPENSES

Other operating expenses include expenses of TEUR 2,473 (previous year: TEUR 2,020) in connection with exchange rate losses from currency valuation.

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

31.12.2019	MATURITY 2020 TEUR	MATURITY 2021 - 2024 TEUR	MATURITY FROM 2025 ANNUALLY TEUR
Rent	244	356	0
Maintenance (IT)	974	572	0
Leasing	0.9	0.6	0
Services	182	75	0

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

4.2 CONTINGENCIES

The required pro rata coverage capital of the provident fund amounts to TEUR 69 (previous year: TEUR 75). 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).

There is also liability for a loan from Grundbesitzgesellschaft bR Berlin, Karl-Marx-Allee II at Baden-Württembergische Bank, a dependent institution of Landes bank Baden-Württemberg, amounting to TEUR 10 (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.

	31.12.2019	31.12.2018
TUSD	172,499	157,348
TGBP	0	4,000

As of the balance sheet date, these transactions resulted in a negative market value of TEUR 1,014 (previous year: positive market value of TEUR 679).

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.

31.12.2019 NOMINAL	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
TEUR 10.000		13

31.12.2018 NOMINAL	POSITIVE MARKET VALUE	NEGATIVE MARKET VALUE
TEUR 10.000		26

5 OTHER INFORMATION

5.1 REFINANCING

For refinancing facilities, there is a security account of TEUR 68,723 (previous year: TEUR 106,439) with the Deutsche Bundesbank (German Federal Bank). As of the balance sheet date, loan drawdowns of TEUR 58,500 (previous year: TEUR 88,500) were recorded in the form of open market transactions.

There were no other assets pledged for liabilities.

5.2 TOTAL AUDITOR´S FEE

The net expense of TEUR 198 (previous year: TEUR 168) recorded for the services of the auditor for the financial year is broken down as follows:

	2019 TEUR	2018 TEUR
Year end audit services	198	157
Other verification services	0	11

The other verification services consist of TEUR 0 (previous year: TEUR 6) for the audit of the KEV (Kreditforderungen - Einreichung und Verwaltung) in accordance with Section 5 No. 11 (1) of the General Terms and Conditions of the Deutsche Bundesbank (German Federal Bank).

6 DISCLOSURE PURSUANT TO § 26A (1) KWG

Pursuant to Part 8 of the Capital Requirements Regulation (CRR) and Section 26(a) 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 2019 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 0.52% (previous year: 0.22%).

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 GROUP

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 Section 290 (5) in conjunction with Section 296 (2) 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 OYAK ANKER Bank GmbH.

8.6 MEMBERS OF THE SUPERVISORY BOARD

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

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

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

Mr. H. Alper Karaçoban, Member
Group Director of the Services Sector for the OYAK Group
Ankara (Turkey)

8.7 MEMBERS OF THE MANAGEMENT BOARD

The following members of the Executive Board were and are appointed:

Mr. Dr. Süleyman Erol, Frankfurt am Main

(Loan Processing Commercial Credits, Legal/Compliance, Internal Audit, Collection Department, Management Office, Operations, Accounting/Controlling/Reporting, Deposits/Transactions Settlement, Information Technology and Risk Management).

Mr. Ümit Yaman, Hanau

(Retail Business, Retail Credit, Loan Processing Consumer Credits, Retail Sales, Retail Marketing & Public Relations, Customer Service, Treasury/Financial Institutions, Marketing Commercial Credits, Human Resources and Representative Office Istanbul)

Frankfurt am Main, 29 April 2020

The Management Board

Dr. Süleyman Erol
MEMBER OF MANAGEMENT BOARD

Ümit Yaman
MEMBER OF MANAGEMENT BOARD

ANNEX TO THE ANNUAL FINANCIAL STATEMENT PURSUANT TO SECTION 26A (1) SENTENCE 2 KWG

OYAK ANKER BANK GMBH AS OF 31.12.2019

COMPANY NAME, TYPE OF ACTIVITY AND GEOGRAPHICAL LOCATION OF BRANCH OFFICES

OYAK ANKER Bank GmbH, based in Frankfurt, has no branch offices outside of Germany. All information presented in the annual financial statement pursuant to Section 26a (1) Sentence 2 KWG relates exclusively to its business activity as a financial institution and depository institution in the Federal Republic of Germany.

REVENUE

Revenue amounts to TEUR 19,292 (previous year: TEUR 19,766). Revenue includes the total of interest income, net commission income, trading income and other operating income.

NUMBER OF WAGE AND SALARY RECIPIENTS IN FULL-TIME EQUIVALENTS

Pursuant to Section 267 (5) HGB, the bank had an average of 74 employees during the year (previous year: 86). At the end of the year, there were 33 female employees (previous year: 37) and 39 male employees (previous year: 44). Converted to full-time equivalents, the company had 67 employees (previous year: 73) on the balance sheet date.

TAXES ON INCOME AND EARNINGS

Taxes on income and earnings exclusively refer to the result from ordinary activities. Taxes on profit and loss amount to TEUR 744 (previous year: TEUR 153).

PROFIT OR LOSS BEFORE TAX

Earnings before taxes amount to TEUR 6,754 (previous year: TEUR 2,328).

PUBLIC AID RECEIVED

In 2019 and 2018, OYAK ANKER Bank GmbH did not receive any public aid.

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

AUDIT OPINIONS

We have audited the annual financial statements of OYAK ANKER Bank GmbH, Frankfurt am Main, which comprise the balance sheet as at 31 December 2019, and the statement of profit and loss for the financial year from 1 January to 31 December 2019, and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of OYAK ANKER Bank GmbH for the financial year from 1 January to 31 December 2019.

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 and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019 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 Article 322 paragraph 3 sentence 1 HGB (German Commercial Code)[1] , 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 AUDIT OPINIONS

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and 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) point (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 audit opinions on the annual financial statements and on the management report.

[1] § 322 Abs. 3 Satz 1 HGB.

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 1 January to 31 December 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

❶ Risk provisioning in credit business

Our presentation of this key audit matter has been structured as follows:

① Matter and issue

② Audit approach and findings

③ Reference to further information

Hereinafter we present the key audit matter:

❶ Risk provisioning in credit business

① In the financial statements of OYAK ANKER Bank, the balance sheet items "Receivables from customers" and "Receivables from banks" include loan receivables amounting to € 891.27 million (71.13%of the balance sheet total). As of December 31, 2019, the loan portfolio is subject to a balance sheet risk provision consisting of individual and general loan loss provisions. The measurement of provisions for losses on loans and advances to customers is determined in particular by the estimates of the legal representatives with regard to future loan defaults, the structure and quality of the loan portfolios and macroeconomic factors.

The amount of specific loan loss provisions for loans and advances to customers corresponds to the difference between the outstanding loan amount and the lower value to be attributed to it on the reporting date. Existing collateral is taken into account. The value adjustments in the customer loan business are, on the one hand, of great significance for the net assets and earnings situation of the Company in terms of the amount and, on the other hand, involve considerable discretionary scope for the legal representatives. In addition, the valuation parameters applied, which are subject to significant uncertainties, have a significant influence on the recognition or amount of any necessary valuation allowances. Against this background, this issue was of particular importance in the context of our audit.

② As part of our audit, we first assessed the adequacy of the design of the controls in the relevant internal control system of the Company and tested the functionality of the controls. In doing so, we considered the business organization, the IT systems and the relevant valuation models. In addition, we assessed the valuation of loans and advances to customers, including the appropriateness of estimated values, on the basis of random samples of credit exposures. In doing so, we assessed, among other things, the available documents of the company with regard to the economic circumstances and the value of the corresponding collateral. Furthermore, in order to assess the specific and general loan loss provisions, we have also assessed the calculation methods applied by OYAK ANKER Bank and the underlying assumptions and parameters. On the basis of the audit procedures we performed, we were able to satisfy ourselves on the whole that the assumptions made by the legal representatives in the impairment test of the loan portfolio were appropriate and that the processes implemented by OYAK ANKER Bank were appropriate and effective.

③ Reference to further information

The Bank's disclosures on loan loss provisions are contained in the Notes.

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, 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, the executive directors are 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, the executive directors are 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, the executive directors are responsible for the preparation of the 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 addi-tion, the executive executive directors are 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 audit 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 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 judgment 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 audit 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 audit opinion on the effectiveness of these . systems of the Company.

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

- Conclude on the appropriateness of the executive directors' 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 audit 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 the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with 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, 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 annual general meeting on 20 June 2019. We were engaged by the supervisory board on 24 June 2019. We have been the auditor of the OYAK ANKER Bank GmbH, Frankfurt am Main, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee 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 Fatih Agirman.

Frankfurt am Main, 29. April 2020

PricewaterhouseCoopers GmbH

Wirtschaftsprüfungsgesellschaft

Fatih Agirman German Public Auditor	ppa. Arzu Akbulut German Public Auditor

CHAIRMAN OF THE BOARD
I. Emrah Silav

MANAGEMENT BOARD
Dr. Süleyman Erol
Ümit Yaman

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