ANNUAL REPORT 2017

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OYAK ANKER Bank GmbH at a Glance

History and Tradition

OYAK ANKER Bank GmbH has a rich tradition spanning more than 50 years in Germany. It was established in 1958 as Allgemeine Teilzahlungsbank (AtB Bank) in the city of Koblenz. The Bank has been a member of the Deposit Protection Scheme operated by the Association of German Banks since 1981 and was renamed Anker Bank subsequent to its acquisition by Omnium Genève s.A. in 1989.

In 1996, the Bank became part of the OYAK (Ordu Yardımlaşma Kurumu) Group and has since operated under the name of OYAK ANKER Bank GmbH. As the largest private pension fund in Turkey, OYAK thereby succeeded in strengthening its position in Europe.

Facts and Figures

The head office of OYAK ANKER Bank GmbH has been in the city of Frankfurt am Main since 2006. The Bank is entered in the Commercial Register with the Frankfurt am Main District Court under HRB 77306. The Bank's equity under commercial law stood at EUR (k) 105,097 as at the balance sheet due date of 31 December 2017. It consists of EUR (k) 90,000 in share capital, EUR (k) 9,984 in reserves and retained profits of EUR (k) 5,112.

Product and Service Offering

OYAK ANKER Bank GmbH works to deliver its slogan "You are not just any customer. We are not just any bank." in all areas of business. The slogan is a reflection of its self-image as a contemporary and innovative company, which is firmly rooted in society, and which is available to its customers at all times.

The Bank's focus remains on its retail banking operation and the generation of a needs-based range of products and services, as well as individual solutions for loans and investments.

OYAK ANKER Bank GmbH has many years of experience in Business Banking and a unique expertise in financial transactions between Turkish companies and their trading partners in Europe, it is a competent and reliable partner throughout.

Its Treasury division shoulders responsibility for asset/liability control and liquidity management – including refinancing and the investment of liquid funds.

The following applies to all business areas:
Banking will always be a matter of trust.

What We Stand for

Our Mission
The top priority for OYAK ANKER Bank GmbH is to address the individual wishes and needs of its customers, and to exceed their expectations at all times.

Thanks to our flexible and service-driven approach, we accompany our customers throughout the many changes they experience in their career, within their families and their free time, which are all part of modern life.

In doing so, we refuse to accept any compromise when it comes to quality or ethical concerns.

Our Vision
Our goal is to become one of the most renowned and popular Banks by

- offering our customers, our shareholders and our members of staff fundamental and sustainable added value,
- appealing to a broad spectrum of customer groups with our high quality products and services,
- being consistently aware of our social responsibility and remaining true to our values,
- ensuring that we really stand out thanks to a trust-worthy and reliable management style and a far-reaching network,
- playing a leading role with our variety of products and services, by employing qualified staff and by adhering to nothing less than a customer-driven service approach.

Our Values
- Sincerity and transparency
- Responsibility and reliability
- Customer and staff satisfaction
- Competition and fairness
- Innovation and perfection

Our Business Areas

The active business of OYAK ANKER Bank GmbH is broken down into three key business areas:

- Retail Banking
- Business Banking
- Treasury

OYAK ANKER Bank GmbH and the OYAK Group

OYAK: Partner for Satisfaction and Prosperity
The OYAK Group was established in 1961 and is not only the first, but also the largest private pension fund in Turkey. It acts as both a manager of a pension fund and as a private equity institution, investing its available funds in an array of financial and equity instruments. Its overarching goal is achieving a profitable return in the interest of its approximately 350,000 members. Its services are similar to those of a life insurer. Simultaneously, OYAK also offers financial support in the form of various credit products. The focus of its activities is on securing the satisfaction, prosperity and secure future of its members, whom OYAK wishes to support as a reliable partner in every phase of life.

The OYAK Group: Sustainable Economic Power
The OYAK Group consists of 88 companies from the industrial and financial services sectors. With more than 30,000 jobs in Turkey and 19 other countries, it is both one of the biggest and one of the highest-yield Turkish groups of companies. Its companies generate increasing added value for the country's economy thanks to their products, sales, exports and tax contributions. The industrial investments maintained by OYAK, which also boasts some of the largest industrial plant holdings in Turkey, span a range of leading companies active in the iron and steel sectors, the energy sector, cement production and the car industry. The services sector, the Group's other focus, comprises a number of investment holdings including, for instance, construction, exports, logistics and technology.

OYAK ANKER Bank GmbH in Figures

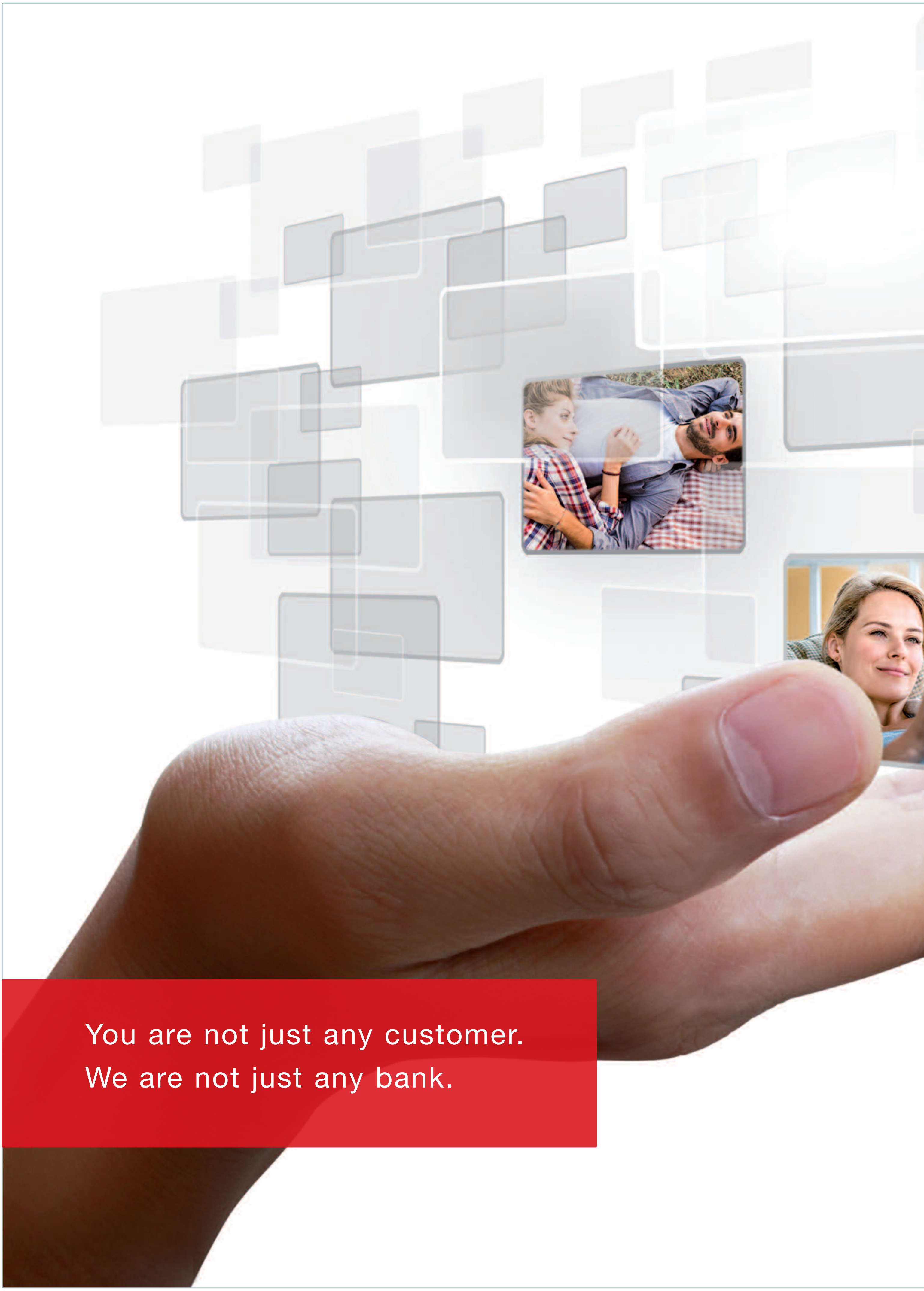
Key Financial Data

Assets	2016 EUR (k)	2017 EUR (k)
Balance with Deutsche Bundesbank	7,409	18,669
Bank Receivables	42,106	26,966
Customer Receivables	695,154	729,600
Fixed Interest Securities	127,791	118,188

Liabilities	2016 EUR (k)	2017 EUR (k)
Customer Deposits	511,210	469,753
Funds from Deutsche Bundesbank	73,500	80,500
Subordinated Liabilities	183,325	238,121
Equity	98,367	99,985
Net Income	1,618	5,112

Staff

As of year-end 2017 the total number of staff stood at 105 (previous year: 116).



You are not just any customer.
We are not just any bank.

"Growth trajectory secured with a view to the future"

İ. Emrah Silav

Preface by the Chairman of the Supervisory Board

Dear Sir or Madam,

Given the economic and political environment, 2017 was tense and challenging for the banking sector, but also offered attractive opportunities that we were able to use successfully.

The positive economic performance continued, political uncertainties and risks did not weigh on either growth or financial markets. Global growth even significantly exceeded many analysts' forecasts. The reasons for this wrong assessment are also to be found in an excessive fear of political disturbance. In actual fact, neither the change in government in the US, nor the imminent Brexit or the elections in key European states had a negative impact on manufacturing or finance. Quite the contrary: In light of the stable economy and the continued recovery of global trade, continued growth can be expected again in 2018 in Europe and the world.

The monetary policy of the key industrial nations remained largely expansionary and economically friendly in the 2017 reporting period. Continued low interest rates strengthened lending, creating a supporting environment for investments and enabling many euro states, in particular, to continue to service their high debts, which had increased greatly after the financial and banking crises from 2007. However, whether there will be a turnaround for interest rates in the European area this year already remains questionable. On the one hand, the US Fed tightened its monetary policy reins further with more key interest rate rises. On the other hand, the first interest rate moves in the eurozone are not expected until the end of 2019 / beginning of 2020. In addition, the comprehensive asset purchases by the ECB will likely peter out as of the end of 2018.

The economic and monetary policy performance in the reporting year had a favourable impact on equity markets. Due to the low yields achieved in the fixed-income market, equities were in demand among private and institutional investors, the good economic data also ensured rising prices overall. The DAX rose over the year by 12.8 %, the Nikkei by 18.9 and the Dow Jones by a near-record 25.2 %. The Euro Stoxx, by contrast, remained below average at a plus of only 7.2 %.

In this environment, the bank managed to increase its annual profit significantly compared to the prior year and consistently implement the targets of its strategy plan further. As the Supervisory Board, we consistently obtained detailed updates from the Executive Board on current developments and planned decisions and accompanied them in our advisory capacity. The Executive Board informed us in detail on the business situation and performance, the current income situation, on the risk situation and management, short- and long-term planning, investments and organisational measures. The Executive Board and Supervisory Board co-operated in a constructive manner and thereby secured the company's growth trajectory with a view to the future.

I wish to thank the Executive Board and the employees, also on behalf of the Supervisory Board, for their commitment to the bank's success in the 2017 financial year.

İ. Emrah Silav, Chairman of the Supervisory Board

R. Emre Yalçınkaya

Süleyman Erol

Preface by the Executive Board

Dear Sir or Madam,

We faced a lively market in the 2017 financial year. The historically low interest rate level weighed on achievable margins, complex new rules within wider financial market regulation had to be implemented, and the trend towards digitalisation of customer business continued unabated. In this environment, OYAK ANKER Bank GmbH remained a reliable partner for customers, business partners and shareholders.

We posted a profit in the amount of EUR 5.1 million for the reporting year, and the original profit forecast was strongly outperformed. Despite the low interest rate environment, the average interest rate margin of the overall portfolio was roughly maintained. The cost/income ratio was 67.1 %, return on equity increased on the prior year to 5.15 %. At a slightly higher balance sheet total of 898 million and equity on the balance sheet due date of 105.1 million, we stand on solid ground for the future.

“Profit forecast significantly outperformed”

The customer portfolio in our target markets of Germany, Western Europe and Turkey continues to be broadly diversified. To resist the cost pressures across the industry, a sustainable reduction in human resource costs was required. With considerable measures to reduce staff, we managed to strengthen our bank’s future and have reduced human resource costs by 8.4 % already in the current year.

In 2017, too, we worked continuously on optimising our current products and the development of new and market-based offerings. Another focus of the marketing activities was on the new design of our website and on expanding direct marketing and cooperation ventures with fintech companies. These measures have already had a pleasingly positive effect on the business.

The bank’s ability to bear risks was ensured at all times with regular analyses and successful risk control. Exchange rate and interest rate fluctuation risks were hedged with derivatives. Liquidity was safeguarded at all times and the supervisory law minimum requirement was observed consistently. The Supervisory Board was consistently informed of the business and risk situation.

The banking industry is in a period of transformation. Anyone who wants to survive in competition must face the increased cost pressure and the change towards digital business. The administration costs of our bank will therefore continue to be subject to strict cost management. We will consistently drive forward the initiated expansion of the private client portfolio via our website and the online platforms next year. We also aim to grow in the corporate client business area. The plan is to expand the balance sheet volume by some 20 % by the end of 2018.

We wish to thank our employees for their services and great personal commitment. We thank our customers and business partners for the trust placed in us, they made the 2017 business result possible. This result encourages us to continue on the path taken and to again work towards the profitable and long-standing growth of our bank in the coming financial year.

Executive Board of OYAK ANKER Bank GmbH

R. Emre Yalçınkaya Süleyman Erol

Management Report

1 Performance of the Overall Economy

1.1 General Upturn Continues

The sustainability of global economic growth in 2017 and the positive expectations for 2018 are supported, in particular, by a recovery in global trade, greater synchronisation of general growth, a decline in consumption accompanied by a simultaneous increase in investments and accommodative economic policies.

The recovery in global trade, which can also be seen as an indicator of global demand, will continue into 2018. We expect an increase of approximately 4.0 %, which corresponds approximately to that of 2017 (3.9 %). Export volumes have increased significantly in industrialised and emerging markets in recent quarters. In addition, trade elasticity (i.e. the ratio of global trade growth to global GDP growth) has increased from persistently low levels in previous years to around 1. The main reason for this is the simultaneous and wide-ranging economic recovery in many countries.

Global growth has not only consolidated but has also expanded in parallel in both industrialised and emerging markets and now also extends to the peripheral countries of the eurozone. These synchronised developments mutually reinforce each other through positive spill-over effects. Thus, shocks or political misjudgements have little influence on this development.

The composition of global growth is now shifting from consumption to investment and has become more balanced. This in turn makes expansion more sustainable and longer-lasting, as growth no longer depends on a single driver and new investments contribute to higher capacity utilisation and greater growth potential.

Finally, economic policy will continue to promote growth. Despite the continuing normalisation of monetary policy in the US and the ECB’s gradual curbing of securities purchases, monetary policy in the major industrialised countries will also remain strongly supportive.

The US economy is expected to continue to grow robustly in 2018. After growth of 2.2% in 2017, we expect real gross domestic product to rise by as much as 2.7 % in 2018. The acceleration is partly due to the lowering of tax rates, which we expect to temporarily boost growth in the summer. However, as the impact of the stimulus subsides, momentum is expected to slow towards the end of the year and fall below longer-term potential in the second half of 2019.

2017 was a strong year for the eurozone, with GDP growth of 2.5 %. The outlook remains very positive, and we expect GDP to increase by a further 2.7 % in 2018. We expect overall inflation to remain weak. A further

sustained reduction in the output gap, which illustrates a more efficient use of economic resources and increases capacity utilisation, should keep core inflation on a flat upward trend.

Leading research institutes expect GDP growth in China to slow from 6.8 % in 2017 to 6.5 % in 2018. The slowdown will be primarily due to the normalisation process in the real estate market as a result of restrictions on home ownership and tighter mortgage conditions, as well as a slowdown in global trade in 2019.

1.2 Outlook for Germany

As in previous years, the economic situation in Germany was characterised by strong economic growth in 2017. Gross domestic product rose by 2.2 % in 2017 compared with the previous year. The pace of growth has increased again, with GDP already growing by a significant 1.9 % in 2016 and by 1.7 % in 2015.

The signs are also good for 2018, with the forecasts of leading economic institutes predicting an increase in GDP of around 2.4 %. Private consumption continues to be regarded as the growth driver, increasing by 1.5 % in 2017 in comparison with the previous year and which is expected to grow by 2.0 % in 2018. The protracted formation of a government could have a negative impact on economic performance, as necessary reforms and investments in Germany and at the European level are being pushed back. The uncertainties in connection with Brexit could also harbour additional dangers.

The labour market, on the other hand, recorded a high level of employment in Germany last year. On average, 43.9 million people were employed in 2017 – the highest figure since German reunification. This positive trend is expected to continue in 2018. Companies in Germany are still looking for skilled workers.

Despite an increase to 1.7 % in 2017, inflation remained below the European Central Bank’s target of 2.0 %. It is assumed that this value will not change significantly in 2018 (approx. 1.8 %). The upsurge in prices due to rising commodities prices and wage agreements is regarded as limited.

1.3 Turkey

Turkey's economy gained momentum in the third quarter of 2017 with an increase in gross domestic product of 11.1 % over the same period last year, thus exceeding analysts' expectations. According to government agencies, the rate of growth rose significantly compared to the 5.1 % growth in the previous quarter. The country is well on track to achieve GDP growth of up to 7.0 % for 2017 as a whole, about twice as much as expected at the beginning of the year. This is a robust recovery after a difficult year in 2016 and shows the resilience of the Turkish economy.

Growth in the third quarter of 2017 was particularly strong compared to the third quarter of 2016, when the economy contracted by 0.8 % following the failed coup attempt in July 2016. Nevertheless, the average gross domestic product has risen by 6.5% in the past 12 months, which is mainly attributable to consumption by private households and a revival in investments. Investments contributed 3.6 % to growth in 2017 and household consumption 7.0 %.

Exports and imports also grew strongly, but the net contribution of exports to growth was minimal.

The government increased demand in 2017 through a loan guarantee fund of TL 250 bn (EUR 61 bn). for small and medium-sized enterprises.

Average annual growth is expected to slow to 4.1 % between 2018 and 2022 due to the effects of tax increases, higher interest rates and the reduction of government stimulus programmes after the coup attempt in July 2016 and a gradual tightening of global liquidity.

Consumer price inflation has remained persistently high – well above the official medium-term target of 5 %, as a weaker lira has largely offset the disinflationary effects of low global oil prices. The pass-through effects of past currency weakness and a moderate recovery in oil and other commodity prices from 2017 are expected to keep consumer price inflation well above the official target in the first half of the forecast period (2017– 2022). Assuming that the central bank does not ease monetary policy too soon, inflation will gradually weaken and reach the 5% target by the end of 2022.

After a decline in the nominal value of the lira of around 17 % against the US dollar in 2017, we expect the rate of devaluation to slow in the forecast period and the currency to remain largely stable in real terms. This forecast carries significant risks arising from uncertainty about the outlook for global financial flows and the impact of domestic tensions and geopolitical turbulence in the region on investor confidence. The Turkish lira should be around 4.00 against the USD in 2018, compared with USD/TL 3.80 in 2017.

Although we expect the current account deficit to narrow moderately from an estimated 5.5 % of GDP in 2017 to 4.7 % of GDP per year in 2018 – 2022, Turkey's external financing needs will remain difficult to be met as global liquidity declines and investor confidence deteriorates. Although a weaker lira and the lifting of Russian sanctions will boost Turkey's main exports, we expect this to be largely offset by the moderately higher costs of imported energy and means of production for import-intensive export goods. The tourism industry recovered significantly in the second half of 2017, but geopolitical risks and the danger of further terrorist attacks remain and could have a negative impact on economic performance.

1.4 Banking Sector

The financial sector must continue to adapt to changing conditions. Although the reduction of non-performing loans in the EU is making progress, with the rate in Italy alone being reduced by 25 % compared to the previous year, the EU Commission is nevertheless increasing pressure for the introduction of a European insurance scheme for deposits. The EU states and the European Parliament are to agree on this by 2018. This European solution is particularly controversial in Germany.

In Germany, deposits in the insurance scheme are at a high level, which is why German financial institutions fear that their funds will be used to finance defaults in other countries with more vulnerable banking sectors.

The common European deposit insurance scheme (Edis) is the third pillar of the so-called banking union, which was intended to strengthen the European financial sector after the 2008 financial crisis. The first two pillars are already in place: Joint supervision of the most relevant Banks by the European Central bank (ECB) and a Single Resolution Mechanism (SRM). The aim is to remove tax-payer's liability in the event of bank difficulties.

The German banking industry faces further challenges in 2018 with Basel III and the associated increased capital requirements, Brexit and the increasing digitisation of the industry. The Banks will face regulatory tasks, cost reductions through fewer branches and alliances with fintechs, as well as the increasing pressure to innovate in 2018. The low interest rate environment continues to place a burden on the earnings situation of German Banks.

2 Business and General Conditions

OYAK ANKER Bank GmbH is a Frankfurt-based private bank focused on private and corporate customers. The bank offers various loan models and all major deposit products. In addition, the bank enables customers to realise their wishes through instalment loans and loans used in relation to real estate.

In corporate banking, an appropriate balance has been struck between syndicated and bilateral lending. By financing factoring and leasing companies, the bank supports the export and import business of major Turkish corporations.

In 2016 the bank opened a representative office in Istanbul. This supports the bank in terms of communication, maintaining contacts and market research. It is part of the strategy and provides economic information about the market in Turkey and our Turkish and European customers based in Turkey.

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

2.1 Employees

In late 2017 the bank had 105 employees (previous year 116) (including 3 employees of VFG GmbH (previous year 4)), 5 of whom were trainees and interns (previous year 5). Converted to full-time equivalents (FTEs), this corresponds to 92.44 employees (previous year 92), of which 2.83 FTEs from VFG GmbH (previous year: 3.83 FTEs).

Due to the general market and business development and the resulting cost pressure, as well as planned restructuring and automation measures, considerable personnel reductions were carried out in the course of the year in the form of redundancies for operational reasons, non-extension of fixed-term employment contracts, reduction of temporary personnel and by not filling vacancies (following resignations by employees). In the last quarter of 2017, a reduction in staff of 20 % was implemented with a mass dismissal notification to the Federal Employment Agency. These measures are designed to improve the bank’s future viability in a difficult market environment. The notice periods for these employment contracts – which in some cases had lasted a very long time – extend well into 2018 and will only have a significant impact on personnel numbers and costs from mid-2018.

Due to the forward-looking decisions to partially rely on fixed-term contracts and temporary staff for personnel requirements and during phases of business expansion, some of the staff cuts were implemented without labour law disputes and costs. A social plan was agreed with the works council for the reduction of jobs in the context of mass redundancies and corresponding provisions

were set up for severance payments, which could be made on the basis of the bank's recent positive earnings situation in order to give the company a structure that is viable for the future.

The number of resignations by employees has increased, particularly in the case of specialist positions currently in demand in the labour market, due to increasing (regulatory) legal requirements for institutions (e.g. reporting, risk management, controlling). At the beginning of 2018, the bank will advertise positions as replacements for specialists who have left the company due to employee resignations in order to improve the quality of its personnel.

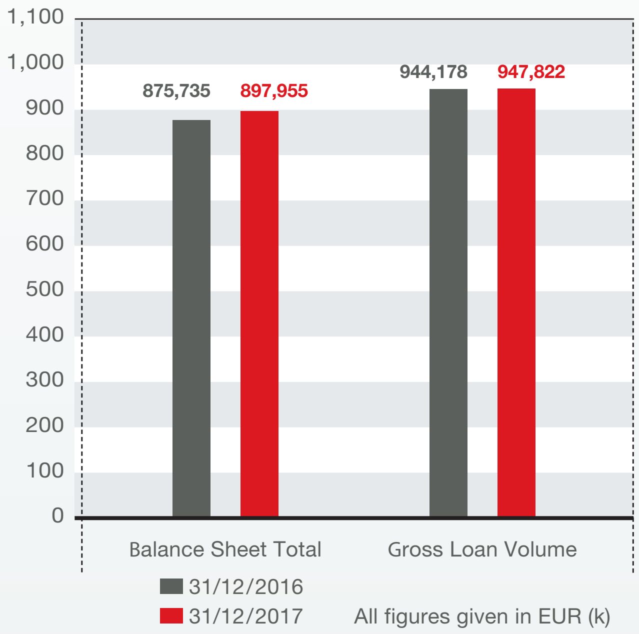
Our special thanks goes to all our employees who, despite a difficult market and working environment, showed commitment and worked towards the interests of our bank in the past turbulent financial year.

2.2 Financial Situation

In 2017 the balance sheet total increased by EUR (k) 22,220 to EUR (k) 897,955 (previous year: EUR (k) 875,735). The increase in total assets is related to the increase in business volume in the area of cash-secured corporate loans.

The gross loan volume of EUR (k) 947,822 was EUR (k) 3,644 higher on the reporting date (previous year: EUR (k) 944,178). The gross loan volume (exposure) is based on carrying amounts for loans, securities, investments, shares in affiliated companies and other assets and on credit equivalent amounts for derivatives. In addition, unutilised credit lines and guarantees are taken into account. Provisions, allowances and other loan loss provisions, as well as accrued interest, are not included in the gross loan volume. The values below refer to the gross loan volume.

Chart 1: Balance Sheet Total and Gross Loan Volume



Gross loans and receivables due from credit institution decreased by EUR (k) 15,142 to EUR (k) 26,927 (previous year: EUR (k) 42,069).

Receivables due from corporate customers increased by EUR (k) 79,354 to EUR (k) 471,036 (previous year: EUR (k) 391,682). This corresponds to an increase of 20.3 %. Cash-covered corporate customer business increased by EUR (k) 52,728 to EUR (k) 232,895 (previous year: EUR (k) 180,167). The volume of syndicated loans fell by EUR (k) 6,649 (previous year: EUR (k) 66,847) to EUR (k) 60,198 and other commercial loans increased by EUR (k) 38,251 to EUR (k) 151,351 (previous year: EUR (k) 113,100).

Loans and receivables due from customers fell by 15.2 %. As of the balance sheet date, the widely diversified retail banking accounted for 37.0 % (previous year: 45.4 %) of gross book receivables from customers. Gross book receivables due from retail banking amounted to EUR (k) 276,545 (previous year: EUR (k) 325,957).

Excluding cash-covered corporate banking, the share of loans and advances due from retail customers in total loans and advances to customers was 53.7 % (previous year 60.6 %). Receivables due from borrowers residing in Turkey amounted to EUR (k) 243,650 (previous year: EUR (k) 250,198). Thereof, receivables of EUR (k) 4,394 (previous year: EUR (k) 3,749) were covered by cash collateral.

Overall, receivables due from customers increased by EUR (k) 29,941 (4.17 %) to EUR (k) 747,581 (previous year: EUR (k) 717,640).

At the end of the year, a securities portfolio in the amount of EUR (k) 116,905 (previous year: EUR (k) 125,999) was held as fixed assets.

Derivative financial instruments were concluded to hedge foreign currency and interest rate risks from a risk perspective.

Other loan obligations resulted from off-balance sheet transactions. The issued guarantees decreased to EUR (k) 10,968 (previous year: EUR (k) 12,330). As of 31 December 2017, these mainly included guarantees on behalf of private customers. Loan commitments decreased to EUR (k) 23,233 (previous year: EUR (k) 34,797) as of the reporting date. The credit equivalent amount of the currency hedging positions decreased to EUR (k) 1,797 (previous year: EUR (k) 2,035).

Investments made in 2017 in the area of intangible assets amounted to EUR (k) 416 (previous year: EUR (k) 273). The balance at the end of the year was EUR (k) 599 (previous year: EUR (k) 600). The investments mainly served the redesign of our website and the expansion of the existing banking application. Additions to property, plant and equipment totalling EUR (k) 20 (previous year: EUR (k) 78) resulted mainly from IT equipment at EUR (k) 11 (previous year: EUR (k) 51). The remaining additions resulted primarily from low-value assets.

On the refinancing side, liabilities due to Banks increased to EUR (k) 82,297 (previous year: EUR (k) 74,645). This increase results from the increased use of refinancing operations with the German Central Bank (Bundesbank).

Customer deposits decreased to EUR (k) 469,753 (previous year: EUR (k) 511,210). Savings deposits decreased to EUR (k) 30,683 (previous year: EUR (k) 39,221). Liabilities payable on demand increased to EUR (k) 124,641 (previous year: EUR (k) 104,481). The reason for this was the increase in overnight money to EUR (k) 120,714 (previous year: EUR (k) 102,052). Liabilities with an agreed term or period of notice fell to EUR (k) 314,430 (previous year: EUR (k) 367,509).

Provisions fell to EUR (k) 1,257 (previous year: EUR (k) 1,419). This results, among other things, from lower provisions for inventory commissions in the amount of EUR (k) 119 (previous year: EUR (k) 314), reduced outstanding invoices in the amount of EUR (k) 112 (previous year: EUR (k) 216) and reduced tax liabilities in the amount of EUR (k) 153 (previous year: EUR (k) 253). In turn, provisions for personnel restructuring in the amount of EUR (k) 159 (previous year: EUR (k) 0) were formed.

Subordinated liabilities increased in total to EUR (k) 238,121 (previous year: EUR (k) 183,325) due to the increase in subordinated time deposits as collateral for cash-covered credit transactions in the same amount.

The bank's equity under commercial law amounted to EUR (k) 105,097 as of the balance sheet date (previous year: EUR (k) 99,985). It was comprised as follows: Share capital EUR (k) 90,000 (previous year: EUR (k) 90,000), reserves EUR (k) 9,985 (previous year: EUR (k) 8,368) and profit retained EUR (k) 5,112 (previous year: EUR (k) 1,618). As of 31 December 2017, the modified equity ratio in accordance with Section 24 (1) no. 16 of the German Banking Act (KWG) was 11.5 % (previous year: 11.2 %).

2.3 Profit Situation

For the financial year, net income of EUR (k) 5,112 (previous year: EUR (k) 1,618) is reported. Net interest income – including income from investments and the profit transferred by our subsidiary – decreased by EUR (k) 1,807 to EUR (k) 21,460 (previous year: EUR (k) 23,267). The bank was almost able to maintain the average interest margin of the overall portfolio.

Interest income from lending and money market transactions fell to EUR (k) 30,006 (previous year: EUR (k) 33,007). Fixed-interest securities contributed EUR (k) 3,109 (previous year: EUR (k) 3,755) to income. "Income from profit pooling, profit transfer and partial profit transfer agreements" increased to EUR (k) 515 (previous year: EUR (k) 410).

Interest expenses of EUR (k) 161 (previous year: EUR (k) 427) result from bank deposits. Interest expenses of EUR (k) 4,194 (previous year: EUR (k) 5,043) resulted from liabilities to customers. Interest expenses for subordinated liabilities decreased to EUR (k) 7,855 (previous year: EUR (k) 8,477).

"Write-downs and allowances on receivables and certain securities as well as allocations to provisions in the lending business" decreased from EUR (k) 4,861 to EUR (k) 2,457. In the course of the conversion of the calculation of the individual allowance from dunning levels to the payment behaviour, EUR (k) 2,950 risk provisions were reclassified to the individual allowances in accordance with Section 340f German Commercial Code (HGB). Net additions to lump-sum specific valuation allowances were EUR (k) 7,055 – EUR (k) 1,450 higher than in the same period of the previous year. On balance, the allocation to risk provisions from specific valuation allowances and Section 340 et seq. HGB reserve was reduced by EUR (k) 1,500. This reflects the change of strategy in the retail lending business. The allocation to general loan loss provisions was reduced by EUR (k) 281 (previous year: increased by EUR (k) 381).

As in the previous year, fixed-interest securities held as fixed assets were not written off due to unexpected permanent impairments. On balance, the bond portfolio showed hidden reserves of EUR (k) 2,401 (previous year: EUR (k) 473).

Commission income fell by EUR (k) 817 to EUR (k) 1,457 and commission expenses fell by EUR (k) 2,252 to EUR (k) 2,090, mainly due to less brokerage of insurance contracts. This was mainly due to the decline in broker commissions in the instalment loan segment.

General administrative expenses decreased by a total of EUR (k) 305 or 2.2 % compared to the previous year. Included increased other administrative expenses by EUR (k) 287 (4.4 %) and personnel expenses fell by EUR (k) 593 (8.4 %).

In 2017 the "Income from write-ups of participating interests, shares in affiliated companies and securities treated as fixed assets item" recorded a profit contribution of EUR (k) 919 (previous year: EUR (k) 449).

Exchange rate risks from asset positions are hedged by FX forward transactions. The expenses of EUR (k) 978 (previous year: EUR (k) 1,191) are allocated to other operating expenses.

The cost/income ratio improved slightly to 67.1 % in 2017 (previous year: 69.1 %). The return on equity increased to 5.15% (previous year: 1.62 %).

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 in the year under review was always sufficient. Liquidity risk was managed and monitored by means of a daily liquidity plan and regular forecasts based on various size classes and target groups. The bank took advantage of the opportunity to raise liquidity by submitting loan receivables and securities as investment grade collateral at the Bundesbank. The means of payment were planned and kept ready for payment at all times. The liquidity ratio in accordance with the German Liquidity Regulations LiqV and LCR DR was always maintained. At year-end, the liquidity ratio in the first maturity range was 3.23 (previous year: 2.11). The reported LCR according to the Delegation Act (DA) was 2.59 (previous year: 1.71).

The regulatory total capital ratio / core capital ratio/hard core capital ratio in accordance with CRR was 16.65 % at the end of 2017 (previous year: 15.31 %).

In accordance with the new Supervisory Review and Evaluation Process (SREP) requirements, the German Federal Financial Supervisory Authority (BaFin) has informed the bank that a minimum regulatory capital ratio must be maintained. The bank complies with this requirement, including the capital maintenance buffer to be taken into account until 2019. The internal minimum target ratio is 14.0 %. This was complied with throughout the past financial year. In the capital planning for 2018, a capital ratio including the target figure of over 14.0 % is determined. From today's perspective, the bank sees itself prepared for the regulatory requirements that will allow an increased focus on private retail business and the growing corporate customer business.

2.5 Derivative Instruments

To cover exchange rate fluctuations, the bank had 21 forward exchange transactions with a nominal value of USD (k) 64,200 and GBP (k) 7,800 (previous year: USD (k) 76,384 and GBP (k) 6,300) in its portfolio at year-end.

At the end of 2017, the bank held an interest rate swap with a nominal value of EUR (k) 10,000 (previous year: EUR (k) 12,000) to hedge interest rate risks. The fixed interest rate position was fixed for the entire term; the variable position was linked to the six-month Euribor.

2.6 General Statement on the Economic Situation

Management's overall assessment of the economic situation at the time of preparing the annual financial statements and management report is cautiously optimistic.

3 Report on Expected Performance with its Key Opportunities and Risks

3.1 Forecast Report

The bank's performance is based on the multi-year business and risk strategy drawn up by the Executive Board, which is reflected in the budget planning. At the heart of this planning is the stabilisation of the bank's earnings situation and the expansion of its business units. The bank's strategy is to achieve sustainable growth through a "transparent", "comprehensible" and "responsible" approach to providing products and services tailored to the bank's clients.

The bank's target markets are Germany, Western Europe and Turkey. There, the bank focuses on companies from Turkey's "premier league", primarily those companies that are rated "investment grade". Selective promissory note loans for European companies with strong credit ratings are also to be considered. In setting these targets, the economic forecasts for Germany, Europe and Turkey were taken into account in addition to expectations for the global economy.

From the bank's perspective, the global economy will continue on its growth course if the trade restrictions announced in the trade dispute between the USA, Europe and China are not implemented. The customs duties imposed by the respective parties are not yet having an impact on global trade. With economic data from the USA remaining positive and inflation rising significantly, the exchange rate of the US dollar against the euro has weakened significantly.

We also expect 3 to 4 further interest rate hikes by the Fed by the end of 2019. Given a similarly very stable economic environment in Europe but at the same time significantly lower inflation than in the USA, we do not expect any changes in the ECB's monetary policy in 2018 and a possible first interest rate hike for the second half of 2019.

The outlook for the German economy in this global environment remains very positive as long as trade disputes do not escalate further.

In the context of the strategic planning, the expansion of the private customer portfolio via our website and online platforms is to be further advanced. This already

paid off in 2017. Risk provisioning was reduced as the loans brokered via "online platforms" show lower default rates. Accordingly, the profit forecast for 2017 was exceeded by EUR (k) 2,050. The reduction in loan loss provisions accounted for the lion's share of this.

A decline in the portfolio of retail loans is expected for 2018, as new business will not offset the scheduled and expected unscheduled loan repayments. Direct business is to be further promoted through the expansion of private customer marketing. This will be increasingly reflected in the balance sheet from 2019.

Corporate customer business with European and Turkish counterparties is being expanded. The cash-covered business will be continued to a reduced extent.

The securities portfolio is to be further expanded. The investment focus is primarily on bonds issued by European companies and financial institutions in the investment grade sector with a maximum term of 7 years. Another important investment focus is on European government bonds and USD-denominated Turkish corporate bonds. Diversification of the bond portfolio is a key investment aspect for the bank.

By the end of 2018, the bank's balance sheet volume, less cash-based lending business, will increase by just under 20 %.

The expansion of the loan volume will be carried out in compliance with the equity capital requirements. The planned growth in corporate lending business is to be covered by fully reinvesting the profits generated in 2017. If necessary, further capital increases may be carried out by the parent company, OYAK Ordu Yardimlasma Kurumu.

In line with the above framework conditions of our business model, the bank has assumed the following effects on earnings in its extrapolation for 2018:

Net interest income will decline somewhat due to ongoing pressure on margins and the lower volume of back-to-back transactions. Net commission income will move sideways. Risk provisioning for lending business was conservatively calculated at a slight increase.

Personnel costs will be reduced in 2018 and subsequent years as a result of the measures taken in 2017. The quality of the personnel will increase. Administrative expenses continue to be subject to strict cost management. The optimisation of IT systems and the further automation of processes will be continued. Expenditure for risk management and regulatory requirements will continue to increase. The bank assumes an increase in marketing expenditure as a result of the expansion of direct marketing. The bank will change its location within Frankfurt Niederrad in 2018. This will reduce rental costs.

Negative interest rates have only had a marginal impact on the assets situation, financial situation and earnings situation of the bank to date. The bank will continue its efforts to avoid significant financial losses in 2018 despite the negative interest rate environment. Treasury continues to strive to manage free liquidity in a granular and optimal manner, to take advantage of various investment opportunities and to keep negative interest rates as low as possible.

Strategic key figures are derived from the business planning for 2018 as follows: Due to the low level of interest rates and the increased expenses resulting from the implementation of regulatory requirements, the bank assumes a return on equity of between 3 and 4 %. The core capital relevant for regulatory purposes, including the target ratios, will be between 14 % – 16 %. A cost/income ratio of between 65 % and 72 % is targeted.

The economic environment has improved, but the persistently low interest rate level is leading to ever greater pressure on margins. 2018 will be a challenging year for the bank. Nevertheless, the bank’s future performance will be positive. There are no discernible risks that could jeopardise the bank's continued existence.

3.2 Risk and Opportunity Report

3.2.1 Tasks and Objectives of Risk Management

In addition to the overriding objective of ensuring the risk-bearing capacity (RBC) at all times, a key objective of the bank is to seize market opportunities that are proportionate 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 here, which is reflected in the controlled assumption of risks, taking into account the strategic orientation, the general 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 the risk-bearing capacity:

- the identification of immediate risks and medium- and long-term threats,
- the analysis of risks with regard to potential threats and urgency,
- active risk management in the areas of risk assumption, risk delimitation and risk reduction,
- monitoring 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, which covers all business divisions. The system provides impetus for the operational management of risk-bearing business and serves as a basis for strategic decisions within the context of risk-adequate overall bank management.

The processes, methods and risk quantification procedures of the system are documented and reviewed on an annual basis. The processes and procedures are subject to continuous further development, taking into account changes in the external framework conditions and business processes due to changes in regulations in the financial services industry.

3.2.2 Supervisory Board

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

3.2.3 Executive Board

The Executive Board is responsible for the proper business organisation and its further development, irrespective of the internal rules regarding the internal allocation of responsibilities. 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 as well as the limit structure for the bank. The risk strategy reflects the risk tolerance and is geared towards the bank's risk-bearing capacity and the risk and earnings expectations of the divisions. The risk strategy takes into account the objectives and plans of the main business activities laid down in the business strategy, as well as the risks of significant outsourcing and the limitation of risk concentrations. The degree 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 broken down by the main types of risk. The management of risks, the strategic orientation of the business and reputational risks are the responsibility of the Executive Board.

3.2.4 Internal Audit
Internal Audit is organised as a process-independent part of the risk management system and the internal control procedures in accordance with the minimum requirements for risk management (MaRisk). It works without 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 carries out special audits on specific occasions. The Executive Board is kept up to date of the results of the audits. In its annual report, Internal Audit provides the Executive Board with a summary of the main and serious audit findings and the progress in dealing with such findings. The Executive Board in turn informs the Supervisory Board at least once a quarter 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.

3.2.5 Risk Management
Risk management assumes responsibility for the documentation, identification, analysis and assessment of risks and submits proposals for change or recommendations for action to the management. In addition, the models used for risk quantification and credit assessment are reviewed, enhanced and validated there. Risk Management is responsible for determining the bank's overall banking risk on a daily basis and monitoring its risk-bearing capacity, including stress test analyses and daily reporting to the Executive Board. The monitoring of operational risks is also carried out centrally in the Risk management division. This includes the identification, analysis and reporting of operational risks.

3.2.6 Accounting/Controlling/Reporting
This unit is responsible for calculating and analysing counterparty, market price and liquidity risks, monitoring compliance with the limits set by the Executive Board and reporting on these risks. Credit, market, liquidity and operational risks are managed in a coordinated process at all levels of the bank.

3.2.7 Special Functions (System of Authorised representatives)
There are appropriate bodies in accordance with the legal requirements (money laundering, data protection, information security within the meaning of BAIT, compliance within the meaning of KWG / MaRisk, risk controlling within the meaning of KWG / MaRisk, liquidity management within the meaning of CRR).

3.2.8 Risk Management and Control Committees
The following committees promote efficient, balanced risk management and the necessary communication. In addition, they support the Management in the management, monitoring and decision-making of tasks relevant to risk:

- Asset and Liability Committee (ALCO)
- Liquidity Committee
- Division and Department Manager Meeting
- Credit Committee

The ALCO, which discusses the overall risk situation of the bank and changes in the risk management systems on a monthly basis, acts as a superordinate body. The current situation is assessed on the basis of reports on counterparty default, market price and liquidity risks,

analyses on the basis of value at risk procedures and scenario techniques, and the latest financial key figures. This committee also discusses changes in the money, capital and currency markets, as well as investment decisions. Significant risk positions and selected exposures related to the assets most affected by the market distortions during a financial market crisis are discussed in detail here.

The Liquidity Committee meets on a fortnightly basis to discuss operational and strategic liquidity planning and management, as well as the handling of liquidity risks. The committee is not subject to any fixed overall or daily agenda. The decisions taken by the committee are implemented operationally by the relevant bodies.

The Credit Committee deals with the credit topics (excluding retail loans) of new loans and prolongations, deferrals, individual allowances and limit reviews.

In the meeting of division/department heads, all forthcoming questions concerning the business policy as well as the structural and procedural organisation of the bank are discussed.

3.2.9 Business and Risk Strategy

The basis for controlling and monitoring risks is a business and risk strategy defined by the Executive Board. There are sub-strategies for the individual risks in the areas of counter-party default, market prices, liquidity, personnel and IT. These are part of the integrated business and risk strategy.

The planning of the IT systems used in future takes place annually with the budget process and investment planning. In this process, IT concepts for important and necessary projects with regard to security, availability, expansion and automation are developed and integrated into the budget planning. With the approval of the budget, the future design of the IT systems is determined.

The multi-year projects include the further development of the extensive national and international regulatory reporting requirements. In addition, there are ongoing adaptations, as essential technical details are regulated in numerous Regulatory Technical Standards (RTS) as well as Implementing Technical Standards (ITS). Income and risk management will be further expanded in the context of overall bank management. Determining the sources of success and liquidity costs analysis are refined here

3.2.10 Scope and Type of Risk Reporting and Measurement Systems

In general, Risk Management and Accounting / Controlling / Reporting report to the Executive Board and addressed executives on a daily basis. Risk reporting takes place on a daily (short form, in tabular form) and quarterly (tabular and written explanation) basis in a MaRisk-compliant risk report. The report provides an overview of the development of the bank. Counterparty risks are broken down into risk classes, credit size classes, sectors, collateral, products, residual maturities and countries at the borrower and borrower unit level.

The bank uses a weekly and a detailed monthly report to illustrate its risk-bearing capacity. Compliance with the risk limits is monitored on an ongoing basis to ensure risk-bearing capacity. The abridged report on risk limit utilisation is prepared on a daily basis and the report is presented on a weekly basis. The full version of this report with the updated risk coverage potential taking into account hidden reserves / liabilities is prepared on a monthly basis.

Counterparty and market price risks are measured using value-at-risk models. The key risk figures (quantile value, expected loss, unexpected loss) are determined on a daily basis. Operational risks are calculated annually using the CRR-based basic indicator approach. In addition, inverse stress tests are carried out quarterly and the results, among other things, are documented in detail in the corresponding portfolio analyses.

In the context of the implementation of MaRisk requirement AT 4.1 paragraph 9, future-oriented risk-bearing capacity calculations are carried out for the next three financial years. The calculations are based on budget figures approved by Management.

The monthly credit and counterparty risk report details the risks and their changes and presents the causes. The stress tests are determined within the context of the RBC and compared with the limits. The monthly market price risk report deals in particular with the risks, the development of interest rates and interest rate volatilities. In the context of the analysis for market price risks, the present value development of the portfolio is also analysed and a basis point value and maturity transformation analysis is carried out and reported on.

In accordance with Circular 11/2011 (BA) Interest rate risks in the banking book, the effects of interest rate changes are determined on a daily basis in accordance with the guidelines and reported on in the weekly risk-bearing capacity report. A detailed report with explanations is provided monthly.

Liquidity risks are quantified on an ongoing basis. The following measures ensure that payment obligations can be met at all times:

- Monitoring the daily cash flow overview
- Monitoring open currency positions and control through limitation
- Monitoring using the daily short-term liquidity plan
- Monitoring liquidity principles in accordance with LiqV
- Monitoring and extrapolation of LCR
- Weekly extrapolation of liquidity key figures for the last day of the next two months
- Monitoring liquidity risks on the basis of a standard scenario and three stress scenarios with limits
- Weekly monitoring of the performance of deposits and the sensitivity of customer deposits to external or internal interest rate changes
- Investment of equity in ECB-eligible securities

Risk management assesses the current risk situation in the Liquidity Committee and ALCO meetings. In addition, there are ad hoc reports on significant events (losses). Reports are regularly submitted to the Supervisory Board by the Executive Board.

3.2.11 Risk-Bearing Capacity and Regulatory Capital Resources

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 and that the risk-bearing capacity is thus given.

The control groups pursue two different risk hedging objectives. The primary steering committee ensures that the available aggregate risk cover fully covers the risks assumed at all times. With this risk management, the bank pursues the protection of senior creditors (creditor protection approach). A continuation approach is also assumed in the secondary control group. When deriving the risk coverage potential, the portion of equity required for the capital requirements from the CRR is reserved.

Taking into account an assessment published by the German Bundesbank and the Federal Financial Supervisory Authority (BaFin) on the banking practice of calculating risk-bearing capacity (regulatory assessment of internal risk-bearing capacity concepts of 7 December 2011), hidden charges are included in the calculation of risk-bearing capacity.

Significant risks that become relevant in terms of risk-bearing capacity arise for the bank in the following areas in order of importance:

- Counterparty risks including country, issuer and settlement risks
- Market price risks from interest rate and currency risks
- Operational risks

The following two tables provide an overview of the tranches of the cover pool (economic capital) in cumulative form and the risk positions (quantile value, confidence level 99.9 %)

in EUR (k)	31/12/2017	31/12/2016
Primary Risk Cover Pool	11,737	10,647
Secondary Risk Cover Pool	23,039	19,402
Tertiary Risk Cover Pool	36,388	34,927
Quaternary Risk Cover Pool	113,039	109,402

The increase in the available cover pool (quaternary) as of the reporting date compared to the previous year is mainly due to the retention of profits, lower hidden charges and increased hidden reserves for securities.

The risk-bearing capacity of the primary steering committee was assured at all times in the year under review.

3.2.12 Analyses and Stress Tests

The bank regularly carries out various analyses and stress tests. This includes, for example, the impact of a devaluation of the ratings of certain EU member states and Turkey, as well as an analysis of borrowers and borrower units.

The results of the micro and macro-economically derived stress scenarios as of the balance sheet date show that the aggregate risk cover is sufficient to cover the overall risk position even in additional scenarios that take into account the strategic orientation of the bank and its economic environment (with the exception of extreme scenarios).

3.2.13 Backtesting

In order to test the validity of the models used, the annual backtesting was carried out at the beginning of 2017. The sales strategy change in the private client business in February 2015 has clearly stopped the previous trend of an increase in the observed default frequencies. The mean default rate of the validation sample is now

in EUR (k)	31/12/2017 Limit	Risk	Utilisation	31/12/2016 Limit	Risk	Utilisation
Market Price Risks	17,000	11,589	68 %	17,000	9,818	58 %
Counterparty Risks	78,000	67,401	86 %	78,000	64,070	82 %
Operational Risks	4,000	3,187	80 %	4,000	3,248	81 %
Total	99,000	82,177	83 %	99,000	77,135	78 %

below the mean default rate of 3.19 % of the development sample. If the trend of significantly lower default rates proves to be a long-term trend, the estimated default probabilities can be revised down.

3.2.14 Counterparty Risks

3.2.14.1 Definition of Counterparty Default Risk

Counterparty default risk represents the risk of a partial or complete default on the part of a business partner on a contractually agreed performance or expected performance with a negative impact on banking operations. The bank determines the counterparty risk from aggregating the risk types credit, issuer, counterparty and country risk. The risk management is based on the following risk definitions:

Credit Issuer Risk

The bank defines credit risks and issuer risks as potential losses in value arising from the loss of solvency. Both risk types differ only in the underlying transaction and are treated equally from a risk management perspective.

Counterparty Risk

Counterparty risk includes the risk of incurring losses due to the default of a contractual partner in the settlement of claims (replacement risk) or due to the untimely settlement of claims (settlement risk).

Country Risk

Country risk describes the transfer risk of cross-border payments, which is caused by a country's unwillingness to pay (political risk) and its inability to pay (economic risk).

3.2.14.2 Rating Procedure

An important element of the credit approval process and the subsequent credit risk management process is a detailed and market-independent risk assessment of a business partner. In assessing the risk, both the creditworthiness and the market environment of the business partner and the risks relevant for the credit facility or the 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 issue, extend or significantly change the loan and determines the scope of monitoring for the respective exposure.

The bank has internal valuation methods, its own scorings[1] and Schufa scorecards, as well as a rating scale for assessing the credit rating of private and corporate clients. In addition, external ratings from leading international rating agencies are used for corporate clients if available. The scale of the internal rating procedure is calibrated to default probabilities based on statistical analyses of the bank's own portfolio.

1 Own scorings based on, among others, the applicant's master data, comparisons of disposable income to assess the ability to repay.

This enables the bank to compare the form and content of internal and external ratings and provide a consolidated analysis basis for the customer portfolio.

The probability of default of transactions with private clients is assessed on a daily basis using portfolio scoring. In addition to customer master data, the analysis is based, in particular, on information on payment behaviour.

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

3.2.14.3 Risk Measurement

By implementing Credit Value at Risk (CVaR) to identify, assess, manage, monitor and communicate credit and counterparty risk, the bank uses an important instrument in the risk management and controlling process.
The bank uses an asset value model extended to include country risks for credit portfolio analysis. Both the model and the parameters used are regularly checked by Risk Management for any need for adjustment or change.

All risk measures are also reported as marginal risks, i.e. once as the contribution of the exposure of a portfolio segment to the total portfolio exposure and as the contribution of the CVaR of a portfolio segment to the total CVaR of the portfolio. Concentrations of risk in borrower units are measured on a daily basis and evaluated on a monthly basis in the portfolio analysis.

In addition, Herfindahl indices (HHI) are calculated on a monthly basis for numerous risk measures and compared with the marginal CVaR.

In addition to a standard scenario, various stress tests and event-related analyses are carried out in the portfolio analysis, which show the effect of special events, such as rating downgrades of customers and countries and recovery risks on the bank's risk-bearing capacity. In addition, simulations are carried out on a monthly basis for the Turkish portfolio.

In the context of the monthly portfolio analysis, inverse stress tests are also carried out quarterly, simulating a massive deterioration in the ratings of countries, corporate and private clients. Various mixed scenarios were also constructed.

In addition, rating downgrades for corporate clients and massive downgrades in the private client portfolio, which could lead to the existing risk limits being exceeded, are also considered. These scenarios serve as a basis for developing measures in the ALCO.

Industry Risks
In all sectors, a limit is set for total exposure, which is monitored and reported on a daily basis.

Country Risks
For all countries, a limit is set for total exposure, which is monitored and reported on a daily basis.

3.2.14.4 Concentration Risks

Concentration risks are quantified and evaluated in the context of regular risk reporting. The bank's client portfolio is broadly diversified in both corporate and private clients. Concentration risks exist to a certain extent with respect to Turkey's country risk and with respect to the largest individual customers. These concentration risks are known. They are monitored in detail and borne consciously. Exposure and risk limitation prevents the uncontrolled occurrence of other risk concentrations.

3.2.14.5 Intensive Support and Risk Management

Problem exposures are managed by the bank's specialised and experienced support units with the aim of initiating measures in good time in order to allow the borrower to restructure. If a loan needs to be terminated, further aftercare and processing takes place in a wholly-owned subsidiary, VFG – Verrechnungsstelle für gewerbliche Wirtschaft Gesellschaft mbH in Koblenz.

3.2.15 Market Price Risks

3.2.15.1 Definition of Market Price Risks

A market price risk arises because the present value of the bank's overall position is influenced by changes in market factors, such as exchange rates and yield curves. Risk management is based on the following risk definitions:

Currency Risk:
A currency risk exists when an exchange rate affects the present value of the bank's overall position.

Interest Rate Risk:
An interest rate risk exists when interest rates affect the current value of the bank's overall position.

3.2.15.2 General

Sight and time deposits, loans, securities held, interest rate swaps and forward exchange transactions include interest rate and exchange rate risks, with open currency positions kept within limits. These bank portfolios, including the investment portfolio, are valued on a daily basis and their risk content is measured and limited in a present value-oriented VaR system.

3.2.15.3 Market Value at Risk Analysis

Interest rate and exchange rate risks are calculated together. Cash flows and interest and currency sensitivities are calculated for all positions in the bank's portfolio. Risk distribution is evaluated using the Black-Karasinski model. The main parameters are: Holding period of 261 working days, history of 1,000 calendar days, confidence level of 99.9 %.

In addition to the standard scenario for market price risks, further scenarios and stress scenarios are calculated on a daily basis. The monthly monitoring of scenario results takes place in the ALCO. The delta-gamma model (MVaR with a holding period of 10 working days and a history of 90 calendar days) is still used for operational management so that the bank can react more quickly to changes in the market situation and ensure prompt compliance with stop-loss limits.

In the context of MaRisk requirement AT 4.3.3 paragraph 4, an examination of the holding period and the observable history for market price risks was carried out. The analysis did not give any valid reasons against the validity of the Value at Risk estimates. However, the model showed very conservative results compared to the actual changes in market value with a holding period of 250 days.

The analysis of the fixed-interest period statement and the present value analysis with commitment period and "Basis Point Value" analysis (sensitivity analysis) form the basis for compliance with MaRisk requirement BTR 2.3 ("Market price risks in the banking book including interest rate risks").

3.2.15.4 Stress Tests

While VaR, determined on a daily basis, provides a forecast of potential major losses under normal market conditions, it is not an adequate measure of the risks to the portfolio in extreme scenarios. For this reason, various stress tests are regularly carried out to evaluate the bank's portfolio under extreme market scenarios that are not covered by the confidence interval of the VaR model. Inverse stress tests are also used here. These are based on the market VaR and the present value method.

3.2.15.5 Interest Rate Risk in the Banking Book

The bank's interest rate risks arise in connection with interest-sensitive transactions in the banking book and on the overall bank level from maturity transformation. Risks arise, in particular, from the rising or turning of the yield curve. The bank checks on a daily basis whether it is an "institution with an increased interest rate risk" within the meaning of BaFin Circular 11/2011 (BA).

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

A parallel shift of the yield curve in the amount of "+200 basis points" or "−200 basis points" is used to calculate the interest rate risk. The key figures performed as follows:

As a percentage	31/12/2017	31/12/2016
+200 basis points	−10.70	−11.73
−200 basis points	+4.55	+5.68

3.2.16 Liquidity Risks

The bank defines liquidity risk as the risk that it cannot meet its daily payment obligations (liquidity risk in the narrower sense) and that future payments cannot be financed on schedule, in full or at market conditions (refinancing risk).

Liquidity risk (in the narrower and broader sense) is one of the bank's most significant risks. However, it is not backed by economic capital, as from the bank's point of view liquidity risks cannot reasonably be backed by capital. Nevertheless, it is ensured that liquidity risks are adequately taken into account in the risk management and controlling processes.

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

The daily monitoring of short-term liquidity is carried out as a supplement to the regulatory liquidity ratios.
The bank's short, medium and long-term liquidity requirements in the reporting period were mainly covered by secured borrowings through participation in open market transactions and the acceptance of customer deposits.

The bank uses an internal liquidity model to measure and manage its liquidity situation. Transparency is created on a daily basis regarding the expected and unexpected liquidity flows within the respective maturity range, as well as the liquidity reserves that can be used to compensate for liquidity shortfalls. To determine these liquidity cash flows, assumptions are made, in particular, regarding the withdrawal of customer deposits, also taking into account concentrations of deposits. A standard scenario as well as several different stress scenarios are presented here. The aim is to always have 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 in the next six months, is positive and therefore no liquidity bottleneck is discernible from this perspective.

Cumulative liquidity cash flows for the next six months:

Period	Cumulative Liquidity Cash Flows in EUR (k)
Up to one month	40,794
Up to two months	36,301
Up to three months	22,371
Up to four months	3,957
Up to five months	83,509
Up to six months	22,882

3.2.17 Risk Concentrations

Focusing on selected activities and counterparties can lead to risk concentrations within a type of risk. In the credit sector, for example, this concentration is differentiated by customer groups, sectors, countries, ratings and products.

However, concentrations in market price and liquidity risk are also continuously monitored and reported. Management is thus informed about the status and development of risk concentrations in order to decide in individual cases on a reduction, change of strategy or additional monitoring.

3.2.18 Operational Risks

Operational risk refers to the potential occurrence of losses in connection with employees, contractual agreements and their documentation, technology, failure or breakdown of infrastructure, projects, external influences and customer relationships. In particular, risks from money laundering, fraud and data misuse are dealt with in this risk category.

Aligned tools are used to identify and assess operational risks (OP risk). The bank has implemented an OP risk management system in accordance with MaRisk. The work processes are regulated in work guidelines.

The relevant loss data required to build up a data history (period from 2007 onwards) is collected in a loss database. This forms the basis for a targeted and detailed root cause analysis and elimination. A risk database is also in use. A risk report is used to record possible operational risks. These historical messages are categorised and evaluated.

In addition to the risk inventory, a self-assessment focusing on qualitative and quantitative statements on the risk situation is conducted annually and an annual online training course is conducted. The purpose of the training is to make the topic of “operational risks” more easily accessible to employees and to explain the significance of surgical risks in day-to-day work processes.

In the area of IT risks identified as OP risk, the focus is on measures to secure IT systems and data in accordance with international standards. Risks in relation to the IT infrastructure are minimised by distributing the infrastructure across two separate data centres.

Emergency business continuity measures exist in the form of an emergency manual for the entire bank, supplemented by additional manuals to ensure technical procedures for restoring IT after an emergency. The emergency manual includes, among other things, information on the responsibilities in the crisis management team, on emergency measures and on available alternative workplaces. The emergency manual also contains a list of the maximum downtime at the organisational unit level.

The bank uses the basic indicator approach for operational risk in the context of the CRR. A modified basic indicator approach is used for internal risk management. The average annual gross profit for the past two years and the planned profit for the current period are used as an indicator for operational risk. In addition, quarterly OpRisk scenario analyses are calculated and included in the monthly calculation of risk-bearing capacity. With the help of three different risk scenarios, significant potential losses are identified and evaluated.

3.2.19 Strategic Risks

Fluctuations in results may be caused, for example, by changes in the competitive situation, changes in customer behaviour or the consequences of technical progress. The bank's business strategy is constantly subjected to a critical review and, if necessary, adapted to the changed framework conditions.

The bank continues to focus on a diversified product range in both deposit-taking business and lending and commission business. For this reason, no threat to the existence of the company is discernible in the event of economic or legal changes in the framework conditions.

Economic influences mainly affect the bank's lending business. Possible risks are taken into account through consistent expansion of corporate and private customer business and product diversification.

The bank cooperates with partners of various sizes and from various sectors in order to achieve the greatest possible diversification of retail customer sales risk in third-party business. The focus here is on cooperation partners from online sales, the insurance industry, building societies and credit brokers. In addition, existing products and the development and testing of new products are continuously diversified. The bank can only incur a sales risk if the products cannot be sold in the market.

3.2.20 Legal Risks

Limiting legal risks is a key task of the Legal / Compliance department. This is done, among other things, by using recognised standard contracts or, where necessary, by taking legal opinions into account. The drafting of contracts for established products is continuously reviewed to determine whether changes in legislation or case law require adjustments. The Legal/Compliance department is also involved in the preparations for the introduction of new products.

3.2.21 Reputational Risks

Reputational risk is the risk that public confidence in the bank is negatively affected by public reporting on a transaction, a business partner or a business practice in which a client is involved. Reputational risk is managed directly and on a case-by-case basis by the Executive Board in cooperation with Retail Marketing / Public Relations.

3.2.22 Opportunities

The model-based quantification of the expected and unexpected loss in counterparty risks is based on statistical methods based on historical observations. Opportunities arise if the actual creditworthiness development of credit risk-bearing positions is more favourable than observed in the past. In this case, the allowance for losses on loans and advances is below the calculated counterparty default risks and there are fewer downgrades to worse credit ratings. Likewise, higher revenue than assumed may be realised from the liquidation of collateral in respect of counterparty risk positions that meet the default definitions or have a more positive creditworthiness development over time than assumed.

The development of interest rates 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 ensure liquidity includes the opportunity to react flexibly to business opportunities.

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

In the case of operational risk, opportunities arise in such a way that the actual losses incurred are below the imputed risks. Loss events that have occurred are analysed and, if necessary, process improvements are carried out.

Positive external reports may be an opportunity in relation to the bank's reputation.

In terms of risk-bearing capacity, there is an overall opportunity that the risks actually realised will be below the imputed risks.

4 Internal Control System for Financial Reporting

The internal control system for financial reporting ensures that the assets and liabilities in the periodically prepared annual accounts are properly recognised, reported on and measured and that the results of operations are presented appropriately. The main components are listed below.

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

All postings are supported by a systematically structured general ledger chart of accounts that is structured according to accounting requirements. This can only be changed by way of 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, documented coordination process also ensures that all transactions recorded in the systems are fully mapped. In addition, regular plausibility checks are carried out centrally at various levels in order to intervene at an early stage.

Efficient monitoring of the accounting process as a whole is also ensured by Controlling's evaluations, which are independent of Accounting. The individual earnings components of the bank are prepared here in different dimensions and degrees of detail. Reconciliations are performed between the accounting results and the evaluations mentioned, which enable any deviations to be identified and rectified at an early stage. Another important control component is the monthly reporting to the Executive Board, the market departments and the sales units.

The valuation of the credit portfolio is part of the back office on the basis of the separation of functions prescribed by regulatory requirements. Individual allowances are posted by the system. The individual allowance rates are validated annually and adjusted if necessary. Lump-sum valuation allowances are recognised on the basis of the maximum allowable amounts under tax law. The valuation of securities portfolios is accompanied and monitored by the Trade Processing department.

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

For the functions described, the bank relies on a team of technically experienced employees who also fulfil the tasks of regulatory reporting, controlling, various management requirements and tax law.

R. Emre Yalçınkaya Süleyman Erol

5 Memberships

The bank is a member of the Bundesverband deutscher Banken e.V., Berlin, and the respective state associations. It is affiliated with the statutory and private Deposit Protection Scheme of the retail banking industry.
The Bank is also a member of the Verband der Auslandsbanken in Deutschland e.V., Frankfurt am Main and PENSIONS-SICHERUNGS-VEREIN Versicherungsverein auf Gegenseitigkeit, Cologne.

Frankfurt am Main, 29 May 2018

OYAK ANKER Bank GmbH

R. Emre Yalçınkaya Süleyman Erol

Balance Sheet as at 31 December 2017

	Assets	EUR		EUR	EUR	Previous Year EUR (k)
1	**Cash reserve**					
	a) Cash on hand			1,194.23		3
	b) Balances with Central Banks			18,668,925.80		7,409
	including: at Deutsche Bundesbank	18,668,925.80	(prev.y. EUR (k) 7,409)			
	c) Credit at Postal Giro Offices			0.00	18,670,120.03	
2	**Public sector debt and bills of exchange for refinancing admitted to Central Banks**					
	a) Treasury bills and non-interest-bearing treasury notes and similar public sector debt			0.00		0
	b) Bills of exchange			0.00	0.00	0
3	**Receivables to Banks**					
	a) Payable daily			5,116,490.17		10,172
	b) Other demands			21,849,925.91	26,966,416.08	31,934
4	**Receivables to customers**				729,600,082.95	695,154
	including: secured by mortgages	0.00	(prev.y. EUR (k) 0)			
	municipal	0.00	(prev.y. EUR (k) 0)			
5	**Bonds and other fixed-income securities**					
	a) Money market instruments					
	aa) from public issuers		0.00			0
	including: lendable to Deutsche Bundesbank	0.00	(prev.y. EUR (k) 0)			
	ab) from other issuers		0.00	0.00		0
	including: lendable to Deutsche Bundesbank	0.00	(prev.y. EUR (k) 0)			
	b) Bonds and debentures					
	ba) from public issuers		15,934,918.05			9,699
	including: lendable to Deutsche Bundesbank	15,934,918.05	(prev.y. EUR (k) 9,699)			
	bb) from other issuers		102,253,098.50	118,188,016.55		118,092
	including: lendable to Deutsche Bundesbank	45,131,559.79	(prev.y. EUR (k) 60,764)			
	c) Own bonds			0.00	118,188,016.55	0
	Principal amount	0.00	(prev.y. EUR (k) 0)			
6	**Shares and other non-fixed income securities**				0.00	0
6a	**Trading portfolio**				0.00	0
7	**Shareholdings**				514,509.07	665
	including: at Banks	0.00	(prev.y. EUR (k) 13)			
	at financial services institutions	0.00	(prev.y. EUR (k) 0)			
8	**Shares in affiliates**				460,162.70	460
	including: at Banks	0.00	(prev.y. EUR (k) 0)			
	at financial services institutions	0.00	(prev.y. EUR (k) 0)			
9	**Trust assets**				0.00	0
	including: trust loans	0.00	(prev.y. EUR (k) 0)			
10	**Compensation claims against the public sector including bonds from their exchange**				0.00	0
11	**Intangible assets**					
	a) Self-created industrial property rights and similar rights and values			0.00		0
	b) Acquired concessions, industrial property rights and similar rights and values as well as licences to such rights and values			544,259.85		521
	c) Company value			0.00		0
	d) Advance payments			54,412.75	598,672.60	79
12	**Property, plant and equipment**				355,906.67	489
13	**Mandated capital not yet paid up**				0.00	0
14	**Other assets**				2,217,610.02	637
15	**Accruals and deferrals**				357,556.07	421
16	**Deferred expenses**				0.00	0
17	**Active difference from the asset allocation**				25,757.95	0
18	**Loss not covered by equity**				0.00	0
	Total Assets				**897,954,810.69**	**875,735**

	Liabilities		EUR	EUR	EUR	Previous Year EUR (k)
1	**Liabilities to Banks**					
	a) Payable daily			995,519.46		165
	b) With agreed maturity or period of notice			81,301,189.90	82,296,709.36	74,480
2	**Liabilities to customers**					
	a) Savings					
	aa) with agreed period of notice of three months		4,098,962.42			2,226
	ab) with agreed period of notice of more than three months		26,583,569.57	30,682,531.99		36,994
	b) Other liabilities					
	ba) payable daily		124,641,000.63			104,481
	bb) with agreed maturity or period of notice		314,429,682.26	439,070,682.89	469,753,214.88	367,509
3	**Securitised liabilities**					
	a) Issued bonds			0.00		0
	b) Other securitised liabilities			0.00	0.00	0
	including: money market instruments	0.00	(prev.y. EUR (k) 0)			
	own acceptances and promissory notes in circulation	0.00	(prev.y. EUR (k) 0)			
3a	**Trading portfolio**				0.00	0
4	**Trust liabilities**				0.00	0
	including: trust loans	0.00	(prev.y. EUR (k) 0)			
5	**Other liabilities**				1,256,179.70	4,747
6	**Deferred income**				173,660.38	404
6a	**Deferred tax liabilities**				0.00	0
7	**Provisions**					
	a) Provisions for pensions and similar obligations			50,021.98		43
	b) Tax provisions			152,850.00		253
	c) Other provisions			1,054,276.03	1,257,148.01	1,123
8	**(Deleted)**				0.00	0
9	**Subordinated liabilities**				238,120,651.00	183,325
10	**Participation rights**				0.00	0
	including: due within two years	0.00	(prev.y. EUR (k) 0)			
11	**Fund for general banking risks**				0.00	0
12	**Equity capital**					
	a) Committed capital					
	Subscribed capital		90,000,000.00			90,000
	Less unclaimed outstanding deposits	0.00	(prev.y. EUR (k) 0)	90,000,000.00		
	b) Additional paid-in capital			572,496.97		572
	c) Profit retained					
	ca) Legal reserve		0.00			0
	cb) Reserve for shares in an existing or majority-owned companies		0.00			0
	cc) Statutory reserves		0.00			0
	cd) Other revenue reserves		9,412,926.71	9,412,926.71		7,795
	d) Profit retained/balance sheet loss			5,111,823.68	105,097,247.36	1,618
	Sum of Liabilities				**897,954,810.69**	**875,735**

		EUR	EUR	Previous Year EUR (k)
1	**Contingent liabilities**			
	a) Contingent liabilities from passed bills of exchange	0.00		0
	b Liabilities from guarantees and warranty agreements	10,862,944.34		0 12,239
	c) Liability arising from the provision of collateral for third-party liabilities	0.00	**10,862,944.34**	0
2	**Other commitments**			
	a) Redemption obligations from non-property repurchase agreements	0.00		0
	b) Placement and takeover obligations	0.00		0
	c) Irrevocable loan commitments	10,000,000.00	**10,000,000.00**	7,999

Income Statement

for the period between 01/01/2017 and 31/12/2017

	Expenditure		EUR	EUR	EUR	Previous Year EUR (k)
1	**Interest charges**				12,210,571.51	13,947
	including positive interest from banking transactions		2,747.32			
2	**Commission expenses**				2,089,960.18	4,342
3	**Net expense of the trading portfolio**				0.00	0
4	**General administrative expense**					
	a) Personnel expense					
	aa) Wages and salaries		5,353,921.58			5,875
	ab) Social security and expense for pensions and welfare		1,091,987.65	6,445,909.23		1,163
	including: schemes	34,788.85 (prev.y. EUR (k) 5)				
	b) Other administrative expense			6,860,962.93	13,306,872.16	6,574
5	**Write-downs and allowances on intangible and tangible assets**				400,203.47	488
6	**Other operating expenses**				2,064,127.02	1,278
7	**Write-downs and allowances on receivables and on certain securities and additions to provisions in the lending business**				2,457,321.98	4,861
8	**Write-downs and allowances on participations, shares in affiliates and securities treated as fixed assets**				0.00	0
9	**(Deleted)**				0.00	0
10	**Addition to the fund for general banking risks**				0.00	0
11	**Extraordinary expenses**				0.00	0
12	**Taxes on income and earnings**				69,353.43	251
13	**Other taxes, unless recognised under Item 6**				-482,156.24	-131
14	**Profits transferred on the basis of profit sharing, profit transfer or a partial profit transfer agreement**				0.00	0
15	**Net income**				5,111,823.68	1,618
	Total Expenses				**37,228,077.19**	**40,266**

	Income		EUR	EUR	Previous Year EUR (k)
1	**Interest income**				
	a) Credit and money market transactions		30,005,602.47		33,007
	including negative interest from banking transactions	57,209.19			
	b) Fixed-income securities and debt register claims		3,109,422.48	33,115,024.95	3,755
2	**Current income from**				
	a) Shares and other non-fixed income securities		0.00		0
	b) Contributions		40,600.24		41
	c) Shares in affiliates		0.00	40,600.24	0
3	**Income from profit pooling, pension management or partial profit transfer agreements**			514,908.22	410
4	**Commission income**			1,456,727.51	2,274
5	**Net income of the trading portfolio**			0.00	0
6	**Income from write-ups on receivables and certain securities as well as from the liquidation of provisions in the lending business**			0.00	0
7	**Income from write-ups on investments, shares in affiliates and securities treated as fixed assets**			919,353.66	449
8	**Other operating income**			1,181,462.61	330
9	**Liquidation from the fund for general banking risks**			0.00	0
10	**(Deleted)**			0.00	0
11	**Income from transfer of losses**			0.00	0
12	**Net loss**			0.00	0
	Total Income			**37,228,077.19**	**40,266**

1	**Net income**	5,111,823.68	1,618
2	**Profit / loss carried forward from the previous year**	0.00	0
3	**Withdrawals from the capital reserve**	0.00	0
4	**Withdrawals from profit retained**		
	a) from the statutory reserve	0.00	0
	b) from the reserve for own shares in controlling or majority shareholding companies	0.00	0
	c) from statutory reserves	0.00	0
	d) from other profit retained	0.00	0
5	**Withdrawals from profit participation capital**	0.00	0
6	**Allocations of profit retained**		
	a) into the statutory reserve	0.00	0
	b) into the reserve for own shares in controlling or majority shareholding companies	0.00	0
	c) into statutory reserves	0.00	0
	d) into other profit retained	0,00	0
7	**Replenishment of profit participation capital**	0.00	0
8	**Profit retained / accumulated losses**	**5,111,823.68**	**1,618**

Appendix

General information on the structure of the annual accounts and the accounting and valuation methods

General Information

OYAK ANKER Bank GmbH, with registered office in Frankfurt am Main, is entered in the Commercial Register of the District Court of Frankfurt am Main under HRB No. 77306.

The annual accounts were prepared in accordance with the provisions of the German Commercial Code, the Act on Limited Liability Companies and the Ordinance on the Accounting of Credit Institutions and Financial Services Institutions, each as amended.

Assets and liabilities are accounted for and valued in accordance with sections 252 et seqq. and 340 et seqq. of the German Commercial Code (HGB).

The conversion into euros on initial recognition is based on the exchange rates 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. For forward exchange transactions, they are converted at the forward rate at the end of the year. The scope of the special cover under Section 340h HGB covers foreign currency positions and pending currency transactions (forward exchange transactions or currency swaps) that are not to be allocated to the trading portfolio. For specially hedged transactions, the results from currency conversion are reported net under other operating income.

Use was made of the offsetting options for certain expenses and income under Section 340c (2) and Section 340f (3) HGB, as well as Section 32 and Section 33 of the Ordinance Regulating the Accounting Requirements for Financial Institutions and Financial Service Providers (RechKredV).

Accounting and Valuation Methods

Assets

The cash reserve is stated at nominal value.

Receivables from credit institutions and customers are shown in the balance sheet at their nominal value, less individual and lump-sum allowances, plus accrued interest.

Identifiable individual risks in the lending business were taken into account through the formation of specific valuation allowances. In retail banking, a lump-sum individual allowance is calculated on the basis of historical default and loss rates. General loan loss provisions for latent risks were generally formed in accordance with the Federal Ministry of Finance (BMF) Circular dated 10 January 1994.

Securities in the investment portfolio were valued at the diluted lower of cost or market principle. In the case of permanent impairments, write-downs are made to the lower attributable value. Fixed-interest securities acquired at par (or above par) are written up (or written down) to their nominal value on an accrual basis. Securities in the liquidity reserve are valued according to the strict lower of cost or market principle.

Investments and shares in affiliates are stated at the lower of cost or fair value.

Intangible assets and property, plant and equipment were valued at acquisition cost. Intangible assets and operating and office equipment were depreciated on a linear basis. Low-value assets that amount to at least EUR 150.00 for the individual asset but do not exceed EUR 1,000.00 are capitalised in the collective item and reversed in the year of formation and in the following four fiscal years with a profit-reducing effect of one fifth in each case. Low-value assets that do not exceed EUR 150.00 are recognised directly as expenses.

Other assets and prepaid expenses are stated at nominal value.

Deferred taxes are recognised for temporary differences between the amounts recognised in the balance sheet under commercial and tax law 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 31.92 %, which includes corporation tax, trade tax and the solidarity surcharge. In accordance with Section 274 (1) sentence 2 HGB, no use is made of the option to recognise deferred tax assets for reasons of conservative accounting.

Liabilities
Liabilities are measured at their settlement amount plus accrued interest. Other liabilities and deferred income are stated 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 2005G mortality tables of Heubeck-Richttafeln GmbH, Cologne, and an assumed interest rate of 3.71 % p.a. In addition, a pension dynamic of 2.0 % p.a. was assumed.

The provision is netted against existing cover assets in accordance with Section 246 (2) sentence 2 HGB.

Due to the application of Section 253 (6) sentence 1 HGB, the difference arising from discounting at the average market interest rate for ten instead of seven financial years amounts to EUR (k) 23 as of 31 December 2017.

The provisions for partial retirement were determined in accordance with the statement from the Institute of Public Auditors in Germany (IDW) on the accounting treatment of obligations from partial retirement arrangements on the basis of the Asset Retirement Plan.
The actuarial interest rate used was 2.84 % p.a. in accordance with the provisions discount regulation, 2.0 % p.a. for future salary dynamics and the 2005G mortality tables by Prof. Dr. Klaus Heubeck.

Tax provisions and other provisions take into account all identifiable risks from pending transactions and uncertain liabilities and have been recognised in accordance with Section 253 (1) HGB in the settlement amount required in accordance with prudent business 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 using the average market interest rate of the past seven financial years corresponding to their remaining term.

No provision for onerous contracts due to the negative market value of the interest rate swaps on the balance sheet date was formed, 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 present value approach was used to value the banking book.

Provisions in the amount of the expected utilisation were formed for uncertain liabilities.

Premiums and discounts on receivables and liabilities were allocated to prepaid expenses and deferred income and released on a linear basis over the term.

Debit items below the line

Provisions for contingent liabilities have been deducted from the total amount of contingent liabilities.

Notes on the Balance Sheet

Asset Side of the Balance Sheet

Receivables to Banks

Receivables to Banks are broken down by remaining term as follows (also see chart 2):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Due on demand	5,116	10,172
Up to three months	0	0
More than three months up to one year	20,182	30,036
More than one year and up to five years	1,668	1,897
More than five years	0	0

Receivables from Banks in the amount of EUR (k) 3,646 (previous year EUR (k) 2,906) are foreign currency receivables.

Receivables to Customers

Customer receivables are broken down as follows according to their remaining term (also see chart 3):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
With indefinite maturity	34,738	28,398
Up to three months	137,004	102,650
More than three months up to one year	218,056	203,816
More than one year and up to five years	303,005	309,748
More than five years	36,797	50,542

Receivables from customers include receivables from affiliated companies in the amount of EUR (k) 253,416 (previous year EUR (k) 203,084). In addition, receivables of EUR (k) 188,241 (previous year EUR (k) 191,703) exist in foreign currencies. This item includes subordinated receivables of EUR (k) 237,284 (previous year EUR (k) 182,114).

Chart 2: Receivables to Banks

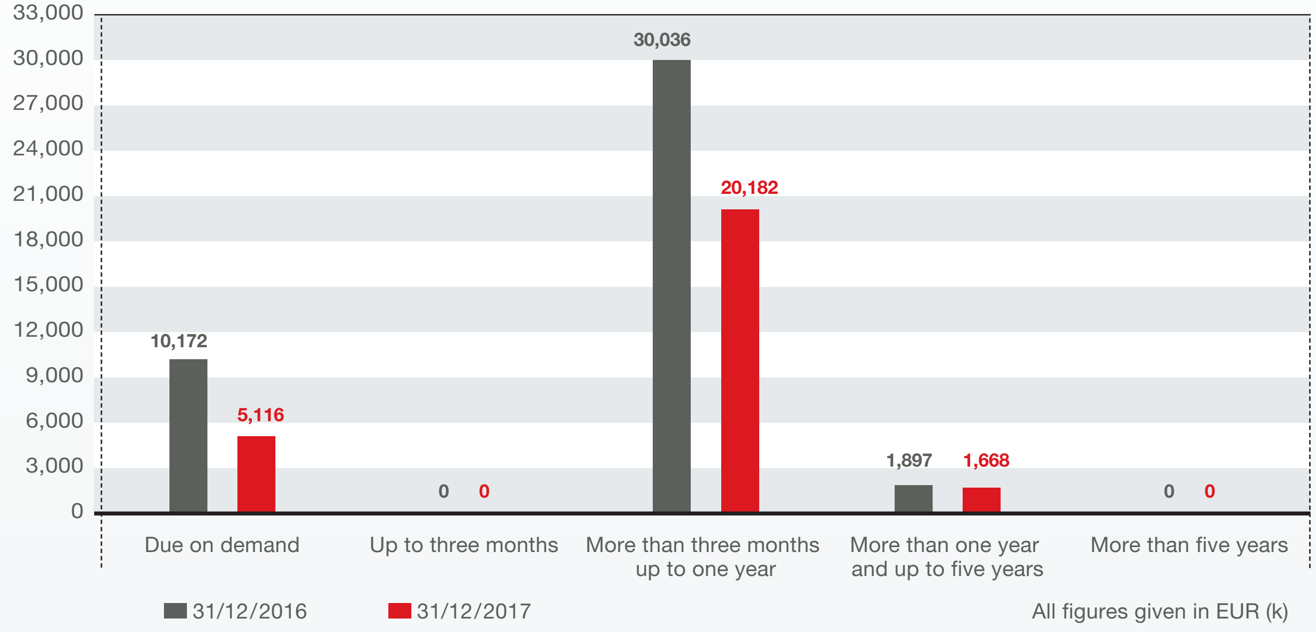
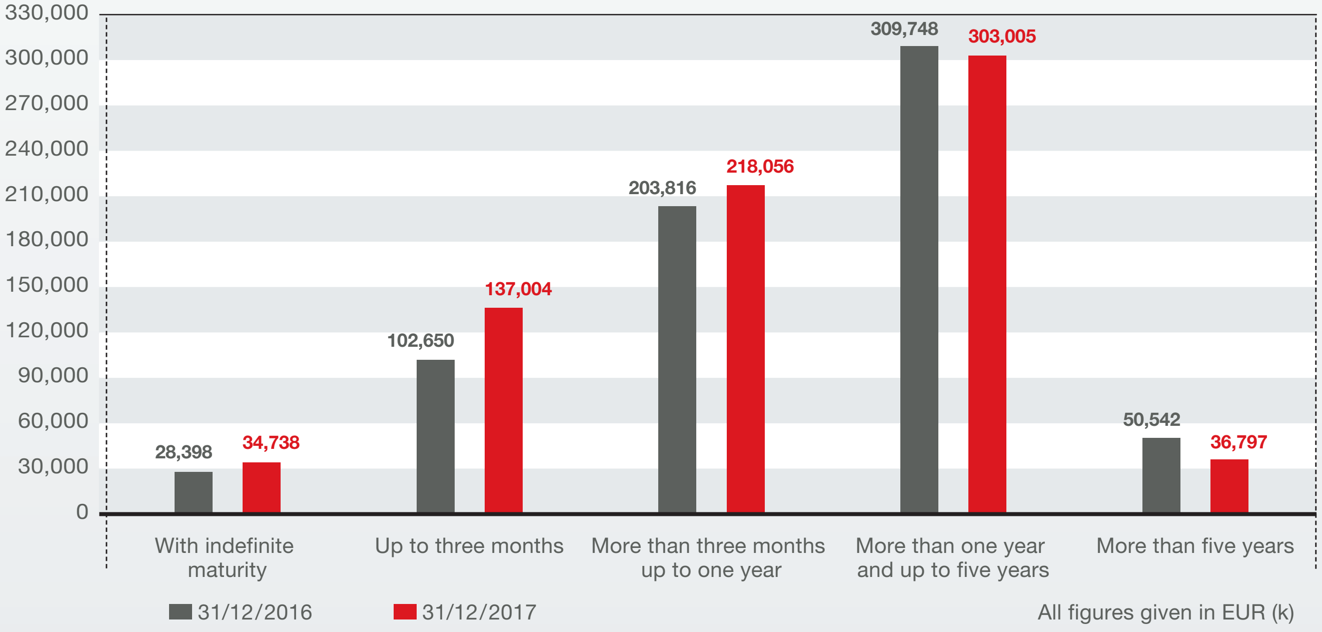


Chart 3: Receivables to Customers



Debt Instruments, Debt Securities and Other Fixed-Interest Securities

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Non-negotiable	0	0
Marketable & listed	118,188	127,792
Of which eligible as collateral with Deutsche Bundesbank	45,132	70,463

The bonds and other fixed-interest securities are marketable and listed.

As of the balance sheet date, no securities were allocated to the liquidity reserve.

The fixed-interest securities in the investment portfolio with a carrying amount of EUR (k) 118,188 (previous year EUR (k) 127,792) were valued according to the diluted lower of cost or market principle. The hidden reserves for bonds and other fixed-interest securities in the investment portfolio amounted to EUR (k) 2,408 as of the balance sheet date (previous year EUR (k) 1,192).

Bonds and other fixed-interest securities in the investment portfolio which are reported above their fair value amounted to EUR (k) 3,655 (previous year EUR (k) 47,671) on the balance sheet date; this is offset by a fair value of EUR (k) 3,648 (previous year EUR (k) 46,952). This resulted in hidden charges of EUR (k) 7 (previous year EUR (k) 719).

No write-downs were made for these securities in accordance with the diluted lower of cost or market principle under Section 253 (3) sentence 3 HGB, as there is no intention to sell these securities. There are no discernible indications that the repayments from the securities will be reduced. Price losses are exclusively attributable to the current market situation. A permanent reduction in value is therefore not to be assumed.

Bonds in the nominal amount of EUR (k) 24,755 (previous year EUR (k) 22,000) will mature in 2018.

Shareholdings
The shareholdings are not listed on the stock exchange. These are shares in companies from bailouts.

Affiliates
The shares in affiliates are held by VFG Verrechnungsstelle für gewerbliche Wirtschaft GmbH, Koblenz, which collects non-performing receivables on behalf of the Bank.

VFG Verrechnungsstelle für gewerbliche Wirtschaft GmbH did not report any net income in the 2017 financial year following the profit transfer of EUR (k) 515 (previous year EUR (k) 410). The equity capital of the company amounts to EUR (k) 77 (previous year EUR (k) 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 in accordance with the principles for fixed assets.

Changes in fixed assets are shown in the following statement of changes in fixed assets:

in EUR (k)	Acquisition / Production Costs						Write-Offs				Carrying Amounts	
	As at 01/01/2017	Additions	Disposals	Reclassifications	Appreciations	As at 31/12/2017	Previous years aggregated	Current year	Changes / disposals	Accumulated as of 31/12/2017	As at 31/12/2017	As at 31/12/2016
Bonds	127,792	55,936	65,540	0	0	118,188	0	0	0	0	118,188	127,792
Shareholdings	1,429	0	0	0	0	1,429	764	150	0	915	515	665
Shares in affiliates	933	0	0	0	0	933	0	0	0	0	460	460
Intangible fixed assets	3,520	416	756	0	0	3,180	2,920	260	599	2,581	599	600
Property, plant and equipment												
a) Land and buildings	0	0	0	0	0	0	0	0	0	0	0	0
b) Factory and office equipment	1,404	11	346	0	0	1,069	998	100	333	765	304	406
c) Low value assets	227	9	0	0	0	236	144	40	0	184	52	83
d) Advance payments	0	0	0	0	0	0	0	0	0	0	0	0

Other Assets

This item contains the following important individual amounts:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Valuation of hedging transactions for receivables with special cover	1,812	0
Tax receivables	365	225

In accordance with Section 246 (2) sentence 2 HGB, the claims from reinsurance policies were netted with the corresponding obligations at a fair value of EUR (k) 198 (previous year EUR (k) 228). The valuation of hedging transactions for receivables with special cover were allocated to other liabilities as of 31 December 2016.

Accruals and Deferrals

Prepaid expenses include pro rata temporis expenses representing expenses for a specific period after the balance sheet date.

Liabilities Side of the Balance Sheet

Liabilities to Banks
Liabilities to Banks can be broken down according to their remaining term as follows (also see chart 4):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Due on demand	996	165
Up to three months	12,801	5,980
More than three months up to one year	0	0
More than one year and up to five years	68,500	68,500
More than five years	0	0

Liabilities to Banks in the amount of EUR (k) 797 (previous year EUR (k) 981) are foreign currency liabilities.

Liabilities to Customers
Savings deposits are broken down by remaining term as follows (also see chart 5):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Due on demand	2	2
Up to three months	28,635	36,541
More than three months up to one year	1,201	2,319
More than one year and up to five years	845	359
More than five years	0	0

The other liabilities to customers are comprised as follows according to their remaining term:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Due on demand	124,641	104,481
Up to three months	54,074	96,806
More than three months up to one year	139,533	139,264
More than one year and up to five years	106,910	98,567
More than five years	13,913	32,871

Other liabilities to customers include liabilities to affiliated companies in the amount of EUR (k) 809 (previous year EUR (k) 158). EUR (k) 0.3 (previous year EUR (k) 0.4) of these relate to liabilities to the shareholder.

Other liabilities to customers in the amount of EUR (k) 435 (previous year EUR (k) 365) are foreign currency liabilities.

Other Liabilities
This item contains the following important individual amounts:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Valuation of hedging transactions for receivables with special cover	0	3,928
Trade accounts payable	1,069	608
Other liabilities	121	125
Taxes to be paid (capital gains tax, turnover tax, wage tax and church tax)	57	79

Accruals and Deferrals
Deferred income includes income prior to 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:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Accrual discount	166	396
Accrual of commission on guarantees	7	7

Chart 4: Liabilities to Banks

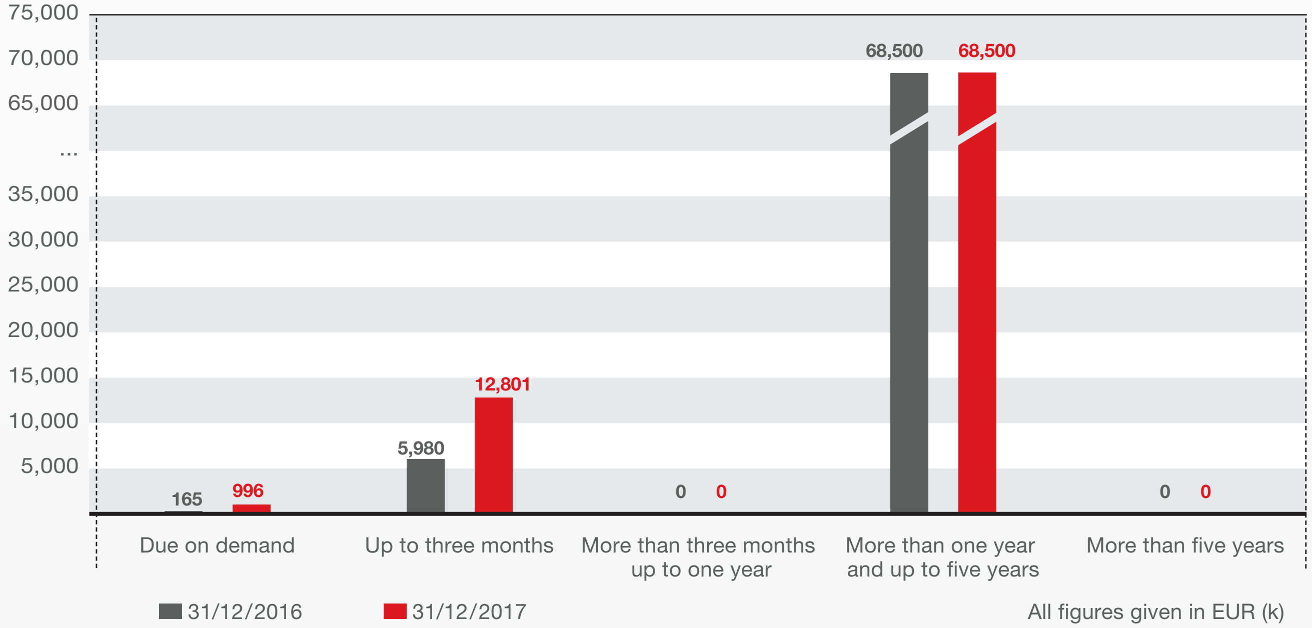
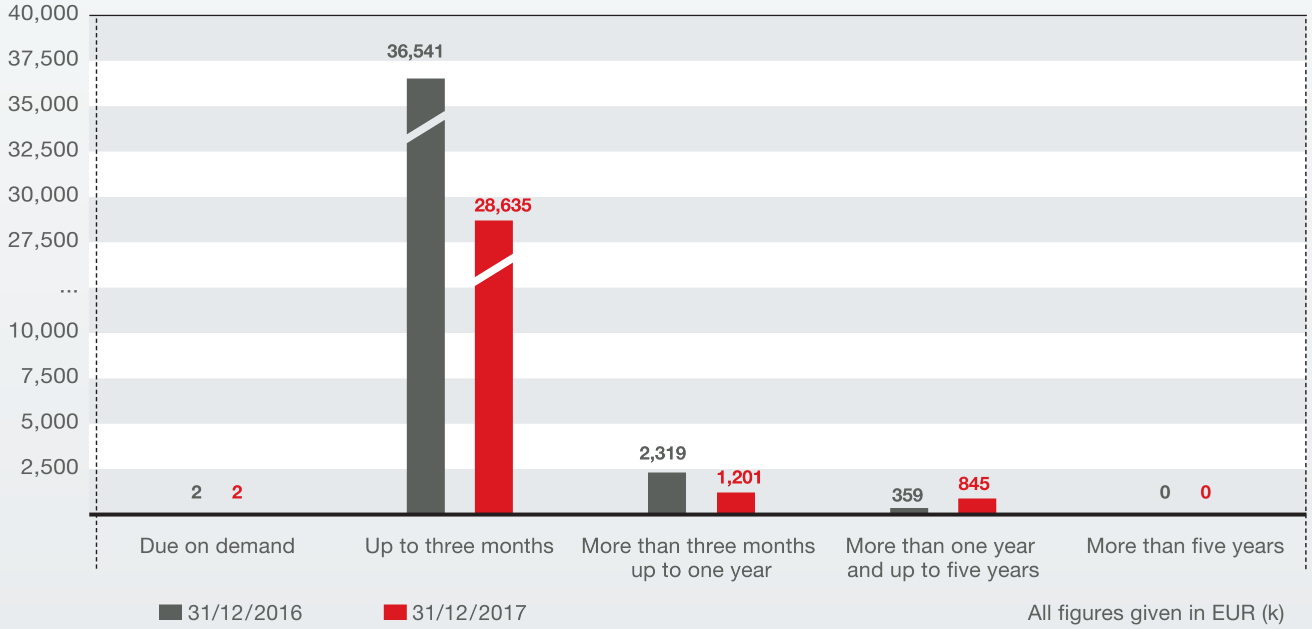


Chart 5: Liabilities to Customers – Savings Deposits



Other Provisions

This item contains the following important individual amounts (also see chart 6):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Provisions for audit costs of annual financial statements	211	165
HR restructuring	159	0
Provision for other portfolio commissions	119	314
Provisions for outstanding invoices	112	215
Provisions for guarantees to customers	105	91

Subordinated Liabilities

Subordinated liabilities are broken down by remaining term as follows (also see chart 7):

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Due on demand	0	0
Up to three months	111,727	71,151
More than three months up to one year	116,310	110,825
More than one year and up to five years	10,084	1,349
More than five years	0	0

Subordinated liabilities of EUR (k) 168,052 (previous year EUR (k) 183,325) are foreign currency liabilities. The deposits serve as collateral for existing credit claims.

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

Deposit of	Amount in currency in transaction currency	Currency	Interest rate in %	Term to
ATAER Holding A. S., Ankara	42,000	EUR	2.30	26/02/2018
	77,945	USD	4.55	26/02/2018
	16,920	EUR	2.70	08/08/2018
OYAK Birlesik Enerji A. S., Ankara	116,442	USD	4.75	23/07/2018

The subordinated deposits are not recognised as supplementary capital. An early repayment obligation is excluded.

Interest of EUR (k) 7,855 (previous year EUR (k) 8,477) was paid in 2017.

Equity Capital

Equity capital developed as follows:

	31/12/2017 EUR (k)	Additions EUR (k)	Withdrawals EUR (k)	31/12/2016 EUR (k)
Subscribed capital	90,000	0	0	90,000
Additional paid-in capital	572	0	0	572
Profit retained	9,413	1,618	0	7,795
Net profit / loss	5,112	-	-	1,618

Management proposes that the balance sheet profit for the 2017 financial year be allocated to profit retained.

Chart 6: Other Provisions

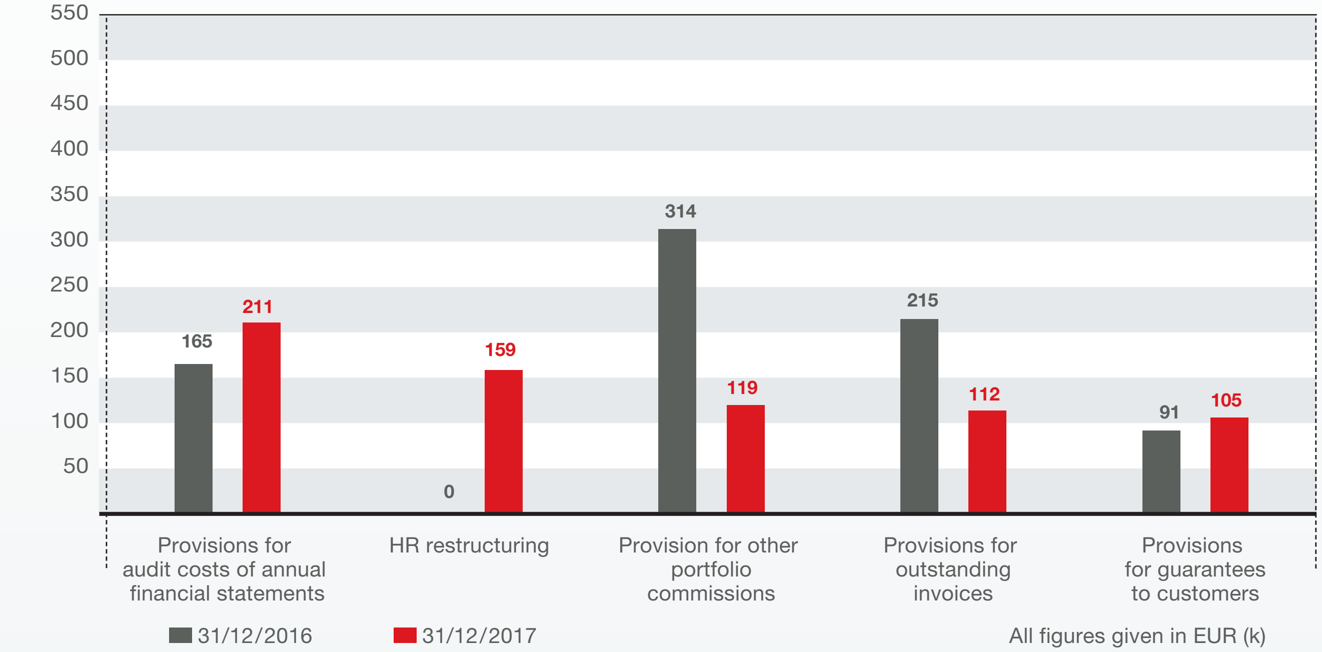
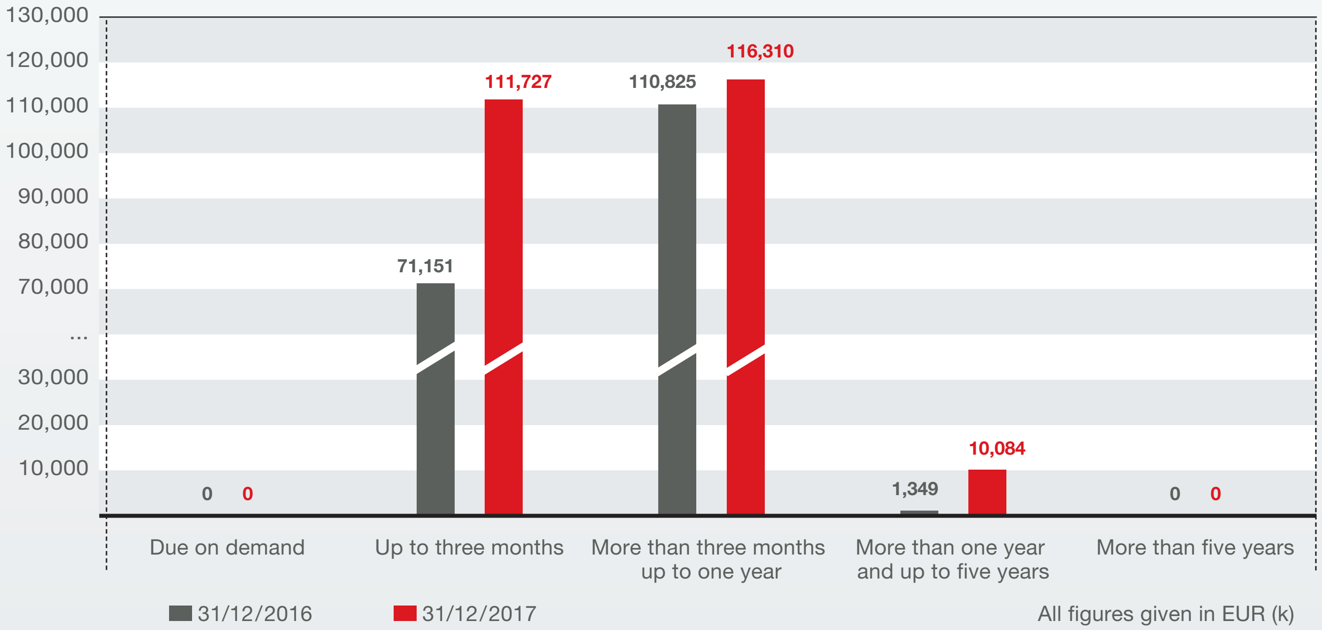


Chart 7: Subordinated Liabilities



Debit items below the line

Contingent Liabilities
This item includes:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Guarantees and warranties	10,863	12,239

The contingent liabilities item does not include any individual amounts that are material in relation to the Bank's overall activities.

Other Commitments
This item includes:

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
Irrevocable loan commitments	10,000	7,999

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

Acute risks of a claim arising from the contingent liabilities shown under the balance sheet line are covered by provisions. The liabilities shown relate primarily to widely diversified guarantee agreements and open loan commitments to Banks.

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

Notes on the Income Statement

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

Interest Income

Interest income is netted with negative interest from deposits with Banks, the Bundesbank and from interest rate swaps amounting to EUR (k) 57 (previous year EUR (k) 48).

Commission Income

Commission income from insurance brokerage fell year on year. Processing fees from lending business are also lower than in the previous year.

Other Operating Income

Other operating income mainly results from the sale of a property and from the release of provisions totalling EUR (k) 197 (previous year EUR (k) 129). Of this amount, EUR (k) 70 (previous year EUR (k) 65) was released from the provision for partial retirement and EUR (k) 48 (previous year EUR (k) 10) was released from the provision for outstanding invoices.

Interest Charges

Positive interest from receivables to Banks amounting to EUR (k) 2.7 (previous year EUR (k) 0) was deducted from interest expenses.

Other Operating Expenses

Other operating expenses include expenses in connection with the personnel restructuring in the amount of EUR (k) 1,000 (previous year EUR (k) 0), exchange rate losses from currency valuation in the amount of EUR (k) 978 (previous year EUR (k) 1,191) and reclaims of processing fees in the amount of EUR (k) 41 (previous year EUR (k) 49).

Expenses and income from the addition or discounting of pension obligations and from the cover assets to be offset in the amount of EUR (k) 3 (previous year EUR (k) 3) were netted under other operating expenses.

Expenses and income from the addition or discounting of semi-retirement obligations and from the cover assets to be offset in the amount of EUR (k) 5 (previous year EUR (k) 4) were netted under other expenses.

Taxes on Income and Earnings

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

Other Financial Obligations

Financial Obligations under Multi-year Contracts

31/12/2017	Due 2018 EUR (k)	Due 2019 – 2022 EUR (k)	Due as of 2023 annual EUR (k)
Rent	300	26	0
Maintenance (IT)	421	3	0
Leasing	119	45	0
Services	792	228	0

31/12/2016	Due 2017 EUR (k)	Due 2018 – 2021 EUR (k)	Due as of 2022 annual EUR (k)
Rent	658	317	0
Maintenance (IT)	332	2	0
Leasing	46	79	0
Services	650	179	0

Contingent Liabilities

The required pro rata actuarial reserve of the provident fund amounts to EUR (k) 81 (previous year EUR (k) 87). There is a shortfall of this amount. No provisions have been formed for the underlying pension commitments, as these are cases prior to 1 January 1987 (application of Article 28 Introductory Act to the German Commercial Code (EGHGB)).

In addition, we are liable for a loan of EUR (k) 11 (previous year EUR (k) 11) from Grundbesitzgesellschaft bR Berlin, Karl-Marx-Allee II with Baden-Württembergische Bank, a dependent institution of Landesbank Baden-Württemberg.

The Bank is a member of the Deposit Protection Scheme of the Association of German Banks (Bundesverband deutscher Banken e.V.) and of the Compensation Scheme of German Banks (Entschädigungseinrichtung deutscher Banken GmbH). In principle, the Deposit Protection Scheme and the Compensation Scheme may charge special contributions in the event that the funds of the Deposit Protection Scheme or the Compensation Scheme are insufficient.

Currency Transactions

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

	31/12/2017 EUR (k)	31/12/2016 EUR (k)
USD	64,200	76,384
GBP	7,800	6,300

As of the balance sheet date, these transactions had a positive market value of EUR (k) 1,812 (previous year EUR (k) –4,014).

Interest Rate Swaps

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

31/12/2017 Nominal	Positive market value	Negative market value
EUR (k) 10,000		15

31/12/2016 Nominal	Positive market value	Negative market value
EUR (k) 12,000		70

Other Information

Refinancing

A pledge account of EUR (k) 103,902 (previous year EUR (k) 92,899) exists with Deutsche Bundesbank for refinancing facilities. As of the balance sheet date, credit draw-downs of EUR (k) 80,500 (previous year EUR (k) 73,500) were recorded in the form of open market transactions.

Total Auditor's Fee

The (net) expense of EUR (k) 185 (previous year EUR (k) 258) recorded for the services of the auditor for the financial year is comprised as follows:

	2017 EUR (k)	2016 EUR (k)
Auditing services	163	190
Tax advisory services	*	64
Other audit services	0	5

*The tax advisory services for 2017 (EUR (k) 22) relate to the previous year's auditor, Deloitte GmbH.

Disclosures in Accordance with Section 26a (1) KWG

In accordance with Part 8 of the Capital Requirements Regulation (CRR) and Section 26a of the German Banking Act (KWG), certain information must be published in a separate disclosure report in the context of the regulatory disclosure requirements (Pillar III). The Bank will publish the Disclosure Report as of 31 December 2017, together with the required regulatory information, in the Federal Gazette.

The return on investment as a quotient of net profit and average balance sheet total is 0.58 % (previous year 0.15 %).

Supplementary Report

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

Information about the Company and its Executive Bodies

Employees

In accordance with Section 267 (5) HGB, the Bank had an annual average of 105 employees (previous year 116). At the end of the year, we had 51 (previous year 58) female and 47 (previous year 49) male employees. Converted into full-time equivalent employment relationships, 87 (previous year 92) employees were employed on the balance sheet date.

Management of the Company

The total remuneration of the managing directors amounted to EUR (k) 552 (previous year EUR (k) 562). Provisions of EUR (k) 50 (previous year EUR (k) 43) exist for pension obligations for former managing directors.

Supervisory Board

Expenses for the Supervisory Board in the calendar year 2017 amounted to EUR (k) 77 (previous year EUR (k) 124).

Loans to the Supervisory Board and Managing Directors

There were no receivables or open loan commitments to members of the Supervisory Board as of the balance sheet date. Receivables and outstanding loan commitments to the managing directors totalled EUR (k) 101 (previous year EUR (k) 126).

Corporation

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

The annual accounts of OYAK ANKER Bank GmbH are included in the consolidated annual accounts of Ordu Yardımlaşma Kurumu (OYAK), Ankara (Turkey). This represents the consolidated annual accounts for the smallest and largest consolidated companies. The consolidated annual accounts can be inspected at the Bank's offices.

Members of the Supervisory Board

The Supervisory Board was composed as follows in the 2017 financial year:

Mr H. Alper Karaçoban, Chairman
(from 08 August 2017)
Deputy General Manager of the OYAK Group
Ankara (Turkey)

Mr E. Hakan Eminsoy, Chairman
(until 08 August 2017)
Chairman of the Board of Sardes Faktoring A.S.
Istanbul

Mr M. Emre Timurkan, Deputy Chairman
(from 13 December 2017)
Member (from 31 October 2017)
CEO of Almatis GmbH
Frankfurt (Germany)

Mr Ertuğrul Aydın, Deputy Chairman
(from 08 August 2017 to 31 October 2017)
Member (until 08 August 2017)
Deputy General Manager of the OYAK Group
Ankara (Turkey)

Mr İ. Emrah Silav, Member (from 08 August 2017)
CFO of the Erdemir Group
Istanbul (Turkey)

Mr Süleyman Erol, Member (from 13 December 2017 to 29 March 2018)
Advisor to the General Manager of the OYAK Group
Ankara (Turkey)

Mrs. Fatma Canlı, Member
(until 08 August 2017)
Deputy General Manager of the OYAK Group
Ankara (Turkey)

CEO

The following have been and are appointed as managing directors:

R. Emre Yalçınkaya (Chairman), Bad Soden am Taunus (Market with Retail Business, Retail Credit/Loan Decision, Marketing Commercial Credits, Treasury/Financial Institutions, Human Resources, Marketing (Online), Retail Sales and Representative Office – Istanbul); from 28 November 2017 until 01 May 2018 overall responsibility.

Süleyman Erol, Frankfurt am Main (appointed for 16 April 2018) from 02 May 2018 (Loan Processing Commercial Credits, Loan Processing Consumer Credits, Legal and Compliance, Internal Audit, Collection Department, Operations with Accounting/Controlling/Reporting, Deposits/Transactions Settlement, Information Technology and Risk Management).

Erhan Kürkçü, Frankfurt am Main (until 28 November 2017) (Internal Audit, Loan Processing Commercial Credits, Accounting / Controlling / Reporting, from 1 July 2017 also Loan Processing Consumer Credits, Collection Department, Deposits / Transactions Settlement, Organisation, Information Technology, Central Project Management Office, Legal / Compliance and Risk Management).

Hans-Joachim Michel, Taunusstein (until 30 June 2017) (Back Office: Loan Processing Consumer Credits, Collection Department, Deposits / Transactions Settlement, Organisation, Information Technology, Central Project Management Office, Legal / Compliance and Risk Management)

Frankfurt am Main, 29 May 2018

The Board of Directors

R. Emre Yalçınkaya

Süleyman Erol

Notes to the Annual Financial Statements within the Meaning of Section 26a (1)(2) of the German Banking Act (KWG) OYAK ANKER Bank GmbH as at 31/12/2017

Company Name, the Type of Business and Geographical Location of the Branches

OYAK ANKER Bank GmbH, registered in Frankfurt, has no branches abroad. All information provided in the annual financial statements within the meaning of Section 26a(1)(2) KWG refers exclusively to its business activities as a lending and deposits institution in the Federal Republic of Germany.

Sales

Sales amounted to EUR (k) 20,609 (previous year EUR (k) 21,077). The sales include the total of interest income, commission income, trade income and other operating income.

Number of Wage Earners and Salaried Employees in full-time Equivalents

In accordance with Section 267 (5) HGB, the Bank had an annual average of 105 employees (previous year 116). As at year-end, we had 51 (previous year 59) female and 47 (previous year 49) male employees. Converted into full-time equivalent employment relationships, 87 (previous year 92) employees were employed on the balance sheet date.

Taxes on Income and Earnings

Taxes on revenue and income relate solely to the result from ordinary operating activity. Taxes on profits and loss amount to EUR (k) 69 (previous year EUR (k) 251).

Profit for Loss Before Taxes

Profits before taxes amounted to EUR (k) 5,181 (previous year, loss EUR (k) 1,869).

Public Support Received

OYAK ANKER Bank GmbH did not receive any public support in 2017 and 2016.

Independent Auditor's Report

To OYAK ANKER Bank GmbH, Frankfurt am Main

Report on the Audit of the Annual Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of OYAK ANKER Bank GmbH, Frankfurt am Main, which comprise the balance sheet as of December 31, 2017, and the income statement for the financial year from January 1 to December 31, 2017, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of OYAK ANKER Bank GmbH, for the financial year from January 1 to December 31, 2017.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to banks and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the Opinions

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and 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" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 financial statements for the financial year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Determination of portfolio loan loss provisioning

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

THE FINANCIAL STATEMENT RISK

OYAK ANKER Bank GmbH recognized net additions to specific loan loss provisions of EUR 7.0 million as of December 31, 2017 for acute default risks in the retail customer lending business. These concern largely additions to the specific loan loss provisions that have been determined on a blanket basis.

The determination of portfolio loan loss provisioning requires judgment and estimates for the expected payments of interest and principal claims. As a result, receivables from borrowers whose ongoing capacity to pay is no longer given must be identified and assigned to clusters based on the portfolio scoring of OYAK ANKER Bank GmbH; these clusters are then assigned an appropriate probability of default. The loss given default rates based on historical experience are calculated independently of the cluster.

The particular risk for the financial statements is that the assumptions for determining portfolio loan loss provisioning do not properly reflect the amount of expected repayments from borrowers (their capacity to pay). These assumptions are reflected in the clustering of loans and in the estimated probability of default assigned to each cluster as well as the loss given default. Inaccurate assignment to clusters or inaccurately determined probability of default and loss given default result in the acute credit risks underlying the receivables not being considered in accordance with the requirements of German commercial law.

OUR AUDIT APPROACH

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

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

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

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

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

OUR OBSERVATIONS

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

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

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

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

Furthermore, management is responsible for the preparation of 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 addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

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

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

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

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

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

- Identify and assess the risks of material misstatements of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting held on June 7, 2017. We were engaged by the Supervisory Board on June 7, 2017. We have been the auditor of OYAK ANKER Bank GmbH without interruption since the 2017 financial year.

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

German Public Auditor Responsible for the Engagement

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

Frankfurt am Main, May 30, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Garz
Wirtschaftsprüfer
[German Public Auditor]

Robbe
Wirtschaftsprüfer
[German Public Auditor]

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