DENIZBANK AG

ANNUAL REPORT

2019

ENBD

DenizBank AG

CONTENTS

AGENDA OF THE ANNUAL GENERAL MEETING

1. Approval of the annual financial statement 2019 of DenizBank AG, including the financial notes and the consolidated non-financial report as well as approval of the group consolidated financial statement 2019, including the group financial notes, including the report of the Supervisory Board.

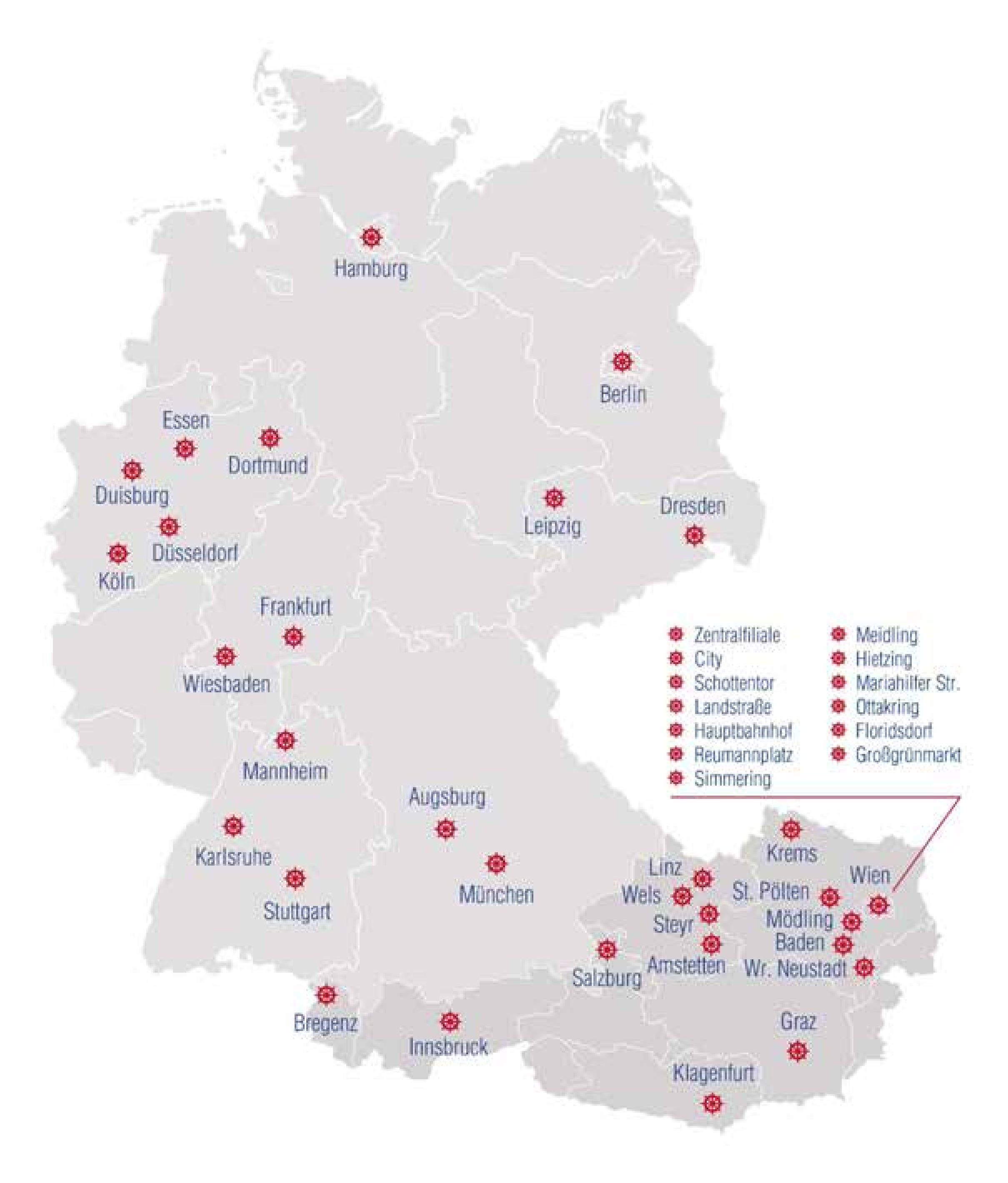
2. Appropriation of the net profit 2019

3. Discharge of Management Board members for the financial year 2019

4. Discharge of Supervisory Board members for the financial year 2019

5. Appointment of Supervisory Board members

DENIZBANK AG BRANCHES IN AUSTRIA & GERMANY



43
Branches*

40
ATMs*

* Austria & Germany in total

MANAGEMENT REPORT

The rapidly expanding DenizBank Financial Services Group holds almost 100% of DenizBank AG.

Business development and economic situation

Economic environment

The global economy was characterized by numerous uncertainties in 2019: The trade conflict between the USA and China as well as the EU dominated internationally, while Europe itself continued to be affected by the uncertainties surrounding Brexit. Above all, the German economy, which is highly significant for European development, struggled with growth. Finally, increasing trends towards more sustainability and greener economics ("Fridays for future") are putting pressure on traditional industries by challenging established business models and practices and changing consumer expectations.

Economic growth in Austria also slowed down in 2019 due to declining foreign demand from other EU countries, Austria's most important export markets. The weakening of growth in Germany, still the country's most important economic partner, also had a particularly negative impact on Austria's economic growth. However, robust domestic demand contributed to low but stable GDP growth. This was largely driven by investments in the construction industry, with favourable lending conditions supporting demand for residential real estate due to the current low interest rate environment.

Investor confidence in Turkey has increased since the turmoil in the financial markets at the end of 2018. The situation has calmed down considerably thanks to the rapid intervention of the Turkish central bank and the banking supervisory authority BRSA (e.g. the reduction of the main refinancing rate by 1200 basis points since July 2019). The risk mitigation led to a reduction in Turkey's CDS spreads from 575 basis points in September 2019 to 250 basis points in January 2020. Turkish inflation declined from a peak of 20.3% last year to 11.8% in December 2019. The Turkish economy has recovered rapidly from the recession at the end of the last decade and key indicators point to an improvement in the economic situation. Supranational institutions and rating agencies have already significantly revised their negative growth forecasts for Turkey. GDP growth is expected to reach 3% by the end of 2020.

The banking sector is also undergoing a transformation, especially in Europe The persistently low level of interest rates is affecting the profitability of many institutions. At the same time, competition is growing from Fintec companies which are using new concepts to challenge existing business models in the digital world. Most recently, as a result of the banking union, there has been an ongoing increase and tightening of regulations in the EU. Compliance with which is a growing challenge, especially for smaller institutions such as DenizBank, as it requires increasing investment in systems and the know-how of employees. All this is combined with constantly increasing requirements for capital adequacy regulations.

Business development of DenizBank AG

2019 was also a year of fundamental changes for DenizBank AG.

New owner

The most significant change was that in July 2019 Emirates NBD Bank PJSC acquired DenizBank Financial Services Group, which also DenizBank AG is a part of.

Emirates NBD Bank Group (ENBD) is a leading Middle East banking group based in Dubai, listed on the Dubai Financial Market (DFM) and a major player in global digital banking. ENBD is active in both retail and corporate banking. The acquisition of DenizBank Financial Services Group is an important milestone for ENBD as it expands the group's presence to 13 countries and serves more than 14 million customers. The bank is listed among the top 20 in the Forbes list of "World's Best Regarded Companies", thereby securing a leading position among global brands. ENBD currently employs more than 25,000 people from 70 nations, making it one of the largest and most culturally diverse employers in the United Arab Emirates (UAE). As the largest bank in the nation, Emirates NBD is an ambassador of economic and social progress for the entire UAE.

DenizBank Financial Services Group, which now belongs to ENBD, holds 100% of DenizBank AG with the exception of two shares. With 708 bank branches, a strong corporate banking and corporate finance platform and approximately 12,160 employees, DenizBank A.S., the direct owner of DenizBank AG, is one of the five largest private banks in Turkey.

In this context, DenizBank AG is a Turkey specialist for foreign trade financing, business transactions and business initiations in line with dynamically growing bilateral trade and investment volumes. DenizBank AG is therefore an important partner for companies and private customers with business relations in this region. The parent company's dense network of branches in Turkey enables DenizBank AG to offer comprehensive services for foreign trade financing and business transactions, especially to medium-sized businesses. Customers also benefit from the synergies within the DenizBank Financial Services Group and the new partner ENBD.

Strategy and business performance

The adjustment to the bank's strategic orientation already initiated in the past was continued in 2019. The still existing long-term goalis to achieve a broader diversification of the loan portfolio and to expand financing to business partners in Europe. At the same time lending to Turkish customers is reduced, in order to decrease exposure to political and economic risks from this region and to establish a more balanced and sustainable structure in the bank's credit risk orientation. As a result of this initiative, DenizBank AG successfully reduced loans to Turkish customers by more than 1.1 billion EUR in 2019.

In return, DenizBank AG further expanded its loan portfolio in Europe in 2019. Loans to European customers already represented a significant portion of the loan portfolio, with growth focusing particularly on Austria and Germany.

In connection with the change of ownership, the retail and micro-SME segments will become a stronger focus of the strategic orientation. The bank sees attractive growth opportunities in overdrafts, unsecured consumer loans and micro-SME loans in Austria and Germany. Using the state-of-the-art IT infrastructure of an established bank, which at the same time ensures compliance with all due diligence requirements, DenizBank AG will offer high-quality financial services with tailor-made solutions for retail banking products. The implementation project has already begun and will be rolled out in Germany during the 2020.

EBA Guidelines – DenizBank as early adopter

DenizBank has also taken the change of ownership and the reorientation of its business strategy as an opportunity to early-adopt the EBA guidelines for credit risk, which will become legally binding in the upcoming years. In the context of the compliance with the EBA Guidelines, DenizBank has assumed a leading role in the Austrian banking sector. In particular, the "EBA Guidelines on the application on the definition of default" (EBA/GL/2016/07), which come into force on 1 January 2021, should be mentioned. European banks agree in their analyses of these new Guidelines that the date of default, when compared to the current legal situation, will occur earlier and that thus the number of defaults in the credit sector will increase (also due to additional default criteria).[1]

DenizBank AG is one of the first banks in Austria that decided to implement these guidelines, about one and a half years before the required initial application. This way DenizBank AG adapts the new business strategy as early as 2019 to the future more stringent regulatory conditions. The expected consequence of this early application was an increase in the NPL portfolio to 474,208,023.10 EUR, which corresponds to a regulatory NPL ratio of 4.81%. The bank holds eligible collateral in the amount of 229,612,386.04 EUR to cover the NPL portfolio. This collateral was calculated using haircuts and therefore includes a conservative haircut. The individual loan loss provisions in relation to the non-performing loans (in the amount of 474,208,023.10 EUR) are 118,800,039.20 EUR. The specific loan loss provisions were calculated using a best-practice discounted cash flow method, which determines the expected cash flows from the non-performing loans and applies a probability weighting using three scenarios. It should be noted that although borrowers must be classified as defaulted from a regulatory perspective, they may be far from becoming insolvent. Accordingly, the specific loan loss provisions cover the difference between the loan receivable, the expected repayments from the borrower and the deposited collateral.

It should be emphasised that not much has changed in economic terms for these borrowers and therefore the increase in the NPL ratio does not mean an increase of the associated risk for the bank. These loans are solely classified as defaulted or non-performing for regulatory (or technical) reasons, due to the stricter rules of the new EBA guidelines. Similar effects will be seen in other banks in 2020 and 2021. Many of the loans have to be classified as "non-performing" due to events that had already occurred in 2018. The loans were restructured in 2018 (in accordance with the regulations applicable at that time) and customers are largely on the road to recovery. However, due to the new and stricter rules, these loans are now classified as non-performing (retroactively), especially because of the new rules on distressed restructuring. At the same time, the regulatory conditions for the recovery of defaulted loans have also become stricter, which is the reason why many of the customers are still classified as non-performing, even if they have complied with the new agreements since the restructuring. DenizBank AG assumes that the large amount of the loans that are currently classified as non-performing due to the stricter rules can be classified again as performing loans at the end of the periods of good conduct, which have now also stricter preconditions for the return to performing.

The bank has already adjusted its internal guidelines in such a way that future customers at risk of default can be identified in advance and countermeasures can be taken accordingly to prevent a default status. In future, loans will also be restructured at an earlier stage and primarily in a way that will not lead to a classification as non-performing.

Our business activities

DenizBank AG has 27 branches in Austria and 16 branches in Germany. With long opening hours, a contact centre as well as a service centre and its multilingual Internet banking portal (www.denizbank.at for Austria, www.denizbank.de for Germany), DenizBank AG is always close to its customers and can also be reached via all channels. In addition to the 16 branches mentioned above, DenizBank AG also operates a head office in Germany under the name DenizBank (Vienna) AG, Frankfurt/Main branch. There were no material changes in this regard during the fiscal year. Thanks to the excellent personal advice provided locally in the branches, the comprehensive, multilingual Internet banking platform and the modern service centre, the German branch also provides optimum customer service.

Private and corporate customers are furthermore offered a foreign payment service, which is also used by customers who do not have a permanent business relationship with DenizBank AG. The successful cooperation with MoneyGram will be continued to ensure fast payment transactions worldwide, providing DenizBank AG customers with around 350,000 MoneyGram payment points in over 200 countries.

The refinancing of DenizBank AG is primarily characterized by customer liabilities. Our customers' trust in our bank is also strengthened by the fact that DenizBank AG, as an Austrian bank, is subject to the Austrian regulations on deposit protection and investor compensation (section 93 ff BWG). DenizBank AG is a member of the statutory protection scheme for banks and bankers, the Einlagensicherung AUSTRIA GmbH (in 2018 still: Österreichische Einlagensicherung der Banken und Bankiers Gesellschaft m.b.H.).

[1] *cf. e.g. https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/emeia-financial-services/ey-new-definition-of-default.pdf*

FINANCIAL PERFORMANCE INDICATORS FOR THE PAST 2019 FINANCIAL YEAR

Development of Balance Sheet

The total assets for the year 2019 amounts to 10,504,369,751.47 EUR, which is 535,723 kEUR lower than previous year's figure of 11,040,093 kEUR.

The main driver of this development was the deliberate reduction in the exposures of borrowers, whose profile was no longer compliant with the new strategic policy of DenizBank AG. In order to achieve this, a conscious reduction of customer liabilities was accepted. The remaining liquidity that was released from this action was partly invested in securities of public issuers or at banks. As a result, the funds will be available again at any time to the new customers on whom DenizBank will focus in its new strategy.

Development of Total Assets in kEUR

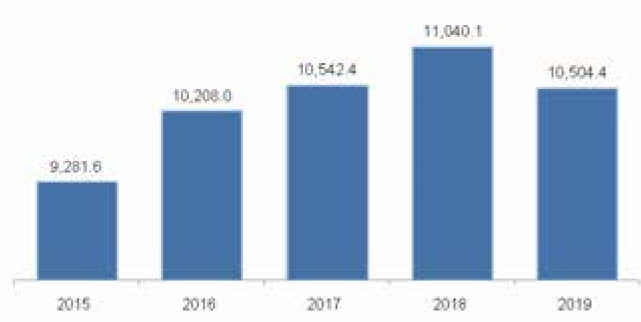


Figure 1: Development of the Total Assets of DenizBank AG

Loans and advances to customers decreased during the financial year to 6,204,038,645.07 EUR (previous year: 7,761,715 kEUR), which represents a decline of approximately 20%.

The resulting liquidity surplus could be provided to selected banks. At the end of the year, receivables from banks therefore increased to 724,637,302.50 EUR (previous year: 675,955 kEUR) and balances against central banks to 2,828,471,742.56 EUR (previous year: 2,319,266 kEUR).

The portfolio of securities, mainly consisting of government bonds, also increased accordingly due to interim investments in debt instruments issued by public authorities (as of 31 December 2019: 180,501,028.23 EUR; previous year 0 kEUR) and bonds and other fixed-income securities (as of 31 December 2019: 287,337,225.93 EUR; previous year: 57,919 kEUR).

The impairment allowance recognized in the previous year for Deniz Finansal Kiralama AS, Istanbul, was reversed in this fiscal year, since the sale of the shares to DenizBank AS was agreed before the end of the year and the sales price covered the acquisition cost.

In contrast, total liabilities to customers (including savings deposits) decreased as planned by 6.67% to 8,446,353,443.53 EUR (previous year: 9,049,925 kEUR). Savings deposits also declined by 78,726 kEUR from 2,482,211 kEUR at the end of 2018 to 2,403,935,335.83 EUR at the end of 2019, whereby the share with an agreed term or period of notice was 75%.

Liabilities to credit institutions in the amount of 315,785,952.61 EUR (previous year: 294,949 kEUR) remained at a comparable level.

Strategy and business performance

Changes in key balance sheet items in 2019	in kEUR	in %
Total assets	-535,723	-4.9
Loans to customers	-1,557,676	-20.1
Loans to credit institutions	+48,682	+7.2
Liabilities to credit institutions	+20,837	+7.1
Liabilities to customers	-603,572	-6.7
Thereof savings deposits	-78,276	-3.2
Equity	+61,005	+3.9
Own funds	+60,410	+6.4

Table 1:Key balance sheet indicators of DenizBank AG

Own Funds Development in kEUR

Additional supplementary capital was not raised in the financial year. The supplementary capital amounted to 26,704,646.60 EUR (previous year: 26,201 kEUR) at the closing date for the annual financial statements.

After the allocation of retained earnings, own funds amount to 1,625,561,143.90 EUR at the end of 2019 (previous year: 1,565,151 kEUR). A further allocation to the liability reserve in accordance with section 57(5) BWG was not necessary in the 2019 financial year due to the reduction in receivables portfolio (previous year: allocation of 1,787 kEUR).

The own funds ratio of DenizBank AG is 23.94% of the total capital requirements (previous year: 19.85%) and thus could be increased by a further 4.09% points.

Review of Income Statement Items

The slowdown in growth worldwide as well in the euro zone did not remain without consequences for DenizBank AG. Coupled with the (planned) reduction of the total assets and the strategic streamlining of the loan portfolio, but also with the voluntary early application of future stricter impairment rules, which will be mandatory for all banks from 1 January 2021 as a result of the EBA guidelines on the definition of default, this meant that the excellent result of 2018 could not be repeated.

The net interest income of 185,650,693.90 EUR decreased by 29.1 million EUR or 13.6% compared to the previous year (214,791 kEUR), mainly due to the restructuring of the loan portfolio and the reduction of risky customers. The net commission income decreased also by 24.0% in comparison to the previous year and amounts in 2019 16,629,392.74 EUR (previous year: 21,869 kEUR). The decline from commissions from lending business (liability commissions) could not be fully compensated by the increase from commissions from securities and payment transactions. The decline in the financial result to 1,100,258.68 EUR from 19,848 kEUR in the previous year is because of the fact that that extraordinary profits from prematurely terminated interest rate swaps were realised in the 2018 financial year.

As a result of these effects, the operating income decreased by 20.8% to 203,717,752.68 EUR from 257,199 kEUR in the previous year.
Irrespective of this development, DenizBank continues to invest steadily in human resources and IT infrastructure, as a result of the strategic realignment and the pressure of new regulatory requirements. This led to an increase in total operating expenses from 61,926 kEUR in the previous year to 66,975,906.46 EUR in 2019.

Consequently, the operating result of DenizBank AG declined to 136,741,846.22 EUR (previous year: 195,273 kEUR).

Development of the operating result in kEUR

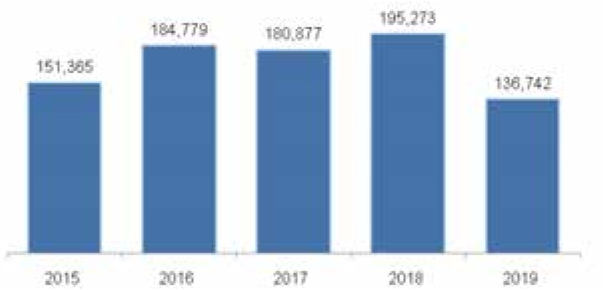


Figure 3: Development of the operating result of DenizBank AG

In the valuation result for subsidiaries, an impairment charge in the amount of 25.6 million EUR made in the previous year for Deniz Finansal Kiralama AS, Istanbul, was reversed in 2019. This was due to the fact that the sale of the shares to DenizBank AS had already been agreed before year-end and the sales price fully covered the acquisition cost.

Thus, the profit on ordinary activities for 2019 amounts to 66,860,397.72 EUR (previous year: 135,855 kEUR), the net profit for the year after taxes was 60,500,918.92 EUR (previous year: 124,850 kEUR).

In order to further strengthening the equity, the Management Board proposes allocating the net profit for the year in the amount of 60,500,918.92 EUR to retained earnings in order to further foster own funds.

Key earnings and structural figures

	2015	2016	2017	2018	2019
Total capital ratio (%)[1]	13.24	15.31	18.35	19.85	23.94
Tier II (%)	13.24	14.93	18.02	19.51	23.55
Return on equity (%)[2]	16.00	14.88	13.43	8.57	3.84
Profitbefore taxes (kEUR)	144,742	161,944	183,567	135,855	66,860
EBT/average employees (kEUR)	325,7	358,3	380,7	278,4	132,1
Loan/deposit ratio (%)	88.46	95.46	92.31	85.77	73.46
Net interest margin (%)[3]	2.09	2.13	2.06	1.99	1.72
Cost-IncomeRatio (%)[4]	21.28	19.69	20.71	21.02	26.46

Table 2: Key earnings and structuralfigures of DenizBank AG

[1] *Own funds/total outstanding amount*
[2] *Net income after taxes/average equity*
[3] *Net interest income/average total assets*
[4] *(Administrative expenses+depreciation and amortization + taxes (excluding income taxes)) / (Net interest income+net commission income)*

The decline in earnings, combined with an increase in own funds, contributed to a decrease in the return on equity. The restructuring of the loan portfolios led to a temporary decline in the loan/deposit ratio, while expiring high-interest loans further depressed the net interest margin. The investments in IT infrastructure and the consistent training of our employees led to an increase in the cost-income ratio of 26.46%. This ratio still reflects DenizBank AG's reputation as a trustworthy but at the same time highly efficient partner in the processing of banking transactions.

BUSINESS SEGMENTS

CORPORATE & COMMERCIAL BANKING

DenizBank AG, as representative of the DenizBank Financial Services Group in Austria, offers a comprehensive range of products and services such as deposits, cash loans, letters of credit, trade finance transaction, account and cash management for commercial corporate customers.

DenizBank AG is focused on meeting the ever-changing needs of its customers and continuing to adapt to a constantly evolving banking landscape. As a commercial bank for corporate customers, DenizBank AG has developed a customer-oriented relationship management. Moreover, DenizBank AG offers innovative, flexible and customized solutions to its customers. Strategically, financial advisory service of DenizBank AG's qualified staff and a broadly diversified product portfolio are the key aspect of its success. Furthermore, DenizBank AG is a competent banking partner, especially for corporate customers with international business activities.

RETAIL BANKING

With its activities in retail banking in Austria and Germany, DenizBank AG has followed a transparent and sustainable business policy since its foundation in 1996, fully aware of the fact that customers' trust is the most important asset of a bank. Relating to the new acquirer of the DenizBank AG and consequently the new strategy of the bank it has been confirmed that the DenizBank AG's policy is still strategically correct and timeless. A portfolio of over two hundred thousand customers is a result of successfully developed brand in the banking sector in Austria and Germany. Therefore, DenizBank AG today represents a bank which stands for competence and trust.

DenizBank AG operates within a network of 27 branches in Austria and 16 in Germany. Individual advisory services in the branches are combined with a state-of-the-art Internet banking platform and the services of a Contact Centre in Austria and a Service Centre in Germany. Consequently, this integrated service approach is highly appreciated by customers. DenizBank AG also stands for efficiency. The effective organizational structure and the state-of-the-art banking system represent the direct benefits of efficiency to the customers.

In addition to customer-tailored products and services for private and corporate customers, the diversification of DenizBank A's product portfolio was last year extended by attractive products offered in cooperation with the solution partners of the Wüstenrot Group, Santander Consumer Bank GmbH, Santander Consumer Bank AG and the Allianz Austria Group.

TREASURY, FINANCIAL INSTITUTIONS & TRADE FINANCE

In line with its overall banking strategy, DenizBank AG has further in 2019 developed its correspondent banking relationships particularly with Austrian banks and EU-based financial institutions concentrating on the customer requirements. The synergy effect within the DenizBank Financial Services Group enables the bank to gain a significant competitive advantage relating to the exchange of experience and the access to the market. The services offered by DenizBank AG focus on the financing of trade flows, especially in the form of trade finance and documentary business.

On the one hand, DenizBank AG pursues a business strategy based on long-term relationships with strong banks with a good reputation in order to expand transaction banking and to diversify the bank's refinancing capacity. On the other hand, DenizBank AG additionally offers other financial and credit institutions tailor-made solutions, including the provision of credit lines and syndications for correspondent banks on a reciprocal basis.

The Financial Institutions department is responsible for the syndication of loans to international companies and institutional clients in both the primary and secondary markets.

As a member of the International Trade and Forfaiting Association (ITFA), Zurich, with chairmanship of its committees for CEE-CIS and Turkey, DenizBank AG offers a wide range of trading and forfaiting services for short and medium-term finance transactions, including letters of credit, guarantees, bills of exchange and documentary collections.

OUR PARTICIPATIONS

DenizBank AG holds 51% of the shares of JSC DenizBank Moscow, based in Moscow, Russia. Additionally, the bank owns 51% of the shares of Deniz Finansal Kiralama A.S., based in Istanbul, Turkey. The latter specialises in leasing business with commercial customers in Turkey and as one of the top five companies of the industry has a participatory role in the market. [2] The remaining 49% of both companies are held by DenizBank A.S., based in Istanbul, Turkey.

Moreover, DenizBank AG holds also 100% of Deniz Immobilien Service GmbH and 100% of CR Erdberg Eins GmbH & Co KG, both based in Vienna. Due to this holdings, land and buildings of the headquarters in Vienna Erdberg are been in possession of DenizBank AG.

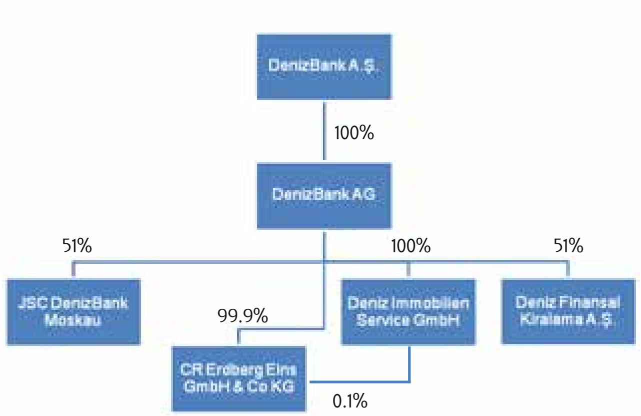


Figure 4: Holdings of the DenizBank AG as of 31 December 2019

[2] *The shares in Deniz Finansal Kiralama A.S. were sold to DenizBank A.S. on 24 January 2020.*

Denizbank AG is a competent bank partner primarily for all corporate clients with international focus and business activities in the domestic markets of Austria and Germany as well as Turkey and Russia.

IT & ORGANISATION

In 2019, IT & Organisation focused once again on improving operational efficiency. The departments constantly simplify and automate internal processes in order to reduce lead times and operational risks. Due to the continuous growth of the bank, all investment decisions are taken in consideration of scalability. Existing contracts are continuously reviewed to reduce costs and increase service quality. The efforts made have contributed to the bank's excellent cost-income ratio.

IT & Organisation aims to automate work processes as much as possible in order to reduce the operational error risk. Improvement possibilities are identified by analysing and assessing processes in terms of efficiency, effectiveness and operational risk.

In 2019, IT & Organisation again succeeded in delivering high-quality service and contributing to the strategic business objectives. Compliance with the legal regulations is one of the main goals of DenizBank AG. Additionally, DenizBank AG also always takes current and future statutory regulations into account to achieve continuous and sustained increases in efficiency and effectiveness.

In line with the bank's growth strategy, the IT infrastructure department improves and expands the hardware landscape while respecting corporate standards. Investing in adequate but scalable systems and technologies will provide the basis for further growth in the coming years. All changes are accompanied by the IT Security Officer, who constantly monitors compliance with the bank's IT processes and standards. In order to ensure continuous operation, the risk of system failure is constantly reviewed, examined and reduced by adequate measures.

CONTROLLING & ACCOUNTING

The Accounting department is responsible for the execution and management of the entire financial accounting of DenizBank AG. Additional tasks of the department include the preparation of external and internal MIS reports, including IFRS financial statements for consolidation, internal budgeting, budget realization and statutory reporting.

The aim of the Controlling department is to ensure that the principles of a sound financial management, transparency, efficiency and effectiveness are adhered to in all transactions, in a timely manner, independently and objectively. In addition, a core task of the Controlling department is to ensure that all transactions comply with relevant laws and internal guidelines. The extensive controls make reliable financial reports possible in all areas of the bank. The Financial Controlling department is an important part of DenizBank AG's internal control system (ICS). It works closely with Risk Management, Audit and Internal Controlling departments, as well as Compliance and AML officers.

HUMAN RESOURCES

By consistently implementing the principle of finding the right person for the right job, DenizBank AG hired 97 new employees in 2019. DenizBank AG is proud to offer promising career paths not only for young people but also for experienced staff, paying special attention to the development of employees, but identifying talents within the organization and supporting their careers.

DenizBank AG puts emphasis on a sustainable HR policy, including a solid training policy in order to maintain the high level of qualification of our employees also in future years. Continuous training programs are therefore offered to all employees, either through e-learning-courses or through seminars. In addition to conducting legally compulsory training courses on security, data protection, compliance and anti-money laundering, employees are given the opportunity to participate in a variety of specialist courses. DenizBank AG wants to motivate its employees to increase their knowledge in new areas. This does not only improve the level of technical knowledge, but also the long-term satisfaction of employees in their job. DenizBank AG sets high standards in the training and development of its employees and has positioned itself as one of the most attractive employers by providing fair career opportunities.

	2019	2018	Change in %
Total number of employees at year-end	503	485	3.71%
thereof at the head office	260	238	9.24%
thereof in the branches	243	247	-1.62%
thereof women	252	247	2.02%
thereof men	251	238	5.46%
Average number of employees in the fiscal year	506	488	3.69%
Demographic structure			
Percentage of women	50.1%	50.9%	1.65%
Percentage of men	49.9%	49.1%	-1.66%
Average length of service in years	5.03	4.62	8.94%
Average age in years	33.0	32.46	1.02%
Education			
University degree	229	206	10.19%
Other school-leaving qualifications	274	279	-2.15%
Employees with at least one foreign language	501	483	3.11%
Nationalities	19	21	-9.52%

Table 3: Key figures of the employee structure of DenizBank AG

Remuneration & Compensation report

In accordance with the revised EU Directive 575/2013 (Capital Requirements Regulation - CRR) and the amendments to the Austrian Banking Act, DenizBank AG has set a remuneration policy and formed a Remuneration Committee.

The purpose of the remuneration policy is to ensure a solid and efficient remuneration system and risk management in DenizBank AG. Employees whose professional activities have a significant influence on the risk profile and may subject the bank to material financial risks fall into the scope of the remuneration policy. The purpose of the defined guidelines is to ensure that employees avoid risks that do not coincide with the risk appetite of DenizBank AG. The remuneration policy helps to secure a sound capital base and includes measures to avoid conflicts of interest.

The Remuneration Committee is responsible for the prevention of excessive risk taking and the consistency of the remuneration policy with effective risk management. The Committee was established to provide competent and independent assessment of remuneration policy and practice and subsequently to create incentives for risk, capital and liquidity management. The Chairman and the other three members of the Remuneration Committee are members of the Supervisory Board of DenizBank AG, who do not perform any executive functions in the bank. The Remuneration Committee aligns all quantitative and qualitative targets with the Management Board with regard to the long-term strategy for avoiding the conflicts of interest. As a result, a clear distinction between operational and control functions is established so that the independence of skills and the requirements of the members of Management Body is ensured. Furthermore, the internal committees, including the Remuneration Committee, supervise and protect the avoidance of the conflicts of interest. Thus the bank ensures with this alignment that the internal reporting procedures as well as the provisions regulating business transactions between related parties are complied with.

The remuneration by DenizBank AG is performance-related and is measured with view to avoiding excessive risk. The total remuneration is based on a combination of individual and business unit performance as well as the overall results of the bank. The Management Board determines the long-term strategy by determining individually departmental and corporate targets. The financial and non-financial criteria are considered, when assessing individual performance.

Risk report

KEY RISK FIGURES

Selected key risk figures are presented below:

in EUR million	31.12.2019
CET1 capital ratio	23.55%
Total capital ratio	23.94%
Debt ratio	14.97%
Liquidity coverage ratio (LCR)	231.00%
Economic capital requirement	1,211.3
Interest rate risk (in % of own funds)	1.82%

Table 4: Key risk figures of DenizBank AG

These ratios and the associated risk measures are documented in DenizBank AG's Risk Appetite Statement. The bank's Risk Appetite Statement contains a list of strategic indicators. The compliance with these indicators plays an essential role for the bank's fundamental financial health and operational business success.

RISK PROFILE:

Based on the results of the risk identification and materiality assessment as of 31 December 2019, the most significant types of risk can be presented as follows:

- Credit risk (including default risk, concentration risk, risk of foreign currency loans)
- Macroeconomic risks
- Compliance risk
- Business risk
- Liquidity risk

The materiality assessment is based on a gross estimate and is therefore executed without considering the risk reduction measures taken.

ECONOMIC CAPITAL

In 2019, DenizBank AG mainly concentrated on maintaining the bank's risk-bearing capacity in line with its risk strategy.

The management of internal capital adequacy (economic capital) at DenizBank is based on the Gone-Concern perspective. The following charts presents the distribution of DenizBank's economic capital requirement according to type of risk as at 31 December 2019:

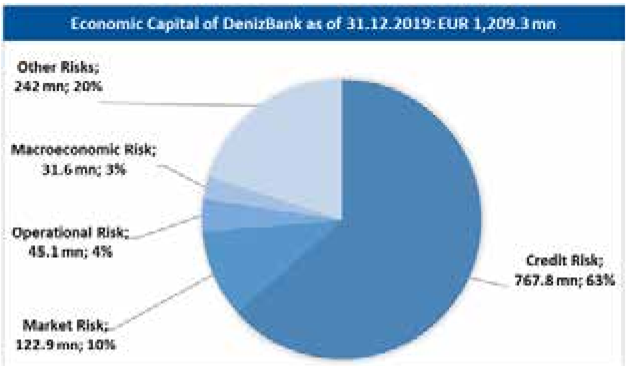


Figure 5: Economic capital requirement by risk type as of 31 December 2019

The diversification and restructuring of the credit portfolio have further been continued in order to strengthen the risk profile. This is reflected especially in an improvement of credit quality. The Turkey risk has further been reduced by considering absolute and relative terms in order to diminish concentration and macroeconomic risks. Consequently, this led to a decrease of the economic capital requirements for both credit default risk and macroeconomic risk.

Risk policy and strategy

DenizBank AG developed a risk management process, which is forward-looking and tailored to the bank's profile and strategy, in order to ensure adequate capital and liquidity resources and therefore to secure the bank's sustainable continued maintenance.

Relating to the risk policy and risk strategy, DenizBank AG pursues systematically the goal of identifying, measuring, managing and limiting all relevant risks at an early stage. In this context, the bank therefore defines and implements a comprehensive risk strategy that is executed within a clearly defined governance structure.

The DenizBank's risk strategy reflects its attitude towards risk assumption and risk management. The risk strategy includes the following contents:

- Risk policy principles
- Target risk structure
- Risk appetite statement

The business strategy of DenizBank is set by the Management Board and approved by the Supervisory Board.

Risk policy principles

The risk policy principles represent the entirety of the central rules of conduct necessary for dealing with bank's risks. From risk management perspective, these principles are fundamental for a uniform understanding of corporate objectives.

The key risk policy principles of DenizBank AG are defined as follows:

- Prudent risk management
- Conscious assumption of risks
- Avoidance of conflicts of interest
- Permanent ensuring of risk-bearing capacity
- Achieving an adequate return on equity
- Compliance with legal requirements
- Development of an appropriate risk culture

The risk policy principles are defined by the Management Board. Each employee is responsible for complying to the best of his or her knowledge and belief with these principles, while actively contributing to avoiding losses from inherent risks.

Target risk structure

The target risk structure is determined by the Management Board by considering the business model and the business strategy. Moreover, it is based on the Bank's actual risk structure. The definition of the target risk structure includes strategic considerations relating to which risks and to what extent these risks will be accepted in the future and which risks should be avoided. Additionally, the target risk structure provides the basis for risk management measures, such as the setting of new limits or the adjustment of existing limits, both at the level of the Bank as a whole and at the level of individual risk types.

Risk Appetite Statement (RAS)

Risk Appetite Statement determines the appropriate maximum of risk, which the bank is willing to accept in order to effectively execute its business strategy and reach any given business targets.

The bank's risk appetite statement (RAS) contains a list of strategic indicators. Regarding to the risk policy and risk strategy, the compliance with these indicators plays an essential role for the bank's fundamental financial health and operational business success. The indicators are defined for the key measures such as liquidity, capital, profitability, development of asset quality and allocation.

The RAS traffic light system is defined as follow:

- Green: Indicator is within the specified limit
- Yellow: Violation (above or below) of the early warning threshold
- Red: Violation (exceeding or falling below) of the limit

Limit violations are subject to an escalation procedure, which can trigger designated limit management procedures, depending on the status of the violation.

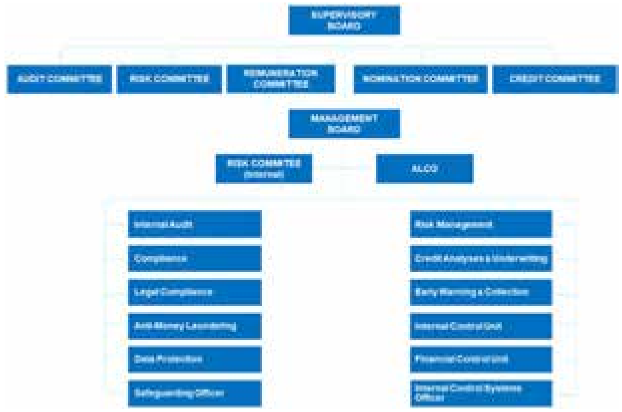
The Risk Management department is responsible for the monthly monitoring of the RAS indicators and the RAS reporting.

Structure and organisation of Risk Management

The designated governance structure of DenizBank is concentrated on the avoidance of conflicts of interest. Moreover, it ensures a standardized monitoring process within the risk management framework process. The governance structure relies on the "Three Lines of Defense" model. The first line of defense involves the risk carrier (market unit). Then, the second line of defence includes all control functions such as the risk management and compliance departments. Subsequently, the third line of defence is the Internal Audit department, which strategically ensures the effectiveness of the controls.

In order to minimize conflicts of interest, DenizBank pursues a clear structural separation (separation of functions and responsibilities) between the front and back office. Consequently, the separation between the front and back office (organizational structure) and a clear definition of tasks and responsibilities (process organization) ensures that activities, which are incompatible with each other, are executed by different organizational units. The control functions such as risk management, compliance and internal audit are performed independently from the front office responsibilities. The separation of duties on the operating entity level of DenizBank is presented in the bank's organisational chart and the allocation of responsibilities within the Management Board's Directors. The front office units must comply with the strategic and operational limits defined by the risk management framework and therefore accordingly manage their business activities.

The following chart presents the hierarchies and structure of DenizBank's risk management function by integrating the individual organizational units in technical and disciplinary reporting flow.



Figures6: Organizational structure of the risk management functions of DenizBank AG

The Management Board bears overall responsibility for both the functions of risk management as well as for risk controlling in accordance with the DenizBank's framework of risk management. Additionally, the Management Board defines the strategic framework for the all relevant risks to the Bank. As a result, all departments of the bank must subsequently comply with the relevant guidelines and practises. In addition, the Management Board sets the appropriate risk limits (pre-management) and, as the legal addressee of DenizBank's risk management units, makes formal decisions on matters relevant to risk management.

The main role and responsibility of the DenizBank's Supervisory Board is to manage, advise and monitor the Management Board of the bank. At regular intervals, the Supervisory Board reviews the risk strategy and the organizational structure. Additionally, it ensures that the Management Board takes all necessary measures to identify, measure, assess, monitor, steer and limit the risks. Consequently, the effectiveness of internal controls is also monitored by Supervisory Board.

The professionally qualified committees of the Supervisory Board - the Revision Committee, the Nomination Committee, the Remuneration Committee and the Risk Committee - contribute to the fulfilment of the Supervisory Board's functions.

The following table summarizes the tasks and responsibilities of the main units involved in the risk management process:

Einheit	Hauptverantwortlichkeiten
Supervisory Board	- Steering, advising and monitoring the Management Board - Review and approval of the risk strategy including risk appetite - Monitoring the effectiveness of the risk management system, the internal control system and the internal audit system - Ensuring the implementation of the risk strategy in connection with the identification, assessment, management and monitoring of risks as well as capital adequacy and liquidity
Risk Committee according to the Article 39d BWG	- Advising the Supervisory Board on the Bank's current and future risk appetite and strategy - Monitoring the implementation of the risk strategy in connection with the identification, assessment, management and monitoring of risks as well as capital adequacy and liquidity - Review / monitoring of pricing in line with the risk strategy
Revision Committee according to the Article 63a (4) BWG	- Monitoring the effectiveness of the risk management system, the internal control system and the internal audit system - Monitoring and assessment of the completeness of the financial statements
Nomination Committee according to Article 29 BWG	- Identifying candidates to fill vacant positions in the management / executive board and submitting the corresponding proposals to the supervisory board - Support of the Supervisory Board in preparing proposals to the Annual General Meeting for filling vacant positions on the Supervisory Board - Assessment of the knowledge, skills and experience of both the managers and the individual members of the supervisory board as well as of the respective body as a whole and their communication to the supervisory board
Remuneration Committee according to Article 39c BWG	- Review of the competent and independent formulation and assessment of remuneration policies and practices relating to the management, monitoring and mitigation of risks, capital adequacy and liquidity - Supervision of remuneration policies, practices and incentive structures related to remuneration - Advising the Supervisory Board on compensation issues, including those relating to the Bank's risk and risk management
Credit Approval Committee	- Granting of loans in accordance with the supervisory regulations and the Articles of Association
Management Board	- Implementation of the strategies and principles approved by the Supervisory Board - Developing appropriate policies, systems and procedures to identify, assess, manage and monitor risks arising from all banking and operational activities and remuneration policies and practices - Establishment of an organisational structure with clear separation of tasks and responsibilities - Ensuring the effective execution of delegated tasks - Develop an appropriate internal control policy - Monitoring the adequacy and effectiveness of internal control systems
Risk Committee	- Monitoring of the Bank's business activities in accordance with the risk appetite defined by the entire Board of Managing Directors - Formulation and implementation of appropriate risk policies, procedures and methods for business activities
Risk Management	- Provision of appropriate risk measurement methods and instruments - Creation of risk guidelines and control regulations - Assessment, control and monitoring of all risks relevant to the Bank using the methods and instruments of risk controlling and management - Risk reporting - Review & update of the risk management process
Early Warning & Collection	Operational credit risk management Monitoring the loan book and the collateral portfolio
Credit Analysis & Underwriting	- Creditworthiness assessment of credit customers - Monitoring the economic situation of credit customers

Internal Audit	- Audit of the legality, regularity and appropriateness of the entire company - Review of the effectiveness of the internal control system and the risk management system
Compliance	- Monitoring of the current relevant legislation - Ensuring the legal conformity of all relevant processes in the bank - Identification of actual or potential deviations from laws, regulations, codes and standards and internal guidelines
Anti Money Laundering	- Implementation of a mechanism to effectively combat money laundering and the financing of terrorism within the framework of the legal provisions and the instructions of the Management Board - Monitoring or ensuring compliance with all money laundering regulations
Data Protection	-Monitoring compliance with the Data Protection Act and advising the Management Board and employees on data protection issues - In case of suspicion of violation of the lawful state, creation of this state and, if necessary, reporting to the data protection commission
Safeguarding Officer	- Ensuring compliance with the obligations in connection with the protection of the client's assets in terms of Article 38 ff WAG
Internal Control Systems Officer	- Central coordination & control of ICS requirements

Table 5: Tasks of the main units involved in the risk management process of DenizBank AG

PREVENTION OF MONEY LAUNDERING AND COMBATING TERRORISM

The main task of the Anti-Money Laundering (AML) Department is to ensure the ongoing process of reviewing and monitoring of the Bank's business activities according to framework of a risk-oriented approach. In addition, the department supports other departments and divisions in complying with national and international Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Act.

In this context, the AML Department acts as an independent unit informing the Management Board directly on important issues (e.g. changes in legislation and related measures with regard to AML and CTF, information on system requirements and notification reports) and suspicious transactions. Additionally, AML Department provides strategically relevant recommendations of possible future courses of action.

The internal processes and risk analyses are constantly updated in accordance with the respective applicable laws. Other departments, such as IT, also support the department, which plays an essentially important role in the preparation of systematic controls and scenario analyses. Furthermore, the Bank's Compliance and Internal Audit departments work closely with the AML Department as additional independent control bodies.

In accordance with The Financial Market Anti-Money Laundering Act, banks are required to comply with group-wide strategies and procedures aiming at prevention of money laundering and terrorism financing in order to provide exchange of information within the group. In 2018, the AML Department published the Group Policy of DenizBank AG, which has still been valid for the current financial year 2019.

During 2019, branch employees as well as employees of other operational departments were daily supported by the AML Department in all AML-relevant matters. The support activities include monitoring account openings, verifying the source of funds, conducting due diligence of customers and identification of conspicuous transactions and customers' behaviour. Additionally, employee training sessions were held with the focus on providing information of all relevant regulations and legal obligations, giving instructions on correct conduct in day-to-day business and identifying possible cases of money laundering and terrorist financing as well.

COMPLIANCE

The main task of the Compliance Department of DenizBank AG is to ensure conformity with the legal provisions applicable to DenizBank AG and the voluntarily assumed obligations. In addition, the Compliance Department ensures anchoring of employee integrity into corporate culture.

The Compliance Department is an independent staff department, which reports directly to the Management Board. Because of the importance of effective compliance rules, the Management Board supports the Compliance Officer in the implementation of the compliance policy. DenizBank AG regards the identification and mitigation of legal and reputational risks as a fundamental aspect of ensuring reliable banking operations, a professional customer service and a trustful cooperation with the supervisory authorities. Therefore, the Compliance Officer closely cooperates with the Management Board and provides strategic recommendations on compliance issues as an independent unit.

The internal compliance rules of DenizBank AG are based on the one hand on the relevant legislation, especially the Austrian Banking Act, the Austrian Stock Exchange Act and the Securities Supervision Act, and on the other hand on the Standard Compliance Code of the Austrian banking industry.

Conflicts of interest between customers of DenizBank AG and employees are governed by clearly defined provisions such as specific guidelines relating to anti-corruption, the avoidance of conflict of interest, accepting and granting of gifts.

In order to ensure compliance with all provisions and regulations, the policies and procedures are reviewed and adopted on regular basis.

The mandatory training for all new employees contributes to a proactive awareness of importance of compliance issues. For employees in certain compliance-intensive business areas, the additional intensive training is provided in order to prepare them effectively for their special tasks.

Overall banking risk and capital management

A comprehensive process for the effective identification, quantification, management and limit setting of risks and associated with this an adequate internal capital capacity comprise a fundamental basis for business activities of DenizBank.

The Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Pillar 2 of Basel Framework creates the fundamental component of overall risk management of DenizBank AG.

Regulatory capital adequacy

In addition to the ICAAP, DenizBank disposes of processes that ensure regulatory capital adequacy.

The regulatory capital adequacy process includes the monitoring of RWAs, regulatory capital requirements, limit systems, the overall bank stress tests for Pillar 1 and the recovery plan.

Regulatory minimum own funds requirements

Credit institutions are obliged to hold eligible own funds being available at any time in order to cover the risks incurred in the course of their business activities. The regulatory own funds requirements are calculated in accordance with the Article 92 CRR and cover the internal capital requirements for credit risk, market risk and operational risk.

At 31 December 2019, DenizBank maintained a total capital ratio of 23.94%, with the CET1 capital ratio amounting to 23.55%.

The following table presents the regulatory capital requirements of DenizBank as at 31 December 2019 classified by type of risks:

in EUR million	Own funds requirements
For credit risk	504,52
For market risk	0.00
For operational risk	34.67
Risk of credit valuation adjustment (CVA)	4.01
Total own funds requirement	543,20

Table 6: Regulatory Minimum Own Funds Requirements

Credit risk

The calculation of own funds requirements in order to cover the credit risk is based on using the standardized approach pursuant to Articles 111 to 141 CRR.

For the purposes of credit risk mitigation (Part 4 Title II Chapter 4 Section 1 CRR) a comprehensive method (pursuant to Articles 223 to 224 CRR) for treatment of collateral is applied.

Within the calculation of the regulatory own funds, collaterals are used to reduce credit risk. Nevertheless, only the collaterals, which meets all minimum requirements for the collateral eligibility in accordance with the CRR, are used for credit risk mitigation.

At 31 December 2019, DenizBank's capital requirements for credit risk amounted to 504,514,473.71 EUR.

The following table presents the regulatory minimum own funds requirements for credit risk classified by receivables:

Class of receivables	Capital requirements in EUR million	% of Total
01. Central governments or central banks	26.25	5.2%
02. Regional governments or local authorities	0.00	0.0%
03. Public Sector Entities	0.00	0.0%
04. Multilateral development banks	0.00	0.0%
05. International organizations	0.00	0.0%
06. Institutions	10.42	2.1%
07. Corporates	423.58	84.0%
08. Retail Exposures	0.16	0.0%
09. Exposures fully and completely secured by mortgages	0.70	0.1%
10. Exposures in default	29.37	5.8%
11. Items associated with particular high risk	0.05	0.0%
12. Covered bonds	0.00	0.0%
13. Securitisation positions	0.00	0.0%
14. Institutions and Corporates with short-term credit assessment	0.00	0.0%
15. Units or shares in Collective Investment Undertakings (CIUs)	0.00	0.0%
16. Equity Exposures	10.53	2.1%
17. Other items	3.44	0.7%
Total capital requirements for credit risk	504.51	100%

Table 7: Regulatory minimum own funds requirements for credit risk

With regards to the the early adoption of "EBA Guidelines on the application of the definition of default" (EBA/GL/2016/07), which will come into force on 1 January 2021, DenizBank AG has assumed a leading role in the Austrian banking sector. Generally, all banks will be confronted with earlier default dates and a higher number of defaults as a result of the implementation of these new guidelines. In accordance with Article 127 CRR, which refers to Article 178 CRR, the increased number of defaults consequently also affects the own funds requirements of DenizBank AG. Nevertheless, DenizBank was prepared for these increased capital requirements and assumes that many of the loans that are classified as non-performing as of 31 December 2019 as a result of the application of the stricter rules of the Guideline can be classified again as performing loans at the end of periods of good conduct.

Consequently, the bank's internal guidelines have already been revised. Thus, the DenizBank AG has in place policies for identification customers at risk of default at an early stage and initiation of measures to counteract any default. As a result, the capital requirements will be reduced to their previous level in the long-term perspective.

Market risk

The calculation of own fund requirements in order to cover the market risk is based on the standardized approach.

At 31 December 2019, the regulatory capital requirements to cover market risk amounted to 27.90 EUR.

Operational risk

The calculation of internal capital requirements in order to cover the operational risk is based on using the Basic Indicator approach as referred to Article 315 CRR. In accordance with the basic indicator approach, the minimum own funds requirement for operational risk is 15% of the relevant indicator. The relevant indicator is calculated using three-year average of operating income in accordance with Article 316 CRR.

At 31 December 2019, the prudential own funds requirement for operational risk is 34,669,129.65 EUR.

Risk of a credit valuation adjustment (CVA)

The determination of own funds requirements in order to cover the CVA risk is based on using the standardized approach as referred to Article 384 CRR.

At 31 December 2019, the regulatory own funds requirements to cover CVA risk amounted to 4,012,611.28 EUR.

Regulatory own funds

The following table presents the regulatory own funds for DenizBank as at the reporting date of 31 December 2019:

	in EUR million
Subscribed capital	231.83
Capital reserves	340.63
Retained earnings	953.63
Liabilities reserve	77.95
Position to be deducted	-5.18
Total core capital	1,598.86
Supplementary capital	26.70
Total own funds	1,625.56

Table 8: Prudential own fund requirements

Internal capital adequacy assessment process (ICAAP)

The requirements of Pillar 2 of Basel Framework aimed at the overall bank effective risk management technique and the adequate risk coverage capacity are covered by DenizBank AG through the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) related methods at the bank-wide level.

All banking and operational risks are managed, monitored and limited by using adequate methods. In accordance with a proportionate validation process, the structure of the risk management is designed by the type, scope, complexity and risk content of business activities.

The fundamental components of risk management comprise risk identification, materiality assessment, risk capture, risk-bearing capacity calculation, stress testing framework, limit system and risk reporting.

The methodology used to assess capital adequacy of DenizBank is based on the risk-bearing capacity calculation (RBCC), which represents a fundamental component of the overall bank-wide risk management process. The RBCC supports the process of determining the bank's risk strategy (including risk appetite), since the transactions can be only conducted to the stated limit because of inherent risk when the appropriate risk coverage capital (Capital at risk) is made available by the bank.

At DenizBank, the amount of risk capital that the bank estimates it will need to be solvent at a given confidence level and time horizon (economic capital) is established from a Gone-Concern perspective.

Economic capital by risk type

The following table presents the economic capital of DenizBank as at 31 December 2019 classified by type of risk:

in EUR million	Risk capital
Credit risk	767.8
Market risk	122.9
Operational risk	45.1
Macroeconomic risk	31.6
Other risk	242.0
Total risk capital	1,209.3

Table 9: Economic capital (Total risk capital within gone concern relating to risk-bearing capacity calculation)

Risk identification and materiality assessment

As part of the risk identification and materiality assessment process (Risk Inventory), all material risks to which the Bank is exposed, are identified, evaluated and documented in a structured manner. The risk identification is concentrated on creating a uniform, bank-wide understanding of the existence, definition and characteristics of the various risks.

The material risks are identified on a monthly basis, based on the entire internal risk inventory. DenizBank AG applies an internal concept and definition of materiality. The risk identification methodology is reviewed at least once a year.

From the bank-wide perspective, the risk identification is defined as the first step of the risk management process. The identified risk types are assessed in terms of their characteristics as part of the risk materiality assessment. The assessment shall involve especially the potential impact on financial position (including capital requirements), financial performance and liquidity position of DenizBank. Based on this evaluation, a risk profile or rather an actual risk structure can be derived for DenizBank.

The key results of the materiality assessment are used for modelling the risk-bearing capacity and accordingly for designing stress tests frameworks.

The Risk Management department - in coordination with the relevant departments - is responsible for carrying out the risk identification and materiality assessment process. The Risk Management department presents the results to the Risk Committee of DenizBank.

The currently material risks of DenizBank AG are presented in the Table 10.

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RBCC) is essential for DenizBank's risk strategy, since the risks associated with the bank's business operations can only be covered to the stated limit of available risk coverage capital.

The RBCC is executed monthly based on defined scenarios such as going concern, gone- concern and at Group level. For this purpose, the individual risk types are consolidated with overall loss potential and contrasted with the available risk coverage capital. The fundamental condition of the risk-bearing capacity calculation is that the total of the measured risks at the bank-wide level (overall bank risk potential) shall be covered by the total available risk coverage capital at any times - both in the going concern and the Gone-Concern. The risk coverage capital essentially comprises of eligible equity and the available surplus of profit on ordinary activities.

The primary objective of the going concern scenario is to secure the claims of equity providers. The continued maintenance of the bank shall also be ensured if losses occur during the observation period. The going concern scenario is calibrated to a confidence level of 95%. In contrast, the objective of the Gone-Concern scenario is defined as securing of creditors' claims. Even in an extreme situation (i.e. a confidence level of 99.9%), bank creditors will be served from the remaining risk coverage capital of DenizBank AG and therefore protected from losses.

The risk-bearing capacity calculation is fundamental for the sustainable business decisions of DenizBank AG, since business transactions on the operating entity level of DenizBank can only be conducted because of inherent risk to the stated limit when the appropriate risk coverage capital is made available by the bank. The nature and extent of the risk-bearing activities of the DenizBank determine an appropriate level of the risk coverage capacity.

The monthly Risk Committee reports on the results of the RCC and monitors the safeguarding of risk coverage capacity at any time horizon.

The risk-bearing capacity analysis covers unexpected losses from the following material risks categories:

Credit risk	- Default risk in the classic loan business - Issuer risk in the trading and banking book - Counterparty credit risk (incl. CVA) - Country risk (incl. concentration risk) - Concentration risk (sector & single name) - Migration risk - Risk arising from FX-loans - Residual risk from credit risk mitigation techniques
Market risk	- Interest rate risk - Credit spread risk - Foreign exchange risk
Operational risk	Inadequacies or failures of internal procedures, employees and systems or external events, including legal risks
Macroeconomic risk	- GDP (Increase in PDs) - Exchange rates (Increase in EAD) - Property prices (Decline in mortgage lending values)
Other risk	- Liquidity risk (refinancing risk) - Risk of money laundering and terrorist financing - Business risk - Reputation risk - Risks arising from the macroeconomic environment - Risk from excessive indebtedness

Table 10: Major risks of DenizBank AG

Credit risk

Risk measurement

Under the RBCC's methodology, the credit risk is estimated based on the IRB Foundation Approach. The credit risk relates to the unexpected loss of credit risk-relevant positions of DenizBank's portfolio.

When determining the unexpected loss of credit risks, both the internal rating and the collateral are considered, whereby the probability of default of a debtor is estimated internally.

The credit default risk refers to the unexpected loss of credit transactions (excluding debt instruments and derivatives) calculated under the IRB approach.

The issuer risk refers to the unexpected loss of debt instruments in the banking book determined by using the IRB approach.

The capital requirement for the counterparty risk for derivatives includes two components: the default risk and the CVA risk. The counterparty credit risk relates to the unexpected loss of derivatives estimated by using the IRB approach. The CVA risk is measured by applying the standardized approach pursuant to Article 384 CRR.

The assessment of the migration risk explicitly relates to the assumption that the customer's creditworthiness of a loan portfolio is being diminished. The difference between the unexpected losses before and after the reduction of customers' credit ratings is assumed as the risk value of the migration risk.

Accordingly, DenizBank AG applies the rating model for the estimation of risk from foreign currency loans. Subsequently, the stress test is carried out depending on pre-defined stress test scenarios in order to assess the foreign exchange risk of customers (FX risk). As a result, the customer's credit rating is directly affected by the estimated FX risk. Hence, by identifying the specific FX risk for each customer, an explicitly adequate assessment of the risk from foreign currency loans is ensured. The difference between the unexpected losses of credit ratings before and after FX stress test denotes the risk value of the FX risk from foreign currency loans.

Due to receivables secured by real estate, DenizBank AG is consequently faced with the residual risk from credit risk mitigation techniques. Thus, the LGD for receivables secured by real estate is increased because of the residual risk from credit risk mitigation techniques.

The estimation of the concentration risk is based on a stochastic Value at Risk (VaR) multi-factor model, which covers the aspects of concentration relating to single name, sector and country.

The following table presents the risk capital for credit risk classified by type of risk from Gone-Concern perspective as of 31 December 2019:

in EUR million	Risk capital
Default risk from traditional lending business	530.91
Issuer risk	31.98
Counterparty risk (incl. CVA)	7.23
Concentration risk (sector, single name, countries)	109.20
Migration risk	52.18
Risk from FX-loans	36.09
Residual risk from credit risk mitigation techniques	0.20
Total risk capital	767.79

Table 11: Risk capital from credit risk from the Gone-Concern perspective

Risk management and mitigation

In according to the risk strategy, various methods are used to manage credit risk.

The diversification of loan portfolio is provided by extending our engagement in European countries, especially by purchasing bonds, promissory note loans and granting bilateral and syndicated loans.

DenizBank AG implements internal credit rating models, which includes a customer group segmentation and are applied for different indicators.

In general, only adequate eligible collaterals with sufficient tradability are pledged when granting of loans. The financial assets pledged as collaterals consist of cash collateral, real estate and guarantees and consequently contributes to the decline of the credit risk. The effectiveness of the provided collateral is ensured by the strict implementation of all regulatory requirements and their precise management over the entire term of the respective loan. In order to identify potential value volatility over time, the collaterals are continuously valued or revalued.

Furthermore, limit setting is an instrument of DenizBank to restrict deliberately the credit risk. This procedure is mainly focused on risk limits and specific limits relating to country concentrations, sector concentrations and foreign currency loans.

Market risk

Risk measurement

The interest rate risk at overall bank level is estimated by performing the sensitivity analysis, which is based on a non-parallel shift of the interest rate curve of currency.

The FX risk is determined at overall bank level as well by using the Value at Risk (VaR) calculation, which is based on the RiskMetrics model.

The credit spread risk is estimated by Modified Duration formula, which includes the concept of historical developments. It is assumed that an increase in the risk premiums of all instruments lead to an immediate reduction in the value of bonds.

The following table presents the risk capital for market risk classified by type of risk in the Gone-Concern scenario as of 31 December 2019:

in EUR million	Risk capital
Interest rate risk	43.31
FX-risk	0.38
Credit-spread risk	79.16
Total risk capital	122.85

Table 12: Risk capital for market risk in the Gone-Concern scenario

Risk management and mitigation

In order to counteract the market risks and foreign currency risk, DenizBank AG makes use of derivative instruments. As a result, the exposures arising from foreign currency loans are hedged by FX derivatives

In addition, interest rate derivatives are designated to hedge the interest rate risk in the banking book:

Derivative financial instruments in EUR (nominal value)	31.12.2019
Forward exchange transactions	3,649,430,142.55
Interest Rate Swaps without hedging	355,849,563.82
Interest Rate Swaps in a hedging	444,749,767.23
Cross Currency Swaps	81,820,204.76
Total amount	4,531,849,678.37

Table 13: Volume of derivative financial instruments

Operational risk

Risk measurement
The probability of the operational risk is estimated by using the basic indicator approach pursuant to Article 315 CRR.

In order to ensure a confidence level of 99.9%, the value, which is calculated according to the basic indicator approach for both scenarios Going Concern and liquidation, is applied for the estimation of operational risk.

At 31 December 2019, the risk capital for operational risk in the Gone-Concern scenario amounts to 45,125,098.73 EUR.

Risk management and mitigation
DenizBank makes use of adequately effective control systems in order to mitigate the operational risk.

The applied internal control system ensures that the significant operational risks are at regular intervals identified and assessed. Therefore, the bank is prepared at any time to initiate necessary countermeasures.

In addition, DenizBank brings into action another qualitatively effective methods aiming at the development of the efficient risk management measures to counteract the operational risks. In fact, an extend of loss database and a conducting of risk self-assessment represent these measures. Furthermore, risk analyses are also performed as part of the product launch and outsourcing process.

Contingency plans, plans for maintaining business operations and plans for restoring critical resources (e.g. IT systems, communication systems, buildings) are implemented and subsequently documented. The plans are regularly reviewed and, if necessary, updated by the designated employees.

In general, the business operations of the bank are heavily dependent on IT services and its sourcing partners. Accordingly, the service level agreements and other contracts are verified by DenizBank's Legal department. Moreover, the compliance with the contracts is monitored by executing the ongoing service level reports.

As part of operational risk management, DenizBank AG enters into insurance arrangement (computer operational interruption, loss of information, hardware, etc.).

Macroeconomic risks

Risk measurement
Macroeconomic risks are estimated using stress tests. The determinated macroeconomic scenarios are applied to assess the effects of changes in the economic environment on the risk and financial situation of DenizBank. The macroeconomic risks are essential for DenizBank AG, especially because of Turkey's economic situation. Due to business links between the bank and its parent company and its engagement in Turkey, DenizBank AG is directly affected by economic developments in Turkey.

Currently, the country risk of Turkey is rated by the international rating agencies Moody's as B1, by S&P as B+ and by Fitch as BB- at non-investment grade level.
This is the reasons why DenizBank AG's motivation is to reduce its exposure to Turkey in the long-term perspective.

The following table presents the risk capital for the macroeconomic risks in the Gone-Concern scenario as at 31 December 2019:

in EUR million	Risk capital
Risk of exchange rate (EaD effect)	11.82
Risk of property price changes	0.00
Risk of changes in GDP (PD effect)	19.76
Total risk capital	31.58

Table 14: Risk capital for macroeconomic risks in the Gone-Concern scenario

Risk management and mitigation
In order to counteract macroeconomic risks, the market situation and changes in the legal framework are continuously and promptly reviewed. Developments, which derive from macroeconomic risks, are regularly monitored. This especially includes reviewing the assessment of macroeconomic parameters on which DenizBank's strategy is based.

The Asset Liability Committee (ALCO) is responsible for monitoring the changes of economic conditions. The Economic Research Department monthly informs the committee members about the economic conditions in the countries where the DenizBank's risk arise.

Liquidity risk

Risk measurement
The liquidity risk (refinancing risk) is estimated based on the stress scenario and is covered by own fund capital. The stress scenario follows the concept of the additional refinancing costs that DenizBank AG would have to bear for up to one year.

As of the reporting date, the risk capital for the liquidity risk amounted to 11,779,575.42 EUR.

There is no capital backing for the insolvency and market liquidity risk under the RCC. An appropriate ILAAP is applied in order to identify, steer and hedge these risks.

Risk management and mitigation
The management methods used by DenizBank are as follows:

- Risk limitation: limit system
- Risk mitigation: Provision of collateral
- Risk diversification: diversification of counterparties, higher number and smaller volumes per counterparty, region, industry or different business segments
- Risk provisioning: liquidity buffer, counterbalancing capacity, liquidity contingency plans
- Capital adequacy: Is only relevant for refinancing risk

Business risk

The business risk of DenizBank primarily arises from a sustained decline in interest rate-dependent business and ultimately contributes to the reduction of net interest income.

Risk measurement
The business risk is explicitly considered when determining the available risk coverage capital.

From Going Concern perspective, the business risk is taken into account in course of the monthly adjustment of the budgeted annual profit with a haircut. Only the profit on ordinary activities already realised is used as risk coverage capital to take account of the business risk in the event of liquidation (going concern scenario). To take account of the lack of diversification, a risk amount equivalent to the budgeted net commission income is also used.

As of the reporting date, the risk capital for the business risk in the gone-concern scenario amounted to 15,498,194.87 EUR.

Risk management and mitigation
In order to counteract business risk, the diversification of the Bank's assets and liabilities is being promoted. In addition, the market situation, the competitive position, customer behaviour and changes in the legal framework are monitored continuously and promptly.

Stress testing

DenizBank has a stress test processes to stimulate a sharp increase in the bank's overall risk potential and to quantify the negative effects on the financial performance, capital base and capital adequacy.

The Bank uses two different types of stress tests for capital; sensitivity analyses based on the Pillar 2 requirements and bank-wide stress tests (scenario analysis) based on the Pillar 1 requirement. While sensitivity analyses examine the dependency on risk factors on an individual basis, scenario analyses simultaneously consider the effects of several risk factors.

The bank-wide stress tests are conducted annually based on three different scenarios (idiosyncratic, systematic and combined stress scenarios). There are also reverse stress testing and ad hoc stress testing.

Pillar 2 stress tests based on sensitivity analyses (e.g. LGD and PD) are carried out monthly and reported to the Management Board of Directors as part of the Risk Committee.

The Risk Management department is responsible for designing the stress scenarios and performing the approved stress tests, and for reporting to the Board of Managing Directors.

Limit system and escalation procedures

The limit setting for all relevant risks and the use of procedures for monitoring risks ensure that the risks taken are in line with the risk strategy defined by the Management Board and that the Bank's risk-bearing capacity is not exceeded. In addition, the limit system, in combination with a clearly defined escalation procedures, ensures that information is transmitted immediately to the Management Board and relevant departments and committees, thereby enabling an early response to impending or increased risks.

DenizBank makes a distinction between strategic and operational limits. The strategic limits represent indicators, which are contained in the Risk Appetite Statement (RAS), the recovery plan and the contingency plan. The compliance with these limits is a top priority for management, as they are the main control instruments for risk management. The operational limits are more granular and are intended to support the goal of maintaining the strategic limits at any times.

The indicators, the limits and the escalation procedures used by DenizBank are documented in DenizBank's Risk Appetite Statement.

The indicators are monitored using a traffic light system:

- Green: Indicator is within the specified limit
- Yellow: Violation (above or below) of the early-warning threshold
- Red: Violation (exceeding or falling below) of the limit

Limit violations are subject to an escalation procedure, which can trigger designated limit management measures, depending on the status of the limit violation.

The Risk Management department is responsible for the monthly monitoring of indicators and reporting.

Risk reporting

Risk reporting is a standardised process and takes place at regular intervals. Consequently, this ensures that all relevant committees and decision-makers have been appropriately informed regarding the Bank's key positions, so that the risk content of the positions entered into can be assessed promptly on this information basis.

Control process

The appropriateness and effectiveness of the risk management system is monitored by process-integrated (internal) and process-independent (external) controls.

The results of the monitoring measures (especially discovered deficiencies) are reported and evaluated in an appropriate manner so that necessary measures can be taken to improve the system and eliminate the deficiencies.

The internal audit is a management tool, especially for the process-independent monitoring of DenizBank's risk management system and for ensuring an appropriate level of quality of the internal controls.

The Internal Audit department reviews the risk management system on an annual basis and reports to the Management Board on the results of the audit and discovered deficiencies. Furthermore, it monitors the elimination of deficiencies and informs the Management Board on the status of implementation.

Liquidity risk management (ILAAP)

DenizBank's ILAAP framework ensures that suitable strategies, principles, procedures and systems are in place to identify, measure, manage and monitor liquidity risk. These are in line with the complexity, risk profile and risk tolerance defined by the Management Board and are reflected in the amount of the liquidity buffer held to cover unexpected liquidity outflows.

The required liquidity buffer is determined both by the regulatory Liquidity Coverage Ratio (“LCR”) and by the internally set up liquidity risk stress tests. Liquidity risk stress testing is an integral part of the liquidity risk management of DenizBank AG and is used to identify possible stress events.

Apart from an appropriate liquidity buffer, also additional measures and limits are defined as part of the ILAAP framework in order to minimize the negative effects of liquidity risk and to be able to withstand liquidity stress situations. DenizBank also ensures that its refinancing structure is sufficiently diversified and that the availability of various refinancing sources is reviewed at regular intervals.

DenizBank's refinancing strategy is designed to ensure a solid financing structure. This is based on customer deposits, a diversified (in terms of maturities, markets and segments) medium- to long-term refinancing structure and the avoidance of dependency on short-term refinancing via the money market.

In order to counteract any liquidity bottlenecks as quickly and purposefully as possible, DenizBank has drawn up a liquidity emergency plan, which regulates the processes and responsibilities in the event of a liquidity squeeze. The liquidity contingency plan also contains measures that can be implemented within a short period of time to generate liquidity in order to avert damage to the bank (illiquidity in the most extreme case). Once defined early warning indicators are triggered, measures are initiated, and an emergency committee is formed to take decisions during the liquidity crisis. In addition, the liquidity contingency plan defines DenizBank's "liquidity status", which ranges from "normal" to "severe crisis" and is dependent on the violation of the defined threshold values of the limits.

The Risk Management department is responsible for setting the liquidity risk management guidelines, including the principles, assumptions, methods and limits applied. The Risk Management department is also responsible for monitoring liquidity risk and checking compliance with liquidity risk-related limits and preparing the corresponding risk report.

The Treasury department handles the operational implementation of the liquidity strategy and the active planning, management and supply of liquidity and liquidity buffers within the framework of external and internal guidelines.

Liquidity risk is managed and monitored using the LCR, which is a measure of the Bank's liquidity risk position and indicates the extent to which the Bank is able to hold cash and cash equivalents sufficient to cover its short-term obligations (30 days) under stress scenarios.

The following table presents the LCR of DenizBank as of 31 December 2019:

in EUR million	31.12.2019
Liquidity buffer	2,955.6
Net cash outflow	1,278.1
Liquidity Coverage Ratio (LCR)	231.0%

Table 15: LCR as of 31 December 2019

In accordance with Article 412 CRR and the delegated regulation, the regulatory minimum requirement for the LCR is 100%. However, DenizBank has set this ratio to 120%.

- Net stable funding ratio ("NSFR")

The Net Stable Funding Ratio (NSFR) compares the available volume of the stable funding with positions requiring stable funding. This ratio ensures that the Bank maintains a minimum amount of stable funding over a period of one year, based on the liquidity characteristics of its assets.

The following table presents the NSFR of DenizBank as of 31 December 2019:

in EUR million	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	Over 12 months
Required stable funding	3,708.58	597.34	580.13	619.51	5,061.30
Available stable funding	4,065.33	567.81	789.56	759.74	4,361.18
Net Stable Funding Ratio (NSFR)	112.29%				

Table 16: NSFR as of 31 December 2019

The NSFR to be adhered to by DenizBank has been set at 105 %

Recovery and resolution plans

DenizBank has drawn up a recovery plan at Group level in accordance with the "Bundesgesetz über die Sanierung und Abwicklung von Banken ("BASAG")", Law governing the recovery and resolution of banks), which is updated annually.

The recovery plan serves as a preparation for coping with crisis situations and aims to identify suitable options for action in the form of recovery measures in order to strengthen the company's resistance to systemic and idiosyncratic risks.

Within the framework of the recovery plan, recovery indicators from various categories (solvency, liquidity, asset quality, profitability, macroeconomic indicators) and corresponding quantitative triggers (thresholds) are defined in accordance with regulatory requirements. The triggering of the recovery indicators identifies crisis situations ("recovery case") and defines the point in time at which DenizBank must take measures against potential crisis situations. For this purpose, a governance process is triggered when the predefined thresholds are reached, in the course of which the implementation of specific recovery measures is considered.

The Risk Management department coordinates the preparation and maintenance of the recovery plan and is responsible for the ongoing monitoring of the recovery indicators. It therefore performs a central supervisory and coordination function within the scope of DenizBank's recovery planning. In addition, the Risk Management department assumes a coordination function in the event of recovery and monitors the effectiveness of the measures implemented to restore the limits that have been violated.

In accordance with BASAG, the Austrian resolution authority has drawn up a resolution plan for DenizBank and defined a resolution strategy. The bank participates in the preparation of the plan and provides the resolution authority with information required for the preparation and annual update of the resolution plan.

Disclosure:

With the disclosure report as of 31 December 2019, DenizBank AG complies with the disclosure requirements pursuant to Articles 431 to 455 of regulation (EU) No 575/2013 (Capital Requirements Regulation - CRR).

This report provides the addressees with a comprehensive overview of the risk structure and risk management of DenizBank AG, both at the level of the bank as a whole and at the level of individual risks, and includes information on the organizational structure of risk management, the capital structure, minimum capital requirements and risk capital situation, the risk management systems and remuneration policy and practices.

With the Non-Financial Report as of 31 December 2019, DenizBank AG complies with the disclosure obligations in accordance with the Sustainability and Diversity Improvement Act and the corresponding provisions of the Austrian Commercial Code (UGB) and the Austrian Stock Corporation Act (AktG).

The disclosure report and the non-financial report of DenizBank AG are available on the website of the Bank (http://www.denizbank.at).

DenizBank AG strives to fulfil its mission to achieve sustainable value for its customers, business partners, shareholders and employees.

Research and Development

The business development department was set up to support the growth targets within the overall bank strategy. The department is responsible for the planning, development, and implementation of new products, services and sales channels in order to implement the bank's business objectives.

In addition, the department is coordinating the introduction of new products and existing offers in new markets in the New Product Committee.

Important events subsequent to the end of the reporting year

Subsequent to the end of the financial year, there were no events affecting the financial statement and the financial, assets, earnings and risk position. The sale of Deniz Finansal Kiralama, which had already been planned for and agreed with DenizBank A.S., Istanbul, in late 2019 was implemented on 24 January 2020. Deniz Finansal Kiralama has thus been completely removed from the books without affecting the results of DenizBank AG.

The Supervisory Board appointed Mr. Florian Dangl as a new member of the Board of Directors in January 2020. Mr. Dangl will take over the tasks of Mr. Mehmet Ulvi Taner, who was responsible for the Retail and SME division. Mr. Mehmet Ulvi Taner left the company in January 2020. DenizBank AG would like to take this opportunity to thank him most sincerely for his dedication and his collaboration.

OUTLOOK AND LATEST DEVELOPMENTS

Overall economic conditions

We do not expect any further escalation of current trade conflicts in 2020, especially as it is an election year in the USA. Challenges for global GDP growth remain, however, and an increasingly self-confidently acting China does not necessarily play a stabilising role.

In Europe the uncertainty about Brexit is basically over. However, the question remains open as to how quickly Great Britain and the European Union can agree on their future economic cooperation. The preparation of a trade agreement is unlikely to be possible within one year and could take several years, which prolongs the uncertainty in this regard. Although the industrial recession in Germany appears to have been overcome, ongoing strikes in France due to the planned pension reform are hampering development in another important EU economy. To what extent the "green deal" of the new EU Commission will have a positive or inhibiting effect on economic development remains to be seen and will probably have diverging effects on different sectors.

In addition to climate change, which is increasingly becoming a risk factor in economic terms as well in the form of extreme weather events, and health risks, the impact of which on the economy is also no longer negligible due to outbreaks of epidemics, also other geopolitical risks, the focus of which is currently shifting to countries in the Middle East, can no longer be ignored. In this context, the tense political situation in connection with the regional power Iran and its various proxy conflicts with local opponents should be mentioned. It is also not yet clear whether the US President's proposal for a sustainable solution to the Palestinian conflict will help to calm or even aggravate the situation.

Although these geopolitical risks will not necessarily curb GDP growth, they will temporarily lead to rising risk premiums. We believe that the hoped-for upward trend in long-term interest rates will not be seen in the short term, as investors are still searching for investment opportunities in safe havens. In the medium term, however, we expect long-term interest rates to rise, especially if the world economy gains speed and key interest rates are raised. We therefore assume that yield curves will steepen again in the long term.

For the euro zone, monetary policy is determined by the European Central Bank (ECB). In this context, we welcome the strategic review of the ECB's current monetary policy announced by the new governor, Christine Lagarde, which we consider as being too loose. The possibilities for counteracting with fiscal policy measures are limited by the Maastricht criteria in the Euro zone, but a relaxation of these criteria and a turning away from the austerity policy is not to be expected at present. This status quo makes deposits unattractive, but at the same time makes borrowing more attractive. Falling unemployment in our core markets of Austria and Germany is simultaneously increasing consumers' creditworthiness. This should meet our strategic goal of expanding our loan portfolio while only moderately increasing deposits. In expanding its loan portfolio, DenizBank AG will remain true to its conservative risk policy in the usual manner and pay close attention to the risk structure of new customers.

In this respect, we also welcome the proposals of the new Austrian Federal Government for reforming the Banking Union at EU level. Banks with balance sheet discipline should not have to assume liability for other banks that are making losses and compete with solid houses with their unsustainable business models. The issue of proportionality in the application of regulations is also close to our hearts as a medium-sized institution: not all capital requirements that are to apply to large international banks necessarily have to be relevant for smaller domestic banks as well.

Our answers to these challenges

In the light of all these developments, DenizBank AG is committed to protect and further strengthen the sustainable value that the bank has created for its customers, shareholders and employees. The bank focuses on customer satisfaction, increased efficiency, effective cost management and prudent risk management, supported by a strong capital and liquidity base.

Focus on Austria and Germany without renouncing our roots

With focus on proximity to its customers, the successful establishment of its branch network in Austria and Germany and the implementation of Internet banking, DenizBank AG has laid the foundation for solid business development in retail banking. One of the most important pillars of its business strategy continues to be based on the offering of customer-oriented quality products.

The aim is above all to further expand its loan portfolio with European customers. On the financing side, we aim to further expand our solid presence in Austria and Germany and to expand our retail customer base with the support of our strong brand awareness, while at the same time further diversifying our refinancing. While doing so, we will continue to be the reliable expert for our existing customers in banking business in Turkey and, thanks to our new owner, also in the Middle East in the future.

Development of the modern banking platform and new technologies

The increase in the number of customers and transaction volumes as well as the introduction of new products and services require a constant development of our banking systems in order to ensure growth in terms of scalability and continuity. The Bank will invest further to the development of IT infrastructure in the future. In particular, the launch of a new retail banking platform is planned for 2020. This platform is already successfully in use at our parent company and can be used to conclude smaller loans online within minutes. This goes hand in hand with the bank's intention to handle processes more digitally and less on paper, in order to take a step towards sustainability and resource conservation.

Retail and SMEs - new customers, existing markets

With the new retail and SME strategy, the implementation of which is already well underway, we will tap new customer groups in our home markets of Austria and Germany. At the same time, we can offer additional products to our existing customers. We will offer our customers in the Retail segment - supported by the retail banking platform - consumer, refinancing and overdraft facilities. Micro-entrepreneurs with short-term payment bottlenecks will be able to draw on our revolving instalment loans. Thanks to the state-of-the ultramodern IT infrastructure of an established bank, which at the same time ensures compliance with all due diligence requirements, DenizBank AG will offer high-quality financial services with customized solutions for retail banking products.

Strong capital base

Thanks to the positive annual result and the support of our owners, DenizBank AG will further strengthen its equity structure both to support its growth course and to meet existing and future regulatory requirements.

Thanks and appreciation

Due to the change in ownership and the associated adjustment of our strategy, the past financial year 2019 was a thoroughly challenging one. In spite of all this, the Bank was still able to maintain its stable course. We would therefore like to express our sincere thanks to all employees, whose excellent team spirit played a vital role in achieving this result. We would also like to thank our shareholders, DenizBank Financial Services Group, our business partners and especially our customers who have entrusted their financial affairs to us. We will not disappoint you in the future either!

Vienna, 6 March 2020

The Management Board

Ahmet Mesut Ersoy m.p.
Chairman

Mag. Bernhard Achberger m.p.
Member

Mag. (FH) Florian Dangl m.p.
Member

Tuncay Akdevelioglu m.p.
Member

Cenk Izgi m.p.
Member

Mag. Dina Karin Hösele m.p.
Member

DIRECTORS AND OFFICERS OF THE BANK

SUPERVISORY BOARD

Hakan ATES
Chairman Istanbul
President & CEO
of DenizBank A.S.

Derya KUMRU
Deputy Chairman
Istanbul, Executive
Vice President
of DenizBank A.S.

Wouter Van ROSTE
Member Istanbul
Member of the Board of
Directors of DenizBank A.S.

Timur KOZINTSEV
Member Istanbul
Member of the Board of
Directors of DenizBank A.S.

Suryanarayan SUBRAMANIAN
*Member ****
Group Chief Financial
Officer of Emirates NBD
Bank PJSC

Jonathan Edward MORRIS****
Member
Head Wholesale Banking
(Executive) of Emirates NBD
Bank PJSC

Ruslan ABIL
Member Istanbul
Member of the Board of
Directors of DenizBank A.S.

Hayri CANSEVER
Member Istanbul
Member of the Board of
Directors of DenizBank A.S.

Pavel BARCHUGOV *****
Non-Executive Member
of the Board of Directors
at DenizBank A.S. & CRO
of Sberbank Russia

Dzhangir DZHANGIROV *****
Member Istanbul, Member
of the Board of Directors,
DenizBank A. S.

Bernhard RABERGER
Member Managing
partner at
Blue Minds Group

Dr. Döne YALCIN-MOCK
Member Shareholder and
member of the Management
Committee at CMS
Reich-Rohrwig Hainz
Rechtsanwälte GmbH

DENIZBANK AG MANAGEMENT BOARD

Ahmet Mesut ERSOY
Chairman of the
Management Board, CEO

Mehmet Ulvi TANER *
Management Board Member

Mag. Bernhard ACHBERGER
Management Board
*Member, CFO **

Tuncay AKDEVELIOGLU
Management Board
Member, CRO

Cenk IZGI
Management Board Member

Mag. Dina Karin HÖSELE **
Management Board Member

Mag. Florian DANGL ***
Management Board Member

REPRESENTATIVES OF THE AUSTRIAN FEDERAL MINISTRY OF FINANCE BANKING SUPERVISION DIVISION

Louisa Ulrike Unterasinger, BA, MSc, (WU)
Ministerial Counsellor, Government Counsellor

Hofrat Josef Weidinger, BA
Deputy

* End of Assignment 07.01.2020
** Member of the Management Board since 27.02.2019
*** Member of the Management Board since 27.01.2019
**** Supervisory Board Member since 02.08.2020
***** End of Assignment 31.07.2019

SUPERVISORY BOARD REPORT

Bolstered by strong capitalization and a dynamic funding base, DenizBank AG took advantage of the opportunities offered in the market.

Despite the continued challenges posed to the global financial industry, DenizBank AG again delivered an outstanding result. Bolstered by strong capitalization and a dynamic funding base, DenizBank AG took advantage of the opportunities offered in the market while applying a strict risk management policy.

The Management Board has reported to the Supervisory Board about the company's performance in Austria and Germany, developments in Russia and Turkey, as well as significant lending commitments, investments and other important matters.

During the 2019 financial year, the Supervisory Board met on the following dates: March 29th, October 3', November 15th and December 12th. The duties of this Board were instituted in accordance with the Law and the Articles of Association. The Board is responsible for continuously supervising the activities of the Bank's Management Board. Information about the Bank's intended business strategies, position, development and key transactions is communicated both in writing and verbally by the Management Board in a regular, comprehensive and timely mariner.

The Management Board submits regular reports on the extent to which group risk exposure limits have been utilized. The Supervisory Board also conducts other in.-depth examinations of key risk control aspects and has established Audit, Risk, Credit Approval, Nomination and Remuneration Committees to supervise the Bank's business in line with its regulatory mandates. The Supervisory Board through its Audit Committee duly noted and approved the results of the annual statutory audit. Internal Audit, Controlling, Legal, HR, Compliance, Anti Money Laundering, Risk Management and Credit Risk Management Departments provided the Audit Committee of the Supervisory Board with reports on a regular basis.

The 2019 DenizBank AG financial statements and Management Report were prepared in accordance with the UGB (Austrian Enterprise Code) and audited by Ernst & Young Wirtschaftsprufungsgesellschaft m.b.H., Vienna. The Supervisory Board has acknowledged the results timely through its Audit Committee and confirmed the audited financials. In addition, the Supervisory Board has validated the Nonfinancial Report 2019 of DenizBank AG and reported to the Shareholders Meeting accordingly.

With recommendation of the Audit Committee, the Supervisory Board approved the Management Report and proposal for use of net profit and approved the Balance Sheet in accordance with §96 (4) of the Corporation Law.

Mr. Dzangir Dzhangirov and Mr. Pavel Barchugov resigned as members of the Supervisory Board on 31" July 2019. Mr. Timur Kozintsev resigned as member of the Supervisory Board on 14th February 2020. By shareholders resolution Mr. Suryanarayan Subramanian and Mr. Jonathan Edward Morris were appointed on 2nd August 2019 as Supervisory Board members.

Mr. Mehmet Ulvi Taner resigned as a member of the Management Board on 7th January 2020. By Supervisory Board resolutions, Mr. Mag. Bernhard Achberger was appointed on 23th November 2018, Ms. Mag. Dina Karin Hosele was appointed on 13th February 2019 and Mr. Mag. (FH) Florian Dangl was appointed on 3rd January 2020 as new members of the Management Board.

The Supervisory Board has every reason to be proud of the Bank's accomplishments since its acquisition in September 2002.

DenizBank Financial Services Group with all its strength and expertise, the Supervisory Board and the shareholders all support the Management Board in their drive toward becoming one of the most influential and admired banks in the region.

Vienna, March 2020

The Supervisory Board

HAKAN ATEŞ
CHAIRMAN OF THE SUPERVISORY BOARD

BALANCE SHEET AS OF DECEMBER 31, 2019

Assets	12/31/2019		prior year
	EUR	EUR	kEUR
1. Cash in hand, balances with central banks		2,828,471,742.56	2,319,266
2. Treasury bills and other bills eligible for refinancing with central banks		180,501,028.23	0
3. Loans and advances to credit institutions			
a) Repayable on demand	121,537,126.64		277,899
b) Other loans and advances	603,100,175.86		398,056
		724,637,302.50	675,955
4. Loans and advances to customers		6,204,038,645.07	7,761,715
5. Debt securities including fixed-income securities			
a) issued by public bodies	254,171,724.25		26,870
b) issued by other borrowers	33,165,501.68		31,016
		287,337,225.93	57,886
6. Shares and other variable-yield securities		34,216.25	33
7. Shares in affiliated undertakings			
thereof: Shares in credit institutions EUR 16,453,424.78 (p.y.: 16,453 kEUR)		131,651,534.88	106,088
8. Intangible fixed assets		5,180,319.20	4,586
9. Tangible assets		7,823,504.37	8,156
thereof: Land and buildings occupied by a credit institution			
for its own activities EUR 0,00 (p.y.: 0 kEUR)			
10. Other assets		116,264,644.14	80,038
11. Prepayments and accrued income		8,362,997.32	12,631
12. Deferred tax assets		10,066,591.02	13,739
		10,504,369,751.47	11,040,093
Off-balance sheet items			
1. Foreign assets		7,608,330,063.26	9,089,038

Liabilities and Shareholders' Equity		12/31/2019		prior year
		EUR	EUR	kEUR
1,	Liabilities to credit institutions			
	a) Repayable on demand	82,255,952.61		23,419
	b) With agreed maturity dates or periods of notice	233,530,000.00		271,530
			315,785,952.61	294,949
2,	Liabilities to customers (non-banks)			
	a) Savings deposits			
	thereof:			
	aa) Repayable on demand	602,270,216.76		568,618
	bb) With agreed maturity dates or periods of notice	1,801,665,119.07		1,913,593
			2,403,935,335.83	2,482,211
	b) Other liabilities			
	thereof:			
	aa) Repayable on demand	1,714,184,016.74		1,919,737
	bb) With agreed maturity dates or periods of notice	4,328,234,090.96		4,647,977
			6,042,418,107.70	6,567,714
			8,446,353,443.53	9,049,925
3,	Other liabilities		72,203,612.79	79,111
4,	Accruals and deferred income		17,601,463.53	17,407
5,	Provisions			
	a) Provisions for severance payments	1,182,756.00		1,093
	b) Provisions for taxation	51,180.25		9,896
	c) Other provisions	20,449,879.66		17,976
			21,683,815.91	28,965
6,	Supplementary capital pursuant to chapter 4 of title I of part 2 of Regulation (EU) No 575/2013		26,704,646.60	26,201
7,	Subscribed capital		231,831,230.38	231,831
8,	Capital reserves			
	a) Comitted		340,626,293.96	340,626
9,	Retained earnings			
	a) Other reserves		953,627,204.16	893,126
10,	Liability reserve pursuant to section 57/5 BWG		77,952,088.00	77,952
			10,504,369,751.47	11,040,093

	Off-balance sheet items		
1,	Contingent liabilities	103 823 476,41	353 699
	thereof: Guarantees and assets pledged		
	as collateral security	88,035,248.57	153,147
2,	Commitments	528,253.24	9,089
	thereof: Commitments arising from repurchase transactions EUR 0.00 (p,y.: 0 kEUR)		
3,	Total qualifying capital according to part 2 Regulation (EU) No 575/2013	1,625,561,143.90	1,565,151
	thereof: Subordinated loan according to part 2 title 1 chapter 4		
	Regulation (EU) Nr. 575/2013 EUR 26,704,646.60 (p.y.: 26,201 kEUR)		
4,	Capital requirements pursuant to Art 92 of Regulation (EU) No 575/2013	6,789,953,031.79	7,886,871
	thereof: Capital requirements pursuant to Art 92 para. 1 point (a) of Regulation (EU) No 575/2013	23.55%	19.51%
	thereof: Capital requirements pursuant to Art 92 para. 1 point (b) of Regulation (EU) No 575/2013	23.55%	19.51%
	thereof: Capital requirements pursuant to Art 92 para. 1 point (c) of Regulation (EU) No 575/2013	23.94%	19.85%
5,	Foreign liabilities	4,563,629,924.84	4,772,518

INCOME STATEMENT FOR THE PERIOD FROM 01. JANUARY - 31. DECEMBER 2019

	2019 EUR	2019 EUR	prior year kEUR
1. Interest receivable and similar income		392,299,411.13	434,622
thereof:			
from fixed-income securities EUR 7,900,250.49 (p.y.: 2,252 kEUR)			
2. Interest payable and similar expenses		-206,648,717.23	-219,831
I. NET INTEREST INCOME		185,650,693.90	214,791
3. Commissions receivable		21,977,663.28	26,327
4. Commissions payable		-5,348,270.54	-4,458
5. Net profit or net loss on financial operations		1,100,258.68	19,848
6. Other operating income		337,407.36	691
II. OPERATING INCOME		203,717,752.68	257,199
7. General administrative expenses			
a) Staff costs thereof:			
aa) Wages and salaries	-21,843,541.70		-20,212
bb) Expenses for statutory social contributions and compulsory			
contributions relate to wages and salaries	-5,506,405.72		-4,944
cc) Other social expenses	-565,880.66		-487
dd) Expenses for pension and assistance	-317,524.60		-290
ee) Expenses for severance payments and contributions			
to severance and retirement funds	-546,466.86		-465
		-28,779,819.54	-26,398
b) Other administrative expenses		-19,262,342.28	-17,809
		-48,042,161.82	-44,207
8. Value adjustments in respect of asset items 8 and 9		-3,464,906.30	-3,113
9. Other operating expenses		-15,468,838.34	-14,605
III. OPERATING EXPENSES		-66,975,906.46	-61,926
IV. OPERATING RESULT		136,741,846.22	195,273
10. Value adjustments in respect of loans and advances and provisions			
for contingent liabilities and for commitments		-121,392,052.46	-34,003
11. Value re-adjustments in respect of loans and advances and provisions			
for contingent liabilities and for commitments		25,947,538.20	147
12. Value adjustments in respect of transferable securities held as			
financial fixed assets participating interests and shares in affiliated undertakings		0.00	-25,563
13. Value re-adjustments in respect of transferable securities held as			
financial fixed assets, participating interests and shares in affiliated undertakings		25,563,065.76	0
V. PROFIT ON ORDINARY ACTIVITIES		66,860,397.72	135,855
14. Tax on profit			
thereof: Income/Expenses from deferred taxes: EUR 3,672,552.28 (p.y.: 7,811 kEUR)		-4,333,451.23	-8,588
15. Other taxes not reported under item 14		-2,026,027.57	-2,417
VI. PROFIT FOR THE YEAR AFTER TAX		60,500,918.92	124,850
16. Changes in reserves			
thereof: Allocation to liability reserve EUR 0,00 (p.y.: 1,787 kEUR)		-60,500,918.92	-124,850
VII. NET INCOME FOR THE YEAR		0.00	0
17. Profit brought forward		0.00	0
VIII. NET PROFIT FOR THE YEAR		0.00	0

DEVELOPMENT OF FIXED ASSETS AS OF DECEMBER 31, 2019

	Cost of acquisition or production					Accumulated Depreciation						Book value	
	Acquisition costs	Additions	Disposals	Adjustments	Acquisition costs	Accumulated Depreciation	Additions	Write-ups	Disposals	Adjust-ments	Accumulated Depreciation	Book value	Book value
	01/01/2019				12/31/2019	01/01/2019					12/31/2019	12/31/2019	12/31/2018
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible fixed assets													
1. Software and rights	11,437,071.88	2,230,123.54	0.00	0.00	13,667,195.42	6,851,552.24	1,635,323.98	0.00	0.00	0.00	8,486,876.22	5,180,319.20	4,585,519.64
2. Low value assets - Software	0.00	1,632.44	1,632.44	0.00	0.00	0.00	1,632.44	0.00	1,632.44	0.00	0.00	0.00	0.00
	11,437,071.88	2,231,755.98	1,632.44	0.00	13,667,195.42	6,851,552.24	1,636,956.42	0.00	1,632.44	0.00	8,486,876.22	5,180,319.20	4,585,519.64
II. Tangible fixed assets													
1. Installations in third parties buildings	11,317,634.41	295,362.08	0.00	0.00	11,612,996.49	6,113,461.51	918,421.15	0.00	0.00	0.00	7,031,882.66	4,581,113.83	5,204,172.90
2. Fixture, furniture and office equipment	7,684,784.08	1,178,320.11	144,026.08	0.00	8,719,078.11	4,732,912.61	886,578.87	0.00	142,803.91	0.00	5,476,687.57	3,242,390.54	2,951,871.47
3. Low value assets	0.00	22,949.86	22,949.86	0.00	0.00	0.00	22,949.86	0.00	22,949.86	0.00	0.00	0.00	0.00
	19,002,418.49	1,496,632.05	166,975.94	0.00	20,332,074.60	10,846,374.12	1,827,949.88	0.00	165,753.77	0.00	12,508,570.23	7,823,504.37	8,156,044.37
III. Financial assets													
1. Debt securities including fixed-income securities													
issued by public bodies	26,869,500.00	0.00	0.00	0.00	26,869,500.00	0.00	0.00	0.00	0.00	0.00	0.00	26,869,500.00	26,869,500.00
issued by other borrowers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Shares in affiliated undertakings	131,651,534.88	0.00	0.00	0.00	131,651,534.88	25,563,065.76	0.00	0.00	25,563,065.76	0.00	0.00	131,651,534.88	106,088,469.12
3. Shares and other variable-yield securities	33,059.07	1,157.18	0.00	0.00	34,216.25	0.00	0.00	0.00	0.00	0.00	0.00	34,216.25	33,059.07
	158,554,093.95	1,157.18	0.00	0.00	158,555,251.13	25,563,065.76	0.00	0.00	25,563,065.76	0.00	0.00	158,555,251.13	132,991,028.19
	188,993,584.32	3,729,545.21	168,608.38	0.00	192,554,521.15	43,260,992.12	3,464,906.30	0.00	25,730,451.97	0.00	20,995,446.45	171,559,074.70	145,732,592.20

NOTES TO THE FINANCIAL STATEMENTS 2019

I. GENERAL INFORMATION

The annual financial statement of DenizBank AG for the fiscal year 2019 were prepared according to generally accepted accounting principles and provide a true and fair view of the company's financial and earnings position.

The annual financial statements as of 31 December 2019 were drawn up by the Management Board in compliance with the regulations of the Austrian Commercial Code (UGB) and the special regulations of the Austrian Banking Act (BWG).

Accounting policies

The structure of the balance sheet and the profit and loss account corresponds to Annex 2 to Article 43 (1) BWG. Individual items without any value in the current and previous financial year were not listed. While preparing the financial statement, the principle of completeness has been applied and the continued operation of the company was assumed. The valuation of assets and liabilities was conducted under the general rules of individual assessment.

Paying particular attention to the special features of the banking business, the principle of prudence was applied. Only profits and gains realized at the balance sheet date were listed, and all recognizable risks and impending losses were taken into account.

Foreign currency amounts were valued at the mean rate of exchange pursuant to Article 58 (1) BWG and currency holdings were valued at the quoted foreign exchange middle rate.

The positive or negative market values of forward exchange transactions (FX-Swaps, FX-Forwards) were listed under the balance sheet positions other assets or other liabilities. Positive market values of interest rate swaps and cross currency swaps were not reported in the balance sheet, whereas, provisions for contingent losses for negative market values of interest rate swaps and cross currency swaps were recognized.

The exposure values of derivatives were calculated based on the market valuation method. Interest rate and currency swaps were calculated by discounting future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the market value of forward exchange transactions the contracted forward rate was compared to the forward rate for the remaining term of the contract as of the balance sheet date. The resulting value was discounted under consideration of the market interest rate of the respective currency which was effective on the balance sheet date.

Temporary differences arising in the course of different corporate and tax treatments of assets, provisions, liabilities and prepayments and accrued income were recognized in the form of deferred assets.

Assets

The allocation of securities to financial assets, current assets or trading portfolio is based on the decision of the Management Board in accordance with internal guidelines. Current asset securities were reported in accordance with the strict lowest value principle at the purchase price or lower stock market price at the balance sheet date. Securities intended to be held as long-term investments were valued pursuant to Article 56 (1) to (3) BWG. Securities held for trading were valued at market prices. The entire amount of bonds consists of fixed interest domestic or foreign securities that are admitted to stock exchange trading and were issued by states, credit institutions or companies.

Cash at banks, loans to credit institutions and non-banks, current asset securities, bills of exchange and other receivables were valued at the lower stock market or market price pursuant to Article 207 UGB.

DenizBank AG has implemented a detailed, multi-level credit risk monitoring process including an early warning system, Credit Risk Monitoring involves several departments with clearly defined responsibilities. At individual customer level, ongoing risk monitoring is carried out, in particular, by the operational credit department as part of the monitoring of the account administration. In addition, all credit customers are examined in detail by the respective account manager, at least once a year, and corresponding reports are created by the respective account manager. Thus, suspected cases are detected early and reported internally to ensure appropriate credit tracking. Conspicuous customers are thus closely monitored. In the event of a significant deterioration in the risk situation, a transition from customer service to back office takes place.

Provision for contingent loan losses are taken into account by specific loan loss provisions, general loan loss provisions and allowances, whereby specific loan loss provisions are calculated individually for each significant customer. The amount of the specific loan loss provisions is determined on the basis of the assessment of the economic situation of the individual borrower, taking into account the current evaluation of the collateral, the repayment structure and the maturities. The expected cash flows of repayment (probability-weighted from three scenarios) are discounted to the balance sheet date. Hence, this present value of the expected cash flows is compared with the carrying amount on the balance sheet date. The difference is recorded as loan loss provision.
General loan provisions are determined on the basis of a

calculation of the expected loss. Expected loss is the net exposure multiplied by the probability of default and the loss given default rate, assuming a default rate of 45%. The loan loss provisions are offset against the corresponding receivables in the balance sheet. Provisions for off-balance-sheet loan transactions are shown as allowances.

The distinction between performing and non-performing loans is made in accordance with Art 178 CRR and the provisions of the EBA Guidelines on management of non-performing and forborne exposures (EBA/GL/2018/06), which has been applicable since 1 July 2019. At the same time, DenizBank AG decided also to early adopt the EBA Guidelines on the application of the definition of default (EBA/GL/2016/07), even if it will be mandatory only from 1 January 2021.
This guideline deals particularly with classification of borrower as "defaulted". The classification as non-performing is also based on this definition of default, DenizBank AG is one of the first banks in Austria, which implement these new requirements ahead of time.

The key elements of the new definition of default are the "past-due criterion", which occurs if principal, interest payment or fees are not paid. The reduction of the materiality threshold from 2.5% to 1% of the on-balance sheet exposure is the main change relating to the "past-due criterion". As a result, the past-due counter starts to count even for significantly lower overdue exposures and will accordingly start to affect a larger number of loans. Another key point of the guideline is the "unlikely-to-pay" criterion ("UTP criterion"), which is based on a default that is already foreseeable today: The most important trigger for DenizBank AG according to "unlikeness of payment" criterion is the distressed restructuring. With the early implementation of the guidelines, loans which have already been restructured and for which the bank has accepted a net present value loss of more than 1% during the restructuring period, must be classified as defaulted for regulatory purposes. Additional UTP criteria are a high leverage level, specific credit risk adjustments, bankruptcy, non-accrued status or a loss on sale of the loan.
Moreover, the return to performing has been tightened by the new guideline. Now, loans should remain in default for at least three months or at least one year (in the case of distressed restructuring) before they can be assigned to a performing status again, provided the borrower's behaviour and financial situation are appropriate.
The evaluation of intangible and tangible fixed assets was made on the basis of the acquisition cost less scheduled straight-line depreciation. The useful life was estimated as 10 years (investment in leased buildings) or 2-10 years (software, furniture and office equipment) respectively. Low-value assets were fully depreciated in the year of acquisition pursuant to Article 13 EStG. They were listed under the assets analysis columns “additions”, “disposals” and “depreciation of the financial year”.

Liabilities

Pursuant to Article 211 (1) UGB the assessment of provisions has been made with the estimated settlement amount. Provisions with a remaining term of more than one year were discounted at an interest rate of 3.5% (previous year: 3.5%). Provisions for severance obligations were recognized using the amount resulting from actuarial principles.

The provisions for severance obligations were determined on the basis of recognized actuarial principles according to the “projected unit credit method” pursuant to IAS 19. The calculation was based on an interest rate of 1.5% (previous year: 1.5%) with an assumed retirement age of 60 years for women and 65 years for men. The average interest rate of the last 7 years on the basis of the 15-year German federal bond was used as a source for this calculation. The value at the reporting date for the annual financial statements accounts for 1,182,756.00 EUR (previous year: 1,092 kEUR). The calculations for all social capital reserves applied to employees were based on the “AVÖ 2018-P – Calculation Basis for Pension Insurance - Pagler&Pagler”. In addition, a valorisation basis of 2.2% (previous year: 2.2%) was used. The fluctuation rate was not considered in the determination of the provisions for severance payments.

In accordance with the principles of prudence all recognizable risks at the time of compilation of the balance sheet, as well as the liabilities whose amounts and bases are uncertain were considered in other provisions under amounts that were reasonable in commercial judgement.

II. NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNTS

1. ASSETS

Cash in hand, balances with central banks

Cash and balances with central banks amount to 2,828,471,742.56 EUR (previous year: 2,319,266 kEUR) at yearend and were thus 509,206 kEUR higher than in the prior year.

Treasury bills

Treasury bills and bills of exchange eligible for refinancing with the central bank were newly established in 2019 in the amount of 180,501,028.23 EUR (previous year: 0 kEUR).

Loans and advances to credit institutions

Loans and advances to credit institutions increased by 48,682 kEUR to 724,637,302.50 EUR in the reporting period (previous year: 675,955 kEUR). Loans to affiliated companies amounted to 282,717,550.93 EUR (previous year: 203,061 kEUR) of which 5,640,154.89 EUR (previous year: 5,623 kEUR) are subordinated at the closing date for the annual financial statements. The fiduciary transactions included in loans and advances to credit institutions amount to 103,779,937.60 EUR (previous year: 99,202 kEUR). A general loan loss provision was booked to cover the loans to banks in the amount of 1,766,034.36 EUR (previous year: 1,670 kEUR) as of 31 December 2019.

Loans and advances to customers

Loans and advances to customers decreased from 7,761,715 kEUR in the previous year by 1,557,677 kEUR to 6,204,038,645.07 EUR. Loans to affiliated companies amounted to 58,100,000.00 EUR (previous year: 93,275 kEUR) at the accounting date. A general loan loss provision was booked to cover the loans to customers in the amount of 35,905,360.36 EUR (previous year: 47,246 kEUR) as of 31 December 2019. Specific loan loss provisions amounted to 118,800,039.20 EUR (previous year: 1,435 kEUR) at the end of the year.

Regional classification of loans and advances to credit institutions and non-banks:

	Loans and advances in EUR to			
	Credit institutions		Customers	
	12/31/2019	12/31/2018*	12/31/2019	12/31/2018*
Turkey	71,635,240.87	110,501	3,263,505,674.00	4,322,924
Austria	5,792,014.59	113,732	56,377,768.31	37,100
Other countries	647,210,047.04	451,722	2,884,155,202.76	3,401,691
Total	724,637,302.50	675,955	6,204,038,645.07	7,761,715

* 12/31/18 amounts in kEUR

As a result of the bank's approach to mutual businesses with the parent company and its strong involvement in Turkey. DenizBank AG is directly dependent on economic developments in Turkey.

The country risk Turkey is rated by the international rating agencies Moody's as B1, by S&P as B+ and by Fitch as BB- at non-investment grade level.

The country risk of Turkey is included in the risk-bearing capacity analysis, both as a credit concentration and as part of macroeconomic risks. The total engagement in Turkey has been gradually phased out since 2016. The ratio of Turkey's country risk to total assets was 29.24% (previous year: 35.97%) as of 31 December 2019.

DenizBank AG has granted loans to customers in foreign currency that give rise to foreign currency risk. As of 31 December 2019, the volume of loans granted in USD amounted to the equivalent of EUR 2,327,287,710.89 (previous year: 2,909,350 kEUR), while loans granted in TRY had the equivalent value of 10,751,824.14 EUR (previous year: 15,823 kEUR). The Bank has essentially hedged this risk through extensive currency swaps. At the end of the year, loan commitments in the sectors tourism, energy and construction amounted to 904,899,260.91 EUR (previous year: 1,353,848 kEUR), 646,155,026.04 EUR (previous year: 1,119,176 kEUR) and 294,584,577.13 EUR (previous year: 253,610 kEUR) respectively. In the context of risk-minimizing measures, credit exposures worth 1,094,962 kEUR were reduced in the reporting period.

Remaining terms of loans and advances of credit institutions and customers

Loans and advances of credit institutions and customers which are not payable on demand included amounts with the following terms of maturity (remaining term):

Loan and advances of credit institutions and customers which are not payable on demand before loan loss provisions to

	Amounts due from			
	Credit institutions		Customers	
	12/31/2019	12/31/2018*	12/31/2019	12/31/2018*
Up to 3 months	289,327,486.44	269,748	125,685,307.06	214,775
Over 3 months to 1 year	185,286,882.02	93,577	1,153,065,166.95	1,210,835
Over 1 year up to 5 years	124,621,686.87	30,777	2,352,826,283.33	2,396,392
Over 5 years	5,640,154.89	5,623	2,725,324,728.37	3,969,134
Total	604,876,210.22	399,725	6,356,901,485.71	7,791,136

* 12/31/18 figures in kEUR

Debt securities including fixed-income securities

The position bonds and other fixed-interest securities increased from 57,886 kEUR in the previous year to 287,337,225.93 EUR at the balance sheet date.

At the balance sheet date, listed securities in the amount of 26,869,500.00 EUR (previous year: 14,888 kEUR) were held, which were valued as fixed assets according to Article 56 (1) BWG. Listed current asset securities have a book value of 262,223,480.71 EUR (previous year: 31,364 kEUR). As of 31 December 2019, 1,755,754.78 EUR (previous year: 348 kEUR) was booked as a general provision for securities.

	Book value 12/31/2019	Hidden reserves	Book value 12/31/2018*	Hidden reserves
Loans and advances to credit institutions	0.00	0	0	0
Treasury bills and other bills	0.00	0	0	0
Debt securities issued by public bodies	26,869,500.00	0	26,870	0
Total	26,869,500.00	0	26,870	0

* 12/31/18 figures in kEUR

The portfolio contained fixed-interest securities with a remaining term of less than one year in the amount of 44,249,587.24 EUR (previous year: 0 kEUR). As of 31 December 2019, there were no repurchase agreements pursuant to Article 50 (4) BWG (previous year: 0 kEUR).

Hidden reserves amount to 4,981,773.71 EUR (previous year: 607 kEUR).

Securities classified as available for sale have a book value of 262,223,480.71 EUR (previous year: 31,364 kEUR). A securities trading book has been held since 1 January 2005. As of 31 December 2019, the volume was 0.00 EUR (previous year: 0 kEUR).

Shares and other variable-yield securities

At the end of the year, shares in unlisted companies were valued at 34,129.07 EUR (previous year: 33 kEUR) and equity funds amount to 87.18 EUR (previous year: 0 kEUR). The shares in equity fund are accounted as held for trading.

Shares in affiliated undertakings

In December 2003, 51% of the shares of JSC DenizBank, Moscow was acquired, DenizBank AG, Vienna received a Letter of Comfort, dated 20 March 2009, from the main shareholder DenizBank A.S., Istanbul stating that any losses to be recorded in the books of DenizBank AG, Vienna arising in connection with the investment in JSC DenizBank, Moscow will be irrevocably covered by DenizBank A.S., Istanbul. Taking into account the net profit of 8,561,548.53 EUR (previous year: 10,586 kEUR) as of 31 December 2019, its shareholders` equity amounts to 92,677,025.34 EUR (previous year: 74,063 kEUR).

In September 2014, 51% of the shares of Deniz Finansal Kiralama A.S., Istanbul, was acquired. With consideration of the net profit amounting to 20,101,237.00 EUR (previous year: 13,044 kEUR) at the end of 2019, its shareholders' equity amounts to 139,681,918.83 EUR (previous year: 131,926 kEUR). Meanwhile, the shares in Deniz Finansal Kiralama A.S. were sold back to DenizBank A.S. on 24 January 2020 at the acquisition costs at that time, which is why the corresponding value adjustment from the previous year could be reversed.

Also, in September 2014, DenizBank AG, Vienna, acquired 99.9% of the shares of CR Erdberg Eins GmbH & Co KG, Vienna. Deniz Immobilien Service GmbH, Vienna, was founded in 2013 and is owned 100% by DenizBank AG, Vienna. The share capital of Deniz Immobilien Service GmbH, Vienna, amounts to 35,000.00 EUR (previous year: 35 kEUR).

Intangible fixed assets

Amounting to 5,180,319.20 EUR (previous year: 4,586 kEUR), intangible fixed assets mainly consist of purchased computer software.

Tangible assets

Reduced by a depreciation amount of 1,827,949.88 EUR (previous year: 1,706 kEUR) investments in tangible assets are worth 1,496,632.05 EUR (previous year: 860 kEUR). Tangible assets decreased from 8,156 kEUR by 333 kEUR to 7,823,504.37 EUR. The development of the individual tangible assets positions is shown in the assets analysis pursuant to Article 226 UGB and can be found in the enclosed attachment as Annex 3(1).

Commitments arising from the use of tangible assets not shown in the balance sheet amount to 3,981,040.66 EUR (previous year: 4,100 kEUR) for the following fiscal year and 21,092,383.62 EUR (previous year: 21,104 kEUR) for the following five years.

Other assets

At the balance sheet date, this position mainly contains clearing items in the amount of 9,644,576.49 EUR (previous year: 777 kEUR) as well as a positive market value of forward exchange transactions (FX Swaps, FX Forwards) amounting to 27,201,620.97 EUR (previous year: 5,621 kEUR).

Other assets contain deferred interest income worth a total 79,418,446.68 EUR (previous year: 73,640 kEUR), which will be payable after the balance sheet date.

Prepayments and accrued income

At the end of the year, prepayments and accrued income amount to 8,362,997.32 EUR (previous year: 12,631 kEUR). This position mainly consists of commissions, which were paid for the next periods prior to the balance sheet date.

Deferred tax assets

Deferred taxes on assets in the amount of 10,066,591.02 EUR (previous year: 13,739 kEUR) were determined by the end of the year, which is the result of the temporary difference between the tax value of provisions for severance payments and their book value as well as general loan loss provisions for credit risks. A tax rate of 25%, which was in force at the balance sheet date, was used in the deferred tax calculation.

Total assets

The total assets of DenizBank AG reached 10,504,369,751.47 EUR (previous year: 11,040,093 kEUR) at the end of 2019 and is thus 535,723 kEUR below the previous year. The total of assets not denominated in EUR was reported as 3,125,078,191.87 EUR (previous year: 3,401,094 kEUR). The total of liabilities denominated in currencies other than EUR amount to 1,310,263,370.98 EUR (previous year: 1,256,113 kEUR).

Off-balance-sheet items

As per end of the year, the bank's foreign assets amount to 7,608,330,063.26 EUR (previous year: 9,089,038 kEUR).

2. LIABILITIES

Liabilities to credit institutions

Liabilities to credit institutions, consisting of payables on demand as well as payables with agreed maturity dates or periods of notice, increased from 294,949 kEUR by 20,837 kEUR to 315,785,952.61 EUR. Liabilities to affiliated companies amount to 10,203,178.87 EUR (previous year: 53,615 kEUR) at the balance sheet date.

Liabilities to customers

In comparison to prior year, liabilities to customers decreased from 9,049,925 kEUR in the previous year to 8,446,353,443.53 EUR at the end of the year. The savings deposits contained therein, realized a decrease of 78,276 kEUR and totalled 2,403,935,335.83 EUR as of the balance sheet date (previous year: 2,482,211 kEUR). The percentage of saving deposits with agreed maturity or period of notice is 75%. The saving deposits do not contain trustee savings deposits. Liabilities to affiliated companies amount to 443,325.87 EUR (previous year: 599 kEUR). The liabilities include fiduciary transactions amounting to 103,779,937.60 EUR (previous year: 99,202 kEUR).

Remaining terms of liabilities to credit institutions and customers

Liabilities credit institutions and customers which are not payable on demand included amounts with the following terms of maturity (remaining term):

	Liabilities to			
	Credit institutions		Customers	
	12/31/2019	12/31/2018*	12/31/2019	12/31/2018*
Up to 3 months	162,000,000.00	200,000	1,361,770,701.80	1,349,028
Over 3 months to 1 year	71,530,000.00	0	2,026,771,300.26	2,066,421
Over 1 year up to 5 years	0.00	71,530	2,568,857,847.52	2,980,245
Over 5 years	0.00	0	172,499,360.45	165,875
Total	233,530,000.00	271,530	6,129,899,210.03	6,561,569

* 12/31/18 figures in kEUR

DenizBank AG has the opportunity to use refinancing facilities and mechanisms (including interbank transactions, loans, repo transactions, tender transactions, etc,) from various counterparties, including the parent company orcentral banks, to offset any maturity mismatches or funding gaps, if necessary.

Other liabilities

As of 31 December 2019, other liabilities amount to 72,203,612.79 EUR (previous year: 79,111 kEUR). Other liabilities include accrued interest expenses worth 60,512,031.60 EUR (previous year: 55,791 kEUR), which are payable after the year end.

Other liabilities also include negative market value of forward exchange transactions in the amount of 8,313,512.93 EUR (previous year: 19,957 kEUR).

Accruals and deferred income

As of the balance sheet date, accruals and deferred income amount to 17,601,463.53 EUR (previous year: 17,407 kEUR). This position mainly includes received interest before balance sheet date for the next periods.

Provisions

The total of provisions are valued at 21,683,815.91 EUR (previous year: 28,965 kEUR) showing a decrease of 7,281 kEUR compared to last year. This position includes provisions for severance payments worth 1,182,756.00 EUR (previous year: 1,093 kEUR), provisions for taxation at the amount of 51,180.25 EUR (previous year: 9,896 kEUR) as well as 20,449,879.66 EUR (previous year: 17,976 kEUR) worth of other provisions, which mainly refer to guarantee credits in the amount of 501,770.19 EUR (previous year: 5,432 kEUR), contingent losses of derivatives worth 15,215,877.05 EUR (previous year: 7,439 kEUR) and general administrative expense provisions amounting to 4,732,232.42 EUR (previous year: 5,105 kEUR). The general administrative expense provisions include provisions for vacations and premiums in the amount of 3,943,692.45 EUR (previous year: 3,979 kEUR).

Composition of provisions

in EUR	31.12.2019	31.12.2018*
Provisions for severance payments	1,182,756.00	1,093
Provisions for taxation	51,180.25	9,896
Other provisions	20,449,879.66	17,976
Provisions for guarantee credits	501,770.19	5,432
Provisions for contingent losses of derivatives	15,215,877.05	7,439
Provisions for general administrative expenses	4,732,232.42	5,105
Provisions for vacations and premiums	3,943,692.45	3,979
Other provisions	788,539.97	1,126
Total	21,683,815.91	28,965

* 12/31/18 figures in kEUR

Supplementary capital pursuant to chapter 4 of title I of part 2 of Regulation (EU) No 575/2013

In 2016 (on 6 May 2016 and 30 September 2016), two subordinated loans were taken from DenizBank A.S. in the amount of 15 million USD each, i.e. a total of 30 million USD. The subordinated loans will mature on 6 May 2023 and 30 September 2023 at an interest rate of 7%. As of year-end, the supplementary capital amounts to 26,704,646. 60 EUR (previous year: 26,201 kEUR).

The subordinated loans can only be repaid prematurely if at least five years have elapsed since the start of the term of the loan agreement and the conditions of Article 77 of Regulation (EU) No 575/2013 are fulfilled. Earlier repayment is only possible with the approval of the responsible supervisory authority and upon fulfilment of the requirements of Article 78 (4) of Regulation (EU) No 575/2013. The claims of the creditor from the subordinated loans, including interest, are fully subordinated to the claims of all non-subordinated creditors.

Subscribed capital

The subscribed capital amounts to 231,831,230.38 EUR (previous year: 231,831 kEUR) and is divided into 319,006 shares which are registered in the name of the principal shareholders.

Capital reserves

As of the year-end, capital reserves had a value of 340,626,293.96 EUR (previous year: 340,626 kEUR) and consist entirely of tied-up capital reserves.

Retained earnings

Due to the positive earnings situation of the Bank, it was decided to allocate the profit for the year to the retained earnings. Retained earnings amount to 953,627,204.16 EUR (previous year: 893,126 kEUR) at the balance sheet date.

Liability reserve pursuant to section 57/5 BWG

The liability reserve remained unchanged in the fiscal year, leading to a total sum of 77,952,088.00 EUR (previous year: 77,952 kEUR) at the end of the year. The allocation to a liability reserve in accordance with Article 57 (5) BWG was not necessary in the 2019 financial year due to the reduction in the liabilities reserve (previous year: allocation of 1,787 kEUR).

Off-balance-sheet Items

Contingent liabilities in the amount of 103,823,476.41 EUR (previous year: 353,699 kEUR) include guarantees of 88,035,248.57 EUR (previous year: 153,147 kEUR) and letters of credit of 15,788,227.84 EUR (previous year: 200,552 kEUR). Credit risks arising from not-utilized credit facilities amount to 528,253.24 EUR (previous year: 9,089 kEUR). Foreign liabilities amount to 4,563,629,924.84 EUR (previous year: 4,772,518 kEUR).

Total qualifying capital pursuant to part 2 of Regulation (EU) No. 575/2013

in EUR	12/31/2019	12/31/2018*
Subscribed capital	231,831,230.38	231,831
Capital reserves	340,626,293.96	340,626
Retained earnings	953,627,204.16	893,126
Liabilities reserve	77,952,088.00	77,952
Net retained profit	0.00	0.00
Total	1,604,036,816.50	1,543,536
Deduction capital		
Positions to be deducted	-5,180,319.20	-4,586
Core capital	1,598,856,497.30	1,538,950
Supplementary capital	26,704,646.60	26,201
Equity capital	1,625,561,143.90	1,565,151
CET1- & T1-ratios	23.55%	19.51%
Total capital ratio	23.94%	19.85%

* 12/31/18 figures in kEUR

As of 31 December 2019, DenizBank AG has a total capital ratio of 23.94%, while the CET1 and Tier 1 ratios amount to 23.55%. DenizBank AG thus has sufficient capitalization to meet regulatory capital requirements.

Return on assets for the fiscal year 2019 has a value of 0.58% (previous year: 1.13%), which was calculated as the ratio of net profit after tax divided by the total assets as of balance sheet date. Return on average equity amounts to 3.78% (previous year: 8.57%), which was calculated as the ratio of net profit after tax divided by the average equity.

Consolidated eligible equity capital

in EUR	12/31/2019	12/31/2018*
Subscribed Capital	231,831,230.38	231,831
Capital reserves	340,626,293.96	340,626
Retained earnings	953,627,204.16	893,126
Liabilities reserve	77,952,088.00	77,952
Minority interest	11,668,019.85	11,258
Positions to be deducted	-6,631,390.66	-5,587
Difference arising from contribution of equity capital and shares	-77,886,959.09	-76,117
Net retained profit not inteded for distribution	78,459,115.92	86,279
Core captial	1,609,645,602.60	1,559,369
Supplementary Capital	30,113,892.71	28,650
therein minority interest	1,019,963.22	0,096
Equity capital	1,639,759,495.23	1,588,019
CET1-ratio	21.58%	18.26%
T1-ratio	21.73%	18.40%
Total capital ratio	22.14%	18.74%

* 12/31/18 figures in kEUR

Additional Information for financial derivatives in the banking book

Statement of derivative financial instrumentsthatwere notsettled as per balance sheet date of the financial statement:

31/12/2019 in EUR	Nominal	Positive market value	Negative market value
Forward exchange transactions	3,649,430,142.55	27,201,620.97	8,313,512.93
short-term	3,649,430,142.55	27,201,620.97	8,313,512.93
Interest Rate Swaps with-out hedging relationship	355,849,563.82	0.00	15,357,955.14
medium-term	290,849,563.82	0.00	12,417,214.35
long-term	65,000,000.00	0.00	2,940,740.79
Interest Rate Swaps with hedging relationship	444,749,767.23	19,063,603.64	19,063,603.64
short-term	18,800,071.21	428.51	428.51
long-term	425,949,696.02	19,063,175.13	19,063,175.13
Cross Currency Swaps	81,820,204.77	9,273,593.88	9,273,593.88
short-term	1,419,789.66	289,221.29	289,221.29
medium-term	80,400,415.11	8,984,372.59	8,984,372.59
Options	3,081,853.48	479.19	479.19
short-term	3,081,853.48	479.19	479.19
Total	4,534,931,531.85	55,539,297.68	52,009,144.78
short-term	3,672,731,856.90	27,491,749.96	8,603,641.02
medium-term	371,249,978.93	8,984,372.59	21,401,586.94
long-term	490,949,696.02	19,063,175.13	22,003,915.92

31/12/2018 in kEUR	Nominal	Positive market value	Negative market value
Forward exchangetrans-actions	2,359,005	5,621	19,956
short-term	2,359,005	5,621	19,956
Interest Rate Swaps with-out hedging relationship	503,314	0	7,520
short-term	152,838	0	31
medium-term	279,476	0	5,671
long-term	71,000	0	1,818
Interest Rate Swaps with hedging relationship	463,887	16,542	16,542
medium-term	20,821	107	107
long-term	443,066	16,435	16,435
Cross Currency Swaps	84,953	10,203	10,203
medium-term	84,953	10,203	10,203
Total	3,411,159	32,366	54,221
short-term	2,511,843	5,621	19,987
medium-term	385,249	10,309	15,981
long-term	514,066	16,435	18,253

Negative market value of forward exchange transactions amounting to 8,313,512.93 EUR (previous year: 19,957 kEUR) was recorded in other liabilities. Provisions amounting to 15,215,877.05 EUR as of 31 December 2019 (previous year: 7,439 kEUR) have been set as contingent losses regarding the negative market value of derivatives. Without hedging transactions provisions for contingent losses worth 28,337,197.53 EUR (previous year: 26,745 kEUR) would have been taken into consideration on the balance sheet date.

DenizBank AG concludes interest rate swap transactions and cross-currency swap transactions with customers. Market risk (interest and currency risk) resulting from these transactions is offset with a counter transaction. The transactions are structured in a way that risks arising from fixed and variable payments of the underlying hedged transaction and the hedging instrument are nearly fully compensated. As a result, volatile evaluation components in the income statement are eliminated, planning and forecasting quality is increased and fair value risks arising from fluctuating applicable reference interest rate curves are neutralized. Market values of interest rate and cross currency swap transactions are listed in the table of derivatives above. The maturities are determined based on the type of transaction, ranging from short to long term.

Assessment on a qualitative basis (critical term match) is carried out at the date of designation and balance sheet date while the main features (nominal value, currency, begin date, maturity date, reference interest rate, payment frequency, repayment structure, day count convention) of the customer transaction and its hedge item are identical. Therefore, no prospective effectiveness has been calculated.

No hedge relationships were terminated prematurely in the 2019 financial year (previous year: 314,861 kEUR).

3. Profit and Loss Account

Net Interest Income

The net interest result including interest from fixed-income securities, interest expenses and similar expenses resulted in net interest income of 185,650,693.90 EUR as of the balance sheet date, which was 29,140 kEUR lower than in the prior year (previous year: 214,791 kEUR). This includes interest expenses for subordinated liabilities in the amount of 1,904,282.13 EUR (previous year: 1,798 kEUR).

Distribution according to geographical markets:

Net Interest Income	12/31/2019	12/31/2018*
Austria	209,855,415.79	244,684
Germany	-24,204,721.89	-29,893
Total	185,650,693.90	214,791

* 12/31/18 figures in kEUR

Operating Income

The operating income including net interest income, net fee and commission income, income or expenses resulting from financial transactions and other operating income registered a decrease of 53,481 EUR or 20.79% to 203,717,752.68 EUR (previous year: 257,199 kEUR). The operating income consists of the following amounts:

		Fee and commission income	Fee and commission expense	Income/Expense from financial transactions	Other operating income
2019	Austria	20,528,632.15	-5,296,112.24	421,822.43	312,091.05
	Germany	1,449,031.13	-52,158.30	678,436.25	25,316.31
	Total	21,977,663.28	-5,348,270.54	1,100,258.68	337,407.36
2018*	Austria	24,798	-4,406	19,198	667
	Germany	1,529	-52	650	24
	Total	26,327	-4,458	19,848	691

* 12/31/18 figures in kEUR

Operating Expenses

Operating expenses realized a growth of 5,050 kEUR from 61,926 kEUR to 66,975,906.46 EUR. Personnel expenses increased by 2,381 kEUR to 28,779,819.54 EUR (previous year: 26,398 kEUR). Other administrative expenses increased from 17,809 kEUR to 19,262,342.28 EUR. This position includes rent and leasing expenses totalling 3,923,866.91 EUR (3,762 kEUR in the previous year). Other operating expenses amount to 15,468,838.34 EUR (previous year: 14,605 kEUR) containing the amounts resulting from paid contributions to the resolution fund and deposit protection scheme worth 7,114,148.10 EUR (previous year: 6,819 kEUR).

Operating Result

At 136,741,846.22 EUR, the operating result was 58,532 kEUR lower than in the previous year (previous year: 195,273 kEUR).

Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments

This position contains valuation losses of securities in current assets in the amount of 1,478,646.08 EUR (previous year: 2,768 kEUR), realized losses from the sale of securities with an amount of 0 EUR (previous year: 4 kEUR), and value adjustments and written-off receivables in the amount of 117,441,406.38 EUR (previous year: 0 kEUR). Properties included in the current assets of other assets were written down in the amount of EUR 2,472,000.00 (previous year: 0 kEUR).

Value re-adjustments in respect of loans and advances and provisionsfor contingent liabilities and for commitments

The realized profit from the sale of securities is 11,056,691.25 EUR (previous year: 20 kEUR). Income from the reversal of value adjustments of loans and advances is worth 133,843.44 EUR (previous year: 127 kEUR) and the reversal of general loan loss provisions for credit risks is worth 14,757,003.51 EUR (previous year: “allocation” 31,231 kEUR).

Expenses from value adjustments and income from the release of value adjustments on shares in affiliated undertaking

The value adjustment on the affiliated company Deniz Finansal Kiralama A.S., Istanbul, in the amount of 25,563,065.76 EUR, which was formed in the previous year due to the development of the TRY exchange rate against the EUR, was reversed in the 2019 financial year. An agreement was reached with DenizBank A.S., Istanbul, that the latter will repurchase the full amount of its stake in Deniz Finansal Kiralama A.S. The transaction was executed on 24 January 2020.

Profit or loss on ordinary activities

The reported result from ordinary business activities of 66,860,397.72 EUR was 68,994 kEUR or 50.79% lower than in the previous year (previous year: 135,855 kEUR).

Tax on profit

Taxes on income and earnings amount to 4,333,451.23 EUR (previous year: 8,588 kEUR). Due to the double tax treaty between Turkey and Austria a notional withholding tax from interest income at the value of 5,849,283.53 EUR for 2019 (previous year: 31,281 kEUR) could be credited against the corporate tax for 2019. The deferred tax declined by 3,672 kEUR from 13,739 kEUR to 10,066,591.02 EUR in the current fiscal year.

Profit for the year after tax

Profit after tax was 60,500,918.92 EUR and decreased by 51.54% or 64,349 kEUR compared to the result of the previous year of 124,850 kEUR.

Changes in reserves

The changes in reserves totalling 60,500,918.92 EUR (previous year: 124,850 kEUR) as of the balance sheet date were caused by an allocation to retained earnings worth 60,500,918.92 EUR (previous year: 123,063 kEUR). An allocation to the liability reserve was not necessary in fiscal year 2019 due to the decrease in customer receivables (previous year: allocation of 1,787 kEUR).

Net profit for the year

Due to the allocation of the profit to the reserves similar to prior years, no net profit will be shown in the financial statements.

Other Information

DenizBank AG is included as a subsidiary in the consolidated financial statements of DenizBank A.S., Istanbul. As of 31 December 2018, DenizBank AG was also included in the consolidated financial statements of Sberbank of Russia (largest group of companies). As a result of the acquisition of the shares in DenizBank A.S., Istanbul by Emirates NBD Bank PJSC, Dubai in July 2019, DenizBank AG is also included in the consolidated financial statements of Emirates NBD Bank PJSC, Dubai (largest group of companies) as at 31 December 2019. DenizBank AG also prepares its own consolidated financial statements in Vienna (smallest group of companies). The consolidated financial statements are deposited at the respective locations of the companies.

Main- branch in Frankfurt am Main (consolidated information):

Branch Frankfurt am Main	2019	2018*
Nature of activities	Universal banking	Universal banking
Geographical location	Germany	Germany
Net interest income in EUR	-24,204,721.89	-29,893
Operating income in EUR	-22,104,096.50	-27,742
Number of employees (FTE)	101	96
Profit before tax in EUR	-31,474,198.78	-37,229
Tax on profit in EUR	-345,898.95	-656
Public subsidies received	0.00	0

* 12/31/18 figures in kEUR

DenizBank AG holds more than 20% shares in the companies listed below:

12/31/2019 Name	Location	Shareholders' equity*	Share in %	Net profit*
DenizBank Moscow	Moscow	92,677,025.34	51.00%	8,561,548.53
Deniz Finansal Kiralama AS	Istanbul	139,681,918.83	51.00%	20,101,237.00
CR Erdberg Eins GmbH & Co KG	Vienna	16,887,708.00	99.90%	320,497.09
Deniz Immobilien Service GmbH	Vienna	18,832.65	100.00%	35.15

12/31/2018 Name	Location	Shareholders' equity*	Share in %	Net profit*
DenizBank Moscow	Moscow	73,817,793.20	51.00%	10,585,821.11
Deniz Finansal Kiralama AS	Istanbul	131,925,983.96	51.00%	13,043,543.18
CR Erdberg Eins GmbH & Co KG	Vienna	16,567,210.87	99.90%	522,376.46
Deniz Immobilien Service GmbH	Vienna	21,314.50	100.00%	-1,414.70

During the financial year 2019 an average number of 506 (previous year: 488 employees) people were employed. The yearly remuneration for members of the Management Board amounts to 1,834,447.91 EUR (previous year: 1,553 kEUR). Commitments worth 0.00 EUR (previous year: 9 kEUR) were assumed for the Management Board. The expenses for severance payments and pensions for members of the Management Board as well as executives, pursuant to Article 80 (1) Austrian Stock Corporation Act (AktG), amount to 213,876.44 EUR (previous year: 172 kEUR). Expenses for severance payments and pensions for non-executive employees totalled 1,526,373.64 EUR (previous year: 925kEUR). Expenses for severance payments in the amount of 928,517.00 EUR (previous year: 273 kEUR) and expenses for the employee welfare fund worth 266,237.24 EUR (previous year: 203 kEUR) were included in this amount.

The expenses for audit costs amounted to 314,400.00 EUR(previous year: 345 kEUR), of which 36,000.00 EUR(previous year: 36 kEUR) was attributed to half year's audit and 56,400.00 EUR (previous year: 54 kEUR) on the quarterly audits.

Disclosure:

With the disclosure report as of 31 December 2019 DenizBank AG fulfils the disclosure requirements pursuant to Article 431 to 455 of Regulation (EU)No 575/2013 (Capital Requirements Regulation – CRR).

With the non-financial report as of 31 December 2019, DenizBank AG complies with the disclosure obligations in accordance with the Sustainability and Diversity Improvement Act and the corresponding provisions of the Austrian Commercial Code and Austrian Stock Corporation Act.

The disclosure report is available on the website of the Bank (http://www.denizbank.at).

Information on the Supervisory Board and the Management Board:

The remuneration of the Supervisory Board amounts to 138,645.16 EUR (previous year: 139 kEUR).

In 2019 the members of the Supervisory Board are as follows:

Hakan Ates, Chairman
Derya Kumru, Deputy-Chairman
Wouter Van Roste, Member
Timor Kozintsev, Member
Suryanarayan Subramanian, Member (from 8/2019)
Jonathan Edward Morris, Member (from 8/2019)
Ruslan Abil, Member
Dzhangir Dzhangirov, Member (until 7/2019)
Pavel Barchugov, Member (until 7/2019)
Hayri Cansever, Member
Mag. Bernhard Raberger, LL.M. MSc, Member
Dr. Döne Yalcin-Mock, Member

Following State Commissioners are appointed:

Louisa Ulrike Unterasinger, BA, MSc, Ministerial Counsellor, Government Counsellor
Hofrat Josef Weidinger, BA, Deputy

In 2019 and during the preparation of the financialstatement for 2019 the Management Board consisted of following members:

Ahmet Mesut Ersoy, Chairman
Mehmet Ulvi Taner, Member (until 1/2020)
Tuncay Akdevelioglu, Member
Cenk Izgi, Member
Mag. Bernhard Achberger, Member
Mag. Dina Karin Hösele, Member (from 02/2019)
Mag. Florian Dangl, Member (from 1/2020)

DenizBank AG is registered at the Commercial Court of Vienna under the commercial registry number FN 142199t.

Vienna, 6 March 2020

Management Board

Ahmet Mesut Ersoy m.p.
Chairman

Mag. Bernhard Achberger m.p.
Member

Tuncay Akdevelioglu m.p.
Member

Mag. Florian Dangl m.p.
Member

Cenk Izgi m.p.
Member

Mag. Dina Karin Hösele m.p.
Member

4. AUDITOR'S REPORT *

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

DENIZBANK AG, VIENNA,

These financial statements comprise the balance sheet as of December 31, 2019, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2019 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we describe the key audit matters from our perspective:

1. Valuation of loans and advances to customers, including provision for contingent loan losses
2. Valuation of derivatives that are valued by means of valuation models

1. Valuation of loans and advances to customers, including provision for contingent loan losses

Description:

Loans and advances to customers are disclosed in the financial statements 2019 of DenizBank AG with an amount of EUR 6,204.04 million. To take account contingent loan losses in the loan portfolio individual provisions (EUR 118.8 million) and a portfolio provision (EUR 35.9 million) are recognized.

As part of the credit monitoring, the Company determines the need for individual provisions. This is done through ongoing monitoring of the credit portfolio and adjustment of rating levels, which are subject to amendments due to the creditworthiness of borrowers, their payment behaviour and the valuation of collaterals. These incorporated parameters are subject to considerable estimation uncertainty.

The portfolio provision is determined with the help of statistical models and are subject to considerable estimation uncertainty due to the underlying parameters (e.g. credit default risk within rating levels).

Based on these reasons, we identified the valuation of loans and advances to customers, including provision for contingent loan losses as a key audit matter.

The management board of DenizBank AG explains the reporting and valuation methods of provisions in the notes. For further details, we refer to the information provided by the management board in note I. "General Information" and note II. "Notes to the Balance Sheet and the Profit and Loss Accounts".

How we addressed the matter in the context of the audit:

We have reviewed the company's credit monitoring process and assessed whether it is capable of detecting defaults early enough. Therefore we held meetings with responsible employees and assessed the internal guidelines if they are appropriate for identifying default events and determining risk-provisioning requirements. We have checked selected controls with regard to their conception and effectiveness based on random samples.

We identified on random samples the credit portfolio, whether loss risks were recognized early enough an individual valuation allowances were made in an adequate amount. The choice of random samples is risk-orientated and under the consideration of customer ratings. In the case of established value adjustment requirements, we have evaluated the assessment of the Management Board with regard to future cash flows and the assumptions made for the valuation of loan collateral.

In the case of portfolio provisions, we have examined both the underlying calculation model and the parameters used to determine their appropriateness whether they are suitable for determining appropriate provision risk and we have reflected the mathematical correctness.

2. Valuation of derivatives, which are valuated with help of valuation models

DenizBank AG discloses in its financial statements 2019 derivatives with a material amount which are valuated with through valuation models.

The valuation of these derivatives requires the fair value to be determined using recognized valuation models and methods, as no market or stock exchange prices are available.

When measuring using recognised valuation models, the selection of these valuation models and methods, the selection of the input parameters used and the discretionary decisions associated with the selection of the input parameters, which are subject to estimation uncertainties, are of decisive importance in determining the fair value to be attributed.

For these reasons, we have identified the valuation of derivatives, which are valued with the help of valuation models, as a material aspect of our audit.

The management of DenizBank AG explains the valuation of derivatives in the Notes.

For further details we refer to the information provided by the management in Note I. "General Information" and II. "Notes to the Balance Sheet and the Profit and Loss Accounts".

How we addressed the matter in the context of the audit:

We have examined the valuation processes and the design and effectiveness of the main controls of DenizBank AG with regard to the data basis for the valuation of derivatives that are valued using valuation models.

In measuring these derivatives, we have assessed the assumptions and methods used by DenizBank AG for their appropriateness, whether they are suitable for determining correct values.

Responsibilities of Management and of the Audit Committee for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company‘s financial reporting process.

Auditor‘s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

• identify and assess the risks of material misstatement of the financial statements, 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 opinion. 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 control.

• obtain an understanding of internal control relevant to the audit 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 the Company's internal control.

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• 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 our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Other information

Management is responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements, the management report and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting at July 26, 2018. We were appointed by the Supervisory Board on July 26, 2018. We are auditors without cease since 2014.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Vienna, March 6, 2020

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

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Wirtschaftsprüferin	Wirtschaftsprüfer
Certified Public Accountant	Certified Public Accountant

**) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.*

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