DENIZBANK AG

ANNUAL REPORT

2020

ENBD

DenizBank AG

CONTENTS

AGENDA OF THE ANNUAL GENERAL MEETING

1. Approval of the annual financial statement 2020 of DenizBank AG, including the financial notes and the consolidated non-financial report as well as approval of the group consolidated financial statement 2020, including the group financial notes, including the report of the Supervisory Board.

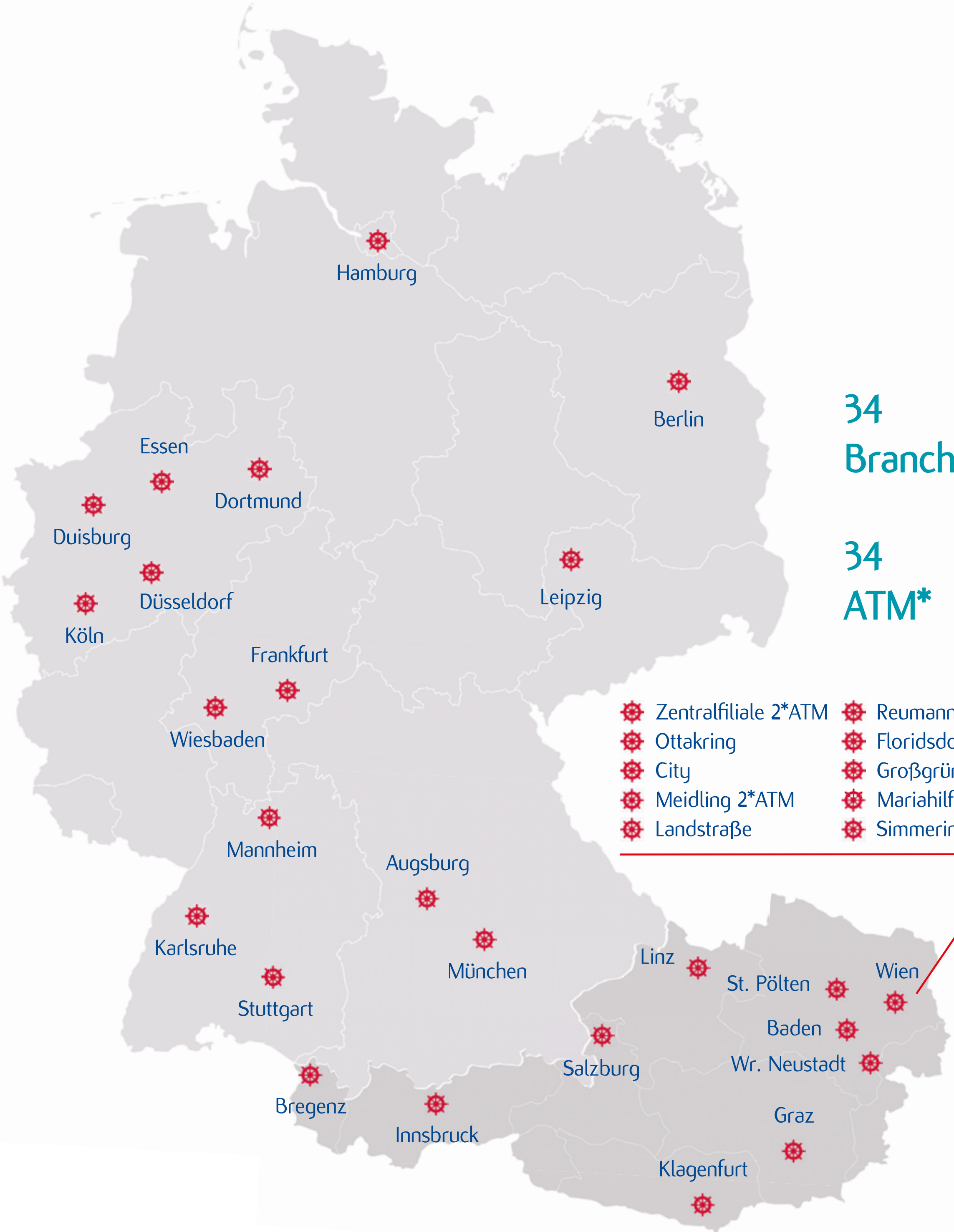
2. Appropriation of the net profit 2020

3. Discharge of Management Board members for the financial year 2020

4. Discharge of Supervisory Board members for the financial year 2020

5. Appointment of Supervisory Board members

DENIZBANK AG BRANCHES IN AUSTRIA & GERMANY



34 Branches*

34 ATM*

External ATMs

Turkish General Consulate	1130 Wien, Hietzinger Hauptstrasse 29	Bosfor Travel Agency	1040 Wien, Südtiroler Platz 7
New WU	1020 Wien,Bauteil O1,Südportalstraße	Santander	1020 Wien, Taborstraße 46A
Millennium City	1200 Wien, Handelskai 94-96	Halkam Delight	1100 Wien,Laxenburgerstr 65
Backstube	1050 Wien, Neubaugürtel 25	Santander	1100 Wien, Troststraße 54-56
3Shop	1100 Wien, Gudrunstraße 162	Santander	1160 Wien, Ottakringer Straße 31
ATIB	1100 Wien, Gudrunstraße 189	Santander	1150 Wien, Schweglerstr.26
Translation Agency	1160 Wien, Brunnengasse 74/2		

* 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

Already at the beginning of 2020, the economy in Austria was very challenged. After only 0.4% real GDP growth compared to 4th quarter 2019, i.e. a significantly slower recovery compared to the 2.2% in 1st quarter 2019, -3.4% was realized in 1st quarter 2020. In the 2nd quarter, the economy bottomed out at -14.1%, followed by a slower downturn of only -4.0% in the 3rd quarter. The Corona virus thus hit the Austrian economy at a time when it was already vulnerable, confronting the population with health and in some cases even existential challenges. It was a year that put patience to the test and brought with it the abandonment of habits. The restrictions affected common routines of daily life, such as visits to restaurants, leisure activities or even contact within the families. In addition, schools had to close and parents had to switch to "home-schooling", i.e. not only working in "home office" themselves in online meetings, but also taking care of the children at the same time. There were very different challenges, often a combination of several at the same time, that everyone had to face. For the economy, 2020 actually ended up being the worst recession of the post-war era. The 2008-2009 global financial crisis caused -5.9% real GDP contraction at its peak, and the COVID crisis alone caused -14.1%.

Judging by its speed, spread and economic impact, the Corona crisis was an absolute "black swan event"; it occurred unexpectedly and had an impact on the entire population as well as the economy. As an effect, consumer behaviour changed because the risk appetite fell noticeably. Moreover, there were restrictions on the supply side because production was temporarily idle and foreign trade succumbed due to the border closings. In order to prevent increased numbers of infections, curfews and shop closings were ordered. Production had to be stopped in large parts of the industry. With no end in sight to the pandemic, companies were unable to plan their investments and postponed them indefinitely. To cushion the quasi-stagnation of the economy, the Austrian Ministry of Finance stepped in. A total of 32.2 billion EUR has already been paid out or approved. There of 10.2 billion EUR flowed into short-time work, 6.9 billion EUR into guarantees, 6.3 billion EUR into tax deferrals and reductions, 3.4 billion EUR into emergency aid and 2.4 billion EUR into revenue replacement. There was also a fixed cost grant and hardship fund.
Consumers have limited their spending to the bare essentials or needs in the home office, and increased their savings rate from 8.3% in 2019 to 13.4% of the nominal disposable household income in 2020.

Summer tourism practically did not take place in Austria due to entry restrictions; only local residents and business travellers were allowed to benefit from winter tourism. Hotels and restaurants have therefore suffered the toughest cuts. The unpredictability of the pandemic and the duration of the lockdowns was the greatest challenge.

The unemployment rate rose from 4.4% year-on-year in January 2020 to 5.2% in November 2020. In the summer the rate was even 5.6%. The so-called short-time work scheme has cushioned a much stronger increase in the unemployment rate.

Inflation (consumer price index) fell from 2.0% in January 2020, to 1.3% in November and even fell to 0.7% in May.

In the persistently low interest rate environment, the pandemic has resulted in households continuing their savings habits and companies postponing investments that are not urgently needed. Households have increasingly invested in securities, which means that fee and commission income in the banking sector has increased.
Loans were deferred by the state. The moratoria therefore prevented the further increase of the non-performing loan ratio. But, the banks have significantly increased their risk provisions and built up more reserves.

Other trends, such as cost reduction, have continued in the banking sector. In 2020, 387 of 3521 branches nationwide were closed.

Business development of DenizBank AG

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 696 bank branches, a strong corporate banking and corporate finance platform and approximately 11,932 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 2020. The still existing long-term goals 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.

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 also in Germany during 2021.

Our business activities

In the past business year, DenizBank AG continued to focus on the ongoing expansion and further development of its digital product and service solutions as part of the digitization strategy it had already consistently pursued in previous years. This strategy proved to be crucial, especially against the backdrop of the COVID-19-pandemic. By increasing its focus on digital services, DenizBank AG was also able to meet customer needs that had changed as a result of the pandemic.

The banking organization itself remains close to the market. Innovative digital services are supported by 19 operational branches in Austria and 15 branches in Germany. Despite the COVID-19-pandemic, DenizBank AG is close to its customers with long opening hours, with one service center each in Austria and Germany, as well as its multilingual internet banking portal (www.denizbank.at and www.denizbank.de) and the DenizMobile app are available to the customers. In addition to its branches, DenizBank AG also operates a central office in Frankfurt am Main in Germany under the name DenizBank (Wien) AG, Zweigstelle Frankfurt/Main. Thanks to the excellent personal advice provided locally in the branches, the comprehensive multilingual internet banking platform and the modern equipped service center, the branch also offers its customers comprehensive 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.

In 2020, the ESA used a large part of the funds already available to compensate depositors in the Anglo Austrian AAB and Commerzialbank Mattersburg liquidation cases. In agreement with the FMA, the amount used for compensation must be distributed evenly over the remaining five years until the submission of the target compensation in 2024. The advance payment for 2020 is higher than in previous years due to the fact that it includes an aliquot share for the replenishment. In addition, the advance payment for 2019 has been rolled up because individual member institutions have corrected risk figures and subsequently notified the ESA of the correction.

[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*

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

DenizBank AG, headquartered in Vienna, operated a total of 34 branches as of year-end 2020, 19 of which were in Austria and 15 in Germany.

In the retail customer segment, DenizBank AG stands out above all for its attractive deposit and current accounts. In the interests of customer satisfaction, the product portfolio is also being continuously expanded and adapted. In the past financial year, customers were also offered attractive products in cooperation with the Allianz Austria Group, Santander Consumer Bank GmbH and the Wüstenrot Group.

In the area of remittance business, the successful cooperation with MoneyGram for fast payment transactions worldwide was continued, as a result of which customers of DenizBank AG have access to around 350,000 MoneyGram payment points in over 200 countries worldwide.

In addition, customers also benefited from DenizBank AG's advantageous Turkey remittance services. Synergy effects enabled by the dense branch network of DenizBank AS in Turkey not only make these services particularly convenient to access, but also create attractive price advantages for customers of both companies.

Furthermore, DenizBank AG continued to focus on further expanding its digital services in the past fiscal year. Particularly against the backdrop of the COVID-19-pandemic, the ongoing pursuit of this digitization strategy has proven crucial. By continuing to focus on innovation and the constant further development of its modern internet banking platform and the DenizMobile banking app, DenizBank AG was thus also able to meet the changing needs of its customers at all times. Through targeted communication measures, it also succeeded in further increasing digital customer acquisition.

Accordingly, DenizBank AG will continue to drive forward its innovations and developments in the area of digital services in the upcoming financial years and create sustainable added value for its customers.

Treasury, financial institutions & trade finance

In line with its overall banking strategy, in 2020 DenizBank AG has further developed its correspondent banking relationships, particularly with Austrian, EU-based and global 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.

On the one hand, DenizBank AG pursues a business strategy based on long-term relationships with International banks with a good reputation in order to expand banking transactions and Treasury business 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.

Additionally, the services offered by DenizBank AG is focused on financing of trade flows between Europe and Group Network countries, especially in the form of trade finance and documentary business. These efforts support DBAG´s corporate clients in their need for documentary credits, collections and cross-border payment products.

“Trade & Export Finance” delivers traditional products, such as transactional trade finance facilities to our clients. With a reasonable array of banking and trade finance products, DenizBank AG continuously strives to deliver the best value and risk coverage to our clients with fast, transparent and seamless execution.

As a member of the International Trade and Forfaiting Association (ITFA), Zurich, with its chairmanship of this committees for CEE-CIS, DenizBank AG offers a wide range of trade 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.

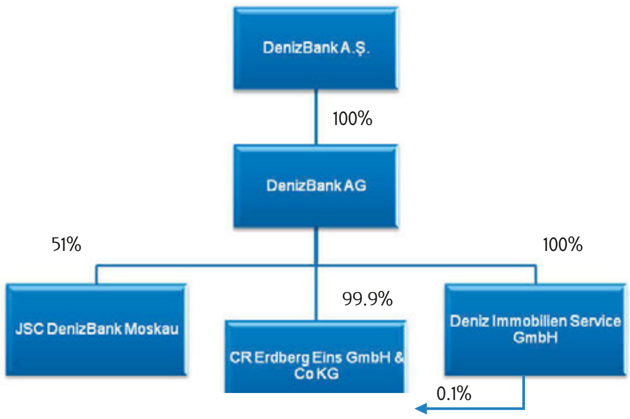


Figure 1: Holdings of the DenizBank AG as of 31 December 2020

Denizbank AG is a competent bank partner especially 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 2020, 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 2020, 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.

Due to COVID-19, all employees at the company headquarters in Vienna and Frankfurt have been equipped with laptops and are therefore able to do their work from home (homeoffice).

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 59 new employees in 2020. 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, by 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	2020	Change in %
Total number of employees at year-end	503	468	-6.96%
thereof at the head office	260	256	-1.54%
thereof in the branches	243	212	-12.76%
thereof women	252	238	-5.56%
thereof men	251	230	-8.37%
Average number of employees in the fiscal year	506	483	-4.55%
Demographic structure			
Percentage of women	50.1%	50.9%	1.60%
Percentage of men	49.9%	49.1%	-1.60%
Education			
University degree	229	226	-1.31%
Other school-leaving qualifications	274	242	-11.68%
Employees with at least one foreign language	501	467	-6.79%
Nationalities	19	18	-5.26%

Table 1: Key figures of the employee structure of DenizBank AG

Management Board and Supervisory Board

The Chairman of the Supervisory Board Hakan Ates and the Deputy Chairman Derya Kumru together with additional 7 members form the Supervisory Board of DenizBank AG, which controls and supports the Board of Directors. The individual members of the Supervisory Board can be found in the notes to the 2020 financial statements.

At the end of March, DenizBank AG took leave of the former Chairman of the Board of Directors Mr. Ahmet Mesut Ersoy. Since 1 April 2020, the new Chairman of the Board of DenizBank AG is Mr. Wouter Van Roste. Together with Ms. Dina Karin Hösele, who has been a member of the Board of Directors since 13 February 2019, the Board of Directors was formed in business year 2020.

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.

FINANCIAL PERFORMANCE INDICATORS FOR THE PAST 2020 FINANCIAL YEAR

Development of Balance Sheet

The total assets for the year 2020 amounts to 8,384,425,300.99 EUR, which is 2,119,944 kEUR lower than previous year's figure of 10,504,370 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

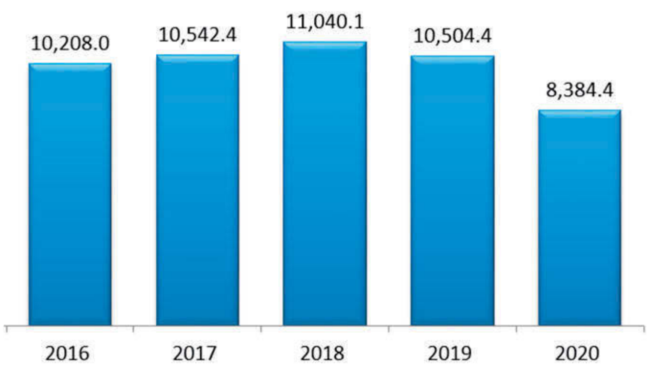


Figure 2: Development of the Total Assets of DenizBank AG

Loans and advances to customers decreased during the financial year to 4,477,627,251.40 EUR (previous year: 6,261,888 kEUR), which represents a decline of approximately 28.49%.

The resulting liquidity surplus could be provided to selected banks. At the end of the year, receivables from banks therefore increased to 1,146,654,813.36 EUR (previous year: 726,038 kEUR) and balances against central banks to 1,896,051,110.18 EUR (previous year: 2,828,472 kEUR).

The portfolio of securities, mainly consisting of government bonds, also increased accordingly due to interim investments in debt instruments issued by public authorities increased by 181,375 kEUR to 461,295,585.29 EUR and bonds and other fixed-income securities including accruals decreased by 51,917 kEUR to 242,930,130.25 EUR (previous year: 294,847 kEUR).

In contrast, total liabilities to customers (including savings deposits) decreased by 26.98% to 6,190,227,327.29 EUR (previous year: 8,476,981 kEUR). Savings deposits also declined by 664,089 kEUR from 1,739,845,755.38 EUR at the end of 2020 (previous year: 2,403,935 kEUR) and the share with an agreed term or period of notice was 62%.

Liabilities to credit institutions increased by 194,969 kEUR in the amount to 510,754,930.09 EUR (previous year: 315,786 kEUR) remained at a comparable level.

Key balance sheet indicators

Changes in key balance sheet items in 2020	in kEUR	in %
Total assets	-2,119,944	-20.2
Loans to customers	-1,784,261	-28.5
Loans to credit institutions	+420,617	+57.9
Liabilities to credit institutions	+194,969	+61.7
Liabilities to customers	-2,286,754	-27.0
Thereof savings deposits	-664,089	-27.6
Equity	+2,041	+0.1
Own funds	+11.954	+0.1

Table 2:Key balance sheet indicators of DenizBank AG

Own Funds Development in kEUR

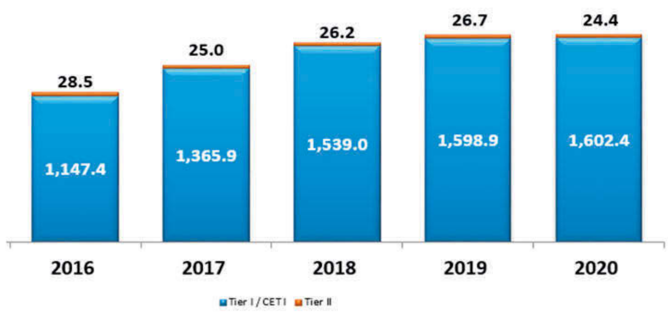


Figure 3: Own Funds Development of DenizBank AG

Additional supplementary capital was not raised in the financial year. The supplementary capital amounted to 24,447,885.26 EUR (previous year: 26,705 kEUR) at the closing date for the annual financial statements.

After the allocation of retained earnings, own funds amount to 1,626,832,816.29 EUR at the end of 2020 (previous year: 1,614,879 kEUR). A further allocation to the liability reserve in accordance with section 57 (5) BWG was not necessary in the 2020 financial year due to the reduction in receivables portfolio (previous year: allocation of 0.00 kEUR).
The own funds ratio of DenizBank AG is 31.19% of the total capital requirements (previous year: 23.78%) and thus could be increased by a further 7.41% points.

Review of Income Statement Items

The slowdown in growth worldwide and also in the euro zone and COVID-19 developments were not without consequences at DenizBank AG. Coupled with the (planned) reduction in total assets and the strategic streamlining of the loan portfolio, this meant that the excellent results of the previous year could not be repeated.

The net interest income of 151,223,619.61 EUR decreased by 34.43 million EUR or 18,54% compared to the previous year (185,651 kEUR), mainly due to the restructuring of the loan portfolio and the reduction of risky customers. The net commission income decreased also by 36.72% in comparison to the previous year and amounts in 2020 10,523,612.23 EUR (previous year: 16,630 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 financial result amounts to 1,360,568.58 EUR and has increased by 261 kEUR compared with 2019 (previous year: 1.100 kEUR)

As a result of these effects, the operating income decreased by 19.57% to 163,851,345.53 EUR from 203,718 kEUR in the previous year.

In order to ensure the wellbeing and the health of our DenizBank AG employees also during the COVID-19 pandemic, investments were constantly made in the IT infrastructure as well as in the human resources. Employees were equipped with laptops and accessories to guarantee a smooth work process in the home office. This led to an increase in total operating expenses from 66,976 kEUR in the previous year to 67,703,941.35 EUR in 2020.

Consequently, the operating result of DenizBank AG declined to 96,147,404.18 EUR (previous year: 136,742 kEUR).

Development of the operating result in kEUR

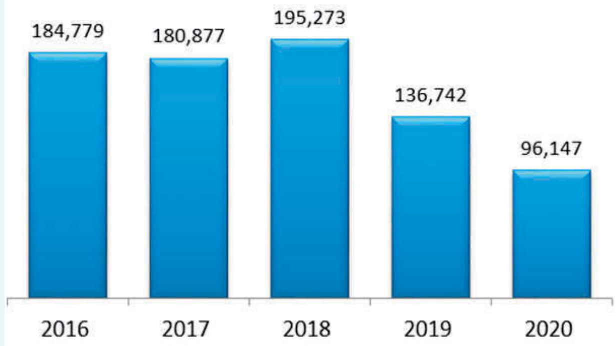


Figure 4: Development of the operating result of DenizBank AG

Income from value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings decreased from 25,563 kEUR to 2,241,858.13 EUR in the business year 2020.

Thus, the profit on ordinary activities for 2020 amounts to 2,650,513.94 EUR (previous year: 66,860 kEUR), the net profit for the year after taxes was 4,297,615.00 EUR (previous year: 60,501 kEUR).

In order to further strengthening the equity, the Management Board proposes allocating the net profit for the year in the amount of 4.297.615,00 EUR to retained earnings in order to further foster own funds.

Key earnings and structural figures

	2016	2017	2018	2019	2020
Total capital ratio (%)[1]	15.31	18.35	19.85	23.78	31.19
Tier II (%)	14.93	18.02	19.51	23.55	30.73
Return on equity (%)[2]	14.88	13.43	8.57	3.84	0.27
Profitbefore taxes (kEUR)	161.944	183.567	135.855	66.860	2.651
EBT/average employees (kEUR)	358.3	380.7	278.4	132.1	5.5
Loan/deposit ratio (%)	95.46	92.31	85.77	73.46	72.33
Net interest margin (%)[3]	2.13	2.06	1.99	1.72	1.60
Cost-IncomeRatio (%)[4]	19.69	20.71	21.02	26.46	32.57

Table 3: 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 32.57%. 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.

Risk report

Key risk figures

Selected key risk figures are presented below:

in EUR million	31.12.2020
CET1 capital ratio	30.73%
Total capital ratio	31.19%
Debt ratio	18.75%
Liquidity coverage ratio (LCR)	370.00%
Economic capital requirement	5.03%
Interest rate risk (in % of own funds)	1.82%

Table 4: Key risk figures of DenizBank AG

These ratios are documented in DenizBank AG's Risk Appetite Statement, which 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 December 31st 2020, the following risk types are assessed as most significant:

- Credit risk (including default risk, concentration risk, risk of foreign currency loans)
- Macroeconomic risks
- Market risks
- Operational risk (incl. Legal & Compliance risk)
- Business risk
- Liquidity risk

The materiality assessment does not consider any risk reduction measures taken.

Economic capital

In 2020, DenizBank mainly concentrated on maintaining the bank's risk-bearing capacity in line with its risk strategy. Additionally, the methodologies for risk quantification had been reworked and identified deficiencies were mitigated.

The management of internal capital adequacy (economic capital) at DenizBank is performed on a consolidated level and based on the Gone Concern perspective. The following chart presents the distribution of DenizBank's economic capital requirement according to type of risk as at December 31st, 2020:

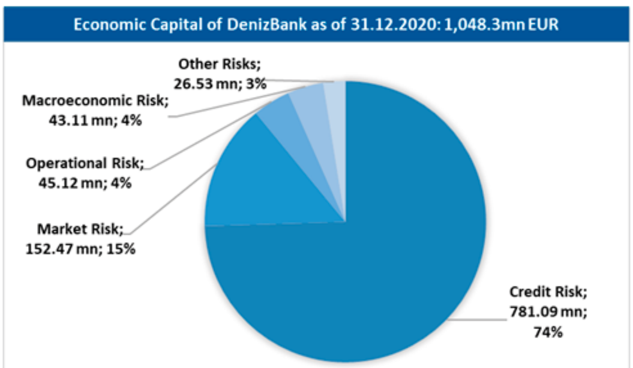


Figure 5: Economic capital requirement by risk type as of 31 December 2020

The diversification and restructuring of the credit portfolio have further been continued in order to strengthen the risk profile. The Turkey risk has further been reduced by considering absolute and relative terms in order to diminish concentration and macroeconomic risks. Due to the active management of risks, the negative impacts on economic capital of DenizBank resulting from COVID-19 pandemic were very limited.

Risk policy and strategy

DenizBank has implemented a sound risk management process, which is forward-looking and tailored to the bank's governance 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 governance 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 defined and implemented 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 covers the following contents:

- Risk governance principles
- Target risk structure
- Risk Appetite Statement

Risk policy principles

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

The key risk governance principles of DenizBank are defined as follows:

- Prudent risk management
- Conscious assumption of risks
- Ensuring risk transparency
- 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 considering the business model and the business strategy as well as the current 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 or the adjustment of existing limits, both at total bank level and at the level of individual risk types.

Risk Appetite Statement (RAS)

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

The bank's RAS contains a list of strategic indicators, where the compliance with these indicators plays an essential role from risk governance perspective during business activities. The indicators are defined for the key risk categories such as liquidity, capital, profitability, development of asset quality, concentration and interest sensitivity.

The RAS are monitored by using a traffic light system:

- Green: Indicator is within the defined limit
- Yellow: Violation (exceeding or falling 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 management measures, depending on the status of the limit violation.

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

Structure and organisation of Risk Management Framework

The governance structure of DenizBank is focusing 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 Defence" model, where the first line of defence involves the risk takers (market units). The second line of defence includes all control functions such as the Risk Management department and Compliance department. Subsequently, the third line of defence is the Internal Audit department, which 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 market and after-market departments. Consequently, the separation between market and after-market (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 also reflected in the bank's organisational chart and the allocation of responsibilities at Management Board level. The front office units must comply with the strategic and operational limits defined by the risk management framework and to manage their business activities accordingly.

The following chart presents the hierarchies and structure of DenizBank's risk management and control framework and the individual organizational units involved.

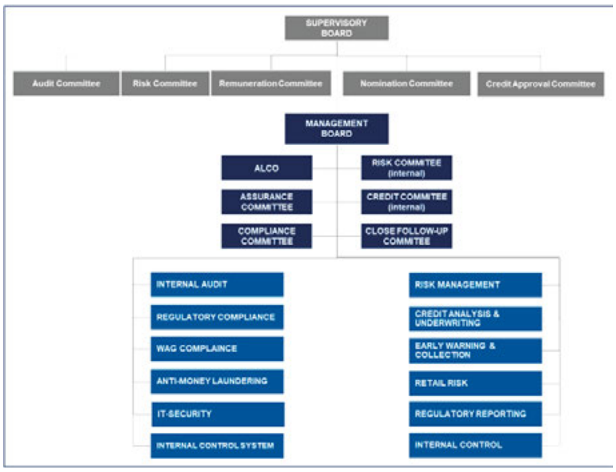


Figure 6: Organizational structure of the risk management functions of DenizBank AG

The Management Board bears the 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 all relevant risks of 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 appropriate risk limits (pre-management) and, as the legal addressee of DenizBank's risk management units, takes formal decisions on matters relevant to risk management.

The main role and responsibility of the DenizBank's Supervisory Board is to advise and monitor the Management Board of the bank. At regular intervals, 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 Audit 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 and control process:

Unit	Main responsibilities
Supervisory Board	- 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 conjunction 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 - Establishing an appropriate internal control governance - 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 entire Management Board - Monitoring and implementation of appropriate risk governance principles, 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 by using appropriate methods and instruments of risk controlling - Risk reporting - Review & update of the risk management process
Early Warning & Collection	- Operational credit risk management - Monitoring the loan book and the collateral portfolio - Management of defaulted loan customers and exploiting of collaterals provided
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
Regulatory 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 and 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
WAG Compliance / Safeguarding Officer	- Ensuring compliance with the obligations in connection with the protection of the client's assets in terms of § 38 ff WAG
Internal Control Systems Officer	- Central coordination & control of ICS requirements - Control definition and monitoring of control effectiveness

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 2020.

During 2020, 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 and professional customer service. 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 European and national legal provisions (in particular related to banking regulations as well as securities supervision, capital market and stock exchange laws), and on the other hand on the Standard Compliance Code of the Austrian banking industry and Guidelines and Minimum Standards of European and Austrian Regulators (esp. EBA, ESMA and FMA).

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 compliance relevant policies and procedures have been adopted and are being reviewed on a 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.

Total bank risk management

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

The Internal Capital Adequacy Assessment Process (ICAAP) according to Pillar 2 represents one fundamental component of total bank risk management of DenizBank AG. With the total bank stress tests for Pillar 2 the adequacy of the internal economic capital as further assessed in an adverse market environment.

An additional fundamental component represents the Internal Liquidity Adequacy Assessment Process (ILAAP) according to Pillar 2, ensuring a sufficient liquidity adequacy of the Bank. The appropriateness of the available liquidity buffer is challenged by conducting internal liquidity stress tests to safeguard liquidity even in a crisis situation. Moreover, a Contingency Funding Plan including liquidity raising measures is implemented to ensure liquidity of DenizBank AG at any time.

Regulatory capital and liquidity adequacy

In addition to the ICAAP and ILAAP, DenizBank AG ensures the regulatory required capital and liquidity adequacy. The process includes the monitoring of RWAs, regulatory capital requirements, limit systems, the total bank stress tests for Pillar 1 and the Recovery Plan.

From a liquidity perspective, the available liquidity buffer, maturity mismatches of assets and liabilities as well as the liquidity in- and outflows are monitored.

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 regulatory capital requirements for credit risk, market risk and operational risk.

As of December 31st, 2020, DenizBank AG maintained a Total Capital Ratio of 31.19%, with the CET-1 ratio amounting to 30.73%.

The following table presents the regulatory capital requirements of DenizBank AG as of December 31st, 2020 split by risk type:

in EUR million	Own funds requirements
For credit risk	382.89
For market risk	0.00
For operational risk	31.24
Risk of credit valuation adjustment (CVA)	3.08
Total own funds requirement	417.21

Table 6: Regulatory Minimum Own Funds Requirements

Credit risk

The calculation of own funds requirements for credit risk is based on 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) the comprehensive method (pursuant to Articles 223 to 224 CRR) for treatment of collaterals is applied.

Within the calculation of the regulatory own funds, collaterals are used to reduce credit risk.

As of December 31st 2020, DenizBank's capital requirements for credit risk amounted to 382,888,678.92 EUR.

The non-performing loan portfolio (NPL portfolio) amounts to 325,134,259.78 EUR as of 31.12.2020, which corresponds to a regulatory NPL ratio of 5.77%. Specific loan loss provisions (LLP) related to NPL amount to 152,514,479.57 EUR as of 31.12.2020.

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	23.36	6.1%
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	15.07	3.9%
07. Corporates	323.22	84.4%
08. Retail Exposures	0.12	0.0%
09. Exposures fully and completely secured by mortgages	0.62	0.2%
10. Exposures in default	14.33	3.7%
11. Items associated with particular high risk	0.00	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	2.82	0.7%
17. Other items	3.97	1.0%
Total capital requirements for credit risk	382.89	100.0%

Table 7: Regulatory minimum own funds requirements for credit risk

Market risk

The calculation of own fund requirements for market risk is based on the standardized approach.

As of December 31st, 2020, the regulatory capital requirements to cover market risks amounted to 6.64 EUR.

Operational risk

The calculation of regulatory capital requirements for operational risk is based on 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 as the threeyear average of operating income in accordance with Article 316 CRR.

As of December 31st, 2020, the prudential own funds requirement for operational risk is 31,238,411.91 EUR.

Risk of a credit valuation adjustment (CVA)

The determination of own funds requirements in order to cover the CVA risk is based on the standardized approach pursuant to Article 384 CRR. As of December 31st, 2020, the regulatory own funds requirements to cover CVA risk amounted to 3,080,370.62 EUR.

Regulatory own funds

The following table presents the regulatory own funds for DenizBank AG as of reporting date December 31st, 2020:

	in EUR million
Subscribed capital	231.83
Capital reserves	340.63
Retained earnings	957.92
Liabilities reserve	77.95
Position to be deducted	-5.95
Total Tier 1 Capital	1,602.38
Supplementary capital	24.45
Total Capital	1,626.83

Table 8: Prudential own fund requirements

Internal capital adequacy assessment process (ICAAP)

The requirements of Pillar 2 regarding an effective total bank risk management and the adequacy of the risk coverage capacity are covered by DenizBank by the Internal Capital Adequacy Assessment Process (ICAAP) calculations on a total bank level.

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

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

At DenizBank AG, the required amount of risk capital to ensure solvency of the Bank at a given confidence level and time horizon (economic capital) is estimated based on the Gone Concern perspective.

Economic capital by risk type

The following table presents the economic capital of DenizBank AG on consolidated level as at December 31st, 2020 split by main risk types:

in EUR million	Risk capital
Credit risk	781.09
Market risk	152.47
Operational risk	45.12
Macroeconomic risk	43.11
Other risk	26.53
Total risk capital	1,048.33

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 annual risk inventory, all material risks the Bank is exposed to, are identified, evaluated and documented in a structured manner. The risk identification is focusing on creating a uniform, bank-wide understanding of the existence, definition and characteristics of the various risk types.

From the total bank 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 within 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 test frameworks.

The Risk Management department – supported by relevant departments – is responsible for carrying out the risk identification and materiality assessment process. The results are presented to the Risk Committee of DenizBank.

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

Risk-bearing capacity calculation

The risk-bearing capacity calculation (RBCC) is one of the essential inputs 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 Going Concern and Gone- Concern and at Group level. For this purpose, the individual risk types are summed-up to an overall risk potential and needs to be covered with the available risk coverage capital. The fundamental condition of the RBCC is that the total of the measured risks at the Group level (overall bank risk potential) needs to be covered by the total available risk coverage capital at any time - both in the Going Concern and the Gone Concern. The risk coverage capital essentially comprises of eligible equity and the available profit surplus of 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 creditors' claims. Even in an extreme situation (confidence level of 99.9%), bank creditors will be served from the remaining risk coverage capital of DenizBank and therefore protected from losses.

The RBCC is fundamental for the sustainable business decisions of DenizBank, since business transactions and their inherent risks can only be borne up-to a certain limit by the available risk coverage capital. The nature and extent of the risk-bearing activities of the DenizBank AG determine an appropriate level of the risk coverage capacity.

The results of the RBCC are reported to the monthly Risk Committee, which monitors the safeguarding of risk coverage capacity at any time.

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) - Concentration risk (country, 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 of pledged collateral values)
Other risk	- Liquidity risk (refinancing risk) - Risk of money laundering and terrorist financing - Business risk - Reputation risk - Risk from excessive indebtedness

Table 10: Major risks of DenizBank AG

Credit risk

Risk measurement

For credit risk estimation in the RBCC, the Foundation IRB approach has been implemented. 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 eligible collaterals are considered, whereby the probability of default of a debtor is estimated by internal rating methodology.

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

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

The capital requirement for the counterparty risk for derivative positions 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 Foundation 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 loan customer's creditworthiness is deteriorating. The difference between the unexpected losses before and after the reduction of customers' credit rating is the result for the risk value of migration risk.

The estimation of risk from foreign currency loans. is performed within the DenizBank rating models. Based on a defined stress scenario where the customers are re-rated, the foreign exchange risk of customers (FX risk) is calculated. The difference between the unexpected losses of credit ratings before and after FX stress scenario reflects 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 to quantify the residual risk of 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 risk type from Gone Concern perspective as of December 31st, 2020:

in EUR million	Risk capital
Default risk from traditional lending business	468.68
Counterparty risk (incl. CVA)	14.08
Issuer risk	36.90
Migration risk	46.98
Risk from FX-loans	16.24
Residual risk from credit risk mitigation techniques	0.92
Concentration risk (sector, single name, countries)	197.30
Total risk capital	781.09

Table 11: Risk capital for credit risk in the Gone Concern scenario

Risk management and mitigation

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

The diversification of loan portfolio shall be accelerated by extending business transactions in European countries, especially by purchasing bonds, promissory note loans and granting bilateral and syndicated loans.

DenizBank implemented internal credit rating models, applied for different customer segments and using several indicators.

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

Furthermore, limit setting is an instrument of DenizBank AG to restrict deliberately the credit risk, including i.a. specific limits for country concentrations, sector concentrations and foreign currency loans.

Market risk

Risk measurement

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

The FX risk is determined at total bank level by using a Value at Risk (VaR) calculation.

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

The following table presents the risk capital for market risk classified by risk type in the Gone Concern scenario as of December 31st, 2020:

in EUR million	Risk capital
Interest rate risk	51.13
FX-risk	0.17
Credit-spread risk	101.17
Total risk capital	152.47

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

Risk management and mitigation

In order to hedge FX risk resulting from foreign currency loans, DenizBank uses FX derivative instruments.

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

Derivative financial instruments in EUR (nominal value)	31.12.2020
Forward exchange transactions	1,300,661,063.58
Interest Rate Swaps without hedging	331,777,442.75
Interest Rate Swaps in a hedging	402,562,655.12
Cross Currency Swaps	36,212,992.27
Total amount	2,071,214,153.73

Table 13: Volume of derivative financial instruments

Operational risk

Risk measurement

The operational risk is estimated with the basic indicator approach pursuant to Article 315 CRR.

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

As of December 31st, 2020, the risk capital for operational risk in the Gone Concern scenario amounts to 45,123,859.45 EUR.

Risk management and mitigation

The operational risk limitation and management is ensured by an effective internal control system. All significant operational risks are identified and assessed at regular intervals, enabling the Bank to initiate at an early stage necessary countermeasures.

In addition, DenizBank used qualitative methods like maintaining a loss database and conducting risk self-assessments. 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 documented. The plans are regularly tested and reviewed and, if necessary, updated.

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

Macroeconomic risks

Risk measurement

Macroeconomic risks are estimated by using stress tests. The macroeconomic scenarios are applied to assess the effects of changes in the economic environment on the risk and financial situation of DenizBank AG. For DenizBank AG, macroeconomic risks are essential with the focus on Turkey. Due to business links between the Bank and its parent company as well as its engagement in Turkey, DenizBank is directly affected by economic developments in Turkey. The further reduce the impact of adverse macroeconomic developments of Turkey on DenizBank AG, the Bank is seeking to reduce the Turkey-related exposure also in the next years.

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

The following table presents the risk capital for the macroeconomic risks in the Gone Concern scenario as of December 31st, 2020:

in EUR million	Risk capital
Risk of changes in GDP (PD effect)	33.39
Risk of exchange rate (EaD effect)	9.72
Risk of property price changes	0.00
Total risk capital	43.11

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 monitored and analysed. Especially the review and assessment of macroeconomic parameters on which DenizBank's business strategy is based on is in the focus.

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

Liquidity risk

Risk measurement
The liquidity risk (refinancing risk) is estimated based on a stress scenario, assuming increased refinancing costs of DenizBank AG. The liquidity gaps of all maturity buckets up to one year need to be closed by applied elevated refinancing costs. The result is used as risk capital and needs to be covered by capital.

As of the reporting date, the risk capital for the liquidity risk in the Gone Concern scenario amounted to 5,746,944.81 EUR.

There is no capital charge for the insolvency and market liquidity risk under the RBCC. An appropriate ILAAP is implemented in order to identify, monitor and hedge these risks.

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

- Risk limitation: limit system
- Risk diversification: diversification of counterparties, higher number and smaller volumes per counterparty, region, industry or different business segments
- Risk provisioning: liquidity buffer, counterbalancing capacity, contingency funding plans
- Capital coverage for refinancing risk

Business risk

The business risk primarily arises from a sustained decline in interest rate dependent business, ultimately contributing 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. In the Gone Concern perspective only the profit on ordinary activities already realised is used as risk coverage capital for quantification of business risk. To reflect 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 16,950,850.84 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 AG has implemented sound stress tests on total bank level, that are performed on a regular basis to stimulate a sharp increase in the bank's total risks and to quantify the negative effects on the financial performance, capital base and capital adequacy.

The Bank uses two different types of stress tests: sensitivity analyses, where only one specific input parameter is stressed and secondly, scenario analyses, where a holistic stress scenario is defined based on macroeconomic assumptions and historical developments of the single input factors.

The annual total bank stress test of DenizBank AG, covering Pillar 1 capital ratios as well as Pillar 2 (ICAAP), is designed as scenario analysis. The scenarios (idiosyncratic, market, combined) reflect different assumptions regarding their impact in case of a stress. Additionally, reverse stress tests and ad-hoc simulations are prepared.

In addition to the total bank stress tests, focusing on the capital impact, liquidity stress tests are conducted on a monthly basis as part of the ILAAP framework. The liquidity stress tests are designed as scenarios (idiosyncratic, market, combined) with different assumptions and are calculated separately for the main currencies of DenizBank AG.

Furthermore, ad-hoc sensitivity analyses of single risk factors (e.g. LGD, PD, liquidity buffer) are carried out, analysing the impact on Pillar 2 ratios (ICAAP and ILAAP) and reported to the Management Board within the Risk Committee.

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

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 clearly defined escalation procedures, ensures that information is reported immediately to the Management Board, relevant departments and committees, thereby enabling an early response to potential or increased risks.

DenizBank distinguishes 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 Funding Plan. The compliance with these limits is a top priority for management, as they are the main control instruments for risk management. The defined operational limits 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 AG are documented in DenizBank's Risk Appetite Statement.

The indicators are monitored by using a traffic light system:

- Green: Indicator is within the specified limit
- Yellow: Violation (exceeding or falling 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, it ensures that all relevant committees and decision-makers are appropriately informed regarding the Bank's key risk positions. Thus, negative developments are detected and analysed at an early stage and appropriate measures may be initiated to prevent negative impact on the Bank.

Control process

The appropriateness and effectiveness of the risk management system is ensured 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 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 internal controls.

The Internal Audit department reviews the risk management system on an annual basis and reports to the Management Board on the audit results and discovered deficiencies. Furthermore, it monitors the mitigation 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 i.a. 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 internal liquidity risk stress tests. Liquidity risk stress testing is an integral part of the liquidity risk management of DenizBank and is used to identify possible stress events.

Apart from an appropriate liquidity buffer, 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 funding via the money market.

In order to counteract any liquidity bottlenecks as quickly and purposefully as possible, DenizBank AG has prepared a contingency funding plan, which regulates the processes and responsibilities in the event of a liquidity squeeze. The contingency funding 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 if necessary. In addition, the contingency funding 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.

Regulatory liquidity ratios

- Liquidity Coverage Ratio (“LCR”)

In Pillar 1, the monitoring of liquidity risk is done with the LCR, which is a measure of the Bank's liquidity risk position. The calculation is based on a stress scenario defined by the regulator, assuming a stress period of 30 days. The calculated net liquidity outflows need to be covered with an appropriate amount of liquidity buffer.

The following table presents the LCR of DenizBank as of December 31st, 2020

in EUR million	31.12.2020
Liquidity buffer	2,270.9
Net cash outflow	613.9
Liquidity Coverage Ratio (LCR)	370.0%

Table 15: LCR as of 31 December 2020

In accordance with Article 412 CRR and the delegated regulation, the regulatory minimum requirement for the LCR is 100%. However, DenizBank AG has set the internal limit for the ratio to 125%.

- 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 AG as of December 31st, 2020:

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	3,075.11	576.60	233.91	442.03	4,149.38
Available stable funding	3,362.64	413.06	372.90	511.45	3,795.43
Net Stable Funding Ratio (NSFR)	107.68%				

Table 16: NSFR as of 31 December 2020

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

With the publication of the CRR II (EU Regulation 2019/876), the NSFR had been finalized and represents a regulatory binding minimum ratio for all banks starting with July 2021.

Recovery and resolution plans

DenizBank AG has prepared a Recovery Plan on Group level in accordance with the "Bankensanierung- und – abwicklungsgesetz" ("BaSAG"), which is updated annually.

The Recovery Plan serves as a preparation for coping with crisis situations and aims to identify suitable options for recovery measures in order to strengthen the Bank'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 recovery indicators identifies potential crisis situations ("recovery case") and defines the point in time at which DenizBank AG must take measures to prevent or mitigate negative impacts. For this purpose, a governance process is triggered when the predefined thresholds are breached, considering the implementation of specific recovery measures if deemed necessary.

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 has a coordinating function in the event of a recovery case and monitors the effectiveness of the measures implemented to restore the violated limits.

In accordance with BaSAG, the Austrian resolution authority has set-up a Resolution Plan for DenizBank AG 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 December 31st, 2020, 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 total bank level and at the level of individual risks. It includes information on the organizational structure of risk management, the capital structure, minimum capital requirements and risk capital amounts, the risk management systems and remuneration policy and practices.

With the Non-Financial Report as of December 31st, 2020, 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 DenizBank (http://www.denizbank.at).

Research and Development

For DenizBank AG, the area of research and development plays an important role in the consistent pursuit of the digitalization strategy. Through a sustained focus on innovative digital product and service solutions, DenizBank AG aims to play its part in continuously redefining the horizon in the field of digital banking.

In order to further drive the digital transformation in the product area, the Business Development department was further expanded in the reporting year. The department is responsible for planning, developing, and launching new products, services, and sales channels, while also acting as a driving force in the analysis and ongoing development of the existing offering. In addition, the department also coordinates the introduction of new and existing products in previously untapped markets in the so-called New Product Committee.

Ultimately, the ongoing focus on research and development and the further expansion of the Business Development department will make a significant contribution to achieving the growth targets within the framework of the overall bank strategy.

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

OUTLOOK AND LATEST DEVELOPMENTS

Overall economic conditions

Now that there are vaccines and approvals, it is now a matter of immunizing the population against Covid-19. Logistical challenges such as delivery and/or storage bottlenecks must be taken into account. The appearance of the virus mutation B117 does not simplify this task. On the contrary, virus mutations will actually prolong and perhaps tighten the restrictions. The restrictions will therefore continue until around Easter and the situation will only normalize over the summer. However, it is not yet possible to predict how the travel restrictions will continue. When the cold season arrives, the virus should again do its part to further restrictions. Viruses are known to live longer in cold temperatures. That means restrictions and economic losses again. The economy can therefore only recover to pre-crisis levels in a W-shape.

Only when the lockdowns end and consumer confidence has returned can a broad economic upswing be expected again. Economic growth in the first quarter of 2021 remains subdued, especially since the 3rd lockdown was extended into February. From the second quarter, we expect broader growth of around 3.0% year-on-year and then an acceleration from second quarter 2022. Only then, will consumption be lively again and the economic expectations of industry will rise to pre-crisis levels. As a result, the increased demand increases production, which creates jobs, which again ensure more consumption.

In terms of foreign trade, we know from surveys that customers' warehouses abroad are already empty below average. However, expectations for new orders have risen. This will lead to higher exports and support economic growth in Austria in 2021.

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 2021. 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

The past business year 2020 was by all means a challenging year due to the rapid spread of COVID-19 throughout Europe and its impact on the European economy, although the bank was able to maintain its stable course despite everything. 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, March 29th, 2021

The Management Board

WOUTER VAN ROSTE
CHAIRMAN

MAG. DINA KARIN HÖSELE
MEMBER

DIRECTORS AND OFFICERS OF THE BANK

SUPERVISORY BOARD

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

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

Wouter Van ROSTE
Member
Member of the Board of
Directors of DenizBank A.S.
Resignation Date:
19.03.2020

Timur KOZINTSEV
Member
Member of the Board of
Directors of DenizBank A.S.
Resignation Date:
14.02.2020

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

Jonathan Edward MORRIS
Member
Head of Wholesale Banking
(Executive) of Emirates NBD
Bank PJSC
Appointment Date:
02.08.2020

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

Hayri CANSEVER
Member
Member of the Board of
Directors of 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

Aysenur HICKIRAN
Member
Member of the Board of
Directors of Denizbank A.S.
Appointment Date:
19.03.2020

DENIZBANK AG MANAGEMENT BOARD

Wouter Van ROSTE
Chairman of the
Management Board, CEO
Appointment Date:
01.04.2020

Mag. Dina Karin HÖSELE
Management Board Member

Ahmet Mesut ERSOY
Chairman of the
Management Board, CEO
Resignation Date:
31.03.2020

Mehmet Ulvi TANER
Management Board Member
Resignation Date:
07.01.2020

Mag. Bernhard ACHBERGER
Management Board
Member, CFO
Resignation Date:
31.03.2020

Tuncay AKDEVELIOGLU
Management Board
Member, CRO
Resignation Date:
31.03.2020

Cenk IZGI
Management Board Member
Resignation Date:
31.03.2020

Mag. Florian DANGL
Management Board Member
Resignation Date:
31.08.2020

REPRESENTATIVES OF THE AUSTRIAN FEDERAL MINISTRY OF FINANCE BANKING SUPERVISION DIVISION

Dr. Erika Reinwerber
State commissioners

Dr. Veronika Daurer
Deputy

SUPERVISORY BOARD REPORT

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

The Supervisory Board of DenizBank AG and its committees monitor on a regular basis in detail the management of DenizBank AG and the activities of the Management Board. This purpose was served by in-depth presentations and discussions during meetings of the Supervisory Board and its committees as well as by detailed discussions with Management Board members who provided comprehensive explanations and evidence relating to the management and the financial position of DenizBank AG.

Acting upon the proposal of the Supervisory Board, the general meeting of 15.11.2019 selected Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna ("Deloitte" or "Auditor") to be the financial statements auditor and consolidated financial statements auditor for financial year 2020, and Deloitte consequently performed these duties in financial year 2020. The financial statements 2020 and Management Report were prepared in accordance with the UGB (Austrian Enterprise Code).

Based on the resolution dated 19.03.2020, the Supervisory Board has formed five committees from its Members (Risk Committee, Audit Committee, Remuneration Committee, Nomination Committee and Credit Approval Committee).

Four meetings of the Audit Committee were held in 2020 (19.03.2020, 24.07.2020, 06.11.2020 and 03.12.2020). By inspecting relevant documents, meeting with the Management Board and discussions with the Auditor, the Audit Committee was able to monitor the accounting process and the procedure used for auditing the financial statements and consolidated financial statements, and found no facts or circumstances providing grounds for objection.

Deloitte attended the Audit Committee meeting and the Supervisory Board meeting that addressed the audit of the (consolidated) annual financial statements 2020. Deloitte also informed the Audit Committee about the planning and procedure used to audit the financial statements and consolidated financial statements.

The issues discussed in the meetings of the Audit Committee as well as resolutions adopted therein were reported to the Supervisory Board in its next meeting.

The Audit Committee of the Supervisory Board reviewed and monitored the independence of the Auditor and – after reviewing suitable information submitted to DenizBank AG, particularly with respect to the appropriateness of the fee and the additional (non-audit) services provided to DenizBank AG – confirmed the Auditor's independent status. While reviewing and monitoring the independence of the financial statements, the Audit Committee did not find any circumstances that would raise doubts about the independence and impartiality of the Auditor.

The Audit Committee also monitored the effectiveness of the internal control system, internal audit and the risk management system by obtaining the regular reports of Internal Audit, ICS, Legal, Compliance, Anti-Money Laundering, IT Security and Data Protection Officer provided by the Management Board and the individuals directly responsible for these areas. Additionally, the audit plan and the quarterly reports prepared by the internal audit department were debated by the Audit Committee. The Chairman of the Audit Committee reported on these monitoring activities to the entire Supervisory Board and stated that no deficiencies had been identified.

In 2020, the Audit Committee also dealt with the selection of the financial statements and consolidated financial statements auditor for financial year 2021. It was determined that there were no grounds for exclusion of Deloitte as statutory auditor of DenizBank AG for financial year 2021 and that sufficient protective measures had been taken to ensure an independent and impartial audit. The Audit Committee reported to the Supervisory Board on the insights of these evaluations and proposed to the Supervisory Board and subsequently to the General Meeting that Deloitte be selected as statutory auditor of the financial statements and consolidated financial statements 2021.

Four meetings of the Risk Committee were held in 2020 (19.03.2020, 24.07.2020, 06.11.2020 and 03.12.2020), where the Committees members discussed with the Management Board and functions involved the overall risk situation of DenizBank AG. In particular, the report as regard the risk categories, risk appetite and risk strategy, FX risk report, report on large exposure and limits pursuant to Art 28b. para 1 of Austrian Banking Act, NPL strategy and COVID-19 effects on the credit portfolio were in-depth debated with the members of the Risk Committee.

The Remuneration Committee held one meeting on 19.03.2020 and dealt with the topics relating to the remuneration policy and its practical implementation at DenizBank AG, compensation practices and compensation-related incentives in accordance with Art. 39c of Austrian Banking Act as well as remuneration of the Management Board members and the identified staff members.

The Nomination Committee held one meeting 19.03.2020. In this meeting the Nomination Committee dealt intensively with the future-oriented composition of the Management Board. Thus, the resignation of following members of the Management Board was considered by the Nomination Committee and Supervisory Board respectively: Mr. Mehmet Ulvi Taner (resigned on 07.01.2020), Mr. Ahmet Mesut Ersoy, Mr. Bernhard Achberger, Mr. Tuncay Akdevelioglu and Mr. Cenk Izgi (all resigned on 31.03.2020) and Mr. Florian Dangl (resigned on 31.08.2020). By recommended resolution of the Nomination Committee and the subsequent resolution of the Supervisory Board, Mr. Wouter Van Roste was appointed as member and chairman of the Management Board on 01.04.2020.
Based on the recommended resolution of the Nomination Committee and the subsequent resolution of the Annual General Meeting on 19.03.2020 Ms. Aysenur Hickiran was appointed as a new member of the Supervisory Board.

The meetings of the Credit Approval Committee held upon the request of the Management Board and/or members of the Credit Risk Committee dealt large exposures as defined by Art. 28b of the Austrian Banking Act in connection with Art. 392 of the Capital Requirements Regulation.

The Supervisory Board held four meetings in 2020, distributed across the financial year (19.03.2020, 24.07.2020, 06.11.2020 and 03.12.2020). No agenda items were discussed in Supervisory Board meetings in 2020 without the participation of members of the Management Board. No member of the Supervisory Board attended less than half of the Supervisory Board meetings.

The 2020 (consolidated) annual financial statements as well as the Management Board's proposal for appropriation of profits were examined in detail and approved by the Supervisory Board. The appropriation of profits proposal was examined, in particular, to ensure that it is reasonable and considers both, the capital requirements in force and the recommendation of European and Austrian Regulators against the COVID-19 background.

The Supervisory Board also received and examined the consolidated non-financial report 2020 and came to the conclusion that the consolidated non-financial report 2020 had been prepared in proper and appropriate manner. The Supervisory Board found no grounds for objection.

Furthermore, the Auditor's report for the 2020 (consolidated) annual financial statements and the Management Reports were reviewed and examined by the Supervisory Board. The audit report did not lead to any reservations by the Auditor and determined that the (consolidated) financial statements comply with statutory requirements and give a true and fair view of the net assets and financial position of DBAG as of 31.12.2020. The review of the Auditor's report for the 2020 by the Supervisory Board did not provide any basis for reservation. Thus, the Supervisory Board therefore approved unanimously 2020 (consolidated) annual financial statements including consolidated non-financial report 2020 and agreed with the Management Board proposal for appropriation of profits.

Against the aforementioned background and in accordance with legal provisions in force (Art. 108 para 1 of Austrian Stock Corporation Act), the Supervisory Board proposed to the Annual General Meeting to carry forward the net profit for the year 2020 to the next year (2021) and to discharge from the liability members of the Management Board and the Supervisory Board for the financial year 2020.

Istanbul, April 2021

On behalf of the Supervisory Board

Hakan Ates

(Chairman of the Supervisory Board)

BALANCE SHEET AS OF DECEMBER 31, 2020

Assets	12/31/2020		prior year
	EUR	EUR	kEUR
1. Cash in hand, balances with central banks		1,896,051,110.18	2,828,472
2. Treasury bills and other bills eligible for refinancing with central banks		461,295,585.29	181,375
3. Loans and advances to credit institutions			
a) Repayable on demand	159,217,962.21		121,537
b) Other loans and advances	987,436,851.15		604,501
		1,146,654,813.36	726,038
4. Loans and advances to customers		4.477.627.251,40	6.261.888
5. Debt securities including fixed-income securities			
a) issued by public bodies	238,040,223.38		261,060
b) issued by other borrowers	4,889,906.87		33,787
		242,930,130.25	294,847
6. Shares and other variable-yield securities		34,151.31	34
7. Shares in affiliated undertakings			
thereof: Shares in credit institutions EUR 16,453,424.78 EUR (p.y.: 16,453 kEUR)		35,274,974.55	131,652
8. Intangible fixed assets		5,949,500.47	5,180
9. Tangible assets		5,996,091.58	7,824
thereof: Land and buildings occupied by a credit institution			
for its own activities EUR 0,00 (p.y.: 0 kEUR)			
10. Other assets		92,920,557.76	48,631
11. Prepayments and accrued income		6,283,966.65	8,363
12. Deferred tax assets		13,407,168.19	10,066
		8,384,425,300.99	10,504,370
Off-balance sheet items			
1. Foreign assets		6,714,336,205.34	7,608,330

Liabilities and Shareholders' Equity		12/31/2020		prior year
		EUR	EUR	kEUR
1,	Liabilities to credit institutions			
	a) Repayable on demand	110,754,930.09		82,256
	b) With agreed maturity dates or periods of notice	400,000,000.00		233,530
			510,754,930.09	315,786
2,	Liabilities to customers (non-banks)			
	a) Savings deposits			
	thereof:			
	aa) Repayable on demand	662,347,645.87		602,270
	bb) With agreed maturity dates or periods of notice	1,077,498,109.51		1,801,665
			1,739,845,755.38	2,403,935
	b) Other liabilities			
	thereof:			
	aa) Repayable on demand	1,504,035,057.43		1,714,185
	bb) With agreed maturity dates or periods of notice	2,946,346,514.48		4,358,861
			4,450,381,571.91	6,073,046
			6,190,227,327.29	8,476,981
3,	Other liabilities		20,003,654.93	41,577
4,	Accruals and deferred income		4,264,976.85	17,601
5,	Provisions			
	a) Provisions for severance payments	988,069.00		1,183
	b) Provisions for taxation	321,028.17		51
	c) Other provisions	25,082,997.90		20,450
			26,392,095.07	21,684
6,	Supplementary capital pursuant to chapter 4 of title I of part 2 of Regulation (EU) No 575/2013		24,447,885.26	26,705
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		957,924,819.16	953,627
10,	Liability reserve pursuant to section 57/5 BWG		77,952,088.00	77,952
			8,384,425,300.99	10,504,370

	Off-balance sheet items		
1,	Contingent liabilities	60,235,901.10	103,823
	thereof: Guarantees and assets pledged		
	as collateral security	51,894,190.97	88,035
2,	Commitments	689,369.02	528
	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	1,626,832,816.29	1,614,879
	thereof: Subordinated loan according to part 2 title 1 chapter 4		
	Regulation (EU) Nr. 575/2013 EUR 26,704,646.60 (p.y.: 26,705 kEUR)		
4,	Capital requirements pursuant to Art 92 of Regulation (EU) No 575/2013	5,215,093,351.14	6,789,953
	thereof: Capital requirements pursuant to Art 92 para. 1 point (a) of Regulation (EU) No 575/2013	30.73%	23.55%
	thereof: Capital requirements pursuant to Art 92 para. 1 point (b) of Regulation (EU) No 575/2013	30.73%	23.55%
	thereof: Capital requirements pursuant to Art 92 para. 1 point (c) of Regulation (EU) No 575/2013	31.19%	23.78%
5,	Foreign liabilities	3,204,775,658.23	4,563,630

INCOME STATEMENT FOR THE PERIOD FROM 01. JANUARY - 31. DECEMBER 2020

	2020 EUR	EUR	prior year kEUR
1. Interest receivable and similar income		286,128,757.85	392,300
thereof:			
from fixed-income securities EUR 17,179,432.60 EUR (p.y.: 7,900 kEUR)			
2. Interest payable and similar expenses		-134,905,138.24	-206,649
I. NET INTEREST INCOME		151,223,619.61	185,651
3. Commissions receivable		13,180,402.78	21,978
4. Commissions payable		-2,656,790.55	-5,348
5. Net profit or net loss on financial operations		1,360,568.58	1,100
6. Other operating income		743,545.11	337
II. OPERATING INCOME		163,851,345.53	203,718
7. General administrative expenses			
a) Staff costs thereof:			
aa) Wages and salaries	-23,298,269.01		-21,844
bb) Expenses for statutory social contributions and compulsory contributions relate to wages and salaries	-5,604,600.02		-5,506
cc) Other social expenses	-443,108.91		-566
dd) Expenses for pension and assistance	-322,619.94		-318
ee) Expenses for severance payments and contributions to severance and retirement funds	-1,528,388.09		-546
		-31,196,985.97	-28,780
b) Other administrative expenses		-15,534,599.13	-19,262
		-46,731,585.10	-48,042
8. Value adjustments in respect of asset items 8 and 9		-4,262,578.09	-3,465
9. Other operating expenses		-16,709,778.16	-15,469
III. OPERATING EXPENSES		-67,703,941.35	-66,976
IV. OPERATING RESULT		96,147,404.18	136,742
10. Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		-167,469,091.50	-121,392
11. Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		71,730,343.13	25,947
12. Value adjustments in respect of transferable securities held as financial fixed assets participating interests and shares in affiliated undertakings		0.00	0
13. Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		2,241,858.13	25,563
V. PROFIT ON ORDINARY ACTIVITIES		2,650,513.94	66,860
14. Tax on profit thereof: Income/Expenses from deferred taxes: EUR 3.340.577,17 (p.y.: 3,673 kEUR)		3,339,124.90	-4,333
15. Other taxes not reported under item 14		-1,692,023.84	-2,026
VI. PROFIT FOR THE YEAR AFTER TAX		4,297,615.00	60,501
16. Changes in reserves thereof: Allocation to liability reserve EUR 0,00 (p.y.: 0,000 kEUR)		-4,297,615.00	-60,501
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, 2020

	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
	01/01/2020				12/31/2020	01/01/2020					12/31/2020	12/31/2020	12/31/2019
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible fixed assets													
1. Software and rights	13,667,195.42	3,166,147.76	114,629.10	0.00	16,718,714.08	8,486,876.22	2,396,966.49	0.00	114,629.10	0.00	10,769,213.61	5,949,500.47	5,180,319.20
2. Low value assets - Software	0.00	1,597.57	1,597.57	0.00	0.00	0.00	1,597.57	0.00	1,597.57	0.00	0.00	0.00	0.00
	13,667,195.42	3,167,745.33	116,226.67	0.00	16,718,714.08	8,486,876.22	2,398,564.06	0.00	116,226.67	0.00	10,769,213.61	5,949,500.47	5,180,319.20
II. Tangible fixed assets													
1. Installations in third parties buildings	11,612,996.49	6,955.70	1,672,184.65	0.00	9,947,767.54	7,031,882.66	904,096.18	0.00	1,245,818.20	0.00	6,690,160.64	3,257,606.90	4,581,113.83
2. Fixture, furniture and office equipment	8,719,078.11	500,267.39	536,437.41	0.00	8,682,908.09	5,476,687.57	929,562.54	0.00	461,826.70	0.00	5,944,423.41	2,738,484.68	3,242,390.54
3. Low value assets	0.00	30,355.31	30,355.31	0.00	0.00	0.00	30,355.31	0.00	30,355.31	0.00	0.00	0.00	0.00
	20,332,074.60	537,578.40	2,238,977.37	0.00	18,630,675.63	12,508,570.23	1,864,014.03	0.00	1,738,000.21	0.00	12,634,584.05	5,996,091.58	7,823,504.37
III. Financial assets													
1. Debt securities including fixed-income securities													
issued by public bodies	26,869,500.00	0.00	26,869,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	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	96,376,560.33	0.00	35,274,974.55	0.00	0.00	0.00	0.00	0.00	0.00	35,274,974.55	131,651,534.88
3. Shares and other variable-yield securities	34,216.25	0.00	64.94	0.00	34,151.31	0.00	0.00	0.00	0.00	0.00	0.00	34,151.31	34,216.25
	158,555,251.13	0.00	123,246,125.27	0.00	35,309,125.86	0.00	0.00	0.00	0.00	0.00	0.00	35,309,125.86	158,555,251.13
	192,554,521.15	3,705,323.73	125,601,329.31	0.00	70,658,515.57	20,995,446.45	4,262,578.09	0.00	1,854,226.88	0.00	23,403,797.66	47,254,717.91	171,559,074.70

NOTES TO THE FINANCIAL STATEMENTS 2020

I. GENERAL INFORMATION

The annual financial statements of DenizBank AG for the fiscal year 2020 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 2020 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 1 to 43 (1) BWG. Individual items without any value in the current and previous financial year were not listed. While preparing the financial statements, 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 characteristics 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 based on 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.

The capital requirement for counterparty risk in derivatives is composed of two elements: The default risk and the CVA risk. Counterparty default risk corresponds to the unexpected loss on derivatives calculated in accordance with the IRB formula. CVA risk is based on the standardized approach pursuant to Article 384 CRR.

The accrued interest assets as well as the accrued interest liabilities, which were reported in other assets and other liabilities, respectively, until December 31, 2019, were reclassified to the corresponding balance sheet items in the 2020 financial year. For the purpose of comparability, the reclassification of the statement of financial position was also made for the 2019 financial year.

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

Deposits 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 is 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.

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 provision for severance obligations was calculated in accordance with recognized actuarial principles using the projected unit credit method pursuant to IAS 19. The calculation was based on a retirement age of 60 years (women) and 65 years (men) and an interest rate of 0,99% (previous year: 1.5%). The "AVÖ 2018-P Rechnungsgrundlagen für die Pensionsversicherung - Pagler & Pagler" (actuarial principles for pension insurance - Pagler & Pagler) for salaried employees were used as the basis for calculating all social capital provisions. In addition, 2.2% (previous year: 2.2%) was used as the basis for the valorization. A fluctuation rate was not taken into account when determining the provision 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.

[1] *Duration 15J:https://www.mercer.de/our-thinking/rechnungszins-fuer-ifrs-us-gaap-bilmog-bewertungen.html?mkt_tok=eyJpIjoiWm1Rd01tWTROMkV5WkRkaCIsInQiOiJGRU0xS3V5XC9PaWRmNDBMWlwvV1Q2UXJPMHBWeWpNUHBmMWxyRW9PYmJaRHBjV2RXS012RXV3Z1dVTlBmUFlSRVVLNGh1S1VUdkh3OEIwa0RabnZPQ0dRPT0ifQ%3D%3D*

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 1,896,051,110.18 EUR (previous year: 2,828,472 kEUR) at yearend and were thus 932,421 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 2020 in the amount of 461,295,585.29 EUR (previous year: 181,375 kEUR).

Loans and advances to credit institutions

Loans and advances to credit institutions increased by 420,617 kEUR to 1,146,654,813.36 EUR in the reporting period (previous year: 726,038 kEUR). This includes accrued interest in the amount of 893,101.42 EUR (previous year: EUR 1,400 kEUR). Loans to affiliated companies amounted to 176,985,273.18 EUR (previous year: 282,718 kEUR) of which 5,564,929.51 EUR (previous year: 5,640 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 31,200,792.83 EUR (previous year: 103,780 kEUR). A general loan loss provision was booked to cover the loans to banks in the amount of 3,071,855.98 EUR (previous year: 1,766 kEUR) as of 31 December 2020.

Loans and advances to customers

Loans and advances to customers decreased from 6,261,888 kEUR in the previous year by 1,784,261 kEUR to 4,477,627,251.40 EUR. Accrued interest amounts to 42,115,957.53 EUR (previous year: EUR 57,849 kEUR). Loans to affiliated companies amounted to 18,402,011.48 EUR (previous year: 58,100 kEUR) at the accounting date. A general loan loss provision was booked to cover the loans to customers in the amount of 44,745,703.40 EUR (previous year: 35,905 kEUR) as of 31 December 2020. Specific loan loss provisions amounted to 152,799,515.53 EUR (previous year: 118,800 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	
	31.12.2020	31.12.2019*	31.12.2020	31.12.2019*
Turkey	66,135,526.10	70,473	2,572,845,541.68	3,284,438
Austria	101,248,133.78	7,568	82,112,804.09	92,498
Other countries	979,271,153.48	647,997	1,822,668,905.63	2,884,952
Total	1,146,654,813.36	726,038	4,477,627,251.40	6,261,888

* 12/31/19 amounts in kEUR

The country risk Turkey is rated by the international rating agencies Moody's as B2, by S&P as BB- 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.

DenizBank AG has granted loans to customers in foreign currency that give rise to foreign currency risk. As of 31 December 2020, the volume of loans granted in USD amounted to the equivalent of 1,308,911,356.63 EUR (previous year: 2,327,288 kEUR), while loans granted in TRY had the equivalent value of 5.077.665,53 EUR (previous year: 11,031 kEUR). The Bank has essentially hedged this risk through currency swaps. As of 31 December 2020, loan commitments in the sectors tourism, energy and construction amounted to 744,028,929.15 EUR (previous year: 904,899 kEUR), 385,410,214.85 EUR (previous year: 646,155 kEUR) and 165,046,172.14 EUR (previous year: 294,585 kEUR) respectively.

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	
	31.12.2020	31.12.2019*	31.12.2020	31.12.2019*
Up to 3 months	672,747,048.03	289,327	135,732,604.20	125,685
Over 3 months to 1 year	279,113,910.09	185,287	628,125,376.88	1,153,065
Over 1 year up to 5 years	32,189,718.08	124,622	2,088,656,590.99	2,352,826
Over 5 years	5,564,929.51	5,640	1,779,637,456.82	2,725,325
Total	989,615,605.71	604,876	4,632,152,028.89	6,356,901

* 12/31/19 amounts in kEUR

Debt securities including fixed-income securities

The position bonds and other fixed-interest securities decreased from 294,847 kEUR in the previous year to 242,930,130.25 EUR at the balance sheet date. The accrued interest assets amount to 5,730,765.93 EUR (previous year: 7.509 kEUR).

As of the balance sheet date, there are no listed securities (previous year: EUR 26,870 kEUR), which are considered as fixed assets in accordance with Section 56 (1) of the Austrian Banking Act. Listed securities with a book value of EUR 242,268,065.31 (previous year: EUR 262,223 kEUR) are included in current assets. As of 31 December 2020, 5,068,700.99 EUR (previous year: 1,756 kEUR) was booked as a general provision for securities. Accrued interest amounted to 5,730,765.93 EUR (previous year: 7,509 kEUR).

The portfolio did not include any fixed-income securities with a remaining maturity of less than one year (previous year: EUR 44,250 kEUR). As of 31 December 2020, there were also no repurchase agreements pursuant to Section 50 (4) BWG (previous year: EUR 0 kEUR).

Hidden reserves amount to 24,128,411.84 EUR (previous year: 4,982 kEUR). There were no hidden liabilities as of the reporting date (previous year: EUR 0 kEUR).

A securities trading book has been held since 1 January 2005. As of 31 December 2020, 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: 34 kEUR) and equity funds amount to 22.24 EUR (previous year: 0 kEUR). The equity fund units of the previous year were held in the trading portfolio.

Shares in affiliated undertakings

In December 2003, 51% of the shares of JSC DenizBank, Moscow were 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 9,553,297.80 EUR (previous year: 3,773 kEUR) as of 31 December 2020, its shareholders` equity amounts to 76,772,678.19 EUR (previous year: 87,889 kEUR).

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 5,949,500.47 EUR (previous year: 5,180 kEUR), intangible fixed assets mainly consist of purchased computer software.

Tangible assets

The depreciation amounts 1,864,014.03 EUR (previous year: 1,828 kEUR) additions by tangible assets are worth of 537,578.40 EUR (previous year: 1,497 kEUR). Tangible assets decreased from 7,824 kEUR by 1,828 kEUR to 5,996,091.58 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 3,483,198.20 EUR (previous year: 3,981 kEUR) for the following fiscal year and 19,647,815.69 EUR (previous year: 21,092 kEUR) for the following five years.

Other assets

At the balance sheet date, this position mainly contains clearing items in the amount of 17,349,019.44 EUR (previous year: 9,645 kEUR) as well as a positive market value of forward exchange transactions (FX Swaps, FX Forwards) amounting to 73,175,675.87 EUR (previous year: 27,202 kEUR).

Other assets include interest income amounting to EUR 2,395,862.45 (previous year: EUR 11,785 kEUR), which will be only due and payable after the balance sheet date.

Prepayments and accrued income

At the end of the year, prepayments and accrued income amount to 6,283,966.65 EUR (previous year: 8,363 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 13,407,168.19 EUR (previous year: 10,066 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 8,384,425,300.99 EUR (previous year: 10,504,370 kEUR) at the end of 2020 and is thus 2,119,944 kEUR below the previous year. The total of assets not denominated in EUR was reported as 2,211,905,761.30 EUR (previous year: 3,125,078 kEUR). The total of liabilities denominated in currencies other than EUR amount to 984,269,854.42 EUR (previous year: 1,310,263 kEUR).

Off-balance-sheet items

As per end of the year, the bank's foreign assets amount to 6,714,336,205.34 EUR (previous year: 7,608,330 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 315,786 kEUR by 194,969 kEUR to 510,754,930.09 EUR. Liabilities to affiliated companies amount to 27,183,934.82 EUR (previous year: 10,203 kEUR) at the balance sheet date.

Liabilities to customers

In comparison to prior year, liabilities to customers decreased from 8,476,981 kEUR in the previous year to 6,190,227,327.29 EUR at the end of the year. This item includes accrued interest liabilities in the amount of EUR 17,465,309.01 (previous year: EUR 30,627 kEUR). The savings deposits contained therein realized a decrease of 664,089 kEUR and totalled 1,739,845,755.38 EUR as of the balance sheet date (previous year: 2,403,935 kEUR). The percentage of saving deposits with agreed maturity or period of notice is 62%. The saving deposits do not contain trustee savings deposits. Liabilities to affiliated companies amount to 142,843.30 EUR (previous year: 443 kEUR). The liabilities include fiduciary transactions amounting to 31,199,324.01 EUR (previous year: 103,780 kEUR).

Liabilities to credit institutions and customers grouped by residual maturities

Liabilities to credit institutions and customers that are not payable on demand included amounts with the following terms of maturity (residual maturity):

	Liabilities to			
	Credit institutions		Customers	
	31.12.2020	31.12.2019*	31.12.2020	31.12.2019*
Up to 3 months	0.00	162,000	948,518,298.18	1,361,689
Over 3 months to 1 year	0.00	71,530	1,288,865,112.69	2,026,771
Over 1 year up to 5 years	400,000,000.00	0.00	1,662,267,142.97	2,568,858
Over 5 years	0.00	0.00	106,327,332.84	172,499
Total	400,000,000.00	233,530	4,005,977,886.68	6,129,817

* 12/31/19 amounts in kEUR

DenizBank AG has the possibility 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 2020, other liabilities amount to 20,003,654.93 EUR (previous year: 41,577 kEUR). Other liabilities include accrued interest expenses worth 16,270,692.17 EUR (previous year: 29,885 kEUR), which are payable after the year-end.

Other liabilities also include negative market value of forward exchange transactions in the amount of 10,941.12 EUR (previous year: 8,314 kEUR).

Accruals and deferred income

As of the balance sheet date, accruals and deferred income amount to 4,264,976.85 EUR (previous year: 17,601 kEUR). This position mainly includes received interest before balance sheet date for the next periods.

Provisions

The total of provisions are valued at 26,392,095.07 EUR (previous year: 21,684 kEUR) showing an increase of 4,708 kEUR compared to last year. This position includes provisions for severance payments worth 988,069.00 EUR (previous year: 1,183 kEUR), provisions for taxation at the amount of 321,028.17 EUR (previous year: 51 kEUR) as well as 25,082,997.90 EUR (previous year: 20,450 kEUR) worth of other provisions, which mainly refer to guarantee credits in the amount of 567,830.37 EUR (previous year: 502 kEUR), contingent losses of derivatives worth 18,777,427.48 EUR (previous year: 15,216 kEUR) and general administrative expense provisions amounting to 5,737,740.05 EUR (previous year: 4,732 kEUR). The general administrative expense provisions include provisions for vacations and premiums in the amount of 4,534,541.55 EUR (previous year: 3,944 kEUR).

Composition of provisions

in EUR	31.12.2020	31.12.2019*
Provisions for severance payments	988,069.00	1,183
Provisions for taxation	321,028.17	51
Other provisions	25,082,997.90	20,450
Provisions for guarantee credits	567,830.37	502
Provisions for contingent losses of derivatives	18,777,427.48	15,216
Provisions for general administrative expenses	5,737,740.05	4,732
Provisions for vacations and premiums	4,534,541.55	3,944
Other provisions	1,202,198.50	788
Total	26,392,095.07	21,684

* 12/31/19 figures in kEUR

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

In 2016 (on May 6th, 2016 and September 30th, 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 2027 and 30 September 2027 at an interest rate of 7%. Supplementary capital amounted to 24,447,885.26 EUR as of the balance sheet date (previous year: EUR 26,705 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 957,924,819.16 EUR (previous year: 953,627 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 2020 financial year due to the reduction in the liabilities reserve (previous year: allocation of 0 kEUR).

Off-balance-sheet Items

Contingent liabilities in the amount of 60,235,901.10 EUR (previous year: 103,823 kEUR) include guarantees of 51,894,190.97 EUR (previous year: 88,035 kEUR) and letters of credit of 8,341,710.13 EUR (previous year: 15,788 kEUR). Credit risks arising from not-utilized credit facilities amount to 689,369.02 EUR (previous year: 528 kEUR). Foreign liabilities amount to 3,204,775,658.23 EUR (previous year: 4,563,630 kEUR).

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

in EUR	31.12.2020	31.12.2019*
Subscribed capital	231,831,230.38	231,831
Capital reserves	340,626,293.96	340,626
Retained earnings	957,924,819.16	953,627
Liabilities reserve	77,952,088.00	77,952
Total	1,608,334,431.50	1,604,037
Positions to be deducted	-5,949,500.47	-5,180
Core capital	1,602,384,931.03	1,598,856
Supplementary capital	24,447,885.26	16,023
Equity capital	1,626,832,816.29	1,614,879
CET1- & T1-ratios	30.73%	23.55%
Total capital ratio	31.19%	23.78%

* 12/31/19 amounts in kEUR

As of 31 December 2020, DenizBank AG has a total capital ratio of 31.19%, while the CET1 and Tier 1 ratios amount to 30.73%. DenizBank AG thus has sufficient capitalization to meet regulatory capital requirements.

Return on assets for the fiscal year 2020 has a value of 0.05% (previous year: 0.58%), 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 0.27% (previous year: 3.84%), which was calculated as the ratio of net profit after tax divided by the average equity.

Consolidated eligible equity capital

in EUR	12/31/2020	12/31/2019*
Subscribed capital	231,831,230.38	231,831
Capital reserves	340,626,293.96	340,626
Retained earnings	957,924,819.16	953,627
Liabilities reserve	77,952,088.00	77,952
Minority interest	7,475,153.18	10,213
Positions to be deducted	-6,041,504.40	-6,209
Difference arising from contribution of equity capital and shares	-23,070,542.14	-77,971
Net retained profit not intended for distribution	45,742,428.11	76,103
Core capital	1,632,439,966.25	1,606,172
Supplementary capital	27,013,232.43	19,408
therein minority interest	384,624.38	996
Equity capital	1,659,453,198.68	1,625,580
CET1-ratio	29.52%	21.55%
T1-ratio	29.66%	21.69%
Total capital ratio	30.15%	21.95%

* 12/31/19 amounts in kEUR

Additional Information for financial derivatives in the banking book

Statement of derivative financial instruments that were not settled as per balance sheet date of the financial statement:

31/12/2020 in kEUR	Nominal	Positive market value	Negative market value
Forward exchange transactions	1,300,661,063.58	73,175,675.86	10,941.10
short-term	1,300,661,063.58	73,175,675.86	10,941.10
Interest Rate Swaps without hedging relationship	331,777,442.75	0.00	18,956,560.05
medium-term	260,777,442.75	0.00	15,382,192.67
long-term	71,000,000.00	0.00	3,574,367.39
Interest Rate Swaps with hedging relationship	402,562,655.12	18,105,023.17	18,413,422.14
long-term	402,562,655.12	18,105,023.17	18,413,422.14
Cross Currency Swaps with Hedging relationship	36,212,992.27	13,188,366.14	13,267,690.78
medium-term	36,212,992.27	13,188,366.14	13,267,690.78
Total	2,071,214,153.73	104,469,065.17	50,648,614.07
short-term	1,300,661,063.58	73,175,675.86	10,941.10
medium-term	296,990,435.02	13,188,366.14	28,649,883.45
long-term	473,562,655.12	18,105,023.17	21,987,789.52

31/12/2019 in EUR	Nominal	Positive market value	Negative market value
Forward exchange transactions	3,649,430	27,202	8,314
short-term	3,649,430	27,202	8,314
Interest Rate Swaps without hedging relationship	355,850	0.00	15,358
medium-term	290,850	0.00	12,417
long-term	65,000	0.00	2,941
Interest Rate Swaps with hedging relationship	444,750	18,962	19,064
short-term	18,800	0	0.00
long-term	425,950	18,962	19,063
Cross Currency Swaps with Hedging relationship	81,820	9,182	9,273
short-term	1,420	269	289
medium-term	80,400	8,913	8,984
Options	3,082	0	0.00
short-term	3,082	0	0.00
Total	4,534,932	55,346	52,009
short-term	3,672,732	27,471	8,604
medium-term	371,250	8,913	21,401
long-term	490,950	18,962	22,004

Negative market value of forward exchange transactions amounting to 10,941.10 EUR (previous year: 8,314 kEUR) was recorded in other liabilities.
Provisions amounting to 18,777,427.48 EUR as of December 31st, 2020 (previous year: 15,216 kEUR) have been set as contingent losses regarding the negative market value of derivatives. Without hedging transactions provisions for contingent losses worth 32,685,649.81 EUR (previous year: 28,337 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 2020 financial year (previous year: 0.00 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 151,223,619.61 EUR as of the balance sheet date, which was 34,427 kEUR lower than in the prior year (previous year: 185,651 kEUR). This includes interest expenses for subordinated liabilities in the amount of 1,881,380.98 EUR (previous year: 1,904 kEUR).

Distribution according to geographical markets:

Net Interest Income	31.12.2020	31.12.2019*
Austria	169,391,808.17	209,856
Germany	-18,168,188.56	-24,205
Total	151,223,619.61	185,651

* 12/31/19 amounts 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 39,867 kEUR or 19.57% to 163,851,345.53 EUR (previous year: 203,718 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
2020	Austria	11,750,955.76	-2,622,853.87	1,395,830.23	710,000.09
	Germany	1,429,447.02	-33,936.68	-35,261.65	33,545.02
	Total	13,180,402.78	-2,656,790.55	1,360,568.58	743,545.11
2019*	Austria	20,529	-5,296	422	312
	Germany	1,449	-52	678	25
	Total	21,978	-5,348	1,100	337

* 12/31/19 amounts in kEUR

Operating Expenses

Operating expenses realized a growth of 728 kEUR from 66,976 kEUR to 67,703,941.35 EUR. Personnel expenses increased by 2,417 kEUR to 31,196,985.97 EUR (previous year: 28,780 kEUR). Other administrative expenses decreased from 19,262 kEUR to 15,534,599.13. EUR. This position includes rent and leasing expenses totalling 3,859,496.50 EUR (3,924 kEUR in the previous year). Other operating expenses amount to 16,709,778.16 EUR (previous year: 15,469 kEUR) containing the amounts resulting from paid contributions to the resolution fund and deposit protection scheme worth 9,846,882.51 EUR (previous year: 7,114 kEUR).

Operating Result

At 96,147,404.18 EUR, the operating result was 40,595 kEUR lower than in the previous year (previous year: 136,742 kEUR).

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

This position contains valuation losses of securities in current assets in the amount of 4,435,826.25 EUR (previous year: 1,479 kEUR), realized losses from the sale of securities with an amount of 313,117.45 EUR (previous year: 0 kEUR), and value adjustments and written-off receivables in the amount of 171,591,800.30 EUR (previous year: 117,441 kEUR). Properties included in the current assets of other assets were written down in the amount of 0.00 EUR (previous year: 2,472 kEUR).

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

The realized profit from the sale of securities is 2,978,368.91 EUR (previous year: 11,057 kEUR). Income from the reversal of value adjustments of loans and advances is worth 68,751,974.22 EUR (previous year: 134 kEUR) and the reversal of general loan loss provisions for credit risks is worth 0.00 EUR (previous year: “allocation” 14,757 kEUR).

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

Realized gains from the expiration of securities amounted to 137,418.46 EUR (previous year: EUR 0 kEUR). A gain of 2,104,439.67 EUR was realized from the sale of shares in Deniz Finansal Kiralama A.S.

Profit or loss on ordinary activities

The reported result from ordinary business activities of 2,650,513.94 EUR was 64,209 kEUR or 96.04% lower than in the previous year (previous year: 66,860 kEUR).

Tax on profit

Taxes on income and earnings amount to 3,339,124.90 EUR (previous year: 4,333 kEUR). Due to the double tax treaty between Turkey and Austria a notional withholding tax from interest income at the value of 3,289,810.95 EUR for 2020 (previous year: 5,849 kEUR) could be credited against the corporate tax for 2020. The deferred tax increased by 3,341 kEUR from 10,066 kEUR to 13,407,168.19 EUR in the current fiscal year.

Profit for the year after tax

Profit after tax was 4,297,615.00 EUR and decreased by 92.90% or 56,203 kEUR compared to the result of the previous year of 60,501 kEUR.

Changes in reserves

The changes in reserves totalling 4,297,615.00 EUR (previous year: 60,501 kEUR) as of the balance sheet date were caused by an allocation to retained earnings worth 4,297,615.00 EUR (previous year: 60,501 kEUR). An allocation to the liability reserve was not necessary in fiscal year 2020 due to the decrease in customer receivables (previous year: allocation of 0 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 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 December 31st, 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	2020	2019*
Nature of activities	Universal Banking	Universal Banking
Geographical location	Germany	Germany
Net interest income in EUR	-18,168,188.56	-24,205
Operating income in EUR	-16,774,394.85	-22,104
Number of employees (FTE)	108	101
Profit before tax in EUR	-26,655,320.99	-31,474
Tax on profit in EUR	-1,452.27	-346
Public subsidies received	0.00	0

* 12/31/19 amounta in kEUR

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

Shares in affiliated undertakings for the 2020 financial year

12/31/2020 Name	Location	Shareholders' equity*	Share in %	Net profit*
DenizBank Moscow	Moscow	76,772,678.19	51.00%	9,553,297.80
CR Erdberg Eins GmbH & Co KG	Vienna	17,188,156.43	99.90%	300,448.47
Deniz Immobilien Service GmbH	Vienna	14,452.45	100.00%	-3,861.09

Shares in affiliated undertakings for the 2019 financial year

12/31/2019 Name	Location	Shareholders' equity*	Share in %	Net profit*
DenizBank Moscow	Moscow	87,888,607.42	51.00%	3,773,130.61
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	18,313.54	100.00%	-3,000.96

During the financial year 2020 an average number of 483 (previous year: 506 employees) people were employed. The yearly remuneration for members of the Management Board amounts to 3,715,534.25 EUR (previous year: 1,834 kEUR). Commitments worth 0.00 EUR (previous year: 0 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 247,958.19 EUR (previous year: 214 kEUR). Expenses for severance payments and pensions for non-executive employees totalled 1,372,750.35 EUR (previous year: 1,526 kEUR). Expenses for severance payments in the amount of 805,585.00 EUR (previous year: 929 kEUR) and expenses for the employee welfare fund worth 237,594.87 EUR (previous year: 266 kEUR) were included in this amount.

The expenses for audit costs amounted to 356,817.11 EUR (previous year: 314 kEUR), of which 0.00 EUR (previous year: 36 kEUR) was attributed to half year's audit and 31,500.00 EUR (previous year: 56 kEUR) on the quarterly audits.

Disclosure:

With the disclosure report as of December 31st, 2020 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 December 31st, 2020, 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 48,000.00 EUR (previous year: 139 kEUR).

In 2020 the members of the Supervisory Board are as follows:

Hakan Ates, Chairman
Derya Kumru, Deputy-Chairman
Wouter Van Roste, Member (until 31.03.2020)
Timor Kozintsev, Member (until 14.02.2020)
Suryanarayan Subramanian, Member
Jonathan Edward Morris, Member
Ruslan Abil, Member
Hayri Cansever, Member
Mag. Bernhard Raberger, LL.M. MSc, Member
Dr. Döne Yalcin-Mock, Member
Aysenur Hickirin, Member (from 19.03.2020)

Following State Commissioners are appointed:

Dr. Erika Reinweber, State Commissioner
Dr. Veronika Daurer, Deputy State Commissioner

In 2020 and during the preparation of the financial statement for 2020 the Management Board consisted of following members:

Wouter Van Roste, Chairman (from 01.04.2020)
Ahmet Mesut Ersoy, Chairman (until 31.03.2020)
Mehmet Ulvi Taner, Member (until 07.01.2020)
Tuncay Akdevelioglu, Member (until 31.03.2020)
Cenk Izgi, Member (until 31.03.2020)
Mag. Bernhard Achberger, Member (until 31.03.2020)
Mag. Dina Karin Hösele, Member (from 13.02.2019)
Mag. Florian Dangl, Member (until 31.08.2020)

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

Vienna, March 29th, 2021

The Management Board

WOUTER VAN ROSTE
CHAIRMAN

MAG. DINA KARIN HÖSELE
MEMBER

4. AUDITOR'S REPORT *

Report on the Financial Statements

Audit Opinion

We have audited the financial statements of

DENIZBANK AG, VIENNA,

which comprise the statement of financial position as at December 31, 2020, and the income statement and notes to the financial statements..

In our opinion, the accompanying financial statements comply with legal requirements and give a true and fair view of the financial position of the company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and the BWG.

Basis for Opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 and with the Austrian Generally Accepted Auditing Standards. Those standards require the application of the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Financial Statements section of our report. We are independent of the Company in accordance with laws and regulations applicable in Austria, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained up to the date of our report is sufficient and appropriate to provide a basis for our opinion as of that date.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Determination of provisions for losses on loans and advances

Facts and problem

In its annual financial statements as of December 31, 2020, DenizBank AG reported loans and advances to customers in the amount of EUR 4,675 thousand before deduction of loan loss provisions. Specific loan loss provisions of EUR 152.8 million and general loan loss provisions of EUR 44.7 million were recognized for loans and advances to customers. Information on the valuation of loans and advances to customers can be found in Note I. "General provisions" and Note II. "Notes to the balance sheet and income statement".

The assessment of the recoverability of customer receivables and their valuation includes the identification of default events and the estimation of the amount of any need for impairment. Due to the volume of receivables from customers and the dependency of the allowances on estimates, we have identified this area as a key audit matter.

Audit approach

As part of our audit, we examined DenizBank AG's lending and monitoring process, including collateral valuation. We conducted interviews with responsible staff and assessed the relevant internal policies to determine whether an adequate credit monitoring process is in place for identifying default events and determining the need for loan loss provisions. As part of a walk through, we tested the implementation of the relevant control activities. We also tested the operating effectiveness of the key controls. On the basis of a sample, we tested whether defaults were identified in a timely manner and whether specific loan loss provisions were recognized correctly. For general loan loss provisions, we assessed both the underlying calculation model and the parameters applied to determine whether they are suitable for calculating appropriate risk provisions and verified their mathematical accuracy.

Other Matter Audit of the Financial Statements of the Previous Year

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on March 6, 2020.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Austrian Generally Accepted Accounting Principles and the BWG, and for such internal control as management determines is 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 acility 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 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 is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Regulation (EU) No 537/2014 and with Austrian Generally Accepted Auditing Standards, which require the application of the ISAs, we exercise professional judgement and maintain professional skepticism 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 gives a true and fair view.

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.

Report on the Audit of the Management Report

Pursuant to statutory provisions, the management report is to be audited as to whether it is consistent with the financial statements and whether it has been prepared in accordance with the applicable legal requirements.

Management is responsible for the preparation of the management report in accordance with the Austrian Commercial Code and the BWG.

We conducted our audit in accordance with laws and regulations applicable with respect to the management report.

Opinion

In our opinion, the management report is prepared in accordance with the applicable legal requirements and is consistent with the financial statements.

Statement

In the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit of the financial statements, we have not identified material misstatements in the management report.

Other Matters which we are required to address according to Article 10 of Regulation (EU) No 537/2014

We were appointed as auditors by the annual general meeting on November 15, 2019 and commissioned by the supervisory board on November 15, 2019 to audit the financial statements for the financial year ending December 31, 2020. In addition, we were appointed as auditors for the following financial year by the annual general meeting on December 3, 2020 and commissioned by the supervisory board on December 10, 2020 to audit the financial statements. We have been auditing the Company uninterrupted since the financial year ending December 31, 2020. We confirm that our opinion expressed Financial Statements" is consistent with the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014.

We declare that we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 and that we remained independent of the Company in conducting the audit.

Vienna, March 31, 2021

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Peter Bitzyk
Certified Public Accountant

Company Directory

AUSTRIA

Zentralfiliale
1030 Wien, Thomas-Klestil-Platz 1
Tel: 0800 88 66 00
International: +43-(0)-505 105-3811
Fax: +43-(0)-505 105-3819
SWIFT. ESBK AT WW
FN 142199 t HG Wien, DVR: 0845981,
BLZ: 19650
service@denizbank.at

Filiale City
1010 Wien, Kärntner Ring 14
Tel: 0800 88 66 00
International: +43-(0)-505 105-3831
Fax: +43-(0)-505 105 3839
city@denizbank.at

Filiale Landstraßer Hauptstraße
1030 Wien, Landstraßer Hauptstraße 17
Tel: 0800 88 66 00
International: +43-(0)-505 105-3881
Fax: +43-(0)-505 105-3889
landstrasse@denizbank.at

Filiale Reumannplatz
1100 Wien, Pernerstorfergasse 26
Tel: 0800 88 66 00
International: +43-(0)-505 105-3861
Fax: +43-0-505 105- 3869
reumannplatz@denizbank.at

Filiale Meidling
1120 Wien, Schönbrunner Straße 218-220
Tel: 0800 88 66 00
International: +43-(0)-505 105-3891
Fax: +43-(0)-505 105-3899
meidling@denizbank.at

Filiale Mariahilfer Straße
1150 Wien, Mariahilfer Straße 129
Tel: 0800 88 66 00
International: +43-(0)-505 105-3911
Fax: +43-(0)-505 105-3919
mariahilferstrasse@denizbank.at

Filiale Ottakring
1160 Wien, Neulerchenfelderstr. 6-8
Tel: 0800 88 66 00
International: +43-(0)-505 105-3841
Fax: +43-(0)-505 105 3849
ottakring@denizbank.at

Filiale Floridsdorf
1210 Wien, Pragerstraße 2/ Am Spitz 15
Tel: 0800 88 66 00
International: +43-(0)-505 105-3851
Fax: +43-(0)-505 105-3859
floridsdorf@denizbank.at

Filiale Großgrünmarkt
1230 Wien, Laxenburger Straße 367
Tel: 0800 88 66 00
International: +43-(0)-505 105-3901
Fax: +43-(0)-505 105-3909
grossgrunmarkt@denizbank.at

Filiale Simmering
1110 Wien, Simmeringer Hauptstraße 52
Tel: 0800 88 66 00
International: +43-(0)-505 105-3801
Fax: +43-(0)-505 105-3809
simmering@denizbank.at

Filiale St. Pölten
3100 St. Pölten, Herrengasse 3-5
Tel: 0800 88 66 00
International: +43-(0)-505 105-3961
Fax: +43-(0)-505 105- 3969
st.poelten@denizbank.at

Filiale Baden
2500 Baden, Erzherzog Rainer-Ring 3
Tel: 0800 88 66 00
International: +43-(0)-505 105-3951
Fax: +43-(0)-505 105-3959
baden@denizbank.at

Filiale Wr. Neustadt
2700 Wr. Neustadt, Brodtischgasse 6
Tel: 0800 88 66 00
International: +43-(0)-505 105-3941
Fax: +43-(0)-505 105-3949
wrneustadt@denizbank.at

Filiale Linz
4020 Linz, Graben 16
Tel: 0800 88 66 00
International: +43-(0)-505 105-3731
Fax: +43-(0)-505 105-3739
linz@denizbank.at

Filiale Salzburg
5020 Salzburg, Schallmooser Hauptstraße 10
Tel: 0800 88 66 00
International: +43-(0)-505 105-3751
Fax: +43-(0)-505-105-3759
salzburg@denizbank.at

Filiale Graz
8010 Graz, Radetzkystr. 1-3
Tel: 0800 88 66 00
International: +43-(0)-505 105-3932
Fax: +43-(0)-505 105-3939
graz@denizbank.at

Filiale Klagenfurt
9020 Klagenfurt, Alter Platz 17
Tel: 0800 88 66 00
International: +43-(0)-505 105-3981
Fax: +43-(0)-505 105-3989
klagenfurt@denizbank.at

Filiale Innsbruck
6020 Innsbruck, Brixnerstraße 3
Tel: 0800 88 66 00
International: +43-(0)-505 105-3761
Fax: +43-(0)-505 105-3769
innsbruck@denizbank.at

Filiale Bregenz
6900 Bregenz, Römerstraße 1-3
Tel: 0800 88 66 00
International: +43-(0)-505 105-3771
Fax: +43-(0)-505 105-3779
bregenz@denizbank.at

GERMANY

Zweigniederlassung Frankfurt/Main
60329 Frankfurt/Main, Germany
Münchenerstraße 7
Tel: 0800 4 88 66 00
International: 0049-69-427 2603-4601
Fax: 0049-69-427 26 03 4629
frankfurt@denizbank.de

Filiale Mannheim
68159 Mannheim, Deutschland
Marktplatz G2, 1
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6113
Fax: 0049-69-427 26 03 6119
mannheim@denizbank.de

Filiale München
80335 München, Deutschland
Bayerstraße 4
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6131
Fax: 0049-69-427 26 03 6139
muenchen@denizbank.de

Filiale Hamburg
20457 Hamburg, Deutschland
Große Johannisstraße 19
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6141
Fax: 0049-69-427 26 03 6149
hamburg@denizbank.de

Filiale Duisburg
47051 Duisburg, Deutschland
Königstraße 39
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6161
Fax: 0049-69-427 26 03 6169
duisburg@denizbank.de

Filiale Düsseldorf
40212 Düsseldorf, Deutschland
Graf-Adolf-Straße 11
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6181
Fax: 0049-69-427 26 03 6189
duesseldorf@denizbank.de

Filiale Wiesbaden
65183 Wiesbaden, Deutschland
Langgasse 56b
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6201
Fax: 0049-69-427 26 036209
wiesbaden@denizbank.de

Filiale Dortmund
44137 Dortmund, Deutschland
Westenhellweg 108
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6102
Fax: 0049-69-427 26 03 6109
dortmund@denizbank.de

Filiale Berlin
10117 Berlin, Deutschland
Friedrichstraße 56
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6121
Fax: 0049-69-427 26 03 6129
berlin@denizbank.de

Filiale Stuttgart
70173 Stuttgart, Deutschland
Lautenschlagerstraße 4
Tel: 0800 4 88 66 00
International:0049-69-427 26 03-6151
Fax: 0049-69-427 26 03 6159
stuttgart@denizbank.de

Filiale Essen
45127 Essen, Deutschland
Lindenallee 10
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6171
Fax: 0049-69-427 26 03 6179
essen@denizbank.de

Filiale Augsburg
86150 Augsburg, Deutschland
Wallstraße 1
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6221
Fax: 0049-69-427 26 03 6229
augsburg@denizbank.de

Filiale Köln
50667 Köln, Deutschland
Gürzenichstraße 6-16,
Eingang: Kleine Sandkaul 3
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6211
Fax: 0049-69-427 26 03 6219
koeln@denizbank.de

Filiale Karlsruhe
76133 Karlsruhe, Deutschland
Karlstraße 27
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6231
Fax: 0049-69-427 26 03 6239
karlsruhe@denizbank.de

Filiale Leipzig
04109 Leipzig, Deutschland
Markt 4/Katharinenstraße 1-3
Tel: 0800 4 88 66 00
International: 0049-69-427 26 03-6241
Fax: 0049-69-427 26 03 6249
leipzig@denizbank.de