



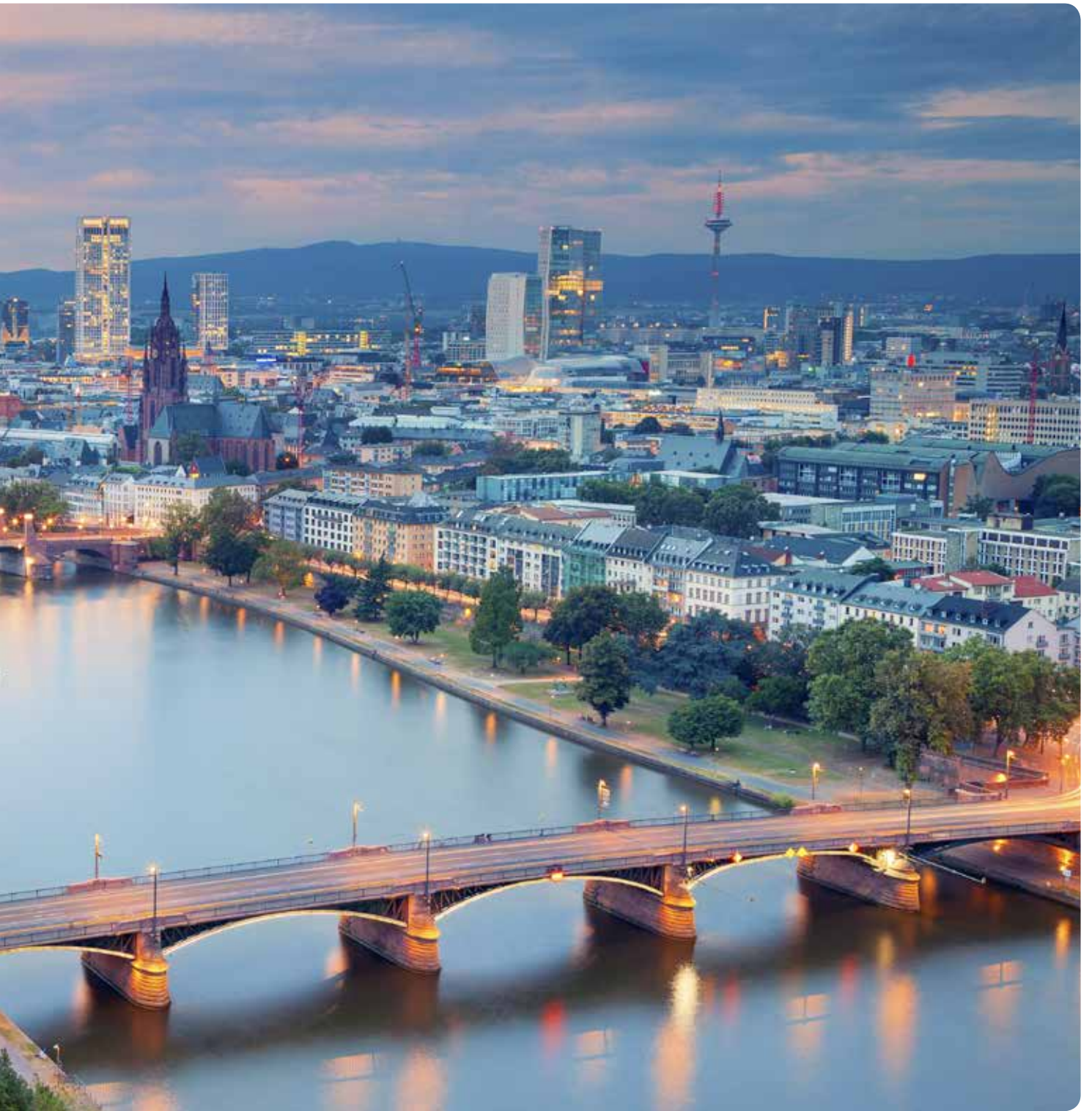
Management Report for 2018

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We are a European Bank, building bridges for more than half a century

We serve to create additional value for German and Turkish economies by building bridges, filling the gaps and eliminating distances between Turkey, Germany and Europe. We support investments and international trade with our wide range of products and services



Ziraat Bank

Letter from the Chairman of the Supervisory Board

Ziraat Bank International AG will continue to create value for its clients, shareholder, other stakeholders and to Turkish and German economies by providing financing to support economic relations and trade.



Mr. Süleyman Türetken
Chairman of the Supervisory Board

Ziraat Bank International AG sailed through difficult weather in good part of 2018 but reached, as it always does, to its destination set at the beginning of what was considered to be a promising year.

Unpredictable external factors and volatility in some of the core markets required extra attention and an even more conservative approach during the course of the year. But even in this environment, the Bank posted yet again satisfactory results. The one word that can explain the Bank's results is "sustainability".

The main strategy is to steer the Bank on a sustainable path on the basis of corporate lending, financing trade to achieve effective utilization of equity. However, though, to be able to achieve these quantitative targets, qualitative issues must be addressed on a continuous basis, in the dynamic and ever expanding regulatory environment.

Therefore, the real success of Ziraat Bank International AG lays below the quantitative results, the strong profit, the solid return on equity which has been over 8% 4th consecutive year; the real success is deep below in the foundation, the structure, the core that enables sustainable quantitative success as in high profitability and efficient optimum utilization of the equity.

As is the regulatory framework and environment, the Bank's battles in many fronts have been carried on from the very first day of the year till the last, without any disruption and with the same level of determination; IT infrastructure, Core Banking System, new and contemporary risk management approach, adapting the

Bank's organizational structure to changing & developing macroeconomic, financial and regulatory environments have been what kept the whole Ziraat Bank International AG Team, from the Board of Managing Directors to the freshman, busy all year.

All these efforts on structure have started to pay off and started to contribute to the Bank's journey for sustainable growth and efficiency. The adaptation of the Bank to new economic and regulatory environments, however, shall be a perpetual dynamic process that will keep on going as long as the Bank exists. As the Supervisory Board, we are dedicated to ensure the Bank's journey in this path never halts and flows uninterrupted.

The Bank's core business volume remained unchanged compared to the previous year although the total asset size diminished 12% thanks to clearance of inefficient items. The Bank has been extremely selective in generating good quality assets, especially in the second half of the year. Focus has been on secure & efficient lending which resulted in €18.1 million in profits, matching the target set before the year began. The nominal profit amount reflects 8.33% net return on average equity, in line with long term sustainable targets and highest among its peers. This has been the 4 year in a row where the Bank achieved 8% or above RoAE and that's where the real success lays.

The outlook for the year ahead is dark & gloomy for the first half, perfect weather for embracing even more to the conservative approach. ECB will be far away from normalization and the accommodative monetary policies will still be in place to stimulate the

demand & growth but creating an unaccommodative environment for the financial system in the process.

Law makers and regulators all around the globe will, almost certainly, keep on adding measures to ensure a healthy and solvent financial system even if that means decimating the profitability of the industry by mounting costs.

We emphasize our trust in our strategy and the Management Board to steer the Bank accordingly in these choppy waters, on its sustainable path of efficiency & profitability without ever compromising the conservative risk approach.

Ziraat Bank International AG will continue to create value for its clients, shareholder, other stakeholders and to Turkish and German economies by providing financing to support economic relations and trade.





We are coming from a 155 years banking legacy.

We are utilizing the synergy generated by our shareholder, Ziraat Bank's 155 years of experience and deep-rooted structure to support investments and trade between Germany and Turkey

Letter from the Board of Managing Directors

We will keep focusing on not only further growth and profitability but also structural and organizational issues to ensure the sustainability of the quantitative achievements



AYTEN TÜRKMEN

Chairman of the Managing Board & CEO

ALİ KIVANÇ ÜNAL

Member of the Management Board

Elevated volatility, deteriorating risk-metrics, declining aggregate demand, diminishing confidence... What started as and supposed to be a great year will be remembered with these circumstances.

2018 has been a year of two halves; the first half has been full of confidence, a period of growth so much so that enable long time dominating quantitative easing policies being started to leave behind in favour of normalization. The Federal Reserve already announced and put in force a plan to cut its balance sheet by some \$1.5 trillion whilst increasing short term policy rates in an orderly fashion. ECB was expected to follow, albeit with some time-lag, its American counterpart's footprints. The bond purchase program which flooded Eurozone and the rest of the World with Euros scheduled to end with the year.

In line with policy makers, financial markets ran ahead to anticipate higher interest rates. Benchmark German 10 year bunds hitting 0.60% p.a. while U.S. equivalent being traded above 3.20%, both multiple year highs. Strong gains in equities lifted hopes up. Unemployment in almost all major economies fell to historic lows.

Come second half, everything turned upside down. Equity markets started to struggle with increasing interest rates. Consumers seem to be disturbed and taken aback by the pace of Central Banks' normalization. Investors grew concerned about the prospect of living without the cheap & easy money parachuted by Central Banks and started selling Emerging Market assets. All these contributed a significant pressure and considerable depreciation of EM Currencies which in turn, resulted in elevated credit risk and series of credit rating downgrades.

Under such circumstances, keeping the Bank's balance sheet intact becomes more important than achieving quantitative targets. Yet here we are with another happy ending in which all key performance indicators point to efficiency and profitability. Being even more important than the snapshot success evident in year end financial figures is the proven sustainability. The real proud for the Board of Managing Directors is to have the Bank on a sustainable path of efficient capital utilization and profitability whilst generating additional value to clients, shareholder and the countries the Bank relates to.

Credit risk management may have been the most popular subject among bankers

in late 2018 but Ziraat Bank International carried on with efforts on qualitative matters uninterrupted. These precious efforts paid in today enables the Board of Managing Directors to steer the Bank on the sustainable path.

Among these qualitative efforts, most significant are; the implementation of the second phase of the ZETA project further enhancing the Bank's risk & control capabilities, redesigning and improving risk measuring models, credit processes and almost all of the Bank's applicable workflows.

These altogether, not only help minimize credit, market and operational risks but also ensured an elevated level of efficiency, by reducing the operational burden and bringing out additional potential for further expansion in the direction defined by the Strategy Document, whilst ensuring the highest quality service to our clients through our branches.

Since compliance, efficiency and contribution to society and the economy are indefinite targets for the Bank; these investments and efforts will continue to be on the top of our agenda to ensure a solid risk management approach, strict compliance policy, efficient capital allocation and top quality service to our clients.

While putting all these efforts with a small group of dedicated personnel, the conservative but selective approach in asset generation proved fruitful and provided the quantitative success. Net after tax profit reached €18.1 million matching the budgeted targets for the year. Corresponding 8.33% return on the average equity registers the 4th consecutive year of 8% or above RoAE, which is unprecedented in the history of the Bank and matching the very top amongst the peers.

Following a year of stronger growth registered in 2017, the balance sheet size has been somewhat subdued. Efficiency has put over quantity at a time when conservative and selective approach lead to prudent balance sheet management. Total asset size at the end of the year read €1.52 billion with core business volume matching the previous year. Significant improvement achieved in net margins while efficiency further emphasized in strictly controlled costs which in the end pushed the targeted net profit.

Financing trade between core markets has been on the headlines throughout the year as evident in the significantly

expanded business volume. Geographical diversification has been on the agenda, as it always has, but diversification in the funding has been a new development as enabled by the domestic market conditions. The Bank, the first time since the application of the New Strategy, achieved a healthier balance between large ticket corporate funding and grainy retail deposits. The achieved profit target and 8.33% RoAE are tokens proving the switch has been successfully and smoothly achieved without pushing the overall cost of funding to unfeasible levels.

The year ahead does not promise a better outlook from this point. But as they did in 2018, things may change. Consumers will eventually adapt themselves to higher interest rates, investors will make peace with normalized monetary policies. One thing that won't be changing is the conservative and selective approach of Ziraat Bank International AG when it comes to prudent balance sheet management. Starting from this point, the Board of Managing Directors set realistic targets for 2019. Profitability & efficiency will still be the main drivers. We are confident that the concrete path will allow the Bank achieve yet again a high return on equity ranking amongst the top of the competition and if the circumstances allow and positive outlook prevails, a conservative but healthy growth in the business volume may again be targeted.

The Bank will continue to follow the path outlined by the Strategy Document, which is periodically reviewed and adapted according to developments in markets and the dynamic regulatory environment. The Plan reflects the Board's general organizational policies and business strategies to achieve its targets set in accordance with the Shareholder's values and the Bank's Vision & Mission.

Depending on the capabilities of the Bank with its strong shareholder and the expectations laid above, Board of Managing Directors will keep focusing on not only further growth and profitability but also structural and organizational issues to ensure the sustainability of the quantitative achievements supported and boosted by qualitative progress.

As a whole Ziraat Bank International AG team, we will be putting our best efforts to contribute for a healthier and stronger European economy in the year ahead, as has been the case for over half a century.





We tailor financial products fit for purpose

We offer a wide range of financial products to our clients, financing mutual trade and investments between Turkey, Germany and Europe.
We make difference among competitors with our flexible, tailor-made approach

1. Ziraat Bank International AG in brief

Ziraat Bank International AG is a commercial bank operating under German law and full subsidiary of T.C. Ziraat Bankası A.S.

With its head Offices in Frankfurt and seven branches in major cities throughout Germany, the Bank provides a wide range of financial services to its clients from all segments.

Financing the trade and investments between Germany / EU Countries and Turkey, supporting corporate and retail customers with short and medium term loans, providing savings products, clearing of local currency transfers for correspondent banks, international transfer services to retail customers via its branch network, documentary collection and remittances, and providing online banking solutions for its retail and corporate customers are among the services the Bank provides to its clientele.

The Board of Managing Directors (The Board) is responsible for the management of the Bank. The Supervisory Board, as defined by law and articles of association, supervises the Board of Managing Directors on strategic decisions through periodic meetings held in Germany, while conducting continuous control, compliance and risk management functions. In this capacity, the Supervisory Board held a total of five meetings in 2018.

The segregation of responsibilities of the Board of Managing Directors is defined with an organizational chart.

The Bank conducts its functions through 14 operational departments including Risk Management-Controlling, AML & Compliance and Audit Officer & Organization

The parent bank, T.C. Ziraat Bankası A.Ş., was established in 1863. The Turkey Wealth Fund Management Company (Türkiye Varlık Fonu Yönetimi A.Ş.) is the sole owner, which itself is 100% owned by the Turkish State. The parent is the largest lender in Turkey with 24,647 employees, 1,773 domestic branches and 100 operational units in 18 countries worldwide.

2. Course of the fiscal year 2018

2018 - Success through cemented sustainability

During the course of 2018, volatility in financial markets increased, aggregate demand declined and confidence diminished. Under such circumstances, keeping the Bank's balance sheet intact becomes more important than achieving quantitative targets. However, for Ziraat Bank International AG, it was also a year in which all key performance indicators point to efficiency and profitability. Even more important than the short-term success evident in year-end financial figures, however, is the proven sustainability. The real pride for the Board of Managing Directors is to have the Bank on a sustainable path of efficient capital utilization and profitability whilst generating additional value for clients, shareholders and the countries the Bank operates in.

Ziraat Bank International AG continued its efforts in qualitative matters without interruption. These ongoing efforts enabled the Board of Managing Directors to steer the Bank towards sustainability.

Among these qualitative efforts, the most significant are implementing the second phase of the ZETA project, further enhancing the Bank's risk & control capabilities, and redesigning and improving risk measuring models, credit processes and almost all of the Bank's applicable workflows.

These altogether not only help minimize credit, market and operational risks but also ensure an elevated level of efficiency by reducing the operational burden and bringing out additional potential for further expansion in the direction defined by the Strategy Document, whilst ensuring the highest quality service to our clients through our branches.

Since compliance, efficiency and contribution to society and the economy are permanent targets for the Bank, these investments and efforts will continue to be on the top of our agenda to ensure a solid risk management approach, strict compliance policy, efficient capital allocation and top quality service for our clients.

Ziraat Bank

Course of the fiscal year 2018

The conservative and selective approach in asset generation proved fruitful and provided the quantitative success. Together with the positive effect of the EUR 5 million withdrawal from the general allowance, the gross income targets were exceeded. However, the income from the reversal of the general allowance was later switched to the specific allowance, neutralizing the positive effect and finally resulting in earnings after taxes of EUR 18.1 million, which were therefore in line with the planned targets for the year. With a return on average equity of 8.34%, the Bank achieved a return on capital of 8% or more for its fourth consecutive year, which is unprecedented in the history of the Bank and matches the very best amongst the peers.

After a year of stronger growth in 2017, the balance sheet total has been somewhat reduced. Efficiency has been enhanced at a time when conservative and selective approaches are leading to cautious balance sheet management. Total assets declined slightly from EUR 1.7 billion to EUR 1.5 billion, with core business volume matching the previous year's EUR 1.3 billion. A significant improvement was achieved in net margins, while efficiency was further emphasized in strictly controlled costs which ultimately resulted in the targeted net profit.

The financing of trade between core markets was in the headlines throughout the year, as is evident in the significantly expanded business volume. Geographical diversification was on the agenda, as it always is, but diversification in the funding was a new development, enabled by the domestic market conditions. The Bank, for the first time since the application of the New Strategy, achieved a healthier balance between large ticket corporate funding and retail deposits. The achieved profit target and 8.34% RoAE are signs proving the switch has been successfully and smoothly achieved without pushing the overall cost of funding to unfeasible levels.

3. Assets, liabilities, financial position and earnings

Assets and liabilities / financial position

The Bank has a flexible asset structure with a reasonable yet conservative leverage. The need for asset growth, an enlarged corporate customer base, diversification of exposures in terms of sector and origin and expanding the product range and coverage is evident and is the main theme of the new Business Plan.

New transactions and rollovers of existing commitments have been executed in accordance with the changing market conditions as well as new regulatory requirements, with a healthy and secure liquidity position maintained at any given time.

Ziraat Bank International AG maintains arms-length business relations with the parent bank and its subsidiaries, paying utmost attention to staying within market realities. The limited transactions, including but not limited to money market, currency, secondary market loan transactions and documentary collections, were executed at market levels, with profitability and risk approach being the main criteria.

Balance sheet structure

Balance sheet (EURk)	2018	2017	2016	2015	2014	2013
Balance sheet total	1,506,870	1,720,645	1,665,531	1,392,176	1,320,628	912,490
Loans and advances to customers	1,075,275	1,267,785	1,350,295	1,171,492	1,116,818	698,857
Loans and advances to banks	268,954	277,720	234,590	149,978	141,756	89,061
Securities	12,069	12,069	19,014	31,316	26,552	29,959
Investments	348	348	350	349	349	349
Shares in affiliated companies	0	0-	0	0	8,181	8,181
Liabilities to customers						
- due on demand	129,108	148,134	122,686	164,585	153,543	221,057
- with agreed term or notice period	1,051,661	1,024,938	983,333	684,217	635,737	240,140
Liabilities to banks						
- due on demand	28,249	83,226	15,646	13,726	34,004	8,897
- with agreed term or notice period	55,266	242,118	335,974	333,872	311,304	277,148
Equity	234,902	216,822	199,794	184,523	170,836	160,736

Capital structure

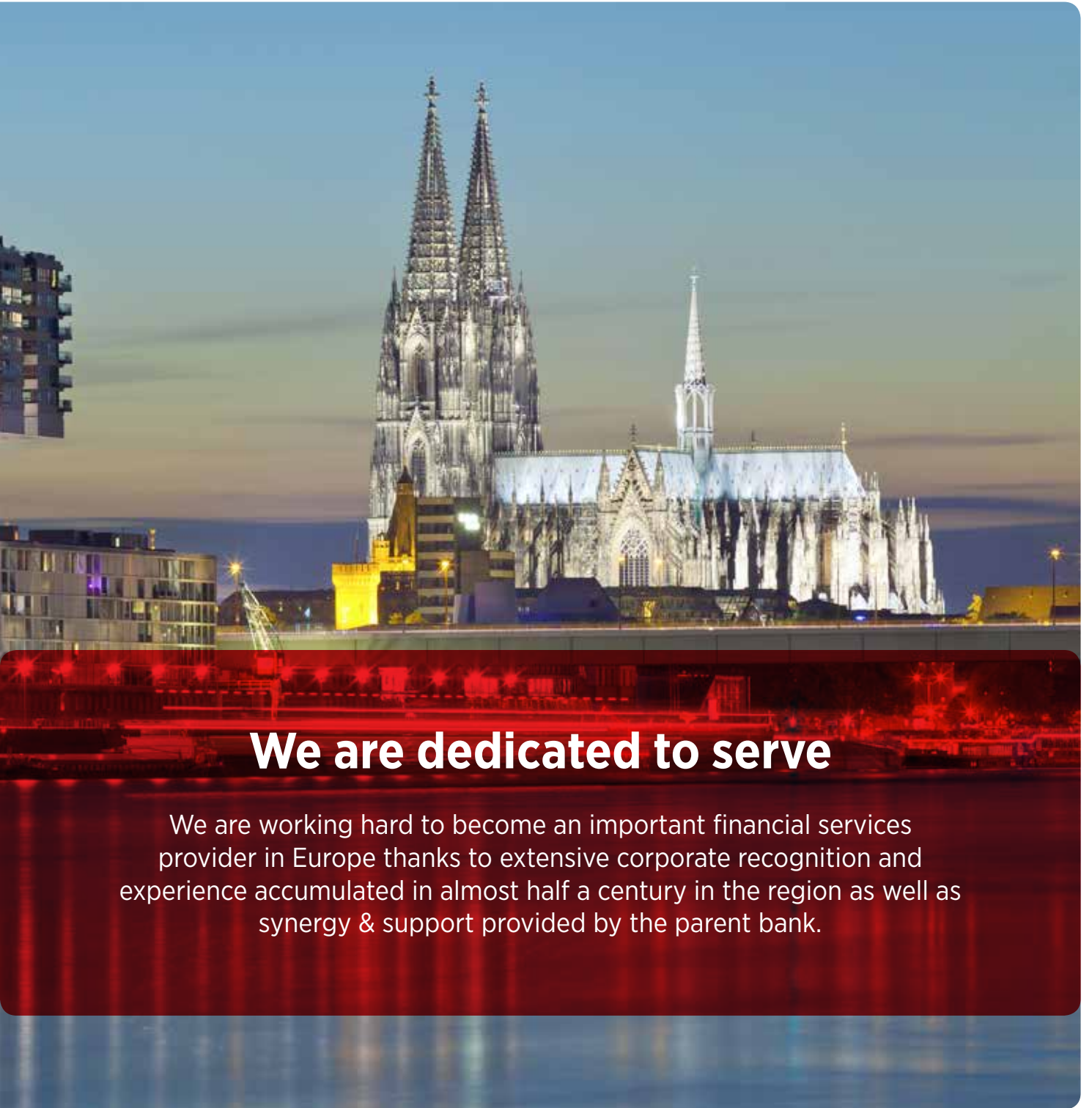
Capital consists of subscribed capital of EUR 130,000k, capital reserves of EUR 13,000k, revenue reserves of EUR 73,822k and retained earnings of EUR 18,081k.

As has been the case for the previous years, we paid utmost importance to keeping a balanced and well diversified liability structure to finance our activities in 2018. Despite the changes affecting the deposit protection fund since October 2017, there was no major impact, and customer deposits are still the main source of funding for our activities with a share of 78.2% as against 68.2% in the prior year. Customer deposits of EUR 1.18 billion and deposits from banks of EUR 84 million are key funds.

Investments

The implementation of the second phase of the ZETA project, the risk capacity and ability to control improvement, redesign and refinement of risk measurement models as well as credit processes and workflows represent the qualitative efforts in 2018.





We are dedicated to serve

We are working hard to become an important financial services provider in Europe thanks to extensive corporate recognition and experience accumulated in almost half a century in the region as well as synergy & support provided by the parent bank.

Liquidity

The liquidity position was strong during the course of the whole year and both external and internal liquidity requirements were rigorously satisfied without any exceptions. Funding resources mainly consist of customer deposits and the borrowed funds from credit institutions.

Earnings

Figures profit and loss (EURk)	2018	2017	2016	2015	2014	2013
Net interest income	33.476	27.065	29.948	27.411	23.603	11.260
Commission income	11.364	10.230	9.251	7.621	6.443	6.166
General administration expenses	16.057	16.000	17.818	15.750	15.258	15.197
Operating profit before provision for risk	29.840	25.412	22.456	25.716	16.197	3.509
Operating profit after provision for risk	31.135	24.111	22.428	20.050	15.555	1.792
Net income after tax	18.081	17.027	15.271	13.687	10.081	2.053

As in the previous year, a well-balanced net income was achieved. Net interest income was the main source of income, followed by healthy net commission income.

4. Risk report

4.1. Risk management system

In order to fulfil the requirements in terms of Sec. 25a of the German Banking Act, financial institutions must, among other things, have suitable regulations for the identification, assessment, management as well as monitoring and communication of risks and of regulations by means of which the financial situation can be determined at any given time with sufficient accuracy.

To ensure these requirements, the Bank has a risk monitoring-, early risk detection- and risk controlling system. Because of the nature and scope of the business activity, the Bank faces credit risks (including migration risk), market price risks, liquidity risks as well as operational risks (including model risks). The Bank quantifies or considers as material risk types according to AT 2.2 of the minimum requirements for risk management ("MaRisk") the aforementioned types of risks and risk concentration.

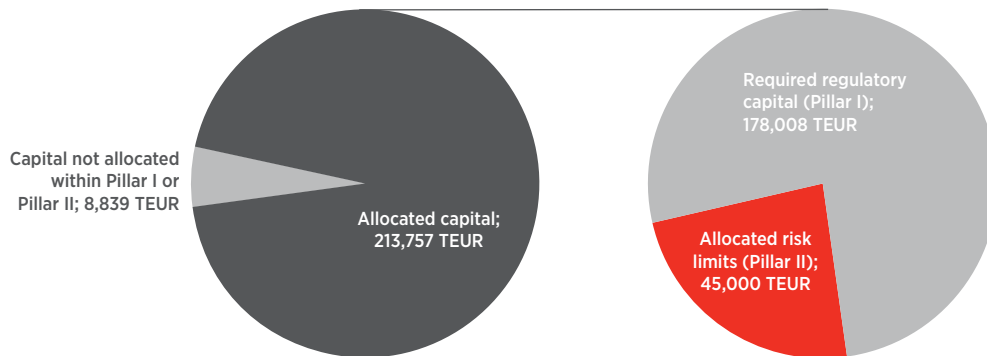
The Business Strategy endorsed by the Board of Managing Directors is the basis for the Bank's business policy. Based on the current as well as intended business activity, the resulting risks need to be managed as defined in the Risk Strategy, which is updated at least yearly. The Board of Managing Directors as a whole is responsible for the Bank's risk management.

The Bank's risk strategy is marked by the cautious handling of risks. As far as possible, risks are avoided or transferred to other partners. A credit risk strategy is defined annually for the planned activities in the lending business. Especially in the loan business with Turkish corporate customers the loan risk is transferred to other financial institutions by means of guarantees on a case-by-case basis. In the area of trading transactions, money market deposits or loans are carried out for the purpose of short-term management of liquidity. Derivatives transactions are made solely to reduce the risk of open positions. Risks from changes of market interest rates are limited on the overall bank level by limiting the earnings impact of interest maturity transformation. The Risk Strategy as well as a specific strategy for the short-term investment of customer deposits ensures that sufficient liquidity is available even in case of high cash outflows under stress assumptions.

The risk is limited on the one hand by management according to regulatory capital requirements and on the other hand by setting limits for all material risk areas in the context of compliance with the risk-bearing capacity.

Common equity tier 1 capital includes subscribed capital, which remains unchanged at EUR 130,000k. In addition, other eligible reserves amounting to EUR 73,821k and capital reserves amounting to EUR 13,000k are taken into account. According to pillar I, the required regulatory capital of ZBI AG amounts to EUR 178,008k, the additionally allocated risk

buffer for pillar II amounts to EUR 45,000k. Taking into account the annual profit of EUR 18,081k for 2018, the unallocated capital of pillar I and pillar II amounts to EUR 8,839k.



The Risk Management & Control, Organization department performs the risk identification, -measurement, -monitoring as well as regular or ad hoc communication to the Board of Managing Directors and other recipients. After the implementation of professional software by the company msgGillardon, Bretten, for measurement and monitoring of interest rate risks and liquidity risks was completed in 2013, the Bank implemented a professional credit portfolio model in the second quarter of 2015. Supported by the risk consulting company Risk Research Prof.Hamerle GmbH & Co. KG, Regensburg, the measurement and monitoring of counterparty credit risk is adapted to rising regulatory requirements.

Risk management is based on risk monitoring and the respective reporting. Resolutions of the Board of Managing Directors are adopted by involving internal committees, primarily the Asset-Liability-Committee (ALCO) and the Credit Committee. The market departments, being functionally separated from the after-market units, are responsible for implementation.

The Internal Audit Function of the bank monitors the operating, business, risk management and controlling procedures as well as the internal control system. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft was in 2017 contracted with the bank-specific and IT-related auditing. The Bank aims at supporting the ever-growing legal-regulatory, economic and technical requirements with professional auditing activities. In accordance with the MaRisk requirements, an Internal Audit Officer was appointed internally who acts as an interface between the Bank and the audit firm. A risk-based audit schedule which is agreed upon by the audit firm, the Internal Audit Officer as well as the Board of Managing Directors as a whole is the basis for the audit activity for both audit functions. The completely outsourced Internal Audit is free from directives regarding the evaluation of audit findings and the reporting, and reports to the Internal Audit Officer, to the Board of Managing Directors as well as to the Supervisory Board.

4.2. Risks

4.2.1 Credit Risk

The Bank defines as credit risk possible losses from the non-performance of customers' debts or from country-specific factors. The Bank enters into credit risks as part of the traditional lending business with German and Turkish private- and corporate customers in Germany and through the granting of loans to commercial customers in Turkey that are sometimes secured by guarantees of Turkish banks, as well as through the handling of the documentary business. Additionally, there are credit risks in money dealing with other banks as well as due to securities transactions.

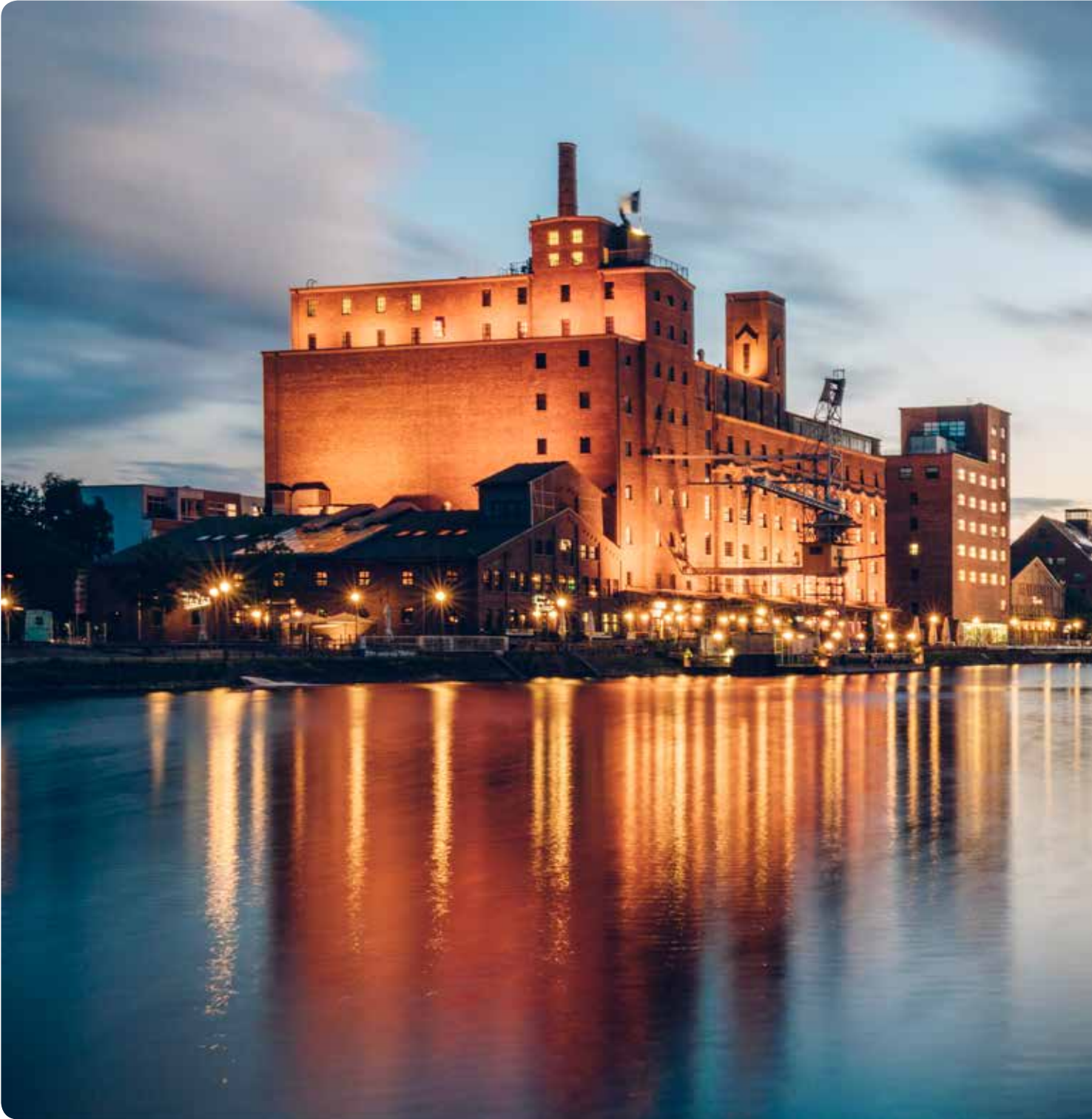
Credit risk is monitored according to the specifications of the credit risk strategy. The loan decision is based on a prudent creditworthiness analysis. The risk rating in the Bank's risk classification procedure is based on defined ratios that arise from the analysis of the balance sheet and income statement. In accordance with the risk factor of the credit transactions, the Front Office and Back Office departments have to obey a two-votes-procedure when granting a loan. At least once a year a review of the borrower's creditworthiness as well as a revaluation of the pledged securities is carried out. For loans that need intensive supervision and for problem loans, appropriate handling procedures have been established.

As a rule, the consent of the Supervisory Board is necessary for lending to banks; for corporate customers the lending depends on the collaterals. In this case, the credit authorities are spread over five competence levels. The branches of the Bank have only minimal decision-making authority in respect of loans. In the Credit Committee, both members of the Board of Managing Directors are entitled to vote. Loans that surpass the competence of the Credit Committee require the consent of a sub-committee (both members of the Board of Managing Directors as well as two members of the Supervisory Board) or of the entire Supervisory Board.

The Board of Managing Directors as a whole is kept informed quarterly on the development of the credit business by means of the credit risk report.

Furthermore, the risk bearing capacity is calculated quarterly (Internal Capital Adequacy Assessment Process, "ICAAP") taking into account the eligible amounts for credit risk.

Within the scenario calculations, the credit risk for financial institutions, companies and securities positions is determined based on available external ratings (that also take into account the individual country risk). Depending on the rating class, the amount to be deducted from the risk coverage potential for each individual transaction is determined by the average loss rate and the outstanding debt. For transactions covered by bank guarantees, the risk is based on the rating class of the guarantor. If there is no external rating information on the borrower, their majority shareholder or the guarantor available, the rating of the Bank's own credit analysis is used, provided the analysis is not older than two years. Otherwise the risk amount is calculated using the probability of default assumed for the B- rating (S&P). For loans to private customers, a flat probability of default of 8.7% in relation to the outstanding debt is assumed. Collateral is currently not taken into account as risk-reducing for private customer exposures.



A photograph of a cityscape at dusk. The sky is filled with dark, dramatic clouds, with a soft orange glow from the setting sun on the horizon. In the foreground, a body of water reflects the lights from the buildings and streetlights. The buildings are modern, multi-story structures with large windows, some of which are illuminated from within. Streetlights line the waterfront, casting a warm glow. The overall mood is serene and urban.

We are here to create value

The mission of our Bank is not only maximizing its profits to create value for its shareholder, but also creating value for Turkish, German and Eurozone economies by supporting the business activities, financing the trade in between and creating jobs

Furthermore there are two scenario analyses.

In total the credit risk eligible amounts must not exceed the allocated risk coverage amount in the base and stress scenario. The allocated risk coverage amount for credit risks is for the two scenario calculations uniformly EUR 35,000k.

As of December 31, 2018, the calculation is as follows (all figures in EURk):

Credit risk in EURk	Base Scenario UL (95%)	Stress Scenario UL (95%)
Corporates	3,958.07	8,263.26
Financial institutions	8,745.03	14,111.02
Banking	16,568.91	20,291.21
Retail	69.72	110.95
Public entities	16.17	79.81
Total	29,357.90	42,856.25
Limit	35,000	35,000
Utilization	83.88 % ●	122.45 % ●

If the existing risk capital does not suffice to cover the established risk of the individual simulation calculation, either additional capital resources have to be furnished as risk capital or have to be procured by means of allocation of non- required risk capital for other types of risks. The excess of 22% is due to the extreme simulation of the value loss of collaterals and in this case no further actions are necessary.

Furthermore, in order to quantify the credit risk, the Credit Department determines the volumes of all risk bearing assets on a daily basis. A further list of the Turkey exposure is prepared for the quantification of the country risk (risk concentration) and submitted monthly to the Auditing Association of German banks, Cologne. The monitoring of loans subject to Sec. 13 and Sec. 14 KWG ("Kreditwesengesetz": German Banking Act) is carried out by means of an IT- generated list, taking into account the respective borrower units. The Bank monitors all loan commitments by means of a daily overdraft list as well as a data file with maturities for interest payments and payments on capital.

The analysis of migration risks is carried out within the framework of credit risk management and is analyzed and taken into account using suitable scenarios.

In order to limit the credit risk in advance those institutions with whom money dealing transactions may be carried out are determined (positive list) in consultation with the parent company.

In order to monitor limits of credit risk on counterparty and country level, the Bank uses an IT-tool which shows limits and utilizations in real-time. Additionally, an IT-supported list "utilization of total limits" is generated that displays the total risk position of the Bank. It shows approved limits, utilization and unused lines for specific kinds of trading transactions and products.

In order to evaluate the Turkey country risk the Bank - via its parent company and its representative offices - has access to the necessary sources of information in Turkey. Current market reports are made available promptly and are evaluated in the analysis department.

The general loan loss provisions will be calculated as of the financial year 2018 in accordance with the procedure of the Federal Ministry of Finance (BMF) letter of January 10, 1994.

4.2.2. Market price risk consists of interest rate risk

Interest rate risks are calculated monthly and submitted to the Board of Managing Directors by the department Risk Management & Control, Organization. All interest bearing assets and liabilities of the current year and the following four years are compared with respect to their interest rate maturity. As a result, the calculation shows a difference (amount), which in the form of an excess of assets or of liabilities is actually subject to an interest rate risk. By means of simulations, possible changes of the interest level and their effects on the income statement are shown. In order to limit the risk (negative change of interest income over a time-horizon of one year) a loss limit is defined as EUR 5,000k. This also corresponds to the allocated risk coverage amount for market risks within the quarterly risk bearing capacity calculation.

Market risk in EURk	Base Scenario UL (95%)	Stress Scenario UL (95%)
Interest rate risk	1,258.16	1,692.30
Limit	5,000	5,000
Utilization	25.16 % ●	33.85 % ●

To determine the need for provisions for interest rate risks within the Accounting domain, a simulation is performed as of the balance sheet date. Here the internally established interest gap analysis is used as basis. The profit and loss contributions from closed and open interest positions as well as fictitious closing trades are discounted to the balance sheet date. They are also reduced by the amount of discounted future administration- and risk provision expenses. Since as a result there are hidden positive valuation reserves, the Bank does not need to recognize a provision for impending losses. In the context of interest rate risk analysis, the present value of interest rate risks is also analyzed.

4.2.3. Liquidity risk

Liquidity risk is defined as the danger that the Bank's ability to meet payment obligations cannot be ensured at all times. The Bank's liquidity risk is structurally reduced by the relatively short-term maturity profile of the lending business. While deposit business is also contractually short term in large parts, it provides generally a stable funding source. Additionally, the internal Investment Strategy for customer deposits regulates that a certain share of the call-money and time-deposits have to be invested in the local banking market on a short-term basis. In order to balance short-dated and unexpected liquidity fluctuations, the Bank strives to keep a securities position which can be liquidated by repo transactions with the European Central Bank or if necessary with other banks.

On an intraday basis, all cash flows processed via the account at the German Central Bank are gathered in a data file that also shows the unused refinancing line at the German Central Bank.

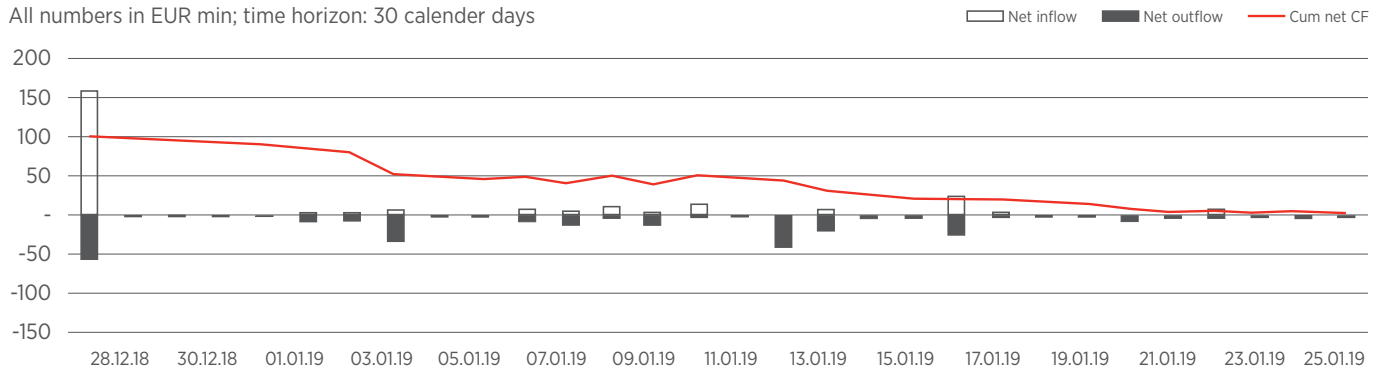
For a short-term liquidity preview, the Treasury Department maintains a list for the current and the following four working days in which all cash flows to be expected due to contractual agreements are included. A liquidity gap exists when at a defined due date the accumulated cash outflow exceeds the accumulated cash inflow. The liquidity which potentially can be generated additionally in order to cover the liquidity gap (liquidity potential) is shown in the gap analysis. If the liquidity potential is not sufficient to cover the calculated liquidity gap for one of the surveyed working days, the Board of Managing Directors as a whole has to be informed about this immediately. Actions to procure the necessary liquidity have to be agreed upon with the Board of Managing Directors as a whole and have to be initiated immediately. A respective emergency plan has been established.

The Risk Management & Control, Organization Department informs the Board of Managing Directors daily on the liquidity risk on the overall bank level. For this purpose liquidity stress scenarios according to MaRisk requirements are calculated on a daily and quarterly basis. As far as specified, cash flows from assets are based on contractual agreements. For assets with indefinite maturity no cash inflow is assumed. On the liability side assumptions for unexpectedly high cash outflows are applied. The result is net cash flow, which in the form of an excess of assets or liabilities shows the surplus or lacking liquidity. If in the following month (day) the accumulated cash outflows exceed the cumulated cash inflows (including the liquidity potential) the Board of Managing Directors has to be informed about this in writing immediately. The Board decides on how to proceed further. Furthermore, the internal Investment Strategy for customer deposits as well as a liquidity stress calculation based on the maturity of balance sheet positions is measured, monitored and reported to the Board of Managing Directors daily.

The monitoring of liquidity risk is also based on the key figures of the liquidity principle (“Liquiditätsverordnung”). Based on scenario calculations, the Treasury Department monitors and ensures that if significant borrowers default, there are sufficient loan facilities available at the German Central Bank in order to be able to meet payment obligations falling due. This regulation is valid for expected repayments from an amount of EUR 1 million upwards, or their corresponding value in foreign currency.

Daily 1-month Liquidity stress 28.12.2018 until 26.01.2019

All numbers in EUR min; time horizon: 30 calendar days



Minimum liquidity surplus under the scenario assumptions is 2,4 EUR min on 26.01.2019.

Limit OK

The short-term, stressed liquidity overview at the end of the year shows no liquidity shortage at Ziraat Bank. There are also no significant liquidity bottlenecks expected under the longer-term liquidity stress scenarios.

4.2.4 Operational risk (including Model Risk)

Operational risks are defined in accordance with Basel II as risks from inadequate or faulty internal processes, from failure of people and systems as well as from external events.

The Bank counters IT-risks with a detailed and written emergency plan, including a backup system at a second location. In case of emergency the entire IT operation, including the branches, can be maintained on the premises of the Bank as well as on those of the backup system.

In order to guarantee the functionality of the internal processes, the departments define organizational directives, function descriptions and authority rules. Internal controls that are suitable to ensure proper execution are integrated into the workflows.

The Risk Management & Control, Organization Department annually estimates operational risk, performing a self- assessment and creating a company-wide risk profile. A database capturing historical loss events from operational risks takes into account losses of the Bank as a whole.

The Internal Audit Function is mandated to monitor compliance with internal controls. Regular trainings in internal and external seminars are conducted to minimize risks regarding the quality of the Bank’s employees. Generally the Bank’s remuneration system comprises fixed salaries only. Variable components are not agreed in individual contracts. There are no incentive schemes based on the company’s success.

The Bank has set up a separate organizational unit in order to comply with the regulations of the Anti-Money-Laundering Act as well as compliance requirements. The AML- and Compliance Officer makes use of special IT programs to counteract the danger of misuse. The employees are informed on a regular basis in training seminars on the existing legal requirements or any upcoming changes. In addition, the compliance function in terms of AT 4.4.2 MaRisk has been placed with the Department AML & Compliance. A Compliance Committee including the Head of Risk Management & Control, Organization and the Head of AML & Compliance has been established, included in the “Organizational Rule Composition and definition of Committees” and announced within the financial institution.

The compliance function supports management regarding the compliance with legal regulations and requirements and consults and coordinates in the areas of law: Securities Trading Act, data protection law, consumer protection requirements (lending business), prevention of money laundering, terrorist financing and other criminal offenses, which are classified by the financial institution as significant according to compliance criteria. To meet the rising regulatory requirements relating to the Compliance Function, the Bank has decided to license a database of an external service provider, to provide for efficient monitoring of legal and regulatory requirements.

The Bank limits contractual risks by using standard forms of the Bank Verlag (bank publishing house), Cologne and by using a law firm to check individual contracts. All utilized standard forms of the Bank Verlag are checked once a year to determine their validity and if necessary replaced by revised versions.

To calculate capital requirements for operational risks the Bank uses the basis indicator approach taking into account the results of the Operational Self Assessment and the damage / loss database.

OpRisk in EURk	Historical	Hypothetical
Operational Risk	503	12,352.5
Limit	5,000	5,000
Utilisation	10% ●	247.05% ●

4.3 Communication

The risks are discussed by means of the Board of Managing Directors' reporting to the Supervisory Board and by means of the internal communication between department head and Board of Managing Directors. If necessary, the Board of Managing Directors is informed ad hoc. For information- and controlling purposes, the Board of Managing Directors receives reports or evaluations on a daily, monthly, quarterly or yearly basis. The Board of Managing Directors reports about the development and situation of the Bank to the Supervisory Board, with meetings held at regular intervals.

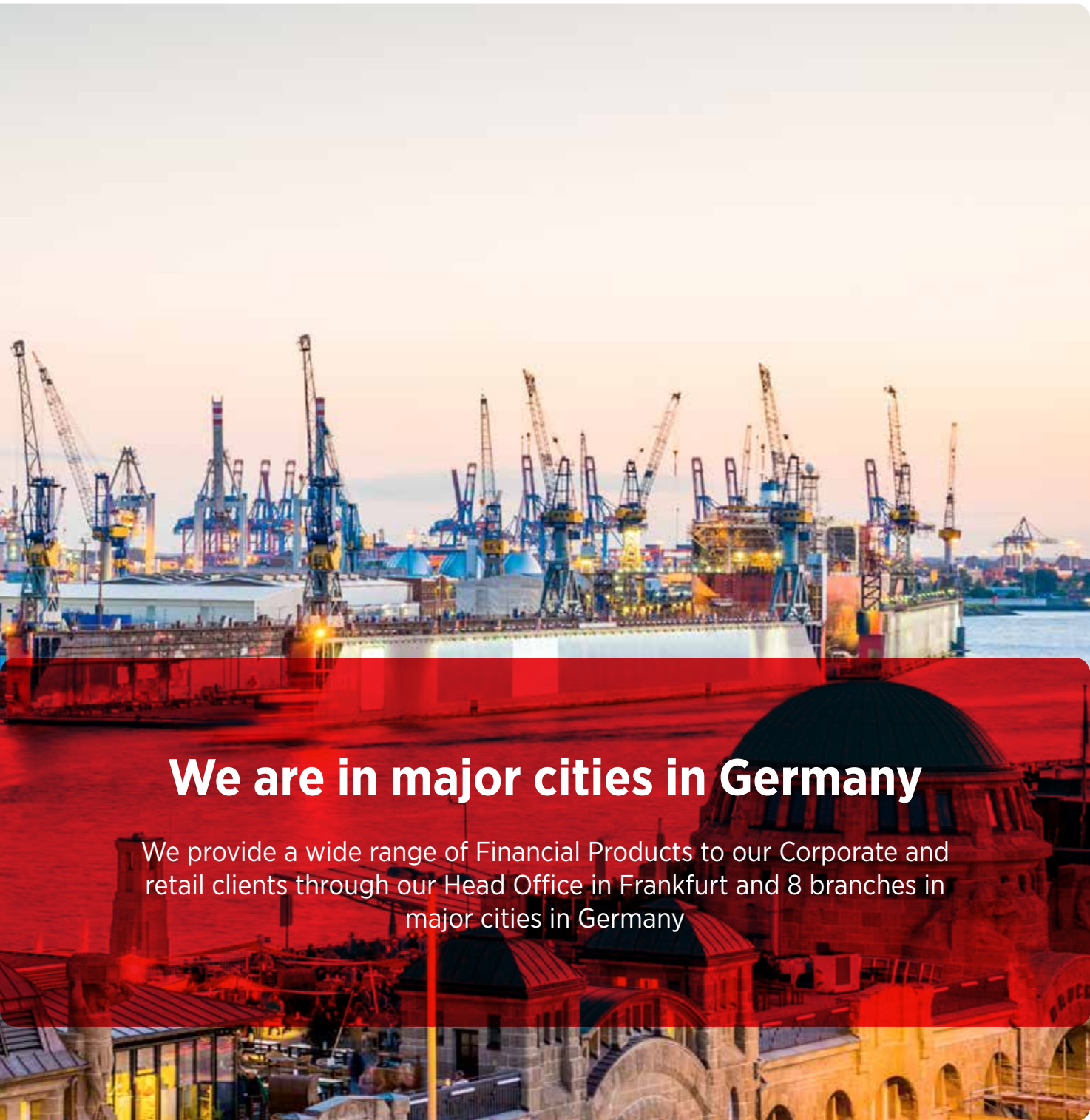
4.4 Risk assessment

Overall we assess the risk exposure of the Bank as appropriate. Essentially we focus on the controllability of risks. Based on the risk-bearing capacity, a risk strategy is defined so that the opportunities can be optimally utilized. Within the scope of the risk bearing capacity calculation, which is measured and reported quarterly, the existing limits for the individual risks were adhered to at all times during the past fiscal year. Beyond this, no further risks occurred that would have endangered business continuity.

Base Case		Inverse Stress		Economic downturn	
Risk	UL (95%) EURk	Risk	UL(95%) EURk	Risk	UL (95%) EURk
Credit risk	33,136.41	Credit risk*	54,675.86	Credit risk	54,675.86
Market risk	1,538.45	Market risk	1,692.30	Market risk	1,692.30
Operational risk	4,393.80	Operational risk	8,787.60	Operational risk	7,469.46
Total	39,068.66	Total	65,155.76	Total	63,837.62
Limit	45,000	Limit	45,000	Limit	45,000
Utilization	86.82% ●	Utilization	144.79% ●	Utilization	141.86% ●

*minor rounding differences may occur





We are in major cities in Germany

We provide a wide range of Financial Products to our Corporate and retail clients through our Head Office in Frankfurt and 8 branches in major cities in Germany

5. General economic conditions, business environment & opportunities

5.1 The year behind, the year ahead - managing the Bank in line with changing conditions

2018 was a year of two halves; the first half was full of confidence and strong growth, enabling normalization in monetary policies. The Federal Reserve had already announced and put in force a plan to cut its balance sheet by some \$1.5 trillion whilst increasing short term policy rates in an orderly fashion. The ECB was expected to follow, albeit with some time lag, in its American counterpart's footsteps. The bond purchase program which flooded the Eurozone and the rest of the world with euros was scheduled to end in the year.

In line with policymakers, financial markets tried to anticipate higher interest rates at the earliest possible point. Benchmark German 10-year bunds hit 0.60% p.a. while the U.S. equivalent traded above 3.20%, both multiple year highs. Strong gains in equities lifted hopes. Unemployment in almost all major economies fell to historic lows.

In the second half, however, everything turned upside down. Equity markets started to struggle with increasing interest rates. Consumers seemed to be disturbed and taken aback by the pace of the Central Banks' normalization. Investors grew concerned about the prospect of living without the cheap and easy money injected by Central Banks, and started to sell emerging market assets. This all led to significant pressure and considerable depreciation of EM currencies which, in turn, resulted in elevated credit risk and a series of credit rating downgrades.

Despite the deterioration of the mood, the macro data in the United States still tells another story; the U.S. economy continued to post robust growth rates, strong job creation (albeit yet to be reflected on wages) which pushed the Federal Reserve to take further steps towards normalization of monetary policy until the last month of the year.

The expansive monetary policies pursued by the ECB had clear positive impacts on the Eurozone economy in the first half of the year. Great confidence and rising investments cemented output and helped create employment. "The Engine" of the Eurozone, the German economy, seemed to be on a path of steady growth until the last quarter, with unemployment falling to record low levels. However, core inflation never showed signs of getting close to the "slightly less than 2%" target, and stayed well under this throughout the year.

Subdued volatility resurfaced in the last quarter, with significant volatility in the equity markets. Geopolitics continued to play a major role, this time especially fueled by so-called trade war, initiated by the new administration in the United States, who had promised during the elections to erase its trade deficit.

Politics occupied the main stage for a good part of the year, as shown by Brexit or the rise of far-right, anti-EU parties and candidates in parts of the EU. These issues are mostly being confronted and contained by strong EU core, but the trend shows this may be an issue that returns in the following years, posing a threat to the dream of a unified Europe.

The prospect of rising U.S. interest rates and fear of end of the abundance of money provided discomfort for the emerging market economies. The Turkish lira came under pressure in the third quarter, and the attack had to be contained by tighter monetary policies of the Central Bank. A 16% increase in the interest rate started to take its toll on aggregate demand, decimating growth in the country but preferred as the lesser of two evils, as severe depreciation of the lira may cause troubles to the private sector, which has been exposed to currency risks.

The outlook for the year ahead does not promise a better environment which could favor a more conservative approach. ECB will be far away from normalization and the accommodating monetary policies will still be in place to stimulate demand and growth while at the same time creating an uncomfortable environment for the financial system.

5.2. Ziraat Bank International AG in 2019 and beyond...

The year ahead may seem challenging from this point, but conditions might change as they did in 2018. One thing that won't be changing is the conservative and selective approach of Ziraat Bank International AG when it comes to prudent balance sheet management. Starting from this point, the Board of Managing Directors has set realistic targets for 2019. Profitability and efficiency will still be the main drivers. We are confident that the concrete path will allow the Bank to again achieve a high return on equity on a par with the best of the competition and, if the circumstances allow and the positive outlook prevails, conservative but healthy growth in business volume can again be targeted.

The Bank will continue to follow the path outlined by the Strategy Document, which is periodically reviewed and adapted to developments in markets and the dynamic regulatory environment. The plan reflects the Board's general organizational policies and business strategies to achieve its targets set in accordance with the shareholder's values and the Bank's vision and mission.

The main quantitative target, as always, will be to achieve a healthy and sustainable return on the strong equity entrusted to the Bank through the parent company's assumption of its corporate risk. Having secured a sustainable path, Ziraat Bank International AG will further enhance efficiency and continue to focus on qualitative aspects and diversify its income and liability structure.

Workflows, credit and market risk measures and controlling, organizational guidelines will, in a dynamic process, continue to be improved, updated and enhanced in line with the regulatory environment and at the same pace with the financial development.

Ziraat Bank

General economic conditions, business environment & opportunities

Investments to keep the IT substructure up to date to respond to the modern financial requirements coming from both clients and regulators have been planned and budgeted. This process will continue throughout the year according to the plan.

Access to new markets and implementation of new products is always a difficult matter. However, the Bank will pursue further diversification and penetration into Germany and in the Eurozone at a measured and controlled pace, in line with the corporate risk appetite. Within the regulatory framework, and as much as the circumstances allow, the geographical diversification can and will be extended beyond the Ziraat Financial Services Group's wide network of 18 countries and 100 locations, to maximize the synergy effects.

Redesigning, modernizing and restructuring branches to enable active participation in local Corporate Banking activities, new client acquisition and asset generation will be continued as planned. The Board of Managing Directors puts special emphasis on the restructuring of the branches, which are considered to be a major channel to penetrate more into domestic business and increase German and EU exposure. In line with this target, periodic training and professional courses are being held focusing on new products and markets as well as managing the risks associated with the new products.

All KPIs, legal & internal ratios, balance sheet and profit/loss table items have been projected until the end of the 2023 on a monthly basis. Prudent liquidity management will be the main starting point and will outline every single investment decision. Capital planning has been built on the same efficiency rationale and 8% RoAE has been targeted for a 5th consecutive year.

To achieve the quantitative targets, the main driver will be the corporate loans business, which is the core competence of the Bank. The Business Plan emphasizes steady, consistent growth of corporate loans, with an increasing contribution coming from the branch network with domestic businesses, in order to achieve the targeted net interest margin and profitability.

We are forecasting earnings after taxes of just over EUR 19 million for 2019, which is around 5% higher than the 2018 level and thus in line with the growth rate of the past four years. While the capital adequacy ratio is aiming for strong profitability, it continues to reflect efficient but conservative capital and balance sheet management that easily satisfies all internal and external regulatory requirements, while at the same time ensuring financial viability. Accordingly, the balance sheet size is projected to be EUR 1.51 billion at the end of the year, which also reflects the efficient but conservative approach.

Given the Bank's recognition inherited from the parent bank, the historical activities, experience and good track record in Turkey, the potential detailed above presents valuable opportunities with acceptable risk/return parameters within the framework of the Bank's general risk appetite. Accordingly, the strategy will be to increase the focus on branch-generated domestic businesses.

Depending on the capabilities of the Bank with its strong shareholder and the expectations as described above, the Board of Managing Directors will keep focusing not only on further growth and profitability but also on structural and organizational issues to ensure the sustainability of the quantitative achievements supported and boosted by qualitative progress.

As a whole Ziraat Bank International AG team, we will be putting our best efforts towards a healthier and stronger European economy in the year ahead, as has been the case for over half a century.

Statement by the Board of Managing Directors on relations with affiliated companies

Ziraat Bank International AG, according to the circumstances known to us at the time when the above stated legal transactions took place, received a reasonable consideration for each legal transaction and was not disadvantaged by any act or omission. No measures were taken or omitted at the instigation or in the interest of affiliated companies.

Frankfurt am Main, July 22, 2019

ZIRAAT BANK INTERNATIONAL AG
The Board of Managing Directors



Battal Arslan



Ali Kivanç Ünal





We care about sustainability

We are focused on sustainability, for both our relationships with our clients, and for environmental matters.

ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT, Frankfurt am Main

Balance sheet as of December 31, 2018

ASSETS	€	€	2017 K €
1 Cash reserve			
a) Cash on hand	12,787,408.52		15,009
b) Balances with central banks thereof: With the German Federal Bank 125,274,577.64 € (prev. Y. € 135.707.187)	125,274,577.64	138,061,986.16	135,707
2 Debt instruments issued by public bodies and bills of exchange eligible for refinancing with central banks			
a) Treasury bills and non interest bearing treasury notes and similar debt instruments issued by public bodies thereof: Refinancable at the German Federal Bank 0,00 EUR	-,--		
b) Bills of exchange thereof: Refinancable at the German Federal Bank 0,00 EUR	-,--	-,--	
3 Loans and advances to banks			
a) Due on demand	5,754,400.91		3,271
b) Other receivables	263,199,546.24	268,953,947.15	274,449
4 Loans and advances to customers		1,075,275,147.21	1,267,785
thereof: Secured by mortgage charges 0,00 EUR (prev. Y. 0,00 EUR) Municipal loans 0,00 EUR (prev. Y. 0,00 EUR)			
5 Debentures and other fixed- interest securities			
a) Money market paper			
aa) Issued by public bodies	-,--		
ab) Issued by others	-,--	-,--	
b) Bonds and debentures			
ba) Issued by public bodies	10,068,732.88		10,069
thereof: Eligible as collateral at the German Federal Bank - € (prev. Y. € 0,00)			
bb) Issued by others thereof: Eligible as collateral at the German Federal Bank 2,000,542.22 € (prev. Y. € 2.000.493,33)	2,000,542.22		2,000
c) Own debentures Nominal amount 0,00 EUR	-,--	12,069,275.10	
6 Shares and other variable-yield securities		-,--	
6a Held for trading		-,--	
7 Investments		347,603.07	348
thereof: Investments in banks € 347.603,07 (prev. Y. € 347.603,07) thereof: Investments in financial service institutions 0,00 EUR			
8 Shares in affiliated companies		-,--	
thereof: In banks 0,00 EUR			
thereof: In financial service institutions 0,00 EUR			
9 Trust assets		-,--	
thereof: Trust loans 0,00 EUR			
10 Compensation receivables from public bodie,s including debentures arising from their exchange		-,--	
11 Intangible assets			
a) Internally generated industrial property rights and similar rights and assets	-,--		
b) Concession,s industrial property rights and similar rights and assets as well as licenses to such rights and assets acquir	2,625,359.39		2,844
c) Goodwill	-,--		
d) Advance payments	-,--	2,625,359.39	
12 Property and equipment		1,098,409.08	1,298
13 Called, unpaid capital		-,--	
thereof: Called up 0,00 EUR			
14 Other assets		7,344,252.48	6,925
15 Prepaid expenses		1,094,426.17	940
16 Deferred tax assets		-,--	
17 Excess of plan assets over pension liabilities		-,--	
18 Deficit not covered by equity		-,--	
Total assets		1,506,870,405.81	1,720,645

ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT, Frankfurt am Main

Balance sheet as of December 31, 2018

LIABILITIES AND EQUITY		€	€	2017 K €
1	Liabilities to banks			
	a) Due on demand	28,249,621.01		83,226
	b) With an agreed term or notice period	55,265,795.37	83,515,416.38	242,118
2	Liabilities to customers			
	a) Savings deposits			
	aa) With an agreed notice period of three months	3,109,775.14		4,298
	ab) With an agreed notice period of more than three months	1,486,687.57	4,596,462.71	1,377
	b) Other liabilities			
	ba) Due on demand	129,107,553.19		148,134
	bb) With an agreed term or notice period	1,047,065,366.81	1,180,769,382.71	1,019,263
3	Certificated liabilities			
	a) Debentures issued	--		
	b) Other certificated liabilities thereof:	--	--	
	Money market paper 0,00 EUR	--		
	Own acceptances and promissory notes outstanding 0,00 EUR	--		
3a	Held for trading		--	
4	Trust liabilities		--	
	thereof: Trust loans 0,00 EUR			
5	Other liabilities		1,876,089.05	1,722
6	Deferred income		3,677,702.58	2,362
6a	Deferred tax liabilities		--	
7	Provisions			
	a) Pensions and similar obligations	--		
	b) Tax provisions	640,214.78		24
	c) Other provisions	1,489,190.91	2,129,405.69	1,299
8	Special untaxed reserve (cancelled)		--	
9	Subordinated liabilities		--	
10	Capital with participation rights		--	
	thereof: Due within two years 0,00 EUR			
11	Fund for general banking risks		--	
12	Equity			
	a) Called up capital			
	Subscribed capital	130,000,000.00		130,000
	less uncalled unpaid deposits	--		
	b) Capital reserve	13,000,000.00		13,000
	c) Revenue reserves	73,821,721.31		56,794
	ca) Statutory reserve	--		
	cb) Reserve for shares in a controlling or majority owned company	--		
	cc) Reserves according to Articles of Incorporatio	--		
	cd) Other revenue reserves	73,821,721.31		
	d) Retained earnings/accumulated deficit	18,080,688.09	234,902,409.40	17,027
Total liabilities and equity		1,506,870,405.81	1,720,645	
		€	€	
1	Contingent liabilities			
	a) Contingent liabilities on rediscounted bills of exchange	12,390,263.00		10,175
	b) Contingent liabilities from guarantees and indemnity agreements	--		
	c) Contingent liabilities from collateral pledged on behalf of third parties	--	12,390,263.00	
2	Other commitments			
	a) Liabilities from non genuine repurchase agreements	--		
	b) Placement and underwriting commitments	--		
	c) Irrevocable loan commitments	12,918,592.33	12,918,592.33	9,147

Income statement of ZIRAAT BANK INTERNATIONAL AG, Frankfurt am Main for the period from January 1, 2018, to December 31, 2018

EXPENSES

	€	€	€	2017 K €
1. Interest expense			22,259,128.77	24,244
2. Commission expense			610,862.13	769
3. Net expenses for the trading portfolio				
4. General and administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	7,042,692.34			7,238
ab) Social security contributions, pensions and other benefits	1,304,058.58	8,346,750.92		1,375
Thereof: For pensions: K€ 228 (prev.Y. K€ 242)				
b) Other administrative expenses		6,812,280.16	15,159,031.08	6,173
5. Amortization, depreciation and write-downs of intangible assets and property and equipment			744,479.79	933
6. Other operating expenses			153,885.56	281
7. Write-offs and provisions on receivables and certain securities and write-ups on accruals relating to the credit business			13,568,649.47	5,533
8. Write-offs and provisions on investments, shares in affiliated companies and securities treated as non-current assets				
9. Expenses from losses assumed				
10. Exceptional expenses				
11. Taxes on income			9,314,598.92	7,544
12. Other taxes not presented under item 6				
13. Profits transferred as a result of profit pooling, profit transfer or partial profit transfer agreements				
14. Net profit for the year			18,080,688.09	17,027
			79,891,323.81	71,117

Income statement of ZIRAAT BANK INTERNATIONAL AG, Frankfurt am Main for the period from January 1, 2018, to December 31, 2018

INCOME			
1. Interest income from	€	€	2017 K €
a) Loans and money market transactions	55,218,038.88		50,748
b) Fixed interest securities and debenture bonds	516,665.61	55,734,704.49	561
2. Current income from:			9
a) Shares and other variable yield securities			
b) Investments	4,625.93		
c) Shares in affiliated companies		4,625.93	
3. Income from profit pooling, profit transfer and partial profit transfer agreements			
4. Commission income		11,975,188.92	11,000
5. Net income for the trading portfolio			
6. Income from write-ups on receivables and certain securities and reversals of provisions relating to the credit business		11,124,228.45	4,692
7. Income from write-ups on investments, shares in affiliated companies and securities treated as non-current assets			
8. Other operating income		1,052,576.02	4,107
9. Exceptional income			
10. Income from losses transferred			
11. Net loss for the year			
Total income		79,891,323.81	71,117
1. Net profit for the year / Net loss for the year		18,080,688.09	17,027
2. Profit carried forward / loss carried forward from previous year			
3. Withdrawals from capital reserves			
4. Withdrawals from revenue reserves			
a) from the statutory reserve			
b) from the reserve for shares in a controlling or majority owned undertakings			
c) from reserves according to Articles of Association			
d) from other revenue reserves			
5. Withdrawals from profit participation certificates			
6. Allocations to revenue reserves			
a) to the statutory reserve			
b) to the reserve for shares in a controlling or majority owned undertakings			
c) to reserves according to Articles of Association			
d) to other revenue reserves			
7. Replenishment of profit participation capital			
8. Retained earnings / accumulated deficit		18,080,688.09	17,027

Ziraat Bank International AG has its registered office in Frankfurt am Main and is entered in the Commercial Register of the District Court of Frankfurt am Main (HRB 52332).

The annual financial statements have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch), as amended by the Accounting Standards Directive (BilRUG).

1. ACCOUNTING AND VALUATION PRINCIPLES

All financial statements are prepared in accordance with Secs. 242 et seq. and 340 et seq. HGB („Handelsgesetzbuch“: German Commercial Code), the RechKredV („Verordnung über die Rechnungslegung von Kreditinstitutionen“: German Bank Accounting Directive) and the AktG („Aktiengesetz“: German Stock Corporation Act).

The subscribed capital is EUR 130,000k and divided into 1,300,000 registered shares, each with a nominal value of EUR 100.

Deferred tax assets of EUR 709k have been determined for earnings differences between the commercial and tax balance sheets due to the variations in methodologies of the two approaches. Tax amounts have been calculated with rates of 15% for corporate tax, 5.50% for the solidarity surcharge, and trade tax with the average trade tax rates of assessment of the competent local authorities. The additional amounts result mainly from the calculated risk provisioning according to Sec. 340f HGB and the risk provisions for loans to customers. The Bank has not opted to capitalize these differences. The approach is not applied in the balance sheet.

Foreign currency denominated **receivables and liabilities, including accrued interest**, have been converted into local currency with European Central Bank's reference rates at the balance sheet date.

Resulting negative differences due to foreign exchange translation are booked in the income statement under “Other operating expenses”. Currency transactions for hedging purposes have been evaluated on basis of the cash price with swap accruals. Foreign exchange losses resulting only from transactions for hedging purposes (Sec. 256a HGB) are shown in the income statement under “Other operating expenses”.

Cash and cash equivalents are stated at nominal value.

Receivables are disclosed at nominal value less specific and general allowances. Bills receivable, other receivables accepted and receivables purchased as part of forfaiting are discounted at the rate of receipt.

Appropriate specific allowances have been set up in the amount of EUR 11,629k for all recognizable risks in the credit portfolio. A general allowance for all potential risks in the lending business was set up in the amount of EUR 194k (previous year EUR 5,063k). In 2018 the allowance is based on the letter of the German Federal Ministry of Finance (BMF) from 10.01.1994. The allowance in 2017 was based on internal criteria.

Bonds and debentures, which are assigned to the liquidity reserve, were valued at acquisition cost or amortized carrying amounts or written down to market values according to the strict lower of cost or market principle. Securities deposited at Deutsche Bundesbank amounted to a nominal EUR 2,000k as of the end of the year. Liabilities of EUR 16,000k have been recognized within the open market operations facility (targeted long-term refinancing operation) made available by the Deutsche Bundesbank.

Investments and shares in affiliated companies are accounted for in accordance with the applicable rules for fixed assets at cost.

Property and equipment and intangible assets are carried at acquisition cost on the basis of the expected useful life under tax law less pro rata depreciation or amortization. The assets are written down on straight line basis over the expected useful life.

Low-value assets up to a net amount of EUR 800 are expensed in the year of their purchase.

Other assets were also valued in accordance with the strict principle of the lower of cost or market.

Liabilities were assessed at the amounts repayable and appropriate provisions were made for all contingent liabilities of uncertain amount known as of the balance sheet date.

Interest was accrued on receivables, bonds, debentures and liabilities and allocated to the respective balance sheet item.

Other expenses and income are recorded on an accrual basis.

Provisions are made in accordance with prudent commercial judgment.

The bank uses a profit and loss oriented approach to determine if a provision for contingent loss according to Sec. 340a in conjunction with Sec. 249 para. 1 clause 1 altern. 2 HGB has to be formed. The valuation object is the banking book, which includes all balance-sheet and off-balance-sheet interest-related financial instruments (including securities of the liquidity reserve and securities of the investment portfolio). The banking book's interest-related financial instruments are defined on the basis of the bank's portfolio structure, which is also the basis of the bank's internal management.

The periodic profit contributions from closed interest positions, from open interest positions as well as closing adjustments are subsequently netted per maturity range. The periodic (net) profit contributions have been discounted as of the balance sheet date. The future administration and risk provisioning expenses relating to the respective transactions are deducted from the discounted total amount (The interest rate used for the calculation of administration and risk provision expenses is the rate used for discounting of the periodic profit contributions).

The Bank's financial statements are consolidated within the financial statements of T.C. Ziraat Bankasi A. S., Ankara. The consolidated financial statements include all subsidiaries and associated companies (largest and smallest consolidated group). The financial statements are published on the website of TC Ziraat Bankasi AS, Ankara (www.ziraat.com.tr) and the website of the Turkish Banking Association (www.tbb.org.tr) and the public information platform (www.kap.gov.tr).

2. NOTES TO THE BALANCE SHEET AND INCOME STATEMENT**2.1 Maturity Breakdown****2.1.1 Loans and advances to banks with remaining period* of**

EURk	2018	2017
Up to three months	23,608	66,306
From three months up to one year	240,480	208,502
From one year up to five years	0	0
More than five years	0	0

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.1.2 Loans and advances to customers with remaining period* of

EURk	2018	2017
Up to three months	157,838	214,691
From three months up to one year	392,462	335,682
From one year up to five years	427,981	640,289
More than five years	72,612	62,215
With indefinite term	16,764	8,616

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.1.3 Bonds and debentures

Bonds and debentures with a nominal value of EUR 2,000k and a carrying amount of EUR 2,001k will mature in 2019 and with a nominal value of EUR 10,000k and a carrying amount of EUR 10,069k in 2020.

2.1.4 Liabilities to banks with remaining period* of

EURk	2018	2017
Up to three months	34,165	34,965
From three months up to one year	4,620	166,138
From one year up to five years	16,000	39,691
More than five years	0	0

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.1.5 Savings deposits with an agreed period of notice with remaining period* of

EURk	2018	2017
Up to three months	3,223	4,298
From three months up to one year	448	323
From one year up to five years	920	1,049
More than five years	5	5

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.1.6 Other liabilities to customers with remaining period* of

EURk	2018	2017
Up to three months	351,399	306,586
From three months up to one year	320,309	363,946
From one year up to five years	347,465	326,767
More than five years	24,275	18,712

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.2 Balance sheet items in foreign currency

Total assets and liabilities in foreign currency amount to EUR 198,789k, including EUR 113,668k receivables, EUR 348k investments, EUR 76,617k liabilities and EUR 8,155k contingent liabilities.

2.3 Affiliated companies

EURk	2018	2017
Loans and advances to banks	8,282	12,526
Loans and advances to customers	3,000	8,000
Liabilities to banks	34,435	278,674
Liabilities to customers	0	0
Contingent liabilities to affiliated companies	1,170	603

*proportional interest has not been allocated in accordance with the simplification rule of Sec. 11 Sentence 3 RechKred.V.

2.4 Securities listed on a stock exchange

The bonds and debentures of EUR 12,069k included in the annual financial statements are negotiable and listed.

2.5 Movements in fixed assets

Composition:

Unit EURk	Cost			Depreciation, amortization and write-downs			Net Book Value		
	As of 01/01/18	Additions	Disposals	As of 31/12/18	As of 01/01/18	Financial year	As of 31/12/18	As of 31/12/18	As of 31/12/17
Property and equipment (office and operating equipment)	9,485	106	0	9,591	8,187	305	8,492	1,099	1,298
Intangible assets	6,624	224	0	6,848	3,784	439	4,223	2,625	2,840
Shares in aff. companies	0	0	0	0	0	0	0	0	0
Investments	348	0	0	348	0	0	0	348	348
Securities	0	0	0	0	0	0	0	0	0
Total	16,457	330	0	16,787	11,971	744	12,715	4,072	4,486

2.6 Other Individual Items

Other assets	EURk
Receivables from the tax office	985
VAT 2018	452
Corporation tax 2018	237
Trade tax 2018	294
Solidarity surcharge on interest income tax	2
Swap collateral	6,070
Other receivables	152
Other	137
Other liabilities	EURk
Liabilities to the tax office	189
Tax payable on Supervisory Board remuneration	7
VAT payable on Supervisory Board remuneration	27
Interest income tax	49
Solidarity surcharge on interest income tax	2
Wage and church tax liabilities	104
Social security liabilities	35
Clearing accounts	788
Foreign exchange valuation	99
Swap accruals *1	271
Contribution to deposit insurance 2018	482
Other	12

*1 The accounting treatment of the difference between the spot and forward rates at the time of concluding currency swaps was changed in the 2018 financial year. The difference is now shown in net interest income on a straight- line basis over the term of the swap. As a result of the change, deferred income decreased by EUR 670k compared to the previous method. Of the resulting effect on earnings, EUR 550k was allocated to net interest income in 2018 and EUR 120k to net interest income in the previous period.

2.7. Contingent liabilities

Contingent liabilities	EURk
Guarantees	4,391
Letters of credit confirmed and opened	7,999
Contingent liabilities to affiliated companies	EURk
Guarantees	1,170
Turkish Ziraat Bank Bosnia dd	507
T.C. Ziraat Bankasi A.S., Ankara	664
Letters of credit confirmed and opened	1
T.C. Ziraat Bankasi A.S., Ankara	1

The amount of guaranteed transactions is less than 5%.

2.8 Irrevocable loan commitments

The volume of irrevocable loan commitments as of December 31, 2018, is EUR 12,919.

2.9 Securities assigned

As of December 31, 2018, EUR 24,856k of the liabilities to customers were assets assigned as collateral. The total amount of the assets assigned as security for contingent liabilities amounted to EUR 292k.

2.10 Income statement

The personnel expenses decreased from EUR 8,612k to EUR 8,347k in 2018.

The income from the write-up of receivables and certain securities as well as from the release of allowances for credit transactions amounts to:

- Price gains of securities of liquidity reserve	EUR	0
- Income from the reversal of allowances	EUR	11,124k

The write-downs and allowances for claims and certain securities as well as allocations to allowances for credit transactions amount to:

- Additions to allowances	EUR	13,569k
- Depreciation of securities of liquidity reserve	EUR	0k

The total amount of the revenues shown in Sec. 34 para. 2 no. 1 RechKredV relate to Germany in the amount of EUR 8,089k (EUR 2,566k commission income / EUR 4,469k interest income / EUR 1,053k other income), to other EU-countries in the amount of EUR 4,370k (EUR 3,803k interest income/ EUR 568k commission income) and to other countries in the amount of EUR 56,304k (EUR 47,463k interest income / EUR 8,841k commission income).

Income taxes for the fiscal year 2018 amount to EUR 9,315k. This figure comprises income taxes for the current year.

Income from investments amounted to EUR 5k for the current year.

Other operating income in the amount of EUR 1,053k mainly relates to the reimbursement of VAT in 2018

(EUR 381k). Other income of EUR 44k is related to previous years. A further amount of EUR 539k is related to an adjustment booking of deferred income for previous years.

Other operating expenses in the amount of EUR 154k include expenses for expenditures and incidental costs of EUR 73k for previous years as well as false alarm costs and cash over or short amounting to EUR 14k.

In 2018 the Bank recorded minus interest amounting to EUR 249,313.29 payable to Deutsche Bundesbank, Frankfurt, as the Bank exceeded the minimum reserve requirements in eight periods.

3. OTHER DISCLOSURES

3.1 Other financial obligations

Long-term obligations (EUR 2,085k) result mainly from rental and lease agreements for business premises for the head office and the seven branches.

3.2 Open forward transactions

USD forward exchange contracts with a volume of EUR 5,240k (nominal USD 6,000k) and TRY forward exchange contracts with a volume of EUR 39,694k (nominal TRY 240,500k) were pending as of the balance sheet date and relate to money market transactions conducted for liquidity management purposes.

3.3 Equity investments and shares in affiliated companies

The investment in the share capital of Azerbaijan Türkiye Birge Sehımdar Kommersiya Bank, Baku, Azerbaijan, decreased from 4% to 1.08% in 2014 as a result of the paid-in capital increase from 13.4 million AZN to 50.0 million AZN, for which Ziraat Bank International AG provided no contribution.

The participation amount of USD 100k and AZN 312,296.88 represents an acquisition cost of EUR 347,603.07.

3.4 Profits and proposal for the appropriation of profits

In accordance with the resolution passed during the shareholders' meeting on June 29, 2018, total retained earnings of EUR 17,027,258.19 for 2017 were allocated to revenue reserves.

We propose to the shareholders to transfer the retained earnings of 2018 of EUR 18,080,688.09 to revenue reserves.

3.5 Subsequent events

No significant events occurred after the balance sheet date.

3.6 Remuneration of board members

The total remuneration of board members in 2018 is as follows:

The total remuneration of board members	EUR
Board of Managing Directors	379,287.45
Supervisory Board	62,019.30

Loans to the Board of Managing Directors as of December 31, 2018, amounted to EUR 8,850.

3.7 Number of employees

In 2018, the average number of employees was 120 (including the seven branches). The breakdown as of the end of the year is as follows:

Authorized signatories	6
Authorized agents	73
Other employees	38

3.8 Total fee of the auditor in 2018

		2017
a) Auditing services - Year-end audit	235,000.00*	105,000.00*
b) Other assurance services		6,000
c) Tax advisory services		
d) Other services		

* excluding VAT

3.9. Shareholders and executive bodies of the Bank

3.9.1. Shareholders

Name of the shareholder: Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ankara, Turkey
Ownership interest: 100%

3.9.2. Supervisory Board

Mr. Süleyman Türetken Chairman	Assistant General Manager of T.C. Ziraat Bankası A.Ş., Ankara, Turkey resident in: Istanbul / Turkey
Mr. Battal Arslan Vice Chairman until April 30, 2019,	Head of Corporate Marketing Group of T.C. Ziraat Bankası A.Ş., Ankara, Turkey resident in: Istanbul / Turkey
Herr Alpaslan Çakar, Vice Chairman since May 17, 2019,	Assistant General Manager of T.C. Ziraat Bankası A.Ş., Ankara, Türkiye resident in: Istanbul / Turkey
Herr K. Ahmet Ortatepe Member Until June 29, 2018	Head of Corporate Loans Allocation and Management Department of T.C. Ziraat Bankası A.Ş., Ankara, Turkey resident in: Istanbul / Turkey
Herr Mithat Şahinci Member Since June 29, 2018	Executive Vice President of T.C. Ziraat Bankası A.Ş., Ankara, Turkey resident in: Istanbul / Turkey

3.9.3 Board of Managing Directors

Ayten Türkmen, Banker, Frankfurt am Main, Chairman until April 30, 2019

Battal Arslan, Banker, Frankfurt am Main, Chairman since May 6, 2019

Ali Kivanç Ünal, Banker, Frankfurt am Main

Frankfurt am Main, July 22, 2019

Ziraat Bank International AG

The Board of Managing Directors



Battal Arslan
Chairman



Ali Kivanç Ünal

To ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT, Frankfurt/Main

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

Opinions

We have audited the financial statements of ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT, Frankfurt/Main - which comprise the balance sheet as of December 31, 2018 and the income statement for the fiscal year from January 1 to December 31, 2018, plus the notes to the financial statements, including the accounting policies presented. We have also audited the management report of ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT for the fiscal year from January 1, 2018 to December 31, 2018.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to institutions and give a true and fair view of the net assets and financial position of the Company as of December 31, 2018 and its results of operations for the fiscal year from January 1, 2018 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

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

Basis for the opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

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

Calculation of specific allowances on receivables

Please refer to note 1 "Accounting policies" in the notes to the financial statements for information on the accounting policies applied by ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT.

FINANCIAL STATEMENT RISK

ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT recognized specific valuation allowances of EUR 11.6 million for acute default risks in its customer credit business as of December 31, 2018.

The identification and calculation of specific allowances for receivables are subject to discretion. This requires assumptions regarding the anticipated contractual cash flows and the anticipated cash flows from the realization of the collateral provided. The assumptions are made on the basis of the chosen recovery or resolution strategy.

In particular, the financial statement risk lies in the fact that necessary specific valuation allowances are not recognized in a timely manner because appropriate criteria for identifying exposures requiring specific valuation allowances have not been defined, or the identification of these exposures is not ensured by the process. Furthermore, there is a financial statement risk that lies in the fact that, when calculating the specific valuation allowance, there are no appropriate assumptions about the amount of the contractual cash flows still expected or the amount of the cash flows anticipated from the realization of the loan collateral provided.

Incorrect assumptions about the amount of expected cash flows or the realization of the loan collateral provided result in receivables being measured inaccurately and counterparty default risks not being appropriately taken into account.

OUR AUDIT APPROACH

Based on our risk analysis and the assessment of the risks of error, our audit opinion is predominantly based on substantive audit procedures. We accordingly performed audit procedures including the following:

We first obtained a comprehensive insight into the development of the loan portfolio, the associated counterparty risks and the internal control system for the identification, management, monitoring and measurement of counterparty risks in the loan portfolio.

To assess the appropriateness of the internal control system for the identification, management, monitoring and measurement of counterparty risks in the credit portfolio, we made inquiries and inspected the credit files. We also examined the implementation and effectiveness of the relevant controls intended to ensure compliance with the system for calculating the specific valuation allowance in line with the requirements of German commercial law. For the IT systems used, we examined the effectiveness of the regulations and procedures relating to a large number of IT applications and that support the effectiveness of application controls with the assistance of our IT specialists.

On the basis of a specified selection of individual exposures that was determined on the basis of materiality and risk considerations, we verified that the risk provisions recognized for these exposures were recognized on an accrual basis and are appropriate. We assessed the assumptions regarding the anticipated contractual cash flows and the anticipated cash flows from the realization of the collateral provided. To the extent that collateral was provided for an exposure that was taken into account in measurement, we assessed the legality and recoverability of this collateral. We used opinions from external experts in this context in arriving at our own opinion. We also replicated the calculation of the specific valuation allowance to be posted for selected exposures.

OUR OBSERVATIONS

Appropriate criteria and systems were applied to identify risk provisions. The assumptions used to calculate specific valuation allowances regarding the amount of expected recoveries from the financial performance of borrowers or from the realization of collateral were appropriately selected and are consistent with the accounting principles used to measure specific valuation allowances.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the Company's net assets, financial position and results of operations in accordance with German generally accepted accounting principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Other disclosures in accordance with Article 10 of the EU Audit Regulation

We were elected as the auditor by the Annual General Meeting on June 29, 2018. We were engaged by the Supervisory Board on February 8, 2019. We have served as the auditor of the consolidated financial statements of ZIRAAT BANK INTERNATIONAL AKTIENGESELLSCHAFT without interruption since fiscal 2017.

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

German Public Auditor Responsible for the Engagement

The audit partner responsible for the audit is Christian Garz.

Frankfurt/Main, August 21, 2019

KPMG AG

Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Garz Wirtschaftsprüfer
[German Public Auditor]

Robbe Wirtschaftsprüfer
[German Public Auditor]

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