İŞBANK AG
ANNUAL REPORT 2023

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OFFICES


İŞBANK

KEY FIGURES

	December 31 2023	December 31 2022	Change
	in EUR thousand	in EUR thousand	in %
Total assets	2,043,770	1,651,484	23.75
Capital and reserves	415,905	385,661	7.84
Cash and Balances with Central Bank	11,119	13,288	-16.32
Bonds and securities	97,705	113,436	-13.87
Due from banks	795,916	512,226	55.38
Due from customers	1,119,080	987,778	13.29
Due to banks	231,199	144,514	59.98
Customer Deposits	1,382,732	1,114,320	24.09
Participations	9,552	9,552	0.00
Interest income	111,030	51,105	117.26
Commission income	7,772	6,928	12.18
Net income for the year	30,244	7,901	282.77
	%	%	
Equity ratio	24.77	16.26	
Return on Assets	1.48	0.48	
Return on Equity	7.87	2.97	

The highly successful performance of 2023 is reflected in the financial results.

117.26%

İşbank AG's interest income more than doubled year-on-year and amounted to EUR 111 million.

EUR 2.04 bn

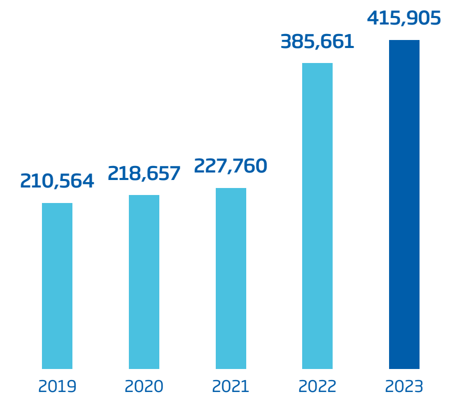
In 2023, total assets of the bank amounted EUR 2.04 billion, up 23.75% year-on-year.

12.18%

Commission income grew by 12.18% in 2023 and reached EUR 7.77 million.

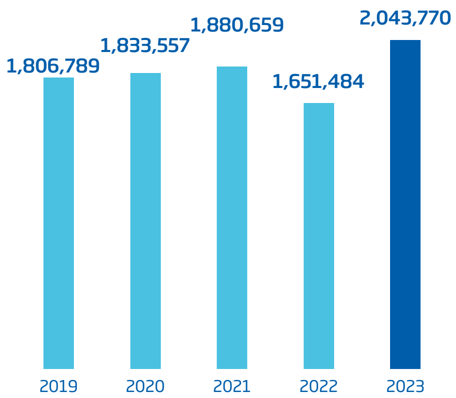
CAPITAL AND RESERVES

in EUR thousand



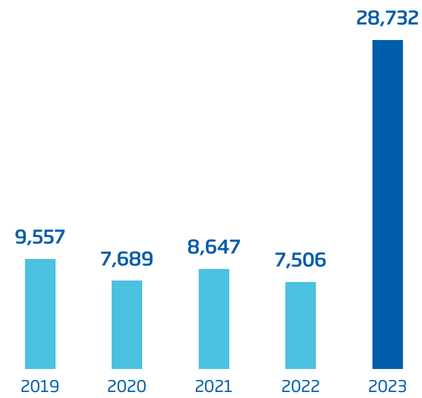
TOTAL ASSETS

in EUR thousand



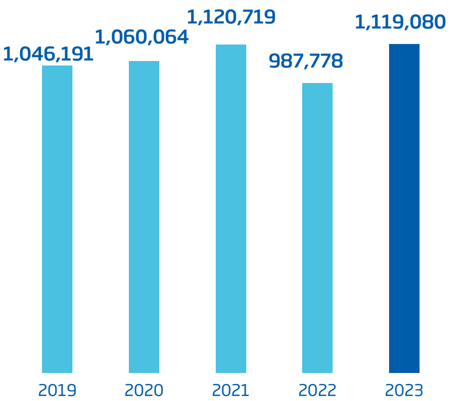
NET RETAINED PROFIT

in EUR thousand



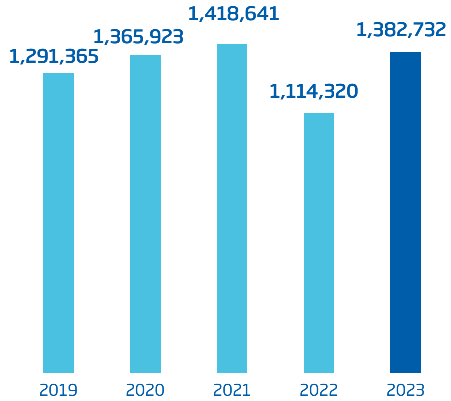
DUE FROM CUSTOMERS

in EUR thousand



CUSTOMER DEPOSITS

in EUR thousand



AN OVERVIEW OF TÜRKIYE İŞ BANKASI A.Ş.

Türkiye İş Bankası A.Ş. is determined to reinforce its support for its customers by taking advantage of the opportunities created by its sustainable and strong financial structure.

İşbank AG is a wholly-owned subsidiary of Türkiye İş Bankası A.Ş., which is the largest private bank of Turkey in terms of total assets, total loans and total deposits by the end of 2023.

As of 2023 year-end, Türkiye İş Bankası A.Ş.'s total assets reached TL 2,454 billion, total loans and total deposits amounted TL 1,147 billion and TL 1,662 billion, respectively. Türkiye İş Bankası A.Ş. also has a robust capital base with a capital adequacy ratio comfortably above the minimum required level by regulation. The Bank is determined to reinforce its support for its customers by taking advantage of the opportunities created by its sustainable and strong financial structure.

Türkiye İş Bankası A.Ş. serves retail, SME and large corporate customers and provides all kinds of banking services through a strategy of achieving sustainable and profitable growth based on being "the bank closest to customers". Having the most extensive distribution network among private banks with its 1,066 branches and 6,312 ATMs as of the year-end 2023, Türkiye İş Bankası A.Ş. positions its physical and digital channels so as to complement one another, and delivers multidimensional banking services through its diversified digital service platforms. The number of Türkiye İş Bankası A.Ş.'s digital customers is around 15 million by the end of the year, while the share of non-branch channels reached 97.1% of total transactions.

Besides İşbank AG, Türkiye İş Bankası A.Ş. operates abroad through its 22 foreign branches (15 in Northern Cyprus, 2 in London, 1 in Bahrain, 2 in Iraq, 2 in Kosovo) and 2 representative offices in China and Egypt, as well as 2 wholly-owned subsidiaries in Russia (İşbank Russia) and Georgia (İşbank Georgia). As a highly trusted financial institution, İşbank also maintains its pioneering position in foreign trade through its extensive correspondent bank network.

Main Balance Sheet Items	Market Share (%)	Ranking [2]
Total Assets[1]	11.4	**1st**
Total Loans	10.6	**1st**
TL Loans	10.1	2nd
FX Loans	11.5	**1st**
Consumer Loans[3]	11.9	4th
Non-Retail Loans	9.8	**1st**
Total Deposits	11.9	**1st**
TL Deposits	10.6	2nd
FX Deposits	13.9	**1st**
Demand Deposits[4]	14.7	**1st**
Shareholders' Equity	13.5	**1st**

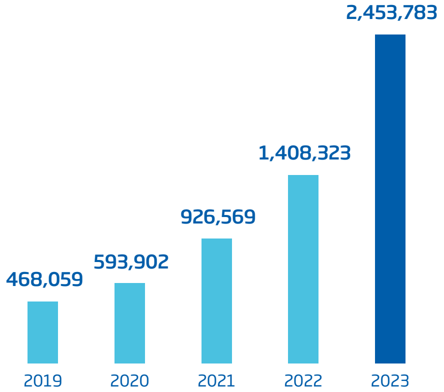
Other Products & Distribution Network	Market Share (%)	Ranking
Acquiring Volume[5]	15.1	3rd
Number of Credit Cards[5]	12.7	3rd
Issuing Volume[5]	14.6	2nd
Volume of Debit Cards[5]	11.2	3rd
Number of Branches	11.5	**1st**
Number of ATMs	11.9	**1st**
Number of ATMs	11.9	**1st**

(1) Market share calculations are based on weekly BRSA data excluding participation banks. Total assets market share is based on monthly BRSA data.
(2) Ranking among private-sector banks
(3) Including retail overdraft accounts
(4) Excluding interbank deposits
(5) Market share calculations are based on Interbank Card Center (BKM) data.

74.2%

Türkiye İş Bankası A.Ş.'s total assets increased by 74.2% in 2023, reaching approximately TL 2.5 trillion.

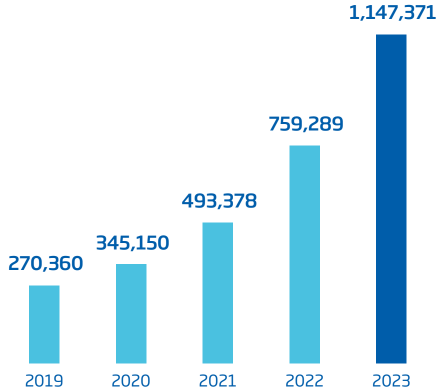
TOTAL ASSETS
in TL mn.



51.1%

Loans rose by 51.1% and amounted to TL 1.15 trillion.

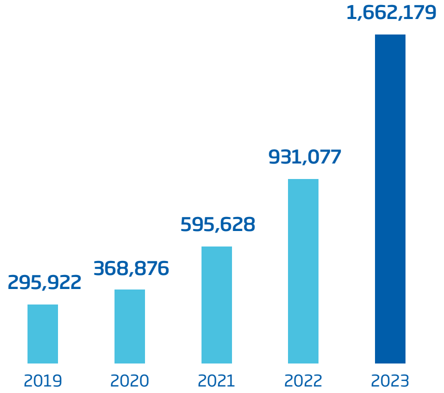
LOANS
in TL mn.



78.5%

The increase rate of deposits, which neared TL 1.7 trillion, is 78.5%.

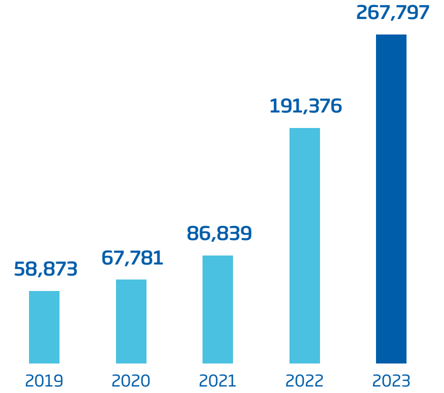
DEPOSITS
in TL mn.



39.9%

Shareholders' equity increased by 39.9% and was recorded as TL 267.8 trillion.

SHAREHOLDERS' EQUITY
in TL mn.



“the bank closest to customers”

İşbank AG is a wholly-owned subsidiary of İşbank, which is the largest private bank of Turkey in terms of total assets, total loans and total deposits by the end of 2023.

MESSAGE FROM THE CHAIRPERSON OF SUPERVISORY BOARD

A BRIGHTER YEAR

Despite numerous difficulties, 2023 has been a brighter year for us, built upon the restructuring and cost reduction efforts of preceding years.

Esteemed Stakeholders,

The year 2023, anticipated as a period of normalization post-pandemic, began with the profound impact of devastating earthquakes in Türkiye. While healing the region's wounds will be a lengthy process, as Isbank Group, we remain steadfast in extending our solidarity and support to mitigate the human and economic damage of this disaster. Additionally, 2023 marked the 100th anniversary of Republic of Türkiye, symbolizing a century of progress, resilience and innovation. The spirit of a century of diligence and sacrifice instills confidence that Türkiye will overcome the challenges and swiftly recover from this natural calamity.

In 2023, the global economy experienced a continued deceleration, aligning with the tightening measures implemented by central banks worldwide, particularly in developed nations. According to IMF data, after growing by 3.5% in 2022, the world economy is estimated to have closed 2023 with a growth rate of 3.1%. During this period, although global inflation declined, it continued to hover above the central banks' targets. While major central banks continued to raise interest

İşbank AG, bolstered by a solid and growing equity position, continues to excel in digitalization, both in customer-facing interactions and internal banking processes.

rates in the first three quarters of the year, they preferred to keep interest rates unchanged to observe the effects of the tightening measures implemented in the last quarter. International organizations are forecasting slower growth in 2024, because of tighter monetary policies and a weaker-than-expected recovery in China. In addition to the course of global economic activity and the decisions of central banks, geopolitical developments, especially the tension in the Middle East and the Russia-Ukraine war, will continue to impact the course of global risk appetite throughout the year.

Despite global economic deceleration in 2023, attributed to central banks' tightening measures worldwide, as Türkiye İş Bankası A.Ş. and İşbank AG, we maintained our strength and resilience in sustaining economic activities while creating value for all stakeholders. Our ethical, transparent, and accountable business culture, rooted in a long-term perspective, remains steadfast as we proudly anticipate celebrating our parent bank's, Türkiye İş Bankası A.Ş.'s centenary in 2024. As İşbank AG, we represent these corporate values and management principles in Europe, playing a vital role in fostering economic ties between the European Area and Türkiye.

In this context, İşbank AG's mission is to maintain the continuity of hard work with tireless determination, guided by Türkiye İş Bankası Group's historical mission and values. İşbank AG, bolstered by a solid and growing equity position, continues to excel in digitalization, both in customer-facing interactions and internal banking processes. While Germany remains our main market and operational base, our vision extends to facilitating economic exchange between Türkiye and Europe as a whole, which we have been successfully integrating to our strategies. In this terms, İşbank AG is acting as the European arm of Türkiye İş Bankası A.Ş. representing the group successfully in its mission to expand its shares in international banking.

Despite numerous difficulties, 2023 has been a brighter year for us, built upon the restructuring and cost reduction efforts of preceding years. We are confident that we will surpass this performance in 2024. On behalf of the Supervisory Board of İşbank AG, I express my gratitude to everyone who has contributed to this long but successful journey thus far.

Finally, I am pleased to inform you that our accounts, annual financial statements for the financial year of January 1 to December 31, 2023, and the management report have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and issued with an unqualified auditor's report. The Supervisory Board has approved the audit results and endorsed the financial statements and management reports as of December 31, 2023.

Aligned with our corporate values, and international banking standards, we remain committed to creating value for all stakeholders. On behalf of the İşbank AG family, I extend my sincere gratitude to our clients, business partners, and stakeholders for their cooperation and trust.

Yours sincerely,

Hakan Aran
Chairperson of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board monitored the work of the Management Board on an ongoing basis and regularly supported it in managing the company.

Cooperation between the Supervisory and Management Boards

In the past business year, the Supervisory Board monitored the work of the Management Board on an ongoing basis and regularly supported it in managing the company. In this context, the Supervisory Board was at all times convinced of the legal propriety, purposefulness and due order of the work of the Management Board. The Management Board duly fulfilled its duties to provide information and continuously, promptly and comprehensively informed the Supervisory Board both verbally and in writing of all the issues related to strategy, short and long-term planning, business performance, risk position, risk management, compliance and other important topics which are of relevance to the Bank. This also included information on when developments deviated from goals reported earlier and departures of business from the planned budgets. At its committee meetings, the members of the Supervisory Board had sufficient opportunity to critically scrutinize the reports and the documentation for decision- making presented to it by the Management Board and to contribute its own ideas. In particular, the Supervisory Board intensively discussed all items of business of importance to the company on the basis of written and oral Management Board reports and assessed their plausibility. On several occasions the Supervisory Board exhaustively discussed the Bank's risk position, its liquidity planning and the situation as regards its capitalization. The Supervisory Board issued its approval for the individual items of business to the extent that this was necessary in line with the law, the articles of incorporation, or the Management Board's rules of procedure.

Activities of the Supervisory Board

In business 2023 the Supervisory Board held four meetings, which took place on March 23, 2023 in Istanbul/Türkiye, on June 06, 2023, on September 15, 2023 and on December 15, 2023 in Frankfurt/ Germany.

The Supervisory Board formed the following committees composed of its members:

- Audit committee
- Risk committee
- Corporate Governance and Remunerations control committee
- Credit limit revision committee

During the financial year 2023, there was each one meeting of the Corporate Governance and remunerations control committee as well as the credit limit revision, two meetings of the audit committee and four meetings of the risk committee.

In addition, an extraordinary meeting of the Supervisory Board took place on May 10,2023 for the adoption of the annual financial statements, the subject of which focused on the presentation of the annual financial statements and the results of the annual audit by Ernst & Young GmbH.

Annual of the Financial Statements

Auditors Ernst & Young GmbH, Eschborn, who were appointed as auditors by the Annual General Meeting 2023, were commissioned to handle the annual audit of İşbank AG. The auditors those commissioned presented a declaration of their independence to Supervisory Board, which the latter duly received. The Supervisory Board has no doubts as to the accuracy of the content of the declaration of independence.

Wirtschaftsprüfungsgesellschaft, Ernst & Young GmbH, Eschborn, duly audited the annual financial statements of İşbank AG including the management report for business year 2023 and on the basis of its audit findings issued an unqualified opinion on the annual financial statements.

The corresponding audit opinion including the notes to the financial statements and the management report of İşbank AG were made available to all the members of the Supervisory Board in due time. The Supervisory Board examined all the documents. At the Supervisory Board meeting of May 6, 2023 with the participations of the auditors all the key elements of the annual audit were discussed with the Management Board. The auditors were present at the meeting, outlined the key audit findings, and provided supplementary information. All the questions were answered to the Supervisory Board's satisfaction. In the wake of its own examination, the Supervisory Board raised no objections to the conclusive findings of the annual audit and concurred with them. The Supervisory Board has thus formally approved the annual financial statements presented by the Management Board and the annual financial statements of İşbank AG are therefore considered adopted.

The Supervisory Board declares that it concurs with the Management Board's suggestion on the allocation of profits.

Affiliated companies (dependent companies report)

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Eschborn likewise examined the Management Board report on relations to affiliated companies (dependent companies report).

At its meeting of May 6, 2023, the Supervisory Board likewise approved the auditor's findings on relations to affiliated companies and following its own examination raised no other objections.

Changes in the Management Board

Effective January 31. 2024, Tolga Ünal Esgin is resigned as Chairperson of the Management Board at İşbank AG.

Effective April 28. 2024, Gamze Yalçın is assigned as Chairperson of the Management Board at İşbank AG.

Changes in the Supervisory Board

During the financial year 2023 there were no changes to the Supervisory Board.

Supervisory Board

Hakan Aran (Chairperson of the Supervisory Board, Chairperson of the Management Board at Türkiye İş Bankası A.Ş.)

Hasan Cahit Çınar (Deputy Chairperson of the Supervisory Board, Chairperson of the Management Board at Trakya Yatırım Holding A.Ş.)

Yavuz Ergin (Member of the Supervisory Board, Advisor at Türkiye İş Bankası A.Ş.)

Sabri Gökmenler (Member of the Supervisory Board, Member of the Management Board at Türkiye İş Bankası A.Ş)

Ali Tolga Ünal (Member of the Supervisory Board, Head of Financial Management department at Türkiye İş Bankası A.Ş.)

Utku Ünsal (Member of the Supervisory Board, Head of Strategy & Corporate Performance Management department at Türkiye İş Bankası A.Ş.)

Banu Altun (Member of the Supervisory Board, Branch Manager of Central Corporate Branch at Türkiye İş Bankası A.Ş.)

Hakan Kartal (Member of the Supervisory Board, Head of Treasury at Türkiye İş Bankası A.Ş.)

Emre Ölcer (Member of the Supervisory Board, Head of Digital Banking at Türkiye İş Bankası A.Ş.)

Thanks to the Management Board and staff

The Supervisory Board would like to thank the members of the Management Board and all the staff for their immense efforts in what was an eventful and challenging business 2023.

Hakan Aran
Chairperson of the Supervisory Board

MANAGEMENT

Emir Serdar Gülpınar
Member of the
Management Board

Gamze Yalçın
Chairperson of the Management
Board

Ayşe Doğan
Member of the
Management Board

İşbank AG is a German bank with its head office in Frankfurt and 8 branches in Germany as well as another in the Netherlands.

MESSAGE FROM THE CHAIRPERSON OF THE MANAGEMENT BOARD

SUSTAINABLE

The promising figures in 2023 indicate a path of long-term sustainable and profitable operation for our institution.

Esteemed Stakeholders,

As a long standing and reputable member of the German and European banking community, 2023 was a pivotal year for Isbank AG, marking the 100th anniversary of the founding of Türkiye as a modern republic. With the enhancement of economic relations between Germany and Türkiye as our raison d'être, Isbank AG is proud to have concluded the financial year of this significant anniversary with its most successful results in our history.

Despite commencing with a poignant tone due to the devastating earthquake that impacted a large area in Türkiye, resulting in significant loss of life, 2023 also saw geopolitical tensions dominate, affecting the global economy and the banking sector. Amidst such an unpleasant panorama, we navigated through them and continued to steer our institution towards further success.

We closed 2023 with a net income of EUR 30.2 million, nearly quadrupling the figure from 2022.

We closed 2023 with a net income of EUR 30.2 million, nearly quadrupling the figure from 2022. Net interest income surged by 82% to EUR 71.5 million, while total operating income reached EUR 82.5 million, reflecting a 78% increase.

Furthermore, through effective cost management measures, we substantially improved our cost/income ratio, which decreased from 57% in 2022 to 36% in 2023. We anticipate further enhancement in this aspect as our cost management initiatives continue to deliver results. Overall, our Bank's profitability, as measured by return on average equity increased from 3% in 2022 to 8% in 2023.

From balance sheet perspective, our asset size expanded by 24% in 2023, primarily driven by the growth of our credit portfolio. This growth, coupled with enhanced profitability, was achieved alongside improvements in asset quality, evidenced by a healthy NPL ratio of 1.6% at year-end, down from 2.1%.

On the liabilities side, our solid customer deposit base which grew by 24% continued to support our funding.

Finally, our shareholder's equity reached EUR 416 million by the end of 2023, bolstering our capital adequacy and providing Isbank AG with greater opportunities for growth through a robust capital structure. With a capital adequacy ratio of nearly 25%, we are well-positioned for healthy and profitable growth in the years ahead.

These promising figures indicate a path of long-term sustainable and profitable operation for our institution, as we navigate alongside our stakeholders in Germany and Türkiye, creating value for our customers, shareholders, and the economies of both German and Turkish nations. We remain dedicated to deep-rooted Isbank Group's core values as we continue our journey.

As we look forward to celebrating the centennial anniversary of Türkiye İş Bankası Group in 2024, despite economic challenges stemming from the tense geopolitical atmosphere globally, we maintain trust in our institution and Group to overcome any obstacles. We assure our stakeholders that Isbank AG will strive to enhance its performance in 2024.

We will continue our operations with adherence to our strong corporate values and strict compliance with international banking and risk management principles. Our focus remains on delivering high-quality products and services to bolster and strengthen economic relations between Türkiye and the European Union.

On behalf of the Management Board, I extend my sincere gratitude to all our staff for their unwavering commitment and achievements in this pivotal year. I also would like to thank to our parent company, Türkiye İş Bankası A.Ş., our supervisory board, as well as our esteemed customers and business partners for their ongoing support and trust in us.

Yours sincerely,

Gamze Yalçın
Chairperson of the Management Board

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

LASTING SUPPORT

Since its founding in 1992, the bank has worked to provide lasting support for trade and business relationships between Europe and Türkiye.

a) Fundamentals of İşbank AG

Basic information

İşbank AG is a German bank that has its head office in Frankfurt am Main. It maintains eight branches in Germany as well as another one in the Netherlands. Since its founding in 1992, the bank has worked to provide lasting support for trade and business relationships between Europe and Türkiye. İşbank AG operates on the one hand as a universal bank, offering its customers in Türkiye and Europe a selected range of products and services in the area of corporate and private retail banking, and on the other hand acts as a specialized bank in the area of foreign trade financing. In this business segment, the trade business with Türkiye represents a special niche; the bank will continue to perform this niche function in the future.

The sole shareholder of İşbank AG is Türkiye İş Bankası A.Ş., the largest private bank in Türkiye. Since it was founded in 1924, it has played a significant role in the development of the Turkish economy. With its unique shareholder structure, characterized by the 38.2-percent capital share held by the bank employees through their pension fund, Türkiye İş Bankası A.Ş. is one of the largest and most lucrative companies in Türkiye.

The parent company, Türkiye İş Bankası A.Ş., which has played a significant role in the development of the Turkish economy since it was founded, was the first institution in the country to open a branch outside Türkiye. The bank's first foreign branches opened in Hamburg and Alexandria in 1932.

Based on its strategy of sustainably profitable growth, the bank's vision is to continue its business activities as the European arm of its parent company and to increase its market shares. The growth it has realized in the past is largely based on adequate growth in the credit business in association with the corporate banking segment. This core business is accompanied by gradual adjustments in the areas of payment transactions, trade finance and digital product expansions in the retail and corporate client segment.

Countries and segments as well as market sectors

İşbank AG's business area mainly consists of Europe and Türkiye. The branches in Germany, which operate in retail and business banking, are spread over major cities where a high proportion of the population is Turkish, and offer traditional banking services to their customers. Here, the corporate client segment is made up of local small and medium-sized enterprises with little foreign trade. The Amsterdam branch specializes in foreign trade business. The focus here is on institutional customers who require banking services relating to cross-border short-term financing business.

The Sales & Business Development department is responsible for sales activities. Its area of responsibility includes the corporate client segment on the one hand, which covers companies with a trade finance context and groups from the corporate segment that are based in Türkiye or Europe. In addition, the department is responsible for sales

The high level of inflation in almost every region of the world was lowered through tight monetary policies.

activities of the local branches and for implementing and further developing bank products.

The Financial Institutions department is responsible for establishing and maintaining bank relationships. In parallel, the Treasury department cooperates with European brokers in the area of the deposit business to optimize the bank's refinancing structure, and it controls and administers the bank's international securities portfolio.

Organizational structure

The front office reporting segment reported to the Chairperson of the Management Board Mr. Ünal Tolga Esgin, and the back office, as of 4/1/2023, to Member of the Management Board Mr. Emir Serdar Gülpınar. The areas of internal auditing, money laundering, compliance, law, and human resources are assigned to Ms. Ayşe Doğan, who is also a member of the Management Board.

Mr. Ünal Tolga Esgin resigned from his position as Chairperson of the Management Board as of 1/31/2024.

A statement of intent to appoint Ms. Gamze Yalçın as Chairperson of the Management Board was fulfilled by the banking supervisory authorities on 1/18/2024. The notification of its effectiveness was sent to the Supervisory Board on 4/26/2024, with an effective date of 4/28/2024. The intent is for Ms. Yalçın to take over the market segment.

Management system

The overall bank management of İşbank AG is geared toward maintaining a good balance between the financial performance indicators. The bank's central control instruments are the balance sheet and profit and loss account, the liquidity statement and the risk-bearing capacity statement for risk control (see Risk Report section). Another key element of the management system at İşbank AG are the reports of the bank's internal management committees, such as the risk committee, loan committee and asset/liability committee, through which the board is regularly informed of key developments and forecasts, and necessary decisions are initiated.

b) Economic report

Overall economic and industry-related operating conditions

The overall global economic situation in 2023 continues to be shaped by the effects of the coronavirus pandemic and the Russian war of aggression in Ukraine. The energy crisis associated with the war is a significant driver of the economic slowdown in Europe. Due to its energy-intensive industry sectors, Germany in particular is facing major economic challenges as a result of the energy crisis.

Nonetheless, global economic activity stabilized in 2023. The high level of inflation in almost every region of the world was lowered through tight monetary policies, and the resulting loss of buying power is being compensated by wage increases. At the same time, the stabilizing raw material prices supported positive development of the overall inflation rate. In 2022, the average worldwide inflation rate increased by approx. 8.7% compared to the previous year. For 2023, the inflation rate is estimated to be 6.9% compared to the previous year.

Following global economic growth of 3.5% in 2022, a slightly lower growth rate of 3.1% is estimated for 2023. The emerging countries, with a consistent growth rate of 4.0%, are more robust than the industrialized countries, whose growth rate declined from 2.6% to 1.5%. Economic growth in the United States was more positive than expected. Thanks to strong support from private consumer spending, the economic output actually increased compared to 2022, growing by 3.1% in 2023 (2022: 0.7%).

While the supply chains disrupted by the coronavirus pandemic and the war in Ukraine have now been nearly normalized and/or regenerated, weak manufacturing growth and higher financing conditions along with the associated reluctance to invest are leading to a slowdown of industrial manufacturing. Especially in the industrialized countries there was no revival for industrial manufacturing, which corresponded to the level of early 2022.

Following the end of its strict zero-COVID policy, China saw rapid economic recovery. However, the expansion rate in 2023 remained below the previous expectations. The structural crisis in the construction sector persists, along with declining investments and high youth unemployment. Increased uncertainty in

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

DECREASE IN INFLATION

The increase in key interest rates by the European Central Bank to a current 4.5% meant that consumer prices increased by an average of 5.9% compared to the previous year.

this context is dampening the consumer climate. According to the purchasing managers' index, manufacturing activity shrank to 49.0 in December 2023, which means it remains below the growth threshold of 50.

Due to the slowing of the economy in Germany, which is considered the growth driver for the European economy, the European economy is also lagging behind expectations. After satisfactory growth in the first three quarters of 2022, it shrank at the end of the year and saw very little improvement in 2023. In this context, the European economy lost momentum against the backdrop of high living expenses, weak foreign demand, and tighter monetary policies. At the end of 2023, the European Central Bank confirmed a key interest rate of 4.5% and is satisfied with the overall inflation trend in Europe. In December 2023 inflation in the Eurozone was at 2.9%, while in the fall of 2022 it had still been over 10%. Investment-inhibiting interest rate increases and growing uncertainty in the European economic area indicate reduced economic growth of 0.6% for 2023.

Germany

Following the coronavirus crisis and ongoing fragile economic development, along with the economic collapse in 2020, the German economy had hoped to see regeneration in the following years. While the German economy proved to be quite resilient in 2022 despite the energy crisis and supply chain problems, growing by 1.8%, the gross domestic product (GDP) dropped by 0.3% in 2023. In the first quarter, economic performance was still 0.1% higher than the previous quarter. In the second and third quarter, the growth of Europe's largest national economy stagnated; its economic performance dropped by 0.3% in the last quarter. The main causes of the unstable German economy are the paralyzing global economic conditions and consumer reticence in the private sector due to high inflation rates. As an export-dependent industry location, Germany is reliant on global growth. Countermeasures to slow inflation, and the resulting interest rate increase, conversely curbed investments and led to reduced financing. In addition, a shortage of skilled workers and high bureaucratic obstacles to investment projects are slowing the economic momentum. Progress has been made in fighting inflation. The increase in key interest rates by the European Central Bank to a current 4.5% meant that consumer prices increased by an average of 5.9% compared to the previous year, and in January 2024 inflation was at only 2.9%. In 2022 the average inflation rate was still 6.9%.

While German exports were relatively stable in 2023, the weakening Chinese economy was the primary cause of a EUR 37 billion decline in imports. Compared to the previous year, exports dropped by 2% and imports dropped by 10%. The significant setback in the import volume increased the trade surplus by EUR 209 billion.

Türkiye continues to be an important investment location for German companies.

Türkiye

In the first two quarters of 2023 the Turkish economy grew by 4.0% and 3.9%, respectively, while in the third quarter it once again saw a strong increase of 6.1%. Following a strong first half of the year, economic growth is expected to reach 4.5% for 2023. While large interest rate increases and inflation are curbing consumption by private households, investment growth will remain high due to rebuilding of the region affected by the earthquake. Despite a slowing of economic growth compared to the previous year (5.6%), the growth is considered to be satisfactory given the burdens of inflation and increased interest rates.

After the parliamentary elections in May 2023, Türkiye changed course toward a more restrictive fiscal policy. The newly appointed economic team is particularly focused on maintaining strict budgetary discipline. In 2023 the Turkish Central Bank raised interest rates from 8.5% to 42.5%, once again expanding its monetary policy measures. Nonetheless, inflation rose to 65% in December 2023, fueled by an increase in minimum wages to strengthen consumption. Further interest rate increases can thus be expected in 2024. Currency reserves have shown positive development since the spring of 2023, reaching a value of USD 93 billion in December 2023; this represents an increase of approx. USD 38 billion. On the other hand, Türkiye's current account deficit remains high; for 2023 it is 4.7% of the gross national product. In comparison to 2022 the current account deficit was reduced by 0.7%. At the end of the third quarter of 2023, public debt had a value of 30.5% of the gross national product, placing it far below the Maastricht criterion of 60%. The annual new debt of the Turkish government compared to the gross national product is 5.4%.

Germany is one of the largest investors in Türkiye. Despite the challenging conditions, Türkiye continues to be an important investment location for German companies. Investment flows in the last few years largely relate to maintaining and/or expanding existing commitments. In 2023 approximately 8,000 companies with German capital participation were registered in Türkiye.

In 2023, total exports reached a level of USD 256 billion, while imports totaled USD 362 billion. Thus the foreign trade balance closed out the year with a deficit of USD 106 billion, while in 2022 it was still at USD 110 billion. With a share of 8%, Germany is the most important export market and a substantial trade partner from the Turkish perspective.

Banking sector in Germany

Fundamental changes in the overall economic environment due to the outbreak of the coronavirus pandemic and military conflicts in Europe have created great uncertainty with regard to future macroeconomic developments. Nonetheless, the German banking system has proven itself to be solid and crisis-resistant, in part because of the reforms of the last few years, the implementation of regulatory requirements, and the safety buffers that have been created.

The ongoing supply chain problems and increased energy and raw-material prices are making production processes much more expensive, which places particular stress on the business sector. Following a sharp increase in new lending to companies in the period from 2021-2022, this figure has been declining since the end of 2022, in part due to the rising interest rates but also because of banks' stricter lending standards. There were also burdens due to inflation, significant wage increases, and the cost-intensive transformation toward a climate-neutral economy alongside unsatisfactory demand. There was no credit/GDP gap in 2023, which in turn shows that credit growth is developing alongside economic growth and thus there are no risks with regard to financial stability. Thanks to stability packages from the Federal Government, there was only a marginal increase in insolvencies in 2022, which remained below the pre-crisis level. After the expiration of the support packages, corporate insolvencies increased noticeably in 2023. For instance, corporate insolvencies in July, August, and September 2023, compared to the same months in the previous year, rose by 37.4%, 35.6%, and 26.7%, respectively. The risk of a larger insolvency wave remains, due to ongoing

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

ROBUST LIQUIDITY

The German financial system was able to consistently counteract the rapid interest-rate hike with a robust liquidity situation.

crises and the recession, since restrictive fiscal-policy measures and the associated increased interest rates may cause highly indebted companies in the real economy to experience rating downgrades and thus increased default rates.

Overall, defaulting loans with German banks remain low compared to the rest of Europe. In the period from September 2022 to September 2023, the rate of defaulting loans increased by 13 base points, to 1.38%.

The German financial system was able to consistently counteract the rapid interest-rate hike with a robust liquidity situation. Nonetheless, the interest increase during the business year comes with its own risks due to potential value reductions for securities. This loss is of a temporary, accounting-related nature that is not caused by increased creditworthiness risks. However, it could put profitability pressure on small banks with significant securities portfolios. So it can be assumed that exchange rate losses for securities caused by the interest increase could have negative effects on capitalization unless these are secured through risk management measures or unless surplus capital is available as a buffer. Thus far, valuation losses associated with the interest increase have been compensated by hidden reserves. Moreover, the interest increase would have a negative effect if interest on deposits increased faster than the credit yield or if customers withdrew their deposits because conditions were better elsewhere. At the same time, increasing interest rates could cause a short-term reduction in net interest income if the refinancing costs cannot be compensated by interest income with additional business. In the long term, however, it can be assumed that the banks will profit from increasing interest rates.

At the same time, the increased interest income due to rising interest margins in 2023 has had a positive effect on profitability so far, particularly because the higher interest rates have not yet been fully passed on to the deposit products. In this context, the equity capital yield for German banks rose from 3.7% in the fourth quarter of 2022 to 6.9% in the third quarter of 2023.

For 2024, Standard & Poor's also assumes that German banks will see slightly higher profits. The profit expectations are curbed by inefficient cost structures and the existing overcapacity in the German banking landscape.

The 2021 banking package from the European Commission guarantees new EU directives to strengthen banks' resilience; this marks the complete implementation of the Basel III Agreement. The current regulations ensure that banks in the European Union will be better armed against economic shocks, so they can contribute to Europe's recovery from the coronavirus pandemic and ultimately aid in the

Based on the core capital ratio, German banks are highly resilient.

transition to climate neutrality. The BaFin announced an additional package of measures in January 2022 to further strengthen the resilience of the German banking system and to improve it as a preventative measure. In this context, the anti-cyclical capital buffer will be increased as of February 2023, to 0.75% of the domestic risk items. Moreover, a sectoral systemic risk buffer of 2% will be introduced for credits hedged with residential real estate within Germany. These measures to increase capital requirements will gradually build up capital buffers for phases of stress so that losses can be absorbed during these phases.

Based on the core capital ratio, German banks are highly resilient. In 2023, the core capital ratios of German banks increased; for system-relevant banks, the core capital ratio rose from 17.1% (2022) to 17.4% (1st half of 2023). The rising core capital ratio is due largely to the increase in core capital. In an international comparison, German banks' liquidity position is satisfactory. For system-relevant banks, the average liquidity coverage ratio after the first half of 2023 was 148%, significantly higher than the required regulatory threshold of 100%.

Given this background, it is important for the banks to use the generated profits to increase their resilience so they can continue to independently overcome unexpected phases of stress. The current satisfactory profit situation offers an opportunity to strengthen the core capital and thus the resilience. In light of potential future constraints, profit distributions should be kept to a moderate level.

For many banks, the outbreak of the pandemic had an unexpectedly strong impact on how quickly internal processes and customer relationships became digitized. The positive experiences in this area will continue to speed up technologization even after the coronavirus crisis. Digitization and automation have the potential to improve customer relationships here as well as acceptance, while also improving the banks' own efficiency. In addition to rising interest rates and higher levels of credit default due to a weak economy, banks are also challenged, with advancing digitization, to counteract risks especially in the area of cyberattacks. In this context it is important to realize further investments in cybersecurity in order to reduce operational risks. The German banking supervisory authorities have ordered existing infrastructures to be further expanded and investments to be made. With the Digital Operational Resilience Act (DORA) on resilience in the financial sector, the banks' focus will be on strengthening cybersecurity and on information and communication technology.

The banking supervisory authorities are also focused on preventative measures against money laundering and terrorism financing. Because of their global interdependencies, diverse product offerings and high business volumes, banks also have a high risk of being misused for money-laundering transactions, especially during geopolitical crises. Accordingly, it is always important to implement contemporary prevention systems for monitoring, risk analysis and customer-identification measures. In this context, the German banking supervisors are preparing themselves and the banks for the coming centralized European supervisory regime, in which the Anti Money Laundering Authority will assume supervisory duties in cooperation with the national authorities.

The financial sector needed to change drastically even before the coronavirus pandemic. The market is overstaffed, and particularly banks with branch business are facing high costs. Other challenges include growing competition from international actors in the banking sector, a rapidly changing technological environment, and increasing regulatory conditions relating to liquidity and capital requirements as well as sustainability and climate change. In this context, European banking supervisors have developed concrete regulatory proposals and expanded the requirements for risk management and for the supervisory review and evaluation process to include "Environment, Social and Governance" (ESG) risks, while also implementing them in the corresponding regulations (Capital Requirements Regulation / Capital Requirements Directive).

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

SOUND CAPITAL RATIO

Turkish banks were able to keep their equity capital ratio at a satisfactory level of 18.8%.

Financial sector in Türkiye

In 2023, the external ratings agencies classified the Turkish banking sector as robust on the basis of their equity capital and liquidity position. The introduction of a strict monetary policy for the banks led to a reduction in external financing pressure. Customer deposits at Turkish banks rose by 7% in comparison to 2022, to 506 billion USD. Refinancing of Turkish banks using syndicated loans increased by 8%, to 13.9 billion USD. Loans in foreign currency make up a 32% share of total lending, which decreased by 3% compared to the previous year. Correspondingly, deposits in foreign currency also declined by 7%. In Turkish currency (TRY), the balance sheet total for Turkish banks grew by 63.9% compared to the previous year, to 798 billion USD, and loans grew by 54.0%, to 397 billion USD.

Despite global uncertainties, Turkish banks were able to keep their equity capital ratio at a satisfactory level of 18.8%. This further emphasizes the resilience of the Turkish banking sector in the face of ongoing crises at home and abroad. In this context, the statutory minimum equity ratio of 8% was significantly exceeded. Despite the existing macro-economic uncertainties, the banks' NPL rate also declined. Credit quality in terms of the development of non-performing loans has shown a positive declining trend since 2019, and at the end of 2023 it was 1.6%; in 2019 it had still been 5.4%.

These positive developments are due to the fact that the Turkish banking sector developed into one of the country's most robust economic sectors, particularly following the local financial crisis in 2001. Thanks to the strong equity capital structure of the banks and strict banking supervision, the sector is demonstrating its equally strong resilience when confronted with potential crisis situations. In order to protect themselves from the risks of refinancing during crisis periods, the institutions strongly diversified their financing sources. While the sector's focus was previously on growth, this changed during the year under review, with increased concentration on high asset quality and stable financing structures. The liquidity cover ratio for 30 days improved from 156 to 160.

Business performance

Despite the challenging operating conditions, İşbank AG is looking back at an extremely successful financial year in 2023.

The business activities of İşbank AG in the previous year, 2022, were still strongly influenced by the direct and indirect consequences of the Russian war of aggression in Ukraine and its effects on the global economy. A large degree of uncertainty with regard to the consequences of the war due to supply chain disruptions, rising material and energy costs as well as currency fluctuations in Türkiye led to a decline in

Despite the challenging operating conditions, İşbank AG is looking back at an extremely successful financial year in 2023.

business activities with customers in the 2022 financial year. The weak recovery of the global economic situation, resulting from easing supply bottlenecks, sinking energy prices and inflation rates, and a slight revival of the global economy, led to a renewed increase in loan commitments as well as customer deposits. This was accompanied by a return to an orthodox monetary policy in Turkish fiscal policy. In addition, the interest rate turnaround in Europe significantly improved the operating conditions for banks. In this context, the bank's business volume increased in the 2023 financial year, producing a 13% increase in receivables from customers and a 24% increase in customer deposits.

Alongside the decline in global economic challenges from monitoring the pandemic along with the global economic uncertainties, the 2023 financial year was shaped by extremely satisfactory and successful development in every business area. In addition, significant progress was made in terms of strategy implementation.

While efforts to digitize customer services and distribution channels were further advanced, the bank continued to invest in its robot process automation. Overall, improvements in the area of digitization reduced the cost-income ratio from 57% to 36%.

In addition to the existing credit monitoring processes, further adequate measures were implemented to monitor the credit portfolio due to the after-effects of the coronavirus pandemic, the effects of the war in Ukraine and the sanctions against Russia, and continued to be strictly implemented in the 2023 financial year. For instance, credit engagement in certain countries and sectors was gradually reduced and/or avoided, while at the same time customer groups classified as critical were subject to special supervision. In this context, the monitoring frequency was increased for certain customers and/or sectors. At the same time, sanction lists published with regard to the Ukraine war were integrated into the business strategy.

The bank's targeted transformation over the past few years–from a traditional branch business with a focus on transfers to Türkiye into a niche bank oriented toward the corporate and trade finance business– was once again solidified in 2023 despite the challenging market conditions, with significantly higher profits compared to previous years. The 2023 financial year concluded with annual pre-tax net profit of EUR 46.6. million, nearly four times as high as the previous year (previous year: EUR 11.6 million).

Thanks to the reorientation carried out even before the coronavirus pandemic as part of this transformation, from small and medium-sized commercial and retail business toward the corporate segment, the bank was able to reduce its non-performing loan (NPL) rate despite the ongoing crises–from 2.4% in 2017 to 2.1% in 2022. Due to the prioritization of the corporate segment with a focus on the trade finance business, the NPL rate in 2023 once again significantly declined, to 1.6%.

Alongside the expansion of the business volume, the main focus is on diversifying income sources. Consequently, as part of the digitization process, the bank aims to make greater use of finance portals, online banking and mobile banking as sales channels in parallel with the existing branches. Existing processes in the area of customer acquisitions, especially in the deposit business, were further optimized as part of the digitization. In addition, the area of robot process automation is gaining significance for the bank, with several thousand transactions already taking place automatically during the year under review. In this context, our digital product platform, "İşWeb," was able to increase liabilities toward private retail customers in the deposit business by 51% in 2023.

In 2023, the palette of service offerings for the "RUUT" application (formerly ParaGönder) was expanded to include additional product features, and process improvements were implemented. Checking accounts can now be opened and fixed-term deposits can be made through the app. The target markets were expanded to include France, Belgium and the Netherlands.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

NOTABLE VOLUME

The notable foreign trade volume between Türkiye and the European continent, with an emphasis on Germany, results in a high level of payment transactions between these regions.

İşbank AG has offered physical POS devices for commercial companies in Germany for several years already. In 2022, the product portfolio was also expanded to include the virtual POS business. In this context, İşbank AG, acting as the acquiring bank, offers its business customers the virtual POS business so they can realize cashless payment transactions with credit cards. With this product division, the bank was able to generate a significant contribution to the overall commission income.

The notable foreign trade volume between Türkiye and the European continent, with an emphasis on Germany, results in a high level of payment transactions between these regions. Based on the efforts to diversify the commission income and product palette, İşbank AG has also made it a priority to further strengthen its function as a correspondent bank between Türkiye and Europe. In this context, the bank functions as a correspondent for banks in Türkiye to realize import payments from Turkish companies to companies in Europe. This business plays a significant role in generating commission income and reinforces the bank's position as an important broker of trade flows between Türkiye and Europe.

In the corporate segment, the focus in the 2023 financial year remained on establishing a sustainable and diversified customer portfolio. Because of the potential for a recurring currency crisis in the Turkish target market, the bank pursued a very restrictive credit policy in choosing customers for its Turkish business. The corporate portfolio with a connection to Türkiye consists almost exclusively of customers without any open currency positions and companies that generate a significant share of their turnover from export income in hard foreign currency.

After a multinational syndicated loan for refinancing purposes had been signed for the fifth time in the financial year 2019, the bank decided–as it had in 2022–not to draw up a new syndicated loan in 2023. The main reason for this was an adequate liquidity buffer based on a broadly diversified deposit portfolio.

The issue of sustainability has now gained strategic importance and must also be taken into account in the corporate strategy and all strategy development processes. Ideally this begins with the corporate vision and mission statements, which describe the purpose of the organization. The Sustainability Committee was formed in 2021 to integrate the concept of sustainability into our company and to properly identify, coordinate, and

Initial steps were taken internally to analyze the credit portfolio according to sustainability criteria and expand it.

continuously track all the tasks and responsibilities. In addition, a high-level gap analysis was created in 2022 to ensure systematic integration of ESG aspects into the corporate strategy and ongoing consideration of these issues within our business activities.

The growing importance of ESG principles makes it essential for consumers, companies and society to proactively address the ESG challenge. Our most important motivations for sustainable activities are taking responsibility for the environment and society, avoiding reputational risk, pursuing the corporate strategy, fulfilling regulatory requirements, and expanding refinancing options. Given this background, initial steps were taken internally to analyze the credit portfolio according to sustainability criteria and expand it. In this context, criteria were implemented to define, classify, and evaluate ESG risks into the credit and risk management policies, and a multi-year limit strategy was established for ESG risks. The risk strategy and risk manual were adapted accordingly. Relevant ESG factors were integrated into the core banking system and are taken into account in financing transactions. At the social level, by improving the work environment, the ongoing goal is to make the bank more attractive for the existing staff as well as for potential employees and to maintain a healthy corporate culture.

Against this backdrop, a sustainability policy and the technical principles of sustainability management were established in coordination with the Sustainability Committee, and the associated norms and goals as well as compliant behaviors and codes of conduct were defined from these.

Income, financial and asset situation

Asset and financial situation

During the 2023 financial year, the money and capital markets were primarily shaped by the energy crisis, inflation, and the sharp rise in interest rates from the European Central Bank. Because of its conservative and foresighted strategy, the liquidity situation of İşbank AG remained at an appropriate level. As part of the consistently targeted approach for planning and implementation of sales activities, the focus remained on business activities with institutional customers in the form of financial institutions and companies from the corporate segment. As of 12/31/2023, İşbank AG therefore ended the year with a balance sheet total of EUR 2.04 billion, which was 23.8% higher than for the 2022 reporting period.

On the asset side, there was a slight increase of 24.0% in cash on hand, for a total of EUR 3.1 million. The balances at central banks declined compared to the previous year, from EUR 10.8 million to EUR 8 million, in other words by 25.8%. This decrease was particularly related to declining demand deposits with the European Central Bank.

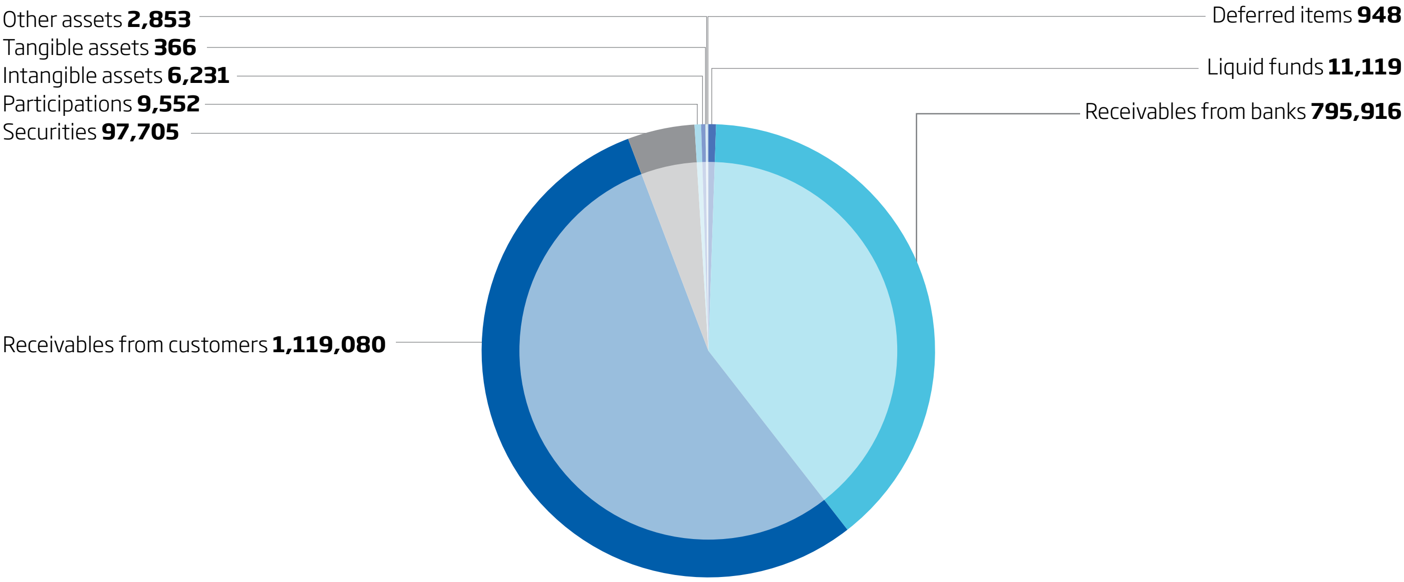
The receivables from banks displayed a significant increase of 55.4% compared to the 2022 financial year, amounting to EUR 796 million. Receivables from customers also increased by 13.3%, to a total of EUR 1,119 million. With the global easing of supply-chain pressure as well as a return to an orthodox fiscal policy in Türkiye, growth was generated especially in the institutional corporate segment for trade finance.

Bonds and other fixed-interest securities amounted to EUR 98 million at the end of the reporting year. In the previous year, the total of the securities portfolio amounted to EUR 113 million.

For Maxi Digital GmbH, the company that was acquired on June 30, 2022, shares in affiliated companies amounted to EUR 9.6 million at the end of the year, which was the same level as the previous year.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

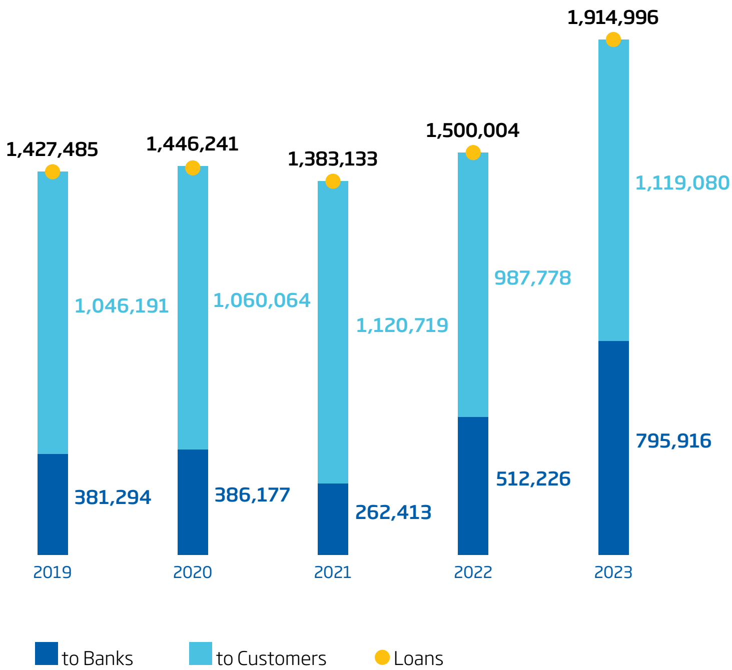
Assets, Jan. 1, 2023 - Dec. 31, 2023
in EUR thousand



EUR 1,915 million

While loans increased to EUR 1.9 billion, the shares of banks and customers were 42% and 58%, respectively.

LOANS
in EUR thousand



On the liabilities side, there was a strong increase of 60.0% in liabilities to banks, from EUR 145 million to a total of EUR 231 million. This trend is particularly due to the money market transactions with the German Central Bank. Liabilities to customers, at EUR 1,383 million, were EUR 268 million higher than the previous year. This increase was mainly due to higher private and corporate deposits with an agreed term or termination date.

As of the balance sheet date, customer deposits due daily amounted to EUR 307 million (previous year: EUR 356 million), and there were EUR 1,050 million (previous year: EUR 727 million) in time-limited customer deposits, including their interest share. Liabilities in foreign currency amounted to EUR 549 million as of 12/31/2023 (previous year: EUR 260 million).

The other liabilities rose from EUR 2.5 million to EUR 2.7 million compared to the end of 2022. Moreover, the deferrals amount to EUR 1.6 million (previous year: EUR 1.2 million). There was a significant increase of 192.7% in the reserves, from EUR 3.3 million to EUR 9.7 million. This was mainly due to higher tax accruals for back payments of trade and corporate taxes amounting to EUR 4.7 million, plus EUR 1.4 million for back payments of corporate taxes from previous years.

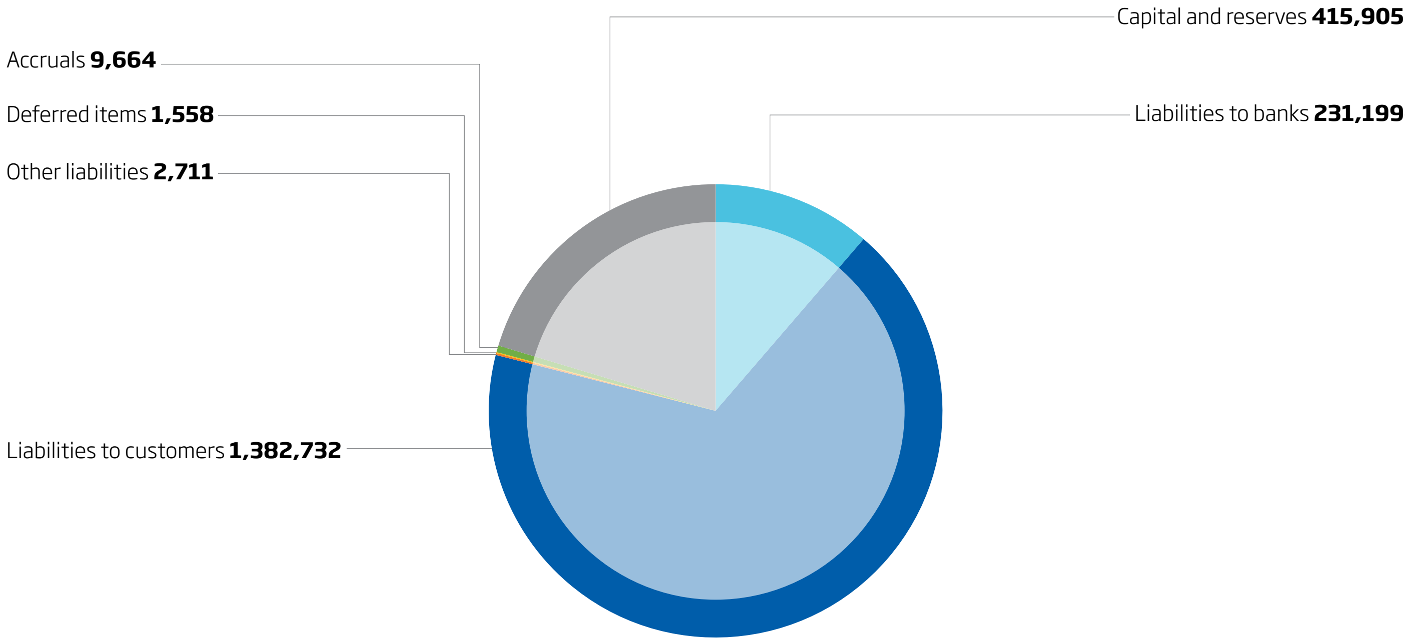
The equity capital shown on the balance sheet of İşbank AG as of 12/31/2023, amounting to EUR 416 million, was 7.8% higher than the 2022 level. The rise resulted from an increase in revenue reserves, including net profit in the amount of EUR 30.2 million. At the same time, the subscribed capital and the capital reserve were unchanged in comparison with the previous year. This represents a solid, independent capital base for future development in line with the İşbank AG strategy.

The off-balance sheet liabilities showed an enormous increase compared to the previous year. The contingent liabilities of the bank progressed as follows:

KEUR	December 31, 2023	December 31, 2023
Liabilities from guarantees and indemnity agreements	60,053	15,796
Irrevocable loan commitments	0	0

LIABILITIES, JANUARY 1, 2023 - DECEMBER 31, 2023

in EUR thousand



MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

Income situation

As in previous years, the credit business of İşbank AG largely concentrated on banks and corporate customers, while the share of retail and commercial customer business was gradually increased.

The loss-free valuation of interest-related transactions in the banking book (BFA3) utilized the periodic (P&L-oriented) method. Administrative expenses for the portfolio business, which were determined based on the P&L account for the completed financial year, as well as the anticipated remaining risk costs up through the final transaction maturity date based on expected payment defaults, were compared to cash results for the period from interest-related transactions. Pursuant to IDW RS BFA 3, no provisions needed to be created for threatened losses as of 12/31/2023.

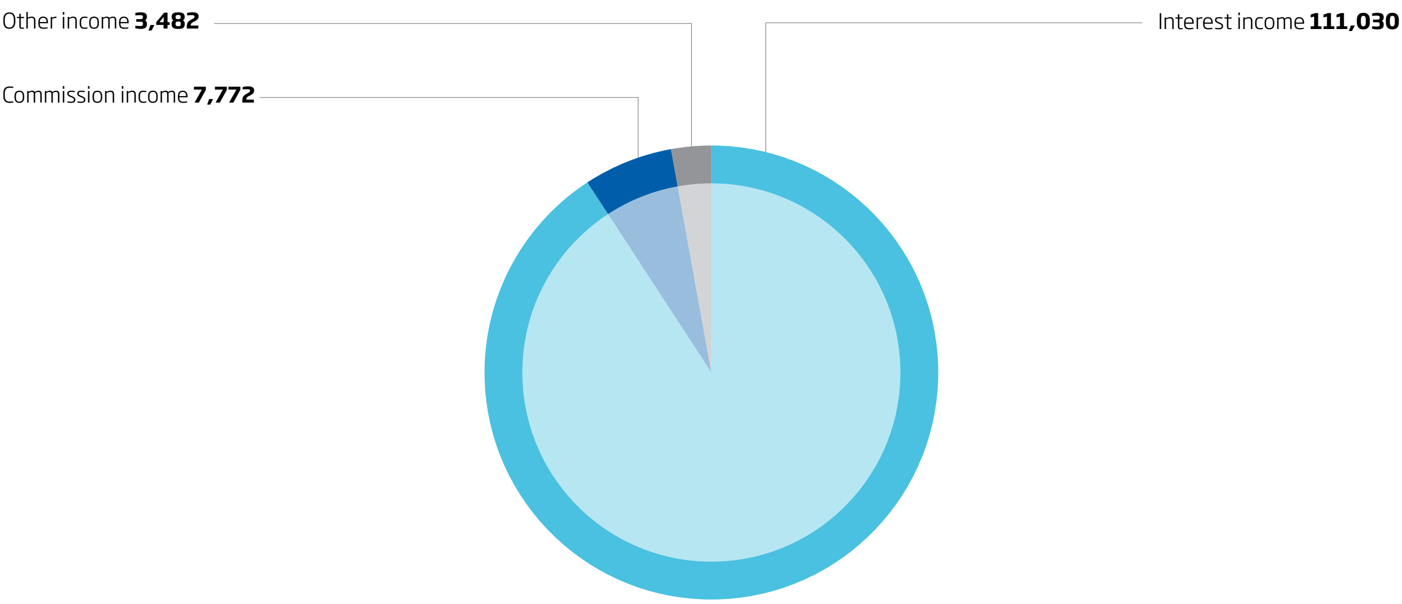
Because of the economic operating conditions - especially in conjunction with the energy crisis, inflation, and the rising key interest rates of the European Central Bank–the reporting year was once again an especially challenging year for İşbank AG. Despite these challenging conditions, İşbank AG was able to look back at a successful financial year for 2023. On the one hand, the bank did so by pursuing a restrictive credit policy. The individual income components developed as follows.

The interest surplus, as a balance of interest income and interest expenditures, amounted to EUR 71.5 million, which was EUR 32.3 million higher than the 2022 financial year. Interest income saw enormous growth of 117.3%, to EUR 111 million, and interest expenditures increased 232.4% to a total of EUR 39.5 million. On the one hand, interest-bearing money market transactions with the German Central Bank and a further increase in refinancing transactions resulted particularly from repo transactions and exchange transactions. On the other, the interest turnaround produced additional deposit income. Moreover, the interest expenditure is largely the result of customer deposits, liabilities to banks, repo transactions and cross-currency swaps.

The income is structured by geographical region, as follows:

KEUR	Germany	Netherlands	Total
Interest income	105,126	5,904	111,030
Commission income	7,248	524	7,772
Annual surplus	27,260	2,984	30,244

INCOME, JANUARY 1, 2023 - DECEMBER 31, 2023
in EUR thousand



The commission result increased significantly on the previous year from EUR 6.5 million to EUR 7.2 million. For the commission income from digital channels, the commission surplus was the main income driver in the reporting year. The commission income here increased by 12.2% in comparison with the previous year. The increase was also partly due to the high customer transactions.

The balance of other operating income during the reporting period was EUR 3.5 million, after EUR 0.6 million in the previous year. The increase results mainly from higher levels of foreign currency derivatives.

The general administrative expenses rose by 10.9% during the 2023 reporting year and amounted to EUR 26.5 million. The personnel costs increased by 12.2% due to increased variable compensation components as well as payment of an inflation premium of EUR 0.4 million, totaling EUR 13.1 million. The other administrative expenses remained nearly constant; at EUR 11.4 million, they were slightly higher than the level of the previous year. This was due to a donation made to the charity organization AFAD (AFET VE ACIL DURUM YÖNETIMI BASKANLIGI) in the amount of KEUR 496 because of the severe earthquake that destroyed a large region of Türkiye on February 6, 2023.

The write-downs and value adjustments of intangible and fixed assets increased slightly by 6.6% in the financial year, to EUR 2.9 million. This increase results mainly from write-downs for the core banking system of İşbank AG, which was procured in 2016.

As of 12/31/2023, write-downs and value adjustments of receivables and certain securities as well as allocations to provisions in the credit business totaled EUR 6 million, following EUR 8 million in the previous year.

No extraordinary expenditures were incurred during the reporting period. Tax expenses for the financial year totaled EUR 16.4 million, following EUR 3.7 million in the previous year. After consideration of these components, the 2023 financial year ended with an annual net income amounting to EUR 30.2 million.

Overall, the target for the 2023 annual result was fulfilled with a target achievement of 145.3%.

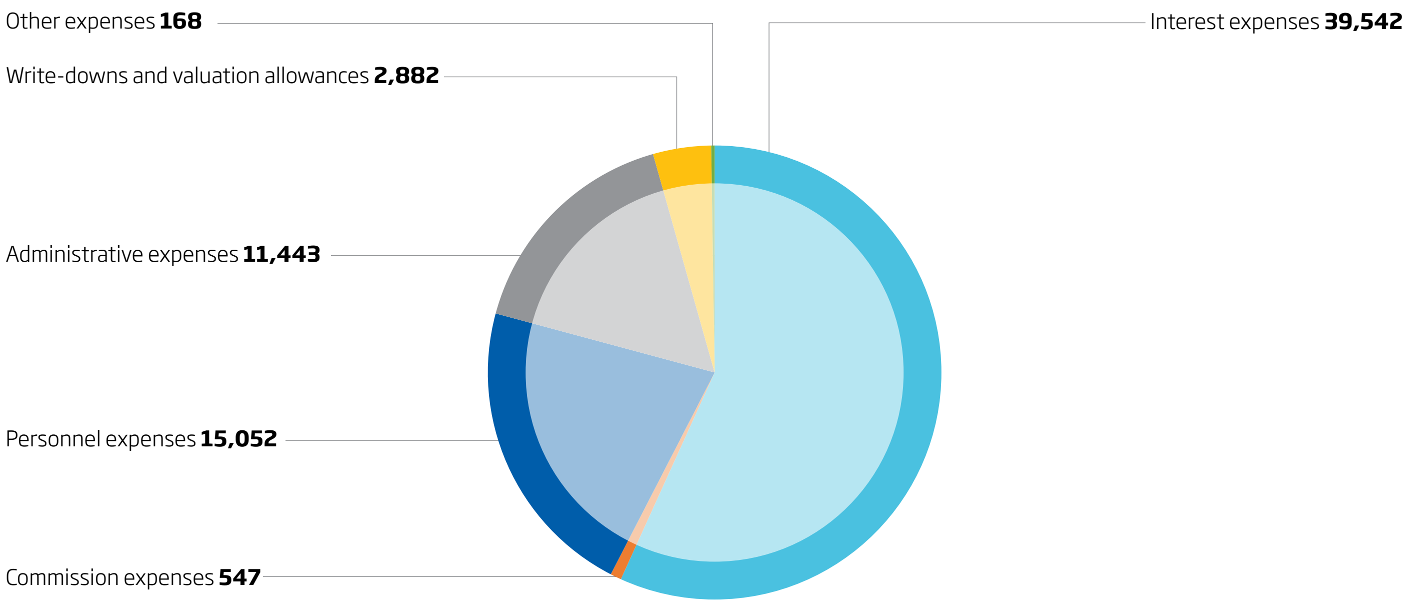
Liquidity situation

The solvency of İşbank AG was guaranteed at all times in the financial year 2023 on the basis of planned and balanced liquidity provision, and the liquidity coverage ratio required under the regulations was consistently observed. Moreover, the liquidity management of İşbank AG is able to respond to new market conditions in a timely manner. As of 12/31/2023, there were revocable loan commitments amounting to EUR 6.3 million from the unused loan facilities. There were no irrevocable loan commitments.

In the last financial year, primarily the deposit business, repo transactions, money market transactions and bilateral loans were also available to İşbank AG as refinancing options for the transaction of new business.

EXPENSES, JANUARY 1, 2023 - DECEMBER 31, 2023

in EUR thousand



MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

Important financial indicators

The principal key figures are shown below as a three-year comparison:

Indicators	Planned for 2023	2023	2022	2021
Total capital ratio1) on the balance sheet date	24.04%	24.77%	16.26%	13.85%
LCR[2) 5)]	130.00%	350.27%	292.24%	217.39%
After-tax profit as a % of average equity (ROAE)[3)]	5.42%	7.87%	2.97%	4.19%
Cost-income ratio (CIR)[4)]	47.73%	35.94%	56.98%	57.45%
Annual result in KEUR	20,822	30,244	7,901	9,102

[1)] The regulatory total capital ratio, which describes the ratio between equity (in accordance with article 92 of regulation (EU) no. 575/2013) of the bank and its risk-weighted assets.
[2)] The regulatory liquidity coverage ratio is determined in accordance with delegated regulation (EU) 2015/61 in conjunction with article 411 et seq. or regulation (EU) no. 575/2013.
[3)] The after-tax profit as a % of average equity (ROAE) is determined from the commercial annual result of the corresponding year after tax divided by the average equity of the month ends in the corresponding year.
[4)] The cost-income ratio (CIR) is the ratio of operating expenditure divided by operating income. The margin is specifically determined from the sum of the administrative expenses divided by the sum of the interest result, commission result, other net result and income from write-ups of the securities treated as fixed assets.
[5)] This is an internal benchmark.

For the entire reporting period of 2023, the internal financial indicators of İşbank AG, including the liquidity coverage ratio (LCR), were always higher than the planning data established annually by the Management Board. As of the balance sheet date, the total capital ratio was 24.77%, compared to 16.26% at the end of 2022. This was largely due to the capital increase.

Liquidity risk will be monitored using the LCR indicator so the bank can independently absorb a potential imbalance between liquidity inflows and outflows. In the past reporting year, İşbank AG significantly exceeded the required minimum volume of 130.00% with a value of 350.27%. Due to the existing uncertainties in the target markets, the bank kept the liquidity indicator at a consistently high level so it could respond appropriately to potential developments. This also had a positive effect on the annual profit, so a higher-than-planned value was achieved.

By contrast, there was a clear decline in the cost-income ratio (CIR) business indicator. The CIR indicator is an economic indicator that compares expenses with generated income. In the financial year 2023, a value of 35.94% was achieved, which was 21.04% below the previous year. The positive result clearly shows the efficiency and cost-effectiveness of the operational business at İşbank AG.

Overall statement

Taking into account the regulatory requirements, volatile market conditions and global crises as well as the necessity for restructuring internal processes in order to ensure the sustainable course of business, İşbank AG was able to fulfill its targets according to the 2022 business plan with respect to achieving a healthy transaction volume. From the perspective of İşbank AG, the business development was positive overall. The bank has adequate liquidity reserves. The financial and liquidity situation is fully compliant with the regulatory and business requirements. The executed capital increase put the bank in a position to adequately absorb potential volatility in the target markets.

c) RISK REPORT

In accordance with § 25a par. 1 of the German Banking Act (KWG), institutions must have a proper business organization, which must include in particular the definition of a business strategy that has the aim of sustainable development as well as appropriate and effective risk management, on the basis of which the risk-bearing capacity must be constantly guaranteed. Specifically, procedures to determine and ensure the risk-bearing capacity are required as an element of the risk management. The risk-bearing capacity exists if all significant risks of an institution are constantly covered by the risk coverage potential, taking into account risk concentrations. On 1/1/2023, in accordance with the regulatory requirements for calculating risk-bearing capacity, the bank switched from an outdated going-concern approach to a risk-bearing capacity statement, which considers a normative and an economic perspective in compliance with the requirements of the German Federal Bank and BaFin. Within the normative perspective, risks and capital components are projected, in compliance with the MaRisk regulations and the bank's business plan, over a period of 3 years. The primary goal is to meet the regulatory minimum requirement for the total capital ratio, both in the baseline scenario and in a fictitious adverse scenario. By contrast, the economic perspective focuses exclusively on the current existing business; in other words, it does not take planned new business into consideration. In the context of the economic perspective, all risks are quantified with a confidence level of 99.9% and are then compared to the approximate cash risk coverage potential. The goal of the economic perspective is to guarantee that the company value is always high enough to absorb even rare risk occurrences, so that the debt capital providers are always protected from losses.

The following table compares the current economic perspective with that of an unofficial parallel calculation for the previous year. For better comparability, the information for 2022 is displayed using the economic perspective process implemented as part of the new ICAAP, with a confidence interval of 99.9%:

In KEUR	Q4 2023			Q4 2022*			Change	
Risk types	**Balance**	**Limit**	**Usage rate**	**Balance**	**Limit**	**Usage rate**	**Absolute**	**Relative**
Counterparty default risk	**225,777**	**389,613**	**57.9%**	**167,799**	**341,570**	**49.1%**	***57,978***	***34.55%***
Unexpected loss	124,667	229,184		106,690	231,062		*17,977*	*16.85%*
Migration risk	18,372	34,378		16,780	30,138		*1,592*	*9.49%*
Country risk	73,187	114,592		44,329	80,369		*28,858*	*65.10%*
Participation risk	9,552	11,459		*n/a*	*n/a*		*n/a*	*n/a*
Market price risks	**14,660**	**57,296**	**25.6%**	**19,735**	**50,231**	**39.3%**	***-5,075***	***-25.72%***
Credit-spread risk	5,540	34,378		10,157	30,138		*-4,617*	*-45.46%*
Interest rate change risk	7,648	18,335		9,301	16,074		*-1,653*	*-17.77%*
Currency risk	1,473	4,584		277	4,018		*1,196*	*431.77%*
Operational risks	**5,557**	**11,459**	**48.5%**	**6,840**	**10,046**	**68.1%**	***-1,283***	***-18.76%***
Overall risk position	**245,994**	458,368		**194,374**	401,846		***51,620***	***26.56%***
Aggregate risk cover	**458,368**			**401,846**			***56,522***	***14.07%***
Usage rate	**53.7%**			**48.4%**			***5.30%***	***10.95%***

* Information for 2022 represented according to the economic perspective process implemented as part of the new ICAAP, with a confidence interval of 99.9%, for better comparability

Economic perspective of RDM	Q4 2023	Q4 2022*	Absolute V.	Relative V.
Book value of the equity capital	385,661	377,760	7,901	2.09%
Hidden reserves in the banking book (gross)	79,807	40,499	39,308	97.06%
Expected losses (lifetime) for the banking book (ex. bonds)	-16,477	-15,124	-1,353	8.95%
Expected refinancing costs for the banking book	-35,003	-13,556	-21,447	158.21%
Expected administrative costs	-10,856	-12,849	1,993	-15.51%
Profit for the previous year	0	0	0	
Profit for the current year (gross)	48,352	13,155	35,197	267.56%
General risk provisioning including § 340f HGB reserves	21,950	21,629	321	1.48%
Accrued expenses	-948	-987	39	-3.95%
Accrued commission income	1,558	1,220	338	27.70%
Intangible assets	-6,322	-7,990	1,668	-20.88%
Buffer for relevant but insignificant risks	-9,354	*n/a*	*n/a*	*n/a*
Participations – haircut	*n/a*	*-1,910*	*n/a*	*n/a*
Aggregate risk cover	**458,368**	**401,846**	**56,522**	**14.07%**

* Information for 2022 represented according to the economic perspective process implemented as part of the new ICAAP, with a confidence interval of 99.9%, for better comparability

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Both the risk position and the risk capital available to absorb losses rose in 2023. The main driver of the increased risk position was a significant increase in the credit volume with Turkish customers, which was preceded by a capital increase in 2022. In addition, the risk category "credit risk" was expanded to include participation risk, which was classified as significant in 2023, and a new 2-pillar model was introduced to quantify the operational risks.

For 2024, the bank expects capital demand for Turkish credit risks to remain the same or even decline. The reason for this is that the trend observed in 2022, a long-term downgrading of Türkiye's creditworthiness as a country, was halted by the large rating agencies in 2023. The bank's main rating agency Fitch actually increased its rating outlook for Türkiye from negative to stable in September 2023. From the perspective of the capital market, too, credit risks dropped; the CDS spread for 5-year Turkish government bonds fell below the threshold of 300 basis points in the course of 2023, from an initial approx. 500 basis points. The bank assumes that the trend of easing credit markets in Türkiye will continue in 2024, and accordingly expects to see an improvement in the country rating from the current B to at least B+. If the rating is increased to B+, the country risk would be much lower.

On the side of the risk capital, the excellent business situation in 2023 contributed to a significant increase in capital. The gross profit increased by approx. EUR 35 million compared to the previous year. The likewise significantly increased reserve in the banking book indicates that income under commercial law will also be positively affected by this development in 2024. This is counterbalanced by a significant increase in future refinancing costs; in other words, the higher interest level is now, with some delay, also leading to higher interest expenses on the deposit side.

Moreover, a new buffer was introduced for relevant but insignificant risks. This was because the total insignificant risks exceeded the internally defined significance threshold of 2% of the aggregate risk cover. The discount for participations, on the other hand, was removed in accordance with the new risk position "participation risk."

The internal control system of İşbank AG

The board of İşbank AG is responsible for establishing an appropriate internal control system (ICS). In accordance with the regulatory requirements, an internal control system was established, which includes provisions on the structural and process organization as well as on risk management and controlling processes. Overall, together with compliance and risk management, internal auditing forms the internal control system of İşbank AG.

Overall risk profile

According to AT 2.2 note 1 MaRisk, an institution must gain an overview of the overall risk profile regularly and as required. The risk management system and the processes for the identification, measurement, assessment, management, control and communication of the individual risk types are described in the risk handbook of İşbank AG and in the additional work directives. An assessment of significance is documented for all risk types and– if relevant–for their individual characteristics. The counterparty default risk (including country risk, migration risk and participation risk), market price risk (interest rate change, currency, and credit-spread risk), liquidity risk, and operational risk are identified as significant risks. All risks that are defined as significant by the institution and which can be quantified are taken into account in the risk-bearing capacity statement of İşbank AG. The liquidity risk is an exception. As the liquidity risk (or in the narrower sense, the insolvency risk) cannot be reasonably limited by risk coverage potential, separate consideration as part of the risk-bearing capacity statement is omitted and the risk (including the refinancing risk) is instead managed by means of stress tests and monitored separately, as explained below in the chapter on liquidity risk.

The risk map with the significant risks is determined in three steps:

- The general risk universe forms the overview of the basic risks associated with the operation of banking businesses and the provision of financial services.
- Starting from this general risk universe, as part of the risk inventory the risk map for İşbank AG is defined as the risk types that are actually relevant on the basis of the business activity and strategy.
- The significant risks for İşbank AG are determined on the basis of the relevant risks. If there is quantification of the risk, the threshold of significance is that a risk is classified as significant if occurrence of the risk reduces the aggregate risk cover (economic perspective) and/or the regulatory equity capital by more than 2%. If no quantification of the risk takes place, the significance is assessed by means of expert estimates / claim histories or qualitative criteria. In this context, it is also determined whether ESG risk factors have a reinforcing effect on the significant risks.

Organization of risk management

The board of İşbank AG is responsible for ensuring appropriate risk management and fulfillment of the regulatory requirements. In operational implementation, it is supported by the risk management department, risk committee, assets/liabilities committee and internal auditing.

The potential effects of the interest rate change risk and the currency risk on the assets and liabilities of the bank are addressed in the assets/liabilities committee in the light of current market developments and the general and expected economic situation. If necessary, measures are taken to reduce risk.

The area of risk management undertakes the central management, monitoring and control of the risk areas of the bank at home and abroad.

One of the core tasks of risk management is to inform the board as needed, but at least quarterly, about the overall risk situation of the bank. This allows the board to fulfill its overall responsibility for all risk areas and to take the necessary measures in time to manage and minimize these risks.

Risk reporting takes place regularly, both by risk and across risks at the overall bank level. The risk management department generates a comprehensive risk report at quarterly intervals, which is also provided to the supervisory board. This report is supplemented with a monthly report on the significant risks and risk-bearing capacity. Moreover, ad hoc reports are also scheduled as required.

Monitoring of the loan business with respect to compliance with the statutory requirements and internal competence provisions is the responsibility of the loan department. This is subject to the back office board member. The loan department monitors the trading activities of the bank on the basis of IT-aided instruments and guarantees compliance with the set trading limit.

Business and risk strategy

Effective risk strategies are essential in order to achieve sustainable, smooth and profitable growth. The risk management of İşbank AG is subject to a continuous optimization process and regularly reviews the methods and management approaches used with respect to their efficiency and suitability in the light of the current business development.

Risk types

Various risks therefore arise from the business activity of İşbank AG, which have been systematically identified and assessed by the board together with the departments responsible. The risks identified as significant and assessed as part of the risk assessment process are shown subsequently, after implementation of risk limitation measures (net presentation):

- Counterparty default risks (including country risk, migration risk and participation risk, issuer risk and collateral risk),
- Market price risks (interest rate change, currency, and credit-spread risk),
- Liquidity risks,
- Operational risks.

For each significant risk type, it was additionally investigated whether there is an impact on the asset situation (including capital base), income situation and/or liquidity situation.

Counterparty default risks

The counterparty default risk defines the risk of occurrence of a loss as a result of default or downgrading of the credit rating of an external counterparty. In addition to the counterparty-related credit risk, there is also the country risk in the case of cross-border capital services as well as the general participation risk.

The counterparty default risk for İşbank AG includes the following significant risk types:

- Default risk (including issuer risk and collateral risk)
- Country risk
- Migration risk
- Participation risk

Pursuant to § 94 par. 1 CRR and MaRisk, İşbank is defined as a 'non-trading book institution' and the scope of its balance-sheet and non-balance-sheet trading book activities is limited to EUR 50 million. The risks resulting from the use of financial instruments are considered to be low, since İşbank uses financial instruments only for the purpose of risk reduction and/or for hedging risks rather than building speculative positions. All derivative transactions are concluded exclusively with credit institutions that have a first-class credit rating and a Credit Support Annex (CSA) that fulfills the requirements of the International Swaps and Derivatives Association (ISDA). For this reason, the counterparty default risk is considered insignificant.

To calculate the regulatory equity backing for credit risks within Pillar 1, İşbank AG uses the standardized approach for credit risk provided in the CRR. The risk position for credit risks is EUR 2,185 million as of December 31, 2023.

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	Types of receivables						
in KEUR	Centralized states	Institutions	Companies	Bulk business	Participations	Other	Total
Total (without risk reduction techniques)	481,121	484,334	1,185,397	19,105	9,552	5,135	**2,184,644**
Loans	448,097	388,545	1,134,699	13,001	9,552	5,135	**1,999,028**
Items below the line (consents, guarantees)	721	15,158	50,699	6,104	-	-	**72,682**
Securities	32,303	65,402	-	-	-	-	**97,705**
Derivatives	-	15,229	-	-	-	-	**15,229**

One key instrument, both for risk assessment in the case of individual risks and for managing and monitoring counterparty default risks, is the 15-stage rating process developed by CredaRate GmbH. The following overview shows the rating distribution of the loan portfolio as of December 31, 2023.

Rating classes	Risk content	Probability of default	Proportion (%)
1 to 8	Very low to average default risk	< 1.2%	22.2%
9 to 12	Slightly elevated default risk	< 6.25%	76.0%
13 to 15	High / very high default risk	< 20%	1.7%

Moreover, loan commitments are audited regularly to determine whether there is a need for risk provisioning. Based on the implemented methods, organizational rules, and IT systems, we are able to identify risks at an early stage and to take appropriate management measures at the group level as well as at the level of individual management units. If the bank has information that indicates a worsening of economic circumstances, an extraordinary audit is carried out.

Contrary to what was feared, no adverse developments have yet materialized as a result of the war in Ukraine. The bank has sufficiently high capital buffers that there is no danger to its risk-bearing capacity. Lending occurs selectively in order to actively prevent a potential adverse development in the credit portfolio.

İşbank AG considers the counterparty default risks both on the level of individual borrowers and in the portfolio context. The aim here is to identify, limit or avoid both disproportionately high individual risks and the formation of concentration and portfolio risks.

Management and control of counterparty default risks

The counterparty default risks are managed on both the individual loan and portfolio level. To do this, İşbank AG relies on limit systems for the individual credit risk, country risk and industry risk. Here, the country risk for Türkiye is appropriately monitored and limited in addition to the requirements of the Auditing Association of German Banks. A further limit is set through the overall portfolio and as part of the risk-bearing capacity statement. At the individual loan level, İşbank AG uses risk classification systems for grading risk.

The counterparty default risks are monitored constantly through limit monitoring and risk developments as well as analyses of the limit uses. İşbank AG reviews industry and country limitations according to business development and makes adjustments to the limit system if applicable.

Counterparty default risks are included in the risk limitation on the basis of the aggregate risk cover.

Risk identification instruments and sources

With regard to risk identification, there are essentially two instruments:

1. Monitoring of payment problems

2. Risk classification

Payment problems are monitored daily by the loan department or by the branches. Furthermore, payment problems are reported by means of corresponding reports to the board and to the areas/ departments concerned.

Risk measuring methods/processes

Expected losses with regard to the default risk and issuer risk as well as unexpected losses are included in the risk-bearing capacity statement. A value-at-risk approach is taken as the basis for this, which is calculated using an asset value model commonly known by the name "CreditMetrics." The individual model parameters are configured in consideration of regulatory standards and on the basis of conservative internal estimates. Using a Monte Carlo simulation, which also takes into account expected future revenue from securities (through recovery rates), the credit risk is determined for a one-year horizon as part of the economic perspective on the basis of the 99.9% percentile. As part of this calculation, the country risk and migration risk are also taken into account.

Consideration of country risk: For banks, this is done by applying the country cap; in other words, the individual bank rating is compared to the rating for the home country, and then the lower of the two ratings is used. For all other customer types, the individual customer rating is increased by a country-specific surcharge according to the new method for quantifying country risk that was introduced in 2022. The difference between the default risk amount based on individual ratings, compared to the default risk calculated using ratings adjusted for country risk, corresponds to the country risk.

Consideration of migration risk: In accordance with the regulatory requirements for the risk-bearing capacity statement, migration risk is also quantified at the level of the individual customer. Here the individual customer ratings are increased by one level and then the default risk is recalculated. As with the approach for country risk, the difference between the default risk amount based on individual ratings, compared to the counterparty default risk calculated using ratings increased by one level, corresponds to the migration risk.

Finally, the position "participation risk" was added to the counterparty default risk in 2023. In this context, a conservative general focus is placed on the book value of the existing participation.

Market price risks

At İşbank AG, the potential losses that could arise from changes to market parameters are defined under market price risks.

İşbank AG divides its market price risks into the following sub-risks:

- Interest rate change risk
- Currency risk
- Credit-spread risk

The realization of market price risks poses the danger of a reduction in the aggregate risk cover, although its causes are different for the individual risk types: for the bank, the interest rate change risk arises from differences in the fixed-interest periods and interest adjustment options between asset and liability items, whereas the currency risk arises from an asset or liability surplus in foreign currencies. The credit-spread risk, on the other hand, always exists when the bank's portfolio contains securities traded in the market, and it arises when there is an unexpected expansion of the credit spread with the corresponding valuation effects.

The trend of sharply rising interest rates that began in 2022 continued in the first half of 2023. Because the average residual term on the asset side of İşbank AG is approx. 11 months, and only 11.8 months on the liabilities side, the massive change in interest did not cause significant distortions in the banking book. Only the long-term holdings in the bond portfolio saw an interest-induced reduction in value, which was more than compensated by a simultaneous convergence of the credit spread. Overall, the bank saw a strong profit from the recent interest trend, since the deposits that continue to be generated well below market level were placed on the market as high-margin loans under current conditions.

Management and monitoring of the market price risks

General

Market price risks are managed through individual measures on the basis of the specific risk characteristic. The board, risk committee and operational entities have an obligation to monitor the market price risk, check the risk limit usage rate and intervene if necessary. On the basis of analyses of the accounting system, the board decides on the respective measures to be taken, e.g. such as raising financing resources with the same deadline, using swap transactions for interest rate hedging or using derivatives for hedging currency positions; the treasury department is responsible for implementation.

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a) Interest rate change risk

As part of the regulatory reporting system, İşbank AG calculates the present value interest rate change risk at least once per quarter, in line with the regulatory requirement in accordance with circular 6/2019, "Interest rate change risks in the banking book," of the German federal financial supervisory authority.

As part of the risk-bearing capacity statement, the interest rate change risks are additionally determined using a historic simulation. The interest rate change risk investigates potential negative changes in the aggregate risk cover based on valuation changes, and is determined for a one-year horizon on the basis of the 99.9% percentile.

b) Currency risk

Currency risks arise as part of the daily reassessment of asset and liability surpluses and derivatives in foreign currency and of the associated effect on the aggregate risk cover.

The open risk position corresponds to the net cash value of the banking book for each foreign currency, adjusted for anticipated losses. A historic simulation is used to investigate how the foreign currency's cash value can change over a one-year period. The greatest negative change corresponding to the 99.9% percentile produces the risk value.

c) Credit-spread risk

Credit-spread risks are the negative value change of bonds due to an increased credit spread. To quantify the risk, the current credit spread for each bond is increased by one notch according to the migration risk. The amount of the adjustment factor here depends on the current issuer rating. Then the value of the bond is redetermined on the basis of the increased credit spread. The difference between the risk value and the current market value determines the credit-spread risk for a bond.

Risk identification instruments

a) Interest rate risk

The fixed-interest balance and, based on this, the calculation of the interest rate change risk by means of historic simulation, which is carried out monthly, serves as an instrument for monitoring the interest rate change risk.

b) Currency risk

The currency risk is monitored through a daily analysis of open positions (on the balance sheet) and a monthly evaluation as part of determining the risk-bearing capacity (cash value).

c) Credit-spread risk

The credit-spread risk is monitored first of all through a daily review of the limit with regard to the proportion of bonds in the overall portfolio. In addition, the risk is quantified on a monthly basis as part of determining the risk-bearing capacity.

Operational risks

İşbank AG defines the operational risk as the risk of damage as a result of human error, the inadequacy of internal processes and systems, and external events.

The operational risk comprises the following significant risk types:

- Operational risks in the narrower sense,
- Legal risk,
- Compliance risk,
- Fraud risk,
- IT risk,
- Outsourcing risk.

Risk identification, measuring and management instruments for operational risks

The identification and especially the measurement of operational risk are complicated as a result of the diversity of the risk factors. İşbank AG makes an assessment annually of the existing operational risks using self-assessments. This is a qualitative instrument. In addition, a loss database is maintained in the area of risk management to measure the (incurred) operational risk.

For risk management, İşbank AG relies on instruments including the following, depending on the specific risk factors:

- insuring risks,
- controls and the principle of dual control in the case of essential activities, current working directives,
- training employees,
- contingency planning and contracts with service providers for the contingency,
- personnel planning,
- involving the legal department in the case of uncertainty concerning legal matters,
- assessment of risks from outsourcing through risk analysis and continuous monitoring in the outsourcing committee,
- monitoring of IT risks by the "IT Security & Process Management" group and as part of the IT risk committee,
- continuous monitoring of compliance with regulatory and statutory requirements by the compliance department.

The operational risk is included in the risk limitation on the basis of the risk-bearing capacity.

To measure operational risk within Pillar 2, İşbank AG applies the new standard approach according to CRR 3, which must be implemented for all institutions beginning in 2025. The capital demand according to the standard approach will be scaled using adjustment factors within the risk-bearing capacity statement; these factors depend on the entries in the loss database for the last 10 years and/or the results of the annual self-assessment. The adjustment factor based on the loss database can also have a value smaller than 1. Accordingly, using the economic perspective, the adjusted risk value within the risk-bearing capacity statement can be higher or lower than in Pillar 1.

Management and monitoring of operational risks

The operational risks are monitored and managed on the one hand as part of the quarterly risk report or the management instrument described above. On the other hand, all employees of İşbank AG are involved in the monitoring and management in order to ensure timely identification of operational risks that occur, newly appearing or changing risk factors and the derivation of measures.

Risk-bearing capacity and stress testing

In accordance with § 25a par. 1 KWG, banks are obliged to establish appropriate and effective processes to calculate and sustainably ensure their risk-bearing capacity. The economic perspective of İşbank AG focuses primarily on balance-sheet and P&L values, supplemented by present-value components. The risk-bearing capacity exists if all significant risk types are constantly covered by the risk coverage potential. Based on this, limits are defined for the significant risks. To define the limits, a distribution key is defined/reviewed annually, according to which the available aggregate risk cover is assigned to the individual risk positions. This is dependent on the risk appetite of İşbank AG and distributes the available aggregate risk cover relative to the individual risk positions. At present, the warning threshold for the total upper loss limit is equal to 90% of the aggregate risk cover.

The risk-bearing capacity statement used by Isbank AG fulfills the requirements of the guideline published jointly by the German federal financial supervisory authority and the German Central Bank on May 24, 2018, “Regulatory assessment of internal bank risk-bearing capacity concepts and their procedural integration into overall bank management (“ICAAP”) – reorientation.”

The risk-bearing capacity exists if the overall risk position is covered by the risk coverage potential. The ratio of overall risk position to aggregate risk cover on 12/31/2023 was 53.7%. The risk-bearing capacity therefore existed as of this reference date, as well as every other measurement point during the year. For further details of individual risk positions and the aggregate risk cover, we refer to the complete overview of risk-bearing capacity at the beginning of this section.

Taking into account risk concentrations, İşbank AG regularly schedules the performance of stress tests for the risks that are significant from the perspective of the bank, as part of the risk-bearing capacity statement. In this, it relies on appropriate historical and hypothetical scenarios, taking into account the strategic focus of the bank.

In order to ensure consistency of the individual risk-specific stress scenarios with one another, an overall bank stress test was developed, starting from a higher-level macroeconomic scenario, from which individual stress tests are derived for the individual risk types.

İşbank AG uses two different stress test processes: multiple-risk-type and risk-type-specific stress tests. The effects of an extreme deterioration in the overall economic situation (decline in GDP, rise in unemployment rate) and a sharp fall in prices in the property markets are simulated in the multiple-risk-type stress test. Furthermore, as part of the risk-type-specific stress tests, further scenarios are added to the scenario for the multiple-risk-type stress test.

As part of the risk-type-specific stress tests, four different scenarios are used for the counterparty default risk:

- A deterioration of all ratings by one level and a flat-rate reduction of the recovery rate by 20%,
- A downgrading of the country rating for Türkiye by one rating class,
- Default of the group/customer with the greatest utilization (excluding banks and financial institutions),
- Default of the Turkish bank with the greatest utilization.

For the market price risk, synthetic and historic scenarios are used to check which economic effects the changes in interest rates could have in light of the current fixed-interest balance. For FX scenarios, the open currency position is taken as the basis for the stress testing.

As the expansion of the credit spreads in the bond portfolio can have a negative effect on the risk-bearing capacity of the bank by taking into account hidden charges and reserves within the aggregate risk cover, the bank integrated a corresponding test into the regular reporting in 2018.

Moreover, the scenarios of IT failure and cyberattacks are considered for operational risks.

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Considering the strategic focus of the bank, appropriate historical and hypothetical scenarios are used. The risk-bearing capacity in the case of stress is likewise assessed on the basis of the risk coverage potential usage rate.

In addition to the stress tests described above, İşbank AG also performs inverse stress tests at quarterly intervals for the credit and market price risk. Here, the parameters (PD, interest, etc.) are adjusted until it can be assumed that the business model is no longer sustainable.

Liquidity risk

İşbank AG understands the term liquidity risk to mean that the bank can no longer meet its payment obligations.

Risk identification, measuring and management instruments for liquidity risk

The following instruments are available in connection with this:

- The liquidity coverage ratio and the net stable funding ratio are calculated daily and/or weekly by the reporting department and communicated to the relevant departments.
- In addition, a survival horizon is calculated daily by the risk management department and communicated to the relevant departments.
- Moreover, various internal liquidity indicators, e.g. a customer's maximum proportion of the overall deposits or the proportion of demand deposits, are used to ensure a stable and diversified refinancing basis.
- "Liquidity Report" list (generated by the money and foreign currency trading department): A liquidity report of the maturity profiles of all receivables and liabilities is generated regularly and published on the portal. The money and foreign currency department generates a liquidity contingency plan annually.
- The risk management department performs a stress test on the basis of 3 different scenarios (an institute-specific, a market-wide and a combined scenario) and compares the results with those of the previous quarter.
- Monthly ALCO committees as well as the FTP pricing system: the money and foreign currency trading department is responsible for reporting on the current liquidity situation and significant inputs and outputs each month in the asset/liability committee or the asset/liability management committee with the involvement of the risk management, loan, financial management, retail and business banking, and corporate banking departments.

Management and monitoring of the liquidity risk

Depending on the development of the key figures and/or scenarios described above, specific measures are taken, which include:

- Early external fundraising,
- Fundraising through the parent company,
- Liquidation of deposits with the German Central Bank or sale of/ borrowing against securities.

Liquidity risk tolerance

İşbank AG defines appropriate risk tolerances for liquidity risks and takes appropriate measures to ensure compliance with them. The maximum tolerable level of liquidity risks is defined in each case.

The liquidity risk tolerances extend to the:

- Liquidity reserve (liquidity buffer),
- Maturity bands and
- Determination of the survival period.

Liquidity reserve

To guarantee solvency, especially in the case of short-term liquidity shortages, a liquidity reserve of liquid and high-quality securities is held, with which additional liquidity can be generated in the case of stress through repo transactions with the German Central Bank.

Fixing of maturity bands

Solvency and the optimization of the refinancing structure payment flows are ensured on the basis of a liquidity coverage ratio. A traffic light system based on risk tolerance figures was implemented to this end, which ensures the early identification of risks and the corresponding initiation of measures.

Survival horizon

The survival horizon means the period for which İşbank AG is able to survive in the case of liquidity outflows and no new liquidity inflows. The cash flow statement prepared and continuously updated by the money and foreign currency trading department serves as the basis for calculation of the survival horizon.

Refinancing risk

The refinancing risk generally means the risk of the bank's no longer being able to maintain the desired refinancing level. An analysis of historical refinancing conditions showed that refinancing costs, expressed as a surcharge on riskless interest, remain stable even in the case of extreme stress events like those that occurred in the past 3 years. Depositors' trust in the security of their deposits was identified as the reason for this. On the basis of these observations, the refinancing risk was classified as fundamentally relevant, but insignificant in terms of the amount.

Concentration risks

In general, the concentration risk at İşbank AG can primarily materialize in the counterparty default risks. A concentration in the counterparty default risks occurs if the risk becomes concentrated through certain factors and the diversification of the portfolio is limited as a result of this. In accordance with our risk strategy, the loan portfolio is managed based on defined limits for industries and countries. In addition, the granularity of the portfolio is also monitored on the level of borrowers, such that the occurrence of concentrations is largely limited. Concentration risks exist for İşbank AG largely with respect to Türkiye, the home market of our parent company. This risk concentration is assessed by restricting the credit volume with customers in Türkiye, using an absolute commitment limit for Türkiye that is defined in close cooperation with voluntary deposit protection. In addition, the bank works closely with the loan department of the parent company when granting loans to Turkish companies and banks. Through its many years of experience in the Turkish loan market, the parent company has developed a corresponding core competence and is able to assess such credit risks very effectively. This can be seen from the circumstance that no significant default risks have been realized at İşbank in recent years, despite the tense economic operating conditions.

d) OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

Overall economic situation

Geopolitical tensions will remain a significant uncertainty factor for 2024 and have further increased with the intensifying conflict in the Middle East. Nonetheless, despite the high inflation of recent years and the necessary fiscal tightening measures, the global economy proved to be resilient.

The economic momentum of the global economy slowed in the second half of 2023, and support came primarily from the United States due to its strong domestic demand. For the time being, the consumer outlook is expected to remain sluggish worldwide. Early signs of a slowdown in interest-increasing measures by the central banks could lead to real wage increases; accordingly, the increase in private consumption would spur global economic growth. The strict fiscal policies of the central banks are expected to reduce the inflation rate from 6.8% (2023) to 5.8% (2024). Another sign of recovery for the global economy is a reduction of the high warehousing levels that resulted from the supply-chain disruptions. The resulting rise in new business would also lead to a moderate increase in global trade. Given this background, global economic growth of 3% is expected for 2024. While growth of 1.5% is projected for the Western industrialized countries, the expected rate for emerging countries is 4.1%. Nonetheless, these expectations are below the historic growth level of 3.8% from 2020.

For the German economy, forecasts were once again significantly revised downward in February 2024, and economic growth of just 0.2% is anticipated for 2024. This is particularly due to energy prices and/or the expiration of energy-price braking measures, with a dampening effect on consumption. In addition, the slowed growth in China due to its high interdependencies with the German economy had a dampening effect on German foreign trade. Other major structural challenges that hindered the economy included bureaucratic hurdles that negatively impacted innovation and investment. Thus internationally, the German economy is lagging behind other European industrialized countries. While a growth rate of 0.9% is projected for the EU, the growth rates for Spain, Italy, and France are 1.5%, 0.7%, and 0.6%, respectively. For the United States, growth of 2.1% is projected. For consumer prices, a value of 2.8% is expected, a much smaller increase than in previous years.

On the one hand, the Turkish economy is shaped by fragile external financing as a result of its large import dependency, interventionist macroeconomic measures and geopolitical tensions. On the other, these risks are balanced out by a diversified economy and low government debt. Higher growth in the emerging countries compared to the industrialized countries, and the possibility of interest-rate reductions by the US Federal Reserve in the course of 2024, are expected to cause a sharp increase in net capital flows in the emerging countries in 2024. The purchasing manager index for the manufacturing sector of the Turkish economy rose from 47.4 to 49.2 at the start of 2024, which in turn indicates a slight improvement. Against this background, economic growth of 3.1% is assumed for the

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

Turkish economy. This would make the projected 2024 growth higher for the Turkish economy than the assumptions for the G20 countries (2.8%) or the OECD countries (1.4%). Internationally, other countries showed only slowed growth or had trouble maintaining a balanced economy; but Türkiye saw a fairly high percentage of annual growth for the gross domestic product. With a quickly growing population and one of the fastest-growing national economies in Europe, Türkiye has been able to keep its unemployment rate stable for the last ten years.

In terms of fiscal policy, the Turkish Central Bank is expected to continue its strict fiscal-policy measures in order to counteract inflation pressure. Key interest rates were most recently increased at the end of 2023, to 42.5%. In February 2023, this value was still just 8.5%. In March 2024, Fitch increased Türkiye's creditworthiness/rating to B+. At the same time, the strict fiscal policy led to an improved forecast, from stable to positive.

In summary, particularly in terms of trade with Europe, there will be opportunities for local producers in Türkiye if they can present themselves as an alternative to deliveries from China or other countries strongly impacted by the pandemic. The war in Ukraine, too, along with the departure of countless companies from the Russian market, could mean an opportunity for Türkiye as an alternative manufacturing location. The processing sector in Türkiye is broadly positioned, which means there are opportunities for the automotive, chemical, steel and textile industries. Overall, these developments mean that the target customer portfolio of İşbank AG is growing in the area of corporate banking, and particularly in the trade financing business. The target customer portfolio here includes European companies with investments in Türkiye, as well as companies in Türkiye with European trade relationships.

Development of İşbank AG

The economic development of İşbank AG in recent years shows that the bank has a stable and future-oriented business model that has been able to withstand local and global crises. Despite a challenging macro-economic environment, the bank's business model once again proved successful in 2022. This is reflected by the fact that it had its most successful income situation since the founding of the bank. The main success factors include a conservative risk profile combined with effective risk management, as well as a solid equity base and a broadly diversified refinancing structure. Thus the bank's business orientation is sustainable, so it can use its know-how in the existing business areas to achieve continuous growth, while also making the best possible use of opportunity potential. In particular, this includes the bank's consistently positive development by expanding the business areas into the digital market.

For the 2024 financial year, İşbank AG anticipates further risks for the short-term economic forecast and a slow economic recovery.

For European economic growth, a rate of 0.7% is assumed for 2023. In 2024, the IMF expects growth to increase to 1.2%. For Germany, in turn, slow economic growth of just 0.2% is assumed, largely driven by declining inflation and satisfactory employment figures. Ongoing geopolitical risks in Europe and the conflict in the Middle East, modest economic prospects, and the associated investment delays by European companies in the Turkish business will play a not insignificant role in achieving the bank's targets.

Because of these uncertainties and the potential threat of a banking crisis, there could be negative effects for the earnings situation in particular. However, thanks to its solid equity capital situation, İşbank AG has the necessary flexibility to act according to the future market conditions. If the effects of the war do lead to a multi-year recession in our target markets, İşbank AG has enough of a capital buffer to manage the crisis successfully. With regard to the anticipated economic effects of the geopolitical conflicts, İşbank AG is thus also prepared for a longer downturn. The current equity ratio of approx. 27.4% forms a solid buffer for this.

At the same time, there are also positive signs of a slow recovery in the global economic situation. While the supply chain has recovered from the problems caused by the coronavirus pandemic, the global trade activities for the coming year can be viewed with cautious optimism. The IMF projects an increase in global trade growth in 2024 to 3.5%. That would put trade growth significantly above the projected value of 2023 (0.9%), but still below the average for 2000-2019 (4.9%). Overall inflation declined due to a strict monetary policy and sinking energy prices. The decline in overall inflation means that the risks of a global banking crisis have lessened.

A return to a more conventional fiscal policy in Türkiye, associated with an increase in macro-financial stability, are positive signs for the country's future development and thus for trade between Europe and Türkiye.

Against this background, İşbank AG anticipates growth in both the deposit business and the loan business. At the same time, the disciplined continuation of the existing restrictive credit strategy should increase the balance sheet total by 2%. As the global economic situation eases, the bank will be in a position to increase its credit volume accordingly as global trade grows and investments expand. The goal is to increase customer credits by 14% and to grow customer deposits by 17%. As the business volume grows, the objective is to increase profits appropriately in 2024 by 15%.

Despite the challenges described above, İşbank AG considers the overall business prospects to be more positive in comparison to previous years. Previous experience with the payment behavior of our customers in the corporate segment with a connection to Türkiye has shown that, thanks to their solid capital and liquidity structure, our portfolio of borrowers is resilient when faced with internal as well as external crises. Therefore no noteworthy credit defaults are expected.

As an important part of the business strategy, İşbank AG has set a target of eliminating obsolete processes while further advancing digitization and dealing with the associated challenges. We see the digital transformation as a trend-setting challenge for the future of the banking and finance sector.

To establish a successful sustainability concept and to ensure responsible handling of social, ecological and economic development goals, all stakeholders within our company will continue to collaborate closely in 2023. Through the sustainability committee, managers will regularly continue to explore future-proofing measures with the board and jointly compile the necessary regulations. Specifically, the 2024 action plan includes defining a risk strategy with a concrete risk appetite and implementing the ESG components in the risk handbook. Moreover, the sustainability policy must be continuously updated, and quantitative and qualitative sustainability targets must be developed.

The bank is developing meaningful benchmarks in order to derive meaningful non-financial indicators.

In summary, based on the expected increase in interest income, the return on equity will be increased and the projected profit will be retained in full, thereby once again strongly increasing the bank's equity ratio. Liquidity continues to be planned on the basis of the internal benchmark.

Overall, İşbank AG has successfully proven its resilience during the last few years, which were characterized by numerous crises. With growing equity capital, it is thus in a solid position for the coming challenges. Despite the continuing economic volatility, the annual result for 2024 is expected to be higher than in 2023.

e) DEPENDENCY REPORT

The board of İşbank AG declares:

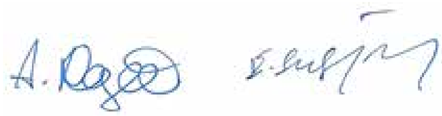
"We declare that İşbank AG in Frankfurt am Main received an appropriate consideration for each legal transaction according to the circumstances known to us at the time when the aforementioned legal transactions were performed. At the instigation or in the interest of the companies associated with it, measures were neither taken nor omitted, through which a disadvantage can be excluded."

f) ASSOCIATION MEMBERSHIPS

The bank is a member of the Association of German Banks and of regional banking associations. Furthermore, it is a member of the Association of Foreign Banks in Germany. As a member of the Auditing Association of German Banks, it participates in the deposit protection fund of private banks in Germany.

Frankfurt am Main, March 28, 2024

The Management Board



Ayşe Doğan	Emir Serdar Gülpınar
Member of the Management Board	Member of the Management Board

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023 WITH INDEPENDENT AUDITOR'S REPORT THEREON

Balance sheet as of 12/31/2023 of İşbank AG, Frankfurt am Main

Assets			
	12/31/2023		Previous year
	EUR	EUR	EUR
1. Cash reserve			
a) Cash on hand	3,120,400.59		2,515,602.54
b) Balances with central banks	7,998,726.43		10,772,244.59
of which:			
with the German Central Bank			
EUR 7,998,176.40 (Previous year: EUR 10,771,242.16)			
		11,119,127.02	**13,287,847.13**
2. Receivables from credit institutes			
a) due daily	5,757,181.11		2,630,775.01
b) other receivables	790,158,924.40		509,595,389.00
		795,916,105.51	**512,226,164.01**
3. Receivables from customers		1,119,079,574.59	987,778,144.25
of which:			
secured by encumbrances: EUR 33,039,040.13 (Previous year: EUR 52,610,746.00)			
Municipal loans: EUR 0.00 (Previous year: EUR 0.00)			
4. Bonds and other fixed-interest securities			
a) money-market instruments			
aa) from other issuers	0.00		0.00
of which: eligible as collateral at Deutsche Bundesbank			
EUR 0.00 (Previous year: EUR 0.00)			
b) loans and bonds			
ba) from public issuers	32,302,967.81		25,612,973.96
of which: eligible as collateral at Deutsche Bundesbank			
EUR 0.00 (Previous year: EUR 0.00)			
bb) from other issuers	65,402,244.50		87,822,586.87
of which: eligible as collateral at Deutsche Bundesbank			
EUR 0.00 (Previous year: EUR 7,048,570.12)			
		97,705,212.31	**113,435,560.83**
5. Shares in affiliated companies		9,552,000.00	9,552,000.00
6. Intangible assets			
Paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets	6,231,143.00		7,989,846.95
		6,231,143.00	7,989,846.95
7. Property, plant and equipment		365,618.85	609,316.64
8. Other assets		2,853,017.47	5,618,115.41
9. Deferred income		947,929.15	987,493.51
Total assets		**2,043,769,727.90**	**1,651,484,488.73**

Liabilities			
	12/31/2023		Previous year
	EUR	EUR	EUR
1. Payables to credit institutes			
a) due daily	5,192,456.61		13,230,014.72
b) with an agreed term or termination date	226,006,648.64		131,284,193.87
		231,199,105.25	**144,514,208.59**
2. Payables to customers			
a) savings deposits			
aa) with an agreed termination period of three months	24,590,335.65		30,886,149.94
ab) with an agreed termination period of more than three months	367,019.59		730,346.57
b) other liabilities			
ba) due daily	307,349,580.72		355,985,911.04
bb) with an agreed term or termination date	1,050,424,982.93		726,717,586.68
		1,382,731,918.89	**1,114,319,994.23**
3. Other liabilities	2,711,104.32	2,711,104.32	2,467,415.79
4. Deferred items	1,558,348.44	1,558,348.44	1,219,753.10
5. Accruals			
a) tax accruals	6,073,904.13		515,951.54
b) other accruals	3,590,040.53		2,786,094.85
		9,663,944.66	**3,302,046.39**
6. Equity capital			
a) subscribed capital	335,000,000.00		335,000,000.00
b) capital reserves	315,292.40		315,292.40
c) retained earnings			
ca) statutory reserves	4,299,848.68		2,787,636.89
cb) other retained earnings	47,558,141.34		40,051,866.60
d) net profit	28,732,023.92		7,506,274.74
		415,905,306.34	**385,661,070.63**
Total liabilities		**2,043,769,727.90**	**1,651,484,488.73**
1. a) liabilities from guarantees and indemnity agreements	60,053,172.97		15,795,558.26
2. a) irrevocable credit commitments	0.00		0.00
		60,053,172.97	**15,795,558.26**

Profit and loss account for İşbank AG for the period from January 1 to December 31, 2023

			12/31/2023		Previous year
	EUR	EUR	EUR	EUR	EUR
1. Interest income from					
a) lending and money market transactions less	105,038,827.50				43,564,062.46
negative interest from money market transactions	0.00				-658,620.53
		105,038,827.50			42,905,441.93
b) fixed-interest securities and debt register claims		5,991,194.21			8,199,652.85
			111,030,021.71		**51,105,094.78**
2. Interest expenses			39,570,295.00		12,125,941.41
a) negative interest from money market transactions			-28,335.88		-229,035.89
				39,541,959.12	
				71,488,062.59	**39,208,189.26**
3. Commission income			7,772,406.12		6,928,324.03
4. Commission expenses			547,136.54		439,800.82
				7,225,269.58	**6,488,523.21**
5. Other operating income				3,481,681.33	594,290.80
6. General administrative expenses					
a) Personnel costs					
aa) wages and salaries (with provisions)		13,068,516.87			11,594,787.86
ab) social contributions and expenses for retirement benefits and support		1,983,569.41			1,826,426.95
of which: for retirement benefits EUR 66,229.98					
(Previous year: EUR 55,944.41)					
			15,052,086.28		**13,421,214.81**
b) Other administrative expenses			11,443,296.54		10,478,922.76
				26,495,382.82	**23,900,137.57**
7. Depreciation and amortization of intangible assets and property, plant and equipment				2,881,632.93	2,703,089.86
8. Other operating expenses				167,581.68	131,661.10
9. Depreciation and amortization of receivables and certain securities as well as allocations to provisions in the lending business			9,813,818.77		10,236,043.31
10. Income from write-ups to receivables and certain securities as well as from the dissolution of provisions in the lending business			3,812,635.18		2,254,904.78
				6,001,183.59	**7,981,138.53**
11. Depreciation and value adjustments for participating interests, shares in affiliated companies, and securities treated as fixed assets				0.00	0.00
12. Income from write-ups of participating interests, shares in affiliated companies, and securities treated as fixed assets				0.00	0.00
13. Profit on ordinary business activity				**46,649,232.48**	**11,574,976.21**
14. Extraordinary expenses				0.00	0.00
15. Taxes on income and earnings			16,394,071.30		4,319,787.91
16. Other taxes not listed in Item 8			10,925.47		-646,153.53
				16,404,996.77	**3,673,634.38**
17. Annual net profit				**30,244,235.71**	**7,901,341.83**
18. Allocations to revenue reserves					
a) to the legal reserve			1,512,211.79		395,067.09
b) to the reserve for shares in a company holding a controlling or majority interest			0.00		0.00
c) to statutory reserves			0.00		0.00
d) to other revenue reserves			0.00		0.00
				1,512,211.79	**395,067.09**
19. Net profit				**28,732,023.92**	**7,506,274.74**

İşbank AG
(HRB 94361, Municipal Court of Frankfurt am Main)

Notes for the 2023 Fiscal Year

A. Preamble

İşbank AG is domiciled in Frankfurt am Main and is registered in Commercial Register B at the Municipal Court of Frankfurt am Main (HRB 94361). The annual financial statement of İşbank AG as of December 31, 2023, was prepared in accordance with the provisions of the Commercial Code (HGB) pursuant to §§ 242 ff. and 340 ff. HGB as well as the Credit Institute Accounting Ordinance (RechKredV) and Securities Act (AktG). In addition to the annual financial statement – consisting of the profit and loss statement, balance sheet and notes – a management report was created pursuant to § 289 HGB. Unless specifically indicated otherwise, all amounts are in thousands of euros. In the 2023 fiscal year, İşbank AG applied the same accounting and valuation methods as in the prior fiscal year.

B. General accounting and valuation principles

The receivables recorded under the individual items include accrued interest recorded at the nominal value. İşbank AG created specific loan loss reserves and global loan loss reserves pursuant to BFA7 for identifiable creditworthiness risks in the credit business.

Classification criteria that prescribe management of non-performing loans have been defined, including within the scope of the early detection system, for securing loan commitments; these bindingly require loans to be transferred to non-performing loan processing. In general, loan commitments with defaults between 60 and 90 days as well as installment loans starting from 3 installments in arrears are subject to inspection by the loan restructuring department to determine the need for loan loss reserves. In order to determine the necessary specific loan loss reserves, the existing collateral is re-evaluated in the process of managing the loans. The application and dissolution of the corresponding risk provision is calculated and recorded on a quarterly basis to an appropriate and sufficient amount.

Bonds and debentures were allocated to investment assets. The total portfolio is evaluated based on the mitigated lowest value principle. As per the balance sheet date, there are dormant reserves and hidden losses. No non-scheduled depreciation was carried out, as a reduction in value that is not due to creditworthiness and hence is non-permanent is being assumed. Fixed-interest securities acquired sub-par are recognized according to the accrual principle at nominal value. Fixed-interest securities acquired above par are recognized according to the accrual principle at nominal value.

Shares in affiliated companies are allocated to investment assets pursuant to § 266 Sect. 2 A. III. 1. HGB. They are recorded at acquisition cost or the lower reportable value pursuant to § 253 Sect. 3 HGB.

The tangible and intangible assets, the use of which is temporary, are recorded applying scheduled depreciation over the anticipated length of use. The length of use of the new core banking system was fixed at 10 years in the 2016 fiscal year. Low-value assets up to EUR 800 net are fully written off in the year of acquisition. Assets with acquisition costs ranging between EUR 800 and EUR 1,000 net are recorded as a compound item on the asset side and written off on the basis of linear depreciation over a period of five years.

The liabilities were recorded at their settlement value plus accrued interest. Where the settlement value of a liability is greater than the issue amount, the difference is recorded on the asset side under deferred items pursuant to § 250 Sect. 3 HGB in conjunction with § 340e Sect. 2 Clause 3 HGB. The deferred items are written off on the basis of scheduled linear depreciation over the term of the liability.

Tax reserves and other reserves take all identifiable risks into account and have been recorded at the amount of the settlement value necessary according to reasonable business assessment pursuant to § 253 Sect. 1 HGB.

The subscribed capital in the amount of KEUR 335,000 is recorded at nominal value.

The contingent liabilities and irrevocable credit commitments are formed with the nominal value after deduction of cash securities and reserves taken into account on the balance sheet. For reserves with a term of more than one year there is a discounting obligation with average market interest over the past seven years related to the residual period as set out in § 253 Sect. 2 HGB. The filing reserves are likewise discounted at the average market interest rates corresponding to their residual term.

Expenditure and profit for the fiscal year are recorded according to the accrual principle pursuant to § 252 Sect. 1 HGB. Account management fees are charged on a quarterly basis, and admissible processing fees immediately upon the transaction.

Assets and liabilities as well as expenditure and profit in foreign currency were converted to EUR based on the exchange rate set by the European Central Bank at the balance sheet date in accordance with § 256a HGB in conjunction with § 340h HGB.

Expenditure and income from the foreign currency conversion are recorded under the miscellaneous operational expenditure and profits.

The conversion results from transactions that were integrated into the special coverage in accordance with § 340h HGB are balanced under miscellaneous operational profits/recorded under miscellaneous operational expenditure.

For loans with no objective evidence of impairment, a flat loan loss reserve equal to the 1-year expected loss is determined and implemented according to the loan risk model. Furthermore, a separate risk provision equal to the amount of the lifetime expected loss is created for all commitments whose repayment is threatened due to increased transfer risks, in other words where the relevant country ceiling rating is in the non-investment-grade range. During the year under review, this applied to Azerbaijan as well as the core market of Türkiye. The method introduced in 2022 to determine a customized PD surcharge for the country risk was revised in 2023. Specifically, the method introduced in 2022 will no longer be applied for receivables from credit institutions. Instead, receivables from credit institutions will once again use the "country cap" method, where a bank's rating cannot be better than that of its home country. The reason for this is that the default likelihood and/or ratings determined using the new approach cannot be validated using the existing shadow rating procedure in the case of receivables from credit institutes. This led to a flat value adjustment increase of KEUR 2,177 as of December 31, 2023. Thus as of the balance sheet date, a total risk provision of KEUR 21,950 (previous year: KEUR 21,079) was formed.

In the loss-free valuation of interest-rated transactions of the banking book (BFA3) the periodic (P&L-oriented) method was applied. In this context, the cash-value period results from interest-related transactions, the management expenditure for portfolio transactions calculated on the basis of the P&L account, and the risk costs to be anticipated before the final due date based on the anticipated payment defaults were compared. No imminent loss reserves need to be created pursuant to IDW RS BFA 3 as per 12/31/2023.

Negative interest from money market transactions is recorded as reduced income under interest income and reduced expense under interest expenses.

C. Notes to the Balance Sheet

The liquid assets have been recorded at nominal value. The proportional interest is not recorded as part of the residual term breakdown, but separately in accordance with § 11 Clause 3 RechKredV.

	12/31/2023	Previous year
	KEUR	KEUR
Receivables from credit institutes		
- due daily	5,757	2,631
- up to 3 months	533,122	345,307
- 3 months up to 1 year	259,844	162,161
- 1 year up to 5 years	0	10,000
Accrued interest	8,692	1,620
General loan loss reserves	-11,499 (*)	-9,492 (*)
(*) of which allocated to country loan loss reserves KEUR 11,497 (previous year: KEUR 9,488)		

	12/31/2023	Previous year
	KEUR	KEUR
Receivables from customers		
- up to 3 months	130,933	108,330
- more than 3 months up to 1 year	326,606	361,142
- more than 1 year up to 5 years	583,855	435,958
- more than 5 years	41,623	50,944
- with an indefinite term	31,396	35,580
Accrued interest	16,201	7,004
General loan loss reserves	-11,535 (*)	-11,180 (*)
(*) of which allocated to country loan loss reserves KEUR 8,441 (previous year: KEUR 10,186)		

	12/31/2023	Previous year
Receivables from affiliated companies are included in the following items	KEUR	KEUR
Receivables from credit institutes	18,791	7,872
- of which from the sole shareholder	18,791	7,872
Receivables from customers	10,073	13,541
Debentures and other fixed-interest securities	7,879	8,149
Bonds and debentures in the portfolio		
a) Money market instruments		
aa) From other issuers	0	0
b) Bonds and debentures		
ba) from public issuers	31,012	24,605
- of which allocated to repurchase agreements	31,012	0
bb) From other issuers	64,424	86,537
- of which allocated to repurchase agreements	25,427	2,990
- due the following year	23,913	20,100
c) Accrued interest	2,269	2,294

All bonds and debentures are marketable and listed.

At the balance sheet date, the bonds and debentures consist of dormant reserves to the amount of KEUR 940 (previous year: KEUR 85) and hidden losses to the amount of KEUR 420 (previous year: KEUR 3,167).

The amount of the marketable securities in the bond and debenture portfolio is KEUR 41,250 (previous year: KEUR 95,231). As of the balance sheet date, no unscheduled depreciations or appreciations had occurred.

Receivables from customers amounting to KEUR 33,039 (previous year: KEUR 52,611) are secured by liens.

As in the previous year there were shares in affiliated companies, totaling KEUR 9,552 (previous year: KEUR 9,552), for the company Maxi Digital GmbH. In the 2023 fiscal year, the company had a balance sheet total of KEUR 1,871 (previous year: KEUR 4,064) and its revenue was KEUR 205 (previous year: KEUR 308). Given this information, Maxi Digital GmbH is of lesser significance in creating a picture of the asset, finance and earnings situation of İşbank AG that corresponds to the actual circumstances. Since Maxi Digital GmbH is the only subsidiary of İşbank AG, no consolidated financial statement is created.

The intangible assets comprise expenditure recorded on the asset side, reduced by the scheduled depreciation, for the core banking system of İşbank AG that was acquired in 2016. As of December 31, 2023, the accounting value of the intangible assets totaled KEUR 6,231 (previous year: KEUR 7,990). İşbank AG does not carry out any research in the context of intangible assets that the company created itself, so no costs were incurred in this regard.

The total amount of other assets is KEUR 2,853 (previous year: KEUR 5,618). KEUR 2,149 (previous year: KEUR 4,587) is allocated to receivables from derivative transactions due to currency valuations, and KEUR 326 (previous year: KEUR 143) to tax receivables from the corporate tax from previous years. In addition, KEUR 176 (previous year: KEUR 688) is allocated to tax return claims from the Internal Revenue Service regarding turnover tax, KEUR 106 (previous year: KEUR 110) to rent deposits, KEUR 70 to receivables from customers, and KEUR 26 (previous year: KEUR 87) to suspense accounts of the bank.

Only KEUR 575 (previous year: KEUR 669) are allocated to advance payments on the rent for the headquarters under the item accrued income to the amount of KEUR 948 (previous year: KEUR 987). KEUR 373 (previous year: KEUR 313) from invoices paid in advance are added to this.

İşbank AG, Frankfurt am Main

Asset analysis as per 12/31/2023

		APC Status 1/1/2023 KEUR	Inflow KEUR	Outflow KEUR	Transfer KEUR	APC Status 12/31/2023 KEUR	Cumulative Depr. Status 1/1/2023 KEUR	Cumulative Depr. Status 12/31/2023 KEUR	12/31/2023 Appreciation of the fiscal year KEUR	12/31/2023 Depreciation of the fiscal year KEUR	Accounting values Status 12/31/2022 KEUR	Accounting values Status 12/31/2023 KEUR
I.	**Intangible assets**											
1.	Software (****)	26,749	826	0	0	27,576	18,759	21,345	0	2,585	7,990	6,231
		26,749	826	0	0	27,576	18,759	21,345	0	2,585	7,990	6,231
II.	**Tangible assets**											
1.	Plant and equipment	4,794	53	31	0	4,816	4,184	4,450 (*)	0	296	609	366
		31,543	879	31	0	32,392	22,943	25,795 (*)	0	2,881	8,599	6,597
III.	**Securities** (***)	103,153	6,531	18,154	0	91,531	7,989	3,905 (**)	4	4,087	113,436	97,705 (**)
IV	**Shares in affiliated companies**	9,552				9,552						9,552
	Total	144,248	7,410	18,185	0	133,475	30,932	21,890	4	6,968	122,035	113,854

(*) Inflows and transfers in the fiscal year are included in the write-offs to the amount of KEUR 65 (software and plant and equipment).
(**) Inclusive accrued interest to the amount of KEUR 2,269. The inflow to securities includes currency effects to the amount of KEUR 2,706.
(***) Debentures and other fixed-interest securities; stocks and other non-fixed-interest securities.
(****) Concessions, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values.

	12/31/2023 KEUR	Previous year KEUR
Payables to credit institutes		
- due daily	5,192	13,230
- up to 3 months	151,126	42,232
- more than 3 months up to 1 year	71,292	76,609
- more than 1 year up to 5 years	570	12,027
- accrued interest	3,018	416
Payables to customers (savings deposits)		
- up to 3 months	24,590	30,886
- more than 3 months up to 1 year	66	446
- more than 1 year up to 5 years	19	30
- more than 5 years	283	254
Payables to customers (other payables)		
- due daily	307,350	355,986
- up to 3 months	477,074	329,454
- more than 3 months up to 1 year	301,636	238,161
- more than 1 year up to 5 years	218,754	112,730
- more than 5 years	46,198	43,993
- accrued interest	6,763	2,380

Payables to credit institutes are included under the following items:

	12/31/2023 KEUR	Previous year KEUR
Payables to credit institutes	4,001	7,338
- of which to the sole shareholder	3,988	7,319
Payables to customers	55,680	3,819

Payables to credit institutes include KEUR 35,575 (previous year: KEUR 572) in repo transactions. The remaining payables to credit institutes are not collateralized.

The other liabilities to the amount of KEUR 2,711 (previous year: 2,467) include inactive accounts to the amount of KEUR 1,075 (previous year: KEUR 1,209) and outstanding payments (customer orders not yet processed by the clearing body) to the amount of KEUR 1,195 (previous year: KEUR 381). In addition, this item includes liabilities from derivative transactions due to currency valuations to the amount of KEUR 122 (previous year: KEUR 485), liabilities to Internal Revenue Offices due to outstanding income and church tax to the amount of KEUR 162 (previous year: KEUR 161) and returns from non-deliverable credit transfers to Türkiye to the amount of KEUR 106 (previous year: KEUR 105). It also includes payment obligations from outstanding capital income tax to the amount of KEUR 51 (previous year: KEUR 42).

Deferred income and accrued expenses to the amount of KEUR 1,558 (previous year: KEUR 1,220) consist mainly of accrued upfront fee payments and transaction fees for purchased syndicate loans to the amount of KEUR 1,196 (previous year: KEUR 1,192).

The tax reserves to the amount of KEUR 6,074 (previous year: KEUR 516) include income tax make-up payments to the amount of KEUR 4,673 (previous year: KEUR 196) as well as corporation tax make-up payments from previous years to the amount of KEUR 1,401 (previous year: KEUR 285).

As per the year-end, other reserves to the amount of KEUR 3,590 (previous year: KEUR 2,786) were created. They essentially consist of bonus reserves to the amount of KEUR 1,735 (previous year: KEUR 1,335). They also include reserves for sureties to the amount of KEUR 716 (previous year: KEUR 407), reserves for audit and annual financial statement costs to the amount of KEUR 280 (previous year: KEUR 250), and reserves for other payment obligations to the amount of KEUR 259 (previous year: KEUR 277). Moreover, they include reserves for legal and consulting costs to the amount of KEUR 171 (previous year: KEUR 157). This item further includes reserves for processing costs to the amount of KEUR 119 (previous year: KEUR 86), reserves for contributions to the amount of KEUR 115 (previous year: KEUR 120), filing fees to the amount of KEUR 105 (previous year: KEUR 105) and vacation reserves to the amount of KEUR 90 (previous year: KEUR 49).

The subscribed capital totals KEUR 335,000 and has not changed in comparison to the previous year.

The equity of İşbank AG is KEUR 335,000 and is divided up into 33,500,000 non-par bearer shares. There are no other types of shares.

The equity is divided up as follows:

	12/31/2023	Previous year
	KEUR	KEUR
Subscribed capital	335,000	335,000
Capital reserves	315	315
Statutory reserves	4,300	2,788
Profit reserves	47,558	40,052
Net profit	28,732	7,506
	415,905	385,661

Pursuant to § 150 Sect. 2 AktG, 5% of the net income for the year is to be adjusted annually in the statutory reserves. Accordingly, the statutory reserves were increased by KEUR 1,512.

The total amount of loan loss reserves for country risks of receivables from customers and credit institutes is KEUR 21,950 (previous year: KEUR 21,079), including off-balance sheet reserves to the amount of KEUR 716.

The breakdown of total risk prevention to the individual items of the balance sheet is as follows:

	12/31/2023	Previous year
	KEUR	KEUR
Receivables from credit institutes	11,499	9,492
Receivables from customers	9,735	11,180
Non-balance sheet reserves	716	407

Items recorded in foreign currency:

	12/31/2023	Previous year
	KEUR	KEUR
Assets	456,373	332,793
Liabilities	549,436	259,506

The breakdown of payables from guarantees and guarantee contracts after deduction of the general loan loss reserves is as follows:

	12/31/2023	Previous year
	KEUR	KEUR
Guarantees and guarantee contracts	4,896	5,203
Letters of credit	55,873	11,000
	60,769	16,203

KEUR 7,253 (previous year: KEUR 1,641) of guarantees and guarantee contracts are allocated to the sole shareholder.

Cash-secured guarantees in the fiscal year amount to KEUR 7,027 (previous year: KEUR 4,498). As in the previous year, there are no irrevocable credit commitments.

The risks from claims to contingent liabilities and other liabilities are estimated as low by İşbank AG due to the existing securities.

D. Notes to the profit and loss account

The profit and loss account has been prepared in vertical format pursuant to § 275 Sect. 1 HGB.

The Management Board of İşbank AG proposes to the Supervisory Board in accordance with § 170 Sect. 2 AktG to retain the profit in the 2023 annual financial statement to the full amount of KEUR 28,732, carry it forward to a new account and to allocate it immediately to profit reserves.

The breakdown of earnings according to the places of business is as follows:

	Germany KEUR	Netherlands KEUR	Total KEUR
Interest income	105,126	5,904	111,030
Commission income	7,248	524	7,772
Other operating income	3,485	-3	3,482
Net income for the year	27,260	2,984	30,244

Interest income includes all interest income resulting from credit and money market transactions to the amount of KEUR 105,039 as well as the fixed-interest securities and debt register claims to the amount of KEUR 5,991. This item also includes interest income from money-market transactions with the German Central Bank to the amount of KEUR 8,631.

Interest expenditure includes positive interest to the amount of KEUR 28 (previous year: KEUR 229). It results from money-market transactions with the German Central Bank for the GLRG III transactions.

Other operating income to the amount of KEUR 3,482 (previous year: KEUR 594) results primarily from foreign currency conversions to the amount of KEUR 3,095 (previous year: KEUR 243), earnings from amounts not claimed by customers from previous years to the amount of KEUR 218, and from the dissolution of other reserves to the amount of KEUR 69 (previous year: KEUR 304). This item also includes other administrative expenditures to the amount of KEUR 67 (previous year: KEUR 41), from the sale of an asset to the amount of KEUR 25 and from tax rebate interest from previous years to the amount of KEUR 8 (previous year: KEUR 6).

Other operating expenditure to the amount of KEUR 167 (previous year: KEUR 132) results primarily from retroactive turnover and income tax payments from previous years to the amount of KEUR 64 as well as expenditure from rent adjustments for the individual business premises to the amount of KEUR 46. Moreover, there was general administrative expenditure to the amount of KEUR 36 (previous year: KEUR 112) as well as payment of the severe disability contribution to the amount of KEUR 21 (previous year: KEUR 20).

The fee for audit services includes the annual audit of İşbank AG for Germany to the amount of KEUR 335 (previous year: KEUR 250). The other assurance services particularly include fees for certifications provided to the German Central Bank for the credit submission procedure (KEV) to the amount of KEUR 5 (previous year: KEUR 14).

For the current fiscal year, as in the previous year, there were no depreciations or adjustments, nor income from write-ups of investments, shares in affiliated companies, or securities treated as assets.

Likewise, in the current fiscal year, as in the previous year, there were no extraordinary expenditures.

As of December 31, 2023, taxes on income and profit to the amount of KEUR 16,394 (previous year: KEUR 4,320) were incurred.

Set-off of the net profit of the previous year:

Per a resolution by the regular shareholders' meeting of June 12, 2023, it was resolved to retain the net profit from 2022 of KEUR 7,506 to the full amount and to carry it forward to a new account and to immediately deposit it to the profit reserves.

E. Other information

There were no transactions with related parties or companies that did not occur under standard market conditions.

The MinBestRL-UmsG [Minimum Tax Directive Implementation Act] was resolved by the German Bundestag on 11/10/2023. The Federal Council approved it on 12/15/2023. The law was announced in the Federal Law Gazette on 12/27/2023. The regulations will take effect for fiscal years beginning after December 30, 2023. The goal of the global minimum tax is to tax multinational companies uniformly worldwide in order to combat the growing problem of tax evasion.

According to the EU directive, the minimum tax applies to all internationally active companies and large German groups that reported consolidated revenue of at least 750 million euros annually in at least two of the four previous fiscal years. The minimum tax is calculated on the basis of a uniform worldwide minimum tax rate of 15 percent, using commercial accounting standards and defined required adjustments, regardless of the location of the company.

The global tax reform of the OECD and Inclusive Framework members is based on a two-pillar model. It ensures that taxes are distributed more fairly and eliminates the previous tax-cutting competition.

The new minimum tax law does not impact the business activities of İşbank AG. For one thing, İşbank AG has only one foreign branch in the Netherlands, with an effective tax burden of more than 15%. For another, the recognition and measurement of deferred taxes from the application of the minimum tax law is not required pursuant to § 274 Sect. 3 No. 2 HGB.

Country-specific reporting (country-by-country reporting) by İşbank AG pursuant to § 26a KWG as per December 31, 2023

The data on country-specific reporting (country-by-country reporting) from Article 89 EU Directive 2013/36/EU resp. § 26a KWG is presented in detail in our "Country-Specific Report" (country-by-country reporting) as per December 31, 2023. After approval of the annual financial statement the country-by-country reporting is published together with the annual financial statement and management report in the Federal Gazette.

Disclosure report

İşbank AG is subject to disclosure provisions as set out in Articles 431 ff. of Ordinance (EU) No. 575/2013. The disclosure report is published on the website of İşbank AG (www.Isbank.de).

Other financial obligations

The total amount of other financial obligations is divided up as follows:

	2024	2025-2026	As from 2027	Total
	KEUR	KEUR	KEUR	KEUR
Leases	2,598	4,943	2,264	9,805
Leasing contracts	64	47	17	128
Other contracts	732	1,433	684	2,849

For coverage of the loan grants in USD and TRY at the end of the year, the bank had eight foreign currency swap transactions (nominal value: KEUR 195,784) and four cross-currency swap transactions (nominal value: KEUR 67,120) in the portfolio. As per the balance sheet date a negative amount of KEUR 122 as well as a positive amount of KEUR 2,149 result from these currency swaps.

The following table illustrates the nominal amounts of the foreign currency swaps concluded for coverage of foreign exchange risks from customer transactions:

Residual term	Nominal (KEUR)	- Market value (KEUR)	+ Market value (KEUR)
Up to 1 year	203,134	-122	884
More than 1 year	59,770	-	1,265

On the basis of membership in the deposit protection fund with Bundesverband deutscher Banken e.V. (Federal Association of German Banks) İşbank AG may be obligated to pay subsidies in certain circumstances. Currently, there is no obligation to pay subsidies.

Employees

The average annual number of employees at İşbank AG includes full-time and part-time workers.

	2022			2023		
	Full-time	Part-time	Total	Full-time	Part-time	Total
Germany	117	26	143	117	25	142
Netherlands	6	0	6	5	2	7
Authorized signatories	2	0	2	1	0	1

İşbank AG does not offer its Management Board members benefits for the period after their employment contracts end, hereinafter known as pension guarantees. For this reason, İşbank AG does not create pension reserves for members of the Management Board.

With reference to the disclosure of total remuneration of the Management Board, the safeguard clause pursuant to § 286 Sect. 4 HGB was exercised.

Expenditure compensation was paid to members of the Supervisory Board in 2023 pursuant to § 285 No. 9a HGB to the amount of KEUR 22 (previous year: KEUR 41).

Company bodies

Management Board:

Ünal Tolga Esgin, Frankfurt am Main, Chairperson of the Management Board

Ayşe Doğan, Frankfurt am Main, Member of the Management Board

Emir Serdar Gülpinar, Frankfurt am Main, Member of the Management Board

Mr. Tolga Ünal Esgin left his position as Chairperson of the Management Board of İşbank AG on January 31, 2024.

Supervisory Board

Hakan Aran, İstanbul/Türkiye, Chairperson of the Supervisory Board, Chairperson of the Management Board of Türkiye İş Bankası A.Ş.,

Hasan Cahit Çınar, İstanbul/Türkiye, Deputy Chairperson of the Supervisory Board, Chairperson of the Management Board of Trakya Yatırım Holding A.Ş.,

Yavuz Ergin, İstanbul/Türkiye, Member of the Supervisory Board, consultant for Türkiye İş Bankası A.Ş.,

Sabri Gökmenler, İstanbul/Türkiye, Member of the Supervisory Board, Member of the Management Board of Türkiye İş Bankası A.Ş.,

Ali Tolga Ünal, İstanbul/Türkiye, Member of the Supervisory Board, Financial Management Division Head of Türkiye İş Bankası A.Ş.,

Utku Ünsal, İstanbul/Türkiye, Member of the Supervisory Board, Strategy & Corporate Performance Management Division Head of Türkiye İş Bankası A.Ş.,

Banu Altun, İstanbul/Türkiye, Member of the Supervisory Board, Manager of the Central Corporate Branch of Türkiye İş Bankası A.Ş.,

Hakan Kartal, İstanbul/Türkiye, Member of the Supervisory Board, Treasury Division Head of Türkiye İş Bankası A.Ş.,

Emre Ölçer, İstanbul/Türkiye, Member of the Supervisory Board, Digital Banking Division Head of Türkiye İş Bankası A.Ş.,

Company Group relations

İşbank AG, Frankfurt am Main, is a wholly owned subsidiary of Türkiye İş Bankası A.Ş., Büyükdere Cad. Pembegül Sok, 34330, Levent - Istanbul, Türkiye. The parent company Türkiye İş Bankası A.Ş. prepared a consolidated financial statement as per December 31, 2023, which is also available at the Head Office of the company.

Frankfurt am Main, April 26, 2024

The Management Board

Ayşe Doğan	Emir Serdar Gülpınar
Member of the Management Board	Member of the Management Board

Audit certificate by the independent auditor

For Isbank AG

Notes on the Audit of the Annual Financial Statement and the Management Report

Audit Evaluations

We audited the annual financial statement of İşbank AG, Frankfurt am Main – consisting of the balance sheet as per December 31, 2023, and the profit and loss account for the fiscal year from January 1, 2023, up until December 31, 2023, as well as the notes, including the presentation of the accounting and valuation methods. In addition, we audited the management report of Isbank AG for the fiscal year from January 1, 2023, until December 31, 2023.

According to our assessment based on the findings of the audit

- the attached annual financial statement essentially complies with the provisions of German Commercial Law prescribed for corporations and illustrates the actual assets and financial situation of the company as per December 31, 2023, and its profitability for the fiscal year from January 1, 2023, up until December 31, 2023, observing the standard German accounting practices in all essential points, and
- the attached management report overall accurately presents the situation of the company. In all key points, this management report is in conformity with the annual financial statement, complies with the German legal provisions and accurately portrays opportunities and risks of the future development.

Pursuant to § 322 Sect. 3 Clause 1 HGB (German Commercial Code) we hereby declare that our audit did not give rise to any objections against the compliance of the annual financial statement and management report.

Basis for the Audit Evaluations

We performed the audit of the annual financial statement and the management report in compliance with § 317 HGB and the EU Auditor Ordinance (No. 537/2014; hereinafter "EU-APrVO") in compliance with the standard German accounting practices as set by the Institute of Auditors (IDW). Our responsibility pursuant to these provisions and practices is set out further in detail under the section "Responsibility of the Auditors for the Audit of the Annual Financial Statement and the Management Report" of our audit certificate. We are independent of the company in compliance with the provisions of European law as well as the German Commercial and Professional law provisions and have fulfilled our other professional German obligations in accordance with these requirements. In addition, we hereby declare pursuant to Article 10 Sect. 2 lit. f) EU-APrVO that we have not rendered any prohibited non-audit services pursuant to Article 5 Sect. 1 EU-APrVO. In our opinion, the audit proof records obtained by us are sufficient and adequate to serve as the basis of our audit evaluations of the annual financial statement and management report.

Particularly Important Audit Circumstances in the Audit of the Annual Financial Statement

Particularly important audit circumstances are such which according to our due discretion are most important in our audit of the annual financial statement for the fiscal year from January 1 until December 31, 2023. These circumstances were taken into account within the context of our audit of the annual financial statement overall and in the formation of our audit evaluation in this regard; we do not provide any separate audit evaluation of these circumstances.

In the following we describe what we believe to be an especially important audit circumstance:

Identification and Evaluation of Impaired Receivables from Customers in the Manufacturing Industry, Construction Industry, Transport/Logistics and Energy Supply

Reasons for the Designation as a Particularly Important Audit Circumstance

The identification and evaluation of receivables from customers in the manufacturing industry, construction industry, transport/logistics and energy supply is a key area in which the Management makes discretionary decisions. The identification of impaired receivables and the determination of any necessary specific loan loss reserves for these receivables are associated with uncertainty and include diverse assumptions and discretionary leeway, particularly with regard to the customer's financial situation, anticipated future cash flows, and the utilization of securities. Due to the difficulty of conclusively evaluating the direct and indirect impact associated with the increase in energy prices, inflation, and the persistent interest-rate increase, these uncertainties are higher in the fiscal year. Even small changes in the assumptions and estimation parameters can lead to significant deviations in the evaluations. Within this context, identifying and evaluating the receivables from customers in the manufacturing, construction, transport/logistics and energy supply sectors from the customer credit portfolio is an especially important audit circumstance.

Audit Procedures

We examined the organization and effectiveness of selected checks in relation to the identification and evaluation of receivables from customers in the manufacturing, construction, transport/logistics and energy supply sectors and tested these checks. The focus of our audit procedures in this context was the process for regular evaluation of the borrowers' financial situation using in-house classification procedures, the monitoring of early warning indicators and the determination of a country risk provision for customers domiciled in Turkey.

In addition, we carried out relevant audit procedures on a random check basis and examined, within the scope of our credit individual case audit, whether there is a need for write-down for the loans in our random check. Furthermore, we investigated the evaluation of impaired receivables. We chose the random check in a risk-oriented way, in particular on the basis of criteria such as the amount of the loans and/or the management of loans on monitoring lists for latent and acute default risks as well as of the rating class.

On the basis of our audit procedures no objections arose with regard to the identification and evaluation of receivables from customers in the manufacturing, construction, transport/logistics and energy supply sectors.

Reference to Corresponding Data

The company's data for the identification and evaluation of impaired receivables from customers that also comprise the manufacturing, construction, transport/logistics and energy supply sectors is included in Sections "B, General Account and Evaluation Practices," and "C, Notes to the Balance Sheet," in the Notes.

Further explanations of the portfolio of customer receivables and the development of risk provisioning in the fiscal year are included in the company's management report in the section on "Credit Risks."

Miscellaneous Information

The Supervisory Board is responsible for the "Message from the Chairperson of the Supervisory Board" as well as the "Report of the Supervisory Board," which are intended for the business report. The legal representatives are responsible for the miscellaneous information. The miscellaneous information includes "Key Figures," "Türkiye İş Bankası A.Ş. at a Glance," "Message from the Chairman of the Management Board," "Report of the Supervisory Board," "Management," "Message from the Chairperson of Supervisory Board" and "Offices."

Our audit evaluations of the annual financial statement and management report do not cover miscellaneous information and accordingly, we are not providing an audit evaluation or any type of audit conclusions in this context.

In connection with our audit, we are responsible for reading the miscellaneous information and assessing whether the miscellaneous information

- shows significant discrepancies with the annual financial statement, management report or our audit findings or

- is otherwise significantly misrepresented.

Should we conclude on the basis of the work performed by us that this information has been significantly misrepresented, we are obligated to report this fact. We have nothing to report in this context.

Responsibility of the Legal Representatives and of the Supervisory Board for the Annual Financial Statement and Management Report

The legal representatives are responsible for the preparation of the annual financial statement, which complies with the standard German accounting practices for institutes in all key points, and for representation of the company's actual asset, financial and profit situation in the annual financial statement in compliance with the standard German accounting practices. In addition, the legal representatives are responsible for in-house checks which they have determined necessary for preparation of an annual financial statement which is free of significant accidental or deliberate misrepresentation (e.g. accounting manipulations or misappropriation of assets) in accordance with the German standard accounting practices.

In preparing the annual financial statement, the legal representatives are responsible for evaluating the company's ability to continue its business activity. In addition, they are responsible for presenting facts in connection with the continuation of the business activity, where relevant. Beyond this, they are responsible for preparing the balance sheet on the basis of the accounting principle of the continuation of business activity, provided that there are no actual or legal circumstances to the contrary.

Moreover, the legal representatives are responsible for preparation of the management report, which provides a generally accurate picture of the company's situation and is in conformity with the annual financial statement in all key points, complies with the German legal provisions and accurately presents the opportunities and risks of the future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary for facilitating the preparation of a management report in compliance with the applicable German legal provisions and in order to provide sufficient suitable proof for the statements in the management report.

The Supervisory Board is responsible for monitoring the company's accounting procedures for preparation of the annual financial statement and of the management report.

Auditor's Responsibility for the Audit of the Annual Financial Statement and of the Management Report

Our objective is to obtain adequate certainty whether the entire financial statement is free of significant – deliberate or accidental – misrepresentation and whether the management report provides an accurate depiction of the company's situation and whether it is in conformity with the annual financial statement and audit findings, complies with the German legal provisions, and accurately depicts the opportunities and risks of the future development, as well as to issue an audit certificate which includes our audit evaluations for the annual financial statement and the management report.

Adequate certainty is a high degree of certainty, but not a guarantee that an audit performed duly in compliance with § 317 HGB and EU-APrVO, observing the standard German accounting practices set by the Auditors' Institute (IDW), always identifies significant misrepresentation of information. Misrepresentation may result from breaches or inaccuracies and is regarded as significant where it can be reasonably anticipated that individually or collectively it impacts the financial decisions of the addressees made on the basis of this annual financial statement and management report.

During the audit we exercise due discretion and maintain a critical basic attitude. Furthermore,

- we identify and assess the risks of significant deliberate or accidental misrepresentation in the annual financial statement and in the management report; we plan and execute audit procedures as a response to these risks, and obtain audit proof records which are sufficient and suitable to act as the basis of our audit decision. The risk that significant misrepresentation is not detected is higher in the case of breaches than in the case of errors, as breaches imply fraudulent activity, forgery, deliberate omissions, misrepresentation / overriding of in-house checks;

- we gain an understanding of the relevant in-house monitoring system relevant to the audit of the annual financial statement and of the relevant precautions and measures for the audit of the management report in order to plan audit procedures which might be adequate under the given circumstances, but not with the objective of providing an audit evaluation on the validity of these systems of the company;

- we assess the adequacy of the accounting methods applied by the legal representatives as well as the acceptability of the estimated values represented by the legal representatives and the corresponding information;

- we draw conclusions about the adequacy of the accounting principle of the continuation of business activity applied by the legal representatives, as well as, on the basis of the audit proof records obtained, whether there is significant uncertainty in connection with events or circumstances which might give rise to significant doubts regarding the company’s ability to continue its business activity. Should we conclude that there is significant uncertainty, we are obligated to report the corresponding information in the annual financial statement or the management report on the audit certificate or to modify the respective audit evaluation should this information be inaccurate. We derive our conclusions on the basis of the audit proof obtained by the date of our audit certificate. However, future events or circumstances may entail that the company is no longer able to continue its business activity;

- we evaluate the general representation, organization and subject matters of the annual financial statement, including the information provided as well as whether the annual financial statement represents the underlying business transactions and events in such a way that the annual financial statement provides an accurate picture of the company’s asset, financial and profit situation in compliance with German standard accounting practices;

- we evaluate the conformity of the management report with the annual financial statement, its compliance with the law and its representation of the company situation;

- we perform audit procedures in relation to the future-oriented information in the management report as depicted by the legal representatives. On the basis of adequate suitable audit proof records we follow in particular the relevant assumptions made by the legal representatives as the basis for the future-oriented information and evaluate the proper derivation of the future-oriented information from these assumptions. We do not provide an independent audit evaluation of the future-oriented information or of the underlying assumptions. There is a significant unpreventable risk that future events will significantly deviate from the future-oriented information.

We discuss the planned scope and timetable for the audit with the parties in charge of the monitoring as well as relevant audit findings, including any defects in the in-house monitoring system that we discover during our audit.

We submit a declaration to the parties responsible for monitoring that we complied with the relevant independence requirements and discuss all relations and other facts with them of which it can be reasonably assumed that they have an impact on our independence, and the protective measures taken for this purpose.

From the facts discussed with the parties responsible for the monitoring we determine the facts which are most relevant in the audit of the annual financial statement for the current reporting period and thus constitute particularly important audit facts. We record these facts in the audit certificate unless the laws or other legal provisions exclude the public disclosure of the facts.

Other statutory and legal requirements

Other information as set out under Article 10 EU-APrVO

We were chosen as the auditor by the general shareholders' meeting of June 12, 2023. We were assigned by the Supervisory Board on June 13, 2023. We have been working as the auditor of Isbank AG since the 2017 fiscal year without interruption.

We hereby declare that the audit evaluations contained in the present audit certificate are in conformity with the additional report to the Audit Committee in accordance with Article 11 EU-APrVO (Audit Report).

Auditor in charge

The auditor in charge of the audit is Carsten Rothermel.

Eschborn/Frankfurt am Main, April 30, 2024

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft

Rothermel	Hoffmann
Auditor	Auditor

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