İŞBANK AG
ANNUAL REPORT 2024

İŞBANK

Contents

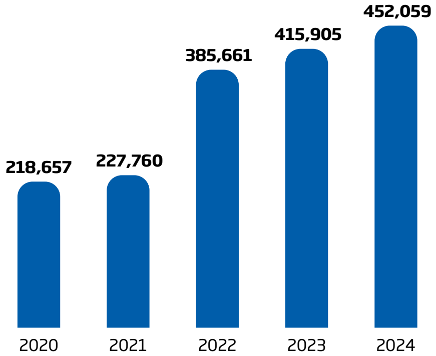
Key Figures

	December 31, 2024	December 31, 2023	Change
	in EUR thousand	in EUR thousand	in %
Total assets	2,127,692	2,043,770	4.11
Capital and reserves	452,059	415,905	8.69
Cash and balances with Central Bank	34,899	11,119	213.86
Bonds and securities	142,160	97,705	45.50
Due from banks	634,538	795,916	-20.28
Due from customers	1,285,015	1,119,080	14.83
Due to banks	177,689	231,199	-23.14
Customer deposits	1,474,949	1,382,732	6.67
Participations	-	9,552	n/a
Interest income	191,561	111,030	72.53
Commission income	9,910	7,772	27.51
Net income for the year	36,154	30,244	19.54

	%	%	
Equity ratio	23.75	24.77	
Return on assets	1.70	1.48	
Return on equity	8.95	7.87	

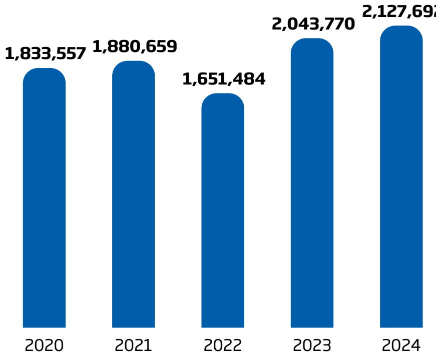
Capital and Reserves

in EUR thousand



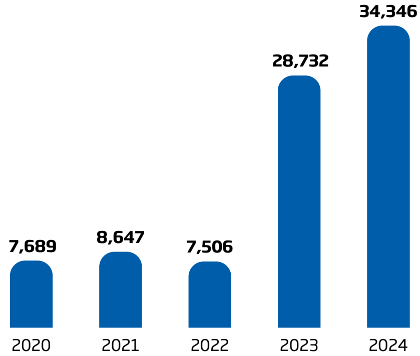
Total Assets

in EUR thousand



Net Retained Profit

in EUR thousand



The highly successful performance of 2024 is reflected in the financial results.

72.51%

İşbank AG's interest income increased by a remarkable 72.53% year-on-year and amounted to EUR 191.6 million.

EUR 2.1 bn

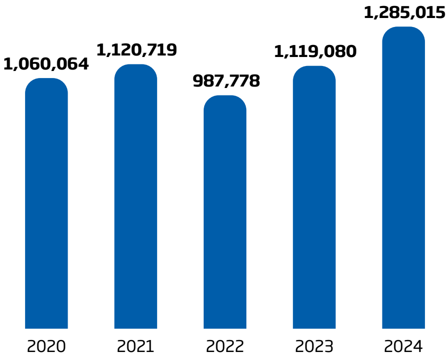
In 2024, total assets of the bank amounted EUR 2.1 billion, up 4.11% year-on- year.

27.51%

Commission income grew by 27.51% in 2024 and reached EUR 9.9 million.

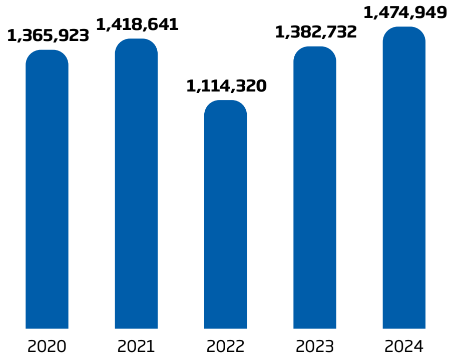
Due from Customers

in EUR thousand



Customer Deposits

in EUR thousand



An Overview of Türkiye İş Bankası A.Ş.

İŞBANK

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 2024.

As of 2024 year-end, İşbank's total assets reached TL 3,324 billion, total loans and total deposits amounted TL 1,623 billion and TL 2,127 billion, respectively. İşbank 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.

İşbank 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 1,012 branches and 6,496 ATMs as of the year-end 2024, İşbank 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 İşbank's digital customers is around 16.7 million by the end of the year, while the share of non-branch channels reached 97% of total transactions.

Besides İşbank AG, İşbank 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.

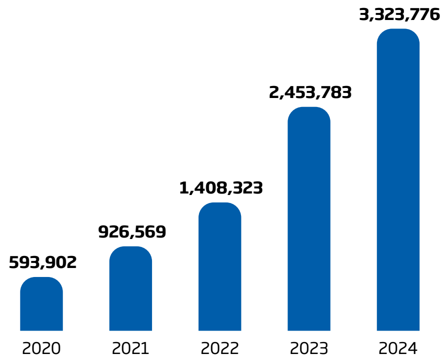
Main Balance Sheet Items	Market Share (%)	Ranking[(2)]
Total assets[(1)]	11.1	1st
Total loans	10.9	1st
TL loans	10.9	2nd
FX loans	10.9	1st
Consumer loans[(3)]	12.3	3rd
Non-retail loans	10.1	1st
Total deposits	11.9	1st
TL deposits	10.3	2nd
FX deposits	15.0	1st
Demand deposits[(4)]	14.6	1st
Shareholders' equity	11.9	2nd

Other Products & Distribution Network	Market Share (%)	Ranking
Acquiring volume[(5)]	14.6	3rd
Number of credit cards[(5)]	12.5	3rd
Issuing volume[(5)]	14.6	2nd
Volume of debit cards[(5)]	11.6	3rd
Number of branches	11.1	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.

Total Assets

in TL million

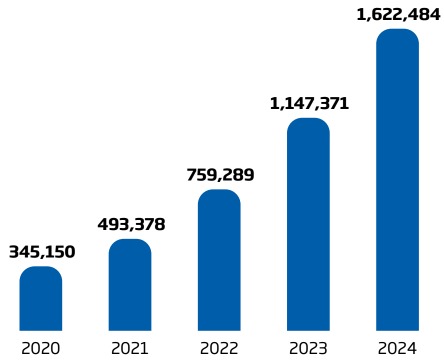


35.5%

Türkiye İş Bankası A.Ş.'s total assets increased by 35.5% in 2024, exceeding TL 3.3 trillion.

Loans

in TL million

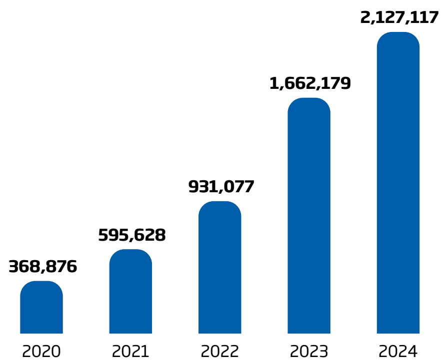


41.4%

Loans rose by 41.4% and amounted to TL 1.6 trillion.

Deposits

in TL million

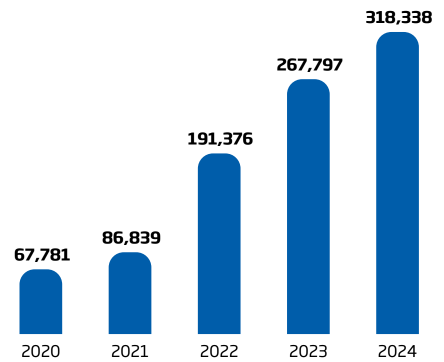


28.0%

The increase rate of deposits, which surpassed TL 2.1 trillion, was 28.0%.

Shareholders' Equity

in TL million

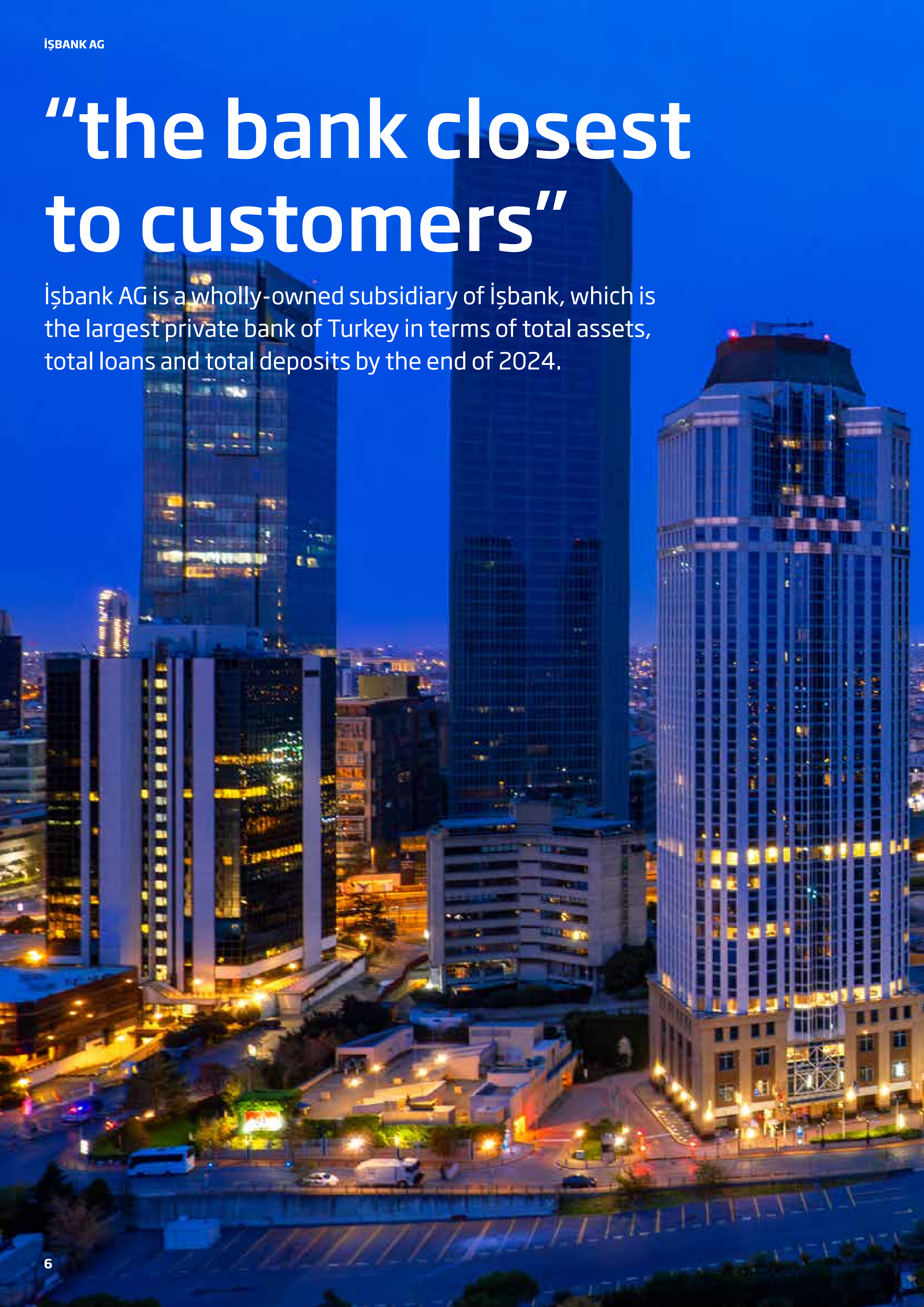


18.9%

Shareholders' equity increased by 18.9% and was recorded as TL 318.4 billion.

“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 2024.



Report of the Supervisory Board

Cooperation between the Supervisory and Management Boards

In the past financial year, the Supervisory Board continuously monitored the work of the Management Board and regularly supported it in managing the company. Throughout this period, the Supervisory Board was consistently convinced of the legality, appropriateness, and due diligence of the Management Board's actions. The Management Board duly fulfilled its duty to provide information and continuously, promptly, and comprehensively informed the Supervisory Board–both verbally and in writing–on all matters related to strategy, short and long-term planning, business performance, risk exposure, risk management, compliance and other important topics which are of relevance to the Bank. This also included reports on any deviations from previously communicated objectives and any departures from planned budgets. At their committee meetings, the members of the Supervisory Board had sufficient opportunity to critically assess the reports and the documentation for decision-making presented by the Management Board and to contribute their own ideas. In particular, the Supervisory Board extensively discussed all business matters 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 conducted in-depth discussions on the Bank's risk exposure, liquidity planning, and capital adequacy. The Supervisory Board issued its approval for the individual business matters to the extent that this was necessary in line with the law, the articles of incorporation, and the Management Board's rules of procedure.

Activities of the Supervisory Board

In the financial year 2024, the Supervisory Board held four meetings, which took place on March 8, June 7, September 6 and December 13, all in Frankfurt, Germany.

The Supervisory Board established the following committees composed of its own members:

- Audit committee
- Risk committee
- Corporate Governance and Remuneration Control committee
- Credit Limit Revision committee

During the financial year 2024, there was one meeting each of the Corporate Governance and Remunerations control committee as well as the Credit Limit Revision committee, 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 6, 2024, for the adoption of the annual financial statements. The focus of this meeting was the presentation of the annual financial statements and the results of the annual audit by EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft.

Annual audit of the financial statements

Auditors EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Eschborn, who were appointed as auditors by the Annual General Meeting 2024, were commissioned to handle the annual audit of İşbank AG. The auditors thus commissioned submitted a declaration of their independence to the Supervisory Board, which the latter duly received. The Supervisory Board has no reservations as to the accuracy of the content of the declaration of independence.

Auditors EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Eschborn, duly audited the annual financial statements of İşbank AG including the management report for the financial year 2024, 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, was made available to all members of the Supervisory Board in a timely manner. The Supervisory Board examined all the documents. At the Supervisory Board meeting held on April 22, 2025, with the participations of the auditors, all the key aspects of the annual audit were discussed with the Management Board. The auditors were present at the meeting, outlined the key audit findings, and provided additional information. All questions were answered to the Supervisory Board's satisfaction. Following its own examination, the Supervisory Board raised no objections to the findings of the annual audit and concurred with the conclusions. 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.

In the past financial year, the Supervisory Board continuously monitored the work of the Management Board and regularly supported it in managing the company.

The Supervisory Board confirms that it concurs with the Management Board's proposal regarding the allocation of profits.

Affiliated companies (dependent companies report)

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Eschborn, also audited the Management Board's report on relationships with Affiliated Companies (Report on Relationships with Affiliated Companies).

At its meeting on April 22, 2025, 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 resigned as Chairperson of the Management Board at İşbank AG.

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

Changes in the Supervisory Board

The Supervisory Board was restructured effective May 25, 2024:

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

Sabri Gökmenler, İstanbul/Turkey, Member of the Supervisory Board as of May 25, 2024, Member of the Management Board at Türkiye İş Bankası A.Ş.

Yavuz Ergin, İstanbul/Turkey, Member of the Supervisory Board, Advisor at Türkiye İş Bankası A.Ş.

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

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

Murat Doğan, İstanbul/Turkey, Member of the Supervisory Board as of May 25, 2024, Subsidiaries Division Head of Türkiye İş Bankası A.Ş.

Celal Caner Yıldız, İstanbul/Turkey, Member of the Supervisory Board as of May 25, 2024, Corporate Loans Underwriting Division Head of Türkiye İş Bankası A.Ş.

Imge Hilal Soyluoğlu Canlı, İstanbul/Turkey, Member of the Supervisory Board as of May 25, 2024, Financial Institutions Division Head of Türkiye İş Bankası A.Ş.

Alper Gürler, İstanbul/Turkey, Member of the Supervisory Board as of May 25, 2024, Economic Research Division Head of Türkiye İş Bankası A.Ş.

The following members of the Supervisory Board retired effective May 24, 2024:

Hasan Cahit Çınar, İstanbul/Turkey, Acting Supervisory Board Chairperson until May 24, 2024.

Utku Ünsal, İstanbul/Turkey, Member of the Supervisory Board until May 24, 2024, Head of Strategy & Corporate Performance Management Division Head of Türkiye İş Bankası A.Ş.

Banu Altun, İstanbul/Turkey, Member of the Supervisory Board until May 24, 2024, Corporate Loans Underwriting Division Head of Türkiye İş Bankası A.Ş.

Emre Ölçer, İstanbul/Turkey, Member of the Supervisory Board until May 24, 2024, Digital Banking Division Head of 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 the eventful and challenging financial year 2024.

On behalf of the Supervisory Board

Hakan Aran
Chairperson of the Supervisory 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.

Management Report for the Financial Year 2024

sustainably profitable growth

Based on its strategy of sustainably profitable growth, İşbank AG's vision is to continue its business activities as the European arm of its parent company and to increase its market share.

a) Fundamentals

Basic information

İşbank AG is a German bank that is headquartered 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 Turkey. İşbank AG operates on the one hand as a universal bank, offering its customers in Turkey 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 Turkey represents a unique 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 Turkey. Since it was founded in 1924, Türkiye İş Bankası A.Ş. has played a significant role in the development of the Turkish economy. With its unique shareholder structure, characterized by the 38.59-percent capital share held by the bank employees through their pension fund, the bank is one of the largest and most lucrative companies in Turkey.

The parent company, Türkiye İş Bankası A.Ş., was the first institution in the country to open a branch outside Turkey. 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 continuous optimizations 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 operates primarily in Europe and Turkey. 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 commercial 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 Turkey or Europe. In addition, the department is responsible for sales 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/or administers the bank's international securities portfolio.

Organizational structure

Mr. Ünal Tolga Esgin resigned as Chairperson of the Management Board January 31, 2024. He was succeeded by Ms. Gamze Yalçın, who took over the role of Chairperson beginning on April 28, 2024. The market reporting segment was assigned to Ms. Gamze Yalçın, while the backoffice units were assigned to Management Board Members Ms. Ayşe Doğan and Mr. Emir Serdar Gülpınar.

Management Report for the Financial Year 2024

Management system

The overall bank management of İşbank AG aims to maintain a sound balance between the financial performance indicators. The bank's central control instruments are the balance sheet and/or profit and loss account, the liquidity statement and the risk-bearing capacity statement for risk control (see Risk Report section). Another essential component of the management system at İşbank AG is the reporting 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 framework conditions

2024 was shaped by moderate global economic growth, which at 3.2% was slightly higher than the previous year's expectations. Despite this growth, the trend remained below the decade-long average, due to the ongoing geopolitical uncertainties, structural challenges, and the aftereffects of high inflation in previous years. Global inflation rates saw a significant decline in 2024. According to the International Monetary Fund (IMF), the worldwide inflation rate dropped from a high of 9.4% in 2022 to 3.5% by the end of 2024. This allowed the central banks to relax their previously restrictive monetary policies, which in turn strengthened consumer and investor trust in economic stability. While the worldwide decline in inflation represents an important milestone, economic prospects remain fragile in light of the ongoing challenges. Escalating regional conflicts, a tight monetary policy that persists for too long, a further slowdown of growth in China, and continued intensification of protectionist measures could all cause global growth to slow again.

The US economy proved to be extremely resilient in 2024, with projected growth of 2.8%. This development was supported by robust consumer demand and a stable labor market. Private consumption, buoyed by rising real income and a stable employment situation, played a major role in the dynamics of the US economy.

The Eurozone saw moderate economic growth in 2024. According to the autumn forecast from the European Commission, an increase of 0.9% is expected for the gross domestic product (GDP). High energy costs and uncertainties have burdened consumption and investments; worldwide, demand for industrial goods has also declined.

China's economy grew at a moderate rate of 4.9% in 2024, but this growth was slowed significantly by structural problems. The real estate sector, which traditionally plays a key role in the economy, remains in a deep crisis. Declining real estate prices, high overcapacity, and millions of vacant homes strained the asset situation for households and slowed the economic momentum.

Germany

Following the economic challenges of the coronavirus pandemic and a fragile economic recovery, the German economy remained weak in 2024. After a 0.3% decline in the gross domestic product (GDP) in 2023, the German economy shrank by an additional 0.2% in 2024. That put Europe's largest national economy into a two-year recession, the first since 2002/2003.

The development was uneven; while slight growth of 0.2% was seen in the first quarter of 2024 compared to the previous quarter, the GDP shrank by 0.1% in the second quarter. Following a temporary recovery in the third quarter, with an increase of 0.2%, the last quarter saw another decline of 0.1%. This stagnation underlines the ongoing uncertainty in the German economy.

The German economy was slowed by many adverse factors in the past year, which prevented a sustained recovery. Although an increase in real wages raised hopes for a consumption boom, this did not materialize. The buying-power losses of previous years were not yet fully compensated, and many consumers were cautious about spending due to concerns about their financial security. In addition, many Germans once again worried about losing their jobs, which led to an increased tendency to save and further slowed consumption.

The construction industry suffered from continued weak demand. For many potential owner-builders, the dream of having their own four walls was out of reach, since high financing interest and rising material costs made it difficult to

After a 0.3% decline in the gross domestic product (GDP) in 2023, the German economy shrank by an additional 0.2% in 2024. That put Europe's largest national economy into a two-year recession, the first since 2002/2003.

realize new construction projects. This trend affected not just the construction industry, but also the related industries and service sectors.

The export-oriented German economy also faced significant challenges. Declining demand from China, one of Germany's largest trade partners, had a negative impact on export figures. In particular, this affected the automotive and mechanical engineering industries, which are traditionally strongly dependent on the Chinese market.

Moreover, political uncertainties contributed to the instability of the German economy. The Russian war against Ukraine continued to impact energy prices and led to geopolitical tensions. At the same time, budget-policy turbulence in the German government and the ultimate collapse of the traffic light coalition created increased uncertainty, which made consumers and companies uneasy and delayed their investment decisions.

The weak economic recovery also had a negative impact on public finance in the past year. In 2024, new borrowing by the German state increased. According to an initial estimate by the Federal Statistical Office, expenditures by the federal, state, and municipal governments as well as social security were 113 billion euros higher than income, which corresponds to an increase of about 5.5 billion euros compared to 2023. Thus the deficit made up 2.6% of the GDP, the same value that was achieved the previous year.

In summary, 2024 was shaped by numerous barriers for the German economy, making a sustained economic recovery difficult. On the other hand, the inflation rate in Germany was positive in 2024. Following an annual average of 5.9% in 2023, it dropped to 2.2% thanks to the restrictive monetary policies of the European Central Bank.

Turkey

The Turkish economy continued to grow in 2024, but showed signs of weakening compared to the previous year. During the first quarter, the gross domestic product (GDP) rose by 5.3% compared to the same period in the previous year, making Turkey the fastest growing economy in the EU and the G20 nations. Growth slowed to 2.4% in the second quarter, and an increase of 2.1% was recorded in the third quarter. Nonetheless, the OECD projects moderate growth of 3.5% for the overall year 2024, while 2023 saw growth of 5.1%. However, the growth in 2023 was largely due to significant investments in rebuilding after the devastating earthquake in February 2023. These expenditures, particularly in the construction and infrastructure sector, were a major driver of the economic growth.

Despite the growth rates, inflation remained a central economic problem. In December 2024 the annual inflation rate was 44.4%, which was lower compared to the previous months but still remained at a high level.

To counteract the high inflation, the Central Bank gradually increased the key interest rate starting in February 2023 (8.5%), taking it up to 50% by March 2024. In December 2024 the interest rate was lowered for the first time in nearly two years, to 47.5%, since there were indications that inflation was slowing.

Despite their negative impact on domestic demand, the restrictive new monetary and fiscal-policy measures helped stabilize the financial markets, build confidence, and reduce uncertainty. In 2024 Turkey received several creditworthiness upgrades from the three major rating agencies. For instance, in March 2024 Fitch raised Turkey's long-term foreign currency rating from 'B' to 'B+' and set its outlook to 'positive'. Another increase, to 'BB-', followed in September 2024, with a stable outlook. These upgrades reflect the international rating agencies' increased confidence in the Turkish economy, especially due to the return to orthodox economic measures and the improved macroeconomic stability.

In addition to a restrictive monetary policy, this is also a result of the increased currency reserves in Turkey in 2024. According to the Turkish Central Bank, the official reserve balance in December 2024 was USD 155.2 billion, with a positive trend over the course of the year.

Turkey's current account deficit expanded to USD 2.80 billion in January 2025, compared to USD 2.30 billion in the corresponding month of the previous year. The current account deficit also improved in relation to the GDP, from 3.54% to 3.154%. In 2024 Turkey's national debt was about 25.2% of the GDP, which is well below the Maastricht criterion of 60%. This represents a decline compared to the previous year of 2023, when the debt ratio was still 29.3% of the GDP.

Management Report for the Financial Year 2024

Germany is one of the largest investors in Turkey. Despite the challenging conditions, Turkey 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 2024 approximately 8,000 companies with German capital participation were registered in Turkey.

In 2024, total exports reached a level of USD 262 billion, while imports totaled USD 344 billion. Thus the foreign trade balance closed out the year with a deficit of USD 82 billion, while in 2023 it was still at USD 106 billion. With a share of 41%, European Union is the most important export market and a substantial trade partner from the Turkish perspective.

Banking sector in Germany

The German financial system has weathered the phase of sharp interest hikes that occurred in response to inflation, and continues to show stability. The interest rate drop in 2024 allowed banks to reduce hidden charges on their balance sheets. However, credit risks, particularly in the area of commercial real estate, are becoming more significant. Geopolitical tensions and weak economic recovery are ongoing challenges, so a central goal is to strengthen the resilience of the financial system. The macrofinancial environment has gradually improved since 2023, but remains challenging due to global uncertainties and high debt levels. Nonetheless, Germany is well on its way to restoring price stability.

Thanks to low refinancing costs, the banks were able to further improve their profit situation. Risks arising from the low-interest phase, especially in the area of residential real estate loans, are being gradually reduced. In addition, the banks' equity base has continued to grow stronger, which further supports their stability.

The higher interest rates have significantly increased borrowing costs for companies. Since the end of 2021, returns from corporate bonds in euros have increased by more than 2.5 percentage points. The average interest for existing loans has increased more moderately, because many companies are benefiting from previously concluded loans with better terms. With consideration for existing loans, the average interest rate increase totaled 1.8 percentage points in this context, since some companies are still benefiting from relatively low financing costs.

Credit development stabilized at a low level in the course of 2024. Growth of the loan portfolio remains slow compared to the previous year, both for loans to companies and loans to private households. However, there are initial signs that demand is stabilizing for corporate loans. Surveys of banks indicate that a slight upturn in credit demand from companies can be expected.

Still, companies with expiring loans that were concluded during the low-interest phase are now facing higher refinancing costs. Starting in 2025, the average interest rate for these loans is expected to increase, which could increase the financial burden. In this context, the number of corporate insolvencies further increased in 2024 because of the economic weakness and increased borrowing costs. Despite the increase, insolvency rates remained moderate in the long-term comparison. However, higher debt default in the real estate and service sector could be relevant for the financial system.

Based on the core capital ratio, German banks are highly resilient. The equity base for German banks remained stable in 2024 and significantly exceeds the regulatory requirements. The system-relevant banks had a core capital ratio of 17% in the second half of 2024, giving them an adequate capital buffer to compensate for potential economic burdens or stressful situations without seriously restricting their lending options. The estimates of the profit situation and resilience of small and medium-sized banks as published by the German Central Bank and the Federal Financial Supervisory Authority (BaFin) also confirm the robust state of credit institutions in Germany. The results show that the institutions are well prepared for potential stress situations. The institutions' capitalization remains at a high level and significantly exceeds the minimum requirements. At the same time, German banks have a relatively high liquidity buffer that meets the regulatory requirements. It further ensures that banks have adequate liquidity, in the sense of the liquidity coverage ratio, to fulfill short-term payment requests.

Thus in 2024 the regulatory adjustments of recent years continued to have a positive impact on the stability and resilience of the German banking system. The full implementation of the Basel III agreements in the European Union, reinforced by the 2021 banking package of the European Commission, ensured that the European banks are better protected against economic shocks. This was also seen as contributing to the economic recovery after the coronavirus

The German banks remained resilient due to the combination of regulatory adjustments and the stable interest landscape, and were able to protect their profit situation.

pandemic and supporting the transition to climate neutrality. At the national level, the BaFin measures announced in 2022 continued to help strengthen the resilience of German banks. The anti-cyclical capital buffer, which was increased in February 2023 to 0.75% of the domestic risk exposure, along with the sectoral system risk buffer of 2% for loans collateralized with residential real estate, helped build up additional capital buffers. These measures ensure that banks can better absorb losses during phases of stress.

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. In 2024, the net interest income for German banks remained at a high level, which significantly contributed to the stability of their profit situation. The banks continued to benefit from the difference between the smaller increase in interest on deposits and the significant increase in interest on loans. This effect was reinforced by the monetary policy measures of the ECB, which led to a persistently high interest environment. While the banks were able to maintain their earning power due to the increased net interest income, the priority in the medium term is to respond to the changed market conditions in order to ensure continued profitability.

Overall, the German banks remained resilient due to the combination of regulatory adjustments and the stable interest landscape, and were able to protect their profit situation.

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 2024, German banks further developed their ESG (Environmental, Social and Governance) strategies to account for regulatory requirements and to leverage new business potentials. The ECB expects all of the supervised major institutions to fully implement the ECB guideline on climate and environmental risks by the end of 2024. That includes comprehensive integration of these risks into the credit risk processes. The BaFin's 7th MaRisk amendment, finalized in June 2023, establishes analogous requirements for ESG risk management at all banks in Germany.

Against this backdrop, financial institutions face a demanding risk environment in 2025, shaped by a combination of macroeconomic, regulatory, and technological challenges. The BaFin highlights several central risks that will be of particular importance for banks in Germany in the future.

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One significant risk comes from the corrections in the real estate markets. Prices for commercial real estate have dropped noticeably since 2022, which led to considerable depreciations especially in the office and retail segment. Residential real estate has also seen declining prices, which can have a direct impact on collateralizing real estate loans and thus on the stability of the bank's credit portfolio. This development produces the risk of increased credit default and potential value adjustments. In addition, the international financial markets are characterized by high volatility. The geopolitical situation and its economic uncertainties could lead to market disruptions that significantly burden the banks' assets. In particular, sudden price declines or rising risk premiums for loans could place pressure on equity ratios.

Another significant risk comes from the growing volume of credit default in the corporate sector. Small and medium-sized enterprises in particular, when faced with rising financing costs and a faltering economy, can experience payment difficulties. That increases the likelihood of an increased need for depreciation, which could in turn impair the banks' income situation.

In addition to these economic risks, the financial sector also faces increasing technological threats. Cyberattacks on financial institutions are increasing, which represents a significant threat to the stability of the banking sector. Geopolitical tensions have also led to increased cyber risks, shifting the focus to the resilience of IT systems and the need for greater security investments. Disruptions in the IT infrastructure can not only harm operational processes, but can also threaten the confidence of customers and markets.

Finally, the growing market concentration in the area of outsourced IT services generates additional risks. Banks are increasingly reliant on a small number of external service providers, especially for cloud infrastructure and IT security. A disruption or outage from these providers could have wide-reaching effects on the banks' operational capability and could threaten their business continuity.

In summary, the banks are facing many challenges in 2025 that will require a strategic adjustment of their business models, increased equity cover, and targeted investments in IT security and compliance. Consistently further developing their risk management will therefore remain a deciding factor for the banks' stability and competitiveness in an increasingly complex market environment.

Financial sector in Turkey

In 2024, the Turkish financial sector showed remarkable stability despite global uncertainties and internal challenges.

External rating agencies raised Turkey's credit rating as well as the rating of many Turkish banks. These upgrades were based on the significant strengthening of the international reserves and the introduction of a more stable, conventional monetary policy. These developments buoyed the confidence of international investors and led to a clear improvement in refinancing conditions. The strict monetary policy and macroprudential measures led to moderate growth rates for commercial and private loans.

The banks continue to see stable quality for their assets even though the share of non-performing loans increased slightly. These rose to 1.8% by the end of the year (2024: 1.6%). To counteract these challenges, extensive reserves were formed that will ensure the stability of the bank balances. At the same time, the banks' liquidity and capitalization were reinforced by the increased use of long-term refinancing. Meanwhile, the continued decrease in the share of foreign currency deposits relative to overall deposits helped reduce the risk of exchange rate volatility. Because of the increased confidence of international investors, external refinancing was expanded in 2024. The term for borrowed loans was extended, which reduced the credit volume for short-term refinancing.

Despite global uncertainties, Turkish banks were able to keep their equity capital ratio at a satisfactory level of 18.1%. 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.

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

Despite the challenging framework conditions, İşbank AG was able to record its most successful financial year to date in 2024.

structure of the banks and strict banking supervision, the sector is demonstrating its equally strong resilience when confronted with potential crisis situations.

Overall, the Turkish financial sector showed remarkable resilience in 2024, supported by strict regulation, improved liquidity, and rising investor confidence. That underlines its importance as a stabilizing factor within the Turkish economy.

Business performance

Despite the challenging framework conditions, İşbank AG was able to record its most successful financial year to date in 2024.

İşbank AG's business activities were still influenced by the after-effects of global geopolitical tensions and economic uncertainties, particularly the ongoing effects of the Russian war of aggression in Ukraine. Despite these challenges, the global economic situation stabilized thanks to reduced supply bottlenecks, lower energy prices, and a moderate recovery of the international economy. These developments led to an increase in business volume at İşbank AG. Furthermore, the return to an orthodox monetary policy in Turkey helped stabilize the Turkish financial markets and improved the business environment. In Europe, the higher interest rates had a positive effect on the banks' income situation, creating better framework conditions for the business activities of İşbank AG. Despite the ongoing global challenges, the bank benefited from these positive developments and was able to further strengthen its position in the market. In this context, customer loans increased by 166 million euros, to 1,285 million euros, while customer deposits increased from 1,383 million euros to 1,475 million euros.

Alongside the decline in global economic challenges from monitoring the pandemic along with the global economic uncertainties, the 2024 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 35.9% to 34.9%.

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 2024 financial year. In this context, credit exposure in certain countries and sectors was gradually reduced or avoided entirely. At the same time, customer groups classified as risky were subject to increased monitoring. Moreover, sanction lists associated with the war in Ukraine were integrated into the business policy to ensure a compliant approach. The bank's targeted transformation over the past few years–from a traditional branch business with a focus on transfers to Turkey into a niche bank oriented toward the corporate and trade finance business–was once again solidified in 2024 despite the challenging market conditions. The fiscal year ended with a net profit of 58.2 million euros before taxes, which corresponds to a 24.7% increase compared to the previous year's result of 46.64 million euros.

Due to the gradual restructuring of the customer portfolio that was begun even before the coronavirus pandemic–moving away from business with small and medium-sized traders and private customers as well as the corporate segment–the bank was able to reduce its share of non-performing loans (NPL) relative to the overall volume, from 2.4% in 2017 to 1.6% in 2023. Thanks to the additional focus on the corporate segment, with an emphasis on trade finance, the NPL rate further declined to 1.3% in 2024. Alongside the expansion in business volume, the primary focus is on diversifying the sources of income. In the course of digitalization, the bank is concentrating not only on the existing local branches, but increasingly also on finance portals, online banking, and mobile banking as additional distribution channels. Customer acquisition processes, especially in the deposit business, have been continuously optimized. In addition, the area of robot process automation is gaining significance, with several thousand transactions already taking place automatically during the year under review. In this context, liabilities to private customers were increased by 54% through our digital product platform, İşWeb, in 2024. 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

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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 important foreign trade volume between Turkey and Europe, especially with Germany, leads to a high volume of payment transactions between these regions. In the course of diversifying its commission income and expanding its product range, İşbank AG has thus set a goal of further developing its role as a correspondent bank between Turkey and Europe. In this context, the bank acts as a correspondent for Turkish banks and helps process import payments by Turkish companies to European firms. This business plays a significant role in generating commission income and reinforces the bank's position as an important broker of trade flows between Turkey and Europe. In the corporate segment, the focus in the 2024 financial year remained on establishing a sustainable and diversified customer portfolio. The corporate portfolio with a connection to Turkey 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. The increased credit business is particularly due to the improved economic situation in Turkey compared to previous years. The return to a more stable economic policy and the positive developments in the Turkish economy created increased confidence both at a national and an international level. In this context, Turkey's external ratings also improved, which further supported the market position of İşbank AG. These developments created a solid basis for the growth of the bank's credit portfolio. The credit business without a connection to Turkey was expanded by 19% in 2024. This portfolio primarily includes medium-sized European companies.

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 2024. The main reason for this was an adequate liquidity buffer based on a broadly diversified deposit portfolio.

The issue of sustainability has gained strategic importance for İşbank AG, and it is firmly integrated into the corporate strategy as well as all of the strategy development processes. A sustainability committee was founded in 2021 to create an integrated sustainability concept and to identify, coordinate, and continuously monitor all of the associated tasks and responsibilities. In addition, a high-level gap analysis was performed in 2022 to ensure systematic integration of the ESG (environmental, social, and governance) aspects and to anchor them solidly in the bank's corporate activities.

In the 2024 financial year, the concept of "sustainable banking" continued to gain significance. This development was reinforced by growing regulatory requirements in the banking industry as well as increasing social and economic expectations. As a bank that is connected to every economic sector, İşbank AG believes its role is to promote finance flows into sustainable investments and to make a positive contribution to the economic transformation. Against this backdrop, İşbank AG further expanded its sustainability efforts and strengthened its internal mechanisms for implementing regulatory requirements.

İşbank AG has a sustainability policy and supplemental ESG guidelines, which serve as guiderails for dealing with sustainability issues. The sustainability policy describes the bank's view of itself as a responsible actor in the financial sector and as an institutional member of society. All of the internal guidelines have now been supplemented with ESG criteria, requirements, and risks to ensure their comprehensive implementation in the entire organization. At the same time, measures for controlling ESG risks were further developed and integrated into the governance structure. The bank's ESG committee plays a central role here, involving the Management Board in all significant decisions.

In 2024, a particular focus was on integrating specific ESG standards into internal banking processes so that the ESG criteria can be implemented into risk management. These measures were supplemented by the analysis of the credit portfolio in terms of sustainability criteria, and the introduction of a multi-year limit strategy for ESG risks.

In 2024, the bank successfully continued to implement DORA according to the statutory requirements. DORA, a part of the EU Digital Finance Package, requires financial institutions to guarantee the technological integrity of their services and to ensure resilient ICT risk management. In the course of this

İşbank AG continued to concentrate on business relationships with institutional customers, particularly financial institutions and companies from the corporate segment.

implementation İşbank AG identified critical business processes, analyzed potential weaknesses, and established comprehensive incident management. In addition, the responsibility for ICT resources and third-party-provider management was systematically defined using detailed registers and classifications. Introducing these processes and control mechanisms gives İşbank AG long-term technological resilience and the ability to continuously adapt to future regulatory developments. The successful implementation of DORA strengthens İşbank AG's digital resilience, minimizes operational risks, and ensures that the bank can guarantee stable, secure business operations even under challenging conditions.

Income, financial and asset situation

Asset and financial situation

In the 2024 financial year, money markets and capital markets were shaped by many important economic and geopolitical factors, which came with opportunities as well as challenges. One of the significant influencing factors was the ongoing energy crisis, which was affected by the war in Ukraine. Another dominant feature of the money markets was the high interest rate policy and the continued tightening of monetary policy by the European Central Bank, with the goal of fighting persistent inflation. These interest rate increases led to a rise in short-term market interest rates, which elevated credit costs for consumers. Despite these increases, however, liquidity in the money markets remained high because many central banks continued to take measures to support liquidity and to ensure the stability of the financial markets.

The liquidity situation of İşbank AG was relatively stable, thanks to a conservative and cautious financial policy. İşbank AG attached great importance to solid capitalization so it could remain capable of action even in a challenging economic environment. In the context of its consistent, target-oriented approach in planning and implementing the sales activities, İşbank AG continued to concentrate on business relationships with institutional customers, particularly financial institutions and companies from the corporate segment. As of 12/31/2024, İşbank AG therefore ended the year with a balance sheet total of EUR 2.13 billion, which was 4.1% higher than for the 2023 reporting period.

On the asset side, there was a slight increase of 1.5% in cash on hand, for a total of EUR 3.1 million. By contrast, the balances with central banks rose from EUR 8 million to EUR 31.8 million compared to the previous year, an impressive 297.9% increase, or nearly quadruple the previous figure. This increase can be understood as a reactive measure by İşbank AG to ensure additional liquidity and financial stability, in keeping with a conservative financial policy and adjustments to the volatile economic environment.

The receivables from banks displayed a significant increase of 20.3% compared to the 2023 financial year, amounting to EUR 635 million. At the same time, receivables from customers increased by 14.8%, totaling EUR 1,285 million. An increase in receivables from customers indicates that İşbank AG has expanded its lending to customers. This is the result of higher demand for loans, facilitated by good interest conditions and the growth strategy implemented by İşbank AG.

The volume of bonds and other fixed-interest securities rose markedly, to EUR 142 million, in the reporting year of 2024, in part due to the strong market development. In the previous year, the total of the securities portfolio amounted to EUR 98 million.

At the end of the year, there were no longer any shares in affiliated companies. During the fiscal year, 100% of the shares in the affiliated company Maxi Digital GmbH were sold as of 5/31/2024.

In the 2024 fiscal year the rating score for Turkey was raised a total of two times, from B to BB- (Fitch Ratings). Largely on the basis of these changes and changes to the loan portfolio structure, general value adjustments were made as of 12/31/2024 to the amount of KEUR 7,227 (previous year: KEUR 21,950). To account for the challenging current situation in Turkey and the associated uncertainties, however, a management adjustment – beyond the general value adjustments – was recorded for the amount of KEUR 13,461 (previous year: KEUR 0).

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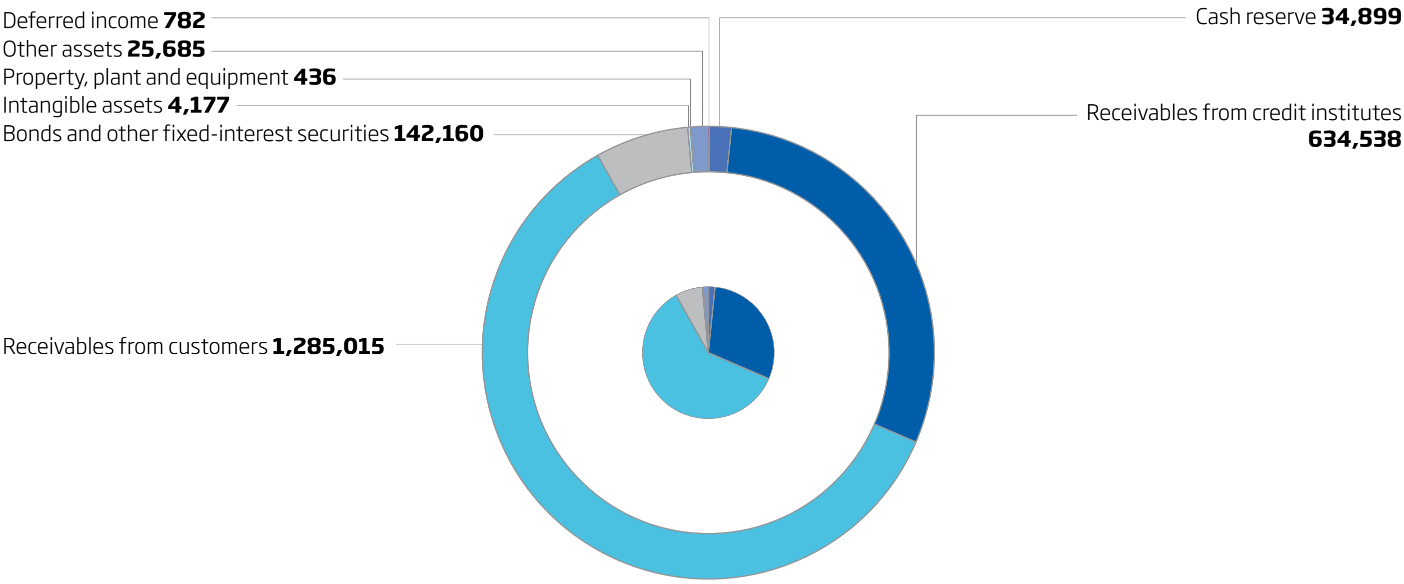
Assets, January 1, 2024 - December 31, 2024

in EUR thousand

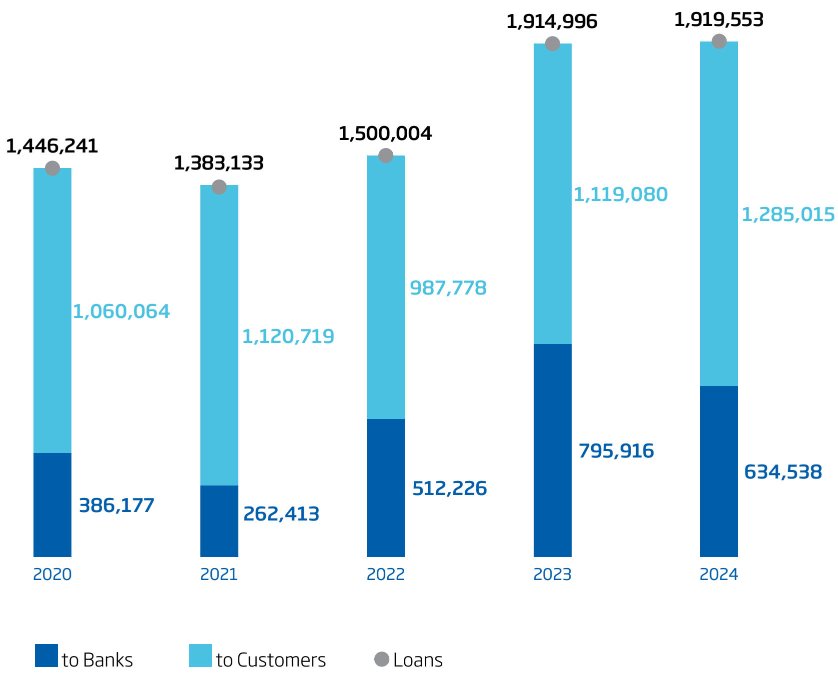


EUR 1,920 million

While loans increased to EUR 1.9 billion, the shares of banks and customers were 33.1% and 66.9%, respectively.

Loans

in EUR thousand



On the liabilities side, there was a strong decrease of 23.1% in liabilities to banks, from EUR 231 million to a total of EUR 178 million. This development was primarily driven by the changed market conditions, especially the rising interest rates. Liabilities to customers, at EUR 1,475 million, were EUR 92 million higher than the previous year. This increase was mainly due to higher private and corporate deposits with fixed terms or notice periods.

As of the balance sheet date, customer deposits due daily amounted to EUR 261 million (previous year: EUR 307 million), and there were EUR 1,194 million (previous year: EUR 1,050 million) in fixed-term deposits, including their interest share. Liabilities in foreign currency amounted to EUR 510 million as of 12/31/2024 (previous year: EUR 549 million).

The other liabilities rose from EUR 2.7 million to EUR 12.8 million compared to the end of 2023. Deferred income items totaled EUR 0.7 million (previous year: EUR 1.6 million). At EUR 9.5 million, the provisions remained nearly unchanged (previous year: EUR 9.7 million).

The equity capital reported on the İşbank AG's balance sheet as of 12/31/2024, amounting to EUR 452 million, was 8.7% higher than the 2023 level. The rise resulted from an increase in revenue reserves, including net profit in the amount of EUR 36.2 million. At the same time, the subscribed capital and the capital reserve were unchanged in comparison with the previous year. This reflects a solid, independent capital base for future development in line with the İşbank AG strategy.

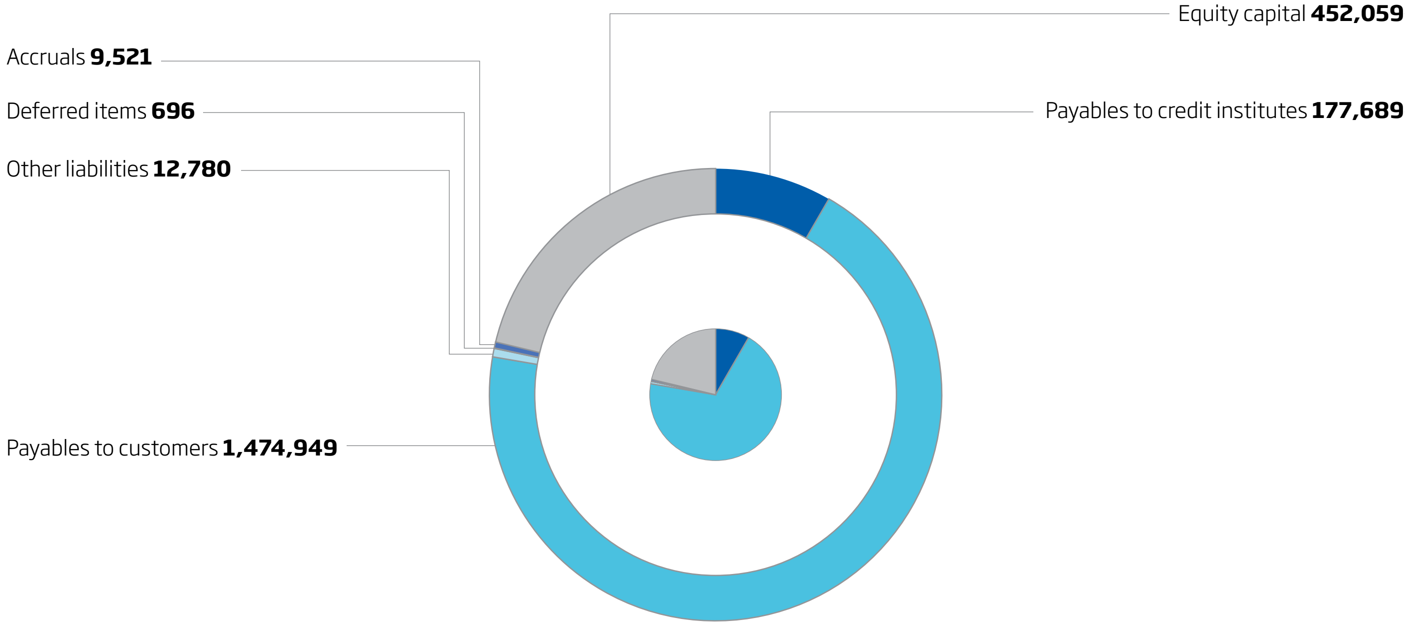
The off-balance sheet liabilities showed a significant decrease compared to the previous year.

The contingent liabilities of the bank progressed as follows:

KEUR	December 31, 2024	December 31, 2023
Liabilities from guarantees and indemnity agreements	40,926	60,053
Irrevocable loan commitments	0	0

Liabilities, January 1, 2024 - December 31, 2024

in EUR thousand



Management Report for the Financial Year 2024

Income Statement

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.

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 12/31/2024.

Because of the difficult economic and geopolitical framework conditions, the reporting year was especially challenging for İşbank AG. In particular, the energy crisis, the high inflation rate, and the ECB's continued monetary policy shaped the overall economic situation and influenced its business development.

Despite these difficult circumstances, İşbank AG was able to continue its dynamic development, and even exceeded targets that were increased during the course of the year. In this context, the bank pursued a restrictive credit policy. The individual income components developed as follows.

The net interest income, as a balance of interest income and interest expenditures, amounted to EUR 74.2 million, which was EUR 2.7 million higher than the 2023 financial year. It remained at a high level. Interest income saw enormous growth of 72.5%, to EUR 191.6 million, and interest expenditures increased 196.9% to a total of EUR 117.4 million. The continued deposit growth figures and targeted adjustments in the refinancing business, especially through repo and foreign exchange transactions that aimed at a long-term stabilization of the net interest income, were the main reasons for this. Moreover, the interest expenditure is largely the result of customer deposits, liabilities to banks, repo transactions and cross-currency swaps.

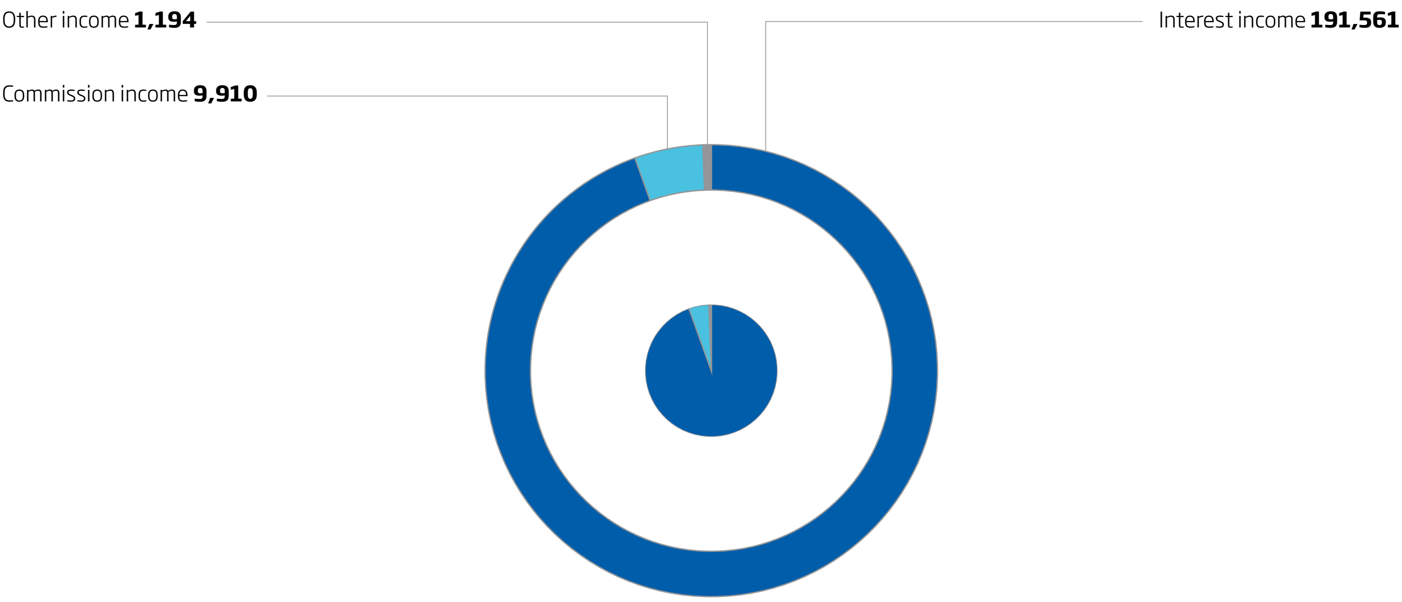
Thanks to the dynamic business in the digital channels and the positive development from high numbers of customer transactions, the commission result increased significantly

The income is structured by geographical region, as follows:

KEUR	Germany	Netherlands	Total
Interest income	184,873	6,688	191,561
Commission income	9,324	586	9,910
Net income for the year	34,356	1,798	36,154

Income, January 1, 2024 - December 31, 2024

in EUR thousand



compared to the previous year, from EUR 7.2 million to EUR 9.5 million. The commission income here increased by 27.5% in comparison with the previous year. Digitalization and the increased use of the Service Center produced additional efficiency gains.

The balance of other operating income during the reporting period was EUR 1.2 million, after EUR 3.5 million in the previous year. The decrease results mainly from lower levels of foreign currency derivatives.

The general administrative expenses were EUR 26 million in the reporting year of 2024, only slightly lower than the value of the previous year, which was EUR 26.5 million. At the same time, personnel costs grew by 0.7%, to EUR 15.2 million, due to an increase in variable compensation components. The other administrative expenses remained nearly constant; at EUR 10.9 million, they were slightly lower than the level of the previous year, which was EUR 11.4 million.

The write-downs and value adjustments of intangible and fixed assets increased slightly by 7.1% in the financial year, to EUR 3.1 million. This increase results mainly from write-downs for the core banking system of İşbank AG, which was procured in 2016.

As of 12/31/2024, depreciations and value adjustments to claims and certain securities as well as allocations to provisions for possible loan losses totaled EUR 2.6 million (previous year: EUR 9.8 million), compared to income from write-ups to receivables and certain securities as well as the release of provisions for possible loan losses totaling EUR 5.7 million (previous year: EUR 3.8 million).

The depreciations and value adjustments to participations, shares in affiliated companies, and securities treated as fixed assets totaled EUR 0.1 million for the reporting year, largely from the sale of Maxi Digital GmbH.

No extraordinary expenditures were incurred during the reporting period. Tax expenses for the financial year totaled EUR 22 million, following EUR 16.4 million in the previous year. After consideration of these components, the 2024 financial year ended with an annual net income amounting to EUR 36.2 million.

Overall, the target for the 2024 annual result was fulfilled with a target achievement of 101%. The remaining net profit–subject to approval by the decision-making committees–will be used to further reinforce the retained earnings.

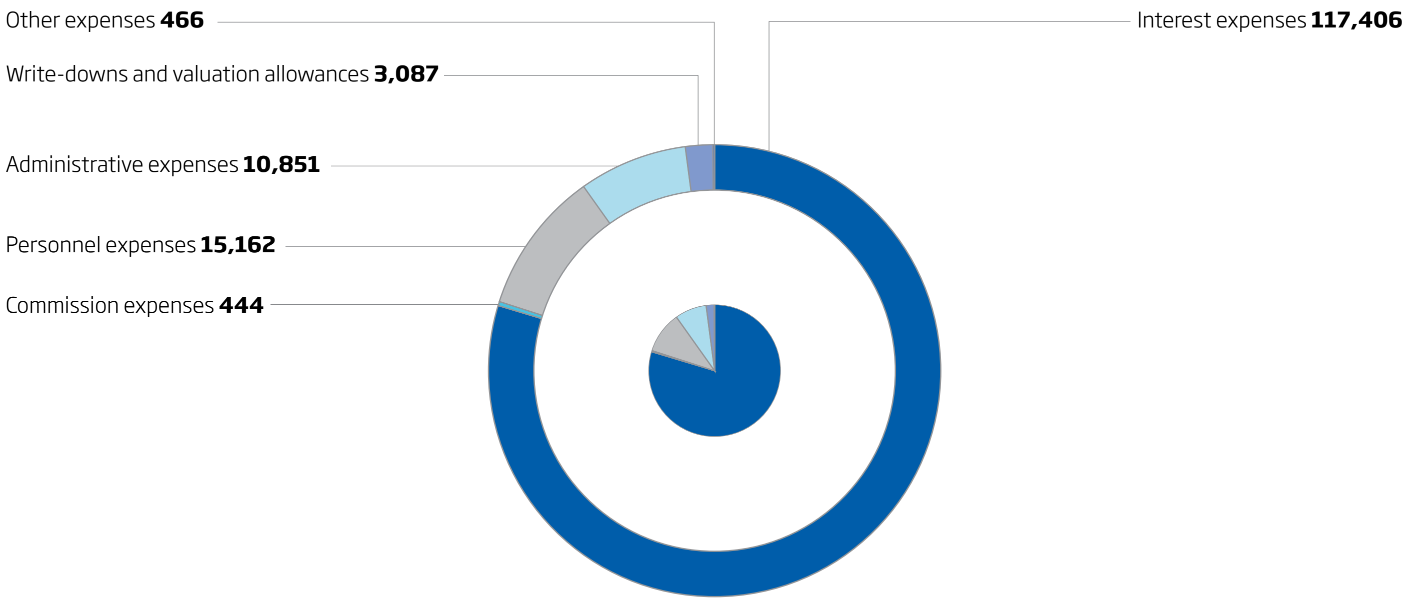
Liquidity situation

The solvency of İşbank AG was guaranteed at all times in the financial year 2024 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 12/31/2024, there were revocable loan commitments amounting to EUR 8.2 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, 2024 - December 31, 2024

in EUR thousand



Management Report for the Financial Year 2024

Important financial indicators

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

Indicators	Planned for 2024	2024	2023	2022
Total capital ratio[1] on the balance sheet date	22.26%	23.75%	24.77%	16.26%
LCR[2]	N.A.	154.87%	350.27%	292.24%
After-tax profit as a % of average equity (ROAE)[3]	8.97%	8.95%	7.87%	2.97%
Cost-income ratio (CIR)[4]	35.13%	34.86%	35.94%	56.98%
Annual result in KEUR	35,949	36,154	30,244	7,901

(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.

For the entire reporting period of 2024, the internal financial indicators of İşbank AG were always higher than the planning data established annually by the Management Board. As of the balance sheet date, the total capital ratio was 23.75%, compared to 24.77% at the end of 2023. Thanks to a series of excellent results in the past few years, İşbank AG created a strong starting situation. This momentum is now being used to hasten profitable growth and to keep driving transformation, by further developing the strategy in the coming years.

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, a value of 154.87% was achieved. 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.

The CIR indicator is an economic indicator that compares expenses with generated income. Despite inflation and slightly increased investment costs, the CIR improved to 34.86%, higher than the original target of 35.13%. This 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 2024 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. In order to achieve the targets of the further developed strategy by 2027 and to accelerate its profitable growth, İşbank AG will leverage additional potential in its business model in the coming years. In the process, İşbank AG will utilize its known strengths in the area of business with banks and corporate customers while also expanding its share of private and business customers to further solidify its leading market position. Moreover, İşbank AG will consistently develop its range of digital processes, solutions, and products in every business area.

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. In keeping with the supervisory requirements, risk-bearing capacity is calculated with consideration for a normative and economic perspective. 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 represents the current economic perspective:

In KEUR	Q4 2024			Q4 2023			Change	
Risk types	**Balance**	**Limit**	**Usage rate**	**Balance**	**Limit**	**Usage rate**	**absolute**	**relative**
Credit risk	**142,085**	**335,268**	**42.4%**	**225,777**	**389,613**	**57.9%**	***-83,692***	***-37.07%***
Unexpected loss	109,354	201,161		124,667	229,184		*-15,313*	*-12.28%*
Migration risk	15,769	49,173		18,372	34,378		*-2,603*	*-14.17%*
Country risk	16,961	84,934		73,187	114,592		*-56,226*	*-76.82%*
Participation risk	0	0		*9,552*	*11,459*		*-9,552*	*-100.00%*
Market price risks	**31,536**	**89,405**	**35.3%**	**14,660**	**57,296**	**25.6%**	***16,876***	***115.12%***
Credit-spread risk	8,615	26,821		5,540	34,378		*3,075*	*55.50%*
Interest rate change risk	21,766	53,643		7,648	18,335		*14,118*	*184.60%*
Currency risk	1,156	8,940		1,473	4,584		*-317*	*-21.54%*
Operational risks	**6,950**	**22,351**	**31.1%**	**5,557**	**11,459**	**48.5%**	***1,393***	***25.07%***
Overall risk exposure	**180,571**	447,024		**245,994**	458,368		***-65,423***	***-26.60%***
Aggregate risk cover	**496,693**			**458,368**			***38,240***	***8.34%***
Usage rate	**36.4%**			**53.7%**			***-17.34%***	***-32.29%***

Economic perspective of RDM	Q4 2024	Q4 2023	absolute change	relative change
Book value of the equity capital	415,905	385,661	30,244	7.84%
Hidden reserves in the banking book (gross)	93,968	79,807	14,161	17.74%
Expected losses (lifetime) for the banking book (ex. bonds)	-6,533	-16,477	9,944	-60.35%
Expected refinancing costs for the banking book	-42,595	-35,003	-7,592	21.69%
Expected administrative costs	-18,961	-10,856	-8,105	74.66%
Profit for the previous year	0	0	0	
Profit for the current year (gross)	53,937	48,352	5,585	11.55%
General risk provisioning including § 340f HGB reserves	21,181	21,950	-796	-3.51%
Accrued expenses	-782	-948	166	-17.50%
Deferred income	696	1,558	-862	-55.36%
Intangible assets	-4,177	-6,322	2,145	-33.92%
Buffer for ESG risks	-5,809		*n/a*	*n/a*
Buffer for relevant but insignificant risks	*-10,137*	*-9,354*	*-783*	*8.37%*
Aggregate risk cover	**496,693**	**458,368**	**38,325**	**8.36%**

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The risk exposure was reduced in the course of 2024, and the risk capital available for absorbing losses increased by 8.4%. This increase is due to the higher equity (as a result of retaining the previous year's profit), the rise in hidden reserves in the banking book, and the reduction of expected losses in the banking book. For the most part, the overall risk exposure declined due to the lower credit risk. This development is particularly due to Turkey's country rating and the associated lowering of its country risk. Fitch, the rating agency that largely affects how the bank is managed, increased Turkey's country rating to BB- (Long Term Issuer Default Rating – previously upgraded to B+ on 3/8/2024) on September 6, 2024, and once again classified its rating outlook as stable in September 2024. Moreover, the participation risk no longer applies due to the sale of participation in Maxi Digital GmbH at the end of the year, which further contributed to the lowered risk exposure.

The bank expects to see slightly higher capital requirements in 2025 due to the planned growth. This positive trend with regard to Turkey's creditworthiness as a country continued through the end of 2024. From the perspective of the capital market, too, credit risks dropped; the CDS spread for 5-year Turkish government bonds fell again in the course of 2024, to approx. 250 basis points, from an initial approx. 300 basis points. Nonetheless, it remains to be seen how long this positive trend can continue during the financial year.

On the side of the risk capital, the still very good business situation in 2024 contributed to a significant increase in capital. The gross profit increased by approx. EUR 7.3 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 2025.

In addition, a new buffer for ESG risks was introduced that is determined by categorizing borrowers according to their ESG rating and the term of the loan. Moreover, a buffer is included 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 internal control system of İşbank AG

The Management 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. 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 and migration risk), market price risk (interest rate change, currency, and credit-spread risk), liquidity risk, and operational risk are identified as significant risks. Because of the sale of its participation in Maxi Digital GmbH in June 2024, the participation risk is no longer relevant for the bank. 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 domestic and international risk exposures.

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 timely action 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 and migration 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 associated with cross-border transactions 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

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. As of 12/31/2024, the risk exposure for counterparty default risks is EUR 2,199 million.

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Types of receivables							
in KEUR	**Centralized states**	**Institutions**	**Companies**	**Bulk business**	**Participations**	**Other**	**Total**
Total (without risk reduction techniques)	340,508	514,866	1,333,199	5,232	-	5,078	**2,198,883**
Loans	241,843	448,532	1,292,871	3,918	-	5,078	**1,992,242**
Items below the line (consents, guarantees)	721	12,909	40,328	1,314	-	-	**55,272**
Securities	97,944	44,216	-	-	-	-	**142,160**
Derivatives	-	9,209	-	-	-	-	**9,209**

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, 2024.

Rating classes	Risk content	Probability of default	Proportion (%)
1 to 8	Very low to average default risk	< 1.2%	69.7%
9 to 12	Slightly elevated default risk	< 6.25%	30.3%
13 to 15	High / very high default risk	< 20%	0.1%

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.

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 Turkey 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: At banks, this is done by applying a country cap. The individual bank rating is compared to the rating for the home country, and the lower of the two ratings is used. For all other customer types, the individual customer rating is increased by a country-specific surcharge to quantify country risk. The country risk is the difference between the default risk calculated from individual ratings and the default risk determined using ratings adjusted for the specific country.

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, migration risk is determined from the difference between default risk calculated from individual ratings and borrower default risk derived using a rating that is one level higher.

Because of the sale of the participation in Maxi Digital GmbH on 5/31/2024, the "participation risk" item added in the course of 2023 no longer exists.

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 a risk that the aggregate risk cover will be reduced; the reason for this differs depending on the individual risk type. The interest change risk for the bank is based on differences in the fixed-interest period and interest adjustment options between asset and liability-side positions, while the currency risk comes from an asset or liability-side 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 ECB lowered key interest rates several times in 2024 to support the flagging economy in the Eurozone. The deposit rate was reduced to 3.0%. Economists expect to see further interest rate cuts in 2025. According to forecasts, the deposit rate could drop to about 2.25% by the end of 2025. Some experts predict the key interest rate will be about 2.5% in mid-2025. These measures will make loans more affordable and promote economic growth. Because the average residual term on the asset side of İşbank AG is approx. 400 days, and only 180 days on the liabilities side, the massive change in interest did not cause significant distortions in the banking book.

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.

a) Interest rate change risk

As part of the regulatory reporting system, İşbank AG calculated 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. The introduction of the new IRRBB requirements updated and expanded the previous regulations, replacing the previous requirements of circular 06/2019. The new IRRBB reporting obligations applied as of the reporting date, 9/30/2024.

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.

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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 exposure 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 consider the negative value change of relevant positions in the banking book due to an increased credit spread.

The quantification of credit-spread risks in the banking book (CSRBB) in the economic forecast and the stress tests is based on a rating-class-specific adjustment, derived from the application of rating-class-specific changes in default probability. The effect on the economic value of equity (EVE effect) of CSRBB is calculated by applying these adjustment values to individual loans, and determining the market-value change based on the duration and convexity of the loan.

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,
- ICT 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 that records incurred losses as well as near-losses, to measure 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. The capital demand according to the standard approach will be scaled using adjustment factors within the risk-bearing capacity statement in the economic forecast; 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 exposure. This is dependent on the risk appetite of İşbank AG, which was 90% of the aggregate risk cover as of the reporting date, and distributes the available aggregate risk cover relative to the individual risk exposure. Moreover, the warning threshold for the total upper loss limit is equal to 90% of the available aggregate risk cover.

The risk-bearing capacity statement used by İşbank AG fulfills the requirements of the guideline published jointly by the German federal financial supervisory authority and the German Central Bank on 5/24/2018, "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 exposure is covered by the risk coverage potential. The ratio of overall risk exposure to aggregate risk cover on 12/31/2024 was 36.1%. 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 exposure 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.

The effects of an extreme deterioration in the overall economic situation (decline in GDP, rise in unemployment rate) 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 Turkey 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. For credit-spread risks, the basis is a historical scenario that considers the maximum increase in zero-coupon bonds.

In addition, the scenarios of IT outages, cyberattacks, and simulated value losses according to the loss database are considered for operational risks.

Taking into account 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.

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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 treasury department):

A liquidity report of the maturity profiles of all receivables and liabilities is generated regularly and published on the portal. The treasury department generates a liquidity contingency plan annually.

- The risk management department conducts a stress test based on 3 different scenarios (one institution-specific, one market-wide, and one combined scenario) and compares the results with those of the previous quarter. The treasury department is responsible for reporting on the current liquidity situation and significant income and/or expenditures each month, in the asset-liability committee or the asset-liability management committee, with participation from the risk management, credit, financial management, sales & business development, and FI 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 treasury 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 on the basis of 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 Turkey, the home market of our parent company. This risk concentration is assessed by restricting the credit volume with customers in Turkey, using an absolute commitment limit for Turkey 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 framework conditions in Turkey.

d) OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

Overall economic situation

The global economic prospects for 2025 are shaped by a mixture of opportunities and risks. Geopolitical tensions, particularly due to the start of Donald Trump's second term as US president in January 2025, are creating uncertainty in the short term with regard to potential trade conflicts and protectionist measures. In this context, the introduction of higher tariffs by the US on selected imports is causing additional burdens for global trade, which could create new tensions with important trade partners. Nonetheless, the global economy remains stable overall, with projected growth of 3.3% for 2025, which corresponds to the level of previous years.

One piece of positive news for the global economy is the decline in inflation due to increased interest rates. Worldwide, an inflation rate of 4.2% is still expected for 2025, while a further decline to 3.5% is projected for 2026. This development could give the central banks more freedom to relax monetary policies.

Under the new Trump administration, economic growth of 2.7% is expected for the US, buoyed by pro-business measures such as tax cuts and deregulation. However, protectionist trade policies and potential trade conflicts could harm global trade relations.

In the Eurozone and the Western industrialized nations, the expectation is moderate growth of about 1.3% and 1.9%, respectively, while the emerging markets are expected to see stronger growth of around 4.1%. This divergence reflects the differing stages of development and economic dynamics. The outlook for the emerging markets is relatively stable for the coming years as well; according to the IMF, the rate is expected to remain around 4.2% and settle at 3.9% by 2029. Here, too, there is an opposing dynamic among the country groups: improvements seen in Asia, especially China and India, will be more than counteracted by worsening in the African sub-Saharan countries as well as the Near East and Central Asia.

For China, the IMF projects growth of 4.6%, supported by state investments and technological progress. Nonetheless, there are challenges with regard to the real estate market and geopolitical tensions with the US.

For the German economy, forecasts are cautiously optimistic. Following two years of recession, slight growth of 0.3% is expected for 2025. Positive stimuli should come particularly from private consumer spending as well as investments during the course of the year. Moreover, the federal government's planned growth package could provide additional economic support in the course of the year. However, foreign trade is expected to have a noticeably negative impact, since exports are expected to decline as imports rise.

The inflation rate in Germany is projected to be a moderate approximately 2.0%, indicating a normalization of the price development. Nonetheless, structural challenges remain, including high energy prices, increasing global competition, and a fragile geopolitical situation. These factors could interfere with economic recovery and must be further monitored by stakeholders in politics and business. In summary, the expected stabilization of private consumption and investments will provide opportunities for the future. At the same time, risks arise due to external factors such as potential trade conflicts and domestic German structural challenges in the areas of bureaucracy, digitalization, and infrastructure. It will be essential to respond flexibly to these developments and to take corresponding measures to strengthen the economy.

The Turkish economy is currently in a difficult transition phase, shaped by structural challenges. While early stabilizing tendencies can already be seen, especially due to stricter fiscal and monetary policies, the economic framework conditions remain tense. Overall, the Turkish economy is in a phase of adjustment and consolidation, with potential prospects for stabilization and new growth stimuli. Despite challenges such as high inflation and a weak lira, the first stabilizing developments are emerging: The disciplined fiscal policy is beginning to work, and companies are adapting to the changed framework conditions.

Despite the uncertain situation, the Turkish government is continuing its medium-term growth plan and projects growth of 3.5% for 2025. The International Monetary Fund (IMF) is significantly more cautious, projecting real growth of just 2.6%. This weakening is due mainly to the necessary macroeconomic corrective measures, which should cause a noticeable slowing of domestic demand.

Even if the projected growth is calculated above the EU average (IMF: 1.0%), it remains to be seen how sustainable this is in light of the ongoing instability. Some sectors, like the automotive industry, are currently benefiting from investments

Management Report for the Financial Year 2024

in electromobility. In addition, European companies are using nearshoring strategies to develop production capacity in Turkey – a trend that is also largely dependent on political and economic framework conditions.

The monetary policy was tightened beginning in mid-2023 to ensure pricing stability. Following a high of more than 50% in the first half of 2024, initial signs of declining inflation can now be seen. An inflation rate of about 20% is expected for 2025-2026. Companies see this trend as a positive step toward a more reliable economic policy, even if they remain somewhat cautious.

The weak lira is strengthening the competitive position of Turkish exporters, especially for the EU and the Near East. While the increase in exports was still moderate in 2024, at 2%, there is significant long-term potential for Turkish companies. The growing interest in sustainable production and new technologies offers additional growth opportunities, especially for companies that adapt to changing environmental requirements at an early stage.

While smaller companies still face high financing costs, export-oriented companies and internationally active investors benefit from long-term growth perspectives. Turkey's economic policy strategy includes the goal of diversifying trade relations to improve export opportunities. Thus the rising exports are also a result of the growing number of free trade agreements (FTAs). Overall, there are 54 FTAs in place between Turkey and its partner countries, including 27 in the EU single market because of the customs union. Germany remains one of Turkey's most important trade partners, with more than 8,000 companies in the country that have German capital participation. Despite short-term uncertainties, half of German companies rate their business situation as good, and approximately 31% expect to see an improvement in the coming months. Their increased collaboration in future-oriented industries like sustainable mobility, technology, and mechanical engineering reinforces the foundation of the German-Turkish economic partnership.

In 2025, Turkey has an opportunity to achieve lasting stabilization through smart economic policy and targeted investments. Fighting inflation and implementing a stricter monetary policy has begun to produce results, while exports and investments are acting as growth drivers. Despite the existing structural risks and uncertainties, the economy remains adaptable overall, although the investment environment must still be closely monitored.

Development of İşbank AG

The economic development of İşbank AG in recent years clearly shows that the bank is pursuing a solid, future-oriented business model that can successfully withstand local as well as global crises. Even in a demanding and challenging macroeconomic environment, this model proved resilient in 2024 as well. This can be seen from the bank's income situation, which was the most successful it had been since its founding. The main success factors include a cautious risk profile combined with effective risk management, a solid equity basis, and a broadly diversified refinancing structure. As a result, the bank is strategically positioned to continuously expand its existing business and to optimally leverage new opportunities. A particular focus here is ensuring continued positive development by consistently expanding into digital business areas.

For the 2025 financial year, İşbank AG anticipates further risks for the short-term economic forecast and a slow economic recovery.

The IMF is projecting economic growth of 1.0% for the Eurozone in 2025. For Germany, a low growth rate of 0.3% is expected, resulting from ongoing weaknesses in the industry and high energy prices. This moderate economic growth will reduce investment confidence accordingly. In addition, geopolitical tensions, especially in Ukraine and the Near East, along with protectionist tendencies in the US, are slowing the investment climate. These uncertainties reinforce the cautious investment strategy of European companies and thus the reduced investment confidence of these companies, especially in their business with Turkey, so they also create challenging framework conditions for the bank.

Against this backdrop, the German banking landscape faces systematic challenges that require close collaboration between banking supervision and financial stability monitoring. Significant risk factors for 2025 are geopolitical uncertainties as well as structural economic weaknesses, associated with increased credit default. While banks benefited from the recent interest rate increases, the positive effects are fading, and an economic downturn could increasingly impact the banks' income situation. Thanks to its solid equity basis, however, İşbank AG has the necessary flexibility to adapt to future market conditions. If the war does create a multi-year recession in the bank's target markets, the available capital resources will offer enough flexibility to successfully withstand the crisis. That means İşbank AG is well prepared even in the event of a longer economic downturn due to geopolitical conflicts. The current equity ratio of around 23.8% as of 12/31/2024 represents a stable safeguard here.

At the same time, there are positive indicators that the economic situation in Turkey is improving. A return to a more conventional fiscal policy in Turkey, associated with an increase in macro-financial stability, are positive signs for the country's future development and thus for trade between Europe and Turkey. In 2024, all three of the major rating agencies upgraded Turkey's creditworthiness, acknowledging the country's positive economic developments. These recent rating upgrades underline Turkey's economic progress.

Against this background, İşbank AG anticipates growth in both the deposit business and the loan business in 2025. At the same time, the disciplined continuation of the existing restrictive credit strategy should increase the balance sheet total by 7%. 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 17% and to grow customer deposits by 3%.

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 Turkey 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. İşbank AG's digitalization strategy concentrates on adjusting to the quickly changing banking landscape. Important influencing factors include the increasing digitalization of the finance sector and the need to optimize the cost-income ratio. Central initiatives include strengthening and expanding digital channels and services, as well as automating processes.

Due to the increasing strategic importance of this issue, sustainability is now part of the corporate strategy and all strategy planning processes. As a result, the bank developed a sustainability strategy for 2025 that is based on the parent company's strategic Sustainability Vision. Here it must be noted that Türkiye İş Bankası A.Ş., as a globally operating financial institution, has already implemented ESG criteria in compliance with the applicable international regulations. Detailed implementation of the sustainability strategy will begin in 2025. Moreover, the 2025 financial year will include stakeholder surveys, materiality analyses, and a more in-depth analysis of the credit portfolio as well as of other areas of the company (with a focus on social and government factors).

Because of the lower interest margins, a decline is expected in İşbank AG's net interest income for the 2025 financial year, which will lead to lower profit expectations compared to 2024. Nonetheless, the projected result remains at a very satisfactory above-average level. The record profit after taxes for 2024, totaling EUR 36.2 million, will be retained in full, thereby further strengthening the equity. With this growing equity, İşbank AG is very well positioned for future challenges and will be able to continue reinforcing its solid financial stability. 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.

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 Bundesverband deutscher Banken e.V. (association of German banks) and of regional banking associations, and it is also a member of Verband der Auslandsbanken e.V. (association of foreign banks). In June 2024, our Management Board Chairperson Ms. Gamze Yalçın was elected as a board member of Verband der Auslandsbanken e.V. As a member of Prüfungsverband deutscher Banken e.V. (auditing association of German banks), the bank also participates in the deposit protection fund of private banks.

Frankfurt am Main, April 10, 2025

Gamze Yalçın	**Ayşe Doğan**	**Emir Serdar Gülpınar**
Chairperson of the Management Board	Member of the Management Board	Member of the Management Board

“İşbank AG, serving you since 1932”

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2024 WITH INDEPENDENT AUDITOR'S REPORT THEREON

Balance sheet as of 12/31/2024 of İşbank AG, Frankfurt am Main

Assets

	12/31/2024		previous year
	EUR	EUR	EUR
1. Cash reserve			
a) Cash on hand	3,073,565.49		3,120,400.59
b) Balances with central banks	31,825,019.67		7,998,726.43
of which:			
with the German Central Bank			
EUR 31,824,469.64 (previous year: EUR 7,998,176.40)			
		34,898,585.16	**11,119,127.02**
2. Receivables from credit institutes			
a) due daily	2,760,185.11		5,757,181.11
b) other receivables	631,778,219.66		790,158,924.40
		634,538,404.77	795,916,105.51
3. Receivables from customers		1,285,014,544.68	1,119,079,574.59
of which:			
secured by encumbrances: EUR 26,231,475.25 (previous year: EUR 33,039,040.13)			
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 the German Central Bank			
EUR 0.00 (previous year: EUR 0.00)			
b) loans and bonds			
ba) from public issuers	97,944,405.32		32,302,967.81
of which: eligible as collateral at the German Central Bank			
EUR 65,254,985.31 (previous year: EUR 0.00)			
bb) from other issuers	44,215,678.60		65,402,244.50
of which: eligible as collateral at the German Central Bank		142,160,083.92	97,705,212.31
EUR 0.00 (previous year: EUR 0.00)			
5. Shares in affiliated companies		0.00	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	4,177,461.01		6,231,143.00
		4,177,461.01	**6,231,143.00**
7. Property, plant and equipment		435,874.02	365,618.85
8. Other assets		25,685,290.73	2,853,017.47
9. Deferred income		782,142.66	947,929.15
Total assets		**2,127,692,386.95**	**2,043,769,727.90**

Liabilities			
	12/31/2024		previous year
	EUR	EUR	EUR
1. Payables to credit institutes			
a) due daily	44,963,565.97		5,192,456.61
b) with an agreed term or termination date	132,725,343.95		226,006,648.64
		177,688,909.92	**231,199,105.25**
2. Payables to customers			
a) savings deposits			
aa) with an agreed termination period of three months	19,173,391.45		24,590,335.65
ab) with an agreed termination period of more than three months	328,044.48		367,019.59
b) other liabilities			
ba) due daily	261,219,885.86		307,349,580.72
bb) with an agreed term or termination date	1,194,227,275.73		1,050,424,982.93
		1,474,948,597.52	**1,382,731,918.89**
3. Other liabilities	12,779,581.86	12,779,581.86	2,711,104.32
4. Deferred items	695,541.82	695,541.82	1,558,348.44
5. Accruals			
a) tax accruals	5,786,895.65		6,073,904.13
b) other accruals	3,733,880.12		3,590,040.53
		9,520,775.77	**9,663,944.66**
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	6,107,532.36		4,299,848.68
cb) other retained earnings	76,290,165.26		47,558,141.34
d) net profit	34,345,990.04		28,732,023.92
		452,058,980.06	**415,905,306.34**
	82,397,697.62		
	82,397.70		
Total liabilities		**2,127,692,386.95**	**2,043,769,727.90**
1. a) liabilities from guarantees and indemnity agreements	40,926,419.68		60,053,172.97
2. a) irrevocable credit commitments	0.00		0.00
		40,926,419.68	**60,053,172.97**

Profit and loss account for İşbank AG for the period from January 1 to December 31, 2024

			12/31/2024		Previous year
	EUR	EUR	EUR	EUR	EUR
1. Interest income from					
a) lending and money market transactions less	185,853,396.74				105,038,827.50
negative interest from money market transactions	0.00				0.00
		185,853,396.74			105,038,827.50
b) fixed-interest securities and debt register claims		5,707,935.62			5,991,194.21
			191,561,332.36		111,030,021.71
2. Interest expenses			117,406,303.75		39,570,295.00
a) negative interest from money market transactions			0.00		-28,335.88
				117,406,303.75	
				74,155,028.61	**71,488,062.59**
3. Commission income			9,910,286.87		7,772,406.12
4. Commission expenses			443,918.20		547,136.54
				9,466,368.67	**7,225,269.58**
5. Other operating income				1,194,026.81	3,481,681.33
6. General administrative expenses					
a) Personnel costs					
aa) wages and salaries (with provisions)		13,096,371.54			13,068,516.87
ab) social contributions and expenses for retirement benefits and support		2,065,767.86			1,983,569.41
of which: for retirement benefits EUR 69,256.53 (previous year: EUR 66,229.98)					
			15,162,139.40		15,052,086.28
b) Other administrative expenses			10,851,020.56		11,443,296.54
				26,013,159.96	**26,495,382.82**
7. Depreciation and amortization of intangible assets and property, plant and equipment				3,086,536.95	2,881,632.93
8. Other operating expenses				465,848.85	167,581.68
9. Depreciation and amortization of receivables and certain securities as well as allocations to provisions in the lending business			2,086,686.43		9,813,818.77
10. Income from write-ups to receivables and certain securities as well as from the dissolution of provisions in the lending business			5,171,290.94		3,812,635.18
				-3,084,604.51	**6,001,183.59**
11. Depreciation and value adjustments for participating interests, shares in affiliated companies, and securities treated as fixed assets				142,000.00	0.00
12. Income from write-ups to participating interests, shares in affiliated companies, and securities treated as fixed assets				0.00	0.00
13. Profit on ordinary business activity				58,192,482.84	46,649,232.48
14. Extraordinary expenses				0.00	0.00
15. Taxes on income and earnings			22,023,182.51		16,394,071.30
16. Other taxes not listed in Item 8			15,626.61		10,925.47
				22,038,809.12	**16,404,996.77**
17. Annual net profit				36,153,673.72	30,244,235.71
18. Allocations to revenue reserves					
a) to the legal reserve			1,807,683.69		1,512,211.79
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
				1,807,683.69	**1,512,211.79**
19. Net profit				**34,345,990.04**	**28,732,023.92**

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

Notes for the 2024 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, 2024, 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 2024 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, loans overdue for 60 to 90 days as well as installment loans installment loans that are more than three payments overdue 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 in a timely manner 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, where an ongoing reduction in value is anticipated, the lower reportable value pursuant to § 253 Sect. 3 HGB. If the reasons that led to a depreciation no longer exist, a write-up is performed up to the amount of the acquisition costs.

The tangible and intangible assets, the use of which is temporary, are recorded applying scheduled depreciation over the anticipated length of use. The underlying length of use is based on the length of their economic life. Where an ongoing reduction in value is anticipated, an unscheduled depreciation takes place. In the 2016 fiscal year, the length of use for the core banking system was defined as 10 years. Low-value assets up to EUR 800 net are fully written off as operating expenses in the year of acquisition. These are also subject to record-keeping obligations. 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 valuation of forward exchange transactions, especially CC foreign exchange swaps, FX foreign exchange swaps, and forward transactions, is fundamentally based on the banking book portfolio, since İşbank AG does not keep a trading book portfolio. The currency conversion difference between the agreed spot rate and the spot rate for the balance sheet date is determined on the balance sheet date. Positive and negative spot rate differences from different forward exchange transactions are offset within the same currency. The currency accruals and deferrals from FX foreign exchange swaps as well as interest accruals and deferrals from the CC foreign exchange swaps are recorded either as "Other Assets" or "Other Liabilities." Exchange-rate and interest accruals and deferrals on the asset and liability side are not offset against each other here. Any potentially required provision for contingent losses will be formed only after valuation of the residual item. Offsetting of the positive and negative residual-item valuation takes place exclusively within the same currency for each transaction.

Deferred taxes are determined for temporary differences between the valuations under commercial law for the estimated assets, debts, and accruals and deferrals and the tax valuations for these, as well as for tax losses carried forward. Deferred tax assets primarily result from the reported receivables from customers in deviation from taxes, as well as from the other assets. According to the right to choose as per § 274 Sect. 1 Clause 2 HGB [German Commercial Code], deferred tax assets are not recorded.

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 No. 5 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 reporting year, this applied only to Turkey (previous year: Turkey and Azerbaijan).

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. In this context, a method is used to determine an individual PD premium for the country risk for the remainder of the portfolio.

In the 2024 fiscal year the rating score for Turkey was raised a total of two times, from B to BB- (Fitch Ratings). Largely on the basis of these changes and changes to the loan portfolio structure, general value adjustments were made as of 12/31/2024 to the amount of KEUR 7,227 (previous year: KEUR 21,950). To account for the challenging current situation in Turkey and the associated uncertainties, however, a management adjustment – beyond the general value adjustments – was recorded for the amount of KEUR 14,723 (previous year: KEUR 0).

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 12/31/2024.

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 [Ordinance on Accounting for Banks].

	12/31/2024 KEUR	Previous year KEUR
Receivables from credit institutes		
- due daily	2,760	5,757
- up to 3 months	294,190	533,122
- 3 months up to 1 year	274,263	259,844
- 1 year up to 5 years	66,193	0
Accrued interest	5,616	8,692
General loan loss reserves	-8,484(*)	-11,499(*)

(*) of which allocated to country loan loss reserves KEUR 8,462 (previous year: KEUR 11,497)

	12/31/2024 KEUR	Previous year KEUR
Receivables from customers		
- up to 3 months	218,560	130,933
- more than 3 months up to 1 year	356,326	326,606
- more than 1 year up to 5 years	645,737	583,855
- more than 5 years	31,438	41,623
- with an indefinite term	24,764	31,396
Accrued interest	19,963	16,201
General loan loss reserves	-11,774(*)	-11,535(*)

(*) of which allocated to country loan loss reserves KEUR 10,689 (previous year: KEUR 8,441)

	12/31/2024 KEUR	Previous year KEUR
Receivables from affiliated companies are included in the following items		
Receivables from credit institutes	6,230	18,791
- of which to the sole shareholder	4,518	18,791
Receivables from customers	29,241	10,073
Debentures and other fixed-interest securities	8,395	7,879
Debentures and other fixed-interest securities		
a) Money market instruments		
aa) From other issuers	0	0
b) Bonds and debentures	96,280	31,012
ba) from public issuers		
- of which allocated to repurchase agreements	24,503	31,012
bb) From other issuers	43,268	64,424
- of which allocated to repurchase agreements	15,575	25,427
- due the following year	14,426	23,913
c) Accrued interest	2,612	2,269

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 1,064 (previous year: KEUR 940) and hidden losses to the amount of KEUR 1,168 (previous year: KEUR 420).

The amount of the marketable securities in the bond and debenture portfolio is KEUR 92,499 (previous year: KEUR 41,250). As of the balance sheet date, no unscheduled depreciations or appreciations had occurred.

Receivables from customers amounting to KEUR 26,231 (previous year: KEUR 33,039) are secured by liens.

During the fiscal year, 100% of the shares in the affiliated company Maxi Digital GmbH were sold as of 5/31/2024. On 5/28/2024, an increase from capital reserves was carried out to the amount of KEUR 190. The sale price was KEUR 9,600 and the loss on disposal was KEUR 142, which was recorded accordingly in the profit and loss statement.

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, 2024, the accounting value of the intangible assets totaled KEUR 4,177 (previous year: KEUR 6,231). 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 25,685 (previous year: KEUR 2,853). This includes receivables from derivative transactions amounting to KEUR 25,075 due to currency valuations (previous year: KEUR 2,149). Moreover, tax receivables from the corporation tax for the current year amounted to KEUR 106; receivables from tax authorities were KEUR 209 (previous year: KEUR 176); rental deposits were KEUR 106 (previous year: KEUR 106); tax receivables from the corporation tax for previous years were KEUR 102 (previous year: KEUR 326); and tax receivables from the trade tax for previous years were KEUR 44. Moreover, the bank's suspense accounts totaled KEUR 44 (previous year: KEUR 26).

In the prepaid expenses item amounting to KEUR 782 (previous year: KEUR 948), only KEUR 482 (previous year: KEUR 575) came from prepayments from the rental agreement for the main office. In addition, another KEUR 300 (previous year: KEUR 373) came from prepaid invoices.

İşbank AG, Frankfurt am Main
Asset analysis as per 12/31/2024

	APC Status 01/01/2024 KEUR	Inflow KEUR	Outflow KEUR	Transfer KEUR	APC Status 12/31/2024 KEUR	Cumulative Depr. Status 01/01/2024 KEUR	Cumulative Depr. Status 12/31/2024 KEUR	12/31/2024 Appreciation of the fiscal year KEUR	12/31/2024 Depreciation of the fiscal year KEUR	Accounting values Status 12/31/2023 KEUR	Accounting values Status 12/31/2024 KEUR
I. Intangible assets											
1. Software [4]	27,576	843	4,251 [1]	0	24,167	21,345	19,990	0	2,896	6,231	4,177
	27,576	**843**	**4,251**	**0**	**24,167**	**21,345**	**19,990**	**0**	**2,896**	**6,231**	**4,177**
II. Tangible assets											
1. Plant and equipment	4,816	261	0	0	5,076	4,450	4,640 [1]	0	190	366	436
	32,392	**1,103**	**4,251**	**0**	**29,244**	**25,795**	**24,630**	**0**	**3,087**	**6,597**	**4,613**
III. Securities [3]	91,531	64,903	22,516	0	133,917	3,905	5,631 [2]	3,130	1,404	97,705	142,160 [2]
IV Shares in affiliated companies [5]	9,552	190	9,600	0	0		142		142	9,552	0
Total	**133,475**	**66,196**	**36,367**	**0**	**163,303**	**29,700**	**19,141**	**3,130**	**4,632**	**113,854**	**146,773**

(1) Inflows and transfers in the fiscal year are included in the write-offs to the amount of KEUR 235 (software and plant and equipment).
In addition, an amount of KEUR 4,251 for unused intangible assets was removed.
(2) Inclusive accrued interest to the amount of KEUR 2,612. The inflow to securities includes currency effects to the amount of KEUR 4,903.
(3) Debentures and other fixed-interest securities; stocks and other non-fixed-interest securities.
(4) Concessions, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values.
(5) Sale of participation in Maxi Digital GmbH to the amount of KEUR 9,742 for KEUR 9,600 on 5/31/2024. In conjunction with the sale there is a loss on disposal to the amount of KEUR 142.

	12/31/2024 KEUR	Previous year KEUR
Payables to credit institutes		
- due daily	44,963	5,192
- up to 3 months	102,254	151,126
- more than 3 months up to 1 year	28,947	71,292
- more than 1 year up to 5 years	570	570
- accrued interest	955	3,018
Payables to customers (savings deposits)		
- up to 3 months	19,173	24,590
- more than 3 months up to 1 year	17	66
- more than 1 year up to 5 years	16	19
- more than 5 years	295	283
Payables to customers (other payables)		
- due daily	261,220	307,350
- up to 3 months	719,369	477,074
- more than 3 months up to 1 year	279,656	301,636
- more than 1 year up to 5 years	141,649	218,754
- more than 5 years	41,249	46,198
- accrued interest	12,304	6,763
Payables to credit institutes are included under the following items:		
Payables to credit institutes	15,469	4,001
- of which to the sole shareholder	15,437	3,988
Payables to customers	93,988	55,680

Payables to credit institutes include KEUR 24,811 (previous year: KEUR 35,575) in repo transactions. The remaining payables to credit institutes are not collateralized.

The other liabilities to the amount of KEUR 12,780 (previous year: 2,711) include exchange-rate accruals and accrued interest from derivatives and forward exchange transactions to the amount of KEUR 8,368 (previous year: KEUR 122) and outstanding payments (customer orders not yet processed by the clearing body) to the amount of KEUR 2,195 (previous year: KEUR 1,195). In addition, there are KEUR 1,144 for non-moving accounts (previous year: KEUR 1,075); outstanding capital income tax to the amount of KEUR 543 (previous year: KEUR 51); returns from non-deliverable credit transfers to Turkey to the amount of KEUR 320 (previous year: KEUR 106); and liabilities to Internal Revenue Offices due to outstanding income and church tax to the amount of KEUR 206 (previous year: KEUR 162). Moreover, they include reserves for legal and consulting costs to the amount of KEUR 4 (previous year: KEUR 3).

Deferred income and accrued expenses to the amount of KEUR 696 (previous year: KEUR 1,558) primarily consists of fee payments in conjunction with lending market transactions to the amount of KEUR 323 (previous year: KEUR 1,196) as well as corporation tax make-up payments from previous years to the amount of KEUR 41 (previous year: KEUR 28).

The tax reserves to the amount of KEUR 5,787 (previous year: KEUR 6,074) include income tax make-up payments to the amount of KEUR 5,052 (previous year: KEUR 2,248), reserves for trade tax from previous years to the amount of KEUR 433, and reserves for corporation tax from previous years to the amount of KEUR 302.

As per the year-end, other reserves to the amount of KEUR 3,734 (previous year: KEUR 3,590) were created. They essentially consist of bonus reserves to the amount of KEUR 1,670 (previous year: KEUR 1,735). They also include reserves for sureties to the amount of KEUR 923 (previous year: KEUR 716), and reserves for other payment obligations to the amount of KEUR 394 (previous year: KEUR 259), reserves for audit and annual financial statement costs to the amount of KEUR 183 (previous year: KEUR 280). This item further includes reserves for processing costs to the amount of KEUR 113 (previous year: KEUR 119), reserves for contributions to the amount of KEUR 112 (previous year: KEUR 115), filing fees to the amount of KEUR 105 (previous year: KEUR 105) and vacation reserves to the amount of KEUR 94 (previous year: KEUR 90). Moreover, they include reserves for legal and consulting costs to the amount of KEUR 90 (previous year: KEUR 171) as well as reserves for margin call interest payments to the amount of KEUR 50.

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:

	12/31/2024 KEUR	Previous year KEUR
Subscribed capital	335,000	335,000
Capital reserves	315	315
Statutory reserves	6,108	4,300
Profit reserves	76,290	47,558
Net profit	34,346	28,732
	452,059	**415,905**

Pursuant to § 150 Sect. 2 AktG, 5% of the annual net profit must be recognized in the statutory reserves annually. Accordingly, the statutory reserves were increased by KEUR 1,808.

The total amount of loan loss reserves for country risks of receivables from customers and credit institutes is KEUR 20,688 (previous year: KEUR 21,950), including off-balance sheet reserves to the amount of KEUR 923.

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

	12/31/2024 KEUR	Previous year KEUR
Receivables from credit institutes	8,484	11,499
Receivables from customers	11,281	9,735
Non-balance sheet reserves	923	716

Items recorded in foreign currency:

	12/31/2024 KEUR	Previous year KEUR
Assets	546,946	456,373
Liabilities	510,344	549,436

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

	12/31/2024 KEUR	Previous year KEUR
Guarantees and guarantee contracts	29,577	4,896
Letters of credit	12,192	55,873
	41,769	**60,769**

KEUR 1,651 (previous year: KEUR 1,641) of guarantees and guarantee contracts are allocated to the sole shareholder. KEUR 7,253).

Cash-secured guarantees in the fiscal year amount to KEUR 5,346 (previous year: KEUR 7,027). 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 2024 annual financial statement to the full amount of KEUR 34,346, carry it forward to a new account and to allocate it immediately to profit reserves.

The breakdown of earnings based on geographic markets is as follows:

	Germany KEUR	Netherlands KEUR	Total KEUR
Interest income	184,873	6,688	191,561
Commission income	9,324	586	9,910
Other operating income	1,024	170	1,194
Net income for the year	34,356	1,798	36,154

Interest income includes all interest income resulting from credit and money market transactions to the amount of KEUR 173,600 as well as the fixed-interest securities and debt register claims to the amount of KEUR 5,708. This item also includes interest income from money-market transactions with the German Central Bank to the amount of KEUR 12,253.

The total amount of interest expenses is KEUR 117,406 (previous year: KEUR 39,542). The interest expenses include interest to the amount of KEUR 74,995 from CC swap transactions and FX swap transactions.

Other operating income to the amount of KEUR 1,194 (previous year: KEUR 3,482) results primarily from foreign currency conversions to the amount of KEUR 512 (previous year: KEUR 69) results primarily from foreign currency conversions to the amount of KEUR 469 (previous year: KEUR 3,095) and income from amounts not claimed by customers from previous years to the amount of KEUR 126 (previous year: KEUR 218). This item also includes other administrative expenditures to the amount of KEUR 84 (previous year: KEUR 67) as well as corporation tax make-up payments from previous years to the amount of KEUR 1 (previous year: KEUR 8).

Other operating expenditure to the amount of KEUR 466 (previous year: KEUR 167) essentially consists of restructuring expenses to the amount of KEUR 347. These primarily involve costs for the ownership control procedure relating to Türkiye İş Bankası A.Ş. Moreover, there was general administrative expenditure to the amount of KEUR 92 (previous year: KEUR 36) as well as payment of the severe disability contribution to the amount of KEUR 27 (previous year: KEUR 21).

The fee for audit services includes the annual audit of İşbank AG for Germany to the amount of KEUR 358 (previous year: KEUR 335). In particular, other audit-related services include fees for legally required, contractually agreed audit-related services to the amount of KEUR 6 (previous year: KEUR 5).

Write-downs on participations, shares in affiliated companies, and securities treated as assets amounted to KEUR 142 in the reporting year and resulted exclusively from the sale of Maxi Digital GmbH.

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 2024 fiscal year, as in the previous year, there were no extraordinary expenditures.

As of December 31, 2024, taxes on income and profit to the amount of KEUR 22,023 (previous year: KEUR 16,394) were incurred.

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

Per a resolution by the regular shareholders' meeting of May 24, 2024, it was resolved to retain the net profit from 2023 of KEUR 28,732 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 improve tax competitiveness and to minimize tax avoidance by multinational companies.

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 EUR 750 million 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 a consolidated financial statement based on commercial accounting standards (such as the IFRS or HGB) and defined required adjustments, regardless of the location of the company.

This global tax reform, which aligns with the recommendations of the Organization for Economic Cooperation and Development (OECD) and the members of the Inclusive Framework, is based on a two-pillar model. It ensures that taxes are distributed more fairly and eliminates the previous tax-cutting competition.

In the context of introducing the global minimum tax according to the international tax reforms, we would like to point out the impact of this new regulation on the tax strategy and tax obligations of İşbank AG. İşbank AG is a subsidiary of Türkiye İş Bankası A.Ş. that has eight offices in Germany as well as one in the Netherlands. Because of the international business activities of Türkiye İş Bankası A.Ş., it is considered an internationally active company. In order to fall under the minimum tax act, the consolidated revenue of Türkiye İş Bankası A.Ş. must be EUR 750 million or more in at least two of the last four fiscal years - a revenue threshold that Türkiye İş Bankası A.Ş. exceeds.

As it implements this regulation, İşbank AG, in close collaboration with Türkiye İş Bankası A.Ş., is currently analyzing its international business structure as well as potential adjustments to the tax strategy in order to ensure full compliance with the requirements of the global minimum tax. İşbank AG is committed to fulfilling all legal and tax obligations in a timely manner and implementing the necessary measures to adjust the tax strategy.

Because the parent company Türkiye İş Bankası A.Ş. creates a consolidated financial statement and its subsidiaries in all the affected countries are subject to a nominal tax rate of no less than 15 percent, it is assumed that none of the business units in Germany are subject to a tax burden from the global minimum tax.

Country-specific reporting (country-by-country reporting) by İşbank AG pursuant to § 26a KWG as per December 31, 2024

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, 2024. 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. A corresponding disclosure report is published on the website of İşbank AG (www.Isbank.de).

Other financial obligations

The total amount of other financial obligations is broken down as follows:

	2025 KEUR	2026-2027 KEUR	as from 2028 KEUR	Total KEUR
Leases	2,645	4,918	2,298	9,862
Leasing contracts	109	178	29	315
Other contracts	1,410	2,606	1,287	5,302

For coverage of the loan grants in USD and TRY at the end of the year, the bank had four foreign currency swap transactions (nominal value: KEUR 95,598) and 19 cross-currency swap transactions (nominal value: KEUR 290,410) in the portfolio. As per the balance sheet date a negative amount of KEUR 4,029 as well as a positive amount of KEUR 20,736 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	221,233	0	22,521
More than 1 year	164,774	0	1,312

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.

	2024	Previous year
Germany	144	142
Netherlands	7	7
Authorized signatories	6	1
Total	**157**	**150**

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 2024 pursuant to § 285 No. 9a HGB to the amount of KEUR 22 (previous year: KEUR 22).

Company bodies

Management Board:

Gamze Yalçın, Frankfurt am Main, Chairperson of the Management Board (as of 4/28/2024)

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

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

Supervisory Board

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

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

Yavuz Ergin, İstanbul/Turkey, Member of the Supervisory Board, Advisor at Türkiye İş Bankası A.Ş.,

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

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

Murat Doğan, İstanbul/Turkey, Member of the Supervisory Board as of 5/25/2024, Subsidiaries Division Head of Türkiye İş Bankası A.Ş.,

Celal Caner Yıldız, İstanbul/Turkey, Member of the Supervisory Board as of 5/25/2024, Corporate Loans Underwriting Division Head of Türkiye İş Bankası A.Ş.,

Imge Hilal Soyluoğlu Canlı, İstanbul/Turkey, Member of the Supervisory Board as of 5/25/2024, Financial Institutions Division Head of Türkiye İş Bankası A.Ş., Alper Gürler, İstanbul/Turkey, Member of the Supervisory Board as of 5/25/2024, Economic Research Division Head of Türkiye İş Bankası A.Ş.,

Hasan Cahit Çınar, İstanbul/Turkey Acting Supervisory Board Chairperson of Türkiye İş Bankası A.Ş. until 5/24/2024,

Utku Ünsal, İstanbul/Turkey, Member of the Supervisory Board until 5/24/2024, Strategy & Corporate Performance Management Division Head of Türkiye İş Bankası A.Ş.,

Banu Altan, İstanbul/Turkey, Member of the Supervisory Board until 5/24/2024, Corporate Loans Underwriting Division Head of Türkiye İş Bankası A.Ş.,

Emre Ölçer, İstanbul/Turkey, Member of the Supervisory Board until 5/24/2024, 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, Turkey. The parent company Türkiye İş Bankası A.Ş. prepared a consolidated financial statement as per December 31, 2024, which is also available at the Head Office of the company.

Frankfurt am Main, 10.04.2025

Gamze Yalçın	Ayşe Doğan	Emir Serdar Gülpınar
Chairperson of the Management Board	Member of the Management Board	Member of the Management Board

Audit certificate by the independent auditor

For İşbank 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, 2024, and the profit and loss account for the fiscal year from January 1, 2024, up until December 31, 2024, as well as the Notes, including the presentation of the accounting and valuation methods. In addition, we audited the management report of İşbank AG for the fiscal year from January 1, 2024, until December 31, 2024.

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, 2024, and its profitability for the fiscal year from January 1, 2024, up until December 31, 2024, 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, 2024. 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, Automotive Industry and Retail Industry

Reasons for the Designation as a Particularly Important Audit Circumstance

The identification and evaluation of receivables from customers in the manufacturing industry, construction industry, automotive industry and retail industry 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 war in Ukraine, inflation in Turkey, and the volatile increased interest rate, 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, automotive and retail 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, automotive and retail 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, automotive and retail 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, automotive and retail 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 "Report of the Supervisory Board," which is 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," "Report of the 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 as to 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 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 this in-house monitoring by the company and/or the precautions and measures;

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

- 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 stating 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 May 24, 2024. We were assigned by the Supervisory Board on May 24, 2024. We have been working as the auditor of İşbank 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 15, 2025

EY GmbH & Co. KG Wirtschaftsprüfungsgesellschaft

Rothermel Auditor	Hoffmann Auditor

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