

İŞBANK AG
ANNUAL REPORT 2020



İŞBANK

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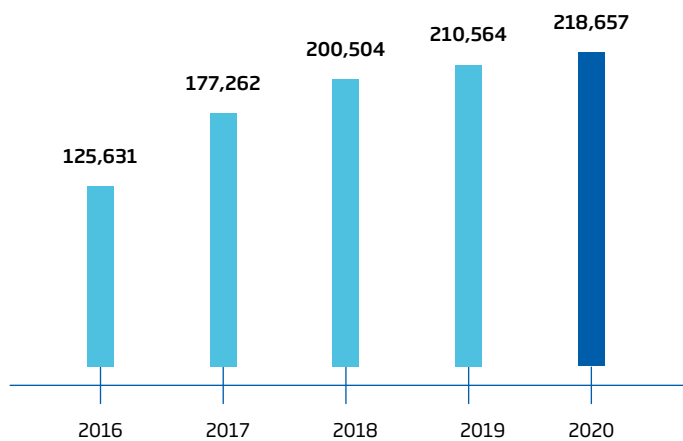


KEY FIGURES

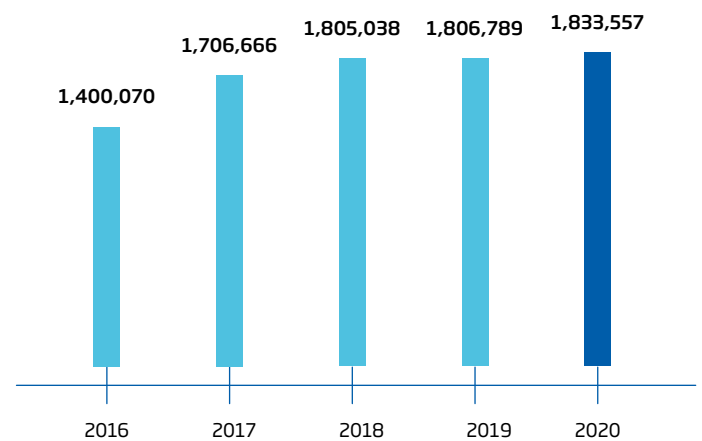
THE OUTSTANDING FINANCIAL PERFORMANCE İŞBANK AG ACHIEVED IN 2020 WAS A RESULT OF ITS SUCCESSFUL STRATEGIES.

	DECEMBER 31. 2019	DECEMBER 31. 2020	CHANGE
	IN EUR THOUSAND	IN EUR THOUSAND	IN %
Total assets	1,806,789	1,833,557	1.48
Capital and reserves	210,564	218,657	3.84
Tangible assets	1,078	874	-18.92
Cash funds	247,740	236,011	-4.73
Bonds and securities	110,539	130,486	18.04
Due from banks	381,294	386,177	1.28
Due from customers	1,046,191	1,060,064	1.33
Due to banks	298,207	237,531	-20.35
Due to customers	1,291,365	1,365,923	5.77
Risk-weighted assets	1,451,864	1,505,839	3.72
Interest income	59,800	47,453	-20.65
Commission income	8,278	7,388	-10.75
Net income for the year	10,060	8,094	-19.54
	%	%	
Equity ratio	12.96	13.23	
Return on Assets before taxes (§26a Abs,1 Satz 4 KWG)	0.82	0.68	
Return on Assets after taxes (§26a Abs,1 Satz 4 KWG)	0.56	0.44	

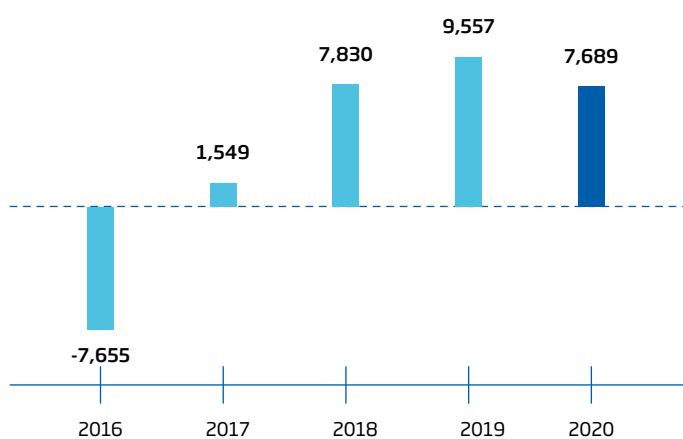
CAPITAL AND RESERVES IN EUR THOUSAND



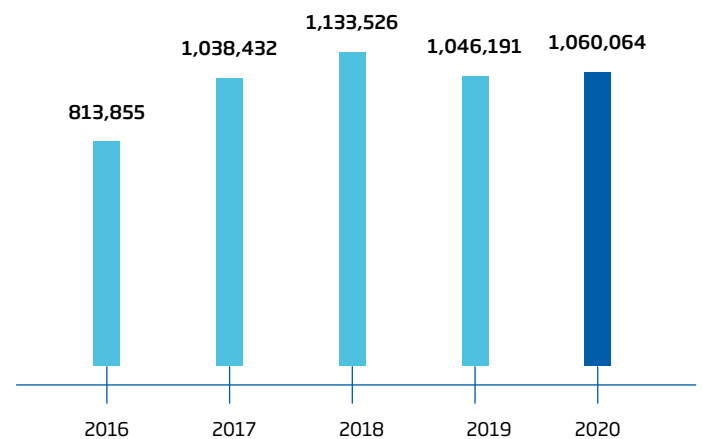
TOTAL ASSETS IN EUR THOUSAND



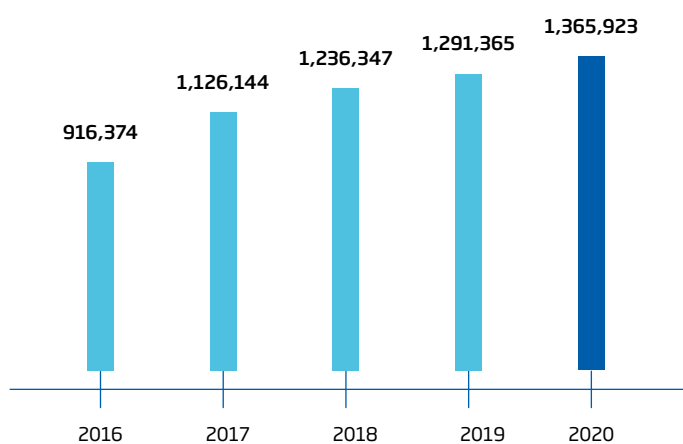
NET RETAINED PROFIT IN EUR THOUSAND



DUE FROM CUSTOMERS IN EUR THOUSAND



DUE TO CUSTOMERS IN EUR THOUSAND



3.84%

IN 2020 İSBANK AG'S CAPITAL AND RESERVES INCREASED BY 3.84% YEAR-ON-YEAR.

1.48%

TOTAL ASSETS OF THE BANK AMOUNTED EUR 1.83 BILLION, UP 1.48% YEAR-ON-YEAR.

5.77%

"DUE TO CUSTOMERS" GREW BY 5.77% IN 2020 AND REACHED EUR 1.37 BILLION.

İŞBANK AG IS A WHOLLY-OWNED SUBSIDIARY OF TÜRKİYE İŞ BANKASI A.Ş., WHICH IS THE LARGEST PRIVATELY OWNED BANK OF TURKEY IN TERMS OF TOTAL ASSETS, TOTAL LOANS AND TOTAL DEPOSITS BY THE END OF 2020.

TÜRKİYE İŞ BANKASI A.Ş.'S STRATEGY IS ACHIEVING SUSTAINABLE AND PROFITABLE GROWTH BASED ON "THE BANK CLOSEST TO CUSTOMERS" PHILOSOPHY.



TÜRKİYE İŞ BANKASI A.Ş. AT A GLANCE

IN 2020, TÜRKİYE İŞ BANKASI A.Ş. HAS BEEN THE HIGHEST RANKED PRIVATE TURKISH BANK IN THE BANKER MAGAZINE'S "TOP 1000 WORLD BANKS" LIST BASED ON TIER 1 CAPITAL.

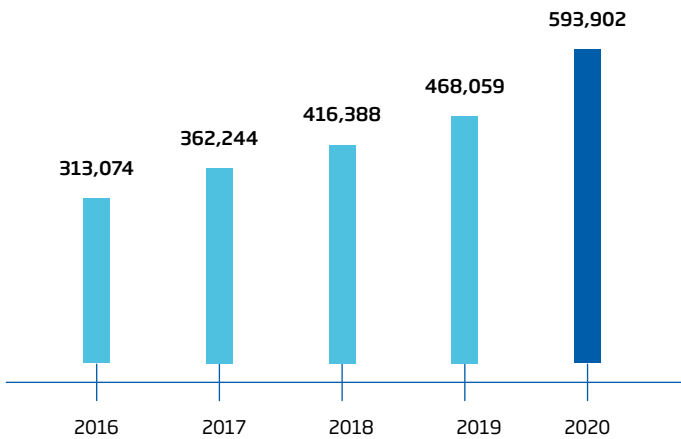
İşbank AG is a wholly-owned subsidiary of Türkiye İş Bankası A.Ş., which is the largest private bank of Turkey in terms of total assets, total loans and total deposits by the end of 2020. Türkiye İş Bankası A.Ş. maintains its solid financial structure with its capital adequacy ratio, which is comfortably above the regulatory minimum limits. In 2020, Türkiye İş Bankası A.Ş. has been the highest ranked private Turkish bank in the Banker magazine's "Top 1000 World Banks" list based on Tier 1 capital.

Türkiye İş Bankası A.Ş.'s strategy is achieving sustainable and profitable growth based on "the bank closest to customers" philosophy. In this regard, Türkiye İş Bankası A.Ş. serves its retail, SME and large corporate customers with an extensive network and more than 23,000 employees. Having the largest branch and ATM network among private banks in Turkey with its 1,205 domestic branches and 6,521 ATMs, Türkiye İş Bankası

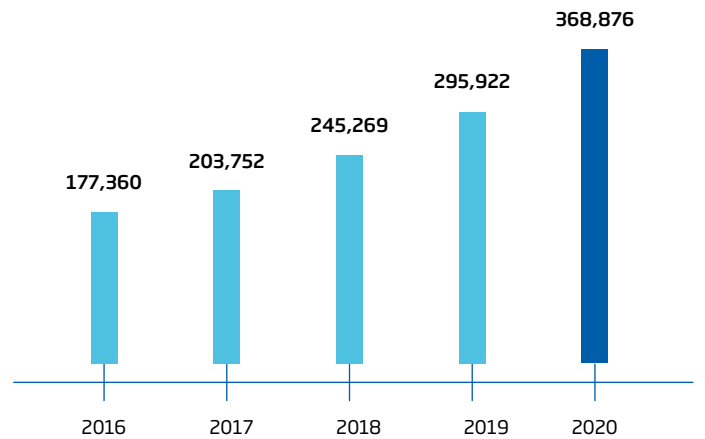
A.Ş. also strongly focuses on digitalization through its mobile applications and internet banking. The number of Türkiye İş Bankası A.Ş.'s digital customers is around 9.2 million by the end of 2020 and the share of non-branch transactions as of the same period stood at 96%.

Besides İşbank AG, Türkiye İş Bankası A.Ş. operates abroad through its 22 foreign branches (15 in Northern Cyprus, 2 in London, 1 in Bahrain, 2 in Iraq, 2 in Kosovo) and 2 representative offices in China and Egypt, as well as 2 wholly-owned subsidiaries in Russia (İşbank Russia) and Georgia (İşbank Georgia). As a highly trusted financial institution, Türkiye İş Bankası A.Ş. also maintains its pioneering position in foreign trade through its extensive correspondent network of banks based in over 120 countries.

TOTAL ASSETS IN TL MILLION



DEPOSITS IN TL MILLION



IN 2020 TÜRKİYE İŞ BANKASI A.Ş. MAINTAINED ITS SECTORAL LEADERSHIP IN TOTAL LOANS AND TOTAL DEPOSITS TL 345.2 BILLION AND TL 368.9 BILLION, RESPECTIVELY.

KEY FINANCIAL FIGURES	MARKET SHARE (%) ⁽¹⁾	RANKING ⁽²⁾
Total Assets	10.5	1 st
Total Loans	10.1	1 st
TL Loans	9.5	1 st
FX Loans	11.2	1 st
Consumer Loans ⁽³⁾	10.6	1 st
Non-Retail Loans	9.9	1 st
Total Deposits	11.2	1 st
TL Deposits	8.9	2 nd
FX Deposits	13.2	1 st
Demand Deposits ⁽⁴⁾	15.6	1 st

OTHER PRODUCTS & DISTRIBUTION NETWORK	MARKET SHARE (%)	RANKING
Number of POS ⁽⁵⁾	9.9	3 rd
Acquiring Volume ⁽⁵⁾	15.3	3 rd
Number of Credit Cards ⁽⁵⁾	11.6	3 rd
Issuing Volume ⁽⁵⁾	14.0	3 rd
Volume of Debit Cards ⁽⁵⁾	8.8	2 nd
Number of Branches	12.3	1 st
Number of ATMs	12.4	1 st

⁽¹⁾ Market share calculations are based on weekly BRSA data excluding participation banks. Total assets market share is based on monthly BRSA data.

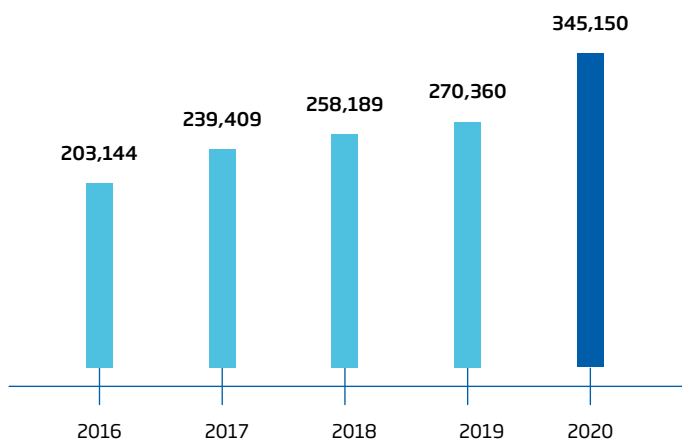
⁽²⁾ Ranking among private-sector banks

⁽³⁾ Including retail overdraft accounts

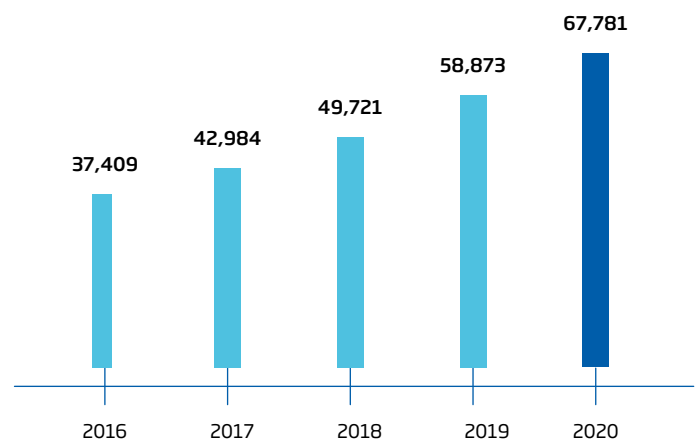
⁽⁴⁾ Excluding interbank deposits

⁽⁵⁾ Market share calculations are based on Interbank Card Center (BKM) data

LOANS IN TL MILLION



EQUITY IN TL MILLION



MESSAGE FROM THE CHAIRPERSON OF THE SUPERVISORY BOARD



İSBANK AG DEMONSTRATED GREAT AGILITY IN ADAPTING TO THE NEW REALITIES OF OUR DAY-TO-DAY BUSINESS, WHICH WILL CERTAINLY SHAPE THE FUTURE OF FINANCIAL SECTOR IN THIS REGARD.

Without a doubt, the year 2020 will go down in history as the year of COVID-19. There is virtually no global stakeholder which has not been affected by the overarching impact of the pandemic, which struck an already distressed world economy on various fronts. This unfortunately meant disruptions in value chains in almost all sectors and countries, triggering a global recession.

On the other hand, such a crisis period also serves as fertile ground for new concepts to emerge, some of which are long overdue and now await sweeping upheaval. In the future, when we look back, digitalization and sustainability will certainly stand out as two key themes which will have dominated the agenda in the wake of global pandemic of 2020.

The Global Risks Report prepared by the World Economic Forum from January 2021 sets out which environmental risks present the most important threats to humanity for the next 10 years, and those which should be the focus of our efforts to tackle them, as they have high likelihood of happening and will cause the most devastating impact. Pandemics are a closely related matter, resulting mostly from deleterious effects of urbanization, pollution, and climate change on wildlife.

To counter such risks, it is of utmost importance that we change our ways, both socially and economically. In this regard, we note that the pandemic has increased the sensitivity and efforts of all stakeholders to integrate responsible production and consumption frameworks into our business models. In the capacity of İsbank AG and the İsbank Group, we are proud to have already been at the forefront of sustainability efforts. In 2020, Türkiye İş Bankası AŞ became a signatory of the Principles for Responsible Banking (PRB) launched by the United Nations Environment Programme Finance Initiative (UNEP FI), demonstrating our commitment to keep contributing to

WE CONFIDENTLY LOOK TO THE FUTURE, AND WILL CONTINUE TO LEAD EFFORTS IN SUSTAINABILITY AND DIGITALIZATION TO CONTRIBUTE TO OUR BUSINESS ECOSYSTEM IN OUR BEST CAPACITY.

sustainable development. 2020 was also the year that İşbank AG, in parallel with its parent institution, implemented its own Sustainability Codex to be in effect for all our activities.

Digitalization is another front which goes hand-in-hand with sustainability efforts not only due to efficiency gains but also the potential of creating a positive environmental impact. The İşbank Group has always been a pioneer in digitalization with an impressive track record. The integration of digitalization and sustainability into our business models are central themes for our Group, and are essential to create lasting value in the long run.

Thanks to our prior achievements in digitalization and automation, we were able to maintain our operations with minimal adversity after the pandemic struck. This way, we could maintain our profitability and business volume, while prioritizing the health and safety of our customers and employees. İşbank AG demonstrated great agility in adapting to the new realities of our day-to-day business, which will certainly shape the future of financial sector in this regard.

As we learn from history and after overcoming the difficulties of yet another turbulent year with an excellent set of financial results, we confidently look to the future, and will continue to lead efforts in sustainability and digitalization to contribute to our business ecosystem in our best capacity.

On behalf of the Supervisory Board at İşbank AG, I would like to express my gratitude to all those who have contributed to the remarkable resilience which we have displayed and successful results which we have reached. We will undoubtedly continue to build upon these achievements in the coming years and be one of the most reliable business partners for all stakeholders.

Finally, I would like to inform our business partners that our accounts, annual financial statements for the financial year of 1 January to 31 December 2020 and the management report have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and issued with an unqualified auditor's report. The Supervisory Board approved the results of the audit and upheld the financial statements dated 31 December 2020 as well as the management report.

On behalf of the İşbank AG family, I would like to extend my sincere gratitude to our clients, business partners and stakeholders for their cooperation and trust.



Gamze Yalçın

Chairperson of the Supervisory Board
İŞBANK AG

REPORT OF THE SUPERVISORY BOARD

THE SUPERVISORY BOARD WAS AT ALL TIMES CONVINCED OF THE LEGAL PROPRIETY, PURPOSEFULNESS AND DUE ORDER OF THE WORK OF THE MANAGEMENT BOARD.

Cooperation between the Supervisory and Management Boards

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

Activities of the Supervisory Board

In business 2020 the Supervisory Board held four meetings via video conference, which took place on May 6, 2020, on June 26, 2020, on September 18, 2020 and on December 18, 2020.

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

- Audit committee
- Risk control committee
- Remunerations control committee
- Credit committee
- Credit limit revision committee

In the year under review, the risk control committee convened twice, while the audit, credit limit revision and remunerations control committees each met once.

Annual audit

Auditors Ernst & Young GmbH, Eschborn, who were appointed as auditors by the 2020 Annual General Meeting 2020, were commissioned to handle the annual audit of İsbank AG. The auditors those commissioned presented a declaration of their independence to Supervisory Board, which the latter duly received. The Supervisory Board has no doubts as to the accuracy of the content of the declaration of independence.

Wirtschaftsprüfungsgesellschaft, Ernst & Young GmbH, Eschborn, duly audited the annual financial statements of İsbank AG including the management report for business year 2020 and on the basis of its audit findings issued an unqualified opinion on the annual financial statements.

The corresponding audit opinion including the notes to the financial statements and the management report of İşbank AG were made available to all the members of the Supervisory Board in due time. The Supervisory Board examined all the documents. At the Supervisory Board meeting of April 30, 2021 with the participations of the auditors all the key elements of the annual audit were discussed with the Management Board. The auditors were present at the meeting, outlined the key audit findings, and provided supplementary information. All the questions were answered to the Supervisory Board's satisfaction. In the wake of its own examination, the Supervisory Board raised no objections to the conclusive findings of the annual audit and concurred with them. The Supervisory Board has thus formally approved the annual financial statements presented by the Management Board and the annual financial statements of İşbank AG are therefore considered adopted.

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

Affiliated companies (dependent companies report)

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

At its meeting of April 30, 2021, 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

None.

Changes in the Supervisory Board

Effective May 7, 2020 and November 17, 2020 3 members of the Supervisory Board were succeeded by new members, Gamze Yalçın (Board Member, Türkiye İş Bankası A.Ş.) was appointed as the Chairperson of the Supervisory Board and Sabri Gökmenler (Division Head, Türkiye İş Bankası A.Ş.) was appointed as the Deputy Chairman of the Supervisory Board effective November 17, 2020.

Resigned members:

Can Yücel (until May 6, 2020 - Division Head, Türkiye İş Bankası A.Ş.)

Yılmaz Ertürk (until November 16, 2020 - Chief Executive, Anadolu Hayat Emeklilik A.Ş.)

Murat Demircioğlu (until November 16, 2020 - Division Head, Türkiye İş Bankası A.Ş.)

Newly appointed members:

Ozan Uyar (as of May 07, 2020 - Division Head, Türkiye İş Bankası A.Ş.)

Tolga Achim Müller (as of November 17, 2020 - Division Head, Türkiye İş Bankası A.Ş.)

Zeynep Hansu Uçar (as of November 17, 2020 - Division Head, Türkiye İş Bankası A.Ş.)

Thanks to the Management Board and staff

The Supervisory Board would like to thank the members of the Management Board and all the staff for their immense efforts in what was an eventful and challenging business 2020.

Gamze Yalçın

Chairperson of the Supervisory Board

MANAGEMENT



Franz Hakan Elman
Member of the Management Board

Ünal Tolga Esgin
CEO and Chairman of the Management Board

Ayşe Doğan
Member of the Management Board



İSBANK AG IS A GERMAN BANK WITH ITS HEAD OFFICE IN FRANKFURT AND 9 BRANCHES IN GERMANY AS WELL AS ANOTHER IN THE NETHERLANDS.

MESSAGE FROM THE CEO OF THE MANAGEMENT BOARD



DURING THIS CHALLENGING YEAR, OUR FOCUS WAS ON INCREASING OUR ASSET QUALITY WHILE PRESERVING OUR BUSINESS VOLUME TO THE MAXIMUM EXTENT POSSIBLE.

Dear Clients and Business Partners,

İsbank AG, representing the İsbank Group in Europe, is a reputable and credible member of German and European Banking Community within the legal and operative framework of the European Banking System. It gives us great pride to be carrying the deeply rooted and long-established values of the İsbank Group into the European banking business.

2020 was a year marked by the global spread of the COVID-19 pandemic. Faced with one of the worst humanitarian crises in modern history, our utmost priority has been the well-being of our employees and customers. Therefore, in line with public measures to curtail the outbreak, we took all the necessary steps to ensure that our Bank's business conduct would not be hampered while protecting our employees to the maximum extent possible.

During this challenging year, which took its toll on financial markets in Europe and Turkey, our focus was on increasing our asset quality while preserving our business volume to the maximum extent possible. In this respect, I am happy to declare that both targets were achieved. We were able to reduce our level of non-performing loans in our portfolio to the lowest level since beginning of the financial crisis in 2008. At the same time, we recorded slight growth in both in our asset size and customer credits. İsbank AG ended the year with a net profit of EUR 8.1 million.

Having pursued a prudent approach throughout the year, our Bank maintained a solid fundamental performance. Our capital adequacy ratio and all other regulatory capital ratios improved when compared to the previous year.

The second central theme of 2020 has been our action plan for digitalization. In line with industry trends, İsbank AG has pressed ahead with its systematic digitalization efforts. In this context, we have undergone an internal re-organization of our Bank's headquarters to provide better digital services to our customers.

In addition, we launched the digital "ParaGönder" money transfer application, which we developed jointly with MaxiDigital, an İsbank Group company. The application, which is available to download on main platforms, allows users to send money to any bank account in Turkey at attractive rates.

IN LINE WITH INDUSTRY TRENDS, İŞBANK AG HAS PRESSED AHEAD WITH ITS SYSTEMATIC DIGITALIZATION EFFORTS.

Early results from the rollout of the “ParaGönder” app have been encouraging. The application has attracted more than 10,000 users by the end of 2020. We expect transaction volumes over “ParaGönder” to continue to grow in 2021, and the first results from 2021 clearly confirm that expectation. Moreover, we have introduced robotic process automation (RPA) for our online onboarded clients in 2020. RPA brings cost-effectiveness for our Bank as well as offering more comfortable and faster transactions for our customers.

Besides coping with the pandemic and digital transformation, bringing our compliance infrastructure in line with international banking rules and best practices have also been our areas of primary focus in 2020. As always, the Bank ensured careful and uncompromising application of all regulations and best practices at the EU and national level regarding anti-money laundering and preventing the financing of terrorism. İşbank AG will maintain this policy and remain a reliable member of the international banking community.

The path of İşbank AG is one which is clearly defined. We will continue our mission to serve as a bridge between Turkey and Europe and as a niche bank focused on trade finance. We will not deviate from this path in 2021, continuing to work tirelessly, systematically, and with devotion, always remaining true to the main values of our Group.

2020 was a challenging year for the banking community, which faces many uncertainties going forward. Despite a number of forecasts pointing to a global economic recovery in 2021, we will maintain our prudent stance in the coming year. Our utmost priority will undoubtedly be the well-being of our employees and customers during the pandemic. We will maintain our digitalization program in 2021 while modestly expanding our customer portfolio to further diversify our customer base, especially in Europe. As always, we will do our best to improve our business performance and offer better solutions to our customers.

On behalf of the Management Board, I would like to express my thanks to all of our staff for their continuous commitment and achievements in this important business year. I would also like to thank our parent company, İşbank, our Supervisory Board as well as our customers and business partners for their support and the trust they have bestowed in us.

With my best wishes,



Ünal Tolga Esgin
CEO

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

THE MEASURES TO PROTECT CUSTOMERS AND STAFF AS WELL AS THE MEASURES REGARDING LIQUIDITY AND CREDIT MANAGEMENT WERE IMPLEMENTED SUCCESSFULLY.

A) FUNDAMENTALS OF İŞBANK AG

Basic information

İşbank AG is a German bank that has its head office in Frankfurt am Main and maintains nine branches in Germany as well as another in the Netherlands. Since it was founded in 1992, the bank has worked to provide lasting support to trade and business relationships between Europe and Turkey. İşbank AG operates on the one hand as a universal bank, which offers 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 specialist bank in the area of foreign trade financing for Turkish companies with trade and investment relationships in Europe as well as European companies with business relationships in Turkey. It will continue to perform this special niche function in the future.

The sole shareholder of İşbank AG is Türkiye İş Bankası A.Ş., the largest non-state bank in Turkey. Since it was founded in 1924, it has played a significant role in the development of the Turkish economy. With its unique shareholder structure, characterized by the 40.2-percent capital share held by the bank employees through their pension fund, Türkiye İş Bankası A.Ş. is one of the highest-revenue companies in Turkey and one of the largest companies worldwide.

The parent company, Türkiye İş Bankası A.Ş., which has played a significant role in the development of the Turkish economy since it was founded, was the first institution in the country to open a branch outside 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.

Countries and sectors

İşbank AG's business area mainly extends to 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. In the 2020 fiscal year, the Digital Banking market department was founded to support the branch business; given the background of growing challenges in the branch business, its objective is to continue the digitization and technical streamlining processes in order to optimize service in the private and corporate client segment.

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 departments of Corporate Banking and Financial Institutions at the head office in Frankfurt are responsible for the corporate sector and banks. Their area of responsibility includes banks, European and international companies with a trade finance context, and groups from the corporate sector that are based in Turkey or Europe.

Organizational structure

The front office reporting segment still reports to Board Chairman Mr. Ünal Tolga Esgin, and the back office to Board Member Mr. Franz Hakan Elman. Mr. Emir Serdar Gülpınar, a fully authorized representative, is responsible for the areas of credit management and financial management. Ms. Ayşe Doğan, a fully authorized representative, is responsible for the areas of compliance, legal, data protection, corporate governance and human resources.

Management system

The overall bank management of İşbank AG is geared toward maintaining a good balance between the financial performance indicators of annual result, equity base and liquidity. 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 key element of the management system at İşbank AG are the reports of the bank's internal management committees, such as the Risk Committee, Credit Committee and Asset/Liability Committee, through which the board is regularly informed of key developments and forecasts, and necessary decisions are initiated.

Targets and strategies

The overall target of İsbank AG lies in ensuring sustainable and profitable growth. It is pursuing the following priorities in the short and medium term:

Market strategy

Increase risk monitoring as well as operational efficiency through a focus on niche products and business areas.

Branch strategy

Focus on profitability through optimal use of resources, coordinated processes, and centralized operational/administrative tasks; simplify the work organization and product range.

Product strategy

Adapt the product range to the needs of target customers, digitize products, and concentrate on revenue priorities.

B) ECONOMIC REPORT

Overall economic and industry-related framework conditions

The coronavirus pandemic and the corresponding spread of the virus led to an unexpectedly sharp economic downturn and a disruption of delivery chains not just in Germany, but worldwide. The crisis ended a phase of economic growth in Germany that had lasted for more than a decade. Since the end of the 2008 financial crisis, the Federal Republic's economic performance had risen by an average of 1.9% a year. Most recently, before the start of the coronavirus pandemic, the country had achieved full employment in 2019; a stability-oriented fiscal policy had reduced the debt to 60% of the gross domestic product. However, with the onset of the pandemic, Germany experienced one of its most severe recessions in decades. While the economy is gradually recovering following the end of the first strict lockdown, and a series of subsidy and loan programs were implemented to help cushion the economic shock, pre-coronavirus performance levels are not expected again until 2022.

Since the outbreak of the pandemic, the global economy has been in a recession. In the reporting year, it has declined by 3.6% as a result, while it had grown by 2.8% as recently as 2019. This negative trend can be seen in every region of the world. China was the first country to be hit by the pandemic. After China was able to largely contain the pandemic by rapidly implementing strict measures, its economic growth rose to

11.7% after a first-quarter decline of 10%, and another 2.7% in the following quarters, thereby catching up to the previous year's level. In the end, the Chinese economy finished the year in 2020 with growth of 2.1%. The strong economic growth in China, which is Germany's most important trade partner, will certainly help accelerate the economy in Germany and Europe. However, the international trade conflicts that came about even before the pandemic, and the trend toward strengthening global protectionism, still persist.

In the Eurozone, the economy shrank by 6.8% during the year under review (previous year: +1.3%). The strongest declines took place in Spain (-11.0%) and Italy (-8.9%). Just as before the epidemic, Brexit and the associated trade barriers will continue to slow investment activity in Europe. It is to be expected that the economic performance will continue to decline in early 2021, and that a recovery will not take place until the summer. Last fall's presidential election in the United States and the new US government could also help quickly reduce political and economic uncertainty due to the improved transatlantic relationships.

Uncertainty about the further course of the pandemic and its economic impact remains high. To achieve economic recovery, it will be important to get infection rates under control and continue promoting vaccination campaigns in order to overcome the pandemic as quickly as possible.

Germany

In the first quarter of 2020 the gross domestic product increased by just 0.3% compared to the previous period, but was more robust than expected. Over the course of the year, the German economy initially recovered in the third quarter (+8.5%) following the historic 9.7% decline in gross domestic product in the second quarter, thanks to relaxed restrictions on public life. The slowdown in the fourth quarter occurred due to the second coronavirus wave and the new lockdown at the end of the year. However, according to information from the Federal Statistical Office, the environmental growth trend for the entire year, at -4.9%, was better than had been projected at the start of the year.

From a fiscal policy perspective and by international standards, Germany is one of the countries that reacted most powerfully to the crisis in the form of stimulus measures, tax reductions and guarantee frameworks. These made up 40% of the gross domestic product.

Extensive assistance from the federal government to promote investments and economic recovery was associated with federal borrowing of about EUR 130 billion.

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In parallel to the overall economic performance, Germany's important industrial manufacturing sector also saw a significant decline, by 10.8% compared to the previous year. The automotive industry in particular, the most important economic branch, especially suffered from the lockdown, with a decline of 25%.

Foreign trade volume was also dramatically reduced, with a minus of 9.3% on the import side and 7.1% on the export side. With a total foreign trade volume of EUR 212 billion, China was the most important trade partner. The robust recovery of the Chinese economy meant that Germany also benefited.

However, the German government still has some long-term fiscal policy measures available to support budgetary and corporate liquidity, so additional incentives can be given to stimulate the economy.

Turkey

Turkey finished the fourth quarter with a slight decline in economic performance. After a strong increase in the gross domestic product in the third quarter due to easing of restrictions, by 15.9%, this growth slowed to 1.7% in the following quarter. Because of the strong economic decline in the second quarter, by -11.0%, inflation-adjusted growth was a total of 1.8% during the year under review. Although the global economy shrank by 3.6%, Turkey is one of the few countries that continued to see growth. Of the 20 most significant industrial and emerging countries, China was the only other one to generate larger growth.

The change of leadership at the Central Bank of Turkey in November 2020 and the 4.75% interest-rate increase to 15% had a positive effect following the currency turbulence of 2018, both on the Turkish currency and on the credit default swap. This was reduced from 529 to just under 300 in the period from November-December. The new Central Bank Chief's declaration that the top priority was to fight inflation with a restrictive monetary policy once again reinforced domestic and foreign investors' confidence in Turkey. In doing so, the central bank fulfilled the market's prevailing expectations and established the conditions for further restrictive fiscal policies.

The average annual inflation rate was 12.3%, compared to 15.2% in 2019. The foreign trade volume of \$389 billion was at a similar level to 2019 (\$391 billion). While imports increased by 4.4%, the export volume dropped by 6.2% due to the global disruption of the supply and production chains. With an import-export ratio of 77.3%, the previously positive performance record (% of GDP) declined here from 1.2 to -5.1.

At the political level, there are currently new reconciliation attempts between the EU and Turkey, and because of recent mutual efforts to strengthen their cooperation, the situation is less tense than it was in 2019. Given this background, Turkey hopes to turn the page in its relationship with the EU. The German government, too, has recently been working to build a better relationship with Turkey. Turkey had particularly been subject to criticism due to disputed natural-gas exploration in the eastern Mediterranean near the Greek islands.

The Turkish economy is particularly vulnerable to the effects of the pandemic due to its heavy reliance on international delivery chains. Nonetheless, it was able to conclude the fiscal year with positive growth. The coronavirus pandemic could also open up new opportunities for Turkey, for instance as a procurement market for European companies looking to diversify their delivery chains. Other advantages include its well-developed industrial base and its geographic proximity to the European Union.

Banking sector in Germany

Ongoing low interest rates and the partial economic standstill due to the pandemic, along with rising credit defaults, are currently the largest challenges for banks. In addition - even more than the previous year - the year 2020 for the banking sector in Germany was even more strongly characterized by cost reductions due to digitization processes, as well as obligations in respect of regulatory requirements.

The financial markets have responded well to the challenges of the coronavirus pandemic. The ongoing reforms relating to financial market regulation made German banks significantly more resilient than they were at the start of the global financial crisis in 2008. While the equity ratio for German banks was 8.79% in 2008, it was 15.82% in the 2nd quarter of 2020. The previous reforms meant that a sufficient equity capital and liquidity buffer was available to prevent the crisis from immediately spilling over into the banks, and to ensure financing for the real economy.

The EBA and ECB adopted measures on March 12, 2020, that gave banks greater scope to support their customers in the coronavirus crisis and offer relief for operational resources. The measures allowed banks to fall below the defined capital and liquidity buffer requirements (the Pillar II Guidance / equity indicator, the capital conservation buffer and the liquidity coverage ratio requirement (LCR)). Moreover, the anti-cyclical capital buffer was reduced to 0% on April 1, 2020, thereby making banks more resilient. These measures provided substantial capital relief for the banks. In addition, the EU-wide

stress test of the EBA and ECB planned for 2020 was postponed to 2021.

Furthermore, on December 28, 2020, the capital and liquidity requirements for banks were further increased according to international standards in order to provide better protection for the banks during periods of stress.

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.

Another effect of the pandemic is that risk management needs to evolve at the banks: precisely because of remote work and the decentralized functions of the staff, operational risks need to be more strongly integrated - especially in the areas of cybersecurity and money-laundering risk. In the context of increasing digitization, too, awareness about cybersecurity has grown.

The financial sector needed to change drastically even before the coronavirus pandemic. The market is overstaffed, and particularly banks with branch business, given the global economic hurdles, are facing high costs and low profits. Other challenges include increasing regulatory conditions relating to liquidity and capital requirements, growing competition from international actors in the banking sector, and a rapidly changing technological environment.

At the same time, issues like climate and environmental protection, social justice and equal rights are becoming more and more important in society. Banks, too, will need to orient their business models even more strongly toward sustainability.

Financial sector in Turkey

According to data from the Turkish banking regulator (BRSA), the total volume of deposits at the end of 2020 increased by 8% in comparison with the same period in the previous year, to \$468 billion. In the context of refinancing, the share of foreign deposits increased from 50% to 55% during the same period; at the same time, the share of credits in foreign currency increased from 34% to 38%. The total credit volume amounted to \$484 billion, which corresponds to an increase of 8% on the previous year. The increased lending volume, particularly in the second half of the year, provided financial support for the

economy through support credits. This included increasing the credit guarantee fund limit and, for instance, development loan programs for exporters.

Despite the challenges caused by the pandemic, and also despite the Turkish financial crisis in 2018, the NPL rate - which had increased in 2019 from 3.9% to 5.4% - was able to be reduced to 4.1% in 2020. The equity ratio for the banks has been over 15% since 2010, and at 18.7% as of the end of 2020 it emphasizes the resilience of the Turkish financial sector in the face of economic crises. In order to lessen the economic impact of the coronavirus pandemic, the equity capital of the state banks was reinforced with additional capital during the year under review, more than doubling it.

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

In Turkey, during the 2020 financial year, a total of 48 banks with 9,865 branches had a balance sheet total of \$826 billion (2019: \$758 billion). Profit for the sector amounted to \$7.9 billion at the end of the year (2019: \$8.3 billion). The return on equity amounted to 11.4% (2019: 11.5%).

Business performance

Like 2019, the financial year 2020 was a significant year for the bank.

Naturally, the business activities of İsbank AG were strongly influenced by the coronavirus pandemic, and the operational workflow was adapted to the decisions of individual federal states during the ongoing year. The safety and health of the staff as well as the customers were always the highest priority. A crisis team was quickly established internally, and 80% of the staff at the main office performed at least some of their activities remotely. The necessary measures and technical requirements were implemented for this. In some cases, branches had to be closed and/or branch opening hours shortened. From today's perspective, it can be cautiously said that the measures to protect customers and staff as well as

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

the measures regarding liquidity and credit management were implemented successfully in terms of the coronavirus pandemic.

The bank's 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 solidified in 2020 despite the challenging market conditions, with similarly satisfactory profits as in 2019, when the bank achieved its best annual result to date. Thanks to the reorientation carried out even before the coronavirus pandemic as part of this transformation, from small and medium-sized commercial and retail business toward the corporate segment, the bank was able to reduce its NPL rate from 2.20% to 1.83%. Taking into account economic sensitivities, the primary contributors to this were the prioritization of the corporate segment with a focus on the trade finance business and the commission business in retail banking. As part of the digitization process, İşbank AG aimed to make greater use of finance portals, online banking and mobile banking as sales channels in parallel with the existing branches. Existing processes in the area of customer acquisitions, especially in the deposit business, were further optimized as part of the digitization. In addition, the area of robot process automation is gaining significance for the bank, with several thousand transactions already taking place automatically during the year under review.

In the corporate sector, the focus in the financial year 2020 remained on establishing a sustainable European customer portfolio with no connection to Turkey. The bank was able to increase its European corporate portfolio by 30%, from 145 million euros to 189 million euros.

After a multinational syndicated loan for refinancing purposes had been signed for the fifth time in the financial year 2019, the bank decided to let this expire in 2020 and not to draw up a new syndicated loan. The main reason for this was an adequate liquidity buffer based on a broadly diversified investment portfolio.

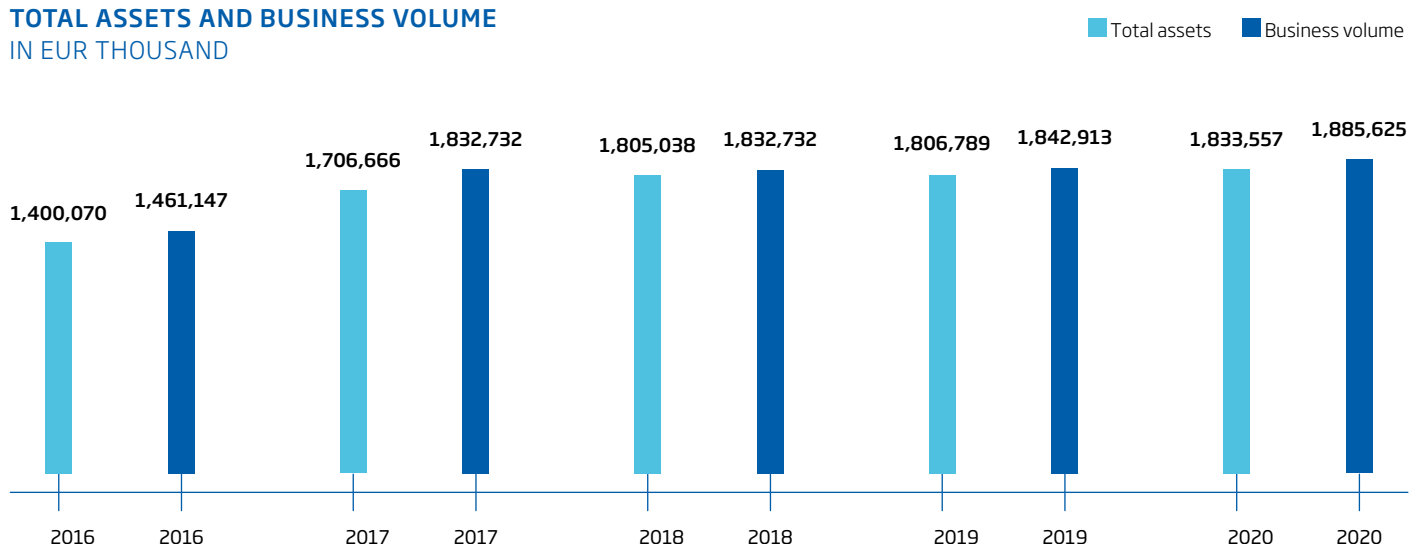
Income, financial and asset situation

Asset and financial situation

As part of the consistently targeted approach for planning and implementation of sales activities, the credit volume of retail and commercial customers was reduced in past years in line with the business strategy, and remained nearly constant in the year under review. The focus remained on business activities with institutional customers in the form of financial institutions and companies from the corporate sector. With optimization of the asset structure and a proportional reduction in receivables from small businesses, the balance sheet total increased slightly from EUR 1.8 billion to EUR 1.83 billion. In the corporate customer sector, the focus for the financial year 2020 remained particularly on creating a sustainable European customer portfolio with no connection to Turkey. The bank was able to increase its European corporate portfolio by 30%, from EUR 145 million to EUR 189 million.

The financial year 2020 therefore ended with a balance sheet total over EUR 1.83 billion.

TOTAL ASSETS AND BUSINESS VOLUME IN EUR THOUSAND



In the reporting year, the receivables from banks displayed an increase of 1.7% and amounted to EUR 386 million. The receivables from customers increased by 1.3%, to EUR 1,060 million. The balances with central banks declined on the previous year from EUR 244 million to EUR 234 million, or 4.3%.

Bonds and other fixed-interest securities amounted to EUR 130 million at the end of the reporting year. In the previous year, the total of the securities portfolio amounted to EUR 111 million.

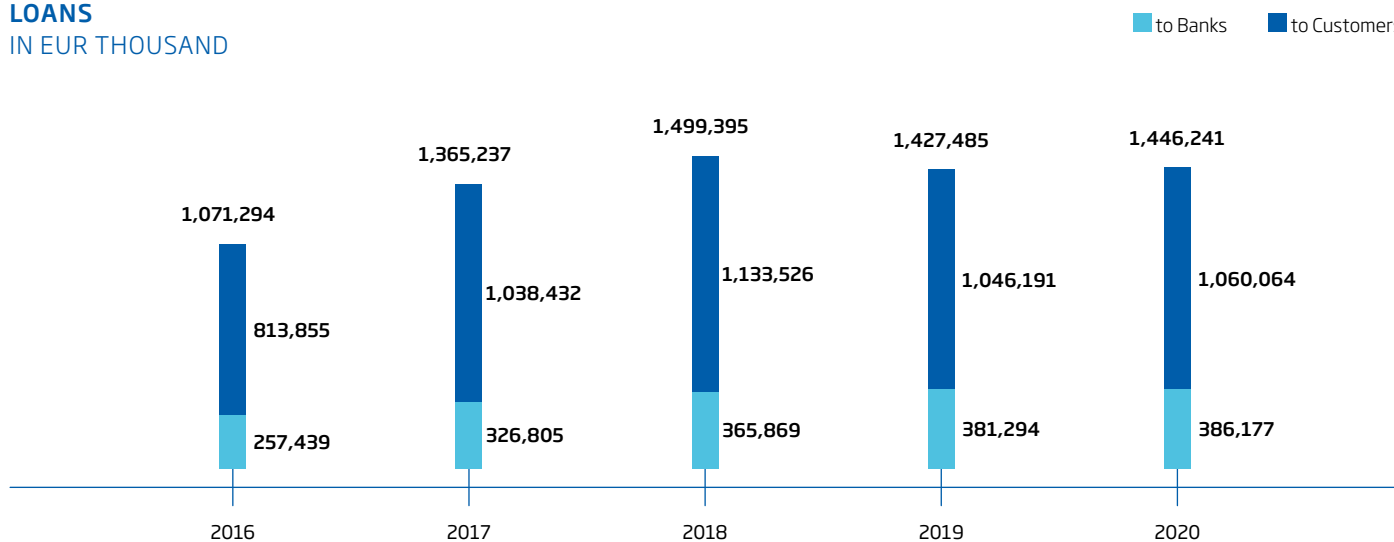
ASSETS, DECEMBER 31, 2020

IN EUR THOUSAND



LOANS

IN EUR THOUSAND



MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

On the liabilities side, there was a decrease of 20.3%, to EUR 238 million, in the liabilities to banks, and a value of EUR 1,366 million was shown under the liabilities to customers after a rise of 5.8%. The other liabilities increased in comparison with the previous year, from EUR 2.5 million to EUR 6.9 million. Moreover, the deferrals amount to EUR 1,400k (previous year: EUR 940) and the accruals to EUR 3,195k (previous year: EUR 3,168k). The increase in accruals is largely due to the tax provisions.

The financial year concluded overall with equity of EUR 219 million. This represents a solid and sound capital base for future development in line with the strategy of the bank.

The contingent liabilities of the bank (regardless of flat-rate value adjustments) progressed as follows in comparison with the previous year:

EUR thousand	12/31/2020	12/31/2019
Liabilities from guarantees and indemnity agreements	52,099	36,155
Irrevocable loan commitments	0	0

LIABILITIES, DECEMBER 31, 2020

IN EUR THOUSAND

Liabilities to banks **237,531**

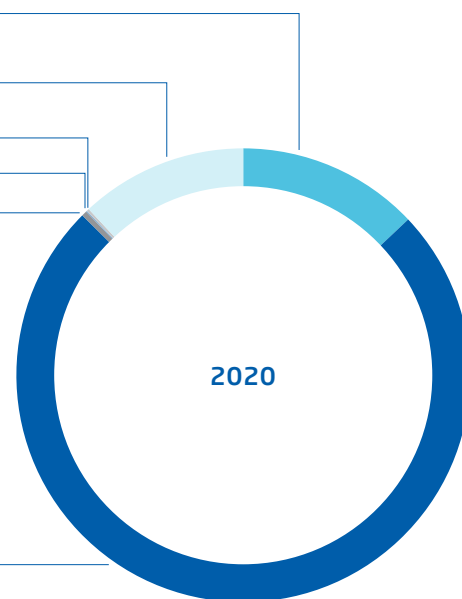
Liabilities to customers **1,365,923**

Other liabilities **6,851**

Deferred items **1,400**

Accruals **3,196**

Capital and reserves **218,657**



Income situation

As in previous years, the credit business of İsbank AG largely concentrated on the trade finance business with banks and corporate customers, while the share of retail and corporate customer business was gradually reduced.

In the context of the pandemic, a restrictive credit policy was pursued during the reporting year on the one hand; on the

other, the LCR was kept well above minimum liquidity in order to generate an adequate liquidity buffer. For the abovementioned reasons, the interest result was reduced by 14.2%, from EUR 39.4 million to EUR 33.8 million. The interest income here declined by 20.6%, to EUR 47.5 million, and at the same time interest expenditure fell by 33.1% to a total of EUR 13.6 million. The interest expenditure is largely the result of customer deposits, liabilities to banks, repo transactions and swaps.

The income is structured by geographical region, as follows:

EUR thousand	Germany	Netherlands	Total
Interest income	44,780	2,674	47,453
Commission income	6,753	636	7,388
Annual surplus	7,665	428	8,094

The commission result decreased on the previous year from EUR 7.9 million to EUR 7 million. The decline is largely due to the reduction in customer transactions as a result of the closed branches and to the negative development in bank transfers to Turkey. The negative trend in bank transfers to Turkey, which has continued for a number of years, and the associated decline in commission income are also expected in the coming years.

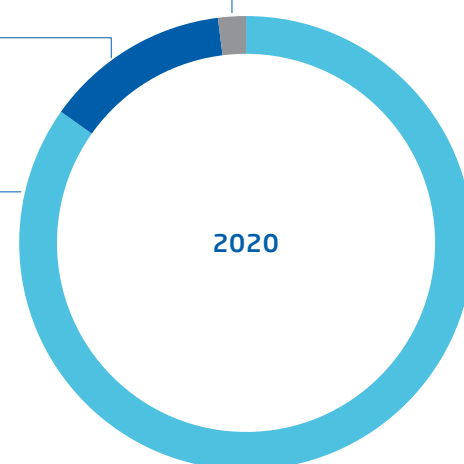
The general administrative expenses fell by 6.8% in comparison with the previous year and amounted to EUR 24.4 million at the end of the year. As a result of the cost reduction measures, the personnel costs were reduced by 6.3% and other administrative expenses by 7.5%. Furthermore, costs incurred as a result of the restructuring measures, which amounted to EUR 0.1 million, were recorded as extraordinary expenses from the time of the closure of the Mannheim branch. These expenses largely comprise the general administrative expenses. A net risk provision amounting to EUR 2,964k was formed in the reporting year.

INCOME, JANUARY 1, 2020 - DECEMBER 31, 2020 IN EUR THOUSAND

Interest income **47,453**

Commission income **7,388**

Other income **1,109**

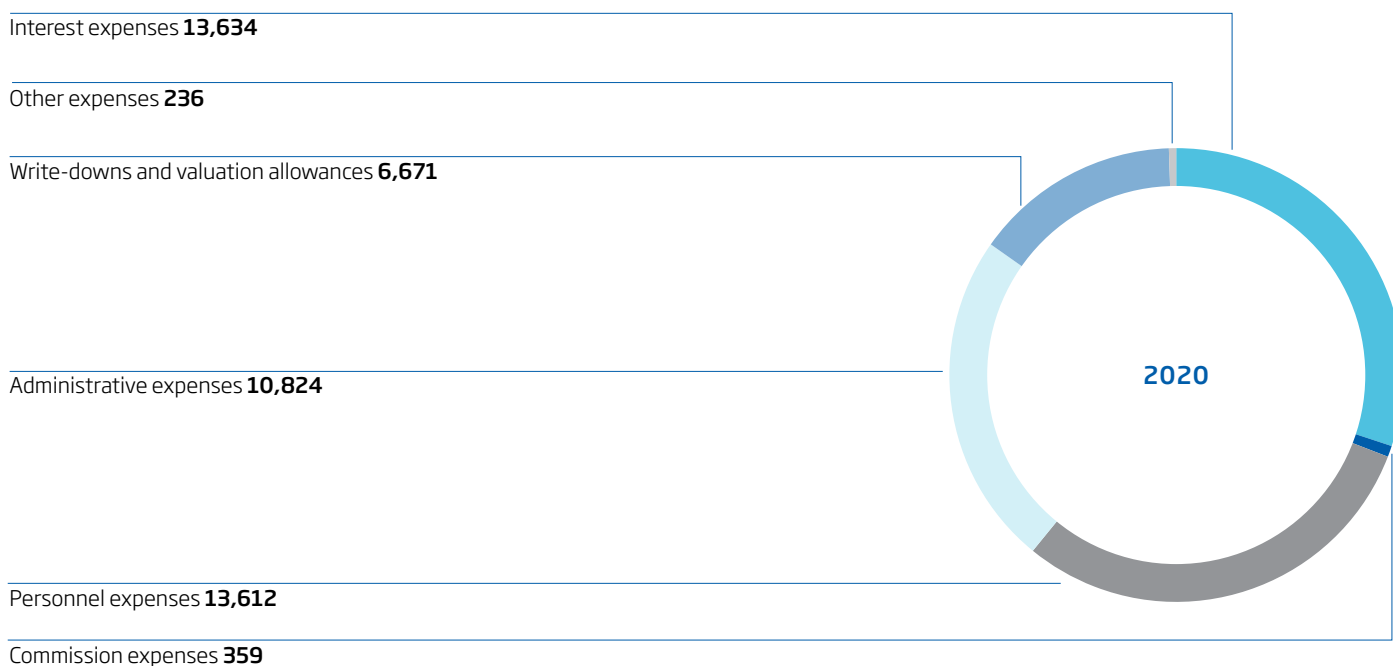


MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

After consideration of accruals and taxes, the financial year 2020 ended with an annual surplus amounting to EUR 8.1 million.

Overall, the target for the annual result, which was adjusted in September 2020, was fulfilled with target achievement of 100%.

EXPENSES, JANUARY 1, 2020 - DECEMBER 31, 2020 IN EUR THOUSAND



Liquidity situation

The solvency of İşbank AG was guaranteed at all times in the financial year 2020 on the basis of planned and balanced liquidity provision, and the liquidity coverage ratio required under the regulations was consistently observed.

As of 12/31/2020, there were revocable loan commitments amounting to EUR 15 million from the unused loan facilities. There were no irrevocable loan commitments.

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

Important financial indicators

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

Indicators	Planned for 2020	2020	2019	2018
Total capital ratio ⁽¹⁾ on the balance sheet date	13.96%	13.23%	12.96%	12.46%
LCR ⁽²⁾⁽⁵⁾	n.a.	183.54%	199.58%	163.97%
After-tax profit as a % of average equity (ROAE) ⁽³⁾	3.90%	3.91%	5.02%	4.34%
Cost-income ratio (CIR) ⁽⁴⁾	65.00%	64.76%	60.60%	68.37%
Annual result in € k	8,009	8,094	10,060	8,243

⁽¹⁾ The regulatory total capital ratio, which describes the ratio between equity (in accordance with article 92 of regulation (EU) no. 575/2013) of the bank and its risk-weighted assets.

⁽²⁾ The regulatory liquidity coverage ratio is determined in accordance with delegated regulation (EU) 2015/61 in conjunction with article 411 et seq. or regulation (EU) no. 575/2013.

⁽³⁾ The after-tax profit as a % of average equity (ROAE) is determined from the commercial annual result of the corresponding year after tax divided by the average equity of the month ends in the corresponding year.

⁽⁴⁾ The cost-income ratio (CIR) is the ratio of operating expenditure divided by operating income. The margin is specifically determined from the sum of the administrative expenses divided by the sum of the interest result, commission result, other net result and income from write-ups of the securities treated as fixed assets.

⁽⁵⁾ This key figure is not being actively considered in the context of the planning.

Overall statement

Taking into account the regulatory requirements, the volatile market conditions and the global economic crisis as well as the pandemic-related necessity for restructuring internal processes in order to ensure the sustainable course of business, İsbank AG was able to fulfill its targets according to the 2020 business plan with respect to achieving a healthy transaction volume. The institutional loan portfolio, comprising receivables from firms in the corporate sector and banks, was kept relatively constant (+1.3% in comparison with the previous year). This transaction volume largely comprises the international trade finance business, bilateral and syndicated corporate loans as well as bond transactions with European companies in Europe. The loan portfolio of the latter item was increased by 68% in comparison with the previous year; its share in the overall corporate portfolio increased from 9.6% to 15.8%. This reduced the dependency of the existing loan portfolio on cross-border interdependencies and international trade conflicts. In parallel, as intended, the loan portfolio of the local loan business, which was historically subject to greater risks for İsbank AG, was

kept constant during the financial year 2020 as desired and planned, at about EUR 112 million. This optimization of the balance structure had a positive effect on the income situation. From the perspective of İsbank 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.

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.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Significant changes within the risk-bearing capacity in comparison with the previous year:

in EUR thousand	Q4 2020			Q4 2020		
	Utilization	Limit	Usage rate	Utilization	Limit	Usage rate
Counterparty default risk	38,282	90,026	42.5%	56,605	88,333	64.10%
Expected loss	5,573			8,081		
Unexpected loss	33,831			46,058		
Country risk for Turkey	8,099			9,367		
Gen. credit risk provision	-1,112			-596		
Country risk provision for Turkey	-9,405			-6,305		
Market price risks	669	4,019	16.6%	561	3,943	14.2%
Interest rate change risk	605			437		
Currency risks	63			124		
Operational risks	999	2,010	50.0%	999	1,972	50.60%
Commercial risk	2,096	4,019	52.5%	1,877	3,943	47.60%
Reputational risk	210	402	52.5%	188	394	47.60%
Overall risk position	42,255	100,476	42.1%	60,228	87,146	61.10%
Aggregate risk cover		100,476			98,586	
Usage rate			42.1%			61.1%

The aggregate risk cover rose only slightly compared to the previous year (+1.9%). However, this was counterbalanced by a significant reduction in the risk position, driven largely by the credit risk which was much lower compared to the previous year. This was particularly due to a significant improvement in credit quality as well as the risk provision, which was increased by EUR 3.6 million and is offset against the gross risk. Taking into account all effects, the usage rate of the aggregate risk cover as of 12/31/2020 lies at 42.1%.

According to § 94 par. 1 CRR and MaRisk, İsbank is defined as a 'non-trading-book institution' and the scope of its on-balance-sheet and off-balance-sheet trading book business is limited to EUR 20 m. The risks from the use of financial instruments are classified as low, as İsbank uses financial instruments only for the purpose of risk reduction or securing risks rather than establishing speculative positions. All derivatives transactions are concluded exclusively with banks that have a top credit rating under ISDA and CSA. The counterparty default risk is therefore considered negligible.

The internal control system of İsbank AG

The board of İsbank AG is responsible for establishing an appropriate internal control system (ICS). In accordance with the regulatory requirements, an internal control system was established, which includes provisions on the structural and process organization as well as on risk management and controlling processes. Overall, together with compliance and risk management, the ICS and internal audit form the internal control process of İsbank 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 İsbank 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 (incl. country risk), market price risk (interest rate change and currency risk), liquidity risk, commercial and income risk, operational risks and reputational risk are identified as significant risks. All risks that are defined as significant by the institution and which can be quantified are taken into account in the risk-bearing capacity statement of İsbank. The liquidity risk is an exception. As the liquidity risk (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 İsbank AG is defined as the risk types that are actually relevant on the basis of the business activity and strategy.
- The significant risks for İsbank 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 by more than 3% within one year. If no quantification of the risk takes place, the significance is assessed by means of expert estimates / claim histories or qualitative criteria.

Organization of risk management

The board of İsbank AG is responsible for ensuring appropriate risk management and fulfilment 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 on the assets and liabilities of the bank are addressed in the assets/liabilities committee in the light of current market developments and the general and expected economic situation. If necessary, measures are taken to reduce risk.

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

One of the core tasks of risk management is to inform the board. In particular, constant information about all significant risk positions of the bank allows the board to fulfill its overall responsibility for all risk areas and to take the necessary measures in time to manage and minimize these risks.

Risk reporting takes place regularly, both by risk and across risks at overall bank level. The risk management department generates a comprehensive risk report at quarterly intervals. 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 limits.

Business and risk strategy

Retail and business banking form the core business areas of İsbank AG. İsbank AG is active in these business areas in the loan and deposit business and also offers non-recourse financing services and foreign trade loans as part of the corporate banking business.

Effective risk strategies are essential in order to achieve sustainable, smooth and profitable growth. The risk management of İsbank 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.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Risk types

Various risks therefore arise from the business activity of İsbank 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,
- Market price risks (interest rate change and currency risk),
- Liquidity risks,
- Operational risks,
- Commercial risk,
- Reputational risk.

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

Counterparty default risks

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

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

- Default risk
- Issuer risk
- Country risk

To calculate the regulatory equity backing for credit risks, İsbank AG uses the standardized approach for credit risk provided in the CRR. The risk position for credit risks is EUR 1,921 million on December 31, 2020.

Types of receivables						
in EUR thousand	Centralized states	Institutions	Companies	Bulk business	Other	Total
Total (without risk reduction techniques)	278,458	602,755	992,150	42,163	5,447	1,920,974
Loans	235,806	505,066	939,741	31,313	3,447	1,715,373
Items below the line (consents, guarantees)	152	17,201	41,629	10,850	2,000	71,832
Securities	42,499	77,205	10,781	-	-	130,486
Derivatives	-	3,283	-	-	-	3,283

Rating classes	Risk content	Probability of default	Proportion (%)
1 to 8	Very low to average default risk	< 1.2%	70.4%
9 to 12	Slightly elevated default risk	< 6.25%	28.4%
13 to 15	High / very high default risk	< 20%	1.2%

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 on December 31, 2020.

Contrary to what was feared, no adverse developments have yet materialized as a result of the coronavirus pandemic. As a precaution, however, the bank has nonetheless decided to form an additional COVID-19-related risk provision of EUR 526k in addition to the EUR 3.1 million country risk provision. The bank is continuously analyzing the potential effects of the pandemic on individual sectors and customers. As part of this, the measures of the Turkish state to combat the coronavirus pandemic are also being assessed. For example, receivables from customers who are adversely affected by the coronavirus crisis may be deferred for three months by banks, and financial institutions are granted extensive liquidity reliefs. Furthermore, tax reliefs and suspended rent payments were approved for companies. The measures are intended to support the Turkish economy and the companies that depend on it, which means that İsbank AG also benefits because of the high share of Turkish business in the credit portfolio that is inherent to its business model. As soon as reliable results are available, the newly acquired knowledge will flow into the risk classification process. In this case, the bank has sufficiently high capital buffers that there is no danger to its risk-bearing capacity. Lending occurs selectively in order to actively prevent a potential adverse development in the credit portfolio.

İsbank AG uses the average probability of default for each rating class to determine the counterparty default risks. By using the average probability of default, both positive and negative migration effects are considered.

İsbank 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 individual loan and portfolio level. To do this, İsbank AG relies on limit systems for the individual credit risk, country risk and industry risk. Here, the country risk for Turkey is additionally monitored and limited in close cooperation with voluntary deposit protection. A further limit is set through the overall portfolio and as part of the risk-bearing capacity statement. At the individual loan level, İsbank 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 and formation of individual and flat-rate value adjustments. İsbank 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.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Risk measuring methods/processes

Expected and 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) and planned growth according to the business strategy, the credit risk is determined for a one-year horizon as part of the going-concern approach on the basis of the 97% quantile and as part of the liquidation approach on the basis of the 99.9% quantile. As part of this calculation, the country risk is also taken into account in that customers with a home country outside the Eurozone cannot receive a better individual rating than that of their home country.

The loan commitments are moreover regularly reviewed to determine whether there is a need for risk provision. On the basis of the implemented methods, organizational provisions and IT systems, we are able to identify the risks at an early stage and to take appropriate management measures both at the group level and on the level of the individual management entities. If information is available to the bank that indicates a deterioration in the economic conditions, an extraordinary review will be performed.

In 2019, a new method was introduced to quantify the country risk for Turkey. This takes effect whenever rating agency Fitch classifies a country in the non-investment grade area. In this case, a lifetime expected loss is determined for all items concerned, in line with IFRS 9. A component for the transfer risk is moreover added to this. Conversely, the balance sheet country risk provision has a risk-reducing effect, as this was formed explicitly to compensate for losses.

Market price risks

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

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

- Interest rate change risk
- Currency risk

For the bank, the interest rate change risk arises from differences in the fixed-interest periods and interest adjustment options between asset and liability items, whereas the currency risk describes the risk of the value of an item reacting to changes in one or more foreign currency exchange rates and consequently of changes in the exchange rates resulting in depreciation of the item.

Management and monitoring of the market price risks

General

The 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.

a) Interest rate change risk

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

As part of the risk-bearing capacity statement, the interest rate change risks are additionally determined on the basis of the fixed-interest balance with a P&L-oriented historic simulation with absolute changes. The interest rate change risk is determined for a one-year horizon as part of the going-concern approach on the basis of the 97% quantile and as part of the liquidation approach on the basis of the 99.9% quantile.

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 P&L.

Reporting form "C 22.00 - Market Risk: Standardised Approaches for Foreign Exchange Risk," which shows the open foreign currency position for each currency, serves as the basis in this context. Based on the open currency position, the currency risk is then determined for a one-year horizon as part of the going-concern approach on the basis of the 97% quantile and as part of the liquidation approach on the basis of the 99.9% quantile.

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 with absolute changes serves as an instrument for monitoring the interest rate change risk.

b) Currency risk

The market prices are monitored predominantly through the daily analysis of the open positions.

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:

- Legal risk,
- Compliance risk,
- Fraud risk,
- IT risk,
- Outsourcing risk.

Risk identification, measuring and management instruments for operational risks

The identification and especially the measurement of operational risk are complicated as a result of the diversity of the risk factors. İşbank AG makes an assessment annually of the existing operational risks using self-assessments. This is a qualitative instrument.

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.

In addition, a loss database is kept in the area of risk management to measure the operational risk (incurred).

To measure the operational risk as part of fulfilment of the CRR and determination of the equity required to cover the operational risks, İşbank AG relies on the basic indicator approach in accordance with the CRR.

Management and monitoring of operational risks

The operational risks are monitored and managed on the one hand as part of the quarterly risk report. 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. On the basis of past damage events and the knowledge gained from them, the methods for measuring and managing operational risks are considered appropriate.

Other risks

İşbank AG has identified the following other risks as significant:

- Commercial and income risk (also including sales risk)
- Reputational risks

Commercial and income risk

The commercial and income risk is defined as the risk of deviation from the income plan (plan before risk).

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Management and monitoring of the commercial and income risk

The commercial and income risk is calculated on the basis of a time series of the historical annual trend in results. Specifically, the maximum deviation from a long-term trend determined by regression analysis, which occurs with a given probability, is calculated - the so-called standard deviation. The result is then multiplied by the corresponding z-value of the standard normal distribution, depending on the desired confidence level. A value-at-risk is thus calculated for the one-year horizon of consideration with a confidence level of 97% in the going-concern approach and a confidence level of 99.9% in the liquidation approach.

Reputational risks

We understand reputational risk as the risk of events that diminish confidence in İşbank AG in public, in the media, among employees or customers / business partners. As part of their business activities, the operational business entities and branches are directly responsible for reputational risks that arise from their respective business activity.

Through the name and the connection to the parent company, Türkiye İş Bankası A.Ş., İşbank AG benefits specifically from the transfer of confidence among those customers who are familiar with the bank from Turkey. Even today, it is an important criterion for many customers to know who is behind İşbank AG as a partner and what performance power the Türkiye İş Bankası A.Ş. group represents. The good reputation of İşbank AG itself has also been built up over decades.

In addition to the high regard within the Turkish population in Europe, the reputational risk is also taken into account in the risk strategy of İşbank AG in that fair dealing with all business partners is defined and transactions with dubious counterparties are excluded.

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 risk-bearing capacity statement of İşbank AG primarily aims at balance sheet and P&L values. The risk-bearing capacity exists if all significant risk types are constantly covered by the risk coverage potential. Based on this, limits are defined for the significant risks. To define the limits, a distribution key is defined/reviewed

annually, according to which the available aggregate risk cover is assigned to the individual risk positions. This is dependent on the risk appetite of İşbank AG and distributes the available aggregate risk cover relative to the individual risk positions. At present, the warning threshold for the total upper loss limit is equal to 90% of the aggregate risk cover. İşbank AG calculates the risk-bearing capacity both under the going-concern and under the gone-concern approach, in order to satisfy the requirement of AT 4.1 note 8 MaRisk.

To fulfill the regulatory requirements in accordance with the CRR, İşbank AG applies the CRSA approach for the loan business and the basic indicator approach for operational risks.

The going-concern approach used by İşbank AG fulfils the requirements of the German federal financial supervisory authority circular on "regulatory assessment of internal bank risk-bearing capacity concepts" published on October 7, 2017.

The risk-bearing capacity exists if the overall risk position is covered by the risk coverage potential. The ratio of overall risk position to aggregate risk cover on 12/31/2020 was 42.1%. The risk-bearing capacity therefore existed. For further details of individual risk positions and the aggregate risk cover, we refer to the complete overview of risk-bearing capacity at the beginning of this section.

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

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

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

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

- A deterioration of all ratings by one level and a flat-rate reduction of the recovery rate by 20%,
- A deterioration of the rating by two levels among all customers with Turkey as their home country and a flat-rate reduction of the recovery rate by 20%,
- Default of the group/customer with the greatest utilization (excluding banks and financial institutions),
- Default of the Turkish bank with the greatest utilization.

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

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

Moreover, the scenarios of IT failure and bank raid are taken into account 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, İsbank AG also performs inverse stress tests at quarterly intervals for the credit and market price risk.

Liquidity risk

Under the term liquidity risk, İsbank AG differentiates on the one hand the liquidity risk in the narrower sense as the risk of the bank no longer being able to meet its payment obligations and on the other hand the refinancing risk as the risk of the bank being unable to maintain the desired refinancing level.

Risk identification, measuring and management instruments for liquidity risk

The following instruments are available in connection with this:

- The liquidity coverage ratio is calculated daily by the reporting department and communicated to the relevant departments.
- In addition to the LCR, a survival horizon is calculated daily by the risk management department and communicated to the relevant departments.
- "Liquidity Report" list (generated by the money and foreign currency trading department)

A liquidity report of the maturity profiles of all receivables and liabilities is generated regularly and published on the portal. The money and foreign currency trading department generates a liquidity contingency plan annually. By contrast, the risk management department performs a stress test on the basis of 3 different scenarios and compares the results with those of the previous quarter. The money and foreign currency trading department is responsible for reporting on the current liquidity situation and significant inputs and outputs each month in the asset/liability committee or the asset/liability management committee with the involvement of the risk management, loan, financial management, retail and business banking, and corporate banking departments.

- Liquidity stress tests for the insolvency and refinancing risk.
- Monthly ALCO committees as well as the FTP pricing system.

Management and monitoring of the liquidity risk

İsbank AG manages and monitors the liquidity risks on the basis of the liquidity coverage ratio, observation figures, liquidity report and survival horizon. Depending on the development of the key figures, specific measures are taken, which include:

- Early external fundraising,
- Fundraising through the parent company,
- Liquidation of deposits at Deutsche Bundesbank or sale of / borrowing against securities.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Liquidity risk tolerance

İşbank AG defines appropriate risk tolerances for liquidity risks and takes appropriate measures to ensure compliance with them. In this, the respective maximum tolerable level of liquidity risks is defined.

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 Deutsche Bundesbank.

Fixing of maturity bands

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

Survival horizon

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

Refinancing risk

The refinancing risk generally means the risk of the bank no longer being able to maintain the desired refinancing level.

Market liquidity risk

The market liquidity risk is covered indirectly in connection with the İşbank AG risk management of the liquidity risk.

Concentration risks

In general, the concentration risk at İşbank AG can essentially materialize in the counterparty default risks. A concentration in the counterparty default risks occurs if the risk becomes concentrated by 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 in respect of Turkey, the home market of our parent company. This risk concentration is assessed firstly by downgrading the individual customer ratings to the rating of the country, if they would otherwise have a better rating than the country rating of Turkey. Within the risk-bearing capacity, this modification results in a significant rise in the credit risk position and through this allocates additional equity to cover the risk. In addition, the credit volume with customers in Turkey is restricted by an absolute limit in close cooperation with voluntary deposit protection. In granting loans to Turkish companies and banks, the bank additionally cooperates intensively with the loan department of the parent company. 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.

d) OPPORTUNITIES AND RISKS OF FUTURE DEVELOPMENT

Overall economic situation

As in 2020, economic development in 2021 will depend on the further course of the pandemic. Rapid economic recovery is affected on the one hand by the development of the infection rate, and on the other by the progress made by vaccination campaigns in order to reach herd immunity as quickly as possible. Since both factors are associated with a high degree of uncertainty, it is difficult to anticipate the further development of the economy.

While the global economy declined by 3.6%, as expected, the decline was not as strong as in 2008, when the economy shrank by 5.7% because of the financial crisis. Economic indicators show that global economic recovery had already begun in the second half of 2020. Thus worldwide industrial production in August 2020 was just 3% below the previous year's level.

Massive disruptions in the global delivery chains, which had a major impact on production in the processing industry in April 2020, are no longer expected. The purchasing managers' indices also indicate a positive development for the Chinese, British and US market. The report from the Council of Economic Experts predicts significant economic growth in 2021, amounting to 5.9%. This will also be significantly driven by growth in the United States. The Organization for Economic Cooperation and Development (OECD) is assuming growth of 6.5% in the United States, up from its original estimate of 3.2%. This increase was based on vaccine-related advances as well as the \$1.9 billion economic stimulus package announced by the new US president on March 7, 2021.

In terms of the global economy, too, the OECD only increased its economic forecast in March 2021. It expects the global economy to rise above the pre-pandemic level starting in mid-2021, achieving growth of 5.6%, as long as no major delays occur in the production and distribution of vaccines.

Still, the risks unrelated to the pandemic persist. Even in 2019, there was a slowdown in global economic development and a decline in global trade volume, in part due to an increase in protectionism and still-unresolved global as well as internal European trade conflicts.

For 2021 as a whole, the federal government anticipates 3% growth in Germany. In order to keep insolvencies as low as possible, the government has approved an extensive package of measures and liquidity support to help stem the economic effects of the coronavirus pandemic. The objective is to equip companies with enough liquidity to survive the crisis. The Council of Economic Experts expects similar economic growth, of 3.1%, for 2021. While it had projected growth of 3.7% for 2021 as recently as the fall of 2020, the forecasts were revised downward due to the still-faltering vaccine campaign and the risk of another lockdown.

On the other hand, a potentially larger wave of corporate insolvencies, alongside the existing trade conflicts, represents another kind of danger that could threaten the stability of the banks. Excessive deferrals of insolvency applications by companies whose capital structure is in a fragile state and for which there is no prospect of economic recovery could mean that banks are unable to distinguish between healthy and insolvent companies, which would have an overall negative effect on the banks' lending policy. The associated increase in defaulted loans and higher risk provisioning could have a

burdensome impact on the banks' equity ratio. In addition to rising risk and restructuring costs as well as declining income due to the ongoing low-interest-rate policy, the anticipated returns will probably stay low. Thus 2021 represents a major challenge for the German banking sector. The growing acceptance of digital banking services in connection with the coronavirus pandemic, combined with cost pressure, may force additional branches to close and the branch networks of many institutions to shrink.

The Turkish government responded to the infection surge with multiple stimulus programs; until November 2020, its loose monetary policy ensured that the real economy was able to withstand the coronavirus pandemic, growing by 6.3% and 5.9% in the third and fourth quarters compared to the previous quarter, before the central bank interest rates rose sharply in November 2020, first to 15% and then to 17% a month later. Thus companies were able to take advantage of the low interest rates to continue making investments. In addition, the low interest rates lasting until the winter meant that export-dependent companies were able to generate record profits despite the pandemic, thanks to the weak Turkish currency.

On March 18, 2021, as investors expected, the central bank once again increased the key interest rate, from 3% to 19%, in order to further promote its restrictive fiscal policy, thereby stabilizing the local currency and reinforcing the foreign exchange reserves. The objective is to lower the inflation rate to less than 10% by the end of 2021. For the future, there are opportunities for local producers in Turkey, particularly in terms of trade with Europe, if they can present themselves as an alternative to suppliers in China or other strongly impacted countries. The processing sector in Turkey is broadly positioned, which means there are opportunities for the automotive, chemical, steel and textile industries. Overall, these developments mean that the target customer portfolio of İşbank AG is growing in the area of corporate banking, and specifically in the trade financing business. The target customer portfolio here includes European companies with investments in Turkey, as well as companies in Turkey with European trade relationships. On March 12, 2021, the Turkish government announced additional economic reforms to reduce its dependency on imports. The International Monetary Fund (IMF) projects economic growth of 6% and 3.5% for Turkey in 2021 and 2022; the report of the Council of Economic Experts even predicts growth of 7.3% and 3.0%. The main reason it gives for this are the fiscal support measures, which contributed to a stronger recovery in 2020 than expected and thus a robust statistical overhang for 2021.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Development of İşbank AG

In the coming financial year, the focus will remain on ensuring the achievement of continuing positive results from the accomplishments of the organizational changes in the previous years. The financial year 2021 will be a year in which the quality of the asset and liability side will be managed in consideration of economic sensitivities and in which risk control as well as operational efficiency will be improved by focusing on niche products and business areas.

In line with the medium-term strategy of the bank, which is based on sustainable and profitable growth, the target is a result from the financial year 2021, which exceeds that of the last financial year 2020. However, we still see significant risks for the short-term economic forecast due to the ongoing infection surge and renewed lockdowns. The coronavirus crisis will continue to have a not insignificant role in achieving the target, so high forecast uncertainty remains; depending on its duration and effects on the overall global economy, this could involve adjustment of the annual targets to an adequate level. The moderate expansion of business activities and the achievement of loan receivables from banks and customers, amounting to EUR 1,495 million with a total capital ratio of at least 12.50%, should take place here primarily through increased trade finance transactions, corporate banking transactions and improving profitability in the area of retail and business banking. In light of this, it is also intended to reduce the cost-income ratio to below 60% by moving forward with the digitization and streamlining processes and breaking up obsolete structures and/or processes. The target annual result after tax for the financial year 2021 is EUR 11.0 million.

For İşbank AG, this year will also be characterized by the implementation of regulatory requirements, the effects of the low-interest environment, further investments in digitization, and implementation of a business model with further optimized details.

Maintaining our business operations during the pandemic and protecting the health of our entire staff and their families will continue to be the top priorities for our institution. In light of this, all contingency plans to maintain banking operations have been adjusted in consideration of the new situation and have been resolutely implemented so far. Contingency plans and catalogues of measures for the branches have also been updated and implemented in practice. If it becomes necessary to close one or more branches, it is ensured that care for our branch customers continues to be guaranteed

through our service center or through a nearby branch. In summary, the necessary resources are available in the form of IT infrastructure, so that the processes to guarantee business operations can continue in the case of occurrence of the disease or introduction of exceptional measures in our bank.

In parallel, contingency plans were also coordinated with the cooperation partners of our outsourced services. Regardless of whether branch closures occur, the restrictions on public life will have effects on the commission income of İşbank AG. In the branches, the "transfer to Turkey" product forms the key pillar of the commission income. For this service, in cooperation with a newly established fintech company, a mobile application has been developed, tests have been completed and the product has been operational since the spring of 2021, such that customers are not dependent on the presence of a physical branch in order to use this service. An alternative product can therefore be offered to the customer for the main product of the branch in the case of a branch closure. With digitized account opening processes, it can furthermore be guaranteed that accounts can be opened and other products of the bank can be used via the service center.

With regard to the loan business, İşbank AG has carried out a complete transformation of the credit portfolio since 2016. The share of retail and commercial corporate client business was reduced and gradually replaced with a selective corporate and trade finance portfolio. Filtering out crisis-vulnerable business areas before the start of the pandemic showed us we were on the right path. This is emphasized by the achievement of an NPL rate of 1.8%, the lowest rate since the 2008 financial crisis. Despite, or precisely because of, the challenges in conjunction with the coronavirus pandemic, we will continue to implement this strategy in a disciplined way; our focus will be on establishing sustainable profitability by growing earnings while keeping costs steady and maintaining capital discipline.

Nonetheless, the economic effects of the coronavirus crisis cannot be overlooked, particularly for companies; in economic sectors like tourism and gastronomy, revenue growth declined significantly in 2020. In the production and transport sector, too, very few companies will have been able to meet their annual targets. The federal government did extend its regulation on insolvency suspensions to reduce the effects of the pandemic through the end of April 2021, but the number of corporate insolvencies will increase significantly compared to 2020 and it is not possible to foresee whether a massive wave of insolvencies will occur in the second half of the year.

While we do not currently see any significant effects of the coronavirus pandemic on our own credit portfolio, the end of the state support measures together with a significant increase in corporate debt due to the crisis will probably cause credit defaults to rise in the banking sector. Both in the corporate and in the business banking sector, the loan portfolio of the bank was accordingly analyzed immediately after the first severe political restrictions nationwide on the basis of the current risk factors; this close monitoring will continue. In the corporate sector, the analysis is conducted on the level of the individual borrower entities and the companies were identified according to a traffic light system (high, medium or insignificant effect). The analysis of Turkish corporate customers was performed here in close cooperation with the risk management of our parent company. The bank will continue to pursue a restrictive credit policy in 2021 with regard to prolongation and new credit commitments.

Like the Federal Republic, the Turkish state also implemented broad economic measures and the requirements of the Turkish banking regulator were quickly adapted. For instance, financial institutions were granted extensive liquidity reliefs in order to lessen the effects of the pandemic on the real economy. Furthermore, tax reliefs and suspensions of rent payments were implemented for companies.

Regarding the expected economic effects of the coronavirus crisis, İsbank AG is braced for a prolonged downturn. The present equity ratio of approx. 13.2% provides a solid buffer for this. In parallel, the current proportion of non-performing loans of the bank is at its lowest level since the start of the banking crisis. The bank additionally regularly performs internal stress scenarios with various simulations. Also, the present refinancing has a strongly diversified position on the one hand, and on the other hand additional measures can be taken to raise liquidity. These features of the bank and ultimately our solidly positioned parent company, combined with the increasing number of vaccines and vaccination progress as well as the economic policy measures of the German legislature, give us confidence that we will overcome the crisis successfully with our staff.

e) DEPENDENCY REPORT

The board of İsbank AG declares:

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

f) ASSOCIATION MEMBERSHIPS

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

Frankfurt am Main, April 19, 2021



Ünal Tolga Esgin
Board Chairman



Franz Hakan Elman Board
Member

SERVICES AT A GLANCE

Accounts and Cards

Saving

Payments and Transfers

Loans

Mortgages

Trade Finance

Services

**FINANCIAL STATEMENTS AS AT AND FOR
THE YEAR ENDED DECEMBER 31, 2020 WITH
INDEPENDENT AUDITOR'S REPORT THEREON**

Balance sheet as of 12/31/2020 of İşbank AG, Frankfurt am Main

Assets		12/31/2020	Previous year
		EUR	EUR
1. Cash reserve			
a) Cash on hand		2,204,436.98	3,314,850.36
b) Balances with central banks		233,806,120.41	244,424,858.20
of which:			
with the German Central Bank	EUR 233,805,091.45		
	(previous year: EUR 244,215,247.34)		
		236,010,557.39	247,739,708.56
2. Receivables from credit institutes			
a) due daily		3,569,553.68	4,530,251.33
b) other receivables		382,607,275.53	376,763,284.15
		386,176,829.21	381,293,535.48
3. Receivables from customers		1,060,064,302.14	1,046,191,113.89
of which secured by encumbrances:	EUR 56,716,908.91		
	(previous year: EUR 49,812,314.00)		
Municipal loans:	EUR 0.00		
	(previous year: EUR 0.00)		
4. Bonds and other fixed-interest securities			
a) money-market instruments			
aa) from other issuers			
of which: eligible as collateral at Deutsche Bundesbank	EUR 0.00	0.00	0.00
	(previous year: EUR 0.00)		
b) loans and bonds			
ba) from public issuers		25,445,127.38	38,419,682.28
of which: eligible as collateral at Deutsche Bundesbank	EUR 15,005,675.99		
	(previous year: EUR 15,020,002.96)		
bb) from other issuers		105,040,516.14	72,119,241.72
of which: eligible as collateral at Deutsche Bundesbank	EUR 32,974,592.92		
	(previous year: EUR 33,025,556.02)		
		130,485,643.52	110,538,924.00
5. Shares and other non-fixed-interest securities		0.00	0.00
6. Intangible assets			
Paid concessions, industrial property rights and similar rights and assets as well as licenses to such rights and assets		11,410,595.94	12,409,733.95
		11,410,595.94	12,409,733.95
7. Property, plant and equipment		873,769.55	1,077,617.36
8. Other assets		7,267,018.06	5,817,515.13
9. Deferred income		1,268,719.48	1,720,368.51
Total assets		1,833,557,435.30	1,806,788,516.88

Liabilities	12/31/2020	Previous year
	EUR	EUR
1. Payables to credit institutes		
a) due daily	23,646,170.66	16,287,495.54
b) with an agreed term or termination date	213,884,646.40	281,919,797.37
		298,207,292.91
2. Payables to customers		
a) savings deposits		
aa) with an agreed termination period of three months	29,283,056.98	28,625,719.04
ab) with an agreed termination period of more than three months	1,439,491.53	1,519,989.05
b) other liabilities		
ba) due daily	331,478,745.63	274,288,264.46
bb) with an agreed term or termination date	1,003,721,445.79	986,930,998.41
	1,365,922,739.93	1,291,364,879.96
3. Other liabilities	6,850,908.88	2,545,148.85
4. Deferred items	1,399,944.95	939,647.91
5. Accruals		
a) tax accruals	715,971.76	299,334.34
b) other accruals	2,479,715.68	2,868,535.88
	3,195,687.44	3,167,870.22
6. Equity capital		
a) subscribed capital	185,000,000.00	185,000,000.00
b) capital reserves	315,292.40	315,292.40
c) retained earnings		
ca) statutory reserves	1,937,450.21	1,532,767.21
cb) other retained earnings	23,715,617.42	14,158,958.12
d) net profit	7,688,977.01	9,556,659.30
	218,657,337.04	210,563,677.03
Total liabilities	1,833,557,435.30	1,806,788,516.88
1. Contingent liabilities		
a) liabilities from guarantees and indemnity agreements	52,068,301.38	36,124,286.57
2. Other liabilities		
a) irrevocable credit commitments	0.00	0.00
	52,068,301.38	36,124,286.57

Profit and loss account for İşbank AG, Frankfurt am Main, for the period from January 1 to December 31, 2020

			12/31/2020	Previous year
	EUR	EUR	EUR	EUR
1. Interest income from				
a) lending and money market transactions	42,898,592.36			55,142,887.75
less negative interest from money market transactions	-736,034.37			-651,445.02
		42,162,557.99		54,491,442.73
b) fixed-interest securities and debt register claims	5,290,940.91			5,308,081.75
			47,453,498.90	59,799,524.48
2. Interest expenses			13,633,585.16	20,385,387.05
			33,819,913.74	39,414,137.43
3. Commission income			7,388,092.23	8,277,642.16
4. Commission expenses			359,217.03	339,777.89
			7,028,875.20	7,937,864.27
5. Other operating income			1,109,181.77	312,008.82
6. General administrative expenses				
a) personnel costs				
aa) wages and salaries (with provisions)	11,788,745.51			12,692,694.41
ab) social contributions and expenses for retirement benefits and support	1,823,659.77			1,840,648.88
of which: for retirement benefits	EUR 66,714.42			
	(previous year: EUR 113,499.76)			
		13,612,405.28		14,533,343.29
b) other administrative expenses	10,824,239.48			11,697,525.08
			24,436,644.76	26,230,868.37
7. Depreciation and amortization of intangible assets and property, plant and equipment			2,499,695.86	2,505,458.74
8 Other operating expenses			235,593.18	146,925.21
9. Depreciation and amortization of intangible assets as well as allocations to provisions in the lending business			4,170,823.60	5,571,913.03
10. Income from write-ups to receivables and certain securities as well as from the dissolution of provisions in the lending business			1,206,701.04	1,209,580.17
			2,964,122.56	4,362,332.86
11. Depreciation and value adjustments for participating interests, shares in affiliated companies, and securities treated as fixed assets			90,264.49	0.00
12. Income from write-ups of participating interests, shares in affiliated companies, and securities treated as fixed assets			753,417.39	410,817.71
13. Profit on ordinary business activity			12,485,067.25	14,829,243.05
14. Extraordinary expenses			147,571.74	87,102.85
15. Taxes on income and earnings			4,265,237.16	4,952,969.40
16. Other taxes not listed in Item 8			-21,401.66	-270,470.57
			4,243,835.50	4,682,498.83
17. Annual net profit			8,093,660.01	10,059,641.37
18. Allocations to revenue reserves				
a) to the legal reserve	404,683.00			502,982.07
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
			404,683.00	502,982.07
19. Net profit			7,688,977.01	9,556,659.30

İşbank AG (HRB 94361, Municipal Court of Frankfurt am Main) ANNEX FOR THE 2020 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 for the 2020 fiscal year was prepared in accordance with the provisions of the Commercial Law Code in accordance with §§ 242 ff. and 340 ff. HGB as well as the Credit Institute Accounting Ordinance (RechKredV) and Securities Act (AktG).

B. General Accounting and Evaluation Principles

The receivables recorded under the individual items include accrued interest recorded at the nominal value. İşbank created specific bad debt allowance as well as reserves and general loan loss reserves for identifiable creditworthiness risks in the credit business.

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

Bonds and debentures were allocated to investment assets. The total portfolio is evaluated on the basis of 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 non-permanent is being assumed. Fixed-interest securities acquired sub-par are recorded according to the accrual principle at nominal value. Fixed-interest securities acquired above par are recorded according to the accrual principle at nominal value.

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

The liabilities were recorded at their settlement value plus accrued interest. Where the settlement value of a liability is greater than the issue amount, the difference is recorded on the asset side under deferred items pursuant to § 250 Sect. 3 HGB in conjunction with § 340c 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 185,000 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 are recorded according to the accrual principle. Account management fees are charged on a quarterly basis and admissible processing fees immediately upon the transaction.

All expenditures as well as all reserves and payment obligations in connection with the restructuring measures were recorded in the extraordinary expenses.

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

The expenditure and income from the foreign currency conversion are recorded under the miscellaneous operational expenditure and profit.

The conversion results from transactions which 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 value adjustment equal to the 1-year expected loss is determined and implemented according to the loan risk model. Furthermore, a separate risk provision is created for the country risk in Turkey, since the ratings agency Fitch currently classifies the country as a non-investment-grade area. For this purpose, the bank determines a lifetime expected loss for the Turkey portfolio with increased default probabilities corresponding to the transfer risk. The difference between the lifetime expected loss with modified default probabilities and the 1-year expected loss without modified default probabilities produces the country risk for Turkey.

In the loss-free evaluation of interest-related transactions of the banking book (BFA3) the periodic (P & L-oriented) method was applied. In this context, the cash-value period results calculated by Financial Management from interest-related transactions, the management expenditure for the portfolio transactions calculated on the basis of the P&L account and the risk costs to be anticipated before the final due date of the transactions based on the anticipated payment defaults were compared. No imminent loss reserves need to be created pursuant to IDW RS BFA 3 as per 12/31/2020.

Negative interest from money market transactions is recorded as reduced earnings under interest income.

C. Notes to the Balance Sheet

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

	12/31/2020 KEUR	Previous year KEUR
Receivables from credit institutes		
- due daily	3,570	4,530
- up to 3 months	87,037	122,016
- 3 months up to 1 year	298,266	255,487
- 1 year up to 5 years	0	558
Accrued interest	1,173	1,032
General loan loss reserves	3,868 (*)	2,329 (*)
(*) of which allocated to country loan loss reserves KEUR 3,868		
Receivables from customers		
- up to 3 months	111,159	89,301
- more than 3 months up to 1 year	195,957	298,846
- more than 1 year up to 5 years	645,146	517,218
- more than 5 years	64,434	24,831
- with an indefinite term	44,851	114,679
Accrued interest	5,381	5,888
General reserves for loan losses	6,864 (**)	4,572 (**)
(**) of which allocated to country loan loss reserves KEUR 5,537		
Receivables from affiliated companies are included in the following items		
Receivables from credit institutes	31,792	66,273
- of which from sole shareholder	15,296	66,273
Receivables from customers	42,976	44,551
Debentures and other fixed-interest securities	5,809	0
Bonds and debentures in the portfolio		
Money market instruments		
From other issuers	0	0
Debentures (accounting values)		
From public issuers	25,094	37,854
- of which allocated to pension	9,988	27,769
From other issuers	103,882	71,571
- of which allocated to pension	60,577	26,693
- due the following year	25,770	178
Accrued interest	1,510	1,114

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 3,807 (previous year: KEUR 2,633) and hidden losses to the amount of KEUR 0 (previous year: KEUR 0).

The amount of the marketable securities in the bond and debenture portfolio not valued using the lowest principle is KEUR 0 (previous year: KEUR 0).

Receivables from customers to the amount of KEUR 56,717 (previous year: KEUR 49,812) are secured by liens.

The intangible assets essentially comprise expenditure recorded on the asset side of the core banking system of İsbank AG acquired in 2016, reduced by the scheduled depreciation.

The total amount of other assets is KEUR 7,267 (previous year: KEUR 5,818). KEUR 6,242 (previous year: KEUR 4,771) is allocated to receivables from derivative transactions due to currency valuations, KEUR 284 (previous year: KEUR 237) to tax receivables from the corporate tax, as well as KEUR 235 (previous year: KEUR 551) to tax return claims from the Internal Revenue Service regarding turnover tax. This also includes KEUR 383 (previous year: KEUR 125) to suspense accounts of the bank. In addition, it includes deposits to the amount of KEUR 123 (previous year: KEUR 123).

Only KEUR 855 (previous year: KEUR 949) are allocated to advance payments on the rent for the headquarters under the item accrued income to the amount of KEUR 1,269 (previous year: KEUR 1,720). KEUR 318 (previous year: KEUR 312) from invoices paid in advance are added to this as well as KEUR 96 (previous year: KEUR 338) from agio payments.

İsbank AG, Frankfurt am Main

Asset analysis as per 12/31/2020

	APC					APC Status 12/31/2020	Cumulative Depr. Status 1/1/2020	Cumulative Depr. Status 12/31/2020	12/31/2020 Appreciation of the fiscal year	12/31/2020 Depreciation of the fiscal year	Accounting values	
	Status 1/1/2020	Inflow	Outflow	Transfer	Status 12/31/2019						Status 12/31/2020	
	KEUR	KEUR	KEUR	KEUR	KEUR						KEUR	
I. Intangible assets	24,373	1,134	0	0	25,507	11,963	14,096 (*)	0	2,133	12,410	11,411	
1. Software (****)	24,373	1,134	0	0	25,507	11,963	14,096 (*)	0	2,133	12,410	11,411	
II. Tangible assets	5,093	163	739	0	4,516	4,015	3,643 (*)	0	367	1,078	874	
1. Plant and equipment	29,465	1,297	739	0	30,023	15,978	17,739 (*)	0	2,500	13,487	12,284	
III. Securities (***)	109,226	35,253	13,453	0	131,027	199	2,052 (**)	287	2,537	110,539	130,486 (*)	
Total	138,691	36,550	14,192	0	161,050	16,177	15,687	287	5,037	124,026	142,770	

(*) The write-offs include separations from the shut-down/relocated branch offices to the amount of KEUR 739.

Inflows and transfers in the fiscal year are included in the write-offs to the amount of KEUR 122 (software and plant and equipment).

(**) Inclusive accrued interest to the amount of KEUR 1,510. The inflow to securities includes currency effects to the amount of KEUR 2,741.

(***) Debentures and other fixed-interest securities, stocks and other non-fixed interest securities

(****) Permits, industrial property rights and similar rights and values acquired for a fee as well as licenses to such rights and values

	12/31/2020	Previous year
	KEUR	KEUR
Payables to credit institutes		
- due daily	23,646	16,287
- up to 3 months	43,740	103,566
- more than 3 months up to 1 year	59,372	75,000
- more than 1 year up to 5 years	110,000	102,051
- Accrued interest	772	1,303
Payables to customers (savings deposits)		
- up to 3 months	29,283	28,626
- more than 3 months up to 1 year	938	1,038
- more than 1 year up to 5 years	116	112
- more than 5 years	386	370
Payables to customers (other payables)		
- due daily	331,479	274,288
- up to 3 months	440,496	402,599
- more than 3 months up to 1 year	284,699	308,377
- more than 1 year up to 5 years	208,041	220,683
- more than 5 years	67,835	51,300
- Accrued interest	2,651	3,973
Payables to affiliated companies are included under the following items:		
Payables to credit institutes	16,064	12,072
-of which to the sole shareholder	16,064	12,072
Payables to customers	5,127	24,374

Payables to credit institutes include KEUR 110,000 (previous year 60,000). Open market operations with Deutsche Bundesbank hedged by the securities deposited on the safe custody account there. KEUR 47,152 (previous year: KEUR 51,650) are allocated to pension transactions.

The other liabilities to the amount of KEUR 6,851 (previous year: KEUR 2,545) include inactive accounts to the amount of KEUR 1,045 (previous year: KEUR 1,213), outstanding payments (customer orders not yet processed by the clearing body) to the amount of KEUR 3,324 (previous year: KEUR 605), liabilities to Internal Revenue Offices due to outstanding income, church and turnover tax KEUR 219 (previous year: KEUR 211), liabilities from derivative transactions due to currency valuations to the amount of KEUR 2,083 (previous year: KEUR 364), returns from non-deliverable credit transfers to Turkey to the amount of KEUR 141 (previous year: KEUR 69), outstanding capital income tax at KEUR 38 (previous year: KEUR 82).

Deferred income and accrued expenses to the amount of KEUR 1,400 (previous year: KEUR 940) consist mainly of accrued upfront fee payments from purchased syndicate loans to the amount of KEUR 1,297 (previous year: KEUR 911).

The tax reserves to the amount of KEUR 716 (previous year: KEUR 299) include corporation tax make-up payments to the amount of KEUR 533 as well as profit make-up payments from previous years to the amount of KEUR 183 (previous year: KEUR 120).

As per the end of the year Other Reserves to the amount of KEUR 2,480 (previous year: KEUR 2,869) were created. They essentially consist of bonus reserves to the amount of KEUR 1,363 (previous year: KEUR 1,315), reserves for settlement payments and salaries of departing employees KEUR 60 (previous year: KEUR 437) and the branch closure in Mannheim to the amount of KEUR 74. In addition, KEUR 250 (previous year: KEUR 130) are allocated to reserves for audit and consulting expenses, KEUR 196 for other payment obligations, and KEUR 104 (previous year: KEUR 104) for reserves for legal and consulting expenses. This item further includes reserves for contributions to the amount of KEUR 165 (previous year: KEUR 107), filing fees to the amount of KEUR 104 (previous year: KEUR 104), reserves for processing costs to the amount of KEUR 97 (previous year: KEUR 238), reserves for guarantees of bills of exchange to the amount of KEUR 31 (previous year: KEUR 31) and vacation reserves to the amount of KEUR 10 (previous year: KEUR 76).

The total subscribed capital is KEUR 185,000 and has not changed in relation to the previous year.

The equity of İsbank AG is KEUR 185,000 and is divided up into 18,500,000 non-par bearer shares. There are no other types of securities.

The equity is divided up as follows:

	12/31/2020	Previous year
	KEUR	KEUR
Subscribed capital	185,000	185,000
Capital reserves	315	315
Statutory reserves	1,937	1,533
Profit reserves	23,716	14,159
Net profit	7,689	9,557
	218,657	210,564

Pursuant to §150 Sect. 2 AktG, 5% of the net income for the year are to be adjusted annually in the statutory reserves. Accordingly, the statutory reserves were increased by KEUR 405.

The total amount of loan loss reserves for country risks of Receivables from customers and credit institutes is KEUR 9,405 (previous year: KEUR 6,305).

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

	12/31/2020	Previous year
	KEUR	KEUR
Receivables from credit institutes	3,868	2,329
Receivables from customers	5,537	3,976

Items recorded in foreign currency:

	12/31/2020	Previous year
	KEUR	KEUR
Assets	283,561	281,148
Debts	266,435	288,279

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

	12/31/2020	Previous year
	KEUR	KEUR
Guarantees and guarantee contracts	10,585	10,433
Letters of credit	41,515	25,723
	52,099	36,155

KEUR 5,052 (previous year: KEUR 8,150) of guarantees and guarantee contracts are allocated to the sole shareholder.

Cash-secured guarantees in the fiscal year amount to KEUR 5,164 (previous year: KEUR 27,307). Irrevocable credit commitments in the fiscal year amount to KEUR 0 (previous year: KEUR 0).

The risks from claims to contingent liabilities and other liabilities are estimated as low by İsbank 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.

The Management Board of İsbank AG proposes to the Supervisory Board in accordance with § 170 Sect. 2 AktG to retain the profit in the 2020 annual financial statement to the full amount of EUR 7,688,977.01, carry it forward to a new account and to allocate it immediately to profit reserves.

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

	Germany	Netherlands	Total
	KEUR	KEUR	KEUR
Interest income	44,780	2,674	47,454
Commission income	6,753	635	7,388
Net income for the year	7,666	428	8,094

Interest income includes negative interest to the amount of KEUR 736 (previous year: KEUR 651). It results from reserve deposits with the German Federal Bank exceeding the minimum target reserves of İsbank AG.

Other operating profit to the amount of KEUR 1,109 (previous year: KEUR 312) results essentially from profit from foreign currency conversions to the amount of KEUR 600 (previous year: KEUR 137), from the dissolution of other reserves to the amount of KEUR 178 (previous year: KEUR 65), from tax income to the amount of KEUR 8 (previous year: KEUR 26) as well as out-of-period payments to the amount of KEUR 32 (previous year: KEUR 57).

Other operating expenditure to the amount of KEUR 236 (previous year: KEUR 147) results essentially from transaction losses to the amount of KEUR 182, from payment of the severe disability contribution to the amount of KEUR 11 as well as from general administrative expenditure to the amount of KEUR 40.

The extraordinary expenditure to the amount of KEUR 148 (previous year: KEUR 87) results essentially from restructuring expenditure to the amount of KEUR 118 of the shut-down branch office in Mannheim, the associated personnel expenditure to the amount of KEUR 26 (previous year: KEUR 13) and other administrative expenditure to the amount of KEUR 3 (previous year: KEUR 26).

For the fiscal year, KEUR 240 were charged as fees for audit services for Germany, of which KEUR 3 for the previous year (previous year: KEUR 254) and for other services.

During the fiscal year taxes on income and profit to the amount of KEUR 4,265 (previous year: KEUR 4,953) were incurred.

Set-off of the Net Profit of the Previous Year:

Per resolution of the regular shareholders' meeting of May 6, 2020, it was resolved to retain the net profit from 2018 of KEUR 9,557 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

Country-specific reporting (country-by-country reporting) by İsbank AG pursuant to § 26a KWG as per December 31, 2020

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, 2020. 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

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

Other Financial Obligations

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

	2021	2022-2023	As from 2024	Total
	KEUR	KEUR	KEUR	KEUR
Leases	2,214	3,828	8,794	14,835
Leasing contracts	151	40	0	191
Other contracts Verträge	159	187	123	469

For coverage of the loan grants in USD and TRY, the bank had eight foreign currency swap transactions (nominal value: KEUR 94,404) and ten cross-currency swap transactions (nominal value: KEUR 18,545) in the portfolio. As per the balance sheet date a negative amount KEUR 2,083 as well as a positive amount of KEUR 6,242 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	106,913	1,976	6,242
More than 1 year	6,035	107	0

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

Employees

İsbank AG employed an annual average staff number of 163.

	2020	Previous year
Authorized signatories	3	2
Employees	161	166
Total	164	168

The breakdown of the number of staff per branch office is as follows:

Branch offices	2020	Previous year
Berlin	0	3
Düsseldorf	1	1
Frankfurt	3	0
Gelsenkirchen	1	0
Kreuzberg	0	0
Mannheim	1	1
Munich	0	1
Stuttgart	0	1
Amsterdam	0	2

The salaries of the Management Board in the past fiscal year were KEUR 586 (previous year: KEUR 541). No pension guarantees were made to members of the Management Board. For this reason, no pension reserves are being created by İsbank AG for members of the Management Board.

Expenditure compensation was paid to members of the Supervisory Board in 2020 pursuant to § 285 No. 9a HGB to the amount of KEUR 108 (previous year: KEUR 162).

Company Bodies

Management Board:

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

Franz Hakan Elman, Frankfurt am Main, Member of the Management Board

Supervisory Board:

Yılmaz Ertürk, İstanbul/Turkey, Chairman of the Supervisory Board until 11/16/2020, Chairman of the Management Board Anadolu Hayat Emeklilik A.Ş.

Gamze Yalçın, İstanbul/Turkey, Chair of the Supervisory Board as of 11/17/2020, Member of the Management Board of Türkiye İş Bankası A.Ş.

Sabri Gökmenler, İstanbul/Turkey, Deputy Supervisory Board Chair as of 11/17/2020, IT Division Head of Türkiye İş Bankası A.Ş.

Yavuz Ergin, İstanbul/Turkey, Member of the Supervisory Board

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

Mustafa Tankut Tabak, İstanbul/Turkey, Member of the Supervisory Board, HR Division Head of Türkiye İş Bankası A.Ş.

Mete Uluyurt, İstanbul/Turkey, Member of the Supervisory Board, Strategy and Corporate Performance Division Head of Türkiye İş Bankası A.Ş.

Murat Demircioğlu, İstanbul/Turkey, Member of the Supervisory Board until 11/16/2020, Branch Manager of Antalya Kurumsal

Can Yücel, İstanbul/Turkey, Member of the Supervisory Board until 5/6/2020, Branch Manager of Başkent Kurumsal

Ozan Uyar, İstanbul/Turkey, Member of the Supervisory Board as of 5/7/2020, Project Financing Division Head of Türkiye İş Bankası A.Ş.

Zeynep Hansu Uçar, İstanbul/Turkey, Member of the Supervisory Board as of 11/17/2020, Investment Management Division Head of Türkiye İş Bankası A.Ş.

Tolga Achim Müller, İstanbul/Turkey, Member of the Supervisory Board as of 11/17/2020, Corporate Banking and Sales 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 - İstanbul, Turkey. The parent company Türkiye İş Bankası A.Ş. prepared a consolidated financial statement as per December 31, 2020, which is also available at the seat of the company.

Frankfurt am Main, April 19, 2021



Ünal Tolga Esgin

Chairman of the Management Board



Franz Hakan Elman

Member of the Management Board

AUDIT CERTIFICATE BY THE INDEPENDENT AUDITOR

For İsbank AG

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

Audit Evaluations

We audited the annual financial statement of İsbank AG, Frankfurt am Main - consisting of the balance sheet as per December 31, 2020, and the profit and loss account for the fiscal year from January 1, 2020, up until December 31, 2020, as well as the notes, including the presentation of the accounting and evaluation methods. In addition, we audited the management report of İsbank AG for the fiscal year from January 1, 2020, until December 31, 2020.

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 asset and financial situation of the company as per December 31, 2020, and its profit situation for the fiscal year from January 1, 2020, up until December 31, 2020, 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 German standard accounting practices as set by the Institute of Auditors (IDW). Our responsibility pursuant to these provisions and practices is set out 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 German professional 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, 2020. 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 from the Company Customer Credit Portfolio

Reasons for the Designation as a Particularly Important Audit Circumstance

The identification and evaluation of impaired receivables from customers is a key area in which the Management makes discretionary decisions.

The identification of impaired receivables from customers as well as the evaluation of impaired receivables from customers is associated with uncertainties and includes diverse assumptions and influential factors which unlock discretionary leeway or require estimates. Anticipated future discounted cash flow is to be determined on the basis of the evaluation of the customers’ financial situations/ the collateral provided. For impaired receivables, these discretionary decisions can significantly impact the amount of the reserves to be created for loan loss.

Within the context of the business model of İsbank AG focusing on the company customer credit business, which constitutes a key part of the assets of the bank, combined with the discretionary decisions, we identified the identification and evaluation of impaired receivables from customers from the company customer credit portfolio as an especially important audit circumstance.

Audit Procedures

We examined the organization and effectiveness of selected checks in relation to the identification and evaluation of impaired receivables from customers 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 risk classification procedures as well as the monitoring of early warning indicators.

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 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 impaired receivables from customers from the company customer credit portfolio.

Reference to Corresponding Data

The company's data for the identification and evaluation of impaired receivables from customers are included in Section B, "General Account and Evaluation Practices," in the Notes.

Miscellaneous Information

The Supervisory Board is responsible for the "message from the Chairman of the supervisory board" as well as the "report of the supervisory board." In other respects, the legal representatives are responsible for the miscellaneous information. The miscellaneous information comprises the declaration on the dependence report under Section e) of the management report. In addition, it includes the following parts intended for the business report, of which we obtained a copy before the issue of the audit certificate, the "message from the CEO of the management board" as well as the Country-by-Country-Reporting 2020 (disclosure pursuant to § 26a Sect. 1 Clause 2 KWG (Banking Act)).

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 in accordance with the German standard accounting practices.

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

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

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

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

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

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

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

- we identify and assess the risks of significant deliberate or accidental misrepresentation in the annual financial statement and in the management report; we plan and execute audit procedures as a response to these risks, and obtain audit proof records which are sufficient and suitable to act as the basis of our audit decision. The risk that significant misrepresentation is not detected is higher in the case of breaches than in the case of errors, as breaches imply fraudulent activity, forgery, deliberate omissions, misrepresentation / overriding of in-house checks;
- we gain an understanding of the relevant in-house monitoring system relevant to the audit of the annual financial statement and of the relevant precautions and measures for the audit of the management report in order to plan audit procedures which might be adequate under the given circumstances, but not with the objective of providing an audit evaluation on the validity of these systems of the company;

- we assess the adequacy of the accounting methods applied by the legal representatives as well as the acceptability of the estimated values represented by the legal representatives and the corresponding information;
- we draw conclusions about the adequacy of the accounting principle of the continuation of business activity applied by the legal representatives, as well as on the basis of the audit proof records obtained, whether there is significant uncertainty in connection with events or circumstances which might give rise to significant doubts regarding the company's ability to continue its business activity. Should we conclude that there is significant uncertainty, we are obligated to report the corresponding information in the annual financial statement 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 matter of the annual financial statement, including the date as well as whether the annual financial statement represents the underlying business transactions and events in such a way that the annual financial statement provides an accurate picture of the company's asset, financial and profit situation in compliance with German standard accounting practices;
- we evaluate the conformity of the management report with the annual financial statement, its compliance with the law and its representation of the company situation;
- we perform audit procedures in relation to the future-oriented information in the management report as depicted by the legal representatives. On the basis of adequate suitable audit proof records we follow in particular the relevant assumptions made by the legal representatives as the basis for the future-oriented information and evaluate the proper derivation of the future-oriented information from these assumptions. We do not provide an independent audit evaluation of the future-oriented information or of the underlying assumptions. There is a significant unpreventable risk that future events will significantly deviate from the future-oriented information.

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

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

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

Other Statutory and Legal Requirements

Other information as set out under Article 10 EU-APrVO

We were chosen as the auditor by the general shareholders' meeting of May 6, 2020. We were assigned by the Supervisory Board on November 2, 2020. We have been working as the auditor of İsbank 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 Mr. Marcus Binder.

Eschborn/Frankfurt am Main, April 22, 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Binder
Auditor

Stier
Auditor

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