

Annual Report 2023

AKBANK AG

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Akbank AG's core business areas cover Corporate Banking, Financial Institutions, Treasury, as well as Private and Retail Banking.

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Akbank AG

in Brief

Akbank AG is headquartered in Eschborn, Germany, and its core business areas include Corporate Banking, Financial Institutions, Treasury, as well as Private and Retail Banking.

Akbank AG is a voluntary member of the Deposit Protection Fund of the Association of German Banks (Einlagensicherungsfonds des Bundesverband Deutscher Banken).

Akbank AG is the successor institution of the German branch of Akbank T.A.Ş. It received its full banking license on 4 May 1998 from the German Federal Financial Supervisory Authority (BaFin) and started providing retail and corporate banking services in Germany.

On November 23, 2005, the branch was converted into an Aktiengesellschaft (AG) and registered with the commercial register of Frankfurt am Main. In May 2007, Akbank AG's shares were transferred to Akbank N.V., a wholly-owned subsidiary of Akbank T.A.Ş. established in 2001 as a Dutch bank under the banking law and regulations of the Netherlands.

As a result of the strategic decision to reorganize the European operations of Akbank Group, in particular to use capital and other resources more efficiently, Akbank N.V. was merged into Akbank AG, with the discontinuation of Akbank N.V.'s activities effective from June 15, 2012. Upon this merger, Akbank T.A.Ş. became the sole shareholder of Akbank AG. The merger between Akbank AG and Akbank N.V. led to a substantial growth in Akbank AG's lending and deposit business, triggering a continuous positive trend in the post-merger period.

The Bank is a voluntary member of the Deposit Protection Fund of the Association of German Banks, Einlagensicherungsfonds des Bundesverband Deutscher Banken, and offers protection to both corporate and retail deposit holders up to EUR 50 million and EUR 5 million respectively on an individual basis. Akbank AG relocated its head office from Frankfurt am Main to Eschborn in June 2020.

Akbank AG is the successor institution of the German branch of Akbank T.A.Ş. It received its full banking license in 1998 from the German Federal Financial Supervisory Authority (BaFin) and started providing retail and corporate banking services in Germany. In 2005, the branch was converted into a German stock corporation ("AG"), received its full banking license and voluntary membership in the deposit guarantee scheme within the Association of German Banks. After the Bank's shares were transferred in 2007 from Akbank T.A.Ş. to another of its wholly owned subsidiaries Akbank N.V., Amsterdam, Akbank N.V. was merged with AKBANK AG in 2012 within the course of a downstream merger.



Our Values

- We are built upon the trust of our clients.
- We exist because of our clients.
- We do what is right.
- We stand out through innovation.
- We are strongly committed to adding value to all our stakeholders.

Our Vision

To be the leading Turkish Bank in Europe

Our Mission

Creating higher and lasting value for all our stakeholders through innovative financial solutions and trustworthiness.

Our Strong Foundations

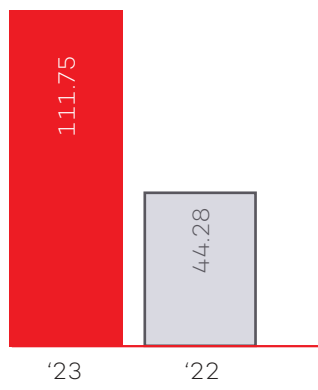
- Strong shareholder
- Robust capital structure
- Highly-qualified team
- Best-in-class risk management and excellent asset quality
- Effective balance sheet management and strong liquidity
- Stable and diversified funding mix
- Sustainable revenue generation
- Innovative initiatives that herald the future of banking

Strategies

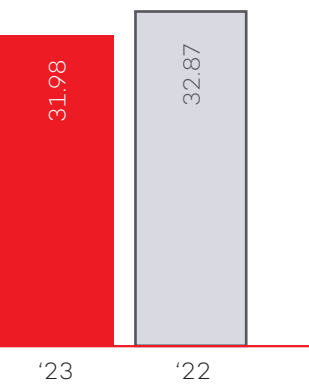
- Preserve the highest level of customer satisfaction
- Sustain strong asset quality through efficient risk management
- Maintain our competitive edge of our cost structure
- Focus on technological development and innovative solutions
- Develop and invest in our people for lasting performance through motivation and job satisfaction

Key Figures

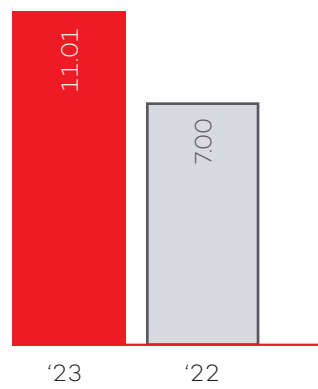
NET PROFIT (EUR MILLION)



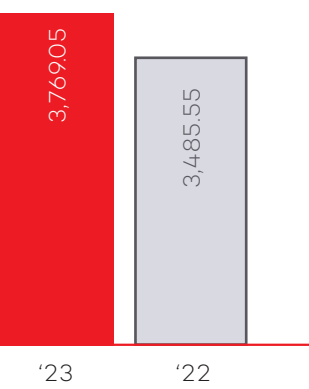
TOTAL CAPITAL RATIO (%)



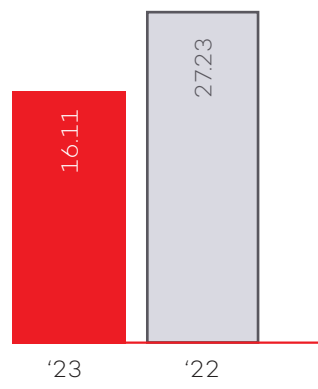
ROAE (%)



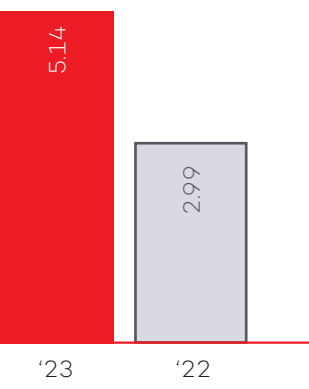
TOTAL ASSETS (EUR MILLION)



COST-INCOME RATIO (%)



INTEREST MARGIN* (%)



* Without including loans secured in cash.



Sabancı Group in Brief

Sabancı Group is engaged in a wide variety of business activities, mainly in the banking, financial services, energy and climate technologies, industrials, building materials and digital sectors.

Hacı Ömer Sabancı Holding A.Ş. (Sabancı Holding), Turkey’s leading conglomerate, is a holding company engaged in a wide variety of business activities through its subsidiaries and affiliates, mainly in the banking, financial services, energy and climate technologies, industrials, building materials and digital sectors.

Sabancı Holding coordinates and supports the finance, strategy, business development, legal, human capital and sustainability functions of Group companies. The Holding aims to ensure that Group companies operate in a manner that is profitable and sustainable with favorable competitive conditions. In addition, Sabancı Holding sets and monitors the investor relations and corporate governance practices that apply across Sabancı Group.

Sabancı Holding is managed by an Executive Committee, a team of senior executives including the Chief Executive Officer, Group Chief Financial Officer, Strategic Business Unit Presidents and function-based Group Presidents. The Executive Committee is mainly responsible for major capital allocation decisions and reports to the Board of Directors, which is the ultimate decision-making body of the Holding.

Sabancı Holding’s higher purpose is to unite Turkey and the World for a sustainable life with leading enterprises. With this core reason for being, Sabancı Holding works to create value for its stakeholders. As of the end of 2023, Sabancı Group companies supply their products and services around the globe with more than 60 thousand employees in 14 countries worldwide. Sabancı Holding’s multinational business partners include leading global companies such as Ageas, Bridgestone, Carrefour, E.ON, Heidelberg Materials, and Skoda. Sustainability is a central aspect of Sabancı Holding’s higher purpose. To this end, the Holding has adopted a target of net zero emissions and net zero waste by 2050.

Sabancı Holding is registered with the Capital Markets Board, the securities regulator of Turkey. Since 1997, Sabancı Holding has been listed on Borsa Istanbul. The Sabancı Family jointly controls Sabancı Holding as a majority shareholder, while 50.47% of the Holding’s shares is publicly traded. As of year-end 2023, Sabancı Holding and its 11 listed subsidiaries’ shares constitute around 5% of the total market capitalization of Borsa Istanbul. In 2023, Sabancı Group delivered combined revenue of TL 811 billion and consolidated net income of TL 15 billion.

Strategic Criteria

- ✓ Consistency with Sabancı Group’s prioritized investment areas (‘New Economy’)
- ✓ Share of International Revenues
- ✓ Share of FX Revenues
- ✓ Lower exposure to regulated industries (higher exposure to nonregulated businesses)
- ✓ Contribution to Sabancı Ecosystem (Transferability of current competencies)

Sustainability

- ✓ Consistency with Sabancı Group’s responsible investment policy
- ✓ Decarbonization potential ✓Contribution to sustainable development goals

Financial Criteria

- ✓ Sector growth potential > Real GDP growth

Short-Term Financial KPIs

- ✓ Revenue, EBITDA, free cash flow, net financial debt, working capital, market share

Short-Term Non-Financial KPIs

- ✓ Actions taken to tackle the climate crisis, reduce plastic usage, improve ESG scores, execute on diversity and inclusion, promote Future of Work, and boost operational excellence

Long-Term KPIs

- ✓ rTSR, NAV growth, free cash flow, equity growth

Grow and Protect the Core

- ✓ Strengthen our market leading positions
- ✓ Profitable growth driven by customer centricity

Invest in New Platforms

- ✓ 75% of non-bank capex for transformation & adjacencies focusing on:
 - Energy and Climate Technologies
 - Advanced Material Technologies
 - Digital Technologies

Keep Healthy Balance Sheet

- ✓ Non-bank Net debt to EBITDA of < 2x
- ✓ Healthy use of capital & debt

Maximize Shareholder Return

- ✓ Dividend Policy: 5%-20% of net income
- ✓ Share Buyback Program
 - Up to 5% of paid-in capital: 102 million shares
 - Total funds allocated: TL 3.25 billion
- ✓ Long-term Incentive Plan: NAV Growth & rTSR

Note: All aforementioned criteria are not limited to the examples included above.



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Countries

Sabancı Group companies supply their products and services around the globe with more than 60 thousand employees in 14 countries worldwide.

Akbank T.A.Ş.

in Brief

In 2023, we increased our credit support to our economy to a total of TL 757 billion, TL 616 billion of which was in cash.



+12,860
Employees



13.1
Million
Total Number of Customers



+5,850
ATMs

On January 30, 1948, we started our operations as Akbank by obtaining authorization to carry out all types of banking transactions with the permission given by the Council of Ministers in its decision dated 12.12.1947 and numbered 3/6710. Initially, our aim was to provide resources and support to cotton producers in Adana, as a private-equity commercial bank. We opened our first branch in Istanbul in Sirkeci on July 14, 1950. After the relocation of our Head Office to Istanbul in 1954, the number of our branches increased rapidly. We transitioned to automated systems in all banking transactions in 1963. After the IPO that took place in 1990 and the secondary public offering in 1998, we also started to operate through American Depository Receipts (ADR) on international markets.

We provide services to our customers in a wide range of activities including corporate and investment banking, commercial banking, SME banking, retail banking, payment systems, private banking, wealth management, and treasury operations. We also carry out activities in the insurance sector through our branches and act as an insurance agent on behalf of Aksigorta Co. and AgeSA Pension and Life Insurance Co.

Our subsidiaries include Akbank AG, AKLease, Ak Investment, Ak Asset Management and AkÖde Through our subsidiaries, we offer innovative product solutions for various financial needs of our customers. In addition, Akbank has noteworthy products and services that stand out in the national and international banking sector, such as Axess, Wings, and Private Banking.

With our wide service network and technological infrastructure, our bank provides services to more than 13.1 million net active customers through our headquarters in Istanbul, our Data and Life Centre, our 19 Regional Directorates in Turkey, 705 branches, and 12 thousand 864 employees. Besides face-to-face services in our branches, we add value to our customers by investing in digital transformation and via Akbank Internet, Akbank Mobile, our Call Centre, 5,854 ATMs, and 771,206 POS terminals (including virtual POS). Our branch in Malta and our subsidiary Akbank AG in Germany also contribute to our international operations.

In 2020, within the scope of our sustainability strategy, we identified four main focus areas: Sustainable Finance, People & Community, Ecosystem Management, and Climate Change. In 2023, we fulfilled our commitment to provide TL 200 billion of sustainable loan financing to our country by 2030, which was a commitment that we made at the beginning of 2021. By increasing our credit support to our economy to TL 757 billion in 2023, we achieved our 2030 target this year, which placed us in a strong position in our sector. In 2023, the credit support we provided to our economy was TL 962 billion in cash. We increased it to TL 1 trillion 201 billion. Our total deposits have reached TL 1 trillion 293 billion and our assets reached TL 1 trillion 905 billion. With our strong consolidated capital adequacy ratio of 21%, we continued to support the growth and development of the real sector. This year, our Bank made a consolidated net profit of TL 66 billion 496 million, after TL 20 billion 596 million tax provisions.

We work with a long-term perspective and determination to leave a more liveable world to future generations. With our Environmental and Social Risk Framework, which we have developed to manage our environmental and social risk assessment processes, we integrate sustainability into our operations and banking processes.

Through our corporate culture that is based on the principles of diversity and inclusion, we support the participation of people with disabilities in work life; gender equality and equal opportunities; women's empowerment and volunteering activities, and equal opportunities in education. As a signatory of The Valuable 500 initiative, we are proud to be the first bank and organization from Turkey to join the global initiative in this field. With the products and services we offer in the field of financial inclusion, we aim to strengthen our society financially and to ensure the participation of all our stakeholders, including disadvantaged groups, in the economy. At the same time, as a founding member of the United Nations Environment Programme Finance Initiative's Financial Health and Inclusion Commitment, we contribute to the work carried out in this area.

"With Akbank LAB," we reinforce our innovative banking culture by investing in pioneering projects and startups in the banking sector. In order to respond quickly to the changing needs of our customers and adapt to technological developments, we adopt a banking culture that is open to change and innovation. To maintain our leading position in the digital transformation of the banking sector in Turkey, we are constantly improving our "Akbank Mobile" application.

In 2021, we added a new one to our community investments and established the Akbank Youth Academy. In this context, we act based on the principle of "starting the transformation together with the youth" and offer training in various fields to our young people in order to help them gain the necessary competencies for the future.

Bloomberg's Gender Equality Index is a list created to measure and report on the gender equality data of international companies. As of 2023, 484 companies are included in the index, which contains 70 questions on topics such as gender statistics, gender equality policy, and pay equality.

As Akbank, we are proud to have been a part of the Bloomberg Gender Equality Index for 3 years as a bank that is committed to gender equality and works undertaken in this field.

We review our activities and operational processes within the scope of the fight against climate change and we implement sustainable solutions that include efficiency, savings, and reduction efforts with the aim to reduce our environmental footprint. We report to national and international sustainability indices, have our efforts evaluated by third-party evaluators, and identify areas for improvement. In addition to reducing the greenhouse gas emissions from our operations, we also strive to become a "net-zero bank" by 2050 by eliminating the impact of our loan portfolio on climate change. In this context, we analyse the qualitative effects of risks and opportunities that could arise from climate change, on our customers' activities, and their quantitative effects on the loan portfolio, to determine which vulnerabilities may be closely connected to our loan portfolio.

We take into account the framework of the "Task Force on Climate-related Financial Disclosures" (TCFD) to understand the opportunities and risks connected to the vulnerabilities.

With our net-zero carbon roadmap and efforts, we aim to reduce our bank's impact on climate change and create a positive effect within the scope of management of risks in the field of climate change. In our net-zero preliminary assessment studies that we carry out for our customers in particular sectors, we enable our customers to identify sectoral opportunities at an early stage while reducing the possibility of being affected by potential transition risks, such as regulatory changes.

Supervisory Board

Hakan Binbaşgil - Chairman of the Supervisory Board

Hakan Binbaşgil is the Vice Chairman and Executive Board Member of Akbank. Binbaşgil also serves as the President of the Banking Group and Executive Committee Member of Sabancı Holding, Chairman of Akbank AG and Chairman of Akbank Ventures BV.

Mr. Binbaşgil, who served as CEO at Akbank T.A.Ş. for nearly 12 years between 2012 and 2023, commenced his tenure with Akbank T.A.Ş. in 2002, assuming the role of Executive Vice President responsible for Change Management. In 2003, he became the Executive Vice President overseeing Retail Banking and in 2008, he ascended to Deputy CEO. Starting in 2002, he spearheaded a multitude of initiatives encompassing strategic direction setting, restructuring, digitalization, technology, corporate identity, change management, talent building and cultural transformation.

Prior to joining Akbank T.A.Ş., Binbaşgil worked as a Management Consultant in the London and Istanbul offices of Accenture, and as Executive Vice President in a different private sector bank. Binbaşgil has an extensive history of leadership roles, having held the positions of chairman and board member across numerous respected domestic and international organizations. Additionally, he has held the office of Term President at the Institut International D'Etudes Bancaires (IIEB), a prominent institution comprised of member banks from across Europe.

After graduating from Robert College, Hakan Binbaşgil graduated from Bosphorus University, Faculty of Mechanical Engineering. Binbaşgil later received master's degrees in business administration and finance from LSU.

Kaan Gür - Vice Chairman of the Supervisory Board

Kaan Gür, with over 30 years of experience in the banking sector, obtained his degree from Gazi University's Faculty of Banking and Insurance and an Executive MBA from the Middle East Technical University. He began his career in a prominent private sector bank, holding positions such as Branch and Regional Manager in Corporate, Commercial, and SME Banking, later transitioning to the role of Director of SME Marketing Coordination.

In 2011, Gür joined Akbank as the Executive Vice President of SME Banking. From 2013 to 2017, he served as the Executive Vice President of the Commercial Banking segment, overseeing the Cash Management and Trade Finance departments. During this period at Akbank, he also held the positions of Chairman of AK Lease and Vice Chairman of AK Investment, both Akbank subsidiaries.

Between 2017 and 2023, Gür assumed the role of CEO and Board Member at another private sector bank, leading transformations across various areas, including corporate, technological, and cultural sectors. As of October 2023, Gür has assumed the position of CEO and Board Member of Akbank.

Levent Çelebioğlu - Vice Chairman of the Supervisory Board

Levent Çelebioğlu joined Akbank T.A.S. in May 2015 as Executive Vice President in charge of Corporate and Investment Banking. Prior to joining Akbank, he held various senior management positions at different private sector banks. Çelebioğlu is also the Vice Chairman of Akbank AG and Chairman of Ak Investment. Additionally, he is Chairman of TUSIAD Banking Group. Levent Çelebioğlu is a graduate of 9 Eylül University, Faculty of Economics, Monetary Economics & Banking Department.

Türker Tunalı - Member of the Supervisory Board

Türker Tunalı joined Akbank T.A.S. in September 2008 as Senior Vice President in charge of Financial Coordination and International Reporting. Prior to joining Akbank T.A.S., he held various managerial positions since 1999. He was appointed as Executive Vice President (CFO) in charge of Financial Coordination in October 2017. Tunalı is also a member of Corporate Governance Committee of Akbank T.A.S.. Tunalı is the Vice Chairperson of Ak Investment, also a Board Member and Audit Committee Chairperson of Akbank AG, Board Member of AkLease and AkÖde. Türker Tunalı is a graduate of Boğaziçi University, Department of Business Administration and is a CFA charterholder since 2006.

Emre Kahraman - Member of the Supervisory Board

Emre Kahraman joined Akbank T.A.Ş. in April 2019 as Chief Risk Officer (CRO). Prior to joining Akbank T.A.Ş., he held various managerial positions at different private sector banks since 2001. Emre Kahraman is Supervisory Board member of Akbank AG and Board member of Ak Investment. He is a graduate of Boğaziçi University, Industrial and Mechanical Engineering Departments with double major and holds a Financial Engineering master degree from the same university. He also holds licenses of Capital Market Board of Turkey both on Capital Market Activities Level 3 and Derivative Instruments.

Pınar Anapa - Member of the Supervisory Board

Pınar Anapa joined Akbank T.A.S. in 1999 and after taking various responsibilities in Internal Audit division, she worked as Deputy Head of Internal Audit between 2007-2014. Anapa started to serve as Career Development Senior Vice President in 2014, and she has been serving as Executive Vice President in charge of People and Culture since June 2019. Her areas of responsibility cover career development, organizational development, training, architectural solutions and operations. Pınar Anapa is a graduate of METU Economics and received an Executive MBA degree from Sabancı University in 2006. Anapa is also a Board Member of Akbank AG and Women in Technology Association.

Dr. Herbert Walter - Member of the Supervisory Board

Dr. Herbert Walter joined the Supervisory Board of Akbank AG on December 28th, 2020.

Dr. Walter began his career at Deutsche Bank in 1983. After taking over various positions he became eventually member of the Group Executive Committee and was globally responsible for the Private & Business Clients division. In 2003 he joined the Board of Management of Allianz SE and took over the role as CEO of Dresdner Bank AG. Since 2009 he has been the owner of Dr. Herbert Walter & Company, an independent consulting and service company in Frankfurt am Main with a focus on financial service providers.

Dr. Walter was Chairman of the Federal Agency for Financial Market Stabilization (FMSA) in 2015/2016. Amongst others he concentrated on setting up the national banking resolution authority for Germany.

After studying business administration at Ludwig Maximilian University of Munich, he obtained his doctorate (Dr. rer. pol.) in 1983.

Peter Tils - Member of the Supervisory Board

Mr. Peter Tils joined the Supervisory Board of Akbank AG on December 28th, 2020.

Mr. Tils started his career at Deutsche Bank in 1977. In 2000, he was appointed Global Head of Relationship Management Financial Institutions, Global Banking, Corporate and Investment Bank. From August 2005, he served in Deutsche Bank's Regional Management as CEO for Central and Eastern Europe, responsible for the Eastern European business.

Mr. Tils graduated from the University of Cologne with a degree in business administration.

Gamze Şebnem Muratoğlu - Member of the Supervisory Board

Şebnem Muratoğlu joined Akbank in April 1995 as Management Trainee. Muratoğlu has been working at the Risk Management since 2002 and appointed as Vice President in charge of Risk Management in November 2003, Senior Vice President responsible from Risk Management in November 2006 and CRO in March 2017. Lastly, she was appointed as Executive Vice President in charge of Treasury in January 2019. Şebnem Muratoğlu is Chairperson of Akportföy, Vice Chairperson of Ak Asset Management and Board Member of AkLease. Muratoğlu is a graduate of University of Kent Economics and holds a Master's degree from Macquarie University and FRM (Financial Risk Manager) certificate holder since 2003.

Hüsnü Erel - Member of the Supervisory Board

Mr. Hüsnü Erel graduated from Istanbul Technical University, Electronics and Communications Engineering Faculty, worked as a CIO at Interbank, after working as a system engineer at Wilcox Avionics Company and IBM. As the first General Manager of Intertech, one of the first private software offices in Turkey, he led the development of the first local real-time online banking solution.

During his banking career, Erel was responsible for Garanti Bank's Technology Center, Organization and Process Development, Secure Operations, Customer Analytics, Innovation and Product Development and Operations Center.

He designed and carried out technology & transformation projects ranging from bank mergers, alternative distribution channels applications, process digitalization, mobilization, analytically supported decision-making projects to the development of business models. He retired in May 2018, has been appointed as a member of the Akbank AG Supervisory Board since March 2022.

Message from the Chairman of the Supervisory Board



As 2023 draws to a close, I'd like to take a moment to reflect on the year and share some thoughts on the developments that have shaped Akbank AG's journey. This year was marked by significant global and regional events that touched economies, financial markets, and, most importantly, the lives of countless individuals. In challenging times like these, our commitment to our valued customers, stakeholders, and employees becomes even more vital.

This year was historic, not least because of the grand celebration of the Republic of Turkey's 100th anniversary and the 75th anniversary of Akbank T.A.S. However, it was also a year of profound sorrow as we witnessed the devastating earthquake in Turkey. The earthquake, which took place in February, claimed thousands of lives and left many more people injured and homeless. On behalf of Akbank AG, I extend our deepest condolences to those affected by this tragedy.

The global economy in 2023 was a mixed bag of recovery and challenges. Politically, the world continued to contend with ongoing geopolitical tensions, particularly the Russia-Ukraine conflict, which has had far-reaching consequences for energy markets and economic stability in Europe. Economically, the landscape was varied; global GDP growth hovered around 3.1%, reflecting a moderate pace of recovery from the pandemic-induced downturns.

Economic conditions in Germany were equally challenging. The German economy shrank by approximately 0.3% over the year, with inflationary pressures adding to the strain. Consumer prices in Germany rose by an annual average of 5.9% in 2023 compared to 2022, driven largely by high energy costs and weak domestic and foreign demand. Globally, inflation rates varied, with the U.S. experiencing around 4.1% and the Eurozone averaging 5.4%. Central banks worldwide, including the European Central Bank and the Federal Reserve, took measures to combat inflation through interest rate adjustments and other monetary policy interventions.

Akbank AG demonstrated its resilience, delivering an extraordinary financial year-end result for 2023.

The financial world in 2023 was marked by volatility and the need for adaptation. In Germany, the banking sector showed resilience, with a strong focus on digital transformation and sustainable finance. Globally, financial markets experienced fluctuations driven by economic data, geopolitical events, and changes in monetary policies. The rise of digital currencies and fintech innovations continued to reshape the financial landscape, creating new opportunities for growth and customer engagement.

Despite these challenges, Akbank AG demonstrated its resilience, delivering an extraordinary financial year-end result for 2023. This success can be attributed to several key factors, including our sustainable business strategy, ongoing investments, and the dedication of our employees and partners.

Akbank AG remains a strategic cornerstone for Akbank T.A.S., and we continue to make significant investments to ensure sustained success. At Akbank AG, we are committed to supporting the transition toward a sustainable future through our sustainable finance practices. This commitment to sustainability is at the heart of our business strategy. We believe that by focusing on sustainable solutions, we can create long-term value for our customers, communities, and the environment.

Digital transformation and technology also remain key focus areas for Akbank AG. As part of our IT modernization program in 2023, we worked on creating a more modern, secure, and digitized infrastructure to improve both internal processes and customer service. We are committed to continuously expanding our digital offerings to meet the evolving needs of our customers.

Our strategic focus on sustainability, digital transformation, technology, employee engagement, and customer satisfaction will continue to drive our success and enable us to deliver value to our customers and stakeholders.

In closing, I want to express my heartfelt thanks to our customers, employees, business partners, stakeholders, and the Management Board of Akbank AG for their unwavering support and trust in Akbank AG. Together, we will continue to build a stronger, more sustainable, and customer-centric bank. We look forward to reaching new milestones together and continuing Akbank AG's success.

Warm regards,

Hakan BİNBAŞGİL
Chairman of the Supervisory Board

Message from the CEO and Chairman of the Managing Board



Dear Esteemed Stakeholders,

As we reflect on 2023, I want to express my sincere gratitude for your continued trust and partnership. This year has been a period of significant change, both globally and within the German market.

The year was marked by both celebration and profound sorrow. Even as we commemorated the nation's 100th anniversary, we mourned for those lost and injured in the terrible earthquake that struck Turkey in February. The loss of life and the widespread suffering caused by this disaster are immeasurable. At Akbank AG, we share the grief of those affected by this heartbreaking event.

The global financial landscape also underwent significant changes in 2023. One of the most concerning trends was the rise of inflation, which impacted Germany as well as economies worldwide. The global GDP growth rate was approximately 3.1% in 2023, reflecting the effects of escalating inflation and the Russia-Ukraine conflict. Central banks, including the European Central Bank, responded by raising interest rates to curb inflation. While these measures aim to stabilize prices in the long run, they could potentially hinder economic growth in the near term.

Despite these challenges, opportunities often arise from change. Akbank AG is well positioned to navigate this complex economic environment. We recognize the importance of agility and resilience, and we remain committed to being a strong financial partner for our stakeholders.

The financial world is undergoing a rapid digital transformation, and we are committed to enhancing our services to provide greater value to our customers. New technologies and innovative solutions are at the forefront of our strategy, which is why we have invested heavily in modernizing the Bank to meet our customers' evolving needs. Our objective is to demonstrate the results of these investments to all our stakeholders in the near future.

Akbank AG's robust financial performance, strong corporate values, unwavering commitment to innovation and sustainability, and dedication to exceptional customer service, together with the tireless efforts of our employees, position us for continued growth and success.

Beyond technology, sustainability is a cornerstone of our strategy at Akbank AG. We gladly embrace the responsibility to shape a sustainable future. We have developed a robust ESG strategy, prioritizing responsible practices in our governance structure, operations, and business and risk strategies. Our mid-term targets include integrating sustainability into our financing products. Our commitment to sustainability drives long-term value for customers, communities, and the planet.

At Akbank AG, customer satisfaction is ultimately our top priority. We understand that our clients entrust us with their financial well-being, and we take that responsibility very seriously. Our dedicated team of experienced professionals provides exceptional customer service, ensuring that our clients have the support they need to make informed financial decisions.

From an economic perspective, 2023 was an excellent year for Akbank AG. The Bank posted a net statutory profit of EUR 111.7 million and maintained a strong capital adequacy ratio of 31.98%. We achieved positive results across all segments, whether corporate, financial institutions, wealth management or retail clients.

As part of our investment in employee engagement and satisfaction, as well as to foster innovation and enhance benefits for our customers, we have begun preparations for moving to a new office building in 2024. This relocation marks a significant milestone for the Bank, representing not only a physical move but also a step forward in our long-term vision. For our employees, the new workspace will offer a modern and collaborative environment designed to enhance productivity, innovation, and overall well-being. The new building will be more than just a change of address — it is an investment in Akbank AG's future, signalling our commitment to providing the best possible resources for our team and positioning the Bank for continued success.

We believe that Akbank AG's success will endure. Our robust financial performance, strong corporate values, unwavering commitment to innovation and sustainability, and dedication to exceptional customer service, together with the tireless efforts of our employees, position us for continued growth and success.

I would like to thank you for supporting and trusting Akbank AG. As we navigate the changing landscape and unlock new opportunities, we look forward to a bright and prosperous future together. Warm regards,

Mehmet TUGAL
Chief Executive Officer & Chairman of the
Managing Board

CORPORATE GOVERNANCE

Report of the Managing Board for the Fiscal Year 2023

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Report of the Managing Board for the Fiscal Year 2023

AKBANK AG primarily concentrates on traditional corporate banking with renowned companies operating internationally.

PRELIMINARY REMARKS

Business environment and framework conditions

AKBANK AG (hereinafter also referred to as “the Bank” or “the Institution”) is the successor institution of Akbank T.A.S. Niederlassung Deutschland, the earlier German branch of Akbank T.A.S. with its headquarters in Istanbul, which is one of Turkey’s leading banks. The branch received its banking license from the German Federal Financial Supervisory Authority in 1998. In 2005 the branch was converted into a German stock corporation (“AG”), received its full banking license and voluntary membership in the deposit guarantee scheme within the Association of German Banks. After the Bank’s shares were transferred in 2007 from Akbank T.A.S. to another of its wholly-owned subsidiaries Akbank N.V., Amsterdam, Akbank N.V. was merged with AKBANK AG in 2012 within the course of a downstream merger.

AKBANK AG has had its registered head office in Eschborn, Germany, since 2020.

Owners of the Bank

As of December 31, 2023, the sole shareholder of AKBANK AG continued to be Akbank T.A.S., Istanbul. Hacı Ömer Sabancı Holding A.S., Istanbul, and its affiliated institutions and individuals continued to hold 49% of the shares in Akbank T.A.S., Istanbul, as of December 31, 2023. The remaining 51% of the shares are in free float, with approximately 32% being held by foreign investors at the end of financial year 2023.¹

FUNDAMENTAL INFORMATION ABOUT THE BANK

The core business and business model of AKBANK AG

The Bank’s core business areas include corporate banking and the institutional business (Corporate & Institutional Banking), the financial institutions business, trade financing, wealth management and private banking, retail banking, and treasury.

AKBANK AG primarily concentrates on traditional corporate banking with renowned companies operating internationally. The focus of lending activities is on low-risk customers and transparent transactions. In line with this conservative business model, the Bank is aware that the “low risk” profile implies a relatively low yield structure for assets. To generate its target ROE, the Bank aims to use its equity efficiently while meeting all regulatory and internal requirements at the same time. The Bank’s risk strategy is designed to ensure that appropriate measures are taken to cover and assess all risks that may arise under the Banks’ current business strategy.

The Wealth Management division encompasses the retail business with wealth customers located in Turkey from an investment volume of € 200 thousand within the scope of “execution-only” trading.

AKBANK AG offers the products “AK online money market accounts” and “AK online time deposits” to its private customers in the retail sector. The target customers are predominantly private customers located in Germany who are served with the Bank’s online banking.

The Treasury supports the strategy for the retail and corporate customer business by means of targeted assets-liabilities control. Furthermore, within the Treasury division, the “Depot A” business with fixed-interest securities with the Bank’s own account is managed within the framework of a “non-trading book institution”.

Branch offices and material equity investments

The Bank does not have any further branch offices. It also does not have any equity investments.

Objectives and strategies

The core strategies of AKBANK AG are rooted in its values and foundations, guided by its vision, and driven by its mission.

The Bank’s vision is to be one of the most distinguished foreign banks in Germany and Europe with its trustworthiness and reliable and modern financial solutions.

The Bank’s strategic objectives comprise six pillars:

1. Ensuring outstanding customer experience and satisfaction
2. Maintaining the high quality of its own assets by means of efficient risk management
3. Retaining a competitive cost structure
4. Focusing on technological development and innovative solutions
5. Establishing a modern, sustainable, and well-structured organization by investing in employees and technologies
6. Complying with all statutory and supervisory requirements for financial institutions

With its business strategy, AKBANK AG is striving to uphold profitability by means of diversified and reliable growth in its target segments and the increase of the customer base using a broader range of services.

Corporate & Institutional Banking (CIB)

The geographic customer emphasis for the institution in the CIB division continues to be placed on the EU zone. Further countries where the Bank can invest geographically include the USA, Great Britain, Canada, Singapore, South Korea, China, Japan, and Switzerland.

The Bank’s CIB customers primarily include Turkish companies, with the emphasis dispensed as follows:

- Turkish “blue chip” companies with a sound financial and management position (large and medium-sized companies),
- Multinational enterprises and their subsidiaries in Turkey,
- Large regional and local European companies with regular trade relationships (import/export),
- European subsidiaries or group companies of major Turkish companies

In addition, the Bank concentrates on

- Financial institutions outside the banking sector (factoring, leasing, insurance companies, and other financial services institutions),
- International conglomerates,
- Companies with a state background in selected countries, and
- European companies whose loans or bonds are classified as eligible securities by the European Central Bank or the Deutsche Bundesbank.

When granting loans, the Bank concentrates on the low risk profile of its target customers, whose requirements are defined in the Bank’s risk strategy.

The products offered under CIB mainly comprise foreign trade financing, working capital credit, factoring, letters of credit, and guarantees. The Bank also acquires syndicated and promissory note loans from companies and financial service providers both on the primary and the secondary market.

For financial year 2024, AKBANK AG is striving to expand its customer base both in the lending and deposit business (e.g. in the area of SMEs), the broadening of its factoring business and other transactions with a particular emphasis on the short-term trade financing business.

Wealth Management / Private Banking

In financial year 2024, the Bank is again aspiring to expand its private banking further for wealthy customers residing in Turkey and to establish a customer base with residences in Germany, including broadening the range of products and services offered (e.g. “investment advice”).

Retail business

For the retail business in financial year 2024, the Bank is striving to widen its customer and deposit base by means of improved sales channels and an expanded product and service portfolio.

Treasury, financial institutions, and trade financing

In addition to trade financing, the Bank’s lending business also encompasses the syndicated business and repo transactions., as well as the other institutional deposit business. It was already possible to successfully expand the business with financial institutions during financial year 2023.

Expanding the business by means of intensifying sales initiatives is planned both for treasury and the business with financial institutions in financial year 2024.

Control system

The key performance indicators and figures of AKBANK AG’s control system and its quantification method are presented in Chapter 4 of this report “Financial and Non-financial Performance Indicators”. They include:

- Total capital ratio as of the balance sheet date
- ROAE
- ROAA
- Net Interest Margin / NIM
- Cost-Income Ratio / CIR
- Non-Performing Loans Ratio / NPL
- Total assets
- Net income for the year / net profit
- Number of employees

¹ Source: https://www.akbankinvestorrelations.com/en/images/pdf/akbank_corporate_presentation.pdf

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ECONOMIC REPORT

Macroeconomic and sector environment

Worldwide

In 2023, the global economy continued to contend with high inflation, although the situation recovered compared to the prior year. Overall inflation rates declined both in the advanced and emerging economies due to falling food and energy prices as well as fewer disruptions along supply chains in connection with tighter monetary policy. Nevertheless, core inflation remained high and significantly exceeded the 2% objectives set by the central banks in advanced economies, primarily due to the service sector and the ongoing tension on labour markets.

The inflation levels in advanced economies and emerging markets continued to deviate from one another, reflecting their differing vulnerability to the underlying shocks. Within the emerging markets, different monetary policy attitudes and political objectives played a key role.

Contrary to the rapid tightening of monetary policy with the associated interest rate increases, global economic activity was stronger in 2023 than had been projected. Despite the forecasts of a global recession, economic activity and labour markets proved resilient, particularly in the USA. However, there is an expectation that the delayed implications of tighter monetary policy will have a more noticeable impact in the future. Because the indications of gradual slowdown in the demand of labour are becoming clearer, the slowing in the manufacturing industries of advanced economies is gradually being accompanied by the service sector. International organizations expected the global economy to grow by approximately 3.0% in 2023. The actual growth was 3.1%^{2,3} There is an expectation that global growth will slow down again in 2024, resulting primarily from the weakening recovery after the pandemic, geopolitical tension, and tighter monetary policy and financial

framework conditions. This slowdown is expected to more pronounced in advanced economies than in emerging markets. For 2024, the OECD expects economic growth of 2.9%⁴, while the IMF projects 3.2%⁵ and the World Bank forecasts 2.4%⁶.

The long-term effects of the expansive monetary and fiscal policy will also shape the economy and capital markets in 2024. In 2023, the US central bank the Federal Reserve (the Fed), the European Central Bank (ECD) and the Bank of England (BoE) raised their base rates to the margin of 5.25-5.50%, 4.5%, and 5.25%, respectively. The high interest rate environment had a negative impact on numerous banks in 2023. The collapse of the US banks the Silicon Valley Bank and Signature Bank and UBS's acquisition of Credit Suisse led to market volatility and threatened financial stability in the spring of 2023. By means of timely and coordinated macroprudential measures, authorities were able to curb market turbulence and uphold confidence in the global financial system. However, consistent volatility remained on financial markets due to geopolitical developments in 2023.

While the high interest period continues to dominate, the downwards trend reported for the underlying inflation creates a certain amount of macroeconomic leeway to begin the loosening cycles in advanced economies. Despite the cautious announcements made by central banks, which want to avoid loosening the monetary policy too early, the markets have already factored in the initial interest rate cuts by the Fed and the ECB which are expected to occur within 2024. Although there are indications that the tightening cycles of monetary policy will end in the advanced economies, base rates may still remain high for a certain period to bring inflation to the 2% objective. The question of returning to an “era of low inflation and low interest rates” will continue to determine the economic agenda.

The Euro Area & Germany

The high cost of living, tightening of monetary policy, and weak foreign demand have led to stagnation in Europe. GDP growth of less than 1% is forecast for 2023, before a slight increase of about 1% will be seen in 2024^{7,8,9} which falls significantly below the growth prospects for advanced countries. A minor recovery is projected for 2024 and 2025 due to higher wages and salaries, the anticipated improvement in real incomes, and stronger foreign demand.

The IMF considers higher energy prices to be key driving force for core inflation in the Euro area, while it is mainly driven by politics in the USA¹⁰. The slowdown in energy prices and the tightening of monetary policy by the ECD contribute to overall inflation falling to 2.9% in December 2023, while core inflation was higher at 3.4%¹¹. Inflation still remains high compared to the target value of 2%. With a view to the future, the markets consider it highly likely that the ECB will begin cutting its base rate in June and lower it from 4% to 2.5% at the end of the year. However, the ECD has communicated that it will approach determining the rate of its loosening cycle with caution. There is an expectation that inflation will gradually decrease in 2024 before reaching the target value of 2% in 2025.

The German economy developed more weakly than in the rest of the Euro area, and will shrink slightly in 2023 according to forecasts. Despite the forecast slight recovery in 2024, the probability of a recession considers to be deemed high. The dampened growth prospects in China and the high borrowing costs strained global demand for investment goods, which represent a major portion of Germany exports. Furthermore, industrial production decreased in 2023. In contrast, the services sector contributed in partially offsetting the negative prospects for the industrial sector. The prospects for economic growth remain dampened as indicated by the gloomy mood in the economy, and consumers continue to view inflation as the main stress factor. As the European

Commission reports in its most recent macroeconomic forecast for Germany, because of the recovery of foreign demand, GDP growth is expected to rise to 0.3% in 2024 and 1.2% in 2025.¹² The market expectations expressed in the Bloomberg survey from January indicate growth in 2024, which is also expected to be at 0.3%.¹³

Year-end inflation fell from 8.1% to 3.7% in 2023.¹⁴ There is an expectation that inflation will continue to slow down and will fall to 2.8% in 2024 and 2.4% in 2025 (European Commission), while inflation expectations are more optimistic at 2.6% and 1.9%, respectively.^{11,15,16}

Turkey

In a difficult global environment characterized by great uncertainty and volatility, Turkey was hit by a devastating earthquake in eleven of its provinces in February 2023. According to a report published by the Turkish Presidency of Strategy and Budget, the total economic costs of the earthquake are estimated at USD 103.6 billion.¹⁷ The parliamentary elections in May 2023 were another key event for the Turkish economy. The installation of a partially new cabinet in connection with a reversal away from loose and towards tight monetary policy, interest rate hikes, and high inflation rates sealed Turkey's necessary economic course.

Despite the negative repercussions of the earthquake, Turkey's economy grew by 4.5% in 2023 compared to the prior year.¹⁸ Domestic demand was the main driver of growth, in particular because of the expansive financial conditions in the first three quarters in 2023. In contrast, foreign demand remained weak. Despite the decrease in international energy prices, especially for natural gas, a large deficit was reported for the foreign trade balance in 2023 because of the demand-promoting loose economic policy course. In spite of the phenomenal development of the export of services, the current account deficit remained high due to a great trade deficit. The accumulated current account deficit hit USD 45.5 billion in 2023. ¹⁹

² Source: World Economic Outlook, October 2023: Navigating Global Divergences (imf.org)

³ Source: OECD Economic Outlook

⁴ Source: OECD Economic Outlook

⁵ Source: World Economic Outlook, October 2023: Navigating Global Divergences (imf.org)

⁶ Source: Global Economy Set for Weakest Half-Decade Performance in 30 Years (worldbank.org)

⁷ Source: World Economic Outlook, October 2023: Navigating Global Divergences (imf.org)

⁸ Source: OECD Economic Outlook

⁹ Source: Combined monetary policy decisions and statement (europa.eu)

¹⁰ Source: <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

¹¹ Source: Inflation in the euro area - Statistics Explained (europa.eu)

¹² Source: Economic forecast for Germany - European Commission (europa.eu)

¹³ Source: <https://blinks.bloomberg.com/news/stories/S75KPVGFLIIO>

¹⁴ Source: Inflation rate at +5.9% in 2023 - German Federal Statistical Office (destatis.de)

¹⁵ Source: Economic forecast for Germany - European Commission (europa.eu)

¹⁶ Source: Inflation rate Germany 2025 | Statista

¹⁷ Source: https://www.sbb.gov.tr/wp-content/uploads/2023/09/Orta-Vadeli-Program_2024-2026.pdf

¹⁸ Source: <https://data.tuik.gov.tr/Bulten/Index?p=Quarterly-Gross-Domestic-Product-Quarter-IV:-October-December,-2023-53756>

¹⁹ Source: <https://www.tcmb.gov.tr/wps/wcm/connect/2c897137-850e-4d15-9a2a-c0d4735d9986/bop.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE-2c897137-850e-4d15-9a2a-c0d4735d9986-oXGSL57>

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The Turkish central bank, CBRT (Central Bank of the Republic of Turkey), has raised the key interest rate by a total of 41.5% to 50.0% since June 2023.²⁰ This tighter monetary policy approach to combat the inflation trends in the country made a considerable contribution to an improved perception of the Turkish economy in the global economic outlook. International rating agencies raised their outlook for the country from “negative” to “stable” and further to “positive”. At the end of financial year 2023, Turkey was rated with a long-term foreign currency rating (long-term issuer default rating – IDR) of “B” with a “positive outlook” by Fitch and with “B3” by Moody’s. This underlines the increased confidence in the durability and efficiency of the economic policy measures which have been implemented and the return to a conventional interest rate policy in Turkey. The positive trend for Turkey is also reflected in the country’s five-year CDS, which had intermittently fallen below 300 points in 2023. These prospects attracted an influx of foreign cash and raised the appetite of domestic banks and companies for foreign loans. At the end of 2023, inflation was reported at 64.8%.²¹ After it had fallen below 40% at the beginning of the year, inflation gained momentum again due to the extensive adjustments to exchange rates, wages, taxes, and administered prices. The forecast for financial year 2024 predicts that the annual inflation will continue to rise throughout the first half of 2024 due to the recent cost-driving shocks (e.g. minimum wage), strong demand, and the base effects, before beginning to decline in the second half of the year. CBRT’s inflation forecasts project 36% for the end of 2024 and 14% for the end of 2025.²²

The budgetary balance of the Turkish central government reported a deficit of TRY 1.375 billion in 2023²³, thus falling short of the forecast in the government’s “Medium Term Program” (MTP) (TRY 1.633 billion).²⁴ This is primarily a result of tax revenue, which exceeded expectations. According to the MTP, TRY 752 billion were provided from the budget for earthquake spending in 2023. The projections of the budgetary deficit, which first and foremost arose from the planned expenditures for restructuring in the earthquake region, indicate that fiscal policy will take a growth-promoting path again in 2024.

Because the Turkish economy is beginning financial year 2024 with ongoing high inflation, a large current account deficit and low reserves, its fiscal policy is geared towards diminishing the macro financial imbalances. In this context, there is a focus on the medium-term goals of combatting inflation. During the anticipated rebalancing process, there is an expectation that high interest rates will dampen the excess domestic demand, reduce dollarization, and improve the external balance and inflation.

Despite the regulatory environment, the banking sector was able to sustain its robust profitability during all of 2023. In the first half of 2023, the lending business for banks was restricted with interest rate ceilings and limits to credit growth. The erosion of net interest margins caused private banks to limit commercial lending and shorten loan terms. With the appointment of a new Finance Minister and new Governor of the CBRT following the parliamentary elections, the economic policy approach has changed to reflect more traditional monetary policy. The associated normalization of market interest rates has created a more favourable environment for the core business of banks. There is an expectation for 2024 that the challenges arising from the current macroeconomic environment will wane towards the end of the year as soon as the disinflation trend is continued at a sustainable basis.

In 2023, TRY loans rose by 54% year-on-year. In contrast, foreign currency loans calculated in dollars fell by 2.6%.²⁵ The portfolio of hedged deposits decreased to USD 83.5 billion as of January 19, 2023, thus falling below the highest level of USD 127.6 billion. The share of hedged deposits fell from 26.2% in August 2022 to 16.6% as of January 2023. The growth in commercial lending lost momentum in the second half of 2023 in the wake of the tightening cycle for monetary policy. Then again, retail lending, in particular credit cards and loans for general purposes, still show strong momentum despite the pronounced intensification of the financial conditions.

The transition process which accompanies efforts for macroeconomic stabilization entails some challenges for the banking sector in the short term. Despite the increase in net interest margins, the slowdown of demand for loans and the decrease in LDRs is expected to strain the operating core profitability. The increase in interest rates will probably affect the quality of the assets. Against this difficult macroeconomic background, results in the banking sector remain solid and well-equipped to handle various combinations of shocks, including prolonged economic stagnation in the high interest rate environment. While the sector’s NPL ratio was just 1.5% in November 2023, the core capital adequacy ratio was 14.4%, which is still considerably higher than the respective statutory threshold.²⁶

Main macroeconomic indicators of Turkey

	Actual		Forecast ⁽¹⁾	
Percent%	2022	2023	2024	2025
Real GDP growth	5.5	4.5	4.0	4.5
Consumer price inflation on annual comparison	64.3	64.8	33.0	15.2
Unemployment rate	10.4	8.8	10.3	9.9

⁽¹⁾ Forecasts in the Medium Term Program (2024-2025).
Source: TURKSTAT, Presidency of Strategy and Budget

Business performance

For the Bank, financial year 2023 was characterized by dynamic development in a continuously changing political and economic environment. Despite the sustained challenges caused by global economic uncertainty, technological changes, and regulatory requirements, such as the thresholds specified by the Auditing Association of German Banks (“Auditing Association”) for doing business with Turkey, AKBANK AG reported a successful financial year and achieved its business objectives. At the end of 2022, the Bank had anticipated its total assets to increase by between 5%

and a maximum of 10% in 2023. The actual increase in total assets was approximately 8% in 2023, with total assets of EUR 3.8 billion as of the balance sheet date.

In contrast, the development of net income/net profit far exceeded expectations. With nearly unchanged risk concentrations and due to the interest environment being favourable for the Bank’s business, the net profit for 2023 was reported at EUR 111.8 million, which surpassed the prior year’s result by more than 150% and the prior year’s forecast by approximately 91%.

The other financial performance indicators such as the total capital ratio, ROAE, ROAA, and NIM exceeded the prior year’s figures as of the balance sheet date, while the CIR and NPL fell below the prior year’s values. Further comments in this context can be found in Chapter 4 “Financial and non-financial performance indicators” of this report.

Broken down by risk countries, the customers in Turkey made up approximately 51.2% (prior year: 50.2%) of AKBANK AG’s customer loan volume at the end of 2023. This slight increase is explained by higher demand for financing. The other main exposures were distributed among Germany, France, Spain, and other countries.

The Bank’s customers located in Germany make up around 32.4% (prior year: 37.3%) of the customer loan volume.

In previous years, the Bank’s main business model was based on a large client banking approach which consisted of a somewhat smaller number of customers – borrowers and depositors – combined with a higher average volume per customer.

Whilst this approach is also to be retained in 2024 with regard to the lending business, the financing base will continue to be diversified in favour of retail and wealthy customer deposits, which are more homogeneous types of financing compared to corporate and institutional deposits.

²⁰ Source: <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Core+Functions/Monetary+Policy/Central+Bank+Interest+Rates/1+Week+Repo>
²¹ Source: <https://data.tuik.gov.tr/Bulten/Index?p=Consumer-Price-Index-December-2023-49657&dil=2>
²² Source: <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Publications/Reports/Inflation+Report/2023/Inflation+Report+2023+-+IV>
²³ Source: <https://en.hmb.gov.tr/central-government>
²⁴ Source: https://www.sbb.gov.tr/wp-content/uploads/2023/09/Orta-Vadeli-Program_2024-2026.pdf
²⁵ Source: <https://www.bddk.org.tr/bultenhaftalik/en>

²⁶ Source: <https://www.bddk.org.tr/bultenhaftalik/en>

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In order to make the Bank sustainable and stable, the Bank launched a comprehensive multi-year IT modernization project in 2021, with the primary goal of creating a safe, digital, and efficient infrastructure for the bank systems. Subsequently, new sales and earnings opportunities should be expanded.

Costs and results of operations

Operating results

In financial year 2023, the Bank generated net income for the year of EUR 111.8 million, which is EUR 67.5 million (152%) higher than the net income for the year 2022 of EUR 44.3 million. This growth is primarily due to the increase in the net interest income, which was disclosed at EUR 166.6 million as of December 31, 2023, which exceeded the prior year’s value by EUR 69.7 million (72.0%).

Earnings performance

Net interest income in 2023 increased to EUR 166.6 million in comparison to the prior year’s figure of EUR 96.8 million. This was mainly caused by the improvement to the net interest margin compared to the prior year. Approximately 86.0% (prior year: 79.9%) of interest income results from lending and money market transactions, whilst approximately 14.0% (prior year: 20.1%) comes from bond interest.

At EUR 9.8 million as of the 2023 balance sheet date, the Bank’s net fee and commission income was up on the previous year’s figure of EUR 6.3 million due to higher fee and commission income from the trust business and syndicated loans.

Income from write-ups and allowances on receivables and certain securities as well as the reversal of provisions in the lending business amounted to EUR 15.4 million as of the end of the financial year (prior year: write-downs of EUR 20.3 million). These expenses mainly relate to the decrease in country risk provisions by EUR 18.6 million (prior year: increase of EUR 3.4 million), the decrease of the general valuation allowance according to IDW RS BFA 7 by EUR 9.9 million (prior year: increase of EUR 4.3 million), and the reversal of an specific valuation allowance of EUR 1.4 million, which was established for the first time in financial year 2022.

Development of expenses

General administrative expenses amounted to EUR 30.3 million during the year under review (prior year: EUR 22.1 million).

The personnel expenses included in this figure rose from EUR 11.6 million to EUR 14.6 million because of the higher number of employees. At the end of financial year 2023, the Bank had 87 employees without considering outsourced functions and temporary staff (prior year: 82).

Other administrative expenses rose by EUR 5.0 million from EUR 10.6 million to EUR 15.6 million. This increase was primarily a result of higher costs for IT software maintenance (+ EUR 1.3 million), consulting fees (+ EUR 1.5 million), and a provision for contingent losses pursuant to IDW RS HFA 4 (EUR 1.6 million).

The amortization and adjustments on intangible assets and depreciation and adjustments on property, plant, and equipment were slightly up at EUR 0.7 million (prior year: EUR 0.6 million) because of higher amortization and depreciation on hardware and software.

Financial position

Capital structure

The AKBANK Bank’s refinancing structure was as follows as of the balance sheet date.

Refinancing structure ²⁷	2023	2022
Equity	25.9%	24.7%
Borrowed capital	74.1%	75.3%
Corporate customers	26.4%	30.0%
Private customers	36.0%	33.1%
Banks	6.6%	11.0%
Other	5.1%	1.2%
Total assets	100.0%	100.0%

The equity ratio increased to 25.9% (prior year: 24.7%) due to the retention of retained earnings in 2022 and the lower balance sheet total.

The proportionate reduction in debt is due to the reduction in customer loan volume. The shift between corporate customer deposits and other deposits results from the shorter maturity structure of other deposits.

AKBANK AG’s solvency was ensured at all times during the year under review. The minimum reserve requirements in respect of the Deutsche Bundesbank were met at all times.

AKBANK AG is a voluntary member of the Deposit Protection Fund of the Association of German Banks (Bundesverband deutscher Banken e.V.) in Cologne, which protects liabilities to non-credit institutions. With a reform dated January 1, 2023, the Deposit Protection Fund was fundamentally restructured in order to focus its core mission on guaranteeing depositors. From now on, the previous hedging limit of 15% of the liable equity has been replaced by the highest possible compensation amount of EUR 5.0 million or EUR 50.0 million²⁸, respectively, for each institution. This membership guarantees customers of AKBANK AG a high level of security for their deposits and boosts the Bank’s appeal to potential new customers.

²⁷ The cash collateral received by the Bank as security for receivables from customers is not included in the table.
²⁸ The highest possible compensation amount of EUR 5.0 million applies to natural persons, legal foundations, and private corporations. The upper threshold for the compensation amount of EUR 50.0 million is valid for all other depositors within the meaning of Section 6 (3) SESF.

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Net assets

The development of the total assets and net profit / net income (in EUR million) for the years 2014 to 2023 is as follows:

10-YEAR OVERVIEW OF THE DEVELOPMENT OF TOTAL ASSETS



Total assets amounted to EUR 3,769.0 million on December 31, 2023, 8.0% above the previous year's level of EUR 3,489.6 million. This increase is primarily due to higher receivables from banks and increased trust assets.

Cash reserves rose from EUR 13.5 million in 2022 to EUR 21.0 million in 2023. This increase was mainly due to the higher minimum reserve with the Deutsche Bundesbank.

The receivables from banks rose from EUR 780.4 million in 2022 to EUR 1,022.5 million in 2023. This rise can be explained by the increase in deposits with the Deutsche Bundesbank and increase in loans to Turkish banks.

Receivables from customers decreased from EUR 2,286.4 million to EUR 2,171.8 million during the financial year, accounting for 57.6% of total assets (prior year: 65.5%).

All bonds and other fixed-income securities to an amount of EUR 419.6 million (prior year: EUR 380.8 million) are allocated to the investment portfolio under

commercial law. This increase year-on-year was caused by the acquisition of securities traded as high-quality liquid assets (HQLA) by European countries and the USA.

During financial year 2023, the Bank's trust assets rose to EUR 119.0 million (prior year: EUR 3.3 million). Trust assets correlated exactly to the development of the trust liabilities. The corresponding trust liabilities can be found on the liabilities side of the balance sheet. The trust business was taken up towards the end of 2022, which means that the increase in the full financial year 2023 was caused by the expansion of the business.

Intangible assets in the amount of EUR 1.0 million developed at the same level as in the prior year (EUR 1.0 million).

Property, plant, and equipment amounting to EUR 0.3 million remained nearly stable compared to the prior year's value (EUR 0.4 million).

Other assets amounting to EUR 12.0 million (prior year: EUR 22.1 million) mainly relate to tax receivables of EUR 4.1 million (prior year: EUR 17.8 million), unrealized foreign currency translation losses of EUR 3.9 million (prior year: gains of EUR 10.4 million), other prepayments of EUR 1.9 million (prior year: EUR 0.6 million), and VAT receivables of EUR 1.5 million (prior year: EUR 1.7 million).

Prepaid expenses and deferred charges of EUR 1.8 million remained at the previous year's level (EUR 1.8 million) and mainly include EUR 1.4 million in deferred expenses (prior year: EUR 1.5 million).

Bank loans and overdrafts amounted to EUR 247.9 million (prior year: EUR 384.9 million) or 6.6% (prior year: 11.0%) of total assets at the balance sheet date. This amount includes refinancing from the Deutsche Bundesbank of EUR 8.1 million (prior year: EUR 119.4 million), refinancing through money market transactions of EUR 112.8 million (prior year: EUR 168.5 million), refinancing through repo transactions of EUR 83.2 million (prior year: EUR 45.9 million), and liabilities from margin calls of EUR 33.0 million (prior year: EUR 48.8 million).

Payables to customers amounted to EUR 2,370.0 million during the year under review (prior year: EUR 2,200.9 million). This corresponds to 63.0% of total assets, which is nearly unchanged to the previous year's value of 63.1%. Of the liabilities to customers, EUR 1,357.0 million (prior year: EUR 1,153.5 million) relates to the deposit business with retail customers, and EUR 996.3 million (prior year: EUR 1,047.3 million) relates to the deposit business with corporate customers. The latter mainly consists of municipalities, social security institutions, public corporations, and commercial companies.

As of the balance sheet date in 2023, trust liabilities of EUR 119.0 million were recognized (prior year: EUR 3.3 million). The corresponding trust assets can be found on the assets side of the balance sheet.

Other liabilities, deferred income, and other provisions increased from EUR 38.0 million in 2022 to EUR 57.8 million in 2023. The decrease in liabilities swap

differences of EUR 14.6 million (prior year: increase of EUR 18.3 million) and in foreign currency translation results of EUR 10.0 million (prior year: increase of EUR 10.0 million) are offset by an increase in prepaid expenses and deferred charges of EUR 7.6 million (prior year: increase of EUR 1.2 million), in tax provisions of EUR 31.1 million (prior year: EUR 0), and in other provisions of EUR 4.3 million (prior year: EUR 0.2 million).

Shareholders' equity rose from EUR 862.6 million in 2022 by the net income for financial year 2023 of EUR 111.8 million to EUR 974.3 million as of the balance sheet date.

Contingent liabilities amounted to EUR 84.5 million (prior year: EUR 87.3 million) and mainly resulted from guarantees and warranty agreements.

There were no irrevocable loan commitments as of the balance sheet date (prior year: EUR 1.0 million).

Summary assessment of results of operations, financial position, and net assets

The development of results of operations of AKBANK AG has been favourable despite the volatile economic circumstances, and the net income for the year after taxes (net profit) was reported at 152%, which far exceeded the previous year's forecast (10% to 15%).

The Bank had adequate liquidity and solvency to meet its payments at all times. Furthermore, the Bank's liquidity management was always in a position to react to new market conditions in a timely manner. The Bank always had sufficient liquidity reserves at its disposal. The degree of maturity transformation and the associated risks are comparatively low. The financial and liquidity position complies in full with regulatory and operational requirements. The net assets, financial position, and results of operations are in good order.

The Bank had adequate risk-bearing capacity at all times in financial year 2023. The Bank's high equity ratio is suitable to compensate for possible risks and offers a stable foundation for further growth.

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FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

Indicators	2023	2022
Total capital ratio ¹ as of the balance sheet date	31.98%	32.87%
Profit after taxes as a percentage of average equity (ROAE) ²	11.01%	7.00%
Profit after taxes after eliminating the effects from creating/reversing the country valuation allowances as a percentage of average total assets (ROAA) (without including loans secured in cash) ³	2.67%	1.55%
Interest margin (without including loans secured in cash - NIM) ⁴	5.14%	2.99%
(Cost-Income Ratio - CIR) ⁵	16.11%	27.23%
Credit default rate ⁶	0.00%	0.42%
Total assets (EUR million)	3,769.05	3,489.55
Net income for the year / net profit (EUR million)	111.75	44.28
Number of employees	84	77

- 1) The total regulatory capital ratio of own funds, which describes the ratio between the Bank’s own funds (in accordance with Article 92 Regulation (EU) No. 575/2013) and its risk-weighted assets, is not permitted to fall below 13%. The Bank outperformed this minimum requirement significantly at all times during the reporting year.
- 2) Profit after tax as a percentage of average equity (ROAE) is calculated as commercial profit for the financial year after tax divided by average equity at the end of the month during the same year.
- 3) Profit after tax following elimination of the effects of the creation/release of country valuation allowances and the interest effects of cash-collateralized loans as a percentage of average total assets excluding cash collateralized loans (ROAA) is calculated from profit for the financial year less the net effect of the release of country valuation allowances after tax and less the net interest on cash-collateralized loans after tax divided by average month-end total assets less cash-collateralized loans for the same year.
- 4) The interest margin is calculated as the net interest income for the financial year excluding net interest on cash collateralized loans divided by average month-end total assets less cash-collateralized loans of the same financial year.
- 5) The cost-income ratio (CIR) is the ratio of operating expenses to operating income. Specifically, the margin is calculated by dividing the sum of administrative expenses and depreciation and amortization by the sum of net interest income, net fee and commission income, other net income, and income from write-ups of securities treated as fixed assets.
- 6) The loan loss ratio is the quotient of impaired receivables from banks and customers divided by the sum of receivables from banks and customers. AKBANK AG has not suffered any bad debt losses for more than 15 years. In 2022, the Bank recognized a specific valuation allowance and already released it in 2023.

The Bank achieved or exceeded all the financial targets it had set for 2023. The Bank assessed the financial year as satisfactory.

As forecast, the total capital ratio consistently exceeded the regulatory minimum requirements and was disclosed at 31.98% as of the balance sheet date.

Total asset growth of between 5% and 10% had been predicted. This forecast was achieved with actual total asset growth of 8% in 2023.

The cost-income ratio (CIR) was reported at 16.11% in 2023, exceeding the forecast CIR of 30%-35% as a result of not yet realized costs in connection with the IT modernization and slower growth in the number of employees as expected. There was a plan to have 104 employees by the end of financial year 2023, but there were in fact only 87 as of December 31, 2023.

The NIM exceeded the expectations of between 3% and 4%. As a result, the ROAA and ROAE were able to exceed the statutory objectives. An ROAE of approximately 6% and ROAA of between 1% and 2% had been forecast.

The NPL ratio of 0.00% which was expected for the financial year was fulfilled.

FORECAST, OPPORTUNITIES, AND RISK REPORT

Forecast
AKBANK AG achieved or exceeded all its business objectives in financial year 2023. Net profit surpassed the previous year’s value by 152%, primarily caused by the generated net interest income. In addition to general interest increases, this extremely positive development was also due to Turkey’s unconventional and loose monetary policy, as well as the regulatory restrictions there for banks in granting loans, particularly before the parliamentary elections in May 2023. AKBANK AG profited from this environment, particularly during the first half of 2023. The Bank is assuming changing framework conditions for 2024, whereas there will be a focus on the future development of interest rates. Towards the end of 2023, the expectation of considerable interest rate cuts in 2024 and 2025 strengthened on the market. AKBANK AG has taken this expectation into account in its outlook and assumes that reference interest rates will decrease beginning in the second half of 2024. Stabilization is also emerging for the interest policy and regulatory environment in Turkey as a result of the tighter monetary policy which has been implemented since the parliamentary elections. Consequently, the opportunities for AKBANK AG’s lending business will decline.

The Bank assumes ongoing economic weakness for Germany reflected in weak growth of 0.3%, while inflation of 2.8% is forecast.

In 2024, AKBANK AG expects all its divisions (CIB, Wealth Management, Private Customers, Treasury & Financial Institutions) to grow e.g. by expanding the factoring business with regard to CIB and the business with affluent customers with regard to Wealth Management, in particular by offering financial consulting. Further details relating to the objectives and strategies of the individual divisions can be found in Section 2.3.

The Bank will also push its IT modernization project forward in financial year 2024 and invest in digitalizing its processes. Furthermore, AKBANK AG plans to expand its human resources and aspires to increase its number of employees to 122 by the end of 2024.

The Bank still regards the impact of the volatility of the Turkish currency on its business as controllable, as it pursues a very cautious lending policy, keeps its open currency positions very small, and monitors economic developments very closely.

From a risk/return perspective, the Bank nevertheless continues to aim to grant loans in particular to customers with a credit rating that is at least above internal risk class 10.

In 2024, the Bank will continue to be refinanced mainly by corporate customer deposits and retail customer deposits. The planned expansion of the wealth management business will also contribute to a balanced deposit base.

In addition, the portfolio of corporate bonds or promissory note loans eligible for central bank or repo transactions is to be used further in order for them to be employed as part of the measures to secure and optimize liquidity (lending transactions).

The total capital ratio will continue to exceed the regulatory minimum requirements. Taking the thresholds which the Auditing Association of German Banks specified for doing business with Turkey into account, the Bank anticipates total assets to decrease in 2024 by 5% to a maximum of 10%.

The Bank expects a decrease in net income/total assets in the amount of 20% to 30% and a cost-income ratio (CIR) of between 20% and 30% for financial year 2024, driven by interest rate trends and planned investments.

ROAA of between 1.5% and 2.5% is expected at the end of financial year 2024, as is ROAE between 7.0% and 8.0%. An interest margin (NIM) of between 4% and 5% is forecast. With regard to the NPL ratio, a very low value of 0.1% continues to be assumed.

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Risk report

Risk management

AKBANK AG's overall bank management is geared towards achieving growth and value enhancement while keeping risks under control at all times. All strategic and operational measures are subject to careful consideration of opportunities and risks. These are reassessed at regular intervals, taking into account current market and corporate developments as well as the regulatory framework. In this context, both the shareholders' targets and the requirements and regulations of the banking supervisory authorities and the German Deposit Protection Fund are taken into account. Risk management is a key component of overall bank management. The individual elements of risk management together form a system designed to ensure the identification, analysis, assessment, management, ongoing monitoring, and reporting of risks.

Risk management system

AKBANK AG considers clearly specified areas of responsibility and accountability, which are defined in the Bank's written regulations, as an essential prerequisite for effective risk control. The risks associated with the business portfolio as well as with new business are controlled by the Board of Managing Directors as a whole. In order to support business decision-making, current issues relating to the business and risk situation are discussed in various committees within the Bank. At the supervisory level, these include the Audit Committee (AC), Risk Committee (RC), Credit Committee (CC), Remuneration Committee (ReC), Nomination Committee (NC) and Supervisory Board Credit Consultancy Committee (SBCCC). At the management level, there is also the Asset and Liability Committee (ALCO) and various committees in which relevant information is prepared and discussed.

The separation of functions between front office and back office is ensured in organizational terms. The Risk Management department monitors and reports on the identified risks. Monitoring and reporting are carried out in cooperation with the Financial Coordination, Markets – Sales & ALM Execution, and Credit Analysis Allocation & Monitoring departments. Monitoring and controlling of outsourcing management are the responsibility of the Information Security & Outsource department.

The Credit Analysis Allocation & Monitoring department (back office) is responsible for monitoring and managing credit risks. The Markets – Sales & ALM Execution department is in charge of operational liquidity management. Operational risks are managed in all organizational units of AKBANK AG, with the Risk Management department being responsible for monitoring operational risks.

The Compliance, AML, Complaint department is responsible for risks arising from money laundering/terrorist financing and other criminal offences. The Compliance function is responsible for identifying the relevant legal requirements and regulations and for the risks arising from non-compliance with legal and regulatory requirements.

Internal Audit serves as a process-independent monitoring body that, among other things, reviews the effectiveness and appropriateness of risk management. It additionally contributes to risk identification and is therefore an essential component of AKBANK AG's internal control system.

The Supervisory Board monitors and advises the Board of Managing Directors within the framework of the legal requirements and the provisions of the Articles of Association and ensures that the business activities of AKBANK AG are conducted within the context of the applicable business and risk strategies and the regulations prescribed by the supervisory authorities.

The functional separation between the front office units (CIB, Wealth Management, Private Customers, Markets – Sales & ALM Execution and Trade Finance & Financial Institutions) and the back-office units (Credit Risk Management, Risk Controlling, and Payment Transactions) is observed throughout.

Risk-bearing capacity, risk limits, and risk parameters

AKBANK AG's business model entails various risks that may have a negative impact on the Bank's net assets, results of operations, and liquidity. It must be possible at all times to cover these potential losses with adequate own funds in order to ensure the continued existence of the institution.

The existing risk management and controlling processes are designed to ensure that the material risks are covered at all times by available risk cover funds and that consequently the risk-bearing capacity is ensured. The Bank's overall risk profile and the risk inventory are set out and described in the risk manual. The Risk Management department carries out a calculation of risk-bearing capacity calculation at least once a month and reports its results to the Board of Managing Directors.

Benchmarks are assigned to the individual risk types in order to maintain the risk-bearing capacity. Based on this, risk monitoring is carried out and ensures that any losses incurred do not exceed the available risk cover funds. Risk quantification does not account for the risk-reducing effects of correlations between different risk types.

The limits and parameters relevant for monitoring and managing risks, as well as the control mechanisms for compliance with them, are defined in the Bank's risk strategy and risk appetite statement in terms of their compliance.

The internal limit for the core capital ratio (CET1 ratio) was 17.0% at the end of the year. This ratio consists of 8% minimum capital ratio (CRR), the capital conservation buffer of 2.5%, SREP capital surcharge of 4.5%, a countercyclical capital buffer which will vary based on the distribution of risk countries in the portfolio and was 0.21% as of the end of the year, and a management buffer. The amount of the management buffer is set to ensure that the internal limit for the capital ratio is always exactly 17%. As of the balance sheet date, the Common Equity Tier 1 capital ratio, the core capital ratio, and the total capital ratio amounted to 32.0%.

As part of its risk inventory, the Bank has identified material risk types and analysed them with regard to their relevance for the net assets, results of operations and liquidity position.

Risk-bearing capacity concept

AKBANK AG distinguishes between the normative and economic perspective to assess the risk-bearing capacity.

Normative perspective

The normative perspective includes medium-term capital planning over a time horizon of three years. It examines whether the Bank has adequate regulatory capital over a period of three years. The normative perspective therefore serves the objective of the continuation of the Bank as a going concern.

In addition to the base scenario, an adverse scenario is considered as part of the capital planning. The risk coverage potential consists primarily of the regulatory equity capital including buffer requirements (e.g. capital conservation buffer, countercyclical buffer, SREP surcharges). In this context, the target equity indicator and a management buffer are taken into account. A limit is set at the level of the CET1 ratio and its compliance with regulatory capital requirements. Furthermore, the leverage ratio and the large exposure limit are also monitored.

For counterparty default risks, market price risks, and operational risks, the quantification of these material risks is based on the supervisory requirements of the CRR, which are used to determine the risk-weighted item amounts. In order to derive the respective annual effects of the relevant risks, especially the counterparty default risk, the market risk (IRRBB), and the business risk on the capital, assumptions are made which correspond to the base scenario (plan scenario) and the adverse scenario. This is intended to ensure the interaction between the economic and normative perspective.

The internal limit for the core capital ratio (CET1 ratio) was 17.0% as of the 2023 balance sheet date. According to the capital planning for the period from 2024 to 2026, the Common Equity Tier 1 ratio, the core capital ratio, and the total capital ratio will not fall below 17% in the course of the base case scenario and the adverse scenario. In all these scenarios, the maximum leverage ratio will exceed the regulatory threshold of 3%. The large exposure limit measured as 25% of the core capital will be observed at all times.

Economic perspective

The economic perspective ensures that significant risks are covered at all times by the available risk coverage potential. Thus, the economic perspective serves to protect the Bank's assets and to protect its creditors from economic losses.

The determination of the risk coverage potential is based on the actual values of the statement of assets as of the respective reporting date. In principle, only those components can be taken into account that are available to AKBANK AG and can be liquidated in order to satisfy the claims of the lenders. In this context, equity is adjusted by the amount of intangible assets.

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In addition, the following items are deducted from the risk coverage potential: planned losses, hidden charges in the banking book. The profits are not considered for the risk coverage potential until they have been retained. Furthermore, the buffer for project risks is deducted from the risk coverage potential. The structure of AKBANK AG's risk coverage potential complies with the approach based on the net present value set forth in the risk-bearing capacity guidelines.²⁹

An upper loss limit has been implemented as the total limit for the risk capital requirements. This limit is defined by the executive management based on its planned business activities and willingness to take risks. The total limit is subsequently distributed among the individual risk types. Furthermore, the Bank has determined further internal limits for various indicators and structural limits in order to manage risk.

All risks are managed to ensure the risk-bearing capacity according to the economic perspective is secured at all times with a confidence level of 999%. The following risk types are taken into account and quantified in the economic steering committee of the calculation of the risk-bearing capacity.

- Credit risk
- Credit spread risk
- Market price risk
- Liquidity risk
- Operational risk
- Reputational risk
- Model risks
- Strategic risk including other immaterial risk types
- Project risk

In the economic perspective, the risk coverage potential amounted to EUR 931.9 million as of the balance sheet date, while the total risk capital amounted to EUR 563.8 million as of the balance sheet date. The risk-bearing capacity was ensured as of the balance sheet date. All limits for the material risks taken into account in the risk-bearing capacity and thus also the total limit was complied with at all times during the reporting period.

Measurement and monitoring of the material risk types

Credit risk

The Bank's decisive risk type is the **credit risk**. In addition to the **classic counterparty default and credit rating risks**, the credit risk comprises the **country risks**, the **liquidation risk**, and the **concentration risk** with regard to the lack of granularity in the credit portfolio, known as the "lot size concentration".

The **counterparty default risk** describes the threat of a borrower not being able to satisfy their contractual obligations to the Bank or only being able to do so to a limited degree. The **credit rating or migration risk** describes the threat of economic losses due to creditworthiness-related reductions to the values of receivables from the lending business.

Country risks describe the threat of an unexpected default rate or settlement risk of a counterparty in another country on the basis of a series of country-specific, macroeconomic or social events. This includes country-related difficulties with payment transactions, a deterioration of macroeconomic framework conditions, political and social unrest, the nationalization and expropriation of assets, non-recognition of framework conditions by the state, or the extreme devaluation of the national currency. As a consequence of its strategic focus on Turkey, AKBANK AG has recognized a country risk.

The **liquidation risk** describes the threat of realizing additional losses for defaulting borrowers if the estimated expected loss (LGD: loss given default) is exceeded during utilization.

AKBANK AG's replacement risks are low due to the use of clearing. The Bank does not have any investment risks.

Credit decisions are made in line with the currently valid competence guidelines as part of the structured process for extending credit.

The lending business is primarily geared towards the European and Turkish market.

The credit risk is determined taking cash collateral, the utilization risk, the countries, and concentration risks into account by means of a simulation-based loan portfolio model. The loan portfolio model also illustrates the lot size concentration when calculating the risk amount. The economic losses from a deterioration in creditworthiness in the credit portfolio are calculated in the course of a conservative, simplified approach, where the effect of a downgrade of one notch in the rating is calculated for expected and unexpected losses.

AKBANK AG uses internal rating models which are validated regularly.

Identifiable risks are taken into account by establishing specific valuation allowances. The exposures are reviewed regularly with regard to whether there is a need for risk provisions. An extraordinary review is performed if the Bank has information at its disposal which indicate a worsening of the borrower's economic conditions.

General valuation allowances as defined by IDW RS BFA 7 are established for latent credit risks. A country risk provision is established to account for foreseeable losses which have not yet been incurred in connection with Turkey country risks. Further details in this context can be found in Section 6.2.5.3.

AKBANK AG manages its concentration risks in accordance with the provisions of the German Banking Act (KWG) on the limitation of large exposures, multi-million exposures, and exposures to members of executive bodies (Sections 13-15; 19 (2) KWG), the provisions of the GroMiKV and the provisions of the CRR (Articles 387-403), and in accordance with concentration ratios as part of the risk appetite statement and risk-bearing capacity concept. The risk-bearing capacity concept examines risk concentrations in relation to sectors and borrower units within the scope of the credit portfolio model.

Measures to avoid counterparty default risks

Credit risks are managed according to the principles of diversification, limitation, and maturity. Credit limits are determined by careful analysis and established by multi-stage approval processes in the case of all borrowers and all borrower units. In this respect, borrowers of AKBANK AG are classified into various risk groups by means of an internal rating system in conjunction with analysis results. Credit default scenarios are evaluated for both individual borrower risks and portfolio credit risks using internal analyses and measurement tools.

Limits with regard to probabilities of default, concentrations in terms of borrower units, countries, and industries are applied as further quantitative management tools.

The average probabilities of default of AKBANK AG as of December 31, 2023 were

- 2.16% for financial customers (excluding the Bundesbank portfolio). The internal limit is 2.4%.
- 0.95% for retail and corporate customer (excluding HQLA portfolio). The internal limit is 1.5%.

The specified average probabilities of default are determined as average values weighted for risk volumes in the sub-portfolio of non-defaulted customers. The average probability of default in the prior year for all borrowers (excluding the Bundesbank portfolio) amounted to 1.29%.

The appropriate collateralization of the exposures serves as a further instrument for limiting risks. No collateral was liquidated in 2023. The Bank uses appropriate computerized control systems for the management and monitoring of credit risks.

In addition, country and sector risks are restricted by diversification and limitation criteria defined in the risk strategy.

Risk provision and NPL

The general allowance amount is calculated in accordance with the currently applicable provisions of IDW RS BFA 7. The Bank applies the simplified approach, see IDW RS BFA 7 para. 4.2. The Bank calculates the expected loss over the term as a contribution to the general allowance in the case of those exposures where a significantly increased counterparty risk has been identified. A similar process is applied to transactions where the balance within the meaning of IDW RS BFA 7 can no longer be assumed.

In 2023 the Bank modified its methodology for calculating the Turkey country risk provision. Under application of the new approach, all borrowers are included without exception who either have their registered head offices in Turkey or for which Turkey is considered a risk country. The risk parameters, such as the generalized probability of default with regard to the country rating, and the conservatively estimated loss rate have been adjusted in light of the positive developments in Turkish monetary policy and in the CDS premiums, which represent the market's perception of the country probabilities of default. As of the balance sheet date, the country risk provision had fallen by EUR 18.6 million to EUR 674 million (prior year: EUR 86.0 million). Regarding Turkey's country risk, it is decisive that AKBANK AG with the support of its parent company, Akbank T.A.S., be able to identify adverse developments and looming crises on the Turkish market at an early stage in order to initiate the necessary managing measures in a timely manner if needed.

As of the 2023 balance sheet date, there was a general valuation allowance for latent credit risks pursuant to IDW RS BFA 7 in place amounting to EUR 1.6 million (prior year: EUR 11.45 million). This decrease is a result of the expanded calculation basis for the country risk provision.

As of the end of the year, the Bank did not hold any non-performing loans in its portfolio, which is why the gross NPL ratio amounted to 0% as of the end of the year.

²⁹ Supervisory assessment of bank-internal capital adequacy concepts and their integration into the overall performance and risk management processes (ICAAP) – Updated version, BaFin, 2018.

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Foreign currency risks

Currency risks are hedged promptly due to the high proportion of receivables in foreign currencies. Open currency positions are insignificant and are mainly attributable to interest receivables in foreign currencies. For some currency items, closing out is performed by means of currency swaps, while others use currency spot transactions. Other than current interest receivable amounts in foreign currencies, no significant open items relating to foreign currencies are held.

As a result of this approach, the market price risk from exchange rate fluctuations is limited to an insignificant amount in relation to capital resources. Nevertheless, the option of taking on market price risks to a limited extent and within defined parameters exists in order to sustain market opportunities.

The development of open foreign currency positions in 2023 was as follows:

in EUR thousand	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Short Position	0	0	435	433	407
Long Position	145	464	230	261	35

Credit spread risks

The credit spread risk describes the risk that the credit spreads in the Bank’s securities portfolio widen over time. The credit spread represents the interest difference of a bond relative to lower-risk government bonds.

A wider credit spread can lead to a loss in value in the respective securities because market returns rise for higher risk, and the prices of risk-prone bonds falls. The model’s basic concept consists of deriving a value-at-risk for a bond by comparing its current market value with the market value which would occur in case of a change to the credit spread. The credit spread must expand (i.e. increase) to cause a negative impact on the bond’s value. The spread duration is the parameter used to measure the credit spread risk. The spread duration is the percentage change to the bond price if the credit spread changes by 100 basis points under the assumption that the “risk-free” interest rate does not change. In the course of the above approach, an

appropriate shift in the credit spread must be derived for each bond in AKBANK AG’s portfolio. In compliance with the BaFin ICAAP guideline, the spread is parameterized with a confidence level of 99.9%. In order to derive a credit spread shift for corporate bonds, sector rating curves from Bloomberg are used and the bonds held in the portfolio are mapped on sector rating curves. Daily historical securities data for the duration of five years and for terms of between 1Y and 10Y are used to derive the shifts for each spread curve.

The option risk is categorized as immaterial. The historical data from the past five years shows that the potential loss in interest earnings in connection with early repayment is offset either by early repayment penalties or the interest earnings from the corresponding new transaction.

Within the scope of the economic perspective of the ICAAPs, the amount at risk for credit spread risks amounted to EUR 31.1 million as of the balance sheet date.

Interest rate risks

Interest rate change risks in the loan and securities portfolio are avoided wherever possible by minimizing maturity mismatches between assets and liabilities and by using interest rate hedging instruments such as interest rate swaps. The remaining interest rate risk is subject to continuous monitoring and may not exceed certain internal thresholds.

In addition to the requirements set forth in BaFin Circular 6/2019, interest rate risks in the banking book are examined daily using an internal model (stress tests)

for an ad hoc change in the yield curve of +200 bps for hard currencies and +1100 bps for soft currencies (interest rate shock) and a change of +200 bps in spreads for transactions dependent on Turkey. Even in such a simulated stress scenario, the interest book present value should not change by more than 20% in comparison to equity.

In addition, once a quarter, as part of the stress tests, the interest rate risks in the banking book are also examined using the internal model for the following changes in the yield curve:

Scenario	Shock for hard currencies	Shock for soft currencies
Parallel shift	+/- 200 bps	+/- 500 bps
Parallel shift	+400 bps -300 bps	+1100 bps -1100bps
Steepening	from + 200 bps to +400 bps	from +300 bps to + 1100 bps
Flattening	from - 200 bps to - 400 bps	from - 300 bps to - 1100 bps

There were no limit overruns during the 2023 financial year.

The development of interest rate risks in relation to BaFin Circular 6/2019 was as follows:

	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Interest book value in EUR thousand	972,954	987,699	1,006,627	1,040,482	1,115,926
Interest rate coefficient in %	-1.47%	-1.73%	-0.96%	-1.17%	-0.83%

Open interest rate items are managed and hedged by the Markets – Sales & ALM Execution department.

The quantification of the interest rate risk in the economic perspective of the ICAAP corresponds to the change in the economic value of the interest book under a certain interest rate shock. In the context, the calculation is performed for all balance sheet and off-balance-sheet engagements to represent the interest risk-bearing items. The interest rate shock within the framework of ICAAP was derived from historical data for three key currencies (EUR, USD, TRY), whereby the interest scenarios were determined with a confidence level of 99.9%. This historical simulation determines interest rate shocks independently for each currency, and the holding period was defined in compliance with portfolio terms and an RTF horizon of 365 days.

The methodology for all other corresponds to the supervisory outliers in the IRRBB. The data of the last ten years are analysed when selecting the interest rate shock. This data also encompasses the times of economic emergencies (COVID-19 pandemic, conflict between Russia and Ukraine).

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Interest rate risks –IRRBB

In order to quantify the interest rate risk in the banking book, the Bank uses an earnings-based measure NII (net interest income) and examines the net interest income over a one-year period assuming various interest rate scenarios. This calculation allows positions with maturities of less than one year to be rolled over after their expiration under assumption of the expected future interest rate conditions.

AKBANK AG applies six prescribed interest rate shock scenarios for NII:

- 1) Parallel shift upward
- 2) Parallel shift downward
- 3) Steepening
- 4) Flattening
- 5) Short-term shock upwards
- 6) Short-term shock downwards

These scenarios are applied to interest-bearing exposures according to all key currencies. The shock sizes are in line with the BCBS-368 guidance.

	EUR	USD	TRY	GBP	CHF	JPY	PLN	RUB
Parallel	200	200	400	250	100	100	250	400
Short	250	300	500	300	150	100	350	500
Long	100	150	300	150	100	100	150	300

In addition, the Bank tests four of its own stress test scenarios, see table below.

Scenario	Currency	Shock size
Scenario 1	All currencies	Parallel standard shock +100 bps
		Short standard shock +100 bps
		Long standard shock +100 bps
Scenario 2	All currencies	Parallel standard shock +200 bps
		Short standard shock +200 bps
		Long standard shock +200 bps
Scenario 3	Hard currencies	Parallel standard shock +200 bps
		Short standard shock +200 bps
		Long standard shock +200 bps
	Soft currencies	Parallel standard shock +500 bps
		Short standard shock +500 bps
		Long standard shock +500 bps

Project risk

The project risk relates to the possibility that uncertain events and circumstances could impede the successful conclusion of a certain project. The project risk refers to the uncertainty and potential negative events which could arise during the planning, execution, and completions of a certain project. Project risks are time-limited because they relate to the life cycle of a project, and these risks are often specific as they are tied to unique characteristics and objectives of the project.

AKBANK AG has implemented a materiality threshold for project risks. Projects whose budgets exceed 0.1% of the CET 1 capital are included in the project risk category.

As of December 31, 2023, the Bank is executing the “IT modernization project”, for which the project risk has explicitly been calculated. The expected and unexpected losses are evaluated using the heat map developed for this purpose.

Within the framework of the economic perspective of the ICAAP, the project risk represents a deduction which amounted to EUR 9.4 million as of the balance sheet date.

Liquidity risks

AKBANK AG monitors liquidity risks and compliance with liquidity parameters on a daily basis.

Liquidity management is primarily the responsibility of the Markets – Sales & ALM Execution and ALM (Asset-Liability Management) departments. Thanks to its membership of the Deposit Protection Fund of the Association of German Banks, the Bank is able to acquire high-volume customer deposits at short notice or to obtain them through commissioned brokers. This ensures that sufficient liquidity is always available. A short-term liquidity requirement can also be covered via the interbank market.

In order to draw on Bundesbank funds or to participate in Bundesbank open market operations, the Bank uses that part of the loan or securities portfolio which is recognized as eligible collateral by the Bundesbank.

In individual cases, the portfolio of securities may be used to cover short-term or unscheduled liquidity requirements via repo transactions with banks.

In the acute event of a liquidity bottleneck, it is possible to sell part of the securities portfolio and selected (generally syndicated) loans on the secondary market at short notice to external or related investors (e.g. Akbank T.A.S.) in order to bridge acute liquidity bottlenecks.

As a hedging measure, the Bank has prepared contingency plans for liquidity bottlenecks and monitors liquidity using the following parameters, among others:

- Bank-internal stress test for cash inflows and outflows, taking into account forward risks, refinancing risks, call risks, and default risks;

- Ratio of cash reserve to total assets;
- Ratio of overnight deposit accounts to total customer deposits;
- Regulatory minimum liquidity ratio (LCR) and structural liquidity ratio (NSFR);
- Ratio of reserves, free lines at Deutsche Bundesbank and free limits at Akbank T.A.S. to total deposits (excluding cash collateral and liabilities to Akbank T.A.S.).

The implemented liquidity measurement and management processes meet the regulatory requirements and are in line with the business strategy. Maturity transformation is only undertaken to a limited extent.

The Bank operates a planned and balanced liquidity provision as part of its liquidity management. The minimum LCR and NSFR values set by CRR (100.0%) were observed at all times.

	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
LCR ratio in %	484.5	214.3	223.0	269.2	547.5
NSFR ratio in %	156.1	164.8	170.5	170.7	191.1

Operational risks

AKBANK AG defines operational risk as the risk of losses caused by inadequacy or failure of internal processes, people and systems or by external events. AKBANK AG has created organizational framework conditions to systematically record operational risks. Reported loss events are logged in a loss event database, tracked, evaluated accordingly, and reported. In order to identify and assess all material operational risks, each department evaluates its own operational risks using RCSA (operational risk and control self-assessment) procedures. The RCSA results have been summarized in the risk inventory. The worst-case assumptions are taken into account in the stress scenario.

Organizational and technical measures serve to prevent or limit damage from all operational risks. Organizational instructions, employee training, quality management, and emergency plans, which are documented in various internal guidelines, are components of efficient risk management. The separation of input and release functions in IT systems, including compliance with the dual control principle, helps to limit operational risks.

In addition to the infrastructure, the system architecture (e.g. multi-tier server structure, software equipment) is of major importance for AKBANK AG. As a rule, these are modularly structured in order to always ensure the availability of all necessary systems or components. As part of emergency planning for the IT sector, external service providers (e.g. the bank publishing house) have also been commissioned for emergency preparedness.

Report of the Managing Board for the Fiscal Year 2023

The availability of the main IT systems, in particular the Flexcube core banking system, remained at a very high level over the past financial year, averaging over 99%. A service level agreement (SLA) has been concluded with a third-party company so that external premises and IT systems can be used in an emergency in the event of a total system failure or a situation where it is no longer possible to access the bank’s business premises.

Following regular consultation with the Supervisory Board, the Board of Managing Directors is responsible for ensuring that a sufficient number of qualified employees are available to guarantee the smooth running of the business even in expected as well as unexpected periods of absence.

With regard to personnel risks, management searches the labour market for suitable specialists as necessary and endeavours to hire employees who already have a certain level of professional experience in the banking business. Of the Bank’s 87 employees including the Board of Managing Directors, at the end of 2023, 20 had worked at the Bank for more than five years, so that key skills are retained over a long period of time (previous year: 82 employees including the Board of Managing Directors, of whom 22 had been with the Bank for more than five years).

To avoid or minimize **legal risks**, the Bank ensures that all legal transactions are conducted on the basis of clear and properly documented agreements. For these purposes, the Bank uses, wherever possible, standard agreements and standard contracts commonly used in the banking business and reviewed by the business partner Bank-Verlag. These forms are constantly updated by Bank Publishing in accordance with legal requirements. Wherever necessary, contracts and agreements are drawn up or reviewed by external attorneys.

Defects, errors, or other events occurring in the course of operations that could cause material and immaterial damage are recorded in a loss database and reported to the Board of Managing Directors at regular intervals. Furthermore, reporting occurs relating to the results of

internal (e.g. internal and group auditing) and external audits (e.g. deposit protection audit, supervisory audits), which review the existing processes or practices for compliance with the internal operational structure and regulatory provisions and which could have a material impact on them. These reviews are performed regularly at the Bank.

The following subsequent monitoring and/or backup measures are available among others:

- Audits by the Internal Audit department,
- Emergency planning and emergency office,
- System and process documentation (e.g. credit policy),
- Backup systems in the IT sector,
- Job descriptions/substitution arrangements,
- Loss incident database

As part of the RCSA, the Bank has assessed the following operational risks:

Area	Risk amount in € thousand
Compliance	1,662
Corporate	454
Credit	1,293
Finance	171
Human Resources	83
Information Security	1,860
IT	1,319
Operations	28
Wealth Management	27
Retail	1
Risk Management	100
Treasury	32
Financial Institutions	8
Total	7,038

As part of the determination of the regulatory total capital ratio, the Bank quantifies operational risks using the basic indicator approach. The risks according to the basic indicator approach as of December 31, 2023, were valued at EUR 14.23 million and therefore exceed the value determined from the RCSA process (prior year: EUR 13.67 million).

Other risks
Under the item “other risks”, the Bank aggregates the strategic risks associated with past and future decisions on the business model, the reputational risks that could arise from possible damage to the Bank’s reputation as a result of negative public perception, and the model risks that arise from model weaknesses and could lead to incorrect risk reporting.

Strategic risks include the possibility of unexpected losses due to deviations in income or expenses in the business plan. On the basis of the budgeted figures, the Bank’s business performance is monitored in a timely manner by means of monthly target/actual comparisons. Continuous monitoring and control is carried out by means of daily balance sheets and income statements on a daily basis.

Within the scope of the ICAAP (economic perspective), reputational risks, model risks, strategic risks (including other immaterial risks) are valued at a total risk capital of EUR 84.57 million, which corresponds to exactly 15% of the entire risk capital.

Stress tests
Stress test calculations are carried out quarterly and reported to management and members of the Risk Committee to check vulnerability to losses. In this way, a check is performed to establish whether sufficient risk coverage potential is available to cover losses in the event of a loss, even in situations of extreme negative occurrences and intensified risk situations. The Bank distinguishes between three types of stress tests. These include risk-type-specific sensitivity analyses, and multiple-risk bank-wide stress tests. In addition, inverse stress tests are conducted.

Risk-art-specific sensitivity analyses and scenarios at the individual risk level serve to derive sensitivity statements. They provide additional information regarding the operational management of risks.

Valuation and risk parameters in a stress case are derived for multiple-risk stress tests in accordance with specific scenario definitions, and their effect on the risk-bearing capacity is simulated. In this context, several risk types are taken into account at the same time.

Furthermore, the Bank also performs stress tests for liquidity risks with regard to liquidity contingency planning.

Impact due to specific events
The outbreak of the Russia-Ukraine war at the end of February 2022 further exacerbated the supply chain bottlenecks already caused by the COVID-19 pandemic. In particular, the shortage and uncertainty of energy supplies caused by the war has driven up inflation rates. As a result, second-round and third-round effects are also evident in many sectors of the economy as high energy prices are passed on. Inflation in the Euro zone eased considerably in 2023, and the key interest rate level stabilized in the second half of the year. Thus, the associated interest stress phase has ended for now.

AKBANK AG does not have any exposure to Russian companies or financial institutions. Nevertheless, it cannot be ruled out that negative repercussions from the economic crisis arising from this conflict will affect the position of AKBANK AG. The implications of this crisis are always taken into account when making credit decisions.

As a consequence of two catastrophic earthquakes impacting ten cities in Turkey in early February 2023, we reviewed our credit portfolio to identify possible financial implications. AKBANK AG and its parent company Akbank T.A.S. were able to overcome the economic consequences of this natural disaster well.

ESG risks
ESG risks for AKBANK AG encompass environmental, social, and governance factors which could influence the operating activities and financial performance. Environmental risks relate to the implications of climate change, while social risks refer to compliance with social standards and the Bank’s positive contribution to society. Governance risks comprise the Bank’s internal leadership, ethics, and transparencies.

ESG risks are not completely new types of risks for banks. On the contrary, they act as drivers for well-known risk categories such as credit or market price risks. Therefore, AKBANK AG takes ESG risks into account as risk drivers within the course of its annual risk inventory for all identifiable risk types.

The environmental and climate-change-related risks can be classified as **physical risks** and **transition risks**.

Physical risks arise both with due to individual extreme weather events and their consequences (e.g. heatwaves and droughts, flooding, storms, hail, wildfires, avalanches) and with regard to long-term changes to climate and ecological conditions (e.g. frequency and amount of precipitation, weather instability, rising sea levels, changes to ocean currents and air streams, ocean acidification, increase in average temperatures with regional extremes). Physical risks can have both direct and indirect consequences (e.g. collapse of supply change, relinquishment of water-intensive operating activities, and up to climate-related migration and armed conflicts).

Report of the Managing Board for the Fiscal Year 2023

Transition risks arise in connection with the transition to an economy low in greenhouse gas emissions. Political measures can lead to an increase in the price and/or a shortage of fossil fuels or to high investment costs due to necessary renovations to buildings and plants. New technologies can supersede familiar ones, and changing customer preferences and social expectations could endanger companies which have not adapted.

Following extensive analysis, AKBANK AG has noticeably limited its extension of credit in individual sectors impacted by ESG risks. Furthermore, an “Environmental and Social Exclusion List” defines areas of business which are completely excluded from the extension of credit. The Risk Management department monitors compliance with these limits and restrictions on a daily basis.

The approach for quantifying ESC risks in the ICAAP and the ESG-related stress tests are developed within the scope of the ongoing project. Reporting was carried out for the first time at the end of the first quarter of 2024.

Summary of the risk situation

The risk-bearing capacity was ensured at all times during financial year 2023.

Despite the economic impact of the Russia-Ukraine conflict, risk-bearing capacity requirements have constantly been met. The regulatory solvency requirements were observed at all times.

Opportunities Report

Both the requirements for the modern, future-proof banking business and the regulatory framework conditions have changed dramatically in recent years. Customer requirements indicate growing demand for individual, customized products with the scope of digital and sustainable financial services. We have already redirected our strategic focus in recent years and rolled out an IT modernization project to digitalize our business processes and increase efficiency and thus become more profitable and also boost employee and customer satisfaction. The project continues to strive to optimize the operational risk management and to establish a basis for further business growth, particularly in the area of private customer business with wealthy customers and the commencement of business with KMUs.

The business objectives for the individual divisions are presented in Section 2.3 and include an expansion in all divisions. In this context, we hypothesize opportunities due to the perceived medium-term improvement of the economic situation in Turkey. The positive view of the Turkish economy in the global economic outlook is reflected in both the improvements to the assessments of international rating agencies and the development of Turkey’s CDS premiums.

AKBANK AG is also intensifying its HR initiatives to invest in its employees and bolster their commitment to realizing the Bank’s strategies and objectives. While the Bank created and ensured the digitalization of its HR system, the foundation for appropriate employee development, and transparent performance and career management, among other things, in the past financial year, further HR activities will follow in 2024, e.g. in connection with flexible working models.

On the whole, growth opportunities will open up for AKBANK AG in 2024 both in the individual divisions and in HR. For all these initiatives, the Bank will be oriented on ESG criteria for the environment, social issues, and governance. In this context, the Bank focuses not only on fulfilling the minimum requirements for ESC compliance but also on establishing itself as a Bank which prioritizes sustainability over the next few years. In doing so, AKBANK AG also plans to seize opportunities arising from the rising demand for green and sustainable products by means of targeted product development and range. On the basis of resolutions passed by the sustainability committee, in 2023 the bank committed to becoming a carbon-neutral bank by 2030 and a CO₂-free bank by 2050. AKBANK AG has already commenced various fundamental initiatives for this purpose, such as the implementation of a credit exclusion list and other ESG-related credit rating criteria within the framework of the decarbonization of its credit portfolio. In compliance with the EU Corporate Sustainability Reporting Directive (CSRD) passed in 2023, AKBANK AG will be required to publish a non-financial declaration pursuant to CSRD specifications within its management report for the first time in financial year 2025. The content of future reporting will encompass more details relating to a broad range of ESG topics.

RELATIONSHIPS WITH AFFILIATED COMPANIES

In accordance with Section 312 of the German Stock Corporation Act (AktG), in financial year 2023 the Board of Managing Directors prepared a dependent company report on relations with affiliated companies, which contains the following concluding statement:

“We certify that, under the circumstances known to us at the time legal transactions were made or actions were taken or omitted, the Company received adequate consideration for each legal transaction and was not disadvantaged by the action being taken or omitted.”

Eschborn, May 29, 2024

The Management Board

Mehmet Tugal
Chairman of the
Management Board
& CEO

Albert Sowa
Member of the
Management Board
& CRO

Alper Özsoy
Member of the
Management Board
& CSO

Murat Sari
Member of the
Management Board
& COO

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD OF AKBANK AG TO THE SHAREHOLDERS' MEETING IN ESCHBORN ON 28 JUNE 2024

In the fiscal year 2023, the Supervisory Board performed the tasks assigned to it by law, the articles of association and the rules of procedure. In the course of this, the Supervisory Board continuously monitored the management of the Management Board with respect to the legality, expediency, regularity an economic efficiency of its work and regularly advised it on the management of the company. The Management Board informed the Supervisory Board continuously, promptly and comprehensively in written and verbal form about all issues of relevance to the bank relating to strategy, short and long-term planning, business development, the risk situation, risk management, compliance, staffing situation and matters of outstanding importance. This also included information on deviations in the actual development from previously reported targets and deviations in the course of business from planning.

All measures, which required the approval of the Supervisory Board pursuant to the company's articles of association were thoroughly discussed and presented for the adoption of a resolution.

1. Activities of the Supervisory Board

During the reporting year the Supervisory Board held six meetings, which took place on 17 January 2023, 21 March 2023, 16 May 2023, 18 July 2023, 19 September 2023 and 28 November 2023. The Supervisory Board adopted resolutions in the meetings and if necessary, in writing by way of circulation.

The Supervisory Board has formed the following committees from among its members:

Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee, Procurement Committee and Supervisory Board Credit Consultation Committee.

During the reporting period, there were six meetings of the Audit Committee, six meetings of the Risk Committee, one meeting of the Remuneration Committee, one meeting of the Nomination Committee, six meetings of the Procurement Committee and, as a rule, the meetings of the Supervisory Credit Consultation Committee were held every two weeks.

2. Own Audit of Financial Statements and Report of the Management Board for the fiscal year 2023

The audit firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, which was elected as auditor by the ordinary General Assembly 2023, was mandated to audit the annual financial statements of Akbank AG.

The audit firm, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, audited the annual financial statements of Akbank AG, including the management report for the financial year 2023. As part of its audit, the auditor took into account special regulatory audit requirements. Based on the results of the audit the auditor issued an unqualified audit opinion.

The Supervisory Board also inspected these documents as well as the proposal of the Management Board on the appropriation the net profit for the year.

3. Opinion on the Auditor's Report and Adoption of financial statements for the fiscal year 2023

The auditors and the Supervisory Board have been in regular contact since the start of the audit of the 2023 annual financial statements. The auditor presented the audit strategy and key audit areas to the Supervisory Board at the start of the audit. The auditor informed the Supervisory Board about the progress of the audit in the Supervisory Board meetings that took place until the end of the audit.

The auditor's report on the annual financial statements, the annual financial statements and the report of the Management Board of Akbank AG as well as the Management Board's proposal for the appropriation of profits, each for the financial year 2023, were presented to all Supervisory Board members in good time before

the Supervisory Board's meeting resolving on the annual financial statements on 28 June 2024. The Supervisory Board and the Management Board jointly dealt with these documents in the Supervisory Board's meeting dated 28 June 2024 that was held in the presence of the auditor.

The auditor provided the members of the Supervisory Board with comprehensive information on the accounting documents. The Management Board and the auditor answered the questions of the Supervisory Board members.

In this context, the auditor presented the results of its audits carried out based on special regulatory requirements. These were predominantly positive. The Supervisory Board will also receive regular reports from the Management Board on the relevant processes and closely monitor compliance with the required internal process organization and the underlying regulatory requirements.

The Supervisory Board subsequently agreed to the result of the audit and did not raise any objections subsequent to its own inspection of the documents in question. The Supervisory Board approved the annual financial statements prepared by the Management Board. The annual financial statements were thus adopted. The Supervisory Board has agreed with the Management Board's proposal for the appropriation of net retained profits.

In addition, the Supervisory Board approved this report of the Supervisory Board to the shareholders in its meeting on 28 June 2024.

4. Affiliated companies (dependency report)

The report of the Management Board on relationships with affiliated companies in the 2023 financial year (dependent company report) was also audited by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

The dependent company report and the auditor's report were sent to the members of the Supervisory Board in good time before the meeting of the Supervisory Board resolving on the annual financial statements on 28 June 2024. The dependent company report and the auditor's report were audited by the members of the Supervisory Board and discussed in detail by the Supervisory Board together with the Management Board and the auditor during the meeting of the Supervisory Board. At its meeting on 28 June 2024, the Supervisory Board took note of and approved the auditor's findings on relationships with affiliated companies in the 2023 financial year and raised no objections following its own review.

The auditor's opinion (Bestätigungsvermerk) reads as follows:

"Following our mandatory audit and assessment, we confirm that

1. the factual information in the report is correct,
2. the consideration paid by the company for the legal transactions listed in the report was not inappropriately high."

5. Personnel changes in the Management Board and Supervisory Board

Albert Sowa was appointed to a Management Board Member and Chief Risk Officer (CRO) as of 1 February 2023. The Management Board Member Murat Sari, who held the position of CRO until this date, was appointed Chief Operating Officer (COO) as of 1 February 2023.

Mehmet Tugal was appointed Chairman of the Management Board and Chief Executive Officer (CEO) on 6 March 2023.

With effect from 16 May 2023, Ms. Burcu Civelek was replaced by Ms. Gamze Sebnem Muratoglu as a member of the Supervisory Board.

Mr. Kaan Gür was appointed as a member of the Supervisory Board on 23 October 2023 and took over as Vice-Chairman of the Supervisory Board on 28 November 2023.

We express our gratitude to all staff members and to the Management Board for their dedication and hard work as well as for the high performance proved in the preceding financial year. Moreover, we thank our shareholder, clients, and business partners for placing their trust in Akbank AG.

Eschborn, 28 June 2024

Hakan Binbaşgil
Chairman of the Supervisory Board

AKBANK AG

Eschborn

Financial Statements
for the Fiscal Year 2023
(audited)

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INDEPENDENT AUDITOR’S REPORT

To AKBANK AG, Eschborn

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of AKBANK AG, Eschborn, which comprise the balance sheet as at 31 December 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of AKBANK AG for the financial year from 1 January to 31 December 2023.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

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

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2023. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

1. Risk provisioning in the lending business

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matter:

1. Risk provisioning in the lending business

1. Loan receivables totalling € 3,194,275 thousand (84.8% of total assets) are reported under the balance sheet items "Loans and advances to customers" and "Loans and advances to banks" in the company's annual financial statements. As at 31 December 2023, risk provisions consisting of general loan loss provisions were recognised for the loan portfolio. The measurement of risk provisions in the lending business is determined in particular by the structure and quality of the loan portfolios, macroeconomic factors and the estimates of the legal representatives with regard to future loan defaults. The general loan loss provisions cover the latent credit risk. General loan loss provisions are recognised for foreseeable counterparty default risks in the lending business of credit institutions that have not yet been specified for individual borrowers. A general loan loss provision is recognised in the amount of the expected loss for an observation period of twelve months, unless the credit default risk has increased significantly since addition. In the event of a significant increase in the credit default risk since initial recognition, a general loan loss provision is recognised for loans that are not individually impaired for the losses expected over the remaining term of the loans in question.

Country value adjustments are also recognised for borrowers domiciled in Turkey, where there is an increased country risk, particularly due to inflation and macroeconomic conditions, on the basis of a one-year probability of default for the country from the ratings of three recognised rating agencies. The value adjustments in the lending business are highly significant for the company's net assets and results of operations in terms of amount and are also associated with considerable discretionary powers on the part of the legal representatives.

In addition, the valuation parameters applied, which are subject to considerable uncertainty, have a significant influence on the recognition and amount of any necessary valuation allowances. Against this background, this matter was of particular significance in the context of our audit.

2. As part of our audit, we first assessed the design of the Company's relevant internal control system and, based on this, tested the effectiveness of the controls. In doing so, we considered the business organisation, the IT systems and the relevant valuation models. In addition, we assessed the valuation of loans and advances to banks and customers, including the appropriateness of estimated values, on the basis of samples of credit exposures. In doing so, we assessed, among other things, the available documentation of the company with regard to the economic circumstances and the recoverability of the corresponding collateral.

We also evaluated the calculation methods used by the company and the underlying assumptions and parameters in order to assess the general valuation allowances recognised. In particular, we also assessed the estimates made by the executive directors with regard to the effects of macroeconomic conditions on the economic situation of the borrowers and the recoverability of the corresponding collateral and evaluated their consideration in the measurement of the receivables from customers.

On the basis of the audit procedures we performed, we were able to satisfy ourselves overall as to the reasonableness of the assumptions made by the executive directors when testing the recoverability of the loan portfolio and the appropriateness of the valuation methods used and as to the appropriateness and effectiveness of the controls implemented by the company.

3. The company's disclosures on risk provisioning in the customer lending business are presented in the accounting, valuation and translation methods, loans and advances to banks, loans and advances to customers and other disclosures in the notes

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

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

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

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

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

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

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

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on 16 May 2023. We were engaged by the supervisory board on 16 May 2023. We have been the auditor of the AKBANK AG, Eschborn, without interruption since the financial year 2017.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Kay Böhm.

AKBANK AG

Balance Sheet as of 31 December 2023

ASSETS			
	EUR	31.12.2023 EUR	31.12.2022 TEUR
1. Cash Reserve			
a) Cash on hand	5,341.64		2
b) Balances at central banks	20,986,928.72		13,480
thereof: at Deutsche Bundesbank		20,992,270.36	13,482
EUR 20,986,928.72			
(Prior Year: TEUR 13,480)			
2. Loans and advances to banks			
a) Payable on demand	445,871,434.20		367,274
b) Other loans and advances	576,624,783.01		413,083
		1,022,496,217.21	780,358
3. Loans and advances to customers		2,171,778,579.49	2,286,357
thereof: secured by			
property charges EUR 0.00			
Municipal loans EUR 0.00			
4. Debentures and other fixed-interest securities			
Bonds and debentures			
a) from public sector	221,804,816.92		151,886
thereof: eligible as collateral at Deutsche Bundesbank			
EUR 138,074,927.38			
(Prior Year: TEUR 99,803)			
b) from other issuers	197,791,625.97		228,930
thereof: eligible as collateral at Deutsche Bundesbank			
EUR 33,636,021.71			
(Prior Year: TEUR 53,602)			
		419,596,442.89	380,816
5. Fiduciary assets		118,984,235.43	3,290
6. Intangible assets		1,034,152.34	988
Purchased concessions, industrial rights and assets, and licences in such rights and assets			
7. Property and equipment		328,096.71	359
8. Other assets		11,996,294.33	22,147
9. Prepaid expenses		1,839,626.75	1,753
10. Deferred taxes		0.00	0
Total Assets		3,769,045,915.51	3,489,551

AKBANK AG

Balance Sheet as of 31 December 2023

LIABILITIES			
	EUR	31.12.2023 EUR	31.12.2022 TEUR
1. Liabilities to banks			
a) Payable on demand	2,603,767.93		2,391
b) with an agreed term or period of notice	245,253,280.37		382,467
		247,857,048.30	384,858
2. Liabilities to customers			
Other liabilities			
a) Payable on demand	539,734,188.97		603,572
b) with an agreed term or period of notice	1,830,293,938.16		1,597,291
		2,370,028,127.13	2,200,864
3. Fiduciary liabilities		118,984,235.43	3,288
3. Other liabilities		9,491,964.07	32,491
4. Deferred income		9,981,841.89	2,416
5. Deferred Tax Provisions		0.00	0
6. Provisions			
a) Tax provisions	31,055,928.54		0
b) Other provisions	7,309,192.79		3,050
		38,365,121.33	3,050
7. Shareholder's equity			
a) Subscribed capital	200,000,000.00		200,000
b) Capital reserve	158,253,076.35		158,253
c) Revenue reserves			
Other revenue reserve	504,332,792.39		460,055
d) Profit available for distribution	111,751,708.62		44,277
		974,337,577.36	862,586
Total Liabilities and Shareholders' Equity		3,769,045,915.51	3,489,551

	EUR	TEUR
1. Contingent liabilities		
Liabilities from guarantees and warranty agreements	84,545,685.46	87,298
2. Other obligations		
Irrevocable loan commitments	0.00	938

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Income Statement from January 1 to December 31, 2023

	EUR	EUR	EUR	2022 TEUR
1. Interest income from				
a) Lending and money market business	234,555,531.71			108,113
b) Fixed-interest securities and government-inscribed debt	<u>38,076,058.12</u>			<u>27,275</u>
		272,631,589.83		135,388
2. Interest expenses		<u>106,078,909.30</u>		<u>38,560</u>
			166,552,680.53	96,828
3. Commission income		20,427,310.23		8,631
4. Commission expenses		<u>10,635,617.41</u>		<u>2,308</u>
			9,791,692.82	6,322
5. Other operating income			409,489.77	521
6. General and administrative expenses				
a) Personnel expenses				
aa) wages and salaries	13,058,577.95			10,235
ab) social security and other pension costs thereof: for old age pensions EUR 260,819.22 (Prior year: TEUR 193)	<u>1,587,646.53</u>	14,646,224.48		1,320
b) Other administrative expenses		<u>15,607,063.53</u>		<u>10,583</u>
			30,253,288.01	22,138
7. Write-downs and adjustments to intangible assets and property, plant and equipment			704,295.07	591
8. Other operating expenses			211.00	0
9. Write-downs and allowances on loans and advances and certain securities and allocations to provisions for possible loan losses			0.00	20,299
10. Income from write-ups on loans and advances and certain securities and from the reversal of provisions for possible loan losses			15,368,091.61	0
11. Income from write-ups on participations, interests in affiliated companies and investment securities			7,051.28	94
12. Result from ordinary activities			161,171,211.93	60,738
13. Income taxes				
a) Tax expenses		49,419,503.31		17,063
b) Income from change of deferred taxes		0.00		603
c) Expense from change of deferred taxes		<u>0.00</u>		<u>0</u>
			49,419,503.31	16,460
14. Net result for the year/ Profit available for distribution			<u>111,751,708.62</u>	<u>44,277</u>

AKBANK AG

Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

GENERAL INFORMATION

Legal form

AKBANK AG (hereinafter also referred to as “the Bank”) has its registered head office in Eschborn, where it is entered in the commercial register of the Frankfurt am Main District Court under HRB No. 78036.

ACCOUNTING, VALUATION, AND TRANSLATION METHODS

The annual financial statements of AKBANK AG for the financial year from January 1 to December 31, 2023, have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch – HGB) and the German Stock Corporation Act (Aktiengesetz – AktG) and taking into account the Ordinance Governing the Accounting of Credit Institutions, Financial Services Institutions, and Investment Firms (RechKredV) in the respective valid version.

The accounting and valuation methods applied to assets and liabilities complied with Sections 252 et seqq. and 340 et seqq. HGB and remained unchanged compared to the previous year.

Cash reserves are recognized at nominal value.

Receivables from banks and receivables from customers are recognized at nominal value, less individual and general valuation allowances, plus accrued interest. If the amount of payment or purchase is lower than the nominal value of the receivable, the difference (discount) is recognized as deferred income pursuant to Section 340e (2) Clause 2 HGB and distributed evenly over the term of the receivable and recognized as interest income. The receivable is increased by the corresponding amount. If the payment or purchase amount is higher than the nominal value of the receivable, the difference (premium) is also distributed evenly over the term of the receivable and deducted from interest income. The receivable is decreased by the corresponding amount. The Bank did not take advantage of the option pursuant to Section 340e (2) Clause 3 HGB.

a) Individual and general valuation allowances on receivables from banks and customers are deducted. Identifiable individual risks in the lending business are taken into account by establishing individual value adjustments. The amount of the risk provision is defined based on the exposure amount in case of default following risk mitigation.

b) Two types of general valuation allowances are determined:

- Allowances for country risks are calculated on the basis of historical default data.

The Bank determines the specific country risk for all those receivables for which either the country of risk or domicile corresponds to the country in which an allowance is deemed necessary. The country of domicile reflects the risks associated with the transfer risk and/or foreign currency risks.

Because of the Bank’s business orientation, country risks are determined only for loans exposed to a country risk for Turkey. This means that all borrowers which either have their registered head office in Turkey or for which Turkey is deemed a risk country are considered when calculating the country risk provision.

The country risk provisioning rate used to determine the country allowance was 5% as of December 31, 2023 (prior year: 8%). This rate is determined by means of various input parameters and decreased, particularly in light of the positive developments in Turkish monetary policy and the credit default swap (CDS) premiums, which represent the market’s perception of the country probabilities of default.

- Moreover, the AKBANK AG applies the provisions set forth in IDW RS BFA 7 to establish the risk provision for foreseeable but not yet individually substantiated counterparty default risks in the lending business. The Bank selected the simplified approach to do so. This method takes into account the annual probability of default (PD) based on the internal credit rating of the counterparty, the loss given default (LGD), and the exposure at default (EAD). The assumption that rating premiums and risk expectations balance each other out has been audited.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Bonds and notes in fixed assets are recognized on the basis of the mitigated lower of cost or market principle. In the event of permanent impairment, impairment losses are recognized at the lower fair value. If the reasons for this permanent impairment no longer apply, a write-up is carried out up to a maximum of the acquisition cost. Fixed-interest securities acquired below par (or above par) are written up (or written down, respectively) to the nominal value in the period in which they occur.

With regard to genuine securities repurchase agreements, the transferred securities are added to the portfolio of the pension provider. The Bank continues to show the conferred securities in its assets item “Bonds and other fixed-interest securities” because the material opportunities and risks arising from them remain with the Bank. Furthermore, it reports a liability to the pension recipient in the amount received for the transfer.

Trust assets are disclosed at the lower of acquisition cost or the nominal value plus deferred interest. These trust assets relate to funds transferred by a customer to AKBANK AG on the basis of a trust agreement which authorizes it to invest the funds with AKBANK T.A.S. on its behalf but for the customer’s account.

Intangible assets and property, plant, and equipment are valued at acquisition cost less scheduled amortization and depreciation applying the straight-line method. The useful life ranges from one year to 13 years. In the event of permanent impairment, non-scheduled amortization and depreciation are recognized to the lower fair value. If the reasons for this non-scheduled amortization and depreciation no longer apply, a write-up is carried out up to the amortized cost. Non-scheduled amortization and depreciation were not necessary as of the balance sheet date. Low-value assets are written off in full in the year of acquisition.

Other assets and prepaid expenses and deferred charges are recognized at their nominal values.

To the extent permitted by law, deferred taxes are established for temporal differences between the figures shown on the commercial balance sheet and the tax balance sheet which are expected to reverse in the future. Deferred taxes are determined on the basis of an income tax rate of 27.375%, which includes corporate income tax, trade tax, and the solidarity surcharge. For the sake of conservative accounting, the option of recognizing deferred tax assets pursuant to Section 274 (1) Clause 2 HGB has not been exercised.

Liabilities are recognized at their settlement amounts plus deferred interest.

Deferred income is recognized at its settlement amount and released on a straight-line basis throughout the term.

Provisions for tax liabilities are recognized at the expected payment amount. The payment amount is calculated based on the anticipated tax liability as of the balance sheet date less any advance tax payments that have been made. Taxes not yet paid from the current and previous periods are included in the calculation.

Other provisions take into account all identifiable risks and uncertain obligations as well as anticipated losses from pending transactions and are recognized at the settlement amount required according to sound business judgment. Pursuant to Section 253 (1) Clause 2 in connection with Section 253 (2) Clause 1 HGB, provisions with a residual term of more than one year are discounted with the average market interest rate of the past seven financial years corresponding to their remaining term.

Equity is stated at nominal value.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

The foreign currency receivables and liabilities (including accrued interest) contained in the individual items are valued using the reference rates of the European Central Bank (ECB) applicable on December 31, 2023. The initial measurement is also based on the reference rate of the European Central Bank (ECB) applicable on the date of addition.

Unsettled foreign exchange swap transactions are valued at forward rates. Unrealized gains from foreign exchange swap transactions for which special cover exists in accordance with Section 340h HGB are capitalized and reported under other assets. Special cover exists if a special relationship is established between assets and liabilities of the same currency or forward exchange transactions are concluded for assets or liabilities denominated in foreign currencies as special cover transactions as part of currency item management.

Where special cover pursuant to Section 340h HGB is in place, expenses and income from currency translation are netted and recognized in the income statement through profit or loss. Foreign currency translation is disclosed net as other operating income (gross hedge presentation method). Foreign currency transactions are covered with macrohedges.

Forward rates are split into the two elements of spot rate and swap rate, and these are taken into account separately in the determination of earnings. The agreed swap amounts are accrued pro rata temporis. Changes in spot rates are determined in the course of currency translation by comparing forward rates with the spot rate on the reporting date. Positive and negative spot rate differences within the same currency are offset.

Pending forward contracts are valued at the forward rate as of the reporting date. Unrealized losses from the difference between forward and market prices are recognized as liabilities and reported under other liabilities.

As part of the loss-free valuation in accordance with IDW RS BFA 3, the Bank is examining the necessity to recognize a provision for contingent losses pursuant to Section 340a in conjunction with Section 249 (1) Sentence 1 Alt. 2 HGB. The Bank applies the present value method to determine provisions for contingent losses as part of the loss-free valuation of the interest book. Consequently, a provision for contingent losses has to be recognized if the carrying amount of the interest book exceeds its present value, even after taking into account cost components, which would indicate hidden charges in the interest book. The basis for calculating the present value of the interest book is a payment series (cash flow) of all interest-bearing items contracted as of the balance sheet date. Fees and commission income are taken into account in the calculation, less risk costs and the costs required to manage the interest book. In this context, risk costs are calculated under application of the IDW RS BFA 7 method. Any surplus assets are eliminated by notional transactions under the assumption of the conservatively estimated refinancing interest rate. There was no necessity for a provision for contingent losses as of the balance sheet date.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

Balance Sheet

Cash reserves

As of the balance sheet date, cash reserves in the amount of EUR 20,992 thousand were held by the Bank (prior year: EUR 13,482 thousand). Of this amount, EUR 20,987 thousand (prior year: EUR 13,480 thousand) relates to balances at the Deutsche Bundesbank, and EUR 5 thousand (prior year: EUR 2 thousand) relates to cash on hand.

Receivables from banks

Receivables from banks can be broken down by residual terms as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Payable on demand	445,871	367,274
- Up to three months	116,675	96,468
- More than three months, up to one year	459,824	316,484
- More than one year, up to five years	126	132
	1,022,496	780,358

The receivables from banks include receivables from AKBANK T.A.S. and thus from affiliated companies in the amount of EUR 70,602 thousand (prior year: EUR 76,427 thousand). This rise can be explained by the increase in deposits with the Deutsche Bundesbank and increase in loans to Turkish banks.

The following risk provisions were deducted:

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Country risk provision	23,586	1,108
General valuation allowance pursuant to IDW RS BFA 7	22	4,195

The increase in the country risk provision is mainly explained by higher loan volumes with Turkish banks.

Receivables from customers

Receivables from customers, broken down by residual term, are as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Payable on demand	32,525	48,981
Residual term		
- Up to three months	1,078,905	546,790
- More than three months, up to one year	522,623	319,617
- More than one year, up to five years	537,726	1,370,969
	2,171,779	2,286,357

The receivables from customers include receivables from companies in the Sabanci Group and thus from affiliated companies in the amount of EUR 41,058 thousand (prior year: EUR 26,899 thousand).

The Bank did not establish any individual valuation allowances as at the balance sheet date (prior year: EUR 12,214 thousand).

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

The following risk provisions were deducted:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Country risk provision	43,841	84,884
General valuation allowance pursuant to IDW RS BFA 7	1,077	4,019

The decrease in the country risk provision is mainly explained by lower loan volumes with Turkish customers.

To hedge the receivables from customers in the amount of EUR 571,387 thousand (prior year: EUR 694,507 thousand), customer balances in the same amount were taken as collateral as of the balance sheet date.

Bonds and other fixed-interest securities

The bonds and other fixed-interest securities with a carrying amount of EUR 419,596 thousand (prior year: EUR 380,816 thousand) were all listed on the stock exchange as of the balance sheet date. They are allocated in full to fixed assets as of the balance sheet date. The development of securities held as fixed assets is shown in the fixed-asset movement schedule (Appendix I to the Notes).

There are hidden reserves of EUR 595 thousand (prior year: EUR 425 thousand) for bonds and other fixed-income securities with a carrying amount of EUR 35,613 thousand (prior year: EUR 59,710); there are hidden losses of EUR 24,770 thousand (prior year: EUR 33,463 thousand) for bonds and other fixed-income securities with a carrying amount of EUR 376,840 (prior year: EUR 321,106 thousand). The Bank did not recognize any write-downs on the lower market values in the case of hidden losses in view of the circumstances that the bonds are classified as fixed assets and that the lower market values were not based on impairments that are expected to be permanent but were only due to normal market fluctuations and thus particularly interest-driven.

Bonds and other fixed-interest securities amounting to EUR 30,712 thousand (prior year: EUR 27,890 thousand) will mature in financial year 2024.

Trust assets

Trust assets amounted to EUR 118,984 thousand (prior year: EUR 3,290 thousand). Trust assets correlated exactly to the development of the trust liabilities. The corresponding trust liabilities can be found on the liabilities side of the balance sheet. The trust business was taken up towards the end of 2022, which means that the increase in the full financial year 2023 was caused by the expansion of the business.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Intangible assets

Intangible assets (standard IT software) amounting to EUR 1,034 thousand (prior year: EUR 988 thousand) were held in the reporting year. As in the prior year, no non-scheduled amortization and depreciation had to be recognized in financial year 2023.

The development of intangible assets is shown in the fixed-asset movement schedule (Appendix I to the Notes).

Property, plant, and equipment

The breakdown of property, plant, and equipment amounting to EUR 328 thousand (prior year: EUR 359 thousand) as of the balance sheet date is shown in the fixed-asset movement schedule (Appendix I to the notes). As in the prior year, no non-scheduled amortization and depreciation had to be recognized in financial year 2023.

Other assets

Other assets can be broken down as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Corporate income tax receivables	3,721	10,489
Advance invoice payments	1,890	634
Sales tax receivables	1,539	1,683
Trade tax receivables	411	7,347
Other	4,435	1,994
	11,996	22,147

Prepaid expenses and deferred charges

Prepaid expenses and deferred charges of EUR 1,840 thousand (prior year: EUR 1,753 thousand) include EUR 397 thousand (prior year: EUR 274 thousand) in deferred advance fees from the lending business.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Bank loans and overdrafts

Bank loans and overdrafts can be broken down by residual terms as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Payable on demand	2,604	2,391
Residual term		
- Up to 3 months	185,346	238,496
- More than 3 months, up to 1 year	59,907	119,314
- More than 1 year, up to 5 years	0	24,657
	247,857	384,858

The bank loans and overdrafts include liabilities to AKBANK T.A.S and thus tp affiliated companies in the amount of EUR 92,428 thousand (prior year: EUR 165,778 thousand).

These bank loans and overdrafts include margin calls received for derivative transactions amounting to EUR 33,037 thousand (prior year: EUR 48,781 thousand).

Liabilities to customers

Liabilities to customers, broken down by residual term, are as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Payable on demand	539,734	603,573
Residual term		
- Up to 3 months	1,029,543	482,252
- More than 3 months, up to 1 year	449,982	262,664
- More than 1 year, up to 5 years	294,049	794,154
- More than 5 years	56,720	58,221
	2,370,028	2,200,864

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

The liabilities to customers include liabilities to the companies of the Sabanci Group and thus to affiliated companies in the amount of EUR 13,821 thousand (prior year: EUR 7,103 thousand).

Of the liabilities to customers, EUR 1,357 million (prior year: EUR 1,154 million) relates to the deposit business with retail customers, and EUR 1,013 million (prior year: EUR 1,047 million) relates to the deposit business with institutional customers.

Trust liabilities

Trust liabilities amounted to EUR 118,984 thousand (prior year: EUR 3,288 thousand). The corresponding trust assets can be found on the assets side of the balance sheet.

Other liabilities

Other liabilities can be broken down as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Swap differences (liabilities side)	6,255	18,314
Tax on interest income incl. solidarity surcharge	1,898	233
Trade and other payables	1,141	879
Wage and church tax	198	141
Swap interest accruals	0	2,613
Foreign currency translation results	0	9,957
Other	0	354
	9,492	32,491

Deferred income

The deferred income in the amount of EUR 9,982 thousand (prior year: EUR 2,416 thousand) was recognized for deferred upfront fees from the lending business and for the discount relating to securities. This increase is a result of the modified methodology for the accounting of the discount.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Provisions

During the year under review, there were tax provisions in the amount of EUR 31,056 thousand (prior year: EUR 0 thousand), thereof EUR 17,959 thousand for corporate income tax and EUR 13,097 thousand for trade tax.

The other provisions can be broken down as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Personnel expenses	2,700	1,500
Provision for contingent losses	1,560	0
Outstanding invoices	831	636
Audit and tax consulting fees	699	330
Vacation not taken	575	299
Rent accrual	58	80
Chamber of Commerce and Industry	17	36
Other	869	169
	7,309	3,050

The increase was caused by higher provisions for personnel expenses and contingent losses.

Subscribed capital, capital reserves, and net income

The subscribed capital of EUR 200,000,000.00 is divided into 200,000,000.00 no-par value shares. These shares are issued in the bearer's name.

The capital reserves have remained unchanged from the previous year at EUR 158,253,076.35.

The net income for the 2022 financial year amounting to EUR 44,277,456.86 was fully transferred to other retained earnings in accordance with the resolution of the Annual General Meeting on May 16, 2023, increasing these to EUR 504,332,792.39 accordingly.

The net income for financial year 2023 amounted to EUR 111,751,708.62.

The Bank's Management Board proposes to transfer the net income of financial year 2023 in the amount of EUR 111,751,708.62 to other retained earnings.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Contingent liabilities

The contingent liabilities consist of guarantees and letters of credit in the amount of EUR 84,546 thousand (prior year: EUR 87,298 thousand). Of these, contingent liabilities of EUR 6,468 thousand (prior year: EUR 13,904 thousand) were due to affiliated companies, but none to the Bank's Management Board members (prior year: EUR 0 thousand). Guarantees and letters of credit were also examined for possible default risks in the course of the annual reviews of the loan portfolio carried out by the Bank's credit risk management department. The risk of utilization is considered to be very low due to good customer creditworthiness.

Other liabilities

There were no other liabilities relating to irrevocable loan commitments as of the balance sheet date (prior year: EUR 938 thousand).

Other disclosures

General value allowances

The total risk allowance due to country and latent credit risks can be broken down among the individual balance sheet items as follows:

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
Receivables from banks		
- Country valuation allowances	23,586	1,108
- IDW RS BFA7	23	4,195
Receivables from customers		
- Country valuation allowances	43,841	84,884
- IDW RS BFA7	1,077	4,019
Bonds and other fixed-interest securities		
- IDW RS BFA7	0	2,832
General value allowances	68,257	97,037

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Foreign currency assets and liabilities

As of the balance sheet date, foreign currency assets amounted to EUR 1,607,745 thousand (prior year: EUR 1,470,888 thousand), and foreign currency liabilities amounted to EUR 1,253,572 thousand (prior year: EUR 1,283,304 thousand). The netted foreign currency item on the assets side as of the balance sheet date amounting to EUR 390,600 (prior year: EUR 187,584 thousand on the assets side) was offset by currency hedging transactions amounting to EUR 390,465 (prior year: EUR 187,435 thousand).

Restrictions on disposal

Assets transferred as collateral for liabilities to Deutsche Bundesbank have a carrying amount, including accrued interest, of EUR 10,142 thousand (prior year: EUR 136,000 thousand).

Income Statement

Of the interest earnings amounting to EUR 272,632 thousand (prior year: EUR 135,388 thousand), approximately 86% relate to lending and money market transactions and approximately 14% relate to fixed-income and book entry securities. This increase was primarily caused by the improvement to the net interest margin compared to the prior year.

The majority of the interest expenses of EUR 106,079 thousand (prior year: EUR 38,560 thousand) arose from liabilities to customers in the amount of EUR 63,142 thousand (prior year: EUR 36,931 thousand). The higher interest rate level is largely responsible for the increase in interest expenses.

More than 80% of the interest earnings relate to customer relationships with customers and credit institutions in Turkey. The remaining interest earnings primarily pertain to transactions with customers and credit institutions in Germany.

A large portion of the net commission income of EUR 9,792 thousand (prior year: EUR 6,322 thousand) results from provision and processing fees for granting loans and trust transactions. The income results to a large extent from business relationships with customers and credit institutions with registered head offices in Turkey (approximately 35%), Malta (approximately 58%), and Germany (approximately 5%). The remaining income is spread among several countries.

The other operating income amounted to EUR 409 thousand (prior year: EUR 521 thousand). This primarily relates to income from the release of provisions in the amount of EUR 40 thousand (prior year: EUR 720 thousand) and currency gains of EUR 327 thousand (prior year: currency loss of EUR 220 thousand).

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

General administrative expenses amounted to EUR 30,253 thousand during the year under review (prior year: EUR 22,138 thousand). Of this amount, EUR 14,646 thousand (prior year: EUR 11,555 thousand) relates to personnel expenses and EUR 15,607 thousand (prior year: EUR 10,583 thousand) relates to other administrative expenses. The higher personnel expenses were caused by the increased number of employees. The increase in other administrative expenses is due primarily to the increase in software expenses of EUR 1,296 thousand, the increase in consulting fees of EUR 1,499 thousand, and impending losses due to pending transactions of EUR 1,560 thousand.

In financial year 2023, overall there were additions to receivables and certain securities, as well as reversals of provisions in the lending business in the amount of EUR 15,368 thousand (prior year: amortization and depreciation of EUR 20,299 thousand), explained by the reversal of the country risk provision and the general valuation allowance within the meaning of IDW RS BFA7.

The income from write-ups on long-term equity investments, shares in affiliated companies, and securities handled like fixed assets in the amount of EUR 7 thousand (prior year: EUR 94 thousand) resulted from the sale of bonds in fixed assets.

Taxes on income and earnings

Taxes on income and earnings of EUR 49,419 (prior year: EUR 17,063 thousand) relate to corporate income tax of EUR 28,471 thousand (prior year: EUR 9,862 thousand) and trade tax of EUR 20,948 thousand (prior year: EUR 7,201 thousand).

In July 2021, countries initiated the “two-pillar solution” initiated by the G20 and OECD, which envisages a comprehensive reform of international company taxation for large multinational enterprises. In addition to a stronger integration of the so-called market states in the profits of the world’s approximately 100 largest enterprises due to the partial reallocation of taxation rights, it foresees the implementation of a global effective minimum taxation rate of 15%. The regulations of the minimum taxation legislation will be applied in Germany in 2024. The application of the minimum taxation for AKBANK AG and possible implications will be subjected to an analysis.

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Other Disclosures

Other financial liabilities

Other financial liabilities mainly relate to future, contractually agreed rental payments for office space. Rental payments amounted to EUR 9,424 thousand (prior year: EUR 1,931 thousand), of which EUR 7,872 thousand relates to the rent for the new office until 2034 (prior year: EUR 0) while EUR 1,552 thousand relates to the rent until 2026 for the current office (prior year: EUR 1,931 thousand). Provisions in the amount of EUR 1,560 thousand (prior year: EUR 0) were established for the liabilities relating to the current office. The other operating financial liabilities amounted to EUR 5,870 thousand (prior year: EUR 5,694 thousand) and primarily related to software licenses with a term until 2027.

Derivatives

Currency swaps amounting to EUR 320,498 thousand (prior year: EUR 370,393 thousand) were outstanding on the balance sheet date, as well as spot transactions amounting to EUR 1,102 thousand (previous year: EUR 450 thousand) which serve exclusively to cover currency risks. The fair value of the swaps as of the balance sheet date amounted to EUR 310,615 thousand (prior year: EUR 369,477 thousand).

Cross currency swaps amounting to EUR 105,249 thousand (prior year: EUR 236,096 thousand) have been concluded until 2026 at the latest in order to hedge the interest rate risk and foreign currency risk at the same time. As of December 31, 2023, this resulted in a negative present value (excluding accrued interest) of EUR 6,160 thousand (prior year: EUR 19,727 thousand). In addition, interest rate swaps amounting to EUR 591,493 thousand (prior year: EUR 655,023 thousand) were concluded to hedge the interest rate risk.

As of the balance sheet date, there were cross currency swaps with affiliated companies amounting to EUR 18,371 thousand (prior year: EUR 75,286 thousand). As in the previous year, there were no interest rate swaps or currency swaps with affiliated companies.

Employees

On annual average, the Bank had 84 employees in 2023 (prior year: 77), including the Management Board. Of these employees, four were executives and 80 were salaried employees.

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Total auditor's fees

	12/31/2023	12/31/2022
	EUR thousand	EUR thousand
a) Audit services	499	249
in 2022 EUR 63 thousand thereof related to the prior year		
b) Other assurance services*	54	43
c) Tax consulting services	0	0
d) Other services**	7	12

* This consists of the audit pursuant to Section 89 (1) Sentence 1 WpHG
** This relates to a procedural audit and sample audit pursuant to Section V No. 11 (1) and 12 of the General Terms and Conditions of the Deutsche Bundesbank ("MACC").

Executive Bodies

In the financial year under review, the Management Board had the following members:

- Mr. Mehmet Tugal (Chief Executive Officer, CEO), Kronberg (from March 6, 2023)
- Mr. Murat Sari (Chief Operating Officer, COO), Amsterdam
- Mr. Alper Özsoy (Chief Sales Officer, CSO), Oberursel
- Mr. Albert Sowa (Chief Risk Officer, CRO), Bad Soden (from February 1, 2023)

The Company is represented jointly by two members of the Executive Board.

As of the balance sheet date, the Supervisory Board comprised ten members as follows:

- Mr. Hakan Binbasgil, Chairman of the Management Board (Vice Chairman and Executive Board Member at AKBANK T.A.S., Istanbul, Turkey)
- Mr. Kaan Gür, Deputy Chairman of the Management Board (CEO at AKBANK T.A.S., Istanbul, Turkey) (from October 23, 2023)
- Mr. Levent Celebioglu, Deputy Chairman of the Management Board (Executive Vice President Corporate and Investment Banking at AKBANK T.A.S., Istanbul, Turkey)
- Mr. Türker Tunali (Executive Vice President, Chief Financial Officer at AKBANK T.A.S., Istanbul, Turkey)
- Ms. Burcu Civelek Yüce (Executive Vice President Strategy, Digital Banking and Payment Systems at AKBANK T.A.S., Istanbul, Turkey) (until May 16, 2023)
- Ms. Gamze Sebnem Muratoglu (Executive Vice President - Treasury at AKBANK T.A.S., Istanbul, Turkey) (from May 16, 2023)
- Mr. Emre Kahraman (Chief Risk Officer at AKBANK T.A.S., Istanbul, Turkey)
- Ms. Pinar Anapa (Executive Vice President People and Culture of AKBANK T.A.S., Istanbul, Turkey)
- Dr. Herbert Walter (banker, Frankfurt am Main)
- Mr. Peter Tils (banker, Berlin)
- Mr. Hüsnü Erel (banker, Istanbul, Turkey)

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Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Remuneration of members of the executive bodies

In 2023, the total remuneration of the Management Board amounted to EUR 1,726 thousand (prior year: EUR 1,661 thousand).

The total remuneration of the independent members of the Supervisory Board came to EUR 193 thousand (prior year: EUR 167 thousand). As in the prior year, the remaining of the Supervisory Board did not receive any remuneration.

Relationships with affiliated companies

AKBANK T.A.S, Istanbul, Turkey, was the sole shareholder of AKBANK AG during the reporting period.

As of December 31, 2023, 49% of AKBANK T.A.S. is owned by Haci Ömer Sabanci Holding A.S., Istanbul, its subsidiaries, and members of the Sabanci family, and 51 % are in free float.

Haci Ömer Sabanci Holding A.S., Istanbul, and its subsidiaries are deemed to be affiliated companies of the Company.

In the year under review, business relations existed with various affiliated companies, with all legal transactions being concluded on terms that are also customary between unrelated third parties.

Significant events after the balance sheet date

No events occurred after the end of the reporting period which have an effect on the net assets, financial position, or results of operations as of the balance sheet date.

Consolidated Financial Statements

The annual financial statements of AKBANK AG are included in the consolidated financial statements of AKBANK T.A.S., Istanbul. The latter prepares the consolidated financial statements for the smallest and largest group of consolidated companies. The consolidated financial statements of AKBANK T.A.S. can be viewed on the website www.akbank.com. The financial statements of Haci Ömer Sabanci Holding A.S. can be viewed on the website www.sabanci.com.

Eschborn, May 29, 2024

The Management Board

Mehmet Tugal
CEO

Albert Sowa
CRO

Alper Özsoy
CSO

Murat Sari
COO

AKBANK AG

Notes to the Financial Statements for the Financial Year from January 1 to December 31, 2023

Development of fixed assets in the 2023 financial year

Acquisition or production costs				Accumulated depreciation				Net book values		
	1/01/2023	Additions	Disposals	31/12/2023	1/01/2023	Additions	Disposals	31/12/2023	1/01/2023	31/12/2023
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
A. Property, plant and equipment										
1. Fixtures in rented rooms	137,663.81	0.00	0.00	137,663.81	32,258.41	14,214.43	0.00	46,472.84	105,405.40	91,190.97
2. IT systems	657,732.03	148,771.31	0.00	806,503.34	436,344.56	152,26.11	0.00	588,611.67	221,387.47	217,891.67
3. Operating and office equipment	336,061.35	0.00	0.00	336,061.35	303,720.17	13,327.11	0.00	317,047.28	32,341.18	19,014.07
Total property, plant and equipment	1,131,457.19	148,771.31	0.00	1,280,228.50	772,323.14	179,808.65	0.00	952,131.79	359,134.05	328,096.71
B. Intangible assets										
Standard IT software	2,775,256.92	570,576.12	76,193.37	3,269,639.67	1,787,194.28	524,486.42	19,047.09	2,292,633.61	988,062.64	977,006.06

Contact Information

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AKBANK AG