ANNUAL REPORT 2019

VakıfBank International AG

ANNUAL REPORT

for the financial year 2019

VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT
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CONTENTS

SUPERVISORY BOARD

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Chairman from 11/01/2019 to 31/05/2019

Şuayyip İLBİLGİ
Vice-Chairman

Alp Tolga Simsek
Member

Ferkan MERDAN
Member

Neslihan TONBUL
Member

BOARD OF DIRECTORS

Ahmet Vural BIYIK
Chairman of the Board

Mustafa Seckin ONÜR
Member

AREA MANAGER

Muhammet AYDIN
Area Manager and Authorised Representative

Departments:
Accounting / Reporting & Treasury
Payment Operations

HEAD OF DEPARTMENT

Sema YURTYAPAN - BERGER BSc.
Corporate & Commercial Banking

Christoph LEITNER
Accounting / Reporting

Mag. Sezgin INCE
Intern Revision

Mag. Franz FASCHING
Risk Management

Kurt FÖRSTER
Credit Operations Management

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CORPORATE PHILOSOPHY AND OWNERSHIP STRUCTURE

The inaugural meeting of VakifBank International AG took place on 23 July 1999. A full banking licence was granted by the Federal Ministry of Finance on 4 August 1999. The company is owned 90% by Türkiye Vakıflar Bankası T.A.O., Istanbul, and 10% by the pension fund of Türkiye Vakıflar Bankası T.A.O.

VakifBank International AG has set itself the task of assisting European and Turkish exporters and importers, particularly in their foreign trade operations, by drawing on the experience, financial strength and international market reputation of its parent company. In this way, VakifBank International AG wants to make a positive contribution to the intensification of the existing mutual trade and investment volume.

Here, the focus are primarily the areas of trade transaction financing (by granting loans to exporters and importers in the form of syndication, forfaiting, discounting, etc.) and trade services (letter of credit, documentary and guarantee business, payment transactions).

In addition, we offer all classic banking services such as account and savings book management, corporate and personal loans and bank transfers. A special service is our fast and inexpensive payment service for transfers from Austria to Turkey.

Because of a direct connection with our parent company, T. Vakıflar Bankası T.A.O., we can guarantee very short transfer times for transfers to approx. 940 branches in Turkey.

In addition to Turkey, naturally our first regional focus, we are concentrating on the European Union and Central and Eastern Europe. T. Vakıflar

Bankası T.A.O. was founded in 1954. It is the third largest state-influenced Turkish bank and operates more than 948 branch offices in Turkey as well as each one branch in New York, Bahrain and Erbil.

The shareholders of Türkiye Vakıflar Bankası T.A.O. are:

37.45 % Republic of Turkey - Ministry of Finance and Treasury 35.99 %

Turkey Wealth Fund

10.49 % Pension Fund of the Türkiye Vakiflar Bankasi TAO

16.07 % Other

The Directorate-General of the foundations was established in 1924 as a state agency to administer existing and future charitable foundations and reports directly to the Prime Minister. Thus, the Directorate-General is, inter alia, the owner and manager of Turkish national heritage (historic buildings, museums, mosques, etc.).

The term "various foundations" refers to charitable organisations, some of which were established by the state and the private sector during the Ottoman Empire. These foundations are also managed by the Directorate-General of the foundations.

The pension funds of Türkiye Vakıflar Bankası T.A.O. replaces the statutory social insurance in Turkey and is mandatory for all employees of Türkiye Vakıflar Bankası T.A.O.

SELECTED FIGURES FROM THE BALANCE SHEET AND PROFIT AND LOSS STATEMENT 2019

(in million EUR)

	2019	2018
Balance sheet total	820.30	921.22
Receivables from customers	442.20	346.96
Receivables from banks	9.20	112.85
Liabilities vis-à-vis banks	72.01	35.44
Liabilities vis-à-vis customers	585.13	728.95
- thereof savings deposits:	336.31	380.35
Net interest revenue	14.94	15.67
Operating revenue	15.12	15.99
Operating expenses	8.90	9.76
Operating results	6.21	6.23
Profit from ordinary activities (EBT)	9.95	9.14
Annual net profit	8.65	8.59
Eligible own funds under Part 2 of Regulation (EU) No. 575/213	147.21	145.04

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019

Basic Information and General Conditions

VakifBank International AG was founded on 23 July 1999 and was granted a full banking licence by the Federal Ministry of Finances on 4 August 1999. VakifBank International AG (VakifBank) is an economically strong and well-capitalised bank and is 90% directly owned by Türkiye Vakiflar Bankasi T.A.O. (TVB) and 10% by the pension funds of that bank. TVB is listed on the Istanbul Stock Exchange and is one of the top-selling companies in Turkey, which is not only highly involved in the state in terms of economy but also socially. TVB is also represented in the most important Turkish share index, ISE-100, and disposes of several external ratings. It was established in 954 and is the third largest state-influenced Turkish bank. The main office in Istanbul operates more than 900 branches in Turkey and, inter alia, a branch in New York.

VakifBank has a hard letter of comfort from TVB. The business model of VakifBank has a low level of complexity. Since its establishment in 1999, VakifBank has been active in providing sustained support for trade and business links between Europe and Turkey and has, among other things, the advantage over regional competitors in Austria that it is possible to deposit collateral for domestic borrowing in Turkey.

In addition to the main office and a branch in Vienna, VakifBank is represented in Germany with a branch office in Cologne (since 2005). In the European countries, notably Austria and Germany, one main activity of VakifBank is safekeeping of deposits. Therefore, refinancing is a focus in the deposit business.

Economic Framework:

In the financial year 2019 the global world economic growth has slowed. Main reasons for this were the trade conflict between the USA and China, ongoing negotiations on the conditions for the UK to leave the EU. As a result, the growth in global economic output fell from 3.7% in 2018 to just under 3%, the lowest level since the financial crisis in 2009. The reduced demand for investment goods and in the service sector was partially offset by private consumption. Due to low commodity prices and capital outflows, a number of large markets such as Argentina, Brazil, Mexico and South Africa entered recession in 2019. In the US, growth fell from 2.9% in 2018 to 2.3%, although the decline was also mitigated by private consumption. Correspondingly,
growth in the eurozone declined from 1.9 percent in 2018 to 1.2 percent in 2019, as a result of the European economy's strong dependency on exports.

Interest rate cuts continued. So, the Red Funds Target Rate was further reduced in three steps of 25 basis points each. In the eurozone, interest rates remained essentially unchanged, but a bond purchase program that was suspended in 2018 was resumed and a decline in yields in the euro area was observed here as well.

Like other markets, Turkey was unable to escape the negative development and the decline in economic output that began in 2018 continued in the first half of 2019. In the second half of 2019, however, government support measures reversed the negative trend. Both the demand for credit and the production index saw a significant upward trend in the second half of the year.

VakifBank awards part of its loans to the best and most internationally renowned companies based in Turkey. VakifBank is proud to have recorded no losses in this business area since the bank was founded in 1999. As of 31 December 2019, receivables from counterparties based in Turkey amounted to EUR 230 million. With total assets of EUR 820 million, this corresponds to a share of 28%. Thus, Turkey's economic development has an impact on the risk situation of VakifBank.

Business Activity by Country and Sector

VakifBank focuses on traditional banking business and gains its customers' trust with a moderate risk and profit policy. VakifBank's main source of income is the interest income attributable to the main office in Vienna, as the majority of loans are granted from the head office. In turn, the main part of these revenues is attributable to Financial Institutions and Corporates from Turkey, Austria, and Germany. In addition to Turkey, VakifBank also focuses in the long term on the countries of the European Union and Central and Eastern Europe. In respect of sectors revenues are particularly attributable to manufacturing companies and financial institutions, whereby loans are also granted to large conglomerates with good credit ratings and substantial earnings are also attributable to this sector. In addition, there are also receivables from states and utility companies. The largest expense items are, according to the business model, interest expenses on deposits in Vienna and Cologne, and general management expenses (in particular personnel and material expenses in roughly equal parts).

In the deposit-taking business, customer offerings are largely determined by the competitive environment. VakifBank has stable refinancing sources, additional refinancing possibilities in the interbank market, and can rely on an additional liquidity that would be provided by its parent company TVB.

Organisational structure, risk management organisation and internal control system

VakifBank follows its strict internal lending processes for all financial operations. This contains also the comprehensive compliance of ethical concepts that have been determined by VakifBank within the framework of the parent bank group TVB. VakifBank will assess, whether the business in question complies with the principles and concepts of ethics and sustainability. This means that only loans that are compatible with VakifBank's ethical principles will be granted. All responsible employees of VakifBank, – in particular the management level - carefully ensure that in case of doubt, possible controversial financing - both from a social and environmental point of view - is avoided.

The whole board of VakifBank International AG is responsible for ensuring appropriate risk management and compliance with the associated regulatory requirements. In the operational implementation, this is ensured by the Strategic Risk Management & Risk Controlling, Special Credit & Monitoring, Treasury and Payment Operations departments, the Risk Committee of the Supervisory Board, the monthly Asset and Liability Committee (ALCO), liquidity meetings and, last but not least, Internal Audit. The risk management/back office is thus adequately staffed to perform its tasks.

The Risk Management unit is responsible for the central management, monitoring and control of the Bank's risk areas at home and abroad. One of the Risk Management's core tasks is the reporting to the Executive Board. In particular, ongoing information on all key risk positions of the bank enables the Executive Board to comprehensively exercise its overall responsibility for all risk areas and to take timely action to manage and minimise these risks. Risk reporting is regularly carried out both in relation to individual transactions and across risks at overall bank level. In addition, event-related ad hoc reports are also provided. The Credit Back-Office department is responsible for monitoring individual transactions in terms of compliance with legal requirements and internal competence regulations.

An independent risk management function is decisive for the appropriate risk management. As part of the internal control system, each employee is clearly assigned their respective tasks and responsibilities, and a risk-based approach is used to measure the risk-reducing effect of key controls. Risk Management is always sufficiently integrated into VakifBank's business activities.

In accordance with regulatory requirements, an internal control system has been set up which includes rules on the structural and procedural organisation and on risk management and control processes. The internal control system (ICS) ensures a process-independent monitoring and is based on the nature, scope, complexity, and risk content of business activities. These ICS process controls and the organisational units directly involved, Internal Audit together with Compliance and Strategic Risk Management, together form the internal control process of VakifBank.

VakifBank’s Risk Management, Internal Control System and the methods and control approaches used are reviewed on a regular basis with regard to their efficiency and appropriateness against the background of current business development.

Overall Bank Management System

The overall bank control of VakifBank is carried out taking into account a balanced relationship between the key indicators equity, earnings, costs, liquidity and risks. The Board of Management is regularly informed about positive and negative earnings drivers in order to identify and counteract unscheduled developments at an early stage if necessary.

Comprehensive management with the aim of optimising the Bank's development is significantly influenced, among other things, by ongoing changes in external conditions and regulatory requirements. VakifBank observes the regulatory requirements specified for the individual risk types when recording, assessing, managing, monitoring, and limiting banking business and operational risks pursuant Section 39 sub-clause 2 BWG. This will be done taking into account the nature, scope and complexity of the banking business we conduct, including the implementation of European Supervisory Authority guidelines.

Objectives and Strategies

A diversification strategy was defined with regard to the countries of domicile of credit customers or securities issuers already in 2016. This is implemented primarily by the securities investment division and the corporate banking division, while maintaining very good asset quality and taking into account the Bank's earnings position. This strategy was also continued in the financial year 2019.

The area of securities investments is of high strategic importance for VakifBank in the coming years due to its diversification. Domicile diversification is implemented through a corresponding investment strategy in the securities sector. Particular attention is paid to ensuring that priority is given to assets suitable for ECB refinancing. The reduction of assets in Turkey is to be compensated by the purchase of government bonds, corporate bonds, bank bonds, supranational bonds (e.g. development and export promotion banks), as well as by diversified granting of corporate loans, promissory note loans and syndicated loans to well-rated companies.

VakifBank has a coherent business and risk strategy approved by the Board of Managing Directors and the Supervisory Board as well as associated limit systems**.** The business strategy was operationalised within derived capital and structural limits.

Business Performance 2019

The financial year 2019 was another successful year for VakifBank.

The many years of positive business development in the past have shown that VakifBank has the necessary specialist knowledge and good customer contacts, which will also enable it to successfully continue its current strategy. In the past, strategic objectives have always been met and in most cases even exceeded. The continuation of the diversification strategy is planned for the 2020 financial year.

Research and Development

VakifBank does not engage in research and development as defined in section 243 (3) Z3 UGB.

Risk Report

The aim of VakifBank's risk strategy is to ensure the risk-bearing capacity and capital adequacy as well as optimum risk and earnings management. The results of the risk reports serve as a basis for management decisions and for controlling the Bank. The adequacy of the systems, procedures and processes used is subject to regular reviews and, if necessary,
appropriate adjustments. The risk-bearing capacity is given, if all material risks of an institution, taking into account risk concentrations, are continuously covered by the available risk cover funds.

Types of Risk

VakifBank's business activities give rise to various risks, which are identified and assessed by the Board of Managing Directors together with the responsible specialist departments as part of the risk inventory.

Risk Assessment

Risk measurement in the risk-bearing capacity analysis comprises a risk assessment and analysis of the quantified risks on the methodical basis of a value-at-risk approach, for the expected and unexpected loss to be covered by the available capital cover funds. The expected credit loss is that amount that VakifBank calculates in connection with the lending or
investment business. The expected loss is therefore not an effective risk in the sense of a negative deviation, but a calculatory planning parameter. The unexpected loss is the theoretically possible loss in excess of this expected loss with a specific risk assessment horizon and a predetermined probability of non-occurrence (specifically 99.9% in the control scenario
with a common risk assessment horizon of 1 year).

Stress scenarios are also defined in the areas of collateral, credit ratings, interest rate changes, country risk and foreign currency risk with the aim of quantifying losses that may be triggered by extreme events. This aggregated total loss potential from risk assumption is compared in a multi-stage process with the cover funds available to cover these potential losses (total equity, value adjustment balance against expected credit losses, expected operating profit for the current financial year). Based on the available cover funds in this risk-bearing capacity analysis, upper risk limits are defined by management. In addition, an overall bank stress test is also performed based on the stress scenarios mentioned above. The results of the risk-bearing capacity analysis are reported to the Managing Board on a quarterly basis.

Credit Risk

The debtor-specific credit risk results from possible losses, which arise as a result of the poor creditworthiness (also known as default risk) or deterioration in creditworthiness (also known as migration risk) of receivables customers.

To quantify unexpected credit loss, VakifBank uses a basic IRB approach adapted for risk-bearing capacity analysis (Pillar 2/ICAAP) with the help of external rating systems and default probability scales. The Bank has ratings above the rating relevance limit for all customers. Basis of these ratings are the published ratings of international rating agencies.
For customers who do not have such a rating, a rating programme specially developed for this customer segment by one of the largest international rating agencies is used. The average probabilities of default based on these ratings are used to quantify credit risk. For loss ratios, the requirements of the Basel III CRR Regulation are generally applied. Where
external and published ratings are available, these are used as the basis for the credit risk calculation. For companies that do not have a published external rating, software and database is used by Moody's, one of the leading rating agencies.

Country and transfer risks are managed using limits in line with the Bank's risk-bearing capacity (ICAAP). In addition, cluster risks among financial customers are limited by individual bank limits. This cluster risk is also quantified in relation to the loan portfolio (credit concentration risk).

Overall Bank Interest Rate Risk

The overall bank interest rate risk involves the danger that the expected or planned balance sheet value or present value long-term income is not achieved due to a change in market interest rates. The interest rate risk generally contains both an income effect (net interest income) and a present value effect. VakifBank has a low risk appetite for interest rate risk. Future activities are designed to keep the interest rate risk at a low level. Interest rate risk is simulated in the risk-bearing capacity calculation using a change in present value in the event of a 200 basis point parallel shock to the yield curve and is backed accordingly with economic capital. We measure, identify and manage the risks of possible interest rate changes of transactions in the banking book using appropriate systems and procedures.

Currency Risk

Currency risk describes the risk of changes in the value of foreign currency positions due to price shifts on the spot currency markets. VakifBank's currency risk arises solely from outstanding receivables in USD and, to a lesser extent, GBP.

No other currencies are used in VakifBank's operations. Banking transactions may be carried out in Turkish lira for non-essential individual transactions. For significant USD receivables positions, the necessary hedging of the currency risk is carried out using FX swaps to refinance these USD positions directly in foreign currency. This risk category
is measured and limited in the calculation of risk-bearing capacity (ICAAP) using a simple value-at-risk approach.

Foreign Currency-Related Credit Risk

The devaluation of a currency against the euro increases the credit exposure of a foreign currency loan converted into euros and thus the loss potential even if the customer's probability of default remains unchanged. Furthermore, the increased credit exposure may lead to an increased risk of the borrower defaulting on a local currency loan. When granting new loans, customers with income and assets in EUR and USD are given preference. These customers therefore have a natural hedge. For such exposures and for foreign exchange positions that actually involve foreign currency financing, the resulting risk is quantified and backed by economic capital.

In the case of foreign currency loans, the exposure is additionally increased by the corresponding scaled, historical annual volatility of the FX exchange rates in the risk-bearing capacity scenario. In order to roughly estimate the impact on the foreign currency risk potential in economic capital, 8% of this amount (basic own funds ratio) is recognised as a risk for the problem case, with receivables from financial institution and government customers being excluded due to the assumed own currency hedging for these customers.

Credit Spread Risk

The risk of changes in the credit spread of securities is the risk of loss due to changing bond market prices caused by changes in credit spreads or the spread curve compared with the risk-free interest rate. This risk category is measured and limited in the calculation of risk-bearing capacity (ICAAP) using a simple value-at-risk approach.

Country Risk

The country risk expresses the danger that receivables from cross-border transactions may default due to sovereign measures (transfer and conversion risk) as well as the danger that the economic or political situation of the country may have a negative impact on the creditworthiness of the debtor. It includes the insolvency or unwillingness to pay of the country itself, or the country to which the business partner/counterparty is assigned. This allocation is determined in the overall bank management (ICAAP) in accordance with the country of domicile principle (political country risk) or the principle of liability allocation, such as in the case of business partners' group affiliations (economic country risk).

The country risk of Turkey is part of VakifBank's business model and is limited according to VakifBank's internal assessment, also based on experience and the careful and conservative selection of counterparties. This is given special consideration in overall bank management. As part of the above-mentioned diversification strategy, VakifBank has a medium risk appetite with regard to EU member states and other EU accession candidates. In the case of Turkey, VakifBank accepts a medium to higher risk appetite for country risk. As part of the diversification strategy, the country risk Turkey will be further reduced. Country risk is quantified conservatively and backed by sufficient economic capital in the calculation of risk-bearing capacity (ICAAP).

Operational Risk

Operational risk means the danger of loss as a result of inadequate governance or failed internal processes and systems, intentional or negligent acts by employees or external events and includes legal risk. Among the risks from systems, cyber security risks, IT risks and business continuity risks should be highlighted. Systems and processes also include all precautions relating to money laundering and terrorist financing. In order to reduce material risks by means of suitable internal controls, the internal control system is being expanded accordingly. In particular, outsourcing risks are addressed by tightening internal controls and availability risks are minimised. Internal Audit regularly reviews the adequacy of the measures and precautions taken to reduce operational risk. VakifBank assesses and manages the operational risk and, on this basis, operates a safeguard against rarely occurring events with serious consequences.

VakifBank has contingency plans in place to ensure the continuity of operations and the limitation of losses in the event of a serious business interruption.

Liquidity Risk

VakifBank has a low risk appetite for liquidity risk. Future activities are designed to keep the liquidity risk at a low level. The liquidity risk strategy is an integral part of the business and risk strategy.

The internal control instruments for measuring and avoiding liquidity risks are covered by ILAAP. The premises specified in AI-RMV §12 apply as an integral part of the risk strategy, applying or specifically interpreting the principle of proportionality or low complexity, risk profile and area of activity.

Macroeconomic Risk

Macroeconomic risk is only applied to credit risk as the most significant risk type. The quantification assumes a decline in GDP and the worsening probabilities of default (PDs) and the resulting unexpected loss. Based on the increased PDs, the risk potential Macroeconomic risk is calculated in the ICAAP (assuming a PD increase of 25 % and an increase in unexpected loss).

Overall Risk Profile and Set of Rules

The risk management system and the processes for identifying, measuring, assessing, controlling, monitoring and communicating the individual types of risk are described in the risk management manual and various other guidelines issued by VakifBank and in supplementary work instructions. A materiality assessment is documented for all risk types and, where necessary, for their individual characteristics.

Earnings, financial and asset position

Development of key balance sheet items

The main sectors in which loans are outstanding at the end of 2019 are services, banking/leasing, manufacturing and government. The remainder of the portfolio is divided more or less equally between construction, energy, transport and trade.

Receivables from customers and banks fell from EUR 460 million to EUR 451 million. The volume of bonds and other fixed-income securities fell from EUR 251 million to EUR 211 million, representing a percentage change of minus 16%.

The German branch is mainly active in the deposit-taking business and has a balance sheet total of EUR 197 million. Customer deposits in Germany amounted to EUR 190 million at year-end 2019.

Balance Sheet Equity

Compared to the previous year, balance sheet equity increased by around EUR 9 million to a total of around EUR 156 million. The liability reserve amounts to EUR 8.25 million.

Assets and financial position

The financial year was thus concluded with total assets of EUR 820 million. Receivables from customers increased by EUR 95 million in the reporting year and amount to EUR 443 million.

Receivables from banks fell from EUR 113 million to EUR 9 million. Bonds and other fixed-income securities had a value of EUR 211 million at the end of the year under review, compared to EUR 251 million a year earlier.

Liabilities vis-à-vis customers fell by 20%, they amount to EUR 585 million. In the previous year, these amounted to EUR 729 million. Other liabilities, including prepaid expenses and provisions, decreased to EUR 7.3 million compared to the previous year (EUR 9.6 million). Overall, the financial year, including the unappropriated surplus, ended with equity of EUR 156 million. This continues to represent a solid and sufficient capital base for the Bank's development.

Results of operation

A slightly lower net interest income of EUR 14.9 million (previous year: EUR 15.7 million) was achieved in the year under review. Commission surplus contributed EUR 0.1 million to the result. Compared to the previous year, general administrative expenses fell by 8%, amounting to EUR 8 million at year-end. This was due to lower personnel costs and lower operating expenses. The valuation result of financial assets consists of capital gains and amounts to EUR 4.7 million.

VakifBank's profit from ordinary activities amounted to EUR 10.0 million. Overall, the 2019 financial year closed with a net profit of EUR 8.6 million.

Liquidity situation

VakifBank's solvency was ensured at all times in the 2019 financial year thanks to a planned and balanced liquidity provision, and the liquidity ratios required by the regulatory authorities were always significantly exceeded. VakifBank again had various refinancing options at its disposal in the past financial year to conduct new business.

Overall situation and outlook

Taking into account the increased regulatory requirements and volatile market conditions, VakifBank was able to meet its targets and achieve a satisfactory overall result. The Turkish lira continued to depreciate in 2019 as in the year before. Thanks to its many years of expertise, Vakifbank was nevertheless able to continue to generate satisfactory and risk-adequate earnings in this demanding market.

A key reason for this success is a balanced diversification strategy, careful and critical credit assessment and in-depth knowledge of the Turkish market. However, in the context of the above diversification strategy, low interest rates across the EU are seen as a challenge as they make it difficult to invest deposits profitably.

As in the previous year, the 2020 financial year will be characterised by the implementation of the diversification strategy described and by further organisational improvements. Further attention will be paid to the optimisation of business processes. Based on this, the central processes will be continuously revised and adapted. Due to the Covid-19 pandemic, which triggered a significant decline in economic output in all economies within a short period of time, it is not yet possible to estimate the course of the 2020 financial year at the time of reporting. However, thanks to our good capitalisation and the diversification strategy we have successfully implemented over the years, we are confident that we will master the challenging situation of the 2020 financial year.

Vienna, this 29/06/2020

VakifBank International AG

Ahmet V. Biyik	Muhammet Aydin
Chairman of the Board, CEO	Director

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board held regular meetings in the 2019 financial year. At these meetings, as well as through ongoing reporting by the Board of Management, the Supervisory Board was kept informed about key management issues, the course of business and the situation of the company.

The reports of the Executive Board were noted and the necessary resolutions were passed. The Supervisory Board has thus fulfilled the duties incumbent upon it under the law and the Articles of Association.

The annual financial statements including notes and management report for the 2019 financial year were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, the appointed auditor of the annual financial statements and bank auditor, and received an unqualified audit opinion.

The final results of the audit of the financial statements, the notes to the financial statements and the management report conducted by the Supervisory Board after appropriate preparation and recommendation by the audit committee in accordance with § 92 (4) of the Stock Corporation Act give no cause for objection.

The Supervisory Board concurred with the results of the audit, declared its agreement with the annual financial statements and management report submitted by the Managing Board and approved the annual financial statements for 2019 at its meeting on xxx, which are thus adopted in accordance with Article 96 (4) of the Stock Corporation Act.

The Supervisory Board approves the profit appropriation proposal submitted by the Management Board and thanks the Management Board and employees for their successful work in 2019.

Vienna, this 29/07/2020

Şuayyip İLBİLGİ
Chairman of the Supervisory Board

AUDIT CERTIFICATE

for the Annual Statements at 31 December 2019 of

VakifBank International AG, Vienna

Audit opinion

We have audited the annual financial statements of VakifBank International AG, Vienna, consisting of the balance sheet as at 31 December 2019, the profit and loss statement for the financial year ending on this valuation date, and the notes.
Based on our assessment, the attached annual financial statements correspond to law requirements and provide a truest possible depiction of the asset and financial position as at 31 December 2019 and of the earnings of the company for the financial year ending on this valuation date in accordance with Austrian company law regulations and banking law.

Basis for the audit opinions

We carried out our audit of the annual financial statements in accordance with Regulation (EU) No. 537/2014 (hereinafter referred to as EU Regulation) and with the Austrian principles of proper conduct of audits. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these rules and standards are described in more detail in the section "Responsibility of the auditor for the audit of the annual financial statements" in our audit opinion. We are independent of the Company in accordance with Austrian corporate and professional regulations and we have fulfilled our other professional obligations in accordance with these requirements. We are of the opinion that the audit evidence reviewed by us is sufficient and suitable to serve as the basis for our audit opinion on the annual financial reports.

Particularly important audit issues

Matters of particular importance are those matters which in our professional opinion are most relevant to our audit of the financial statements for the financial year. These matters have been considered in the context of our audit of the financial statements as a whole and in forming our opinion thereon; We do not express a separate opinion on these matters.

Assessment of receivables from customers   Facts

and problem definition

In the annual financial statements, the company reports receivables from customers of EUR 442.2 million after deduction of specific bad debt allowances of EUR
8.2 million, the vast majority of which is attributable to business customers. Information on the valuation of receivables from customers can be found in the Notes on pages 1 and 3.
The assessment of the recoverability of customer receivables and thus their valuation involves identifying the need for impairment and estimating the amount of any impairment. Due to the volume of receivables from customers and the dependence of assessments on available information on the economic situation of borrowers, we have identified this area as a particularly important subject of review.

Auditing procedure

As part of our audit, we assessed the credit monitoring process of VakifBank International AG and assessed whether it is suitable for the timely identification of value adjustment requirements. To this end, we held discussions with responsible employees and assessed the relevant internal guidelines to determine whether the credit monitoring process is suitable for identifying the need for write-downs and adequately calculating risk provisions. As part of a walkthrough, we reviewed the implementation of the main control activities. In addition, we have randomly tested relevant controls for their effectiveness.

In addition, we used a sample of selected loan cases to check whether impairment requirements were identified in good time and appropriate individual value adjustments were made.

Responsibility of the legal representatives and the audit committee for the annual financial statements

The legal representatives are responsible for the presentation of the annual financial statements and for ensuring that the annual financial statements provide a picture of the company that accurately reflects the conditions of the assets, finances and business performance in accordance with Austrian regulations and the Austrian Banking Act. The legal representatives are also responsible for the internal controls, which they consider necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to assess the going concern status, to disclose any matters relating to the going concern status, if applicable, and to apply the going concern accounting policy unless the directors intend either to liquidate the company or to cease trading or have no realistic alternative.

The Supervisory Board is responsible for monitoring the company's financial reporting process. Responsibility of the

auditor for the audit of the annual financial statements

Our goal is to gain adequate certainty on whether the annual financial statements as a whole are free from material misrepresentation, whether intentional or unintentional, as well as to issue a certification that includes our audit opinions. Sufficient certainty is a high degree of certainty, but not a guarantee that an audit conducted in accordance with EU regulations and Austrian generally accepted standards for the audit of financial statements, which require the application of ISAs, always discloses a material misstatement, if any. Misstatements can result from fraudulent acts or errors 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 financial statements.

As part of an audit in accordance with the EU Regulation and with the Austrian principles of regular auditing that requires the application of the ISA, we exercise due discretion throughout the audit and maintain a critical attitude.

In addition, the following applies:

- We identify and assess the risks of material, intentional or unintentional, misrepresentations in the financial statements, plan audit actions in response to these risks, conduct them, and obtain audit evidence that is sufficient and suitable to serve as the basis for our opinion. The risk that material misrepresentations resulting from fraudulent acts will not be detected is higher than that of material misstatements resulting from errors, as fraudulent acts may involve fraudulent collusion, falsification, intentional incompleteness, misrepresentation or the invalidation of internal controls.

- We gain an understanding of the internal control system relevant to the audit in order to plan audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system.

- We evaluate the appropriateness of accounting policies used by management, the reasonableness of accounting estimates made by management and related disclosures.

- We express a conclusion on the appropriateness of the going concern basis of accounting used by the Company's legal representatives and, based on the audit evidence obtained, a conclusion on whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to refer in our audit opinion to the related disclosures in the financial statements or, if these disclosures are not appropriate, to modify our audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the company's turning away from continuing its business activities.

- We assess the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements give a true and fair view of the transactions and events underlying the financial statements.

-We discuss with the Supervisory Board, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control system that we identify during our audit.

-We also issue a statement to the Supervisory Board that we have complied with the relevant professional standards of conduct with regard to independence and discuss with the Supervisory Board all relationships and other matters that can reasonably be expected to affect our independence and, where relevant, related safeguards.

-Of the matters which we discussed with the Supervisory Board, we determine the matters that were most significant for the audit of the annual financial statements for the financial year and are therefore the most important audit matters. We describe these matters in our audit opinion unless laws or regulations preclude public disclosure of the matter or, in extremely rare cases, we determine that a matter should not be disclosed in our audit opinion because it is reasonably expected that the negative consequences of such disclosure would outweigh the benefits to the public interest.

Report on the management report

Austrian company law requires that the management report be audited as to whether it is consistent with the financial statements and whether it was prepared in accordance with applicable legal requirements.
The legal representatives of the company are responsible for the preparation of the management report in accordance with Austrian company law.

We conducted our audit in accordance with professional standards for the audit of management reports. Opinions

In our opinion, the management report has been prepared in accordance with the applicable legal requirements and is consistent with the financial statements.

Explanation

In view of the knowledge and understanding of the company and its environment gained during the audit of the annual financial statements, no material misstatements in the management report were identified.

Additional information under Article 10 of the EU Regulation

We were elected as auditors for the financial year ending 31 December 2019 by the Annual General Meeting on 29 June 2018 and were commissioned by the Supervisory Board on 29 June 2018 to perform the audit. In addition, we were elected as auditors for the following financial year at the Annual General Meeting on 25 September 2019 and commissioned by the Supervisory Board on 25 September 2019 to audit the financial statements. We have been the auditors of the Company without interruption since the financial year ended 31 December 1999.

We declare that the audit opinion in the section "Report on the financial statements" is consistent with the additional report to the Supervisory Board pursuant to Article 11 of the EU Regulation. We declare that we have not performed any prohibited non-audit services in accordance with Article 5 (1) of the EU Regulation and that we have maintained our independence from the Company in conducting the audit.

Vienna, 30 June 2020

Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Nikolaus Müller
Wirtschaftsprüfer

The publication or distribution of the annual financial statements with our audit certificate may only take place in the version certified by us. This auditor's report refers exclusively to the complete German-language financial statements and management report.
For deviating versions, the provisions of § 281 (2) UGB must be observed.

VAKIFBANK INTERNATIONAL AG BALANCE SHEET

AT 31 DECEMBER 2019

PROFIT AND LOSS STATEMENT 2019

NOTES TO THE BALANCE SHEET AND

PROFIT AND LOSS STATEMENT

BALANCE SHEET AT 31 DECEMBER 2019

ASSETS

	31/12/2019 EUR	EUR	31/12/2018 EUR	EUR
1. Cash in hand and balances with central banks		47,350,555.49		92,432,820.16
2. Debt instruments of public authorities		100,758,840.29		107,121,926.12
3. Receivables from banks				
a) payable on demand	8,210,078.38		12,053,851.84	
b) other receivables	990,154.89	9,200,233.27	100,794,084.51	112,847,936.35
4. Receivables from customers		442,202,258.31		346,962,169.13
5. Bonds and other fixed-income securities				
a) from public issuers	33,531,108.00		44,766,858.04	
b) from other issuers	177,943,299.83	211,474,407.83	206,509,708.54	251,276,566.58
6. Participations		3,020.00		3,020.00
7. Intangible fixed assets		45,385.04		55,571.60
8. Tangible assets thereof: Land and buildings used by the credit institution in the course of its own activities: EURO 0 (previous year: 116 TEUR)		186.602,56		221.320,60
9. Other assets		8,841,558.06		10,018,664.20
10. Deferred assets		239,044.97		283,753.49
		820,301,905.82		**921,223,748.23**

Items below the balance sheet

1. International assets	698,300,308.49	745,168,773.38

LIABILITIES

	31/12/2019 EUR	31/12/2019 EUR	31/12/2018 EUR	31/12/2018 EUR
1. Liabilities vis-à-vis banks				
a) payable on demand	7,699,804.71		10,439,650.82	
b) with agreed maturity or period of notice	64,311,530.00	72,011,334.71	25,000,000.00	35,439,650.82
2. Liabilities vis-à-vis customers				
a) Savings deposits				
thereof:				
aa) payable on demand	92,689,526.77		87,154,224.74	
ab) with agreed maturity or period of notice	243,616,920.48		293,199,845.09	
b) Other liabilities				
thereof:				
ba) payable on demand	18,103,761.49		20,429,957.54	
bb) with agreed maturity or period of notice	230,719,968.30	585,130,177.04	328,165,674.51	728,949,701.88
3. Other liabilities		3,835,734.14		6,621,315.11
4. Deferred assets		735,359.51		1,490,789.25
5. Provisions				
a) Provisions for severance payments	360,000.00		310,000.00	
b) Provisions for taxes	1,446,000.00		454,000.00	
thereof provisions for deferred tax liabilities	46,000.00		167,000.00	
c) other	877,058.74	2,683,058.74	702,000.00	1,466,000.00
6. Subscribed capital		100,000.000.00		66,000,000.00
7. Capital Reserves				
a) not bound		0.00		4,000,000.00
8. Retained Earnings				
a) Legal reserve	5,900,000.00		5,400,000.00	
b) other reserves	33,606,291.17	39,506,291.17	55,514,609.39	60,914,609.39
9. Liability reserve pursuant to § 57 (5) BWG		8,250,000.00		8,250,000.00
10. Balance sheet profit		8,149,950.51		8,091,681.78
		820,301,905.82		**921,223,748.23**

	31/12/2019	31/12/2018
Items below the balance sheet		
1. Contingent liabilities	225,281.28	433,740.30
a) liabilities from guarantees and liabilities from the provision of collateral	225,281.28	433,740.30
2. Credit risks	350,313.35	385,039.76
3. Eligible own funds under Part 2 of Regulation (EU) No. 575/2013	147,210,906.13	145,041,965.44
thereof: Supplementary capital according to part 2 title I chapter 4 of Regulation (EU) No. 575/2013		
4. Capital requirements pursuant to Art. 92 of Regulation (EU) No. 575/2013	680,605,232.81	686,392,097.57
thereof: Capital requirements pursuant to Art. 92 (1) lit. a to c of Regulation (EU) No. 575/2013 (CRR)		
hard core capital ratio	21.6%	21.1%
Core capital ratio	21.6%	21.1%
Total capital ratio	21.6%	21.1%
5. International liabilities	202,679,744.97	286,763,826.08
Return on assets	1.05%	0.93%

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR 2019

	2019		2018	
	EUR	EUR	EUR	EUR
1. Interest and similar income thereof: from fixed-income securities: 9,227 TEUR (previous year: 7,912 TEUR)		24,436,157.50		27,188,524.32
2. Interest and similar expenses		-9,496,214.80		-11,514,062.47
I. NET INTEREST REVENUE		**14,939,942.70**		**15,674,461.85**
3. Commission income		256,551.60		363,228.87
4. Commission expenses		-158,696.95		-156,062.70
5. Income/expenses from financial transactions		25,821.94		62,912.71
6. Other operating income		52,957.48		41,548.37
II. OPERATING INCOME		**15,116,576.77**		**15,986,089.10**
7. General administrative expenses a) Personnel expenses thereof:				
aa) Wages and salaries	-2,958,456.65		-3,607,237.32 bb)	
Expenses for statutory social security contributions and payroll-related levies and compulsory contributions	-751,867.36		-862,165.57	
cc) other social security expenses	-93,797.93		-77,575.37	
dd) expenses for pensions and other benefits	-106,629.09		-57,773.86	
ee) expenses for severance payments and payments to company employee provision funds	-125,587.21	-4,036,338.24	-77,196.81	-4,681,948.93
b) Other administrative expenses (material expenses)		-4,195,392.55		-4,223,593.17
8. Value adjustments on assets included in asset items 7 and 8		-91,081.85		-117,499.65
9. Other operating expenses		-580,924.79		-733,125.08
III. OPERATING EXPENSES		**-8,903,737.43**		**9,756,166.83**
IV. OPERATING RESULTS		**6,212,839.34**		**6,229,922.27**
10. Allocation to/income from reversal of allowances for doubtful accounts and income/loss from the sale/valuation of the liquidity reserve		-934,699.77		-585,548.00
11. Valuation result fixed assets		4,674,160.32		3,490,710.53
V. RESULT FROM ORDINARY BUSINESS ACTIVITIES		**9,952,299.89**		**9,135,084.80**
12. Taxes on income and earnings		-1,258,907.00		-521,525.39
13. Other taxes not shown under item 12		-43,442.38		-21,877.63
VI. ANNUAL NET PROFIT		**8,649,950.51**		**8,591,681.78**
14. Movement in reserves thereof: Allocation to the liability reserve pursuant to § 57 (5) BWG EUR 0; (previous year: 0 EUR)		-500,000.00		-500,000.00
VII. ANNUAL PROFIT		**8,149,950.51**		**8,091,681.78**
15. Profit brought forward		0.00		0.00
VIII. BALANCE SHEET PROFIT		**8,149,950.51**		**8,091,681.78**

DEVELOPMENT OF FIXED ASSET ITEMS

	Acquisitio value at 01/01/2019	Additions	Disposals	Reclassification	Acquisition value at 31/12/2019	Accumulated depreciation at 01/01/2019	Write-ups in the current financial year	Write-downs in the current financial year	Disposals	Accumulated Write-downs and -ups at 31/12/2019	Book value at 31/12/2018	Book value at 31/12/2019
in EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR	EUR	EUR	EUR
I. FINANCIAL INVESTMENTS												
a) securities												
aa) debt instruments of public authorities	106,772,419.87	39,116,500.00	-45,589,445.10	- 0.00	100,299,474.77	-565,793.75	323,955.84 1)	-214,096.57 2)	0.00	- 455,934.48	106,206,626.12	99,843,540.29
bb) other fixed-income securities	245,141,933.12	40,976,491.02 *)	-82,425,023.54	0.00	203,693,400.60	1,074,633.46	2,166,427.19 1)	-520,509.57 2)	0.00	2,720,551.08	246,216,566.58	206,413,951.68
	351,914,352.99	**80,092,991.02**	**-128,014,468.64**	**0.00**	**303,992,875.37**	**508,839.71**	**2,490,383.03**	**-734,606.14**	**0.00**	**2,264,616.60**	**352,423,192.70**	**306,257,491.97**
II. PARTICIPATIONS	**3,020.00**	**0.00**	**0.00**	**0.00**	**3,020.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**3,020.00**	**3,020.00**
III. INTANGIBLE ASSETS												
a) rights and licences	381,452.48	0.00	0.00	0.00	381,452.48	-325,880.88	0.00	-10,186.56	0.00	-336,067.44	55,571.60	45,385.04
b) start-up expenses	-	0.00	0.00	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	381,452.48	**0.00**	**0.00**	**0.00**	**381,452.48**	**-325,880.88**	**0.00**	**-10,186.56**	**0.00**	**-336,067.44**	**55,571.60**	**45,385.04**
IV. TANGIBLE ASSETS												
a) adaptations in foreign buildings	1,122,349.69	0.00	0.00	0.00	1,122,349.69	-1,122,349.69	0.00	0.00	0.00	-1,122,349.69	0.00	0.00
b) fixtures and office equipment	1,239,591.01	43,693.18	0.00	0.00	1,283,284.19	-1,018,270.41	0.00	-78,411.22	0.00	-1,096,681.63	221,320.60 186,602.56	
c) vehicle fleet	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
d) low-value assets	0.00	2,484.07	-2,484.07	0.00	0.00	0.00	0.00	-2,484.07	2,484.07	0.00	0.00	0.00
	2,361,940.70	**46,177.25** **-**	**-2,484.07**	**0.00**	**2,405,633.88**	**-2,140,620.10**	**0.00**	**-80,895.29**	**2,484.07**	**- 2,219,031.32**	**221,320.60**	**186,602.56**

1) pro-rata write-up of differences in securities valued as financial assets pursuant to § 56 (3) BWG
2) pro-rata write-down of differences in securities valued as financial assets pursuant to § 56 (2) BWG
*) Additions include exchange rate differences amounting to EUR 1.6 million from securities in foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS 2019

General Provisions

The annual financial statements of VakifBank International AG (VakifBank) was prepared in accordance with generally accepted accounting principles and the general standard of providing a true and fair view of the assets, financial position and earnings of the company. The accounting, valuation and disclosure of the individual items in the annual financial statements were carried out in accordance with the provisions of the Austrian Enterprise Code and the Austrian Banking Act, as amended.

Accounting methods

The classification of the balance sheet and the profit and loss statement is in accordance with Appendix 2 to § 43 BWG. Individual items that do not show an amount either in the year under review or in the previous year are not listed. The principle of completeness was observed in the preparation of the annual financial statements and a going concern assumption was made. The principle of individual valuation was observed in the valuation of individual assets and liabilities. The principle of prudence was observed, taking into account the special features of the banking business, in that only profits realised on the balance sheet date were shown and all recognisable risks and impending losses were taken into account in the valuation.
Amounts in foreign currencies are valued in accordance with section 58 (1) of the Austrian Banking Act at the mid-rates quoted on the balance sheet date 31 December 2019.

The recognition of securities that are not classified as fixed assets, was carried out at the acquisition cost or the lower stock market price on the balance sheet date, taking into account the strict principle of the lowest value. For the valuation of securities held as fixed assets, the accounting options provided for in the second sentence of Article 56 (2) of the Austrian Banking Act and Article 56 (3) of the Austrian Banking Act were exercised and the less strict principle of lower of cost or market value was applied. Tangible and intangible assets are valued at acquisition cost less scheduled straight-line depreciation. A breakdown of fixed assets and their development in the year under review is shown in the statement of changes in fixed assets (Appendix 3/1).

Loan receivables are treated as current assets and are therefore valued strictly at the lower of cost or market. VakifBank determines the need for individual value adjustments as part of credit monitoring. This is done by continuously monitoring the loan portfolio with regard to the valuation of collateral and the adjustment of rating levels, which change due to the creditworthiness of borrowers and their payment behaviour. A portfolio allowance of TEUR 710 was recognised on the basis of statistical empirical values from similar circumstances in accordance with section 201 (2) no. 7 UGB.

Scheduled depreciation was based on the following useful lives:

TANGIBLE ASSETS	YEARS
Rights and licences	10
Investments in foreign buildings	10
Fixtures and office equipment	4-10
Office machinery and computer equipment	2-4
Vehicle fleet	5

Low-value assets (§ 13 ESTG) in the amount of TEUR 2 (previous year TEUR 4) were written off in full in the year of acquisition and shown in the statement of changes in assets in the columns additions, disposals and depreciation for the financial year.

The provision for severance payments was calculated in accordance with the principles of financial mathematics (based on AFRAC Opinion 27) on the basis of a retirement age of 60 (women) and 65 (men) and an interest rate of 1.8% (previous year 2.1%). The 7-year average interest rate with a remaining term of 15 years as of 31 December 2019 was used in accordance with the German announcements of the legal regulations under Section 253 (2) of the German Commercial Code (HGB) and a 10% discount was also included due to the falling interest level.
In accordance with the principle of prudence, all risks identifiable at the time the balance sheet was prepared, as well as liabilities of uncertain timing or amount, were included in other provisions at the amounts deemed necessary by the company.

Name and headquarters of the parent company

VakifBank is included in the consolidated financial statements of Türkiye Vakiflar Bankasi T.A.O. (TVB), Saray Mahallesi Dr. Adnan Büyükdeniz CaddesiNo:7/A-B 34768 Ümraniye/?stanbul. The consolidated financial statements are available at the registered office of the parent company.

Share capital

At the proposal of the Managing Board of VakifBank International AG, the Annual General Meeting on 28 June 2019 resolved to increase the share capital from EUR 66 million to EUR 100 million from company funds in accordance with § 2 (5) KapBG. The increase in the share capital from company funds, which is divided into no-par shares, is carried out without the issue of new shares and benefits all shareholders to the extent of their participation. The capital increase took place with retroactive effect at the beginning of the current financial year, i.e. on 1 January 2019.
The share capital thus amounts to Euro 100 million and is divided into 66 million registered shares with a nominal value of Euro 1.52 each. Shareholders are Türkiye Vakıflar Bankası T.A.O., Saray Mahallesi Dr. Adnan Büyükdeniz CaddesiNo:7/A-B 34768 Ümraniye/?stanbul with 59.40 million and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sa?lık Yardım Sandı?ı Vakfı, Tunus Caddesi No: 67 Cat: 4 06680 Kavaklıdere/Ankara/Türkiye with 6.60 million.

Information regarding the balance sheet and to the profit and loss statement

Breakdown of maturities (§ 64 para. 1 no. 4 BWG)

Receivables not payable on demand included amounts with the following maturities (residual term):

	Receivables from banks **31/12/2019**	2108	from non-banks **31/12/2019**	2108
	in €	in T€	in €	in T€
up to 3 months	890,155	75,366	41,597,423	20,996
more than 3 months up to 1 year	100,000	25,428	37,606,560	28,361
more than 1 year up to 5 years	0	0	193,633,328	273,665
more than 5 years	0	0	166,582,695	23,273
Total	**990,155**	100,794	**439,420,006**	346,295

The total amount of assets denominated in other currencies is EUR 75.5 million (previous year EUR 108.1 million).

Individual value adjustments of EUR 8.2 million (previous year EUR 7.9 million) were made on receivables from customers amounting to EUR 11.3 million (previous year EUR 8.9 million).

Obligations not payable on demand included amounts with the following maturities (residual term):

	vis-à-vis banks **31/12/2019**	2018	vis-à-vis non-banks **31/12/2019**	2018
	in €	in T€	in €	in T€
up to 3 months	40,000,000	25,000	88,397,157	100,249
more than 3 months up to 1 year	24,311,530	0	178,501,452	224,476
more than 1 year up to 5 years	0	0	201,212,081	292,024
more than 5 years	0	0	6,226,199	4,617
Total	**64,311,530**	25,000	**474,336,889**	621,366

The total amount of liabilities denominated in other currencies is EUR 0.8 million (previous year EUR 0.8 million).

Debt instruments of public authorities, bonds and other fixed-income securities, and shares

The item debt instruments of public authorities amounts to EUR 100.8 million, down EUR 6.3 million on the previous year. The item bonds and other fixed-income securities fell from EUR 251.3 million by EUR 39.8 million to EUR 211.5 million.

Of the bonds, EUR 31 million (previous year EUR 46 million) will fall due in 2020.

At the balance sheet date, bonds (including debt instruments) with acquisition costs of EUR 304 million (previous year: EUR 352 million) existed, which are valued as fixed assets in accordance with Article 56 (1) BWG.

In the case of bonds (including debt instruments) that are recognised as financial assets and whose acquisition cost is higher than the redemption amount, the difference is amortised pro rata temporis in accordance with section 56(2), second sentence, BWG. In 2019, depreciation amounted to TEUR 734 (previous year TEUR 677). The difference to be distributed over the remaining term is TEUR 3,845 (previous year TEUR 3,073).

In the case of bonds (including debt instruments) that are recognised as financial assets and whose acquisition cost is lower than the redemption amount, the difference is recognised in profit or loss over the remaining term in accordance with section 56 (3), BWG. In 2019, write-up amounted to TEUR 1,881 (previous year TEUR 1,005). The difference to be distributed over the remaining term is TEUR 11,087 (previous year TEUR 15,652).

The securities reported under bonds and other fixed-income securities are all listed on the stock exchange. In accordance with § 56 (4) of the Austrian Banking Act, bonds (including debt instruments) that are not recognised as fixed assets show a difference of TEUR 460 (previous year TEUR 404) between the acquisition cost and the higher market value on the balance sheet date. A securities trading book is not kept.
The allocation pursuant to Article 64 (1) (11) BWG was made in accordance with the resolutions passed by the Board of Management, whereby, in line with business strategy, securities held as current assets are earmarked for the liquidity reserve, but securities held as fixed assets are retained for long-term investment.
In 2019, four securities held as financial assets with a nominal value of EUR 59 million and USD 5 million and a total book value of EUR 63.9 million were sold. The subsequent valuation result of financial assets consists of capital gains and amounts to EUR 4.7 million.
In accordance with a resolution passed by the Managing Board, these securities were sold in order to optimise own funds and large credit limits. The purchase date of all these securities was more than 5 years ago. The remaining instruments of financial assets are to be retained permanently.

Notes to financial instruments in accordance with § 237a (1) 1 UGB:

Financial instruments held as financial assets, which are reported above their fair value, are broken down as follows:

in TEUR	**Book value 31/12/2019**	**hidden charges**	**Book value 31/12/2018**	**hidden charges**
Bonds and other fixed-income securities	**31,939**	**-221**	**188,441**	**-7,390**

The reasons for the hidden charges arising from the bonds relate exclusively to market price-related fluctuations. No sustained deterioration in the creditworthiness of issuers could be identified.

Information on equity investments and relationships with affiliated companies (Article 45 BWG)

The receivables from affiliated companies contained in asset items 2 to 5 amount to EUR 34.7 million (previous year EUR 70.03 million). The assets side of the balance sheet towards our parent company, TVB is EUR 19.4 million (previous year 52.03 million), thereof in foreign currency EUR 19.4 million (previous year 19.01 million. These relate primarily to short-term investments or business account balances and securities reported under receivables from banks. Vis-à-vis Vakif Finansal Kiralama A.S. there is a loan of EUR 15.3 million (previous year 18.00 million).
Liabilities include liabilities to our parent company of EUR 7.69 million (previous year EUR 10.43 million), of which EUR 0.33 million (previous year EUR 0.44 million) is in foreign currency. These consist entirely of deposits and clearing balances. In addition, our parent company has various individual guarantees and liabilities relating to our customer loans.
The investments shown in the balance sheet relate to the shares in S.W.I.F.T. SCRL Belgium, in the deposit guarantee of the Banken und Bankiers Gesellschaft mbH in Liqu., and the depost guarantee of AUSTRIA GmbH.

Information on other assets

The item other assets shows a balance sheet value of EUR 8.84 million (previous year EUR 10.01 million). This includes accrued interest for bonds, purchases of receivables (forfaiting) and loans in the amount of EUR 5.93 million (previous year EUR 7.13 million).

Deferred taxes

Deferred tax liabilities pursuant to Section 198 (9) of the Austrian Commercial Code amount to EUR 46 thousand and are reported under "Provisions for deferred tax liabilities". Deferred tax liabilities in the previous year amounted to EUR 167 thousand. Deferred tax liabilities arise from temporary differences in the corporate and tax treatment of the provision for severance payments, the provision for IT expenses, the securities portfolio and the portfolio value adjustment. A rate for corporate tax of 25% was applied.

Information on other liabilities

The item other liabilities shows a balance sheet value of EUR 3.84 million (previous year EUR 6.62 million).
This includes accrued interest in the amount of EUR 2.14 million (previous year EUR 3.43 million), capital income tax liabilities in the amount of EUR 1.1 million (previous year EUR 1.5 million) and liabilities from "unrealised exchange losses on forward transactions" in the amount of EUR 7 thousand (previous year EUR 790 thousand).

Provisions

Other provisions developed as follows in the reporting period:

		Status at 01/01/2019	Use	Release	Allocation	Status at 31/12/2019
		€	€	€	€	€
Holiday accruals		250,333.57	30,845.50	21,070.14	38,615.35	237,033.28
Legal, audit and consultancy fees		119,000.00	109,878.44	9,121.56	157,650.00	157,650.00
Legal proceedings		0.00	0.00	0.00	121,600.00	121,600.00
IT-expenses		275,301.57	78,509.25	0.00	74,485.66	271,277.98
other provisions		57,364.86	56,763.38	0.00	38,896.00	39,497.48
Premiums	-	0.00	0.00	0.00	50,000.00	50,000.00
		702,000.00	275,996.57	30,191.70	481,247.01	877,058.74

Equity

Hard core capital (EUR)	**31/12/2019**	**31/12/2018** (after considering retained earnings 2019)
1. Paid-up share capital in accordance with Article 26(1a) CRR	100,000,000	66,000,000
2. Open reserves pursuant to Article 26 lit e CRR		
thereof capital reserves (premium booked with share capital)		4,000,000
thereof liability reserves	8,250,000	8,250,000
3. Reserves pursuant to Article 26 (1c)		
thereof revenue reserves	39,006,291	69,006,291
deductions under Article 36 (1b) CRR - thereof		
1. intangible assets	-45,385	-55,572
Total hard core capital (EUR)	147,210,906	147,200,719

Under-line items

Under-line items include guarantees amounting to EUR 0.225 million (previous year EUR 0.434 million). The unused credit lines amount to EUR 0.350 million (previous year 0.385 million). To secure its repo and tender obligations, the bank has pledged securities and loans with a book value of around EUR 92.3 million.

Allowances on receivables from customers

The balance of value adjustments on receivables and contingent liabilities had a negative effect in the amount of EUR 935 thousand, of which EUR 360 thousand was portfolio value adjustment.

Expenses for the bank auditor

Expenses four our bank auditor Deloitte (and its Austrian network companies) amounted to EUR 185 thousand (previous year EUR 209 thousand) in 2019 including the allocation to provisions and can be broken down into the following areas of activity:

	2019 TEUR	**2018 TEUR**
Audit of the annual accounts	**93**	**90**
Other confirmation services	**47**	**63**
Tax consulting services	**35**	**53**
Other services	**10**	**3**

Other disclosures

Obligations from the use of property, plant and equipment not shown in the balance sheet for the following financial year amount to approx. EUR 327 thousand (previous year EUR 329 thousand). The total amount of obligations for the following 5 years are approx. EUR 1.6 million (previous year EUR 1.6 million).

In addition, there is still an obligation for deposit guarantee arising from the mandatory membership with deposit guarantee AUSTRIA GmbH in accordance with § 93 BWG. In 2019, the payment of contributions to the deposit guarantee scheme led to a levy on the Deposit Protection Fund (EiSi) in the amount of EUR 557 thousand (previous year 606 thousand), which was recognised as part of other operating expenses. The leasing expenses for motor vehicles for the following financial year are approx. EUR 23 thousand (previous year EUR 23 thousand) and for the following 5 years approx. EUR 51 thousand (previous year EUR 61 thousand).

The item taxes on income and earning amounts to EUR -1,259 thousand (previous year EUR -522 thousand). The sum total of forward transactions not yet settled on the balance sheet date, which consist entirely of FX swaps, amounts to EUR 75.64 million (previous year EUR 107.51 million), the fair value is EUR 0.87 million (previous year EUR -0.35 million). This value is booked under other assets (EUR 878 thousand) and other liabilities (EUR 7 thousand). The disclosure in accordance with Article 431 CRR ff. can be found on our homepage (www.vakifbank.at).

The item expenses for severance payments and payments to company employee provision funds include allocations to provisions for severance payments in the amount of EUR 90 thousand; payments to the company provision fund amount to EUR 36 thousand (previous year EUR 41 thousand). There were no expenses for severance payments to members of the Board of Management and senior executives in this financial year.

The Management Board will propose to the Annual General Meeting that the net profit of EUR 8.1 million be transferred to the revenue reserve. The return on total capital in accordance with § 64 (1) 19 BWG is 1.05 %.

VakifBank operates a branch office in Germany with the following key figures:

Name:	Zweigniederlassung Deutschland (DE)
Net interest revenue:	TEUR 365
Operating revenue	TEUR 464
Number of employees:	7
Profit for the year before taxes:	- 0,6 million
Taxes on income:	EUR 0
Public aid received	EUR 0

From its business activities in the Turkish market, VakifBank generated interest income of EUR 7.8 million from lending and EUR 5.6 million from securities business.

Events after the balance sheet date

The spread of the coronavirus (Covid-19) between the end of the financial year and the preparation or confirmation of the annual financial statements must be classified as a significant event. The Covid-19 pandemic and its consequences for the economy, as well as the measures taken by the government and regulatory authorities, will have an impact on VakifBank's assets, finances and earnings. In particular, this includes the possibility of any impact on the need for write-downs of loan receivables and on the valuation result of securities held as fixed and current assets. However, due to the high level of uncertainty in the economic environment, no reliable estimates of the financial impact can be made at present. Due to the crisis, moratoriums and deferral agreements were concluded to a small extent with individual borrowers. The payment moratoria are designed to help customers alleviate liquidity constraints resulting from the Covid-19 restrictions.

Another significant event after the balance sheet date is the sale of the 6.6 million shares of Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı to Türkiye Vakıflar Bankası T.A.O. The transaction was concluded on 24 Machr 2020. Türkiye Vakıflar Bankası T.A.O is therefore 100% owner of VakifBank International AG.

Information on bodies and employees

The average number of employees in 2019 was 44 (previous year 58). The

Management Board is made up of the following persons:

Ahmet Vural Biyik, Chairman of the Board
Mustafa Seckin Onür, Member until 31/03/2020
Muhammet Aydin, Member from 06/04/2020

The Supervisory Board was composed as follows in 2019:

Mehmet Emin Özcan, Chairman from 11/01/2019 to 31/05/2019 Suayyip
Ilbilgi, Vice-Chairman
Alp Tolga Simsek, Member
Ferkan Merdan, Member
Neslihan Tonbul, Member

Compensation for members of the Board of Management and Supervisory Board was paid in the fiscal year:

	2019 TEUR	**2018 TEUR**
Members of the Executive Board	**392**	**487**
Members of the Supervisory Board	**57**	**67**

Vienna, this 30/06/2020

VakifBank International AG

Ahmet V. BIYIK	Muhammet AYDIN
Chairman of the Board, CEO	Director