ANNUAL REPORT 2020

VakıfBank
International AG

ANNUAL REPORT

About the 2020 financial year

VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT

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SUPERVISORY

Ferkan Merdan
Chair since 30.12.2020

Şuayyip İLBİLGİ
Chair from 07.07.2020 to 30.12.2020
Deputy Chair since 30.12.2020

Dr. Kurt PRIBIL
Deputy Chair from 07.07.2020 to 30.12.2020

Alp Tolga Simsek
Member

Neslihan TONBUL
Member

BOARD

Ahmet Vural BIYIK
Chair of the Board

Mag.ª Manuela Döller-Hauner
Member since 06.04.2021

Mustafa Seckin ONÜR
Member until 31.03.2020

Muhammet AYDIN
Member from 06.04.2020 to 06.04.2021

DIVISION MANAGER

Muhammet AYDIN
Division Manager & Authorised Signatory
Departments:
Accounting / Reporting & Treasury
Payment Operations

DEPARTMENT HEAD

Sema YURTYAPAN - BERGER BSc.
Corporate & Commercial Banking

Christoph LEITNER
Accounting / Reporting

Mag. Sezgin INCE
Internal Auditing

Mag. Franz FASCHING Risk
Management

Kurt FÖRSTER
Credit Operations Management

Fatih USLU
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Coskun TANSEL
Branch Manager

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Branch Manager

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BUSINESS 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 bank is 100% owned by Türkiye Vakıflar Bankası T.A.O.

VakifBank International AG has made it its business to serve European and Turkish exporters and importers, drawing on the experience, financial strength and international market standing of the parent company, and in particular to support them in their foreign trade transactions. VakifBank International AG intends thereby to make a positive contribution to the intensification of the existing mutual trade and investment volume.

The main focus here is on the financing of trade transactions (by granting credit to exporters and importers in the form of syndication, forfaiting, discounting, etc.) and trade services (letters 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 money transfers. A special service is our fast and inexpensive payment transaction offer for transfers from Austria to Turkey.

Through 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.

Besides the natural first regional focus on Turkey, we concentrate on the European Union as well as Central and Eastern Europe. T. Vakıflar Bankası

T.A.O. was founded in 1954. It is the third-largest Turkish bank under state influence and operates over 948
branches in Turkey and one branch each 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 Türkiye Vakiflar Bankasi TAO 16.07

% Other

SELECTED FIGURES FROM THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT 2020

(In Mil. EUR)

	2020	2019
Balance sheet total	910.92	820.30
Receivables from customers	463.22	442.20
Receivables from credit institutions	4.22	9.20
Liabilities to credit institutions	259.95	72.01
Liabilities to customers	481.63	585.13
- of which savings deposits:		336.31
Net interest income	15.39	14.94
Operating income	15.87	15.12
Operating expenses	8.80	8.90
Operating result	7.07	6.21
Profit from business activities	8.65	9.95
Net profit for the year	6.87	8.65
Eligible own funds according to Part 2 of Regulation (EU) No 575/213	155.8	147.21

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020

Basic information and framework conditions

VakifBank International AG was incorporated on 23 July 1999 and was granted a full banking licence by the Federal Ministry of Finance on 4 August 1999. VakifBank International AG (VakifBank) is an economically strong and well capitalised bank and is 100% directly owned by Türkiye Vakiflar Bankasi T.A.O. (TVB). TVB is listed on the Istanbul Stock Exchange and is one of the companies with the highest sales in Turkey, which is not only economically but also socially strongly committed in this state. TVB is also included in Turkey's main equity index, the ISE-100, and has several external ratings. It was founded in 1954 and is the third largest Turkish bank under state influence. The main branch in Istanbul operates more than 900 branches in Turkey, as well as a branch in New York, among others.

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

Besides its head office and a branch in Vienna, VakifBank is represented in Germany by a branch in Cologne (since 2005). In the European countries, first and foremost Austria and Germany, one of VakifBank's main activities is the custody of deposits. Accordingly, refinancing has a focus in the deposit business.

Economic framework conditions

After the first outbreaks of the coronavirus turned into a pandemic, economic uncertainty rose sharply globally and, accordingly, economic growth slowed sharply and turned negative. However, the recovery has started more quickly than expected due to easing of pandemic restrictions already in May and June and rapid countermeasures by policymakers and central banks. Accordingly, global economic uncertainty has decreased again. Uncertainty in the USA was, however, higher due to the presidential elections in November. Stability in the Eurozone was affected by the UK's exit from the EU, but was generally higher than in the other major economies.

In order to mitigate the economic and social consequences of the pandemic and the quarantine regulations, on the one hand tax relief measures have been adopted, and on the other hand the central banks pursued a very expansive monetary policy from the second quarter of 2020. For example, the US Federal Reserve Bank set reference interest rates at 0%, revised the 2% inflation target downwards and increased total assets by more than 70% compared to the beginning of 2020 due to a strong expansion of the bond-buying programme. The ECB's bond-buying programme, which was initiated to combat the pandemic, was also continued throughout 2020. At the same time, the ECB pointed out that the purchase programme will continue in 2021. Additional aid, originally decided at EUR 750 billion, has been increased by a further EUR 600 billion in the course of 2020. Accordingly, the ECB's balance sheet total has increased by about 40%.

Overall, the remaining uncertainties and associated negative effects and threats to financial stability were limited due to the rapid response of the central banks. As a result, the capital markets recovered, liquidity risk was reduced, investor confidence returned and the supply of credit to companies was secured.

Turkey, like all other markets, could not escape the negative development. However, even in this challenging environment, no default has occurred with our Turkish borrowers.

VakifBank is proud to have not recorded any loss in this line of business since the bank's inception in 1999. As at 31 December 2020, receivables from counterparties domiciled in Turkey amounted to EUR 115 million, which corresponds to a share of 12.6% of total assets of EUR 911 million. The risk situation of VakifBank is thus also influenced by the economic development of Turkey.

Business activity by country and sector

VakifBank prioritises traditional banking and wins the trust of its customers with a moderate risk and return policy. The main income of VakifBank comes from the interest income attributable to the main bank in Vienna, as the main part of the lending is done from the central office. The majority of this income is again attributable to financial institutions and corporations from the regions of Turkey, Austria and Germany. Besides Turkey, VakifBank also focuses on the countries of the European Union and Central and Eastern Europe in the long term. In terms of sectors, income is attributable in particular to manufacturing companies and financial companies, whereby lending also takes place to large conglomerates with good credit ratings and substantial income is also attributable to this sector. There are also receivables from states and utility companies. In line with the business model, the largest expense items are interest expenses on deposits in Vienna and Cologne, and general administrative expenses (especially personnel and material expenses in roughly equal parts).

In the deposit-taking business, the customer offering is largely determined by the competitive environment. VakifBank has stable sources of funding, has additional funding options in the interbank market and can rely on any additional liquidity that would be provided by its parent TVB.

Organisational structure, risk management organisation and internal control system

VakifBank follows its stringent internal lending processes for all financing. In connection with this, there is also full compliance with the ethical principles laid down by VakifBank, under the parent bank group TVB. VakifBank assesses whether the respective business is in line with the principles and ideas regarding ethics and sustainability. This means that only loans that are compatible with the ethical principles of VakifBank are granted. All relevant VakifBank staff – and in particular the senior management – are careful to ensure that, in case of doubt, potential controversial financing – both from a social and environmental point of view – is refrained from.

The entire Board of Directors of VakifBank International AG is responsible for ensuring adequate risk management and compliance with the related regulatory requirements. In operational implementation, this is ensured by the strategic risk management & risk controlling, credit operations, treasury and payment operations divisions, as well as by the risk committee of the Supervisory Board, the monthly asset/liability committee (ALCO), liquidity meetings and, last but not least, internal auditing. The risk management/back office division thus has adequate staffing to fulfil its tasks.

The risk management division is responsible for the central management, monitoring and control of the Bank's risk areas in Austria and abroad. One of the core tasks of risk management is reporting to the Executive Board. In particular, the continuous information on all material risk positions of the bank enables the Executive Board to comprehensively exercise its overall responsibility for all risk areas and to take the necessary measures to control and minimise these risks in a timely manner. Risk reporting is regularly carried out both on an individual transaction basis and across risks at the overall bank level. In addition, ad-hoc reporting is planned for specific events. The credit risk office is responsible for monitoring individual transactions in the lending business with regard to compliance with legal requirements and internal competence regulations.

An independent risk management function is crucial for appropriate risk management. Within the framework of the internal control system, the respective tasks and responsibilities are clearly assigned to each employee. Risk management is always sufficiently involved in business activities of VakifBank.

In accordance with the regulatory requirements, an internal control system has been set up, which includes regulations on the structural and procedural organisation as well as on risk management and control processes. The ICS ensures process-dependent monitoring and is oriented towards the type, scope, complexity and risk content of the business activities. These ICS process controls and the organisational units directly concerned with them, internal audit, together with compliance and strategic risk management, form in their entirety the internal control procedure of VakifBank.

The risk management, internal control system of VakifBank and the methods and control approaches used are regularly reviewed with regard to their efficiency and appropriateness in the light of the current business development.

Overall bank management system

The overall bank management of VakifBank is carried out taking into account a balanced relationship between the key ratios of equity, income, costs, liquidity and risks. The Executive Board is regularly informed about the positive and negative result drivers in order to identify and counteract unplanned developments at an early stage if necessary.

The holistic management with the goal of the optimal development of the bank is significantly influenced, among other things, by the ongoing changes in external framework conditions and regulatory requirements. VakifBank observes the regulatory requirements laid down for the individual types of risks when recording, assessing, controlling, monitoring and limiting the risks of banking business and banking operations in accordance with § 39 (2) BWG. This is done taking into account the nature, scale and complexity of the banking activities we undertake, including when implementing the guidelines of the European supervisory authorities.

Goals and strategies

A diversification strategy with regard to the countries of domicile of credit customers and securities issuers was already defined 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 situation. This strategy was also continued in the 2020 business year.

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

VakifBank has a coherent business and risk strategy and associated limit systems approved by the Executive Board and the Supervisory Board. The business strategy was operationalised within the framework of derived capital and structural limits.

Business performance 2020

The financial year 2020 was another successful year for VakifBank despite the pandemic-related challenges.

The many years of positive business development in the past have shown that VakifBank has the necessary specialised knowledge and good customer contacts, which will also make it possible to successfully continue the bank's current strategy. In the past, strategic targets were always met and usually even exceeded. Continuation of the previous year's strategy is planned for the 2021 business year.

Research and development

VakifBank does not carry out research and development within the meaning of § 243(3) (Z3) UGB.

Information on the environment and workers' issues

With regard to workers' concerns, special consideration was given to the health protection of workers in the Covid-19 pandemic. Extensive home office arrangements were made and structural and organisational measures were taken in the VakifBank premises so that social distancing rules could be complied with.

The topic of Environmental Social Governance (ESG) was dealt with in several workshops, and the topic of sustainability was incorporated into the business strategy.

Risk report

The objective of VakifBank's risk strategy is to ensure risk bearing capacity and capital adequacy as well as optimal risk and return management. The results of the risk reports serve as the basis for management decisions and the steering of the bank. The adequacy of the systems, procedures and processes in place is subject to regular reviews and, where necessary, appropriate adjustments. The risk-bearing capacity is given if all material risks of an institution are continuously covered by the available risk cover funds, taking into account risk concentrations.

Risk types

The business activities of VakifBank give rise to various risks, which are identified and assessed by the Executive Board within the framework of the risk inventory together with the responsible specialist departments.

Risk measurement

The risk measurement in the risk-bearing capacity analysis includes 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 the amount that VakifBank calculates in connection with the lending or investment business activity. The expected loss is therefore not an effective risk in the sense of a negative deviation, but an imputed planning figure. The unexpected loss is the theoretically possible loss in excess of this expected loss with a specific risk observation horizon and a predetermined non-occurrence probability (specifically 99.9% in the control scenario with a common risk observation horizon of 1 year).

In addition, stress scenarios are defined in the areas of collateral, credit ratings, interest rate changes, country risk and foreign currency risk with the aim of quantifying losses that can 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 (sum of equity capital, value adjustment balance against expected credit losses, expected operating result of the current business year). Based on the available cover funds in this risk-bearing capacity analysis, upper risk limits are set by the management. Furthermore, based on the stress scenarios already mentioned above, an overall bank stress test is also carried out. The results of the risk-bearing capacity analysis are reported to the Executive Board on a quarterly basis.

Credit risk

The debtor-specific credit risk results from possible losses due to the lack of creditworthiness (also referred to as default risk) or deterioration in creditworthiness (also referred to as migration risk) of the receivables customers.

To quantify the 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 for all customers above the rating relevance threshold. These ratings are based on 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 Moody's, 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 specifications from the Basel III Regulation CRR are generally used.

Country and transfer risks are controlled within the framework of the risk-bearing capacity (ICAAP) via limits. In addition, cluster risks with financial customers are limited by individual bank limits. In addition, this cluster risk is quantified in relation to the credit portfolio (credit concentration risk).

Overall bank interest rate risk

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

Currency risk

The currency risk describes the risk of a change in the value of the foreign currency position due to price shifts on the spot exchange markets. The currency risk of VakifBank arises solely from outstanding receivables in USD and to a small extent in GBP.

No other currencies are used in the operations of VakifBank. For non-substantial individual transactions, banking transactions may be conducted in Turkish Lira. For significant USD receivable positions, the required hedging of the currency risk is set using FX swaps to refinance these USD positions directly in foreign currency. This risk category is measured and limited in the risk-bearing capacity calculation (ICAAP) with 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 the same. Furthermore, the increased credit exposure can lead to an increased risk of borrower default compared to a local currency loan. When granting new loans, preference is given to customers with income and assets in EUR and USD. Thus, these customers 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 with 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 the economic capital, 8% of this (basic equity funds ratio) is applied as risk for the problem case, whereby receivables from financial institution and government customers are not taken into account due to the assumed own currency hedging for these.

Credit spread risk

The risk due to changes in credit spreads for securities is the risk of loss due to changing bond market prices caused by changes in credit spreads or the spread curve compared to the risk-free interest rate. This risk category is measured and limited in the risk-bearing capacity calculation (ICAAP) with 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 negative effects on the creditworthiness of the debtor. It includes the insolvency or unwillingness to pay of the country itself, or of the country to which the business partner/contractor is assigned. This allocation is made in the overall bank management (ICAAP) according to the country of domicile principle (political country risk) or according to the principle of liability allocation, for example in the case of group interdependencies of the business partner (economic country risk).

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

Operational risk

Operational risk means the risk of losses as a result of inadequate governance or failed internal processes and systems, intentional or negligent actions by employees or external events and includes legal risk. Among the risks from systems, cyber security risks, IT risks and business continuity risks are worth highlighting. Systems and processes also include all arrangements relating to money laundering and terrorist financing. In order to reduce the main risks by means of suitable internal controls, the internal control system is being further expanded accordingly. Internal auditing regularly reviews the adequacy of the measures and precautions taken to reduce operational risk. VakifBank assesses and manages operational risk and operates a hedge against rare events with serious consequences on this basis. VakifBank has contingency plans in place to ensure continuity of operations and mitigation of losses in the event of a serious business interruption.

Liquidity risk

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

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

Macroeconomic risk

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

Overall risk profile and regulatory framework

The risk management system as well as the processes for identification, measurement, assessment, control, monitoring and communication of the individual risk types are described in the risk management manual and various other guidelines of VakifBank as well as in supplementary work instructions. A materiality assessment is documented for all risk types and, if necessary, for their individual characteristics.

Earnings, financial and asset situation

Development of key balance sheet items

The most significant sectors with loans as at year-end 2020 are services, banking/leasing, manufacturing and sovereigns. The remainder of the portfolio is distributed roughly evenly among construction, energy, transport and trade.

Loans and advances to customers and credit institutions increased from EUR 451 million to EUR 467 million. The volume of bonds and other fixed-income securities increased from EUR 211 million to EUR 281 million and corresponds to a percentage change of 33 %.

The German branch is primarily active in the deposit business and has total assets of EUR 143 million. Customer deposits in Germany amounted to EUR 139 million at the end of 2020.

Balance sheet equity

Compared to the previous year, equity on the balance sheet increased by around EUR 7 million to a total of around EUR 163 million.

Assets and financial position

The business year thus closed with a balance sheet total of EUR 911 million. Loans and advances to customers increased by EUR 21 million in the reporting year and amount to EUR 463 million.

Loans and advances to credit institutions fell from EUR 9 million to EUR 4 million. Bonds and other fixed-income securities had a value of EUR 281 million at the end of the reporting year. A year earlier, they amounted to EUR 211 million.

Liabilities to customers fell by 18%, amounting to EUR 481 million. In the previous year, these amounted to EUR 585 million. Other liabilities, including prepaid expenses and provisions, fell to EUR 6.6 million compared to the previous year (EUR 7.3 million). All in all, the business year, including the balance sheet profit, ended with a balance sheet equity of EUR 163 million. This continues to represent a solid and sufficient capital base for the Bank's development.

Earnings situation

In the reporting year, a slightly higher net interest income of EUR 15.4 million (previous year: EUR 14.9 million) was achieved. Net commission income contributes EUR 0.06 million to the result. Compared to the previous year, general administrative expenses fell by 4 %, amounting to EUR 7.9 million at the end of the year. This is due to lower personnel costs and lower material expenses. The valuation result of the financial assets is made up of capital gains and amounts to EUR 4.9 million. The valuation result of current assets amounts to EUR 0.2 million.

VakifBank's profit from ordinary business activities amounted to EUR 8.6 million. Overall, the financial year 2020 could be closed with a net profit of EUR 6.9 million.

Liquidity situation

The solvency of VakifBank was ensured at all times during the financial year 2020 due to a planned and balanced liquidity provision, and the regulatory liquidity ratios were always clearly exceeded. VakifBank continued to have various refinancing facilities available to carry out new business during the financial year under review.

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 result overall. The Turkish lira continued to depreciate in 2020, as it did the year before. However, VakifBank's long-standing expertise has enabled it to continue to generate satisfactory and risk-adequate returns in this challenging market.

A major reason for this success is a balanced diversification strategy, careful and critical credit assessment and detailed knowledge of the Turkish market. Against the background of the aforementioned diversification strategy, however, the 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 2021 financial year will be characterised by the implementation of the proven strategy and further organisational improvements. Another focus will be on optimising business processes. Based on this, a continuous revision and adaptation of the central processes will take place. Due to the Covid-19 pandemic, which will certainly still present us with challenges in the course of 2021, it is not yet possible to estimate the course of the 2021 financial year at the time of reporting. However, due to our good capitalisation and our diversification strategy successfully implemented over the years, we are confident that we will be able to cope with the challenging situation of the 2021 financial year.

Vienna, 29 June 2021

VakifBank International AG

Ahmet V. Biyik

Chair of the Board, CEO Executive Board

Mag.ª Manuela Döller-Hauner

Board Member

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board held regular meetings in the 2020 financial year. At these meetings, but also through ongoing reporting by the Executive Board, the Supervisory Board kept itself informed about the essential matters of management, 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 according to the law and the Articles of Association.

The annual financial statements including the notes and management report for the 2020 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.

According to the final result of the audit of the annual financial statements, the notes and the management report carried out by the Supervisory Board in accordance with § 92 (4) of the Stock Corporation Act (AktG), there is 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 Executive Board and approved the 2020 annual financial statements at its meeting on 30 July 2021, which are thus adopted in accordance with § 96 (4) of the Stock Corporation Act.

The Supervisory Board approves the proposal for the appropriation of profits submitted by the Executive Board and thanks the Executive Board and the employees for their successful work in 2020.

Vienna, 30 July 2021

Ferkan MERDAN

Chair of the Supervisory Board

AUDITOR'S REPORT

for the annual financial statements as at 31 December 2020 of

VakifBank International AG, Vienna

We have audited the financial statements of VakifBank International AG, Vienna, consisting of the balance sheet as at 31 December 2020, the profit and loss account for the financial year ended on that date and the notes to the annual financial statements. In our opinion, the accompanying annual financial statements comply with the legal requirements and give a true and fair view of the financial position as at 31 December 2020 and of the results of operations of the company for the year then ended in accordance with Austrian generally accepted accounting principles and the Banking Act.

Basis for the audit opinion

We conducted our audit in accordance with Regulation (EU) No. 537/2014 (hereinafter EU Regulation) and Austrian generally accepted principles on auditing. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities are described under these for the audit of the annual financial statements. We are independent of the company in accordance with Austrian corporate law and professional regulations, and we have fulfilled our other professional duties in accordance with these requirements. We believe that the audit evidence we have obtained to date is sufficient and appropriate to provide a basis for our audit opinion as at that date.

Particularly important audit matters

Particularly important audit matters are those matters that, according to our audit opinion, were of particular significance in the financial year under review. These matters were disclosed in connection with our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of receivables from customers Situation and problems

In the annual financial statements as at 31 December 2020, the company shows loans and advances to customers of EUR 463.2 million after deduction of allowances of EUR 8.6 million, the vast majority of which relate to business customers. Information on the valuation of loans and advances to customers can be found in the notes on pages 1 and 3. The assessment of the recoverability of customer receivables and thus their valuation includes the identification of value adjustment requirements and the estimation of any value adjustment requirement. Due to the volume of loans and advances to customers and the estimation uncertainties related to the amount of value adjustments, we identified this area as a key audit matter.

Auditing procedure

Within the scope of our audit we have surveyed the credit monitoring process of VakifBank International AG and assessed whether it is suitable to identify value adjustment requirements in a timely manner and to determine risk provisions appropriately. For this discussions were held with responsible staff and the relevant internal policies were appreciated. As part of a walk through, we reviewed the design and implementation of the key control activities. In addition, we tested relevant controls for effectiveness on a sample basis. In addition, we checked on the basis of a sample of selected loan cases from different portfolios whether individual value adjustments had been made to a sufficient extent.

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

The legal representatives are responsible for the preparation of the annual financial statements and for ensuring that these give a true and fair view of the company's assets, financial position and results of operations in accordance with Austrian company law and the Banking Act. Furthermore, the legal representatives are responsible for the internal controls that they consider necessary to enable the preparation of annual financial statements that are free from material misstatements due to fraudulent acts or errors. When preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern, to disclose matters in connection with the going concern of the company, if relevant, and for applying the going concern accounting principle, unless the legal representatives intend either to liquidate the company or to cease operations, or have no realistic alternative to doing so. The Supervisory Board is responsible for overseeing the accounting process of the company.

Auditor's responsibilities for the audit of the annual financial statements

Our goals are to obtain sufficient certainty as to whether the annual financial statements as a whole are free of material misstatements due to fraudulent acts or errors, and to issue an auditor's report that includes our audit opinion. Sufficient certainty is a high level of certainty, but no guarantee that an audit carried out in accordance with the EU Regulation and with the Austrian principles of proper auditing, which require the application of the ISA, will always reveal a material misrepresentation, if one exists. Misrepresentations can result from fraudulent acts or errors and are regarded as material if, individually or as a whole, it could reasonably be expected that they would influence the economic decisions made by users on the basis of these annual financial statements. As part of an audit in accordance with the EU Regulation and with the Austrian principles of proper auditing, which require the application of the ISA, we exercise due discretion during the entire audit and maintain a critical attitude.

Furthermore:

- We identify and assess the risks of material - intentional or unintentional - misstatements in the annual financial statements, plan audit activities in response to these risks, carry them out and obtain audit evidence that is sufficient and suitable to serve as a basis for our audit opinion. The risk that material misrepresentations resulting from fraudulent acts are not detected is higher than that resulting from errors, since fraudulent acts can include fraudulent cooperation, falsifications, intentional incompleteness, misleading representations or the overriding 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 under the given circumstances, but not with the aim of expressing an audit opinion on the effectiveness of the company's internal control system.

- We assess the appropriateness of the accounting methods used by the legal representatives and the acceptability of the estimated values presented by the legal representatives in the accounting and related information.

- We draw conclusions about the appropriateness of the application of the going concern accounting principle by the legal representatives and, on the basis of the audit evidence obtained, whether there is any material uncertainty in connection with events or circumstances that give rise to significant doubts about the company's ability to be a going concern. If we come to the conclusion that there is material uncertainty, we are obliged to draw attention to the relevant information in the annual financial statements in our auditor's report or, if this information is inappropriate, 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. Future events or circumstances, however, may result in the company's abandonment of its going concern status.

- We assess the overall presentation, structure and content of the annual financial statements, including the information, as well as whether the annual financial statements reflect the underlying business transactions and events in such a way that a picture is as true as possible.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit. From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the annual financial statements of the financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh its public interest benefits.

Report on the Management Report

Pursuant to Austrian commercial law, the management report is to be audited as to whether it is consistent with the annual financial statements and as to whether it has been prepared in accordance with the applicable legal requirements. The company's management is responsible for the preparation of the management report in accordance with Austrian generally accepted accounting principles. We conducted our audit in accordance with professional standards on auditing of management reports.

Opinion

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

Explanation

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

Additional information according to Article 10 of the EU Regulation

We were elected by the Annual General Meeting on 28 June 2019 as auditors for the financial year ending 31 December 2020 and were appointed by the Supervisory Board on 1 October 2019 to perform the audit. We have been the auditors of the company continuously since the financial year ended 31 December 1999. The report to the Supervisory Board in accordance with Art. 11 of the EU Regulation. We declare that we have not performed any prohibited non-audit services pursuant to Art. 5 (1) of the EU Regulation and that we have maintained our independence from the company in the performance of the audit.

Vienna, 30 June 2021
Deloitte Audit Wirtschaftsprüfungs GmbH

Dr. Nikolaus Müller
Wirtschaftsprüfer

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

VAKIFBANK INTERNATIONAL AG BALANCE SHEET AS AT 31 DECEMBER 2020

PROFIT AND LOSS ACCOUNT 2020

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET AS OF 31 DECEMBER 2019

ASSETS	31/12/2020		31/12/2019	
	EUR	EUR	EUR	EUR
1. Cash on hand and balances with central banks		58,908,504.48		47,350,555.49
2. Public sector debt instruments		92,781,778.57		100,758,840.29
3. Receivables from credit institutions				
a) Due daily	4,122,384.33		8,210,078.38	
b) Other receivables	100,000.00	4,222,384.33	990,154.89	9,200,233.27
4. Receivables from customers		463,219,794.96		442,202,258.31
5. Bonds and other fixed-income securities				
a) from public issuers	76,510,700.60		33,531,108.00	
b) from other issuers	204,623,885.79	281,134,586.39	177,943,299.83	211,474,407.83
6. Participations		2,950.00		3,020.00
7. Intangible fixed assets		38,062.80		45,385.04
8. Property, plant and equipment including: Land and buildings used by the credit institution in the course of its own activities: EUR 0 (previous year 116 TEUR)		125,178.35		186,602.56
9. Other assets		10,220,036.39		8,841,558.06
10. Accruals and deferrals		271,516.34		239,044.97
		910,924,792.61		**820,301,905.82**

Items under the balance sheet		
1. Foreign assets	762,549,534.21	698,300,308.49

BALANCE SHEET AS OF 31 DECEMBER 2020

LIABILITIES

	31/12/2020 EUR	EUR	31/12/2019 EUR	EUR
1. Liabilities to credit institutions				
a) Due on demand 7,903,082.21 7,699,804.71				
b) With an agreed term or termination date				
Deadline	252,044,975.09	259,948,057.30	64,311 .530 00	72,011,334.71
2. Liabilities to customers				
a) Savings deposits below:				
aa) due daily	103,461,262.17		92,689,526.77	
ab) With agreed term or period of notice	194,596,241.80		243,616,920.48	
b) Other liabilities including:				
ba) Due daily	14,437,791.88		18,103,761.49	
bb) With agreed term or period of notice	169,134,437.15	481,629,733.00	230,719,968.30	585,130,177.04
3. Other liabilities		2,110,740.33		3,835,734.14
4. Accruals and deferrals		371,227.49		735,359.51
5. Provisions				
a) Provisions for severance payments	407,000.00		360,000.00	
b) Tax provisions	2,845,000.00		1,446,000.00	
Of which provisions for deferred tax liabilities	160,000.00		46,000.00	
c) Other	836,506.36	4,088,506.36	877,058.74	2,683,058.74
6. Subscribed capital		100,000.000,00		100,000.000,00
7. Capital reserves				
a) Unbound		0.00		4,000,000.00
8. Retained earnings				
a) Legal reserve	6,300,000.00		5,900,000.00	
b) Other reserves	41,756,241.68	48,056,241.68	33,606,291.17	39,506,291, 17
9. Liability reserve pursuant to § 57 (5) BWG		8,250,000.00		8,250,000.00
10. Balance sheet profit		6,470,286.45		8,149,950.51
		910,924,792.61		**820,301,905.82**

Items under the balance sheet		
1. Contingent liabilities	95,032.28	225,281.28
a) Liabilities from guarantees and Liabilities from collateral orders	95,032.28	225,281.28
2. Credit risks	264,414.37	350,313.35
3. Eligible own funds according to Part 2 of Regulation (EU) No 575/2013	155,868,178.88	147,210,906.13
including: Supplementary capital according to Part 2 Chapter 4 of Title I of Regulation (EU) No 575/2013		
4. Own funds requirements pursuant to Art. 92 of Regulation (EU) No 575/2013	739,611,309.33	680,605,232.81
Including: Own funds requirements pursuant to Art. 92 (1) (a) to (c) Regulation (EU) No. 575/2013 (CRR)		
Hard core capital ratio	21.1%	21.6%
Core capital ratio	21.1%	21.6%
Total capital ratio	21.1%	21.6%
5. Foreign liabilities	171,220,158.94	202,679,744.97
Overall return on assets	0.75%	1.05%

PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR 2020

	2020		2019	
	EUR	EUR	EUR	EUR
1. Interest and similar income 20,603,509.75 24,436,157.50				
Including:				
From fixed-interest securities:				
9,227 TEUR (previous year 7,912 TEUR)				
2. Interest and similar expenses		-5,213,243.60		
3. -9,496,214.80				
4.				
I. NET INTEREST INCOME 15,390,266.15 15,674,461.85				
3. Commission income		206,545.95		256,551.60
4. Commission expenses		-148,355.85		-158,696.95
5. Income/expenses from financial transactions		21,546.81		25,821.94
6. Other operating income		397,307.21		52,957.48
II. OPERATING INCOME		**15,867,310.27**		**15,986,089.10**
7. General administrative expenses				
a) Personnel expenses				
thereof:				
aa) Wages and salaries -2,865,915.08 -2,958,456.65				
bb) Expenses for statutory social security contributions and levies dependent on the remuneration and compulsory contributions	-751,867.36		-751,867.36	
cc) Other social expenses	-93,797.93		-93,797.93	
dd) Expenses for retirement benefits and support	-106,629.09		-106,629.09	
ee) Expenses for severance payments and benefits to occupational pension funds	-125,587.21	-3,857,836.34	-125,587.21	-4,036,338.24
b) Other administrative expenses (material expenses)		-4,195,392.55		-4,223,593.17
8. Value adjustments on the 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 RESULT		**6,212,839.34**		**6,229,922.27**
10. Allocation to/income from reversals of value adjustments on receivables and income/losses from the disposal/valuation of the liquidity reserve		-934,699.77		-585,548.00
11. Valuation result fixed assets		4,674,160.32		3,490,710.5 3
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 in item 12		-43,442.38		- 21,877.63
VI. ANNUAL SURPLUS		**8,649,950.51**		**8,591,681.78**
14. Movement in reserves Including: Allocation to the liability reserve pursuant to § 57 (5) BWG EUR 0; (previous year: EUR 0): 0 EUR)		- 500,000.00		- 500,000.00
VII. ANNUAL PROFIT		**8,149,950.51**		**8,091,681.78**
15. Profit carried forward		0.00		0.00

		2020		2019	
		EUR	EUR	EUR	EUR
1.	Interest and similar income		20,603,509.75		24,436,157.50
	Including:				
	From fixed-interest securities: 10,967 TEUR (previous year 10,132 TEUR)				
2.	Interest and similar expenses		-5,213,243.60		-9,496,214.80
I.	**NET INTEREST INCOME**		**15,390,266.15**		**14,939,942.70**
3.	Commission income		206,545.95		256,551.60
4.	Commission expenses		-148,355.85		-158,696.95
5.	Income/expenses from financial transactions		21,546.81		25,821.94
6.	Other operating income		397,307.21		52,957.48
II.	**OPERATING INCOME**		**15,867,310.27**		**15,116,576.77**
7.	General administrative expenses				
a)	Personnel expenses				
	Including:				
	aa) Wages and salaries	-2,865,915.08		-2,958,456.65	
	bb) Expenses for statutory social security contributions and levies dependent on the remuneration and compulsory contributions	-716,529.37		-751,867.36	
	cc) Other social expenses	-119,370.78		-93,797.93	
	dd) Expenses for retirement benefits and support	-74,977.58		-106,629.09	
	ee) Expenses for severance payments and benefits to occupational pension funds	-81,043.53	-3,857,836.34	-125,587.21	-4,036,338.24
b)	Other administrative expenses (material expenses)		-4,013,986.57		-4,195,392.55
8.	Valuation adjustments on the assets included in the asset items 7 and 8		-81,670.23		-91,081.85
9.	Other operating expenses		-842,461.23		-580,924.79
III.	**OPERATING EXPENSES**		**-8,795,954.37**		**-8,903,737.43**
IV.	**OPERATING RESULT**		**7,071,355.90**		**6,212,839.34**
10.	Allocation to/income from reversals of value adjustments on receivables		-3,571,324.89		-934,699.77
11.	Valuation result current assets		208,300.00		0.00
12.	Valuation result fixed assets		4,940,478.87		4,674,160.32
V.	**RESULT FROM ORDINARY BUSINESS ACTIVITIES**		**8,648,809.88**		**9,952,299.89**
13.	Taxes on income and earnings		-1,594,598.00		-1,258,907.00

	14. Other taxes not included in item 13	-183,925.43	-43,442.38
VI.	**ANNUAL SURPLUS**	**6,870,286.45**	**8,649,950.51**
	15. Movement in reserves Including: Allocation to the liability reserve pursuant to section 57 (5) BWG EUR 0; (previous year 0 EUR)	-400,000.00	-500,000.00
VII.	**ANNUAL PROFIT**	**6,470,286.45**	**8,149,950.51**
	16. Profit carried forward	0.00	0.00
VIII.	**BALANCE SHEET PROFIT**	**6,470,286.45**	**8,149,950.51**

DEVELOPMENT OF FIXED ASSET ITEMS

in EUR	Anschaffungswert zum 01.01.2020 EUR	Zugänge EUR	Abgänge EUR	Umgliederung EUR	Anschaffungswerte zum 31.12.2020 EUR	Kumulierte Abschreibungen zum 01.01.2020	Zuschreibungen des laufenden Geschäftsjahres EUR	Abschreibungen des laufenden Geschäftsjahres EUR	Abgänge EUR	Kumulierte Ab- und Zuschreibungen zum 31.12.2020 EUR	Buchwert zum 31.12.2019 EUR	Buchwert zum 31.12.2020 EUR
I. FINANZANLAGEN												
a) Wertpapiere												
aa) Schuldtitel öff. Stellen	100.299.474,77	20.851.000,00	-27.712.750,00	0,00	93.437.724,77	-455.934,48	206.157,70 1)	-406.169,42 2)	0,00	- 655.946,20	99.843.540,29	92.781.778,57
bb) andere festverzinsliche Wertpapiere	203.693.400,60	90.933.850,00	-23.192.888,58 *)	-97.366.808,75	174.067.553,27	2.720.551,08	2.107.332,95 1)	-713.425,33 2)	0,00	4.114.458,70	206.413.951,68	178.182.011,97
	303.992.875,37	**111.784.850,00**	**-50.905.638,58**	**-97.366.808,75**	**267.505.278,04**	**2.264.616,60**	**2.313.490,65**	**-1.119.594,75**	**0,00**	**3.458.512,50**	**306.257.491,97**	**270.963.790,54**
II. BETEILIGUNGEN	**3.020,00**	**0,00**	**-70,00**	**0,00**	**2.950,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**3.020,00**	**2.950,00**
III. IMMATERIELLE VERMÖGENSGEGENSTÄNDE												
a) Rechte und Lizenzen	381.452,48	0,00	0,00	0,00	381.452,48	-336.067,44	0,00	-7.322,24	0,00	-343.389,68	45.385,04	38.062,80
b) Ingangsetzungsaufwendungen	-	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**	**-336.067,44**	**0,00**	**-7.322,24**	**0,00**	**-343.389,68**	**45.385,04**	**38.062,80**
IV. SACHANLAGEN												
a) Adaptierungen in fremden Gebäuden	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) Betriebs- und Geschäftsausstattung	1.283.284,19	10.042,32	0,00	0,00	1.293.326,51	-1.096.681,63	0,00	-71.466,53	0,00	-1.168.148,16	186.602,56	125.178,35
c) Fuhrpark	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) Geringwertige Vermögensgegenstände	0,00	2.881,46	-2.881,46	0,00	0,00	0,00	0,00	-2.881,46	2.881,46	0,00	0,00	0,00
	2.405.633,88	**12.923,78**	**-2.881,46**	**0,00**	**2.415.676,20**	**-2.219.031,32**	**0,00**	**-74.347,99**	**2.881,46**	**- 2.290.497,85**	**186.602,56**	**125.178,35**

1) Proportional appreciation of the differences of securities valued as financial assets pursuant to § 56 (3) BWG
2) Proportional depreciation of differences of securities valued as financial assets pursuant to § 56 (2) BWG
*) The outflows include exchange rate differences of EUR 3.8 million from securities in foreign currencies.

General provisions

The annual financial statements of VakifBank International AG (VakifBank) have been prepared in accordance with generally accepted accounting principles and the general standard of giving a true and fair view of the assets, liabilities, financial position and profit or loss 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 Commercial Code and the Banking Act, as amended.

Accounting and valuation methods

The structure of the balance sheet and the profit and loss account corresponds to Annex 2 to § 43 BWG. Individual items that did not show an amount in either the financial year or the previous year are not listed. In preparing the annual financial statements, the principle of completeness was observed and a going concern was assumed. The principle of individual valuation was observed in the valuation of the individual assets and liabilities.

The principle of prudence was taken into account, taking into account the special features of the banking business, in that only profits realised on the balance sheet date were reported and all recognisable risks and impending losses were taken into account in the valuation.

Foreign currency amounts are valued at the quoted mean foreign exchange rates in accordance with § 58 (1) BWG, while currency holdings are valued at the quoted mean foreign exchange rates on the balance sheet date of 31 December 2020.

Securities that are not classified as fixed assets are recognised at the lower of cost or market value on the balance sheet date, taking into account the strict lower of cost or market principle. In the valuation of securities held as fixed assets, the accounting options pursuant to § 56 (2) second sentence BWG and § 56 (3) BWG are exercised and the mitigated lower of cost or market principle is applied.

Property, plant and equipment as well as intangible assets are valued at acquisition cost less scheduled straight-line depreciation.

A breakdown of fixed assets and their development in the reporting year is shown in the summary of assets (Annex 3/1).

The loan receivables are treated as current assets and are thus valued using the strict lower of cost or market principle. VakifBank determines the need for specific provisions 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 grades, which change due to the creditworthiness of borrowers and their payment behaviour. Based on statistical empirical values from similar circumstances pursuant to § 201 (2) (7) of the Austrian Commercial Code (UGB), a portfolio value adjustment in the amount of TEUR 1,440 was created.

Scheduled depreciation was based on the following useful lives:

PROPERTY, PLANT AND EQUIPMENT	YEARS
Rights and licences	10
Investments in third-party buildings	10
Operating and business equipment	4-10
Office machines and IT equipment	2-4
Vehicle fleet	5

Low-value assets (§ 13 ESTG) amounting to TEUR 3 (previous year: TEUR 2) were fully depreciated in the year of acquisition and shown in the summary of assets in the columns inflows, outflows and depreciation of the financial year.

The provision for severance obligations was calculated according to actuarial principles (on the basis of AFRAC Statement 27), assuming a retirement age of 60 (women) or 65 (men) and an interest rate of 1.4 % (previous year: 1.8 %). The 7-year average interest rate with a 15-year residual term as of 31 December 2020 was used in accordance with the German announcements of the legal ordinances pursuant to § 253 (2) of the German Commercial Code (HGB) and an additional 10% discount was included due to the falling interest rate 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 amount or reason, were taken into account in the other provisions with the amounts that were necessary according to business judgement.

Name and registered office 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/İstanbul. The annual financial statements are available at the registered office of the parent company.

Share capital

The share capital amounts to EUR 100 million and is divided into 66 million registered shares with a par value of EUR 1.52 each. Türkiye Vakıflar Bankası T.A.O., Saray Mahallesi Dr. Adnan Büyükdeniz CaddesiNo:7/A-B 34768 Ümraniye/İstanbul holds 100% of the shares.

Notes to the balance sheet and the profit and loss account

Breakdown by term (§ 64 (1) (4) BWG)

The receivables not due on demand included amounts with the following maturity (residual term):

Receivables

	Vis-à-vis credit institutions		Vis-à-vis non-banks	
	31/12/2020	2019	**31/12/2020**	2019
	in €	in T€	in €	in T€
Up to 3 months	0	890	14,831,884	41,597
More than 3 months up to 1 year	100,000	100	16,321,372	37,607
More than 1 year up to 5 years	0	0	242,292,331	193,633
More than 5 years	0	0	188,938,837	166,583
Total	**100,000**	990	**462,751,533**	439,420

The total amount of assets denominated in other currencies is EUR 54.4 million.
(previous year EUR 75.5 million).

Individual value adjustments of EUR 7.2 million (previous year EUR 8.2 million) were made on receivables from customers amounting to EUR 31.6 million (previous year EUR 11.3 million).

The obligations not due daily included amounts with the following maturities (remaining term):

	Vis-à-vis credit institutions		Vis-à-vis non-banks	
	31/12/2020	2019	**31/12/2020**	2019
	in €	in T€	in €	in T€
Up to 3 months	16,298,590	40,000	74,972,658	88,397
More than 3 months up to 1 year	157,229,390	24,312	139,709,894	178,501
More than 1 year up to 5 years	78,516,995	0	142,691,295	201,212
More than 5 years	0	0	6,356,833	6,226
Total	**252,044,975**	64,312	**363,730,679**	474,337

The total amount of liabilities denominated in other currencies is EUR 16.7 million.
(previous year EUR 0.8 million).

Public-sector debt instruments, bonds and other fixed-income securities and shares

The item public-sector debt instruments amounts to EUR 92.8 million and has decreased by EUR 8 million compared to the previous year. The item bonds and other fixed-income securities increased by EUR 69.6 million from EUR 211.5 million to EUR 281.1 million.

Of the bonds, EUR 35 million (previous year: EUR 31 million) will mature in 2021.

As at the balance sheet date, bonds (including debt instruments) with an acquisition cost of EUR 268 million (previous year: EUR 304 million) were held, which are valued as fixed assets in accordance with § 56 (1) BWG

In the case of bonds (including debt instruments) that are accounted for as financial assets and whose acquisition costs are higher than the redemption amount, the difference is depreciated proportionally with an effect on expenses in accordance with § 56 (2) second sentence BWG. In 2020, depreciation amounted to TEUR 744 (PY TEUR 734). The difference still to be distributed over the remaining term amounts to TEUR 3,342 (previous year TEUR 3,845).

In the case of debt securities (including debt instruments) that are accounted for as financial assets and whose acquisition costs are lower than the repayment amount, the difference is recognised in profit or loss over the remaining term to maturity in accordance with § 56 (3) BWG In 2020, the write-up amounted to TEUR 2,274 (previous year TEUR 1,881). The difference still to be distributed over the remaining term amounts to TEUR 14,129 (previous year TEUR 11,087).

The securities reported under the item bonds and other fixed-income securities are all listed on the stock exchange. Bonds (including debt instruments) that are not accounted for as fixed assets show a difference of TEUR 7,438 (previous year TEUR 460) between the acquisition costs and the higher market value on the balance sheet date in accordance with § 56 (4) BWG.

A securities trading book is not maintained.

The allocation pursuant to § 64 (1) (11) BWG was made in accordance with the resolutions passed by the Executive Board, whereby, in accordance with the 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 2020, five securities held as financial assets with a nominal value of EUR 37.5 million and a total book value of EUR 36.3 million were sold. The resulting valuation result of the financial assets is made up of capital gains and amounts to EUR 4.9 million.

In accordance with the decision of the Executive Board, these securities were sold in order to optimise the interest rate risk. As at the balance sheet date, securities held as fixed assets with a book value of EUR 97.9 million were reclassified as current assets. The remaining instruments of the financial assets are to be retained permanently.

Notes on financial instruments pursuant to § 237a (1) (1) UGB

Financial instruments of the financial assets, which are reported above their fair value, break down as follows:

in TEUR	**Book value 31/12/2020**	**Unlrealised losses**	**Book value 31/12/2019**	**Unlrealised losses**
Debt securities and other fixed-income securities	**8,966**	**-44**	**31,939**	**-221**

The reasons for the unrealised losses incurred on the bonds relate exclusively to market price-related fluctuations. A sustained deterioration in the creditworthiness of the issuers could not be ascertained.

Information on participations and relationships with affiliated companies (§ 45 BWG)

Receivables from affiliated companies included in asset items 2 to 5 amount to EUR 20.6 million (previous year EUR 34.7 million). The asset side of the balance with our parent company, TVB, amounts to EUR 17.9 million (previous year: EUR 19.4 million), of which EUR 17.9 million (previous year: EUR 19.4 million) is in foreign currency. These mainly relate to securities. There is a loan to Vakif Finansal Kiralama A.S. in the amount of EUR 2.7 million (previous year: EUR 15.3 million).

Liabilities include liabilities to our parent company of EUR 12.43 million (previous year: EUR 7.69 million), of which EUR 0.29 million (previous year: EUR 0.33 million) are in foreign currency. These consist entirely of deposits and clearing balances.

The participations shown in the balance sheet relate to the shares in S.W.I.F.T. SCRL, Belgium as well as Einlagensicherung AUSTRIA GmbH.

Information on other assets

The item other assets has a balance sheet value of EUR 10.22 million (previous year EUR 8.84 million). This includes accrued interest for bonds, purchases of receivables (forfaiting) and loans in the amount of EUR 5.97 million (previous year: EUR 5.93 million).

Deferred taxes

The deferred tax liability created in accordance with § 198 (9) UGB amounts to TEUR 160 and is shown under the item "Provisions for deferred tax liabilities". Deferred tax liabilities in the previous year amounted to TEUR 46. Deferred tax liabilities arise from temporary differences in the treatment under company and tax law of the provision for severance payments, the provision for IT expenses, the securities portfolio and the portfolio valuation allowance. A VAT rate of 25 % was applied.

Information on other liabilities

The item other liabilities has a balance sheet value of EUR 2.11 million (previous year: EUR 3.84 million). This includes accrued interest of EUR 0.8 million (previous year: EUR 2.14 million) and withholding tax liabilities of EUR 0.7 million (previous year: EUR 1.1 million).

Provisions

Other provisions developed as follows in the reporting period:

	As at 01/01/2020 €	Use €	Liquidation €	Allocation €	As at 31/12/2020 €
Holiday accrual	237,033.28	11,132.36	1,961.13	100,193.49	324,133.28
Legal, audit and consulting fees.	157,650.00	152,016.32	0.00	206,366.32	212,000.00
Legal proceedings	121,600.00	61,600.00	0.00	27,218.54	87,218.54
IT expenses	271,277.98	132,974.02	19,498.96	94,349.54	213,154.54
Other provisions	39,497.48	39,497.48	0.00	0.00	0.00
Premiums	50,000.00	50,000.00	0.00	0.00	0.00
	877,058.74	447,220.18	21,460.09	428,127.89	836,506.36

Own resources

Hard core capital (EUR)	**31/12/2020**	**31/12/2019** (After taking into account retained earnings 2019)
1. Paid-up share capital pursuant to Article 26 (1a) CRR	100,000,000	100,000,000
2. Open reserves pursuant to Article 26 (e) CRR		
Of which capital reserves (share premium combined with share capital)		
Of which liability reserves	8,250,000	8,250,000
3. Reserves according to Art. 26 (1) (c) CRR		
Of which retained earnings	47,656,242	47,656,242
Deductions pursuant to Article 36 (1) (b) CRR - Of which		
1. intangible assets	-38,063	-45,385
Total hard core capital (EUR)	155,868,179	155,860,857

Below-the-line items

The below-the-line items include guarantees in the amount of EUR 0.095 million (previous year: EUR 0.225 million). The unused credit lines amount to EUR 0.264 million (previous year: EUR 0.350 million).

The credit institution has pledged securities and loans with a book value of approximately EUR 270.4 million to secure its repo and tender obligations.

Value adjustments on receivables from customers

The balance of value adjustments on receivables and contingent liabilities had a negative effect of EUR 3.6 million, of which TEUR 730 was allocated to portfolio value adjustments.

Expenses for the bank auditor

Expenses for our bank auditor Deloitte (as well as its Austrian network companies) amounted to TEUR 247 (previous year: TEUR 185) in 2020, including the allocation to provisions, and can be broken down into the following areas of activity:

	2020 TEUR	**2019 TEUR**
Audit of the annual financial statements	**128**	**93**
Other confirmation services	**48**	**47**
Tax consulting services	**44**	**35**
Other services	**27**	**10**

Other information

Obligations from the use of property, plant and equipment not shown in the balance sheet amount to around TEUR 333 for the following financial year (previous year: TEUR 327). The total amount of obligations for the following five years is approximately EUR 1.7 million (previous year: EUR 1.6 million).

In addition, there is an obligation arising from the deposit protection membership required by § 93 BWG AUSTRIA GmbH. The contribution payment for the deposit protection led in 2020 to a contribution to the deposit protection fund (EiSi) in the amount of TEUR 815 (previous year: TEUR 557), which was recognised as part of other operating expenses.

The leasing expenses for motor vehicles amount to approximately TEUR 3.4 (previous year TEUR 23) for the following business year and approximately TEUR 3.4 (previous year TEUR 51) for the following 5 years.

Taxes on income amount to TEUR -1,595 (previous year TEUR -1,259).

The total amount of forward transactions not yet settled as at the balance sheet date, which consist entirely of FX swaps, is EUR 38.56 million (previous year: EUR 75.64 million); the fair value is EUR 1.08 million (previous year: EUR 0.87 million). This value is booked under other assets.

The disclosure pursuant to Art. 431 CRR. ff. can be found on our homepage(www.vakifbank.at).

The item expenses for severance payments and payments to company pension funds includes allocations to provisions for severance payments in the amount of TEUR 48 and payments to the company pension fund in the amount of TEUR 33 (previous year TEUR 36).

Expenses for severance payments to members of the Executive Board and senior staff were not incurred in this financial year.

The Executive Board will propose to the Annual General Meeting to allocate the balance sheet profit in the amount of EUR 6.5 million to the revenue reserve.

The return on assets according to § 64 (1) (19) BWG amounts to 0.75 % (previous year 1.05 %).

VakifBank maintains a branch in Germany with the following key figures:

Name:	Branch Office Germany (DE)
Net interest income:	TEUR 195
Operating income	TEUR 275
Number of employees:	5
Profit before tax for the year:	TEUR - 885
Taxes on income:	TEUR 30
Public aid received	EUR 0

VakifBank earned interest income from its business in the Turkish market of EUR 3.2 million from the lending business and EUR 3.5 million from the securities business.

There were no special events after the balance sheet date.

Information on governing bodies and employees

The average number of employees in 2020 was 46 (previous year: 44).

The Executive Board is be composed of the following persons:

Ahmet Vural Biyik	Chair of the Board
Mustafa Seckin Onür	Member until 31/03/2020
Muhammet Aydin	Member from 06/04/2020 to 06/04/2021
Mag.a Manuela Döller-Hauner	Member since 06/04/2021

The Supervisory Board is composed as follows:

Ferkan Merdan	Member until 30/12/2020, Chair since 30/12/2020
Suayyip Ilbilgi	Chair from 07/07 to 30/12/2020, Deputy Chair since 30/12/2020
Dr Kurt Pribil	Member from 27/03/2020 to 28/02/2021, Deputy Chair from 07/07 to 30/12/2020
Alp Tolga Simsek	Member since 07/07/2017
Neslihan Tonbul	Member since 07/07/2017
Dr Gero Volker Dittrich, MBA	Member since 01/03/2021

Remuneration for members of the Executive Board and Supervisory Board was paid in the financial year:

	2020 TEUR	**2019 TEUR**
Executive Board members	**396**	**392**
Supervisory Board members	**54**	**57**

Vienna, 29 June 2021

VakifBank International AG

Ahmet V. BIYIK	Mag.ª Manuela Döller-Hauner
Chair of the Board, CEO	Board member