ANNUAL REPORT 2021

VakıfBank
International AG

ANNUAL REPORT

About the financial year 2021

VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT

A-1040 Vienna, Prinz-Eugen-Straße 8-10 / 8th floor / 17, Tel.: +43/1/512 35 20

Fax.: +43/1/512 35 20-199 REUTERS- Dealing: VBIW, SWIFT CODE: TVBAATWW

www.vakifbank.at

TABLE OF CONTENTS

GOVERNING BODIES OF THE COMPANY

SUPERVISORY BOARD

Ferkan MERDAN
Chairman since 30.12.2020

Şuayyip İLBİLGİ
Deputy Chairman since 30.12.2020

Dr. Kurt PRIBIL
Member 27.03.2020 - 28.02.2021

Alp Tolga SIMSEK
Member since 07.07.2017

Neslihan TONBUL
Member since 20.10.2017

Dr. Gero Volker DITTRICH, MBA
Member since 01.03.2021

MANAGEMENT BOARD

Taner AYHAN
Chairman
Since 01.06.2022

Mag.a Manuela DÖLLER-HAUNER
Deputy Chairman and Member
Since 06.04.2021

Ahmet Vural BIYIK
Chairman
20.10.2017 - 31.05.2022

Muhammet AYDIN
Member
06.04.2020 - 06.04.2021

GROUP MANAGER

Muhammet AYDIN
Director & Holder of Procura

Sema YURTYAPAN - BERGER BSc.
Director

HEAD OF DEPARTMENT

Mag. Christoph LEITNER
Financial Management

Mag. Fatih ÖZDEMIR
IT & Data Management

Mag. Sezgin INCE
Internal Audit

Mag. Franz FASCHING
Risk Management

Kurt FÖRSTER
Credit Operations Management

Fatih USLU
Treasury

VIENNA BRANCH

Coskun TANSEL
Manager

1010 Wien, Schubertring 2,
Tel.: + 43 1 512 15 57
Fax: + 43 1 512 15 57 - 399

BRANCH OFFICE GERMANY

Aysegül DULKADIROGLU
Manager

Alter Markt 54,
50667 Köln, Deutschland
Tel.: + 49 221 280 64 67 - 0
Fax: + 49 221 258 94 27

BUSINESS PHILOSOPHY AND OWNERSHIP STRUCTURE

The founding meeting of VakifBank International AG took place on July 23, 1999. The Federal Ministry of Finance granted a full banking license on August 4, 1999. The bank is 100% owned by Türkiye Vakıflar Bankası TAO.

VakifBank International AG has set itself the task of looking after European and Turkish exporters and importers and, in particular, accompanying them in their foreign trade transactions, drawing on the experience, financial strength and international market position of the parent company. In this way, VakifBank International AG wants to make a positive contribution to intensifying the existing mutual trade and investment volume.

The main focus is on the areas of corporate financing, but also 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 bank and savings accounts, corporate and personal loans, and bank transfers. A special service is our fast and inexpensive payment transaction offer for transfers from Austria to Türkiye.

Through a direct connection with our parent company T. Vakıflar Bankası TAO, we can guarantee very short transfer times for transfers to over 940 branches in Türkiye.

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

The T. Vakıflar Bankası TAO was founded in 1954. It is the second largest Turkish bank under state influence and operates over 940 branches in Türkiye as well as one branch each in New York, Bahrain and Erbil.

The shareholders of Türkiye Vakıflar Bankası TAO are:

- 20.57% Republic of Türkiye - Ministry of Finance and Treasury
- 64.84% Türkiye Wealth Fund
- 5.66% Pension Fund of Türkiye Vakiflar Bankasi TAO
- 8.94% Other

(in EUR million)

	2021	**2020**
Loans and advances to customers	470.6	463.2
Receivables from credit institutions	39.0	4.2
Liabilities to credit institutions	293.8	259.9
Liabilities to customers	423.7	481.6
- of which savings deposits:	275.8	298.1
Net interest income	14.7	15.3
Operating income	15.2	15.8
Operating expenses	9.8	8.8
Operating result	5.4	7.1
Result before tax	8.1	8.7
Result after tax	6.2	6.9
Eligible own funds according to Part 2 of Regulation (EU) No. 575/213	162.2	155.8

Basic information and general conditions

VakifBank International AG was founded on July 23, 1999 and received a full banking license on August 4, 1999 from the Federal Ministry of Finance. VakifBank International AG (VakifBank) is an economically strong and well capitalized bank and is 100% directly owned by Türkiye Vakiflar Bankasi TAO (TVB). TVB is listed on the Istanbul Stock Exchange and is one of the top-selling companies in Türkiye, which is not only economically but also socially heavily involved in this state. TVB is also included in the most important Turkish share index ISE-100 and has external ratings. It was founded in 1954 and is the second largest state-controlled bank in Türkiye. The head office in Istanbul operates over 900 branches in Türkiye, including a branch in New York.

VakifBank has a letter of comfort from TVB. The business model of VakifBank has a very low level of complexity. The VakifBank is a Less Significant institution in the single supervisory mechanism of the EU. Since it was founded in 1999, VakifBank has been active in the long-term support of trade and business connections between Europe and Türkiye and, compared to regional competitors in Austria, has the advantage, among other things, that it is possible to provide collateral located in Türkiye.

In addition to the headquarters and a branch in Vienna, VakifBank is represented in Germany with a branch in Cologne (since 2005). In addition, a representative office was opened in Hungary (Budapest) in 2021. In the European countries, primarily Austria and Germany, the main activities of VakifBank are deposit taking and financing corporate loans. Refinancing through credit institutions is becoming increasingly important.

Economic conditions

The global economy's post-pandemic recovery has continued in 2021 on the back of the lifting of restrictions, rising immunization rates in most countries and supportive economic policies. However, inflation rates are rising worldwide due to disruptions in supply chains, rising demand for goods and rising commodity prices. The responsive change in monetary policy in developed economies is leading to increased volatility in investments in emerging market economies. The high debt rates (in the public and real estate sectors), possible setbacks in the fight against the pandemic due to new corona variants, the effects of climate change that are becoming visible and the sharp rise in energy prices due to Russia's war in Ukraine will keep volatility high and the framework conditions improving stay challenging.

A strong recovery in the GDP growth rate to 5.2% was observed in the euro zone in 2021. Before the start of Russia's war in Ukraine, growth rates of 4.3% in 2022 and 2.5% in 2023 had been expected. Forecasts are currently not possible due to the uncertainty of the duration of the war and the strong impact on energy prices. What is certain, however, is that inflation rates will remain high and that the target of 2% inflation announced by the ECB before the war broke out will not be achieved in the near future.

Global debt ratios have declined slightly in 2021, mainly due to the decline in corporate debt ratios. The reason for the increased reduction in debt was the low level of interest rates. It should be noted that depending on the sectors, the pandemic had different effects and therefore the leverage ratios can also be different. Our receivables were little affected by the pandemic.

Like all other markets, Türkiye could not escape the negative development. However, even in this challenging environment, our Turkish borrowers did not default.

Business activity by country and sector

VakifBank prioritizes 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 institution in Vienna. The majority of this income is again attributable to large companies and financial institutions from the regions of Türkiye, Austria and Germany, with the net interest income coming from lending and increasingly from bond transactions. In line with the business model, the largest expense items are interest expenses on deposits in Austria and Germany and general administrative expenses.

On the liability side, there is a broadly diversified financing structure, and this is to be retained in the future. In the deposit business, the customer offering is largely determined by the competitive environment. VakifBank has stable sources of refinancing, has additional refinancing opportunities on the interbank market and can rely on any additional liquidity that would be provided by its parent company TVB.

Organizational structure, risk management organization and internal control system

In order to minimize conflicts of interest, VakifBank pursues a clear structural separation (separation of duties) between market and back office areas. The separation of market and back office areas (structural organization) and a clear definition of tasks and responsibilities (procedural organization) ensure that activities that are incompatible with each other are carried out by different organizational units. The control functions such as risk management, compliance and internal audit are performed independently of the front office functions. This is reflected in the bank's organization chart and in the division of responsibilities within the Management Board. An internal control system (ICS) has been set up, which includes regulations on structural and process organization as well as on risk management and risk controlling processes.

The central responsibility for risk management in VakifBank lies with the entire board. In fulfilling this task, the entire Management Board is supported by various departments. In addition, there are several committees at different levels in VakifBank for the standardization and effective coordination of risk management.

The Management Board of VakifBank bears overall responsibility for both risk management and risk controlling within the framework of overall bank risk management. In connection with the management of all risks relevant to the bank, it defines the strategic framework. All parts of the company must subsequently comply with the relevant specifications. In addition, the Management Board defines appropriate risk limits (preliminary control) and makes formal decisions in matters relevant to risk management.

The main role and responsibility of the Supervisory Board of VakifBank is to control, advise and monitor the Management Board.

The risk management department ensures that the specifications and requirements relating to the methodology and system of risk management are implemented.

As part of overall bank risk management (ICAAP & ILAAP), risk management aims to set up a risk control system for identifying, quantifying, limiting, monitoring and controlling all relevant risks. It is responsible for implementing the framework in line with the business and risk strategy.

Risk management is responsible for preparing the risk report (four times a year). This includes all defined key risk indicators and is reported to the Supervisory Board.

Overall bank management system

The overall bank management of VakifBank takes into account a balanced relationship between the key indicators of equity, income, costs, liquidity and risks. The Management Board is regularly informed about the positive and negative earnings drivers in order to identify and counteract any unplanned developments at an early stage.

The holistic control with the aim 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 specified for the individual risk types when recording, assessing, controlling, monitoring and limiting the banking and operational risks in accordance with Section 39 (2) BWG. This is done taking into account the type, scope and complexity of the banking business, including when implementing the guidelines of the European supervisory authorities.

Goals and strategies

The diversification strategy defined in 2016 with regard to the country of residence of the credit customers or securities issuers was successfully completed, so VakifBank only had an exposure to Türkiye of 11.7% as of December 31, 2021. Expiring financing from Turkish borrowers was largely substituted with investments in the European bond and promissory note market.

The primary focus of new business is the purchase of government bonds, corporate bonds, bank bonds, bonds in the supranational sector (e.g., development and export promotion banks), as well as a diversified granting of corporate loans, promissory note loans and syndicated loans to well -rated companies and banks. As a bank in the EU, VakifBank prefers investments in companies and banks within the EU. Care is taken to ensure that the risk weights of these are not higher than those of the assets to be replaced. With regard to the planned lending and securities business, all new commitments should have internal ratings of up to 13. This strategy should also take into account the regulatory liquidity ratios and the liquidity potential as well as a broadly diversified refinancing structure.

VakifBank has a coherent business and risk strategy approved by the Management Board and the Supervisory Board, as well as associated limit systems. The business strategy was operationalized within the framework of derived capital and strategic limits.

Business performance in 2021

Despite the challenges caused by the pandemic, the 2021 financial year was another successful year for VakifBank.

The many years of positive business development in the past has shown that VakifBank has the necessary specialist knowledge and good customer contacts to successfully continue the current strategy of the bank. In the past, strategic targets have always been met and mostly even exceeded.

Research and Development

VakifBank does not conduct any research and development within the meaning of § 243 Para. 3 Z 3 UGB.

Information about the environment and employee matters

When it comes to employee concerns, particular attention was paid to protecting the health of employees during the Covid-19 pandemic. Extensive home office regulations and structural and organizational measures have been taken on the premises of VakifBank so that the distance rules can be observed.

The environmental, social and governance (ESG) topics were discussed in several workshops and the topic of sustainability was dealt with in the business strategy.

Risk report

Various risks arise from the business activities of VakifBank, which are systematically identified and evaluated as part of the risk inventory together with the responsible departments.

Significant risks are evaluated in the ICAAP. In 2021, risk assessment methods were implemented, adapted to the most appropriate and industry-standard quantification methods and to the business model of VakifBank.

The risk measurement in the ICAAP includes a risk calculation based, among other things, on the CVaR approach (for credit risk) and present value simulations (for market risk). Both expected and unexpected losses are calculated for the credit risk.

The risks identified as part of the risk inventory are described and explained in more detail below.

Risk types

The following main types of risk are quantified in the risk-bearing capacity calculation (ICAAP), compared to the risk cover funds and monitored according to the limits assigned to the risk types.

In addition, a number of stress tests are carried out, the results of which form the basis for bank management, along with the results of the risk-bearing capacity calculation. The results of the risk measurement are reported to the Management Board on a monthly basis, and reports are also made to the Supervisory Board at the Supervisory Board meetings.

Credit risk

Credit risk (also known as default risk) arises from possible losses that arise from a partial or complete default of contractually agreed payments. VakifBank has been using a CVaR approach since 2021.

In the CreditMetrics model, which is used to quantify credit risk, the credit risk potential corresponds to the unexpected loss (UL) from the credit risk-relevant positions. The Bank has internal ratings for all customers above the rating relevance limit. These ratings are based on the ratings published by international rating agencies. A rating program specially developed for this customer segment by Moody's, one of the largest international rating agencies, is used for customers who do not have such a rating. The specifications from the Basel III regulation CRR are generally used for loss ratios. In addition, cluster risks are also limited by operational limits. To determine the 90-day delay (according to Article 178 CRR), the bank uses an automated counter, which triggers specified measures. Furthermore, the creditworthiness of the debtor is to be continuously monitored through permanent risk monitoring and a unlike-to-pay (UTP) analysis is to be carried out in case of doubt.

Credit Concentration Risk

VakifBank defines concentration risk as the risk of occurrence of large losses resulting from the following events: (i) default events of a counterparty with large exposure, (ii) simultaneous default events within an industry due to intra-industry correlations, (iii) simultaneous default events due of correlations between two interdependent industries and (iv) simultaneous default events within a group of connected customers.

Concentration risks in the ICAAP are quantified using a multi -factor CVaR model.

Interest rate risk in the banking bank

The bank-wide interest rate risk includes the risk that the expected or planned balance sheet value or present value long-term income will not be achieved due to a change in market interest rates. Interest rate risk generally includes both an income effect (net interest income) and a present value effect. Future activities are designed to keep interest rate risk at a low level. The interest rate risk is simulated in the ICAAP using a simulated change in present value with a 200 bp interest rate shift and backed accordingly with economic capital. The basis for this is the regulatory report on interest rate risk statistics (VERA A3b) scaled according to the confidence interval used.

In the VakifBank, the six scenarios of the standardized EVE Outlier Tests (according to IRRBB) are also carried out and monitored on a monthly basis.

Currency risk

The currency risk describes the risk of changes in the value of the foreign currency position due to price shifts on the foreign exchange spot markets. The currency risk of VakifBank results primarily from outstanding receivables in USD.

No other currencies are used in the operations of VakifBank. For non-essential one-off transactions, banking transactions may be conducted in Turkish Lira. For significant USD receivables positions, the required currency risk hedging is placed using FX swaps to directly fund these USD positions in foreign currency. This risk category is measured and limited in the ICAAP using a simple value-at-risk approach.

Foreign Currency Credit Risk

A foreign currency loan is a loan that is taken out and repaid in a currency other than the borrower's domestic currency. The devaluation of the domestic currency against the currency of the loan increases the customer's credit commitment and thus also the loss potential. Furthermore, the increased loan commitment can lead to an increased risk of default by the borrower. For such commitments, the resulting foreign currency credit risk is quantified in the ICAAP and backed with economic capital.

Credit spread risk

Spread risk (credit spread risk) is the risk of loss due to changing market prices or market rates of securities held by the company, caused by changes in credit spreads or the spread curve.

To quantify the credit spread risk in the ICAAP, VakifBank uses an internal model, with the simulation being carried out in the sDIS + module of the THINC software. To this end, each security is assigned to an index according to its maturity, rating and industry. The credit spread shocks are derived empirically using historical data from the indices.

Country risk

The country risk is expressed in the risk that claims from cross-border transactions may default due to sovereign measures (transfer and conversion risk) and in the risk that the economic or political situation in the country will have a negative impact on the creditworthiness of the debtors in this risk country Has. The country risk includes the insolvency or unwillingness to pay of the country itself or of the country to which the business partner/counterparty 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, e.g. in the case of corporate links of the business partner.

Country risk management at VakifBank aims to limit the risks taken by the bank through appropriate diversification across countries, with the home market (Germany and Austria) being prioritized. To this end, a number of qualitative and quantitative country risk management measures are employed. These measures are intended to mitigate (1) political, (2) economic and (3) the transfer risk of VakifBank. The transfer risk is a component of the credit risk and the quantification of the credit risk takes place in VakifBank with the downgraded ratings according to the country ceiling principle. Therefore, the transfer risk is included in the credit risk amount and is not reported separately.

Operational risk

Operational risk means the risk of loss as a result of inadequate governance or failed internal processes and systems, intentional or negligent actions by employees or as a result of external events and includes legal risk. The risks from systems include cyber security risks, IT risks and business continuity risks. Systems and processes also include all precautions relating to money laundering and the financing of terrorism. In accordance with the CRR, the basic indicator approach is used to measure operational risk in the ICAAP, with the internal control system being further expanded in order to reduce the main risks by means of suitable internal controls. In particular, outsourcing risks are addressed through increased internal controls and availability risks are minimized.

VakifBank evaluates and controls its operational risk and uses this as a basis to hedge against events that rarely occur with serious consequences. In addition, VakifBank has emergency and business continuity plans that ensure the continuation of business activities and the limitation of possible losses from operational risks at any time in the event of a serious business interruption.

Liquidity risk

Liquidity risk and the corresponding liquidity risk tolerance are defined as the maximum level of liquidity risk that the bank is willing to accept in normal business and in potential stress situations. The liquidity risk tolerance is intended to ensure that the company manages its liquidity in normal times in such a way that it can also withstand a longer period of stress.

The most important parameters for determining the liquidity risk tolerance are:

- **Liquidity Buffer / CBC**: The higher the liquidity buffer and the better the quality of the assets in the buffer, the lower the risk appetite.
- **Survival Period**: The higher the target for the survival period, the lower the willingness to take risks.
- **Stress scenarios**: The more conservative the scenarios chosen, the more risk-averse the bank is.

Macroeconomic Risk

The macroeconomic risk results from a deterioration in the overall economy as part of the classic economic cycle and any associated increases in risk parameters. The Bank's goal for this risk is also to initially have sufficient risk cover funds after such an economic period without massive interventions and measures.

Macroeconomic risk in Vakifbank is calculated for the significant countries whose share in the bank's assets is at or above 10%. As of December 31, 2021, Austria, Germany, Türkiye and France are classified as significant.

In VakifBank, sovereign credit default swap (CDS) spread volatility is used to measure macroeconomic risk arising from economic uncertainty.

Sovereign CDS volatility is proving to be a powerful indicator of economic uncertainty, serving either as a primary measure of economic uncertainty or as an additional measure of uncertainty when other indicators of economic uncertainty are already available. Using CDS volatility as a measure of uncertainty has several advantages: it can be easily calculated, it is available for a large number of countries, and it allows uncertainty to be assessed with high frequency.

Stress tests for capital and liquidity are also carried out at VakifBank. Overall, the results of the stress tests provide a basis for future management decisions at VakifBank.

Sensitivity analyzes make it possible to identify the effects of extreme developments that are not taken into account in the risk measurement based on the reporting date. The effects of these extreme scenarios on the risk and capital side can be simulated in the ICAAP.

The following three sensitivity analyzes are carried out in VakifBank:

- Reduction of the amount of collateral in the loan portfolio
- Effects due to an increase in interest rate risk
- Increase in refinancing costs and an increase in country risk for customers with foreign currency risks

Overall risk profile and framework

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

Earnings, financial and asset position

Development of key balance sheet items

The most significant sectors in which there are loans at the end of 2021 are sovereigns, financial institutions, manufacturing and healthcare services. The remainder of the portfolio is divided roughly evenly between construction, energy, transport and trade.

Receivables from customers and banks increased from EUR 467 million to EUR 510 million. The volume of bonds and other fixed-income securities fell from EUR 281 million to EUR 250 million (-11%). The German office is primarily active in the deposit business and has total assets of EUR 116 million. Customer deposits in Germany amounted to EUR 112 million at the end of 2021.

Balance sheet equity

Compared to the previous year, the balance sheet equity increased by around EUR 6 million to a total of around EUR 169 million. The liability reserve is EUR 8.25 million.

Asset and financial position

The financial year was thus closed with a balance sheet total of EUR 892 million. Receivables from customers increased by EUR 8 million in the year under review and amounted to EUR 471 million. Receivables from banks rose from EUR 4 million to around EUR 39 million. Debentures and other fixed income securities had a value of EUR 250 million at the end of the year under review. A year earlier they amounted to EUR 281 million.

Liabilities to customers fell by 12% and amount to EUR 424 million. In the previous year, they amounted to EUR 482 million. Other liabilities including prepaid expenses and provisions are EUR 5.4 million compared to the previous year (EUR 6.6 million) down. Overall, the financial year, including the balance sheet profit, closed with equity on the balance sheet of EUR 169 million. This continues to represent an unchanged solid and sufficient capital base for the development of the bank.

The CET-1 ratio is 21.30% (previous year 21.07%).

Earnings situation

A slightly lower net interest income of EUR 14.7 million (previous year: EUR 15.4 million) was achieved in the reporting year. The commission income contributes EUR 0.39 million to the result. Compared to the previous year, general administrative expenses increased by 9% and amounted to EUR 8.6 million at the end of the year. The reasons for this are higher personnel costs and higher material expenses. The result of the valuation of the financial assets is kEUR -2.4. The valuation result of the current assets is EUR 5.4 million.

The result of VakifBank from ordinary activities was EUR 8.1 million. Overall, the 2021 financial year closed with a net profit of EUR 6.2 million.

Liquidity position

The solvency of VakifBank was ensured at all times in the 2021 financial year due to a planned and balanced liquidity provision and the liquidity ratios required by the supervisory authorities were always significantly exceeded. Various refinancing options were also available to VakifBank in the past financial year for conducting new business.

Overall location and outlook

Taking into account the increased regulatory requirements and the volatile market conditions, VakifBank was able to meet its goals and achieve a satisfactory result overall. As in the previous year, the Turkish lira continued to depreciate against the Euro in 2021 (from 9.11 to 15.23). However, due to the completed diversification strategy, the devaluation had hardly any impact on the bank.

As in previous years, the 2022 financial year will be characterized by the implementation of the agreed business and risk strategy as well as further organizational improvements. Business processes will continue to be optimized as in the past. Due to the unforeseeable uncertainties caused by Russia's war in Ukraine, it is currently difficult to estimate the course of the 2022 financial year at the time of reporting. However, due to our good capital base, we are confident that we will be able to cope with the challenging situation in the 2022 financial year.

Vienna, June 24th, 2022

VakifBank International AG

Taner Ayhan
Chairman of the Board, CEO

Mag. a Manuela Döller- Hauner, LLM
Board member

REPORT OF SUPERVISORY BOARD

The Supervisory Board held regular meetings in the 2021 financial year. In these meetings, but also in the continuous reporting by the Management Board, the Supervisory Board obtained information about the 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 tasks incumbent on it under the law and the Articles of Association.

The annual financial statements, including the notes and management report for the 2021 financial year, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H, who were appointed auditors of the annual financial statements and bank, and given 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 Section 92 (4) of the German Stock Corporation Act, there is no reason for objections.

The Supervisory Board agreed with the result of the audit, agreed to the annual financial statements and management report presented by the Management Board and approved the annual financial statements for 2021 at its meeting on June 29, 2022, which were thus adopted in accordance with Section 96 (4) of the German Stock Corporation Act.

The Supervisory Board agrees to the proposal for the appropriation of profits presented by the Management Board and thanks the Management Board and the employees for the successful work done in 2021.

Vienna, June 29th, 2022

Ferkan MERDAN eh
Chairman of the Supervisory Board

AUDITOR’S REPORT

Report on the Financial Statements

We have audited the financial statements of

VakifBank International AG, Vienna,

These financial statements comprise the balance sheet as of December 31, 2021, the income statement for the fiscal year then ended and the notes.

Based on our audit the accompanying financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Company as of December 31, 2021 and its financial performance for the year then ended in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor’s Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the fiscal year. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the following, we describe the key audit matters from our perspective:

1. **Evaluation of receivables from customers, including education risk provisions for the lending business**

Description:

Receivables from customers are reported in the annual financial statements of VakifBank International AG as of December 31, 2021 at an amount of EUR 470.6 million. Individual value adjustments (EUR 5.2 million) and general value adjustments (EUR 5.3 million) have been made to take into account the risk of loss in the credit portfolio.

The Management Board of VakifBank International AG explains the accounting and valuation methods for receivables from customers in the notes to the annual financial statements. In this regard, we refer to the information in point I. "Accounting and valuation methods".

The assessment of the value of customer receivables and thus their valuation includes the identification of value adjustment requirements and the estimation of any value adjustment requirements. We have identified this area as a key audit matter due to the volume of receivables from customers and the estimation uncertainties associated with the amount of value adjustments.

How we addressed the matter in the context of the audit:

We surveyed the company's credit monitoring process and assessed whether this is suitable for recognizing the need for value adjustments in good time. To this end, we held talks with responsible employees and acknowledged the relevant internal guidelines to that effect. As part of a walkthrough, we examined the design and implementation of the key control activities. In addition, we checked the effectiveness of selected controls on the basis of random samples.

In addition, we checked the loan portfolio on the basis of random samples to determine whether sufficient individual value adjustments had been made. When examining the general allowance, we assessed the valuation models used and the parameters applied to determine whether they are suitable for determining appropriate provisions. We also examined the underlying data (statistical default probabilities) for their data quality and verified the arithmetical accuracy of the value adjustment.

Reference to Other Matters

The financial statements of VakifBank International AG, Vienna for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on June 30, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements, the management report and the auditor’s report thereon. The annual report is estimated to be provided to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the financial statements or otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the financial statements

Management is responsible for the preparation of the financial statements in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements, for them to present a true and fair view of the assets, the financial position and the financial performance of the Company and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.]

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

Furthermore applies:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 control 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Comments on the Management Report

Pursuant to Austrian Generally Accepted Accounting Principles, the management report is to be audited as to whether it is consistent with the financial statements and as to whether the management report was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report in accordance with Austrian Generally Accepted Accounting Principles and banking regulatory requirements.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report.

Opinion

In our opinion, the management report for the Company was prepared in accordance with the valid legal requirements and is consistent with the financial statements.

Statement

Based on the findings during the audit of the financial statements and due to the thus obtained understanding concerning the Company and its circumstances no material misstatements in the management report came to our attention.

Additional information in accordance with Article 10 EU regulation

We were elected as auditor by the ordinary general meeting on July 29, 2020. We were appointed by the Supervisory Board on August 10, 2020. In addition, we were elected as auditor for the following financial year by the ordinary general meeting on July 30, 2021 and appointed by the Supervisory Board on July 30, 2021 to audit the financial statements. We are auditors without cease since 2021.

We confirm that the audit opinion in the Section "Report on the financial statements" is consistent with the additional report to the audit committee referred to in Article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

Vienna, June 24th, 2022

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Andrea Stippl mp	ppa MMag. Roland Unterweger mp
Wirtschaftsprüferin / Certified Public Accountant	Wirtschaftsprüfer / Certified Public Accountant

*) This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the financial statements together with our auditor's opinion is only allowed if the financial statements and the management report are identical with the German audited version. This audit opinion is only applicable to the German and complete financial statements with the management report. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

VAKIFBANK INTERNATIONAL AG

NOTES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

BALANCE SHEET AS OF DECEMBER 31, 2021

ASSETS

		12/31/2021		12/31/2020	
		EUR	EUR	EUR	EUR
1.	Cash on hand and balances with central banks		15,434,223.80		58,908,504.48
2.	Debt instruments issued by public authorities		112,910,013.79		92,781,778.57
3.	Receivables from credit institutions				
	a) due daily	8,918,121.20		4,122,384.33	
	b) other claims	30,041,011.11	38,959,132.31	100,000.00	4,222,384.33
4.	Loans and advances to customers		470,584,657.65		463,219,794.96
5.	Debentures and other fixed income securities				
	a) from public issuers	105,617,652.40		76,510,700.60	
	b) from other issuers	144,275,626.58	249,893,278.98	204,623,885.79	281,134,586.39
6.	Holdings		2,950.00		2,950.00
7.	Intangible assets of fixed assets		535,739.23		38,062.80
8.	Property, plant and equipment including: Land and buildings by the lending institution under used for his own activities: EUR 0 (previous year: EUR 0)		85,409.93		125,178.35
9.	Other assets		2,975,556.74		10,220,036.39
10	Prepaid expenses		491,387.78		271,516.34
			891,872,350.21		**910,924,792.61**
	Items under the balance sheet				
	1. Foreign assets		764,681,323.29		762,549,534.21

LIABILITIES

		12/31/2021		12/31/2020	
		EUR	EUR	EUR	EUR
1.	Liabilities to credit institutions				
	a) due daily	3,941,133.84		7,903,082.21	
	b) with an agreed term or notice				
	deadline	289,861,514.70	293,802,648.54	252,044,975.09	259,948,057.30
2.	Liabilities to customers				
	a) savings				
	including:				
	aa) payable daily	106,913,753.04		103,461,262.17	
	ab) with an agreed term or period of notice	168,867,948.75		194,596,241.80	
	b) other liabilities				
	including:				
	ba) payable daily	15,237,080.46		14,437,791.88	
	bb) with an agreed term or period of notice	132,640,160.53	423,658,942.78	169,134,437.15	481,629,733.00
3.	Other liabilities		2,069,339.95		2,110,740.33
4.	Prepaid expenses		217,253.28		371,227.49
5.	Accruals				
	a) Provisions for severance payments	376,000.00		407,000.00	
	b) tax provisions	1,925,000.00		2,845,000.00	
	thereof provisions for deferred tax liabilities	270,000.00		160,000.00	
	c) other	826,854.58	3,127,854.58	836,506.36	4,088,506.36
6.	Subscribed capital		100,000,000.00		100,000,000.00
7.	Retained earnings				
	a) legal reserve	6,800,000.00		6,300,000.00	
	b) other reserves	48,226,528.13	55,026,528.13	41,756,241.68	48,056,241.68
8.	Liability reserve in accordance with Section 57 (5) BWG		8,250,000.00		8,250,000.00
9.	Retained profit		5,719,782.95		6,470,286.45
			891,872,350.21		**910,924,792.61**

Items under the balance sheet

		12/31/2021	12/31/2020
1.	Contingent liabilities	92,412.28	95,032.28
	a) Liabilities from guarantees and		
	Liabilities arising from the provision of collateral	92,412.28	95,032.28
2.	Credit risks	265,375.95	264,414.37
3.	Eligible own funds according to Part 2		
	of Regulation (EU) No. 575/2013	162,240,788.90	155,868,178.88
	including: Tier 2 capital according to Part 2		
	Title I Chapter 4 of Regulation (EU) No 575/2013	0.00	0.00
4.	Own funds requirements according to Art. 92		
	of Regulation (EU) No. 575/2013	761,803,950.01	739,611,309.33
	including: own funds requirements according to Art. 92 Para. 1		
	lit. a to c of Regulation (EU) No. 575/2013 (CRR)		
	Common Equity Tier 1 capital ratio	21.3%	21.1%
	core capital ratio	21.3%	21.1%
	total capital ratio	21.3%	21.1%
5.	Foreign liabilities	171,366,039.61	171,220,158.94
	Return on Investment	0.70%	0.75%

BALANCE SHEET AS OF 31. DEZEMBER 2021

INCOME STATEMENT FOR FISCAL YEAR 2021

			2021		2020
		EUR	EUR	EUR	EUR
	1. Interest and similar income including: from fixed-income securities: kEUR 9,432 (previous year: kEUR 10,967)		17,738,873.40		20,603,509.75
	2. Interest and similar expenses		-3,070,839.53		-5,213,243.60
I	**NET INTEREST INCOME**		**14,668,033.87**		**15,390,266.15**
	3. Commission income		530,889.11		206,545.95
	4. Commission expenses		-139,372.07		-148,355.85
	5. Income/expenses from financial transactions		19,848.89		21,546.81
	6. Other company income		77,915.22		397,307.21
II.	**OPERATING INCOME**		**15,157,315.02**		**15,867,310.27**
	7. General administrative expenses				
	a) personnel expenses including:				
	aa) Wages and salaries	-3,185,672.25		-2,865,915.08	
	bb) Expenses for statutory social security contributions and fees dependent on remuneration and compulsory contributions	-780,547.47		-716,529.37	
	cc) Other social expenses	-109,398.30		-119,370.78	
	dd) Expenses for pensions and support	-73,006.34		-74,977.58	
	ee) Expenses for severance payments and services to company employee provision funds	-99,490.45	-4,248,114.81	-81,043.53	-3,857,836.34
	b) Other administrative expenses (material expenses)		-4,320,382.93		-4,013,986.57
	8. Valuation allowances on the assets 7. And 8.		-92,807.74		-81,670.23
	9. Other operating expenses		-1,135,213.05		-842,461.23
III.	**OPERATING EXPENSES**		**-9,796,518.53**		**-8,795,954.37**
IV	**OPERATING RESULT**		**5,360,796.49**		**7,071,355.90**
	10./11 Income/expense balance from the sale and the valuation of loans and securities		2,737,558.68		-3,363,024.89
	12./13 Income/expense balance from the sale and				

		the valuation of securities, like financial assets are valued, as well as shares in affiliated companies and holdings	0.00	4,940,478.87
V.	**RESULTS BEFORE TAX**		**8,098,355.17**	**8,648,809.88**
	14	Taxes on income and earnings from that: expenses from deferred taxes: kEUR 110 (previous year: kEUR 114)	-1,836,949.00	-1,594,598.00
	15	Other taxes, as far as not in item 14 to be reported	-41,623.22	-183,925.43
VI.	**RESULTS AFTER TAX**		**6,219,782.95**	**6,870,286.45**
	15	Reserve movement including: allocation to the liability reserve in accordance with Section 57 (5) BWG EUR 0; (previous year: 0 EUR)	-500,000.00	-400,000.00
vii	**ANNUAL PROFIT**		**5,719,782.95**	**6,470,286.45**
	16	Profit carried forward	0.00	0.00
viii	**RETAINED PROFIT**		**5,719,782.95**	**6,470,286.45**

DEVELOPMENT OF FIXED ASSETS POSITIONS

	Acquisition value to 01.01.2021	Additions	Disposals	Reclassification	Acquisition Values	Accumulated depreciation as of January 1st, 2021	Write-ups of the current financial year	Depreciation for the current financial year	Disposals	Accumulated write-downs and write-ups as of December 31, 2021	Book value as of December 31, 2020	Book value as of December 31, 2021
in EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR	EUR	EUR	EUR
I. FINANCIAL INVESTMENTS												
a) Securities												
aa) Debt public	93,437,724.77	19,848,980.45	0.00	0.00	113,286,705.22	-655,946.20	160,907.09 1)	-802,666.16 2)	0.00	- 1,297,705.27	92,781,778.57	111,988,999.95
bb) Other fixed-income securities	174,067,553.27	39,898,253.29 *)	-33,406,207.78	6,016,823.34	186,576,422.12	4,114,458.70	1,248,910.67 1)	-2,333,376.84 2)	2,289,142.65	5,319,135.19	178.182.011.97	191,895,557.30
	267,505,278.04	**59,747,233.74**	**-33,406,207.78**	**6,016,823.34**	**299,863,127.34**	**3,458,512.50**	**1,409,817.76**	**-3,136,043.00**	**2,289,142.65**	**4,021,429.91**	**270,963,790.54**	**303,884,557.25**
II. PARTICIPATIONS	**2,950.00**	**0.00**	**0.00**	**0.00**	**2,950.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**2,950.00**	**2,950.00**
III. INTANGIBLE ASSETS												
a) Rights and Licenses	381,452.48	531,122.41	0.00	0.00	912,574.89	-343,389.68	0.00	-33,445.98	0.00	-376,835.66	38,062.80	535,739.23
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	**531,122.41**	**0.00**	**0.00**	**912,574.89**	**-343,389.68**	**0.00**	**-33,445.98**	**0.00**	**-376,835.66**	**38,062.80**	**535,739.23**
IV. TANGIBLE ASSETS												
a) Adaptations in third-party 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) Operating and office equipment	1,293,326.51	12,764.84	0.00	0.00	1,306,091.35	- 1,168,148.16	0.00	-52,533.26	0.00	-1,220,681.42	125,178.35	85,409.93
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	6,828.50	-6,828.50	0.00	0.00	0.00	0.00	-6,828.50	6,828.50	0.00	0.00	0.00
	2,415,676.20	**19,593.34**	**-6,828.50**	**0.00**	**2,428,441.04**	**- 2,290,497.85**	**0.00**	**-59,361.76**	**6,828.50**	**- 2,343,031.11**	**125,178.35**	**85,409.93**

1) Pro rata temporis write-up of differences in securities valued as financial assets pursuant to section 56 (3) BWG
2) Pro rata amortization of the differences in securities valued as financial assets pursuant to Section 56 (2) BWG
*) The additions include exchange rate differences of EUR 2.4 million from securities in a foreign currency.

General Provisions

The annual financial statements of VakifBank International AG (VakifBank) were prepared in accordance with the principles of proper bookkeeping and the general norm to provide a true and fair view of the company's assets, finances and earnings. The accounting, valuation and disclosure of the individual items in the annual financial statements were carried out in accordance with the provisions of the Company Code and the Banking Act in the currently applicable versions.

Accounting and valuation methods

The structure of the balance sheet and the profit and loss account corresponds to Annex 2 to Section 43 BWG. Individual items that do not show an amount either in the financial year or in the previous year are not listed. When preparing the annual financial statements, the principle of completeness was observed, and it was assumed that the company would continue as a going concern. When valuing the individual assets and debts, the principle of individual valuation was observed.

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

Foreign currencies are valued in accordance with Section 58 (1) of the Austrian Banking Act at the quoted mean exchange rate, foreign currency holdings at the quoted mean exchange rate on the balance sheet date December 31, 2021.

Accrued interest is allocated to the appropriate balance sheet items. In the previous year, these were reported under the items “Other assets” and “Other liabilities”.

Securities that are not allocated to fixed assets were recognized at the lower of cost or market price on the balance sheet date, taking into account the strict lower of cost or market principle. When valuing the securities held as fixed assets, the accounting options pursuant to Section 56 (2) second sentence BWG and Section 56 (3) BWG are used, and the moderate lower-of-cost-or-market principle is also applied.

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

A breakdown of the fixed assets and their development in the year under review is given in the fixed assets schedule (Annex 3/1).

Loan receivables are treated as current assets and are therefore valued according to the strict lower of cost or market principle. VakifBank determines the need for individual value adjustments as part of credit monitoring. This is done through ongoing monitoring of the loan portfolio with regard to the evaluation of collateral and the adjustment of rating levels that change due to the creditworthiness of the borrowers and their payment behavior. A general allowance of EUR 5.3m (previous year: EUR 1.4m) was made on the basis of statistical empirical values in accordance with Article 201, Paragraph 2, Item 7 of the UGB.

Scheduled depreciation was based on the following useful lives:

TANGIBLE	ASSETS YEARS
Rights and licenses	10
Investments in third-party buildings	10
Furniture and fixtures	4-10
Office machines and computer equipment	2-4
Fleet	5

Low-value assets (Section 13 ESTG) amounting to kEUR 7 (previous year kEUR 3) were fully depreciated in the year of acquisition and shown in the assets movement schedule in the columns additions, disposals and depreciation for the financial year.

The provision for severance payment obligations was determined according to the principles of financial mathematics (on the basis of AFRAC statement 27) based on a retirement age of 60 (women) or 65 (men) and an interest rate of 1.2% (previous year: 1.4%). The 7-year average interest rate with a 15-year remaining term as of December 31, 2021 was used in accordance with the German announcements of the statutory ordinances in accordance with Section 253 (2) of the HGB and an additional 10% discount due to the falling interest rate level. In accordance with the principle of prudence, other provisions include all risks identifiable at the time the balance sheet was prepared, as well as liabilities of uncertain amount or cause, with the amounts that were necessary according to business judgment.

Due to Covid-19, a small number of moratoriums and deferral agreements were made with individual borrowers in the previous year. These were not renewed in 2021. There were no other direct effects on the net assets, financial position and results of operations. No government support measures were used to deal with the Covid-19 crisis.

Name and registered office of the parent company

VakifBank is included in the consolidated financial statements of Türkiye Vakiflar Bankası TAO (TVB), Saray mahallesi dr Adnan Büyükdeniz Caddesi No:7/AB 34768 Ümraniye /İstanbul. The consolidated 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 nominal value of EUR 1.52 each. The Turkiye Vakıflar Bankası TAO, Saray mahallesi dr Adnan Büyükdeniz CaddesiNo:7/AB 34768 Ümraniye /İstanbul holds 100% of the shares.

Notes to the Balance Sheet and Profit and Loss Account

Maturity structure (section 64 para. 1 no. 4 BWG)

Receivables that are not due on demand included amounts with the following maturity (remaining term):

	to credit institutions		to non-banks	
	12/31/2021	2020	**12/31/2021**	2020
	in €	in K€	in €	in K€
up to 3 months	0	0	502,107	14,832
more than 3 months to 1 year	30,041,011	100	74,475,419	16,321
more than 1 year to 5 years	0	0	299,214,050	242,292
more than 5 years	0	0	78,522,390	188,939
In total	**30,041,011**	100	**452,713,966**	462,752

The total amount of assets denominated in other currencies is EUR 26.5 million (previous year EUR 54.4 million).

Individual value adjustments of EUR 5.2 million (previous year EUR 7.2 million) were made on receivables from customers amounting to EUR 25.9 million (previous year EUR 31.6 million).
The obligations not due on demand included amounts with the following maturity (remaining term):

	to credit institutions 12/31/2021	2020	to non-banks 12/31/2021	2020
	in €	in K€	in €	in K€
up to 3 months	16,327,562	16,299	43,177,620	74,973
more than 3 months to 1 year	44,540,137	157,229	105,640,328	139,710
more than 1 year to 5 years	228,993,816	78,517	146,703,317	142,691
more than 5 years	0	0	5,986,845	6,357
In total	**289,861,515**	252,045	**301,508,110**	363,731

The total amount of liabilities denominated in other currencies is EUR 0.5 million (previous year EUR 16.7 million).

Government debt, bonds and other fixed income securities and stocks

Debt securities issued by public authorities amounted to EUR 112.9 million, an increase of EUR 20.1 million compared to the previous year. Bonds and other fixed-income securities fell by EUR 31.2 million from EUR 281.1 million to EUR 249.9 million.

EUR 44 million (previous year: EUR 35 million) of the bonds will mature in 2022.

As of the balance sheet date, there were bonds (including debt securities) with acquisition costs of EUR 300 million (previous year EUR 268 million), which are valued as fixed assets in accordance with section 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 repayment amount, the difference is amortized pro rata temporis in accordance with Section 56 (2) second sentence BWG. In 2021, depreciation amounted to kEUR 864 (previous year: kEUR 744). The difference to be distributed over the remaining term is kEUR 5,288 (previous year: kEUR 3,342).

In the case of bonds (including debt instruments) that are accounted for as financial assets and whose acquisition costs are lower than the repayment amount, the difference is recognized in profit or loss over the remaining term in accordance with Section 56 (3) BWG. In 2021, the write-up amounted to kEUR 1,410 (previous year: kEUR 2,274). The difference to be distributed over the remaining term is kEUR 3,538 (previous year: kEUR 14,129).

The securities shown under bonds and other fixed-income securities are all listed. Bonds (including debt instruments) that are not accounted for as fixed assets show a difference between the acquisition costs and the higher market value on the balance sheet date of kEUR 847 (previous year: kEUR 7,438) in accordance with Section 56 (4) BWG.

A securities trading book is not kept.

Allocation in accordance with section 64 para. 1 no. 11 BWG was made in accordance with the resolutions passed by the board of directors, whereby, in line with the business strategy, current asset securities are intended for the liquidity reserve, but fixed asset securities are retained for long-term investment.

As of the balance sheet date, marketable securities with a book value of EUR 6 million were reclassified to fixed assets. The redesignated and existing instruments of the financial assets should continue to be retained permanently.

Notes on financial instruments in accordance with § 237a Para 1 Z 1 UGB

Financial instruments classified as financial assets that are reported above their fair value are broken down as follows:

In million	**Book value 12/31/2021**	**silent burdens**	**Book value 12/31/2020**	**silent burdens**
Debentures and other fixed income securities	98.9	-2.4	9	-0.04

The reasons for the hidden burdens arising from the bonds relate exclusively to fluctuations in the market price. A sustained deterioration in the issuer's creditworthiness could not be ascertained.

Information on participations and the relationship to affiliated companies (§ 45 BWG)

The receivables from affiliated companies included in asset items 2 to 5 amount to EUR 13.5 million (previous year EUR 20.6 million). Compared to our parent company, TVB, the assets side is EUR 13.2 milion (previous year EUR 17.9 million), of which in foreign currency EUR 13.2 million (previous year EUR 17.9 million). These relate primarily to securities. Opposite Vakıf Financial Kiralama AS has a loan in the amount of EUR 0.3 million (previous year EUR 2.7 million).

The liability items include liabilities to our parent company in the amount of EUR 11.94 million (previous year EUR 12.43 million), thereof EUR 0.36 million (previous year EUR 0.29 million) in foreign currency. These consist entirely of deposits and clearing balances.

The investments shown in the balance sheet relate to the shares in SWIFT SCRL, Belgium and Einlagensicherung AUSTRIA GmbH.

The parent company Türkiye Vakiflar With a letter of comfort dated March 18, 1999, Bankası TAO, Istanbul, has irrevocably committed itself to managing and financially supporting VakifBank International AG in such a way that VakifBank International AG is always able to meet its obligations under the Banking Act and its customers to fulfill. Türkiye assumes this obligation Vakıflar Bankası TAO for the duration of their participation in VakifBank International AG.

Information about other assets

The other assets item shows a balance sheet value of EUR 2.98 million (previous year EUR 10.22 million), of which kEUR 429.2 (previous year EUR 6.4 million) is income that will only be paid after the balance sheet date. The previous year's amount includes accrued interest of EUR 6.0 million.

Deferred taxes

The passive tax deferral item formed in accordance with Section 198 (9) UGB amounts to kEUR 270 and is reported under the item “Provisions for deferred tax liabilities”. The deferred tax liabilities in the previous year amounted to kEUR 160. The deferred tax liabilities result from the temporary differences in the corporate and tax treatment of the provisions for severance payments, the provision for IT expenses, the securities portfolio and the portfolio value adjustment. A KÖST rate of 25% was applied. In principle, deferred taxes would also have to be formed for the German branch and these would also have to be determined using a different tax rate. However, since there are no material differences, no deferred taxes are reported.

Information about other liabilities

The other liabilities item shows a balance sheet value of EUR 2.07 million (previous year EUR 2.11 million), of which EUR 1.2 million (previous year EUR 1.2 million) are expenses that only become payable after the balance sheet date. Other liabilities include capital gains tax liabilities of EUR 0.4 million (previous year EUR 0.7 million).

Accruals

Other provisions developed as follows in the reporting period:

	as of 01/01/2021	use	resolution	feeding	as of 12/31/2021
	€	€	€	€	€
vacation accrual	324,133.28	9,534.61	6,522.82	73,533.68	381,609.53
Legal, auditing and consulting costs	212,000.00	212,000.00	0.00	161,000.00	161,000.00
legal process	40,000.00	40,000.00	0.00	0.00	0.00
Other short-term provisions	47,218.54	27,218.54	0.00	131,940.05	151,940.05
Provisions for IT expenses	213,154.54	118,849.54	0.00	38,000.00	132,305.00
	836,506.36	407,602.69	6,522.82	404,473.73	826,854.58

Equity

Common Equity Tier 1 (EUR)	**12/31/2021**	**12/31/2020**
1. Paid-up share capital according to Article 26(1a) CRR	100,000,000	100,000,000
2. Disclosed reserves according to Article 26 lit e CRR		
Capital reserves (agio associated with share capital)		
Liability Reserves	8,250,000	8,250,000
3. Reserves pursuant to Article 26 (1) (c) CRR		
Retained earnings	54,526,528	47,656,242
Deductions according to Article 36 1 lit b) CRR - hereof		
1. Intangible Assets	-535,739	-38,063
Total Common Equity Tier 1 (EUR)	162.240.789	155.868.179

Sub-Dash Items

The below line items include guarantees in the amount of EUR 0.092 million (previous year EUR 0.095 million). The unused credit lines amount to EUR 0.265 million (previous year EUR 0.264 million).

The bank has pledged securities and loans with a book value of around EUR 334.1 million to secure its repo and tender obligations.

Valuation allowances on customer receivables

The balance of value adjustments on receivables and contingent liabilities resulted in a negative effect of EUR 2.6 million, of which EUR 3.9 million was an allocation for general value adjustments.

Expenses for the bank auditor

Expenses for our bank auditor Ernst & Young Wirtschaftsprüfungsgesellschaft mbH (previous year: Deloitte) amounted to kEUR 146 (previous year: kEUR 247) gross in 2021, including allocations to provisions, less input tax according to the input tax code and are divided into the following areas of activity:

	2021 kEUR	2020 kEUR
Audit of the annual accounts	**100**	**128**
Other Confirmation Services	**46**	**48**
Tax advisory services		**44**
Other services		**27**

Other Information

Obligations from the use of property, plant and equipment not shown in the balance sheet amount to around kEUR 334 for the following financial year (previous year: kEUR 333). The total amount of obligations for the next 5 years is around EUR 1.7 million (previous year EUR 1.7 million).

Furthermore, there is still an obligation from the membership of Einlagensicherung AUSTRIA GmbH, which is required under § 93 BWG for deposit protection. In 2021, the payment of contributions for the deposit insurance led to a levy in the deposit insurance fund (EiSi) in the amount of kEUR 1,123 (previous year: kEUR 815), which was recorded as part of other operating expenses.

The leasing expenses for motor vehicles amount to around kEUR 0 (previous year kEUR 3.4) for the following financial year and around kEUR 0 (previous year kEUR 3.4) for the following 5 years.

The valuation result from current assets consists of capital gains and losses from the sale of securities and loan receivables and amounts to EUR 5.4 million.

The income tax item amounts to kEUR -1,837 (previous year: kEUR -1,595), of which kEUR 198 is income from the reversal of tax provisions not used as intended.

The total of forward transactions not yet settled as of the balance sheet date, which consist entirely of FX swaps, is EUR 26.42 million (previous year EUR 38.56 million), the fair value measured at the mean exchange rate on the balance sheet date is EUR 0.11 million (previous year EUR 1.08 million). This value is posted in other assets.

The disclosure according to Art. 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” includes allocations to provisions for severance payments in the amount of kEUR 29, payments to the company provision fund amount to kEUR 36 (previous year: kEUR 33). The pension expenses include expenses for commitments for which only contributions of kEUR 73 (previous year: kEUR 75) have to be paid.

Expenses for severance payments to members of the Management Board and senior executives amounted to kEUR 44 in this financial year.

The Management Board will propose to the Annual General Meeting that the unappropriated profit of EUR 5.7 million be allocated to retained earnings.

The total return on capital according to Article 64 Paragraph 1 Z 19 BWG is 0.70% (previous year 0.75%).

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

Surname:	Branch office Germany (DE)
Net Interest Income:	kEUR 128
operating income	kEUR 211
Number of employees:	5
Annual result before taxes:	kEUR - 957
Income tax:	kEUR 0
Public Aid Received	EUR 0

From its business on the Turkish market, VakifBank generated interest income from the lending business in the amount of EUR 1 million and from the securities business in the amount of EUR 2.9 million.

Events after the Balance Sheet Date

Between the end of the fiscal year and the preparation or confirmation of the annual financial statements, the Ukraine war is classified as a significant event. VakifBank has no exposure to Ukraine and no direct exposure to the Russian state and Russian banks but has a direct Russia position in the bond portfolio with a book value of EUR 6.0 million as of December 31, 2021. The war and its consequences for the economy will affect VakifBank's assets, finances and earnings. In particular, this includes the possibility of any effects on the need for value adjustments and on the valuation result of the securities held in fixed and current assets.

On January 26, 2022, the Austrian National Council decided to gradually reduce the corporate tax rate from 25% to 23%. The difference to the provision for "deferred taxes" shown in the balance sheet is kEUR 21.6.

Information about organs and employees

The average number of employees in 2021 was 46 (previous year: 46).

The board consists of the following people:

Taner Ayhan	Chief Executive Officer since June 1, 2022
Mag. Manuela Döller-Hauner +	Deputy Chair since April 6, 2021
Ahmet Vural Biyik	Chairman of the Board from 20/10/2017 to 31/05/2022
Muhammet Aydin	Member from 04/06/2020 to 04/06/2021

The Supervisory Board is composed as follows:

Ferkan Merdan	Chairman since December 30, 2020
Suayyip İlbilgi	Deputy Chairman since December 30, 2020
Dr. Kurt Pribil	Member from 03/27/2020 to 02/28/2021
Dr. Alp Tolga Simsek	Member since July 7, 2017
Neslihan Tonbul	Member since October 20, 2017
Dr. Gero Volker Dittrich, MBA	Member since March 1, 2021

In the financial year, the following was paid to members of the Board of Management and the Supervisory Board:

	2021 kEUR	2020 kEUR
Management Board Members	**389**	**396**
Supervisory Board Members	**45**	**54**

Vienna, June 24, 2022

VakifBank International AG

Taner AYHAN
Chairman of the Board, CEO

Mag. Manuela Döller-Hauner, LLM
Board member