ANNUAL REPORT 2023

VakıfBank
International AG

ANNUAL REPORT

For the 2023 Financial Year

VAKIFBANK INTERNATIONAL JOINT-STOCK COMPANY

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TABLE OF CONTENTS

COMPANY OFFICERS ____ *4*

BUSINESS PHILOSOPHY AND OWNERSHIP STRUCTURE ____ *6*

SELECTED FIGURES FROM THE BALANCE SHEET AND INCOME STATEMENT 2022-2023 ____ *7*

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023 ____ *8*

REPORT OF THE SUPERVISORY BOARD ____ *19*

AUDITOR'S REPORT ____ *20*

VAKIFBANK INTERNATIONAL AG BALANCE SHEET AS OF 31 DECEMBER 2023 INCOME STATEMENT 2023 ____ *25*

BALANCE SHEET AS OF 31 DECEMBER 2023 ____ *26*

INCOME STATEMENT FOR THE FINANCIAL YEAR 2023 ____ *28*

DEVELOPMENT OF FIXED ASSET POSITIONS ____ *30*

APPENDIX TO THE 2023 FINANCIAL STATEMENTS ____ *31*

COMPANY OFFICERS

SUPERVISORY BOARD

Ferkan Merdan
Chairman since 30/12/2020

Şuayyip İLBİLGİ
Deputy Chairman since 30/12/2020

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

BOARD

Taner Ayhan
Chairman of the Board
since 01/06/2022

Mag. Horst Gottsnahm
Board Member
from 01/03/2023

Mag.[a] Manuela Döller-Hauner
Board Member
from 06/04/2021 to 28/02/2023

AREA MANAGER

Muhammet Aydin
Department Head & Procurist

Mag. Semih Özcan
Area Manager

HEAD OF DEPARTMENT

Ömer Adsalmis, BSc
Financial Management

Mag. Fatih Özdemir
IT & Data Management

Mag.[a] Snezana Savic
Internal Audit

Florian Resch
Risk Management

Kurt FÖRSTER
Credit Operations Management

Fatih USLU
Treasury

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Corporate Banking & Business Development & FI

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BUSINESS PHILOSOPHY AND OWNERSHIP STRUCTURE

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

VakifBank International AG has made it its mission to support European and Turkish exporters and importers by leveraging the experience, financial strength, and international market presence of its parent company, particularly in their foreign trade transactions. Thus, VakifBank International AG aims to contribute positively to increasing the existing mutual trade and investment volume.

Key areas of focus include trade finance (providing credit to exporters and importers in forms such as syndication, forfaiting, discounting, etc.) and trade services (letters of credit, documentary and guarantee business, payment transactions).

In addition, we provide all traditional banking services including account and savings book management, loans for businesses and individuals, and transfer services. One of our specialised services is our fast and cost-efficient payment service for transfers from Austria to Turkey.

Through a direct link with our parent company T. Vakıflar Bankası T.A.O., we ensure very short transfer times to around 940 branches in Turkey.

Besides Turkey, which is our primary regional focus, we also concentrate on the European Union as well as Central and Eastern Europe.

T. Vakıflar Bankası T.A.O. was established in 1954. It is the third largest Turkish bank under state influence, operating over 948 branches in Turkey and branches in New York, Bahrain, and Erbil.

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

- 14.75% Republic of Turkey - Ministry of Finance and Treasury
- 74.79% Turkey Wealth Fund
- 4.06% Pension Fund of Türkiye Vakiflar Bankasi T.A.O.
- 6.4% Others

SELECTED FIGURES FROM THE BALANCE SHEET AND INCOME STATEMENT 2022-2023

(in million EUR)

	2023	**2022**
Loans and advances to customers	542	471,7
Loans and advances to credit institutions	29,7	13,2
Liabilities to credit institutions	153	301,8
Liabilities to customers	624,8	408,9
- of which savings deposits:	383,8	263,3
Net interest income	19,4	16,2
Operating income	20	16,8
Operating expenses	13,1	14,1
Operating result	6,9	2,8
Result of ordinary business activity (EBT)	7,7	-9,7
Annual profit	6,1	-9,6
Eligible own funds according to Part 2 of Regulation (EU) No. 575/2013	160	159

Basic information and framework conditions

VakifBank International AG was founded on 23 July 1999 and received a full banking license from the Federal Ministry of Finance on 4 August 1999. VakifBank International AG (VakifBank) is a financially strong and well-capitalised bank and is 100% directly owned by Türkiye Vakıflar Bankası T.A.O. (TVB). TVB is listed on the Istanbul Stock Exchange and is one of Turkey's highest-revenue companies, which is highly involved in the country both economically and socially. TVB is also included in the most important Turkish stock index, the ISE-100, and has received external ratings. Founded in 1954, it is the second largest state-controlled Turkish bank. The main office in Istanbul operates over 900 branches in Turkey, including one in New York.

VakifBank has a strong letter of guarantee from TVB. VakifBank is classified as a Less Significant Institution under the EU's Single Supervisory Mechanism. Besides its headquarters and a branch in Vienna, VakifBank has been represented in Germany with a branch in Cologne since 2005, and resumed operations in its former branch in Frankfurt in the 2022 financial year. Furthermore, VakifBank has maintained a representative office in Budapest, Hungary, since 2021.

Economic conditions

While the Eurozone overall still recorded moderate growth, both Germany and Austria stalled. Both countries slipped into recession, though not as deep as in other parts of the world. The anticipated boost from the export markets did not materialize. The primary reasons for this were the war in Ukraine and the steep rise in interest rates. The easing of energy prices and a decline in inflation rates could not fully offset these negative effects.

After a significant rise in 2022, the inflation rate in the Eurozone almost halved: From 9.2% in December 2022, it fell to 2.9% in December 2023. Declines in energy and food prices were the main contributors. While the decline is encouraging, it reveals a significant imbalance between countries: In December 2023, inflation rates ranged from 0.5% to over 6%. Germany ranked in the middle, while Austria remains one of the countries with the highest rates. Outside the Eurozone, Hungary stands out with a declining rate, though the average is still above 17%.

To combat inflation, the ECB raised its key interest rate in six increments from 2.5% to 4.5% in 2023. While this achieved the desired reduction in inflation, it also resulted in a weaker economy. The US Federal Reserve followed suit with four interest rate increases to 5.5%. Despite rising interest rates, economies showed remarkable resilience: Inflation was curbed, and the labour market remained stable.
The year 2023 was marked by numerous challenges: Supply chain issues, labour shortages, inflation, central bank policies, major bankruptcies, and emerging crises. The banking crisis in the spring (e.g., Silicon Valley Bank, Credit Suisse) and more restrictive communication from central banks in the summer particularly caused significant market fluctuations. In the autumn, the Middle East conflict further strained financial markets. Rising interest rates due to central bank policies and inflation expectations also exerted pressure.

The Turkish economy grew moderately in 2023 but also suffered from high inflation, which was significantly over 60% by the end of the year. The government tackled inflation by changing interest rates, cooling the economy but also affecting growth prospects. The outlook for 2024 depends greatly on global developments and measures to combat inflation. Despite the challenging environment, VakifBank did not experience any defaults from Turkish borrowers.

Business Activity by Country and Sector

VakifBank focuses on traditional banking operations, gaining the trust of its customers through prudent risk and return policies.

VakifBank's primary earnings come from interest income attributed to the main branch in Vienna. The majority of these earnings can be attributed to large companies and financial institutions from Austria and Germany. The net interest income comes from lending as well as bond transactions. In line with the business model, the largest expenses are interest payments on deposits in Austria and Germany, and general administrative expenses.

On the liabilities side, there is a broadly diversified financing structure in place, which is to be maintained in the future. In the deposits business, the customer offering is largely influenced by the competitive environment. VakifBank has stable refinancing sources from the interbank market and customer deposits. Additionally, it can draw on extra liquidity provided by its parent company TVB.

Organisational structure, risk management organisation and internal control system

To minimise 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 (organisational structure) and a clear definition of tasks and responsibilities (operational structure) ensures that incompatible activities are carried out by different organisational units. Control functions such as risk management, compliance, and internal auditing are conducted independently of market functions. This is reflected in the bank's organisational chart and in the allocation of responsibilities within the Management Board. An internal control system (ICS) has been established, encompassing regulations on organisational structure and processes as well as on risk management and controlling processes.

The central responsibility for risk management at VakifBank lies with the Executive Board. In fulfilling this task, the Executive Board is supported by various departments. Additionally, VakifBank has several committees at different levels to standardise and effectively coordinate risk management.

The Executive Board of VakifBank is responsible for both risk management and risk controlling within the framework of overall bank risk management. He defines the strategic framework for managing all risks relevant to the bank. All departments must subsequently adhere to the relevant guidelines. In addition, the Board of Management defines appropriate risk limits (pre-control) and makes formal decisions on matters relevant to risk management.

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

The Strategic Risk Management & Risk Controlling department ensures the implementation of the guidelines and requirements regarding the methodology and system of risk management. As part of overall bank risk management (ICAAP & ILAAP), the aim is to establish a risk control system to identify, quantify, limit, monitor and control all relevant risks. It is responsible for implementing the framework in line with the business and risk strategy.

Strategic Risk Management & Risk Controlling is responsible for preparing the risk report (four times a year). This report includes all defined risk indicators and is submitted to the Supervisory Board.

Overall Bank Management System

The overall bank management of VakifBank considers a balanced relationship between key indicators such as equity, income, costs, liquidity and risks. The Executive Board is regularly informed about both positive and negative earnings drivers to identify and counteract unplanned developments at an early stage if necessary.

The holistic management aimed at the optimal development of the bank is significantly influenced by ongoing changes in external framework conditions and regulatory requirements. In recording, assessing, managing, monitoring, and limiting banking and operational risks pursuant to Section 39 Para. 2 of the Austrian Banking Act (BWG), VakifBank observes the regulatory requirements specified for each individual risk type. This is done while considering the nature, scope and complexity of the banking activities conducted, and includes implementing the guidelines of the European Supervisory Authorities.

Goals and Strategies

The diversification strategy defined in 2016 for the countries of residence of credit customers and securities issuers was successfully completed. As of 31 December 2023, VakifBank's exposure to Turkey was reduced to just 3.9% of the total exposure. Expiring financing for Turkish borrowers was largely replaced with investments in the European bond and promissory note market.

The primary focus for new business is the acquisition of government bonds, corporate bonds, bank bonds, and the diversified issuance of promissory notes and syndicated loans to well-rated companies and banks. As an EU bank, VakifBank prefers to invest in companies and banks within the EU. Care is taken to ensure that the risk weights of these investments are not higher than those of the assets being replaced. This strategy also takes into account regulatory liquidity ratios, liquidity potential, and a broadly diversified refinancing structure.

Key objectives include maintaining a solid capital base, diversifying the loan portfolio, modernising IT infrastructure, improving data management, developing new business areas, fostering a motivated workforce, and prioritising customer satisfaction.

VakifBank has a coherent business and risk strategy, with associated limit systems approved by the Management Board and the Supervisory Board. The business strategy has been operationalised within the framework of derived capital and strategic limits.

Business performance 2023

Despite the ongoing challenges posed by the Russia-Ukraine war and its consequences, the bank was able to achieve a very positive result in the 2023 financial year. The rising interest rate environment significantly boosted net interest income. The bank proved robust in its customer business and achieved growth. The operating profit, adjusted for one-off effects, increased compared to the previous year.

The long-term positive business performance in the past has demonstrated that VakifBank possesses the necessary specialist knowledge and good customer contacts to successfully continue with the bank's current strategy.

Research and Development

VakifBank does not conduct any research and development activities as defined by Section 243 para. 3 Z 3 UGB.

Information on Environmental and Employee Matters

In terms of employee matters, particular attention was given to protecting employees' health during the Covid-19 pandemic. The transition steps towards flexible and digital work processes introduced since 2020 have also proved successful this year.

To promote health and climate awareness, a bike leasing scheme was introduced for VakifBank employees. This environmentally friendly form of mobility encourages healthy exercise and sustainable thinking among employees. The scheme is available to all employees.

Sustainability Reporting

VakifBank is committed to the following principles of sustainability:

Environmental Protection: The bank adheres to national and international environmental standards and aims to contribute to sustainability through its business activities. It strives to minimise environmental impact and promotes environmentally friendly business practices. Investment decisions are made with nature conservation in mind.

Social Responsibility: The bank offers a modern working environment where human rights are respected, and social justice and workers' rights are continually improved. The aim is to raise sustainability awareness among employees, customers, and other stakeholders.

Diversity and Inclusion: The bank rejects all forms of discrimination (language, religion, gender, etc.) and is committed to diversity within its workforce, which is considered a vital component of intellectual capital. The bank employs staff from 13 nations and is dedicated to gender equality.

Risk Identification

The business activities of VakifBank generate various risks, which are systematically identified and assessed annually, in collaboration with the responsible departments, during the risk inventory process.

The risks identified through the risk inventory and classified as significant are detailed and explained below.

Risk types

The following key risk types are quantified during the ICAAP or ILAAP and monitored in accordance with the limits assigned to each risk type.

Additionally, a series of stress tests are conducted, the outcomes of which, along with the results of the risk-bearing capacity calculation, form the foundation for bank management. The results of risk measurement are reported to the Board of Management monthly, and additionally, reports are presented to the Supervisory Board during its meetings.

Credit risk

Credit risk (also known as default risk) arises from potential losses due to partial or complete non-payment of contractually agreed amounts. VakifBank employs a CVaR approach for this purpose.

In the CreditMetrics model used for quantifying credit risk, the credit risk potential corresponds to the unexpected loss (UL) from credit risk-relevant positions. The bank maintains internal ratings for all customers above the relevance threshold. These ratings are based on the published ratings from international rating agencies. For customers without such a rating, a specially developed rating programme from Moody's, one of the largest international rating agencies, is used. For loss ratios, the standards from the Basel III Regulation CRR are generally applied. Additionally, concentration risks are limited by operational limits. To determine the 90-day delay (under Article 178 CRR), the bank uses an automated counter, which triggers predefined actions. Moreover, continuous risk monitoring ensures the ongoing assessment of debtors' creditworthiness, and an Unlikely-to-Pay (UTP) analysis must be performed when there are any doubts.

Credit concentration risk

VakifBank defines concentration risk as the risk of substantial losses arising from the following events: (i) the default of a counterparty with considerable exposure, (ii) simultaneous defaults within an industry due to intra-industry correlations,

(iii) simultaneous defaults due to correlations between two interdependent industries, and (iv) simultaneous defaults within a group of related customers.

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

Interest rate risk

Interest rate risk includes the possibility that the expected or planned balance sheet value or present value long-term return will not be achieved due to changes in market interest rates. Interest rate risk generally comprises both an income effect (net interest income) and a present value effect. Future activities are designed to keep interest rate risk at a minimal level. Interest rate risk in the ICAAP is simulated by a change in present value under a 200 BP interest rate shift scenario, and is supported by economic capital accordingly. This is based on the regulatory reporting of interest rate risk statistics (VERA A3b), scaled according to the respective confidence interval applied.
Additionally, VakifBank calculates and monitors the regulatory scenarios of the standardised EVE and NII outlier tests (according to EBA guidelines) on a monthly basis. Moreover, two scenarios of the standardised NII outlier tests (according to EBA guidelines) are also carried out and monitored monthly.

Currency risk

Currency risk describes the risk of changes in the value of a foreign currency position due to price movements in the foreign exchange spot markets. VakifBank's currency risk primarily arises from its open foreign exchange position in USD.

No other currencies are used in VakifBank's operations. For non-essential individual transactions, banking transactions may be conducted in Turkish lira. For significant USD receivables positions, currency risk hedging is undertaken using FX swaps to refinance these USD positions directly 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 loan currency increases the customer's credit exposure and, consequently, the loss potential. Furthermore, the increased credit exposure can lead to a higher risk of borrower default. For such exposures, the resulting foreign currency credit risk is quantified in the ICAAP and supported by economic capital.

Credit Spread Risk

Spread risk (credit spread risk) is the risk of loss due to fluctuating market prices or market rates of securities in the company's portfolio, 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 carried out in the sDIS+ module of the THINC software. For this purpose, each security is assigned to an index according to its maturity, rating, and sector. The credit spread shocks are derived empirically from historical index data.

Additionally, VakifBank calculates and monitors scenarios from an EVE and NII perspective (according to EBA guidelines) on a monthly basis.

Country Risk

Country risk is expressed as the danger that claims 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 in the country may negatively impact the creditworthiness of debtors in that country. 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 carried out in the overall bank management (ICAAP) according to the country of residence principle (political country risk) or the principle of liability allocation, for example, in the case of group ties with business partners.

VakifBank's country risk management aims to limit the risks undertaken by the bank by diversifying appropriately across countries, prioritising the home markets of Germany and Austria. To achieve this, various qualitative and quantitative measures are employed to manage country risk. These measures aim to mitigate (1) political, (2) economic, and (3) transfer risk for VakifBank. Transfer risk is a component of credit risk, which VakifBank quantifies using ratings downgraded according to the country ceiling principle. Therefore, transfer risk is included in the credit risk amount and is not reported separately.

Operational risk

Operational risk entails the possibility of losses due to inadequate governance, failed internal processes and systems, intentional or negligent actions by employees, or external events, and includes legal risk. System-related risks include cyber security risks, IT risks, and business continuity risks. Systems and processes also encompass all measures related to money laundering and terrorism financing. To measure operational risk in the ICAAP, the basic indicator approach is used in accordance with CRR, while the internal control system is continuously enhanced to reduce significant risks through effective internal controls. In particular, outsourcing risks are managed through strengthened internal controls, and availability risks are minimised.

VakifBank assesses and manages its operational risk, based on which it safeguards against rare but severe events. VakifBank also maintains emergency and business continuity plans to ensure that business operations can continue and potential losses from operational risks are mitigated during a significant business disruption.

Liquidity risk

Liquidity risk and the corresponding liquidity risk tolerance are defined as the maximum level of liquidity risk the bank is willing to assume during normal operations and in potential stress situations. Liquidity risk tolerance ensures that the company manages its liquidity during regular times so it can endure prolonged periods of stress.

The key parameters for determining liquidity risk tolerance are:

- **Liquidity buffer / CBC:** The larger the liquidity buffer and the higher the quality of the assets within it, the lower the risk appetite.
- **Survival Period:** The greater the survival period target, the lower the willingness to accept risk.
- **Stress scenarios:** The more conservative the scenarios selected, the more risk-averse the bank is.

At VakifBank, high importance is placed on liquidity risk management. This is evident in the close involvement of senior management. The main tool is the daily liquidity flow statement (LAB), which is enhanced by liquidity stress tests and emergency plan indicator monitoring.

Based on this, liquidity risk management aims to achieve the following objectives:

- Ensuring VakifBank's solvency at all times
- Optimising the refinancing structure, with particular consideration of business strategy objectives

The following core elements are used:

- Daily preparation of the liquidity flow statement
- Daily monitoring of liquidity and reports to the Executive Board
- Measurement, management, and limitation of liquidity risk
- Conducting stress tests
- Contingency plan for liquidity risks
- Ensuring data quality
- Liquidity meetings
- Monthly ALCO meetings
- Continuous development of the liquidity risk model, or the ILAAP

Macroeconomic risk

Macroeconomic risk arises from overall economic deterioration within the scope of the typical economic cycle and any corresponding increases in risk parameters. The aim of the bank is to maintain sufficient risk coverage capital for this risk, even after such an economic period, without needing significant interventions and measures.

Macroeconomic risk at VakifBank is calculated for key countries where the share of the bank's assets is 10% or higher. As of 31 December 2023, Austria, Germany, France, and Turkey (share below 10% but included for conservatism) are classified as significant.

VakifBank uses the volatility of sovereign credit default swap (CDS) spreads to measure macroeconomic risk resulting from economic uncertainty.

The volatility of sovereign CDS is a powerful indicator of economic uncertainty, acting as either a primary measure of economic uncertainty or as an additional measure when other economic uncertainty indicators are available. There are several advantages to using CDS volatility as a measure of uncertainty: It is easy to calculate, available for numerous countries, and allows for high-frequency assessment of uncertainty.

Investment risk

Investment risk includes the potential risks and vulnerabilities arising from equity investments in external companies. VakifBank currently holds a one-time investment resulting from a debt-to-equity swap. Apart from this holding, there is no interest in further equity investments to keep this risk category as low as possible. However, it is essential for the bank to carefully assess and mitigate the investment risk associated with existing investments. This means that we must implement robust risk management practices to ensure the financial integrity and stability of our portfolio. To this end, VakifBank adheres to the guidelines of the CRR and employs the standardised approach to properly assess equity risk and determine the capital required to cover that risk.

Stress tests

Additionally, VakifBank conducts stress tests for both capital and liquidity. Overall, the results of the stress tests form the basis for VakifBank's future management decisions.

VakifBank uses stress tests to enhance risk management, strategic planning, and capital planning. An annually updated framework includes scenarios and results of the overall bank stress test, aligning with supervisory guidelines.

Sensitivity analyses help identify the impacts of extreme developments not considered in the reporting date-based risk measurement. Within ICAAP, the effects of these extreme scenarios on risk and capital can be simulated.

Overall risk profile and regulatory framework

The risk management system and the processes for identifying, measuring, assessing, controlling, monitoring, and communicating the various types of risk are detailed in the ICAAP Policy and ILAAP Policy, along with other VakifBank guidelines and supplementary work instructions. A materiality assessment is documented for all types of risk and, as necessary, for their individual manifestations.

Earnings, financial, and asset position

Development of significant balance sheet items

At the end of 2023, loans were primarily concentrated in the sectors of governments, financial institutions, and manufacturing companies. The rest of the portfolio is generally distributed across manufacturing, construction, energy, transport, trade, and information technology.

Receivables from customers and credit institutions increased from EUR 485 million to EUR 572 million. The volume of bonds and other fixed-income securities decreased from EUR 249 million to EUR 234 million (a 6% decrease). The German branch is primarily focused on deposits and reports a balance sheet total of EUR 135 million. Customer deposits in Germany amounted to EUR 130 million at the end of 2023.

Balance Sheet Equity

Compared to the previous year, balance sheet equity increased by approximately EUR 7 million to a total of around EUR 166 million. The liability reserve amounts to EUR 7.6 million.

Assets and Financial Position

The financial year closed with a balance sheet total of EUR 955 million. Loans and advances to customers increased by EUR 70 million in the reporting year, amounting to EUR 542 million. Loans and advances to credit institutions rose from EUR 13 million to around EUR 30 million. Bonds and other fixed-interest securities were valued at EUR 234 million at the end of the reporting year, down from EUR 249 million a year earlier.

Liabilities to customers increased by 53%, totalling EUR 625 million compared to EUR 409 million in the previous year. Other liabilities, including deferred items and provisions, rose from EUR 8.5 million to EUR 12.1 million year-over-year. Overall, the financial year concluded with balance sheet equity, including retained profit, of EUR 166 million. This remains a solid and sufficient capital base for the bank’s development.

The CET-1 ratio stands at 20.5%.

Profit Situation

In the reporting year, net interest income increased to EUR 19.4 million, compared to EUR 16.2 million in the previous year. Net commission income contributed EUR 0.42 million to the result. General administrative expenses rose by 42% compared to the previous year, amounting to EUR 12.9 million at year-end. This increase is due to higher personnel costs and higher material expenses. The operating result increased from EUR 5.4 million (adjusted for one-off effects) in the previous year to EUR 6.9 million. The valuation result of current assets amounted to EUR -0.4 million.

VakifBank's result from ordinary activities amounted to EUR 7.7 million. Overall, the 2023 financial year closed with an annual profit of EUR 6.1 million.

Liquidity position

VakifBank's solvency was ensured at all times in the 2023 financial year due to planned and balanced liquidity provisions, and the regulatory liquidity ratios were consistently exceeded. In the past financial year, VakifBank also had various refinancing options available for conducting new business.

Overall situation and outlook

Despite increased regulatory requirements and volatile market conditions, VakifBank achieved its operational objectives.

As in previous years, the 2024 financial year will be characterised by the implementation of the agreed business and risk strategy, as well as further organisational improvements. Despite ongoing uncertainties associated with the Russo-Ukrainian war, the first half of 2024 saw positive development for VakifBank. Therefore, thanks to our strong capital and liquidity position, we are confident that we will successfully navigate the challenges of the 2024 financial year.

Vienna, 19 June 2024

VakifBank International AG

Taner Ayhan e.h.
Chairman of the Board, CEO

Mag. Horst Gottsnahm e.h.
Board Member

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board held regular meetings in the 2023 financial year. At these meetings, and through ongoing reporting by the Management Board, the Supervisory Board was informed about key management matters, the course of business, and the company's situation. The Management Board's reports were acknowledged and necessary resolutions were passed. The Supervisory Board thus fulfilled its legal and statutory obligations.

The annual financial statements, including notes and the management report, for the 2023 financial year were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft mbH, the appointed auditor for the annual financial statements and the bank, and were 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 Stock Corporation Act, there is no cause for complaint.

The Supervisory Board agrees with the audit results, approves the annual financial statements and management report presented by the Management Board, and endorses the 2023 annual financial statements at its meeting on 27 June 2024, thereby adopting them in accordance with Section 96 (4) of the Stock Corporation Act.

The Supervisory Board approves the proposal for the appropriation of profits submitted by the Management Board and thanks the Management Board and the employees for their successful work in 2023.

Vienna, 27 June 2024

Ferkan MERDAN e.h.
Chairman of the Supervisory Board

Report on the Annual Financial Statements Audit Opinion

We have reviewed the annual financial statements of

VakifBank International AG, Vienna,

comprising the balance sheet as of 31 December 2023, the profit and loss account for the year then ended, and the notes.

In our opinion, the accompanying annual financial statements comply with legal requirements and provide a true and fair view of the company's assets, liabilities, and financial position as of 31 December 2023, as well as the results of its operations for the financial year ending on that date, in accordance with Austrian commercial and banking law.

Basis for the Audit Opinion

We conducted our audit in accordance with EU Regulation No. 537/2014 (hereinafter "EU Regulation") and with Austrian generally accepted auditing standards. These principles require the application of the International Standards on Auditing (ISA). Our responsibilities under these requirements and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report. We are independent of the company in accordance with Austrian corporate law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained up to the date of this auditor's report is sufficient and appropriate to provide a basis for our audit opinion as of that date.

Key audit matters

Key audit matters are those issues which, in our professional judgment, were most significant in our audit of the annual financial statements for the financial year. These matters were addressed within the context of our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Below, we present the audit matter that we consider to be particularly important:

1. Valuation of receivables from customers, including the formation of risk provisions for the lending business

Description:

As of 31 December 2023, loans and advances to customers are shown in the annual financial statements of VakifBank International AG as EUR 541.9 million. To account for loss risks in the loan portfolio, specific value adjustments (EUR 4.5 million) and general value adjustments (EUR 2.0 million) have been made.

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

The assessment of the value of customer receivables and their valuation includes the identification of impairment requirements and estimating any necessary impairment. Due to the volume of receivables from customers and the estimation uncertainties associated with the amount of impairments, we have identified this area as a particularly key audit matter.

How we addressed the matter during the audit:

We examined the Company's credit monitoring process and assessed whether it is suitable for identifying impairment requirements in a timely manner. To this end, we have held discussions with relevant employees and evaluated the pertinent internal guidelines. As part of a walk-through, we assessed the design and implementation of the essential control activities. Additionally, we tested selected controls for effectiveness based on random samples.

Furthermore, we reviewed the loan portfolio on a sample basis to ensure that adequate specific loan loss provisions had been made. When auditing the general loan loss provisions, we evaluated the valuation models and parameters used to ensure they were appropriate for determining satisfactory provisions. We also scrutinised the underlying data (statistical default probabilities) for quality and verified the mathematical accuracy of the impairments.

We have verified that the information provided by the company's legal representatives in the notes is complete and accurate.

Other information

The legal representatives are responsible for the other information. This includes all information in the annual report, excluding the annual financial statements, the management report, and the auditor's report. The annual report is expected to be made available to us after the date of this auditor’s report.

Our audit opinion on the financial statements does not extend to this other information, and we do not provide any assurance on it.

In connection with our audit of the financial statements, we are responsible for reading such other information when it becomes available and considering whether it contains any material inconsistencies with the financial statements or with our knowledge obtained during the audit, or otherwise appears to be misstated.

Responsibilities of the legal representatives and the supervisory board for the annual financial statements

The legal representatives are responsible for preparing the annual financial statements and ensuring that these statements present as accurate a picture as possible of the company's assets, finances, and earnings, in accordance with Austrian commercial and banking law. Furthermore, the legal representatives are responsible for implementing the internal controls they deem necessary to ensure the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue its operations, disclosing relevant issues related to this, and applying the going concern principle unless they intend to liquidate the company or cease operations, or if there is no realistic alternative.

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

Responsibilities of the auditor for auditing the annual financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with EU regulation and Austrian generally accepted auditing standards, which require the application of ISAs, will always uncover a material misstatement if one exists. Misstatements can arise from fraudulent actions or errors and are deemed significant if, either on their own or collectively, they could reasonably be expected to influence the economic decisions made by users based on these financial statements.

As part of an audit in accordance with the EU Regulation and Austrian generally accepted auditing standards, which require the application of ISA, we exercise professional judgement and maintain professional scepticism throughout the audit.

Additionally:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting material misstatements caused by fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- We gain an understanding of the internal control system 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 system.

- We evaluate the appropriateness of the accounting policies used by management and the reasonableness of the accounting estimates and related disclosures made by management.
- We draw conclusions 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 highlight this in our auditor's report, pointing out the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion.
- We base our conclusions on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may lead the Company to discontinue its operations as a going concern.
- We assess the overall presentation, structure, and content of the annual financial statements, including the disclosures, to determine whether they provide a true and fair view of the underlying transactions and events.

We communicate with the Supervisory Board about various matters, including the planned scope and timing of the audit, and significant audit findings, such as any significant deficiencies in internal control that we identify during the audit.

From these communications with the Supervisory Board, we identify the issues that were of most significance in the audit of the annual financial statements for the financial year and designate these as the key audit matters. We describe these key audit matters in our auditor’s report except when law or regulations preclude public disclosure or, in extremely rare cases, we determine that the adverse consequences of disclosure would outweigh the public interest benefits.

Other statutory and legal requirements

Report on the management report

Pursuant to Austrian company law, the management report must be audited to determine whether it is consistent with the annual financial statements and whether it has been prepared in accordance with the applicable legal requirements.

The legal representatives are responsible for preparing the management report in accordance with Austrian commercial and banking law.

We conducted our audit in accordance with professional standards for the audit 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.

Statement

Based on the knowledge gained during the audit of the annual financial statements and our understanding of the Company and its environment, no material misstatements have been identified in the management report.

Additional information pursuant to Article 10 of the EU Regulation

We were elected as auditors by the Annual General Meeting on 29 June 2022. We were appointed by the Supervisory Board on 26 July 2022. In addition, we were appointed as auditors for the following financial year by the Annual General Meeting on 18 August 2023 and commissioned by the Supervisory Board to audit the financial statements on 20 September 2023. We have been the auditors continuously since the 2021 financial year.

We declare that the audit opinion in the "Report on the Annual Financial Statements" section is consistent with the additional report to the audit committee pursuant to Article 11 of the EU Regulation.

We confirm that we have not provided any prohibited non-audit services (Article 5 paragraph 1 of the EU Regulation) and that we have maintained our independence from the audited company while conducting the audit.

Vienna, 19 June 2024

Ernst & Young
Auditing Company Ltd

Mag. Andrea Stippl	ppa MMag. Roland Unterweger
Auditor	Auditor

VAKIFBANK INTERNATIONAL AG BALANCE SHEET AS OF 31 DECEMBER 2023

INCOME STATEMENT 2023

APPENDIX TO THE BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET AS OF 31 DECEMBER 2023

ASSETS

		31.12.2023		31.12.2022	
		EUR	EUR	EUR	EUR
1.	Cash on hand and balances with central banks		9.512.787,30		11.617.410,53
2.	Public sector debt securities		131.091.475,73		128.982.942,27
3.	Claims against credit institutions				
	a) due daily	29.725.986,92		13.200.929,06	
	b) other claims	0,00	29.725.986,92	0,00	13.200.929,06
4.	Claims on customers		541.948.893,51		471.736.094,39
5.	Bonds and other fixed-interest securities				
	Securities				
	a) from public issuers	98.368.090,58		103.312.657,79	
	b) from other issuers	135.181.911,40	233.550.001,98	145.376.530,99	248.689.188,78
6.	Shares and other variable-yield securities		4.222.939,74		0,00
7.	Investments		2.950,00		2.950,00
8.	Intangible fixed assets		453.122,36		476.392,40
9.	Tangible fixed assets including: land and buildings used by the credit institution for its own business activities: EUR 0 (previous year: 0 EUR)		124.415,97		123.304,79
10.	Other assets		4.628.456,38		3.552.169,35
11.	Deferred items		38.287,17		189.079,60
12.	Deferred tax assets		169.000,00		0,00
			955,468,317.06		**878,570,461.17**

Off-balance sheet items			
1.	Foreign assets	778.505.721,57	725.575.559,81

LIABILITIES

	31.12.2023		31.12.2022	
	EUR	EUR	EUR	EUR
1. Liabilities to credit institutions				
a) due daily	12.805.624,55		2.905.432,61	
b) with agreed term or notice period deadline	140.186.200,69	152.991.825,24	298.877.182,75	301.782.615,36
2. Liabilities to customers				
a) savings deposits including:				
aa) due daily	51.523.562,42		99.795.500,74	
ab) with agreed term or notice period	332.275.093,26		163.528.332,19	
b) other liabilities including:				
ba) due daily	6.765.792,48		13.940.289,37	
bb) with agreed term or notice period	234.250.957,73	624.815.405,89	131.635.836,19	408.899.958,49
3. Other liabilities		2.931.753,21		2.280.215,32
4. Deferred items		0,00		41.975,74
5. Provisions				
a) Provisions for severance payments	370.000,00		319.000,00	
b) Tax provisions	1.222.775,49		604.000,00	
of which provisions for deferred tax liabilities	0,00		54.000,00	
c) other	7.588.676,10	9.181.451,59	5.212.575,50	6.135.575,50
6. Subscribed capital		100.000.000,00		100.000.000,00
7. Retained earnings				
a) legal reserve	7.200.000,00		6.800.000,00	
b) other reserves	45.730.120,76	52.930.120,76	45.296.311,08	52.096.311,08
8. Liability reserve under Section 57 Para. 5 BWG		7.600.000,00		6.900.000,00
9. Profit for the year		5.017.760,37		433.809,68
		955,468,317.06		**878,570,461.17**
Off-balance sheet items				
1. Contingent liabilities		104.712,28		89.712,28
a) Liabilities from guarantees and liabilities from the provision of collateral		104.712,28		89.712,28
2. Credit risks		130.055,64		137.844,29
3. Eligible own funds under Part 2 of Regulation (EU) No 575/2013		160.076.998,40		158.953.728,36
including: Supplementary capital under Part 2 Title I Chapter 4 of Regulation (EU) No 575/2013		0,00		0,00
4. Own funds requirements under Article 92 of Regulation (EU) No 575/2013		782.037.367,19		697.462.675,88
including: Own funds requirements under Article 92 paragraph 1 points (a) to (c) of Regulation (EU) No 575/2013 (CRR)				
Common Equity Tier 1 capital ratio		20,5%		22,8%
Core capital ratio		20,5%		22,8%
Total capital ratio		20,5%		22,8%
5. Foreign liabilities		199.744.277,15		175.816.341,89

BALANCE SHEET AS OF 31 DECEMBER 2023

INCOME STATEMENT FOR THE FINANCIAL YEAR 2023

			2023		2022	
			EUR	EUR	EUR	EUR
	1.	Interest and similar income		34.190.437,65		19.635.052,13
		including:				
		from fixed-interest securities: 9,708 thousand EUR (previous year: 10,018 thousand EUR)				
	2.	Interest and similar expenses		-14.833.042,34		-3.456.811,41
I.	**NET INTEREST INCOME**			**19,357,395.31**		**16,178,240.72**
	3.	Commission income		631.186,27		615.111,37
	4.	Commission expenses		-210.509,10		-150.553,58
	5.	Income/Expenses from financial transactions		245.627,69		116.530,38
	6.	Other operating income		21.085,20		87.902,09
II.	**OPERATING INCOME**			**20,044,785.37**		**16,847,230.98**
	7.	General administrative expenses				
	a)	Personnel expenses				
		including:				
		aa) Wages and salaries	-4.062.187,51		-3.080.031,69	
		bb) Expenses for statutory social security contributions and remuneration-related levies and compulsory contributions	-1.005.008,69		-816.831,92	
		cc) other social expenses	-94.871,95		-115.056,83	
		dd) pension expenses and support	-52.069,57		-61.482,61	
		ee) expenses for severance payments and benefits to company employee pension funds	-99.703,63	-5.313.841,35	-420.991,41	-4.494.394,46
	b)	Other administrative expenses (material expenses)		-7.550.887,41		-4.586.165,34
	8.	Impairment losses on assets included in asset items 7 and 8 Assets		-112.879,68		-103.453,00
	9.	Other operating expenses		-135.450,37		-4.891.461,97
III.	**OPERATING EXPENSES**			**-13,113,058.81**		**-14,075,474.77**
IV.	**OPERATING RESULT**			**6,931,726.56**		**2,771,756.21**
	10./11.	Income/expense balance from the sale and valuation of loans and securities		777.213,44		-14.360.700,95

	12./13.	Income/expense balance from the sale and valuation of securities treated as financial assets and shares in affiliated companies and participations	0,00	1.882.392,37
V.	**RESULT OF ORDINARY BUSINESS ACTIVITY**		**7,708,940.00**	**-9,706,552.37**
	14.	Taxes on income and earnings of which: Income from deferred taxes: 169 TEUR (previous year: 0 TEUR)	-1.424.337,10	183.607,00
	15.	Other taxes, unless included in item 14	-166.842,53	-43.244,95
VI.	**ANNUAL PROFIT**		**6,117,760.37**	**-9,566,190.32**
	15.	Reserve movement including: Allocation to the liability reserve in accordance with Section 57 Para. 5 BWG 700 TEUR (previous year: 1,350 TEUR)	-1.100.000,00	10.000.000,00
VII.	**ANNUAL PROFIT**		**5,017,760.37**	**433,809.68**
	16.	Profit brought forward	0,00	0,00
VIII.	**BALANCE SHEET PROFIT**		**5,017,760.37**	**433,809.68**

DEVELOPMENT OF FIXED ASSET POSITIONS

	Acquisition value as of 01.01.2023	Additions	Disposals	Transfers	Acquisition values as of 31.12.2023	Accumulated depreciation as of 01.01.2023	Write-ups during the current financial year	Depreciation during the current financial year	Disposals	Cumulative depreciation and write-ups as of 31.12.2023	Book value as of 31.12.2022	Book value as of 31.12.2023
in EUR	EUR	EUR	EUR	EUR	EUR		EUR	EUR	EUR	EUR	EUR	EUR
I. FINANCIAL ASSETS												
a) Securities												
aa) Public debt securities Items	129.681.337,18	2.513.750,00	0,00	0,00	132.195.087,18	-1.815.599,08	214.534,46 1)	-681.964,15 2)	0,00	-2.283.028,77	127.865.738,10	129.912.058,41
bb) Other fixed-interest securities	209.740.053,44	26.276.850,00 *)	-34.693.994,32	0,00	201.322.909,12	3.854.258,09	2.246.095,65 1)	-616.465,98 2)	-2.733.363,14 *)	2.750.524,62	213.594.311,53	204.073.433,74
	339,421,390.62	**28,790,600.00**	**-34,693,994.32**	**0.00**	**333,517,996.30**	**2,038,659.01**	**2,460,630.11**	**-1,298,430.13**	**-2,733,363.14**	**467,495.85**	**341,460,049.63**	**333,985,492.15**
II. INVESTMENTS	**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	912.574,89	40.586,39	0,00	0,00	953.161,28	-436.182,49	0,00	-63.856,43	0,00	-500.038,92	476.392,40	453.122,36
b) Start-up expenses	-	0,00	0,00	0,00	-	0,00	0,00	0,00	0,00	0,00	0,00	0,00
	912,574.89	**40,586.39**	**0.00**	**0.00**	**953,161.28**	**-436,182.49**	**0.00**	**-63,856.43**	**0.00**	**-500,038.92**	**476,392.40**	**453,122.36**
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) Technical and office equipment	1.384.657,43	43.252,38	0,00	0,00	1.427.909,81	-1.261.352,64	0,00	-42.141,20	0,00	-1.303.493,84	123.304,79	124.415,97
c) 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	6.882,05	-6.882,05	0,00	0,00	0,00	0,00	-6.882,05	6.882,05	0,00	0,00	0,00
	2,507,007.12	**50,134.43**	**-6,882.05**	**0.00**	**2,550,259.50**	**-2,383,702.33**	**0.00**	**-49,023.25**	**6,882.05**	**-2,425,843.53**	**123,304.79**	**124,415.97**

1) Pro rata temporis allocation of the differences of securities valued as financial assets in accordance with Section 56 Para. 3 BWG

2) Pro rata temporis depreciation of the differences in securities valued as financial assets according to Section 56, Paragraph 2, BWG

*) Disposals include exchange rate differences amounting to EUR 470 thousand from securities in foreign currencies.

General Provisions

The annual financial statements of VakifBank International AG (VakifBank) were prepared in compliance with generally accepted accounting principles, aiming to present as accurate a picture as possible of the company's assets, financial position, and earnings. The accounting, valuation, and presentation of each item in the annual financial statements were carried out in accordance with the provisions of the Austrian Commercial Code and the Austrian Banking Act, each in its most recent version.

Accounting and Valuation Methods

The structure of the balance sheet and the profit and loss account corresponds to Annexes 1 and 2 to Section 43 of the BWG. Items that do not show an amount in either the current financial year or the previous year are not listed. The principle of completeness was adhered to in preparing the annual financial statements, and the continuation of the company was assumed. The principle of individual valuation was followed for the valuation of individual assets and liabilities.

The principle of prudence was applied in considering the specific characteristics of the banking business, whereby only profits realized by the balance sheet date were reported, and all identifiable risks and impending losses were accounted for in the valuation.

In accordance with Section 58, Paragraph 1, BWG, amounts in foreign currencies are valued at the quoted average exchange rates, and foreign currency holdings are valued at the quoted average exchange rates as of the balance sheet date of 31 December 2023.

Accrued interest is allocated to the corresponding balance sheet items.

Securities not classified as fixed assets are valued at acquisition cost or the lower market price on the balance sheet date, in compliance with the strict lower of cost or market principle. When valuing securities held as fixed assets, the accounting options under Section 56, Paragraph 2, second sentence, BWG or Section 56, Paragraph 3, BWG are applied, and the mitigated lower of cost or market principle is used.

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

Loan receivables are treated as current assets and are thus valued according to the strict lower of cost or market principle. VakifBank determines the need for specific loan loss provisions as part of credit monitoring. This is achieved by continuously monitoring the loan portfolio with respect to the valuation of collateral and the adjustment of rating levels, which change according to the creditworthiness and payment behaviour of the borrowers.

General value adjustments are based on statistical experience in accordance with Section 201 Paragraph 2 Item 7 of the Austrian Commercial Code (UGB) for loan receivables and securities held as fixed assets.

The following useful lives were used as the basis for scheduled depreciation:

Tangible fixed assets	years
Rights and Licences	10
Investments in third-party buildings	10
Operating and business equipment	4-10
Office machines and IT equipment	2-4
Fleet	5

Low-value assets (Section 13 ESTG) amounting to EUR 7,000 (previous year: EUR 3,000) were fully written off in the year of acquisition and reported in the fixed asset statement in the columns for acquisition, disposal, and depreciation for the financial year.

The provision for severance pay obligations was determined according to financial mathematical principles (based on AFRAC

Statement 27) using a retirement age of 60 (for women) or 65 years (for men) and an interest rate of 1.74% (previous year: 1.44%). The 7-year average interest rate with a remaining term of 15 years as of 31 December 2023 was applied in accordance with German publications of the legal regulations pursuant to Section 253 (2) of the German Commercial Code (HGB). In accordance with the prudence principle, all identified risks at the time of preparing the balance sheet, as well as liabilities whose amounts or basis are uncertain, were provided for in the other provisions at the amounts deemed necessary according to entrepreneurial judgment.

Name and registered office of the parent company

VakifBank is included in the consolidated financial statements of Türkiye Vakiflar Bankasi T.A.O. (TVB), Finanskent Mah. Finans Cad. No: 40/1 Ümraniye, Istanbul. 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. Türkiye Vakıflar Bankası T.A.O., Finanskent Mah. Finans Cad. No:/ Ümraniye, Istanbul holds 100% of the shares.

Notes to the balance sheet and profit and loss account

Maturity breakdown (Section 64 Paragraph 1 Item 4 BWG)

The receivables not due on demand included amounts with the following maturities (remaining terms):

	Receivables			
	from credit institutions		from non-banks	
	31.12.2023	2022	**31.12.2023**	2022
	in €	in T€	in €	in T€
up to 3 months	0	0	8.118.686	1.139
more than 3 months to 1 year	0	0	41.939.151	11.533
more than 1 year to 5 years	0	0	489.786.960	441.459
more than 5 years	0	0		15.039
Total	**0**	0	**539.844.797**	469.169

The total amount of assets denominated in other currencies amounts to EUR 4.7 million (previous year: EUR 18.9 million).

The obligations not due on demand included amounts with the following maturities (remaining terms):

	from credit institutions		from non-banks	
	31.12.2023	2022	**31.12.2023**	2022
	in €	in T€	in €	in T€
up to 3 months	49.026.801	142.526	85.206.631	39.707
more than 3 months to 1 year	67.397.424	93.924	285.022.841	115.061
more than 1 year to 5 years	22.721.976	62.428	194.372.045	136.785
more than 5 years	0	0	1.924.534	3.611
Total	**139.146.201**	298.877	**566.526.051**	295.164

The total amount of liabilities denominated in other currencies amounts to EUR 1.3 million (previous year: EUR 0.7 million).

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

The item 'Public sector debt instruments' amounts to EUR 131.1 million and has increased by EUR 2.1 million compared to the previous year (EUR 129 million). The item 'Bonds and other fixed-income securities' decreased from EUR 248.7 million to EUR 233.6 million, down by EUR 15.1 million.

MEUR 22 (previous year MEUR 48) of the bonds will mature in 2024.

As of the balance sheet date, bonds (including debt instruments) with acquisition costs totalling EUR 334 million (previous year: EUR 339 million) were held, and are valued as fixed assets in accordance with Section 56 (1) of the Austrian Banking Act.

General value adjustments for bonds (including debt instruments) in financial assets amounting to EUR 1.4 million (previous year: EUR 2.2 million) were recorded.

For bonds (including debt instruments) recorded as financial assets where the acquisition costs exceed the repayment amount, the difference is written off as an expense over time in accordance with Section 56, Paragraph 2, second sentence, of the Austrian Banking Act. In 2023, depreciation amounted to MEUR 1.1 (previous year: MEUR 1.1). The difference to be allocated over the remaining term amounts to MEUR 3.3 (previous year: MEUR 4.4).

For bonds (including debt instruments) recorded as financial assets where the acquisition costs are lower than the repayment amount, the difference is recognised as income over the remaining term in accordance with Section 56, Paragraph 3 of the Austrian Banking Act. In 2023, the write-up amounted to MEUR 1.6 (previous year: MEUR 1.3). The difference to be allocated over the remaining term amounts to MEUR 6.5 (previous year: MEUR 5.8).

The securities shown under bonds and other fixed-income securities are all listed on a stock exchange. Bonds (including debt instruments) not recorded as fixed assets show a difference between the acquisition costs and the higher market value on the balance sheet date of EUR 258 thousand (previous year: EUR 0.8 thousand) in accordance with Section 56, Paragraph 4 of the Austrian Banking Act.

There is no securities trading book maintained.

The allocation according to Section 64, Paragraph 1, Item 11 of the Austrian Banking Act was made in accordance with the Management Board's resolutions. According to the business strategy, securities held as current assets are intended for the liquidity reserve, while securities held as fixed assets are retained for long-term investment.

The valuation result from current assets consists of valuation losses on securities and loan receivables, as well as capital gains from the sale of securities, amounting to EUR 0.8 million.

Notes on financial instruments in accordance with Section 237a, Paragraph 1, Item 1 of the Austrian Commercial Code

Financial instruments of financial assets, reported at fair value, are classified as follows:

in million	**Book value 31.12.2023**	**hidden burdens**	**Book value 31.12.2022**	**hidden burdens**
Bonds and other fixed-income securities	290,1	-14,2	294,2	-26,6

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

The total of forward transactions not yet settled as of the balance sheet date, consisting entirely of FX swaps, amounts to EUR 3.7 million (previous year: EUR 18.67 million); the fair value measured at the mean exchange rate as of the balance sheet date is EUR 0.1 million (previous year: EUR 0.3 million). This value is recorded under other liabilities.

Information on shareholdings and relationships with affiliated companies (Section 45 BWG)

The receivables from affiliated companies included in asset items 2 to 5 amount to EUR 4.1 thousand (previous year: EUR 14.1 million). Receivables from our parent company, TVB, amount to EUR 4.1 thousand (previous year: EUR 14.1 million), of which EUR 4.1 thousand (previous year: EUR 14.1 million) are in foreign currency. These mainly concern nostro accounts.

Liabilities to our parent company amount to EUR 20.8 million (previous year: EUR 19.4 million), of which EUR 0.8 million (previous year: EUR 0.6 million) is in foreign currency. These consist entirely of deposits and clearing balances.

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

The parent company Türkiye Vakiflar Bankasi T.A.O., Istanbul, has irrevocably committed itself by letter of comfort dated 18 March 1999 to manage and finance VakifBank International AG such that it can always meet its obligations under the Banking Act and to its customers. Türkiye Vakiflar Bankasi T.A.O. assumes this obligation as long as it participates in VakifBank International AG.

Information on other assets

The item 'Other Liabilities' has a balance sheet value of EUR 2.9 million (previous year: EUR 2.3 million), of which EUR 0.6 million (previous year: EUR 1.0 million) are expenses that will only be paid after the balance sheet date. Other liabilities include capital gains tax liabilities amounting to EUR 1.4 million (previous year: EUR 0.3 million).

Deferred Taxes

The item 'Taxes on Income and Profits' amounts to EUR -1.4 million (previous year: EUR 184 thousand), of which EUR 223 thousand is income from the release of tax provisions not used as intended.

The deferred tax item capitalised in accordance with Section 198 Paragraph 9 UGB amounts to EUR 169 thousand and is reported under the item "Deferred Tax Assets". Deferred tax liabilities in the previous year amounted to EUR 54 thousand. The deferred tax assets arise from the temporary differences in the corporate and tax treatment of the severance payment provision, the provision for IT expenses, and the securities portfolio. A corporate income tax rate of 23% was applied.

Information on Other Liabilities

The item 'Other Liabilities' has a balance sheet value of EUR 2.9 million (previous year: EUR 2.3 million), of which EUR 0.6 million (previous year: EUR 1.0 million) are expenses that will only be paid after the balance sheet date. Other liabilities include capital gains tax liabilities amounting to EUR 1.4 million (previous year: EUR 0.3 million).

Provisions

The severance payment provisions developed as follows during the reporting period:

	Status on 01.01.2023	Usage	Resolution	Addition	Status on 31.12.2023
	€	€	€	€	€
Severance payment provision	319,000.00	0.00	9,363.33	60,363.33	370,000.00

Other provisions developed as follows during the reporting period:

	Status on 01.01.2023	Usage	Resolution	Addition	Status on 31.12.2023
	€	€	€	€	€
Holiday provision	258.575,50	2.822,77	10.681,12	62.422,51	307.494,13
Legal, audit and consulting costs	266.000,00	138.890,63	0,00	0,00	127.109,37
Legal proceedings	4.600.000,00	0,00	0,00	0,00	4.600.000,00
Other short-term provisions	20.000,00	0,00	258,39	0,00	19.741,61
Provisions for IT expenses	68.000,00	33.669,01	0,00	0,00	34.330,99
CBS – DWH – Project	0,00	0,00	0,00	2.500.000,00	2.500.000,00
	5.212.575,50	175.382,41	10.939,51	2.562.422,51	7.588.676,10

Own Funds

Common Equity Tier 1 Capital (EUR)	31.12.2023	31.12.2022 (after considering the retained profit for 2022)
1. Paid-in share capital according to Article 26 Paragraph 1a) CRR	100.000.000	100.000.000
2. Open reserves according to Article 26 lit e CRR		
Capital reserves (with Share capital allocated Premium)		
Liability reserves	7.600.000	6.900.000
3. Reserves according to Article 26 Para 1 lit c CRR		
Retained earnings	52.930.121	52.530.121
Deductions pursuant to Article 36 1 lit b) CRR - of which		
1. Intangible assets	-453.122	-476.392
Total Common Equity Tier 1 Capital (EUR)	160.076.998	158.953.728

Bottom Line Items

The bottom line items include guarantees amounting to EUR 0.1 million (previous year: EUR 0.1 million). The unused credit lines amount to EUR 0.1 million (previous year EUR 0.1 million).

The total amount of assets denominated in other currencies amounts to EUR 4.7 million (previous year: EUR 18.9 million).

The total amount of liabilities denominated in other currencies amounts to EUR 1.3 million (previous year: EUR 0.7 million).

Impairment of Customer Receivables

Specific value adjustments totalling EUR 4.5 million (previous year: EUR 14.3 million) were made on receivables of EUR 8.4 million (previous year: EUR 18.8 million) from customers. The significant drop in impairment loss is attributed to the recording of the debt equity swap forthe Orpea loan. VakifBank received shares for the specific impairment loss, these are shown under balance sheet item 6 with a book value of EUR 4.2 million.

The balance of value adjustments on receivables and contingent liabilities had a negative impact of EUR 28 thousand, of which net general value adjustments of EUR 0.3 million were released. General value adjustments for receivables from customers amounting to EUR 2.0 million (previous year: EUR 2.3 million) were recorded.

In November 2022, the claim against Orpea was classified as an NPE and a specific impairment loss of EUR 3.5 million was recognised. Under a restructuring plan in March 2023, EUR 15.0 million of receivables were converted into shares. Subsequently, an additional impairment loss of EUR 8.0 million was recorded in May 2023, retroactive to December 2022. The restructuring was completed in December 2023. VakifBank holds 249.9 TSD shares, representing 0.039% of the total shares.

The receivable against Senecura was classified as “Forborne Performing” NPE on 23 September 2023. A specific impairment loss of EUR 330 thousand was booked. In May 2024, an allocation of EUR 795 thousand to EUR 1.1 million was made retroactively for the 2023 financial year. Coupon interest of EUR 142 thousand was paid in February 2024. The next review is scheduled for July 2024, after receipt of financial data for the 2023 fiscal year.

Expenses for the bank auditor

Expenses for our bank auditor Ernst & Young Wirtschaftsprüfungsgesellschaft mbH in 2023, including the allocation to provisions, amounted to EUR 230 thousand (previous year: EUR 173 thousand) gross, less input tax according to the input tax key. These expenses are broken down into the following areas of activity:

	2023 thousand EUR	2022 thousand EUR
Audit of the annual financial statements	142	105
Other assurance services	88	68
Tax advisory services	0	0
Other services	0	0

Other information

VakifBank is included in the consolidated financial statements of Türkiye Vakiflar Bankasi T.A.O. (TVB), Finanskent Mah. Finans Cad. No: 40/1 Ümraniye, Istanbul. The consolidated financial statements are available at the registered office of the parent company.

Obligations arising from the use of property, plant, and equipment not shown in the balance sheet amount to approximately EUR 473 thousand for the next financial year (previous year: EUR 373 thousand). The total amount of obligations for the next 5 years amounts to approximately MEUR 2.4 (previous year: MEUR 2.0).

Additionally, there is an obligation due to the required membership in Einlagensicherung AUSTRIA GmbH for deposit protection under Section 93 BWG. The payment of contributions for deposit protection resulted in a levy into the Deposit Protection Fund (EiSi) in 2023 amounting to EUR 127 thousand (previous year: EUR 283 thousand), which was recorded as part of other operating expenses.

The leasing expenses for motor vehicles amount to approximately EUR 0 for the next financial year (previous year: EUR 1 thousand) and for the next 5 years approximately EUR 0 (previous year: EUR 0).

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

The item 'expenses for severance payments and contributions to company employee pension funds' includes allocations to severance payment provisions amounting to EUR 60 thousand, while payments to the company pension fund total EUR 49 thousand (previous year: EUR 39 thousand). Pension expenses include contributions amounting to EUR 52 thousand (previous year: EUR 61 thousand).

No expenses for severance payments to members of the Management Board and senior executives were incurred in this financial year (previous year: EUR 350 thousand).

The Management Board will propose to the Annual General Meeting that the retained profit of EUR 5 million be transferred to the retained earnings.

The return on total capital according to Section 64 Paragraph 1 Item 19 BWG is 0.64% (previous year: -1.09%).

VakifBank maintains a branch in Germany. The key figures of the branch are as follows:

Name:	Germany (DE) branch
Net interest income:	EUR 257 TSD
Operating income	EUR 310 TSD
Number of employees:	9
Annual result before taxes:	EUR -1,102 TSD
Income tax:	EUR -1,047 TSD
Public aid received	EUR 0

VakifBank earned interest income of EUR 6 thousand from its lending business and EUR 1.8 million from its securities business in the Turkish market.

Events after the balance sheet date

There were no significant events between the end of the financial year and the preparation of the annual resolution.

Information on bodies and employees

The average number of employees in 2023 was 55, compared to 51 in the previous year.

The Board is composed of the following members:

Taner Ayhan - Chairman of the Board since 1 June 2022
Mag. Horst Gottsnahm - Deputy Chairman since 1 March 2023
Mag. [a] Manuela Döller-Hauner - Deputy Chair from 6 April 2021 to 28 February 2023

The Supervisory Board is composed as follows:

Ferkan Merdan - Chairman since 30 December 2020
Suayyip Ilbiligi - Deputy Chairman since 30 December 2020
Alp Tolga Simsek - Member since 7 July 2017
Neslihan Tonbul Member since 20.10.2017
Dr Gero Volker Dittrich, MBA Member since 01.03.2021

The following remuneration was paid to members of the Management Board and Supervisory Board during the financial year:

	2023 thousand EUR	**2022 thousand EUR**
Management Board Members	**372**	**373**
Supervisory Board Members	**45**	**48**

Vienna, 19 June 2024

VakifBank International AG

Taner AYHAN e.h. Mag. Horst GOTTSNAHM e.h.

Chairman of the Board, CEO Board Member