ANNUAL REPORT 2024

VakıfBank
International AG

ANNUAL REPORT

For the 2024 Financial Year

VAKIFBANK INTERNATIONAL JOINT-STOCK COMPANY

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BODIES OF THE COMPANY

SUPERVISORY COUNCIL

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

AREA MANAGER

Muhammet AYDIN
Department Head &
Procurist

Mag. Reza GOSHTAI
Area Manager

Andreas WENDEL
Area Manager

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, BA
Strategic Risk Management & Risk Controlling

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 inaugural 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 connection with our parent company, T. Vakıflar Bankası T.A.O., we can ensure very short transfer times to 963 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 second largest state-backed Turkish bank and operates more than 963 branches in Turkey along with branches in New York, Bahrain, Erbil and Qatar.

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

(in million EUR)

	2024	2023
Loans and advances to customers	458,8	541,9
Loans and advances to credit institutions	116,8	29,7
Liabilities to credit institutions	128,7	153,0
Liabilities to customers	682,0	624,8
- of which savings deposits:	409,3	383,8
Net interest income	15,9	19,4
Operating income	17,4	20,0
Operating expenses	12,9	13,1
Operating result	4,5	6,9
Profit from business activities	0,9	7,7
Annual profit	0,4	6,1
Eligible own funds according to Part 2 of Regulation (EU) No 575/213	160,9	160,1

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 featured in Turkey's premier stock index, the ISE-100, and receives ratings from leading agencies like Moody’s and Fitch. 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. In addition, VakifBank expanded its presence to Hungary (Budapest) in 2021, and has had a branch there since 2025.

Economic framework conditions

In 2024, the challenging economic climate in the Eurozone persisted. Both Austria and Germany remained in a stagnant to mildly recessive condition. The anticipated recovery did not occur, largely due to ongoing investment hesitancy, continued weak consumer demand, and sluggish global economic conditions. Geopolitical uncertainties, especially the prolonged effects of the Ukraine conflict, the Middle East tensions, and rising strains in global supply chains, further complicated matters.

The Eurozone's inflation rate continued its decline, hitting 2.6% in December 2024 (down from 2.9% at the close of 2023). Energy and food prices were erratic, though without any severe spikes. Austria maintained an above-average inflation rate (December 2024 at: 3.8%), largely due to high service and housing costs. Germany, now the key trading partner, was situated in the mid-range of the EU. Disparities within the Eurozone were distinctly visible.

Throughout the year, the European Central Bank (ECB) responded with initial cuts in interest rates, reducing the main rate in two phases to 4.0%. This decision was motivated by falling inflation and an overall reduction in economic dynamism. The US Federal Reserve (FED) took a similar approach, slightly adjusting its main rate to 5.25%. This shift in monetary policy boosted confidence in capital markets but introduced new margin management challenges for banks.

In 2024, the international financial markets were characterised by uncertainty. Volatility was high due to global conflicts, debates around sovereign debt, and persistent fragility in the real estate markets of certain countries. Banks faced additional hurdles from tougher regulations, the digital transformation, and adapting to ESG demands.

In 2024, Turkey's economy experienced modest growth, tempered by structural issues and persistently high inflation. Despite the tightening of monetary policy, with the key rate lifted to over 40% by the end of 2024, inflation stubbornly hovered around 55% throughout the year. The lira's exchange rate remained volatile. The Turkish government increasingly aimed at economic stabilisation and promoting investment, though their fiscal flexibility was limited. In 2024, VakıfBank saw no significant defaults on loans from Turkish borrowers, despite the tough environment.

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 enterprises and financial institutions from Austria and Germany, with net interest income originating from both lending and bond transactions. In line with the business model, the largest expenses are interest payments on deposits in Austria and Germany, and general administrative expenses.

VakifBank adopts a risk-sensitive approach to sector allocation, directing its assets towards economically robust and resilient industries. By 2024, approximately 45% of the Bank’s total assets were assigned to the 'Financial and Insurance Services' and 'Public Administration' sectors. This was followed by the manufacturing sector, which accounted for about 30% of the total assets.

The bank's portfolio predominantly comprises instruments that can be quickly liquidated on secondary markets. VakifBank keeps a close eye on sectoral developments and actively manages its risk by reducing or fully withdrawing from sectors that show signs of decline.

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. In collaboration with management, he establishes the strategic framework for all risks that are 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.

The Credit Risk Management department is accountable for the continuous monitoring of the bank's entire credit portfolio. Its objective is to detect potential risks early and implement suitable countermeasures. A main responsibility is the ongoing evaluation of the creditworthiness of current and prospective borrowers. Consistent analysis of financial metrics, external ratings, and sector-specific trends ensures that the bank's risk positions are continually assessed. Additionally, Credit Risk Management assists other departments in the risk-focused management of credit operations, thereby making a significant contribution to the bank's stability and risk-bearing capability.

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 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 part of a strategic overhaul in 2024, the bank has embarked on diversifying its business model. Historically, the portfolio has been dominated by unsecured instruments such as promissory notes (SSDs) and bonds; however, the bank is now shifting its focus towards trade finance and secured credit products, including loans protected by export credit agencies (ECAs). Given their lower risk weighting, these instruments align with our strategy to expand the total assets in order to cut down on operating unit costs. 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 2024

Despite ongoing geopolitical uncertainties, increased global inflationary pressures, and adjustments in monetary policy, the Bank managed to conclude the 2024 financial year with a positive outcome. The high interest rate level caused an increase in refinancing costs, leading to a reduction in net interest income. Furthermore, the Bank observed a rise in operating expenses due to the transition to the new core banking system (CBS). Nevertheless, there was moderate growth in both deposit and lending activities.

The consistently stable business performance over recent years highlights the Bank's capability to operate efficiently even under challenging market circumstances – a clear demonstration of its market expertise and agility in 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 the environment and workers' issues

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.

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 significant losses resulting from the following events: (i) default events of a counterparty with significant exposure, (ii) simultaneous defaults within an industry due to intra-industry correlations, (iii) simultaneous defaults due to interactions 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

At VakifBank, interest rate risk is evaluated within the risk-bearing capacity framework and underpinned with economic capital. The computation involves assessing the change in present value induced by shifts in the yield curve. These shifts are represented by historical shocks across different maturity bands. The shocks are derived from historical data detailing annual variations in respective swap rates per maturity band. The underlying historical series spans at least ten years and is updated with each reporting period. A 95% confidence level is employed for risk assessment in a going-concern scenario and 99.9% for a gone-concern scenario. Calculated shocks per maturity band are then combined to ascertain the total outcome of the risk-bearing capacity assessment.

Additionally, VakifBank calculates and monitors the regulatory scenarios of standardised EVE and NII outlier tests monthly, as per EBA guidelines.

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 can be conducted in Turkish lira. For significant USD receivables items, the necessary currency risk hedging is performed using FX swaps to directly fund these USD items in foreign currency. This risk category is measured and limited in the ICAAP using a simple Value-at-Risk approach.

Foreign currency-related 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.

As of January 2025, the new Standardised Approach (Simplified Standardised Approach, SMA) under CRR III has been in effect.

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 risks are characterised as the risk of potential losses arising from exposure to macroeconomic factors. Examples include changes in unemployment rates or gross domestic product (GDP) and their respective effects on the bank's diverse business segments.

At VakıfBank, business cycles are factored into the calculation of macroeconomic risk. PD (Probability of Default) shocks are adjusted according to the current phase of the economic cycle. Data regarding economic cycles by country are sourced from Eurostat and Moody's Analytics websites. Since the evaluations of economic phases from the above sources may differ, the average of both is utilised to define the economic phase and corresponding weighting.

Equity investment risk

Investment risk includes the potential risks and vulnerabilities arising from equity investments in external companies. VakifBank currently retains a unique investment derived 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. 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 situation

Development of key balance sheet items

At the end of 2024, 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 572 million to EUR 576 million. The volume of bonds and other fixed-income securities rose from EUR 234 million to EUR 242 million, an increase of 3%. The German branch is primarily focused on deposits and reports a balance sheet total of EUR 147 million. Customer deposits in Germany amounted to EUR 142 million at the end of 2024.

Balance sheet equity

Compared to the previous year, balance sheet equity increased by approximately EUR 0.5 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 992 million. In the reporting year, loans and advances to customers decreased by EUR 83 million, amounting to EUR 459 million. Conversely, loans and advances to credit institutions rose from EUR 30 million to approximately EUR 117 million. Bonds and other fixed-interest securities were valued at EUR 242 million at the end of the reporting year, down from EUR 234 million a year earlier.

Liabilities to customers increased by 9%, totalling EUR 682 million compared to EUR 625 million in the previous year. Other liabilities, including deferred items and provisions, rose from EUR 12.1 million to EUR 15.1 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 as of 31 December 2024 stands at 20.2% (previous year). 20,5%).

Earnings situation

In the reporting year, a higher interest income of EUR 40 million was recorded, compared to EUR 34.2 million in the previous year. Net commission income contributed EUR 0.1 million to the result. Compared to the previous year, general administrative expenses reduced by 6%, totalling EUR 12.1 million by the end of the year. The operating result decreased from EUR 6.9 million in the previous year to EUR 4.5 million.

VakifBank's result from ordinary activities amounted to EUR 0.9 million. The decline from the operating profit to the profit from ordinary activities was mainly due to increased IT expenses following changes in the core banking and data warehouse systems and allocations to specific valuation allowances. Overall, the financial year 2024 concluded with a net profit of EUR 0.4 million.

Liquidity situation

VakifBank's solvency was ensured at all times in the 2024 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

VakifBank managed to perform well operationally despite challenging regulatory frameworks and a volatile market environment.

As in previous years, the financial year 2025 will focus on the consistent implementation of the adopted business and risk strategy, alongside further organisational improvements, such as in IT infrastructure. Despite ongoing geopolitical uncertainties, the first half of 2025 has shown positive outcomes for VakifBank. Thanks to its solid capital and liquidity position, VakifBank is optimistic about overcoming the challenges of the financial year 2025.

Vienna, 30 May 2025

VakifBank International AG

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

Mag. Horst Gottsnahm e.h.
Board Member

The Supervisory Board held regular meetings in the 2024 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 the notes and management report for the 2024 financial year, were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft mbH, appointed as the auditor for the financial statements and the bank. They issued 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 has concurred with the audit findings, agrees with the annual financial statements and management report presented by the Management Board, and formally approves the 2024 annual financial statements at its meeting on 4 July 2025, which are thereby recognised in accordance with Section 96 (4) of the Austrian Stock Corporation Act (AktG).

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 2024.

Vienna, 4 July 2025

Ferkan MERDAN e.h.
Chairman of the Supervisory Board

AUDIT CERTIFICATE*

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 2024, 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 2024, 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 (hereafter referred to as the "EU Regulation") and the Austrian standards for proper auditing. 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, adhering to Austrian commercial law, special legal provisions relevant to credit institutions, and professional standards. We have fulfilled our other professional responsibilities in line 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.

Particularly important 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 loans and advances to customers, including the setting up of provisions for credit risks.

Description:

As of 31 December 2024, loans and advances to customers are shown in the annual financial statements of VakifBank International AG as EUR 458.8 million. To account for loss risks in the loan portfolio, specific value adjustments (EUR 6.7 million) and general value adjustments (EUR 3.3 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 in Section 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 this issue during the audit:

We reviewed the company's credit monitoring process and assessed whether it enables timely identification of impairment requirements. 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.

<u>Responsibilities of the legal representatives and the Supervisory Board for the annual financial statements.</u>

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.

Auditor’s responsibilities for the audit of 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.

Explanation

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 according to Article 10 of the EU Regulation

We were elected as auditors by the Annual General Meeting on 18 August 2023. We were appointed by the Supervisory Board on 20 September 2023. In addition, we were appointed as auditors for the following financial year by the Annual General Meeting on 27 June 2024 and commissioned by the Supervisory Board to audit the financial statements on 06 August 2024. 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 supplementary report to the Supervisory Board 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, 06 June 2025

Ernst & Young

Auditing Company Ltd

Mag. Andrea Stippl MMag. Roland Unterweger

Auditor Auditors

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

VAKIFBANK INTERNATIONAL AG

BALANCE SHEET AS OF 31 DECEMBER 2024

PROFIT AND LOSS ACCOUNT 2024

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APPENDIX TO THE BALANCE SHEET
AND INCOME STATEMENT

ASSETS

			31 December 2024		31.12.2023	
			EUR	EUR	EUR	EUR
1	Cash on hand and balances with central banks			24.466.047,45		9.512.787,30
2	Public sector debt instruments			138.151.752,06		131.091.475,73
3	Loans and advances to credit institutions					
	a)	other due daily	10.688.672,52		29.725.986,92	
	b)	Receivables	106.121.883,40	116.810.555,92	0,00	29.725.986,92
4	Loans and advances to customers			458.841.212,32		541.948.893,51
5	Bonds and other fixed-income securities					
	a)	from public issuers	105.522.837,80		98.368.090,58	
	b)	from other issuers	136.274.576,59	241.797.414,39	135.181.911,40	233.550.001,98
6	Shares and other non-fixed income securities			1.856.496,42		4.222.939,74
7	Participations			2.950,00		2.950,00
8	Intangible fixed assets			4.701.581,90		453.122,36
9	Property, plant and equipment Including: Land and buildings used by the credit institution in the course of its own activities: EUR 0 (previous year EUR 0)			110.073,91		124.415,97
10	Other assets			4.942.116,87		4.628.456,38
11	Accruals and deferrals			66.280,72		38.287,17
12	Deferred tax assets			0,00		169.000,00
				991.746.481,96		**955.468.317,06**
	Items under the balance sheet					
	1	Foreign assets		840.927.826,23		778.505.721,57

LIABILITIES

No.	Item	31 December 2024 EUR	31 December 2024 EUR	31.12.2023 EUR	31.12.2023 EUR
1	Liabilities to credit institutions				
	a) due daily	29.444.432,31		12.805.624,55	
	b) with agreed term or notice period	99.208.471,78	128.652.904,09	140.186.200,69	152.991.825,24
2	Liabilities to customers				
	a) Savings deposits below:				
	aa) due daily	63.042.973,59		51.523.562,42	
	ab) with agreed term or notice period	346.275.535,67		332.275.093,26	
	b) Other liabilities, including:				
	ba) due daily	5.634.968,28		6.765.792,48	
	bb) with agreed term or notice period	267.022.541,15	681.976.018,69	234.250.957,73	624.815.405,89
3	Other liabilities		8.317.489,47		2.931.753,21
4	Accruals and deferrals		151.979,15		0,00
5	Provisions				
	a) Provisions for severance payments	428.000,00		370.000,00	
	b) Tax provisions, including provisions for deferred tax liabilities	422.000,00 272.000,00		1.222.775,49 0,00	
	c) other	5.802.041,72	6.652.041,72	7.588.676,10	9.181.451,59
6	Subscribed capital		100.000.000,00		100.000.000,00
7	Retained earnings				
	a) statutory reserve	7.500.000,00		7.200.000,00	
	b) other reserves	50.747.881,13	57.997.881,13	45.730.120,76	52.930.120,76
8	Liability reserve pursuant to § 57 (5) BWG		7.600.000,00		7.600.000,00
9	Balance sheet profit		398.167,71		5.017.760,37
			991.746.481,96		**955.468.317,06**
	Items under the balance sheet				
1	Contingent liabilities		104.712,28		104.712,28
	a) Liabilities from guarantees and liabilities from provision of collateral		104.712,28		104.712,28
2	Credit risks		7.619.667,14		130.055,64
3	Eligible own funds pursuant to Part 2 of Regulation (EU) No 575/2013, including: Supplementary capital under Part 2		160.896.299,23		160.076.998,40
	Title I Chapter 4 of Regulation (EU) No 575/2013		0,00		0,00
4	Own funds requirements pursuant to Article 92 of Regulation (EU) No 575/2013		794.763.777,92		782.037.367,19
	Including: Own funds requirements pursuant to Art. 92 (1) (a) to (c) Regulation (EU) No. 575/2013 (CRR)				
	Common Equity Tier 1 capital ratio		20,2%		20,5%
	Core capital ratio		20,2%		20,5%
	Total capital ratio		20,2%		20,5%
5	Foreign liabilities		221.425.512,29		199.744.277,15

			2024		2023	
			EUR	EUR	EUR	EUR
	1	Interest and similar income, including: From fixed-interest securities: 11,250 TEUR (previous year: 9,708 TEUR)		40.003.078,10		34.190.437,65
	2	Interest and similar expenses		-24.094.781,56		-14.833.042,34
I.	**NET INTEREST INCOME**			**15.908.296,54**		**19.357.395,31**
	3	Commission income		324.845,03		631.186,27
	4	Commission expenses		-182.282,66		-210.509,10
	5	Income/Expenses from financial transactions		-97.344,97		245.627,69
	6	Other operating income		1.453.031,55		21.085,20
II.	**OPERATING INCOME**			**17.406.545,49**		**20.044.785,37**
	7	General administrative expenses				
	a)	Personnel expenses Including:				
		aa) Wages and salaries	-5.169.674,90		-4.062.187,51	
		bb) Expenses for mandatory social security contributions and remuneration-related levies and compulsory contributions	-1.247.453,12		-1.005.008,69	
		cc) other social expenses	-158.574,11		-94.871,95	
		dd) Expenses for retirement benefits and assistance	-67.475,89		-52.069,57	
		ee) Expenses for severance pay and benefits to occupational pension funds	-120.983,32	-6.764.161,34	-99.703,63	-5.313.841,35
	b)	Other administrative expenses (material expenses)		-5.293.576,30		-7.550.887,41
	8	Value adjustments on the assets included in asset items 7 and 8		-131.930,51		-112.879,68
	9	Other operating expenses		-727.011,31		-135.450,37
III.	**OPERATING EXPENSES**			**-12.916.679,46**		**-13.113.058,81**
IV.	**OPERATING RESULT**			**4.489.866,03**		**6.931.726,56**
	10./11.	Income/expense balance from the sale and assessment of loans and securities		-5.301.498,27		777.213,44
	12./13.	Income/expense balance from the sale and assessment of securities assessed as financial assets, as well as shares in affiliated companies and participations		1.718.315,64		0,00

V.	**RESULT OF ORDINARY BUSINESS ACTIVITIES**		**906.683,40**	**7.708.940,00**
	14	Taxes on income and earnings thereof: Expenses from deferred taxes: 441 thousand EUR (previous year: Income 169 TEUR)	-445.089,00	-1.424.337,10
	15	Other taxes not shown in item 14	-13.426,69	-166.842,53
VI.	**ANNUAL SURPLUS**		**448.167,71**	**6.117.760,37**
	15	Reserve movement Including: Allocation to the liability reserve pursuant to section 57 (5) BWG TEUR 0; (previous year: 700 TEUR)	-50.000,00	-1.100.000,00
VII.	**ANNUAL PROFIT**		**398.167,71**	**5.017.760,37**
	16	Profit brought forward	0,00	0,00
VIII.	**BALANCE SHEET PROFIT**		**398.167,71**	**5.017.760,37**

Development of fixed asset items

in EUR	Acquisition cost as of 01/01/2024 EUR	Inflows EUR	Outflows EUR	Transfers EUR	Acquisition costs as of 31/12/2024 EUR
I. FINANCIAL ASSETS					
a) Securities					
aa) Debt securities of public authorities	132.195.087,18	8.415.160,00	-1.128.480,00	0,00	139.481.767,18
bb) Other fixed-income securities	201.322.909,12	32.823.721,72 *)	-12.622.368,18	0,00	221.524.262,66
	333.517.996,30	**41.238.881,72**	**-13.750.848,18**	**0,00**	**361.006.029,84**
II. PARTICIPATIONS	**2.950,00**	**0,00**	**0,00**	**0,00**	**2.950,00**
III. INTANGIBLE ASSETS					
a) Rights and licenses	953.161,28	0,00	-157.860,88	0,00	795.300,40
b) Start-up expenses	0,00	0,00	0,00	0,00	0,00
c) Assets under construction (software and licences)	0,00	4.316.825,55	0,00	0,00	4.316.825,55
	953.161,28	**4.316.825,55**	**-157.860,88**	**0,00**	**5.112.125,95**
IV. PROPERTY, PLANT AND EQUIPMENT					
a) Adaptations in third-party buildings	1.122.349,69	0,00	-832.030,58	0,00	290.319,11
b) Technical and office equipment	1.427.909,81	27.015,40	-138.073,12	0,00	1.316.852,09
c) Fleet	0,00	0,00	0,00	0,00	0,00
d) Low-value assets	0,00	22.207,03	-22.207,03	0,00	0,00
	2.550.259,50	**49.222,43**	**-992.310,73**	**0,00**	**1.607.171,20**

in EUR	Cumulative depreciation as of 01/01/2024	Write-ups during the current financial year EUR	Depreciation during the current financial year EUR	Outflows EUR
I. FINANCIAL ASSETS				
a) Securities				
aa) Debt securities of public authorities	-2.283.028,77	215.122,26 1)	-704.530,75 2)	-168.480,00 Out
bb) Other fixed-income securities	2.750.524,62	3.464.245,79 1)	-540.386,70 2)	-1.815.892,73 *) - -
	467.495,85	**3.679.368,05**	**-1.244.917,45**	**-1.984.372,73**
II. PARTICIPATIONS	**0,00**	**0,00**	**0,00**	**0,00**
III. INTANGIBLE ASSETS				
a) Rights and licenses	-500.038,92	0,00	-68.366,01	-157.860,88
b) Start-up expenses	0,00	0,00	0,00	0,00
c) Assets under construction (software and licences)	0,00	0,00	0,00	0,00
	-500.038,92	**0,00**	**-68.366,01**	**-157.860,88**
IV. PROPERTY, PLANT AND EQUIPMENT				
a) Adaptations in third-party buildings	-1.122.349,69	0,00	0,00	-832.030,58
b) Technical and office equipment	-1.303.493,84	0,00	-41.357,46	-138.073,12
c) Fleet	0,00	0,00	0,00	0,00
d) Low-value assets	0,00	0,00	-22.207,03	-22.207,03
	-2.425.843,53	**0,00**	**-63.564,49**	**-992.310,73 -**

in EUR	Cumulative additions and write-backs as of 31/12/2024 EUR	Book value as of 31/12/2023 EUR	Book value as of 31/12/2024 EUR
I. FINANCIAL ASSETS			
a) Securities			
aa) Debt securities of public authorities	2.603.957,26	129.912.058,41	136.877.809,92
bb) Other fixed-income securities	7.490.276,44	204.073.433,74	229.014.539,10
	4.886.319,18	**333.985.492,15**	**365.892.349,02**
II. PARTICIPATIONS	**0,00**	**2.950,00**	**2.950,00**
III. INTANGIBLE ASSETS			
a) Rights and licenses	-410.544,05	453.122,36	384.756,35
b) Start-up expenses	0,00	0,00	0,00
c) Assets under construction (software and licences)	0,00	0,00	4.316.825,55
	-410.544,05	**453.122,36**	**4.701.581,90**
IV. PROPERTY, PLANT AND EQUIPMENT			
a) Adaptations in third-party buildings	-290.319,11	0,00	0,00
b) Technical and office equipment	-1.206.778,18	124.415,97	110.073,91
c) Fleet	0,00	0,00	0,00
d) Low-value assets	0,00	0,00	0,00
	1.497.097,29	**124.415,97**	**110.073,91**

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 1.5 million from securities held in foreign currency.

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 2024.

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:

Property, plant and equipment	**Years**
Rights and Licences	10
Investments in third-party buildings	10
Operating and business equipment	4-10
Office machines and IT equipment	2-4
Fleet	5

Low-value assets (§ 13 ESTG) amounting to TEUR 22 (previous year: TEUR 7) were fully depreciated in the year of acquisition and shown in the summary of assets in the columns inflows, outflows and depreciation of the financial year.

The provision for severance 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 1.96% (previous year: 1.74%). The 7-year average interest rate with a remaining term of 15 years as of 31 December 2024 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 annual financial statements are available at the registered office of the parent company.

Share capital

The share capital amounts to EUR 100 million and is divided into 66 million registered shares with a 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 the 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 December 2024	2023	**31 December 2024**	2023
	in €	in T€	in €	in T€
Up to 3 months	27.036.317	0	21.422.228	8.119
more than 3 months to 1 year	81.068.942	0	66.239.413	41.939
more than 1 year to 5 years	6.016.625	0	362.197.757	489.787
Total	114.121.883	0	449.859.398	539.845

The total amount of assets denominated in other currencies amounts to EUR 84.2 million (previous year: EUR 4.7 million). The obligations not due on demand included amounts with the following maturities (remaining terms):

	from credit institutions		from non-banks	
	31 December 2024	2023	**31 December 2024**	2023
	in €	in T€	in €	in T€
Up to 3 months	82.517.708	49.027	185.949.216	85.207
more than 3 months to 1 year	16.687.758	67.397	330.754.495	285.023
more than 1 year to 5 years	0	22.722	93.761.386	194.372
More than 5 years	0	0	1.588.659	1.925
Total	99.205.465	139.146	612.053.755	566.526

The total amount of liabilities denominated in other currencies amounts to EUR 64.6 million (previous year: EUR 1.3 million).

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

Debt instruments issued by public authorities amounted to EUR 138.2 million and increased by EUR 7.1 million compared to the previous year (EUR 131.1 million). The item bonds and other fixed-income securities increased by EUR 8.2 million from EUR 233.6 million to EUR 241.8 million.

MEUR 102.7 (previous year MEUR 22) of the bonds will mature in 2025.

As of the balance sheet date, there were bonds (including debt securities) with acquisition costs of EUR 361 million (previous year EUR 334 million), which are valued as fixed assets in accordance with § 56 (1) BWG.

General value adjustments for bonds (including debt instruments) in financial assets amounting to EUR 1.1 million (previous year: EUR 1.4 million) were recorded.

For bonds (incl debt instruments), which are assessed as financial assets and for which acquisition costs are higher than the repayment amount, the difference is depreciated on a time-apportioned basis pursuant to § 56(2) of the BWG. In 2024, depreciation amounted to MEUR 1.2 (PY MEUR 1.1). The difference to be allocated over the remaining term amounts to MEUR 2.7 (previous year: MEUR 3.3).

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 recognised in profit or loss over the remaining term in accordance with § 56 (3) BWG. In 2024, the write-up amounted to MEUR 2.0 (previous year: MEUR 1.6). The difference to be allocated over the remaining term amounts to MEUR 4.4 (previous year: MEUR 6.5).

The securities shown under bonds and other fixed-income securities are all listed on a stock exchange. Bonds (including debt instruments) that are not accounted for as fixed assets show a difference of TEUR 44 (previous year TEUR 258) between the acquisition costs and the higher market value on the balance sheet date in accordance with § 56 (4) BWG.

There is no securities trading book maintained.

The allocation pursuant to § 64 (1) (11) BWG was made in accordance with the resolutions passed by the Executive Board, whereby, in accordance with the business strategy, securities held as current assets are earmarked for the liquidity reserve, but securities held as fixed assets are retained for long-term investment.

The valuation result of current assets includes valuation losses on securities and loan receivables as well as gains from the sale of securities, resulting in EUR -2.0 million (previous year: EUR 0.8 million).

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

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

in million	**Book value 31/12/2024**	**Unlrealised losses**	**Book value 31/12/2023**	**Unlrealised losses**
Bonds and other fixed-income securities	276,8	-7,8	290,1	-14,2

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 amount of outstanding forward transactions, exclusively comprising FX swaps, as of the balance sheet date is EUR 22.3 million (previous year: EUR 3.7 million); the fair value, measured at the foreign exchange mean rate as of the balance sheet date, is EUR 0.6 million (previous year: EUR 0.1 million). This value is recorded under other liabilities.

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

The receivables from affiliated companies recorded under asset items 2 to 5 total EUR 1.1 thousand (previous year: EUR 4.1 thousand). Receivables with our parent company, TVB, amount to EUR 1.1 thousand (previous year: EUR 4.1 thousand), all of which are in foreign currency. These mainly concern nostro accounts.

Liabilities to our parent company amount to EUR 37.4 million (previous year: EUR 20.8 million), of which EUR 1.9 million (previous year: EUR 0.8 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 other assets item shows a balance sheet value of EUR 4.9 million (previous year EUR 4.6 million), of which EUR 572.6 thousand (previous year EUR 410.5 thousand) is income that only becomes payable after the balance sheet date.

Deferred taxes

The taxes on income and earnings item shows EUR -0.4 million (previous year: EUR -1.4 million), including EUR 0 thousand (previous year: EUR 223 thousand) as income from the reversal of tax provisions that were not utilised as intended.

The deferred tax liabilities, according to Section 198 (9) of the Austrian Commercial Code (UGB), amount to EUR 272 thousand (previous year: deferred tax assets of EUR 169 thousand) and are listed under "Provisions for deferred tax liabilities". Deferred tax liabilities arise from temporary differences in the treatment under company and tax law of the provision for severance payments, the provision for IT expenses, the securities portfolio and the portfolio valuation allowance. The option to recognise the tax loss carry-forward standardised in accordance with § 198 (9) sentence 3 UGB was selected. It was offset against the amount of deferred tax liabilities remaining after considering the total difference, taking into account the 75% carry-forward limit within the meaning of § 8 (4) Z 2 lit. a KStG. A corporate income tax rate of 23% was applied.

In implementing the global minimum taxation according to OECD Model Regulations (“Pillar Two”) and EU Directive 2022/2523, Austria enacted the Minimum Taxation Act (MinBestG), effective from 1 January 2024. Introduced in January 2024. The company is subject to this legislation due to its group membership. Türkiye Vakıflar Bankası T.A.O., located in Turkey, serves as the ultimate parent company in accordance with the MinBestG.
No tax liabilities arose for the current fiscal year from applying the MinBestG.
The mandatory exception for accounting deferred tax assets and liabilities, arising from the introduction of the Minimum Taxation Act or similar foreign tax laws, was applied as regulated by Section 198 Paragraph 10 Item 4 of the Austrian Commercial Code (UGB).

Information on other liabilities

The item 'Other Liabilities' has a balance sheet value of EUR 8.3 million (previous year: EUR 2.9 million), of which EUR 0.8 million (previous year: EUR 0.6 million) are expenses that will only be paid after the balance sheet date. Other liabilities include capital gains tax liabilities amounting to EUR 3.7 million (previous year: EUR 1.4 million).

Provisions

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

	Status on 01 January 2024	Usage	Resolution	Addition	Status on 31 December 2024
	€	€	€	€	€
Provision for severance pay	370.000,00	0,00	2.797,80	60.797,80	428.000,00

Other provisions developed as follows during the reporting period:

	Status on 01 January 2024	Usage	Resolution	Addition	Status on 31 December 2024
	€	€	€	€	€
Holiday provision	307.494,13	1.250,00	9.386,72	35.766,35	332.623,75
Legal, audit, and Consultancy costs	127.109,37	408.225,66	0,00	385.461,66	104.345,37
Legal proceedings	4.600.000,00	0,00	0,00	711.000,00	5.311.000,00
Other provisions Short-term	19.741,61	0,00	0,00	0,00	19.741,61
Provisions for IT-related Expenses	34.330,99	0,00	0,00	0,00	34.330,99
CBS – DWH – Project	2.500.000,00	1.080.268,89	1.419.731,11	0,00	0,00
	7.588.676,10	1.489.744,55	1.429.117,83	1.132.228,01	5.802.041,72

If employees leave without any remaining holiday entitlements, the allocated holiday provisions are released.

A provision of EUR 711 thousand was set aside for ongoing insolvency proceedings regarding a previous loan claim against TPOT Three Plus One Trading GmbH. Out of this amount, EUR 639 thousand is attributed to potential repayments and EUR 72 thousand estimated for legal costs. The case concerns the recovery of payments by the insolvency administrator.

In the 2023 financial year, a provision of EUR 2.5 million was created to cover anticipated, non-capitalisable expenses associated with the IT migration project. This was due to the termination of the contract by Raiffeisen, leading to expected consultancy, migration, and maintenance costs in the following year, 2024. The provision was established in 2023 because the cause of the contract termination also occurred that year, alongside the corresponding payment schedules.
In the 2024 financial year, actual project-related, non-capitalisable expenses amounted to EUR 1.08 million. As the original provision was only partially realised, the remaining provision of EUR 1.42 million was released to profit or loss in the 2024 financial year.

Own resources

Hard core capital (EUR)	**31 December 2024**	**31.12.2023** (after considering the retained profit for 2023)
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 (premium with share capital)		
Liability reserves	7.600.000	7.600.000
3 Reserves according to Art. 26 (1) (c) CRR		
Retained earnings	57.997.881	57.947.881
Deductions pursuant to Article 36 1 lit b) CRR - of which		
1 intangible assets	-4.701.582	-453.122
Total Common Equity Tier 1 Capital (EUR)	160.896.299	165.094.759

Below-the-line items

The off-balance-sheet items include guarantees amounting to EUR 0.1 million (previous year: EUR 0.1 million). The unused credit lines amount to EUR 7.6 million (previous year EUR 0.1 million).

The total amount of assets denominated in other currencies amounts to EUR 84.2 million (previous year: EUR 4.7 million).

The total amount of liabilities denominated in other currencies amounts to EUR 64.6 million (previous year: EUR 1.3 million).

Value adjustments on receivables from customers

Specific value adjustments totalling EUR 6.7 million (previous year: EUR 4.5 million) were made on receivables of EUR 19 million (previous year: EUR 8.4 million) from customers. The increase in specific valuation allowances is due to new allowances for receivables from Meyer Neptun GmbH (receivable of EUR 1 million, allowances of EUR 230 thousand) and BayWa (receivable of EUR 15.0 million, allowances of EUR 3.5 million).
The balance of impairments on receivables and contingent liabilities yielded a negative impact of EUR 3.3 million, with net general adjustments of EUR 1.3 million. General value adjustments for receivables from customers amounting to EUR 3.3 million (previous year: EUR 2.0 million) were recorded.

Expenses for the bank auditor

Expenses for our bank auditor Ernst & Young Wirtschaftsprüfungsgesellschaft mbH in 2024, including the allocation to provisions, amounted to EUR 219 thousand (previous year: EUR 230 thousand) gross, less input tax according to the input tax key. These expenses are broken down into the following areas of activity:

	2024 TEUR	**2023 TEUR**
Audit of the annual financial statements	139	142
Other assurance services	80	88
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 annual financial statements are available at the registered office of the parent company.

Obligations from the use of property, plant and equipment not shown in the balance sheet amount to around TEUR 529 for the following financial year (previous year: TEUR 473). The total amount of obligations for the next 5 years amounts to approximately MEUR 2.6 (previous year: MEUR 2.4).

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 2024 amounting to EUR 0 thousand (previous year: EUR 127 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 0 thousand) and for the next 5 years approximately EUR 0 (previous year: EUR 0).

The disclosure in accordance with Article 431 CRR et seq. is available on our website (www.vakifbank.at).

The item 'expenses for severance payments and contributions to company employee pension funds' includes allocations for severance provisions totalling EUR 61 thousand (previous year: EUR 60 thousand), and contributions to the pension fund totalling EUR 63 thousand (previous year: EUR 49 thousand). Pension expenses include contributions amounting to EUR 67 thousand (previous year: EUR 52 thousand).

No expenses for severance payments to members of the Management Board and senior executives were incurred in this financial year (previous year: EUR 0 thousand).

The Management Board will propose to the Annual General Meeting that the retained profit of EUR 398 thousand be transferred to retained earnings.

The return on total capital according to Section 64 Paragraph 1 Item 19 BWG is 0.05% (previous year: 0.64%).

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

Name:	Germany (DE) branch
Net interest income:	EUR 690 TSD
Operating income	EUR 751 TSD
Number of employees:	9
Annual result before taxes:	TEUR - 759
Public aid received	EUR 0

VakifBank earned interest income of EUR 282 thousand from its lending business and EUR 2.2 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 financial statements.

Information on governing bodies and employees

The average number of employees in 2024 was 67, compared to 55 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

The Supervisory Board is composed as follows:

Ferkan Merdan — Chairman since 30 December 2020
Suayyip Ilbilgi — Deputy Chairman since 30 December 2020
Alp Tolga Simsek — Member since 7 July 2017
Neslihan Tonbul — Member since 20 October 2017
Dr. Gero Volker Dittrich, MBA — Member since 1 March 2021

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

	2024 TEUR	**2023 TEUR**
Management Board Members	363	372
Supervisory Board Members	52	45

Vienna, 30 May 2025

VakifBank International AG

Taner AYHAN e.h. — Mag. Horst GOTTSNAHM eh
Chairman of the Board, CEO — Board Member