



Strong Foundations for Growth

October/November 2005

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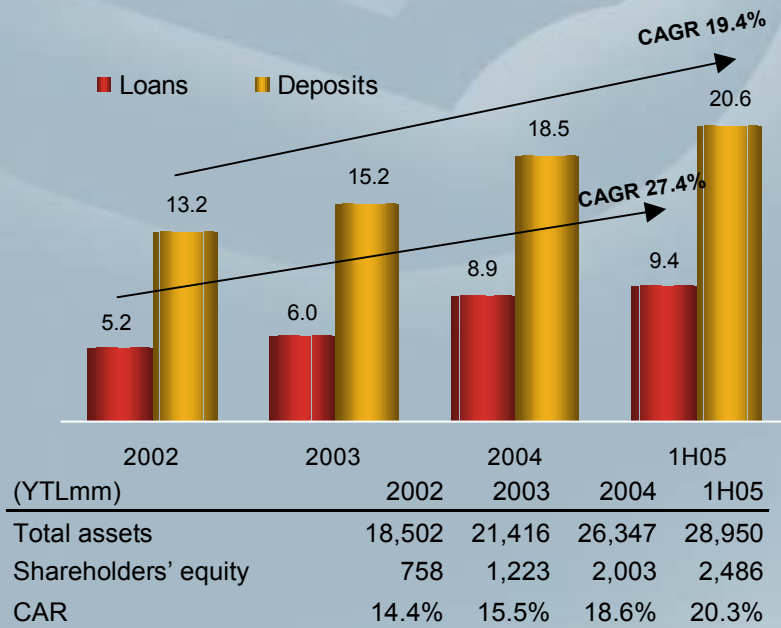


**Member of the Board
(Credits & Restructuring & IPO)
Chairman, Vakıf Securities Inc.**

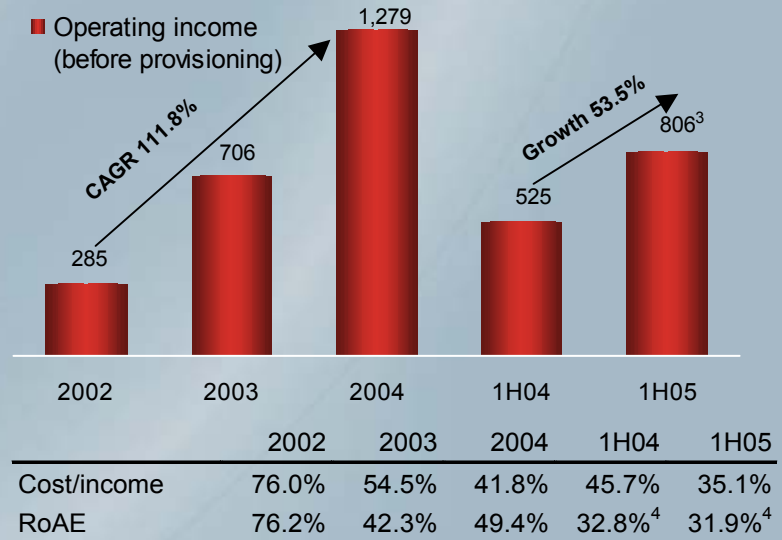
VakıfBank at a glance

- 8.1% market share in assets with over 5.8mm customers and 9.8mm debit cards
- 298 branches and 114 satellite branches nationwide
- Strong alternative distribution channels (1,793 ATMs)
- Strong balance sheet growth and profitability

Strong balance sheet growth (YTLbn)¹



Impressive profitability (YTLmm)^{1,2}



Source: Annual and Interim reports, IFRS consolidated financials, inflation adjusted as of 1H 2005

¹ Exchange rate as at 1H 2005 of 1.3337

² Excluding provisions and recoveries

³ Includes one-off effect of YTL 140 mm in interest income in 1H 2005 due to the first time application of mark-to-market valuation to available for sale eurobonds

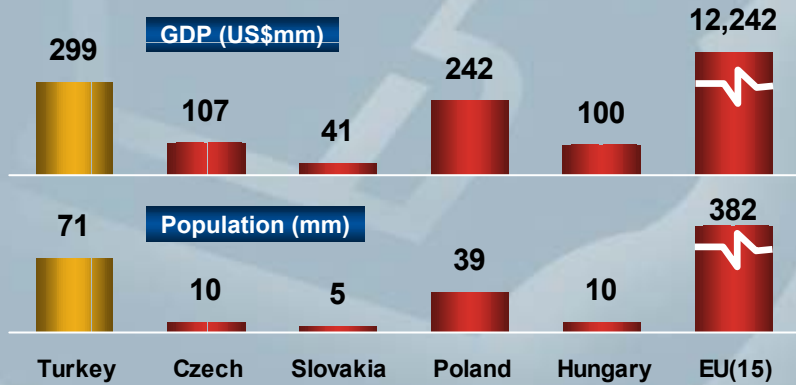
⁴ Annualised

Superior growth and profitability prospects

- **5th largest bank in the fast growing Turkish market**
- **Strengths in fastest growing segments and well developed distribution network**
 - Leading consumer and SME products
 - Extensive nationwide branch network and well developed alternative channels
- **Excellent client relationships and cross-selling potential to large customer base**
 - 5.6mm retail customers, of which 1.9mm payroll customers
 - Leading long-lasting SME franchise with over 100,000 customers
 - Unique access and understanding of State related companies
 - Significant recent investment is unlocking important cross-selling potential
- **Superior financial performance**
 - Solid balance sheet with diversified sources of funding
 - Cost conscious culture with focus on profitability instead of market share
- **Investor-friendly corporate governance fully supported by key shareholders**

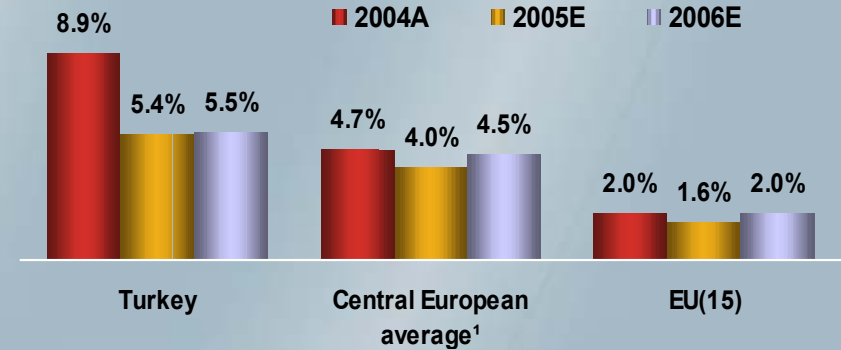
Turkey: strong macro economic outlook

Largest emerging European market



Source: Global Insight. Note: GDP reported at constant 2000 US\$ prices

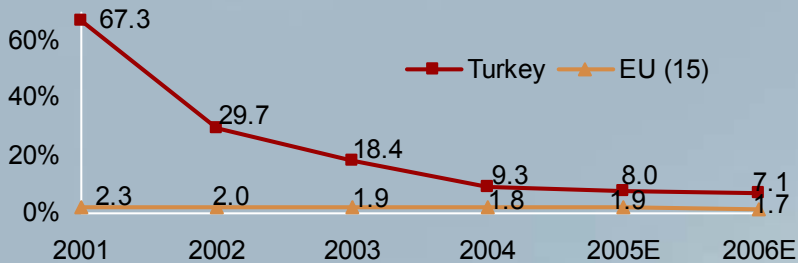
Fastest growing economy



Source: Global Insight

¹ Average of Hungary, Poland, Czech Republic, Slovakia

Steadily declining inflation



Source: Global Insight, State Statistical Institute of Turkey

Stable exchange rates

Exchange rate of US\$ and € to Turkish Lira



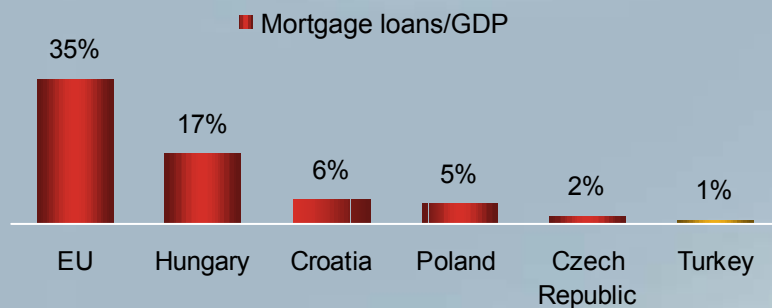
Source: Bloomberg, Datastream

Banking sector: rapid and profitable growth

Strong recovery following 2001

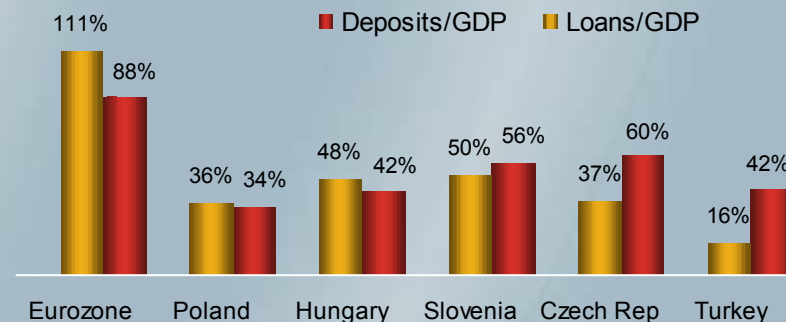
- Strong lending and deposit growth
- Good regulatory environment and reporting standards
- Good asset quality
- Still very high interest margins, though declining trend
- Strong capitalisation
- High foreign strategic investor interest

Untapped mortgage market



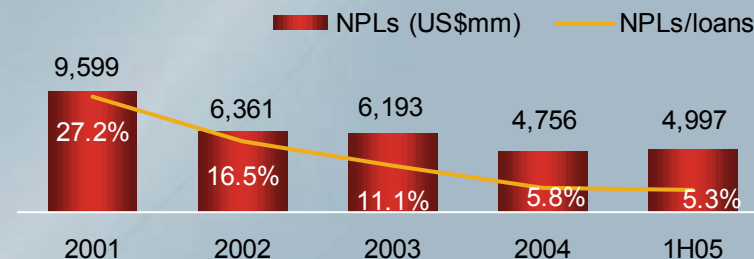
Source: Central Banks

Low penetration ratios (2004)



Source: Central Bank of Turkey; Central Banks of respective countries

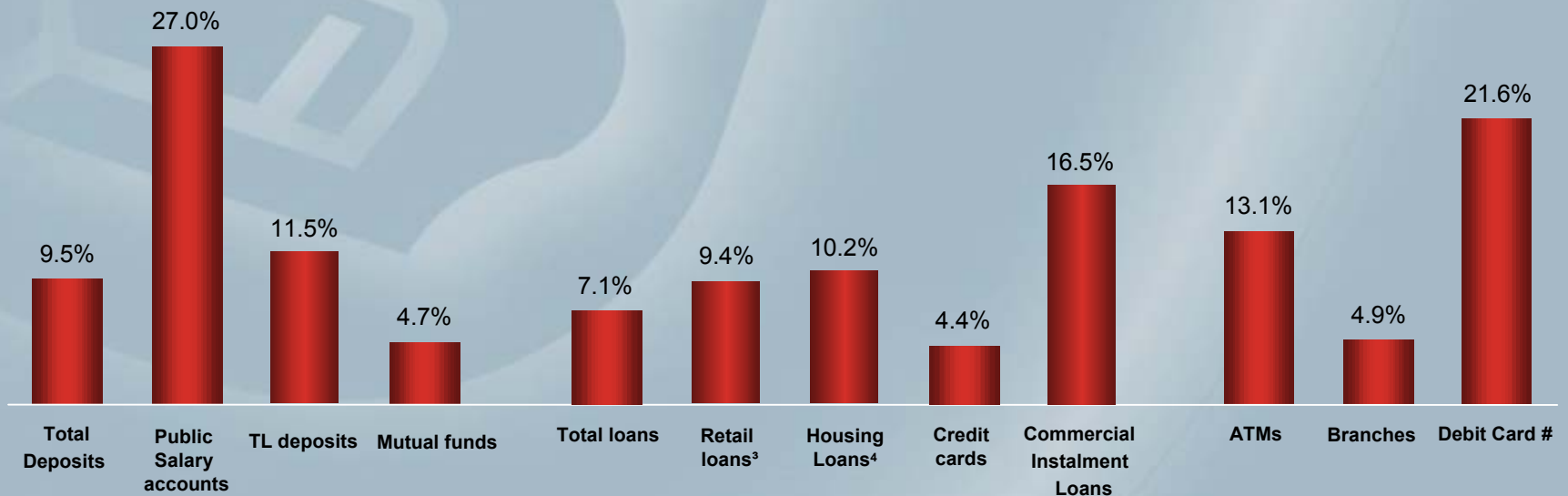
Improved loan quality



Source: Turkish Banks Association reports under BRSA standards

VakıfBank is a market leader, particularly in retail and SME finance...

Total market share (%) (1H05)



Deposits / Funding

Credits

Distribution

Source: Turkish Banks Association reports under bank-only BRSA standards as of June 30, 2005, Capital Markets Board

¹ VakıfBank estimates

² Total banking system loans = Short term + Medium and Long Term + Loans under Follow up - Specific Provisions

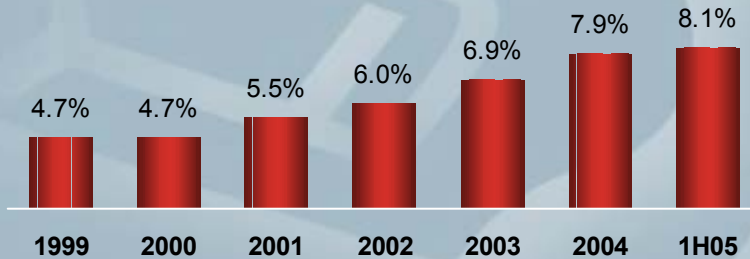
³ Includes home, auto and other. Credit card loans, overdrafts, and State Mass Housing Authority (TOKI) loans not included

⁴ Including TOKI housing loans

... with excellent historical performance

Steady market share growth

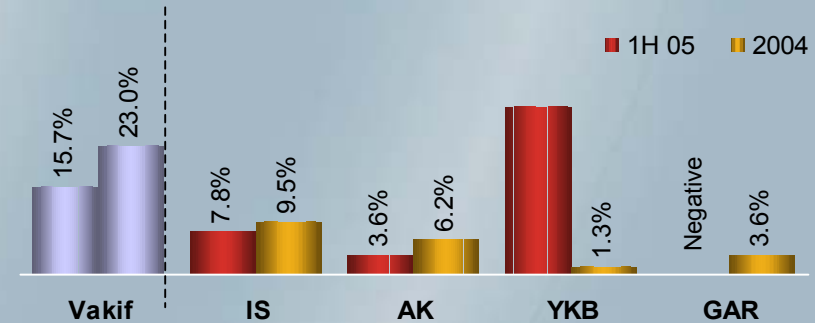
■ Total assets market share



Source: Turkish Banks Association, BRSA bank only financials

Fastest asset growth

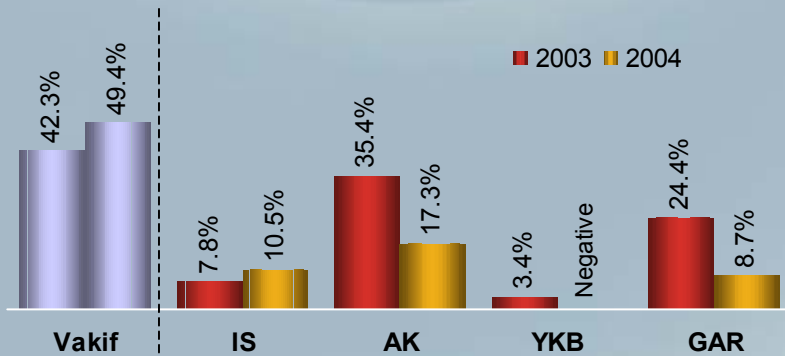
■ 1H 05 ■ 2004



Source: Company reports, IFRS consolidated financials

Highest ROAE among peers (%)

■ 2003 ■ 2004

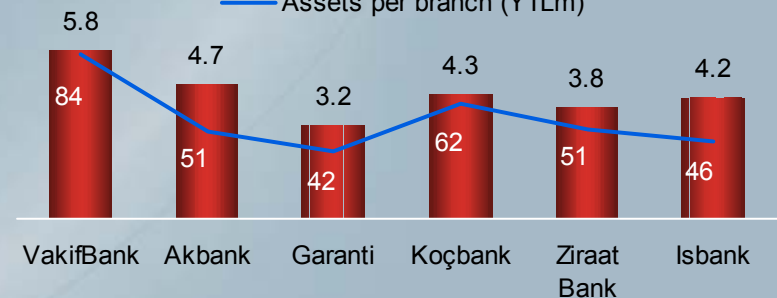


Source: Company reports, IFRS consolidated financials

Highest productivity per branch (2004)

■ Revenues per branch (YTLm)

— Assets per branch (YTLm)



Source: Turkish Banking Association, BRSA bank only financials

VakıfBank's vision: on the path to becoming a top three private bank



Where is the potential?





- Leverage key strengths
- Very large existing SME & retail customer base that is still untapped
- Improving cross-selling, which is significantly below that of peer banks
 - limited sales effort in the past
 - low historic advertising spend
- Grow network in under-penetrated regions

Evidence of future potential

- Consistent market share growth since 1999 demonstrates embedded strengths
- Tapping key segments with targeted marketing programs
- Management focus on sales effort
- Ongoing company wide restructuring is well advanced and pilot projects show impressive results
- Strong positioning and competitive advantage in Ankara and Anatolian Turkey

Transformation project already delivering impressive results

Transformation efforts planned for completion in 2006

	Description	Status-to-date	Completion date (E)	Impact on bank
Branch network	<ul style="list-style-type: none"> More customer oriented approach Relationship managers Branch and IT systems modernisation 	 <ul style="list-style-type: none"> SME relationship managers are being introduced in all branches 100% of branches are being refurbished Retail relationship managers implementation from Q405 	<ul style="list-style-type: none"> 3Q 05 4Q 06 2H 06 	<ul style="list-style-type: none"> Impressive results from pilot projects 17% lending increase in the first 3 months of pilot SME project 12% increase in cross-sell ratio
IT systems	<ul style="list-style-type: none"> Increased data centralisation and automation Aimed to provide more customer segmentation Increased IT capacity 	 <ul style="list-style-type: none"> Capacity already upgraded Client segmentation completed Data and process consolidation in progress 	<ul style="list-style-type: none"> End 06 	<ul style="list-style-type: none"> Critical for rest of restructuring plan Meet increased MIS and transaction volume needs
HQ and staff reorganisation	<ul style="list-style-type: none"> Centralisation of back office activities Performance incentives Align HQ responsibilities with new business operations Large corporates serviced from HQ 	 <ul style="list-style-type: none"> Plan approved Implementation to begin Q405 	<ul style="list-style-type: none"> 2H 06 	<ul style="list-style-type: none"> Increase sales while maintaining cost efficiency
Credit processes	<ul style="list-style-type: none"> Aimed to automate credit processes Faster and more effective loan processing 	 <ul style="list-style-type: none"> Corporate loans and project finance scoring systems are currently being used Retail loans scoring model in use at 280 units SME scoring system is being tested 	<ul style="list-style-type: none"> 2H 06 Linked to IT systems for full implementation 	<ul style="list-style-type: none"> Better asset quality to maintain profitability

A leading retail franchise

Key retail strengths

- A leading YTL franchise in the market
- Over 5.6mm customers, of which 1.9mm highly valuable payroll customers
- Leader in consumer lending, excl. credit cards
- Well positioned to benefit from the expected significant growth in housing loans
- Good retail loan portfolio quality – 2.8% NPL
- Major opportunity to increase cross-selling ratio (incl. insurance and leasing products of subsidiaries)

High lending yields (%)



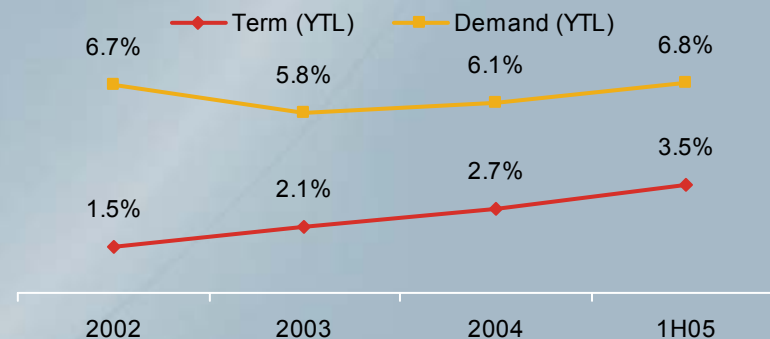
Source: BRSA bank only financials, VakıfBank

c.50% CAGR in retail lending

YTLmn	2002	2003	2004	1H05	CAGR 02-1H05 (%)
Housing ¹	300	287	439	627	34
Credit cards	288	391	597	678	41
Auto	59	166	388	333	100
Other	486	921	1,243	1,451	55
Total retail	1,133	1,765	2,668	3,089	49

Source: BRSA bank only financials, VakıfBank, inflation adjusted
¹ House loans include TOKI-funded loans

Strengthening YTL deposit market share



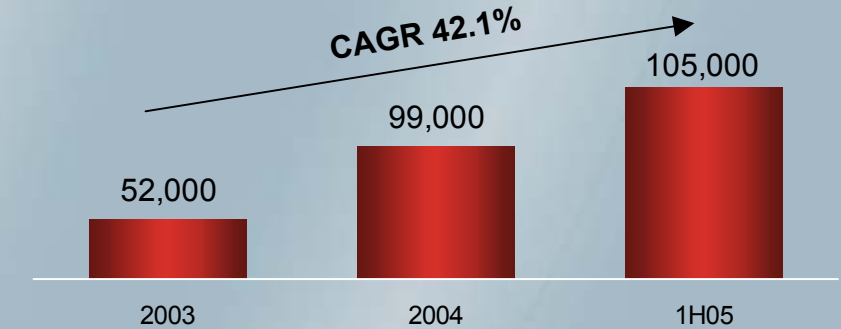
Source: BRSA bank only financials

Strong corporate and SME lending culture

Attractive client and product mix

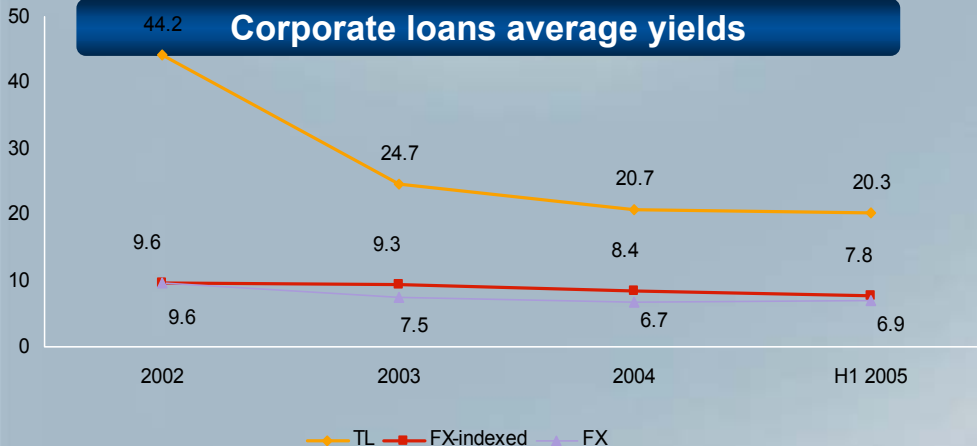
- Superb focus on SMEs
 - # of SME clients increased from 40,000 (2002) to 105,000 (1H05)
 - Successful introduction of relationship managers
 - Diversified portfolio of products
 - Unique relationships with financing organisations (World Bank, EIB, CEDB, KOSGEB and others)
- Traditionally strong with large corporates
- Accelerate development of project finance activities

Number of SME clients



Source: VakıfBank

Corporate loans average yields



Source: BRSA bank only financials, VakıfBank

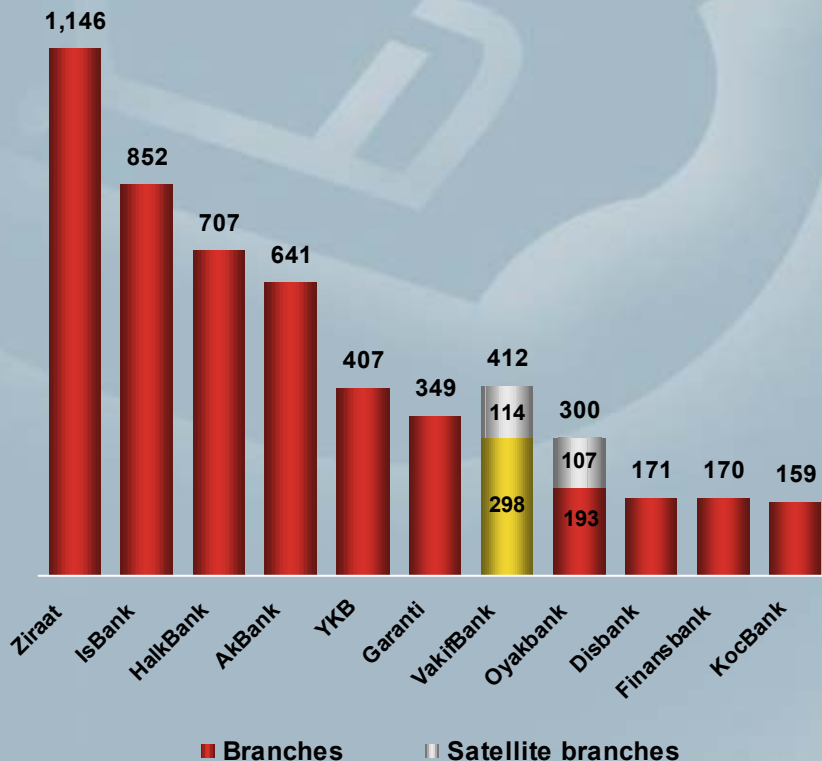
Corporate lending growth

(YTLmm)	2002	2003	2004	1H05	CAGR 2002 - 1H05
Short term (<1 year)	1,478	1,868	2,265	2,323	20%
Long term (>1 year)	1,004	865	1,238	1,368	13%
Instalment	127	712	1,730	2,024	203%
Other	33	157	161	107	60%
Total	2,642	3,602	5,394	5,812	37%

Source: BRSA bank only financials, VakıfBank, adjusted for inflation
 Note: Instalment loans best proxy for SME lending

Well-developed distribution network with unique reach

No. of branches (top 10 banks by assets)



Source: Turkish Banks Association

Branch network strategy

- Well distributed nationwide branch network
- Regional strengths in Ankara, Anatolia and Eastern Turkey—up to 40% market share in some regions
- Plans for further expansion in Istanbul and Marmara on a selective basis
- Current restructuring to increase sales focus

Alternative channels

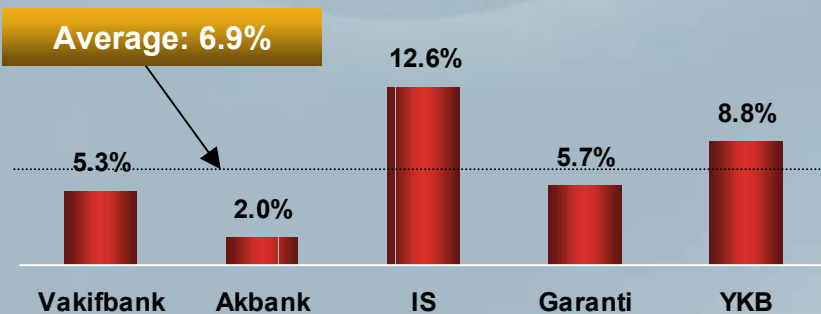
- Second largest ATM network
- Internet banking since 2000— # of customers increased from 500,000 in 2003 to over 710,000 (1H05)
- Mobile Phone banking
- Call centre with 100 staff
- Mobile banking
- New agreement with Post Office (700 access points) for deposits/payments and withdrawals

Continued enhancement of asset mix

Increasing share of earning assets

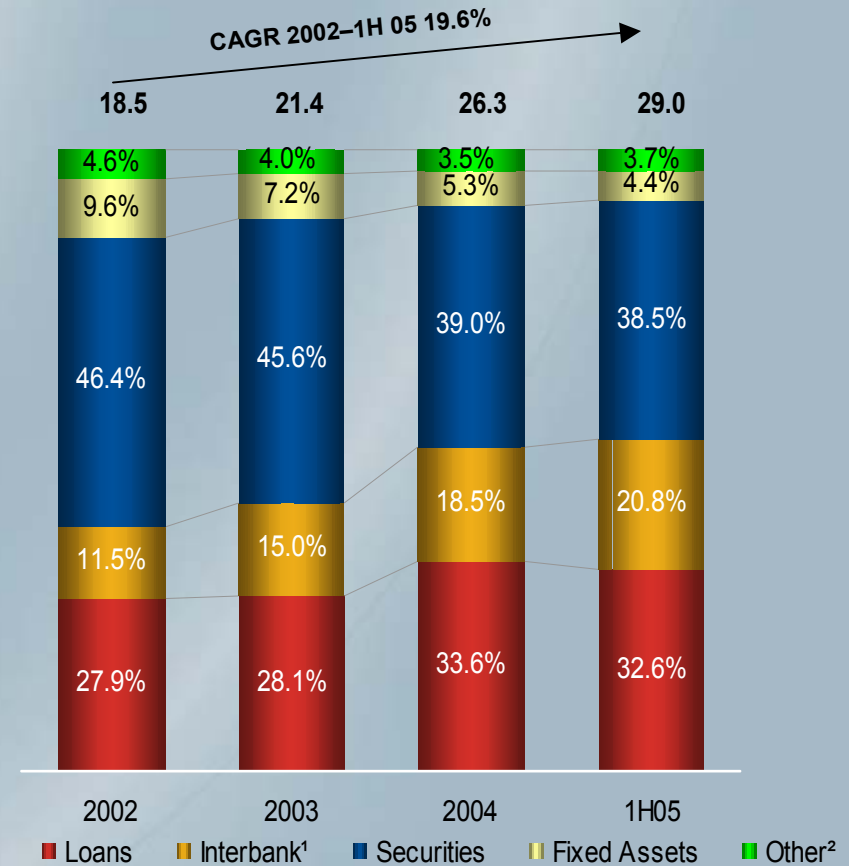
- Loans/deposits increased from 39% in 2002 to 46% in 1H05
- Relatively low and declining share of non-interesting earning assets with increasing share of lending
- Below peers ratio of fixed assets to total assets
- Continued effort to rationalise fixed assets and equity participations portfolio

Fixed assets/Total assets, 2004



Source: IFRS consolidated financials

Breakdown of assets (YTLbn)



Source: 2004 IFRS consolidated financials

¹ Interbank includes also balance with Central Bank and reverse repos

² Other assets include: Liquid assets, Trade receivable and Sundry Debtors, Equity Participation and Other

Improving loan quality and low market risk

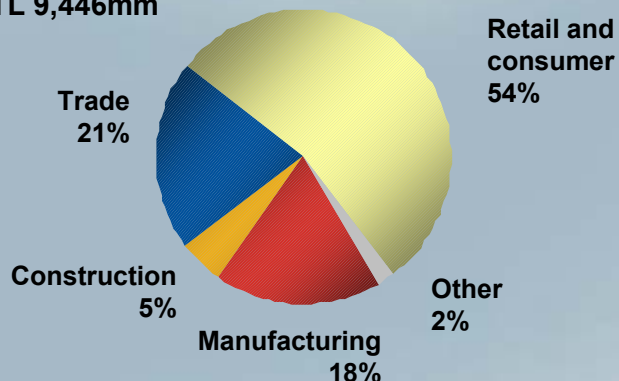
NPLs as % of loans



Source: IFRS consolidated financials

Loan portfolio diversification (1H05)

Total YTL 9,446mm



Source: IFRS consolidated financials

Note: IFRS retail and consumer loans include instalment-based commercial loans

Continuously improving risk controls

- Improved asset quality supported by conservative reserving policy:
 - 100% NPL provisioning since 2003
 - No write-offs policy, substantial provisioning recoveries expected
 - No related party exposure
 - Continued improvement in credit approval processes and monitoring

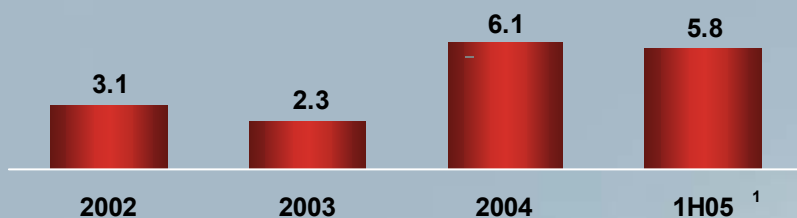
- Strong liquidity and limited FX exposure
 - Relatively low amount of profitability from proprietary trading
 - Significantly lower VAR compared to peers at less than 3.8% of equity
 - Maintained the FX gap at low level at 5.8% of shareholders' equity as of 1H 05 (regulatory limit of 25%)

Diversifying & strengthening core revenue generation

Strong revenue generation and cost control

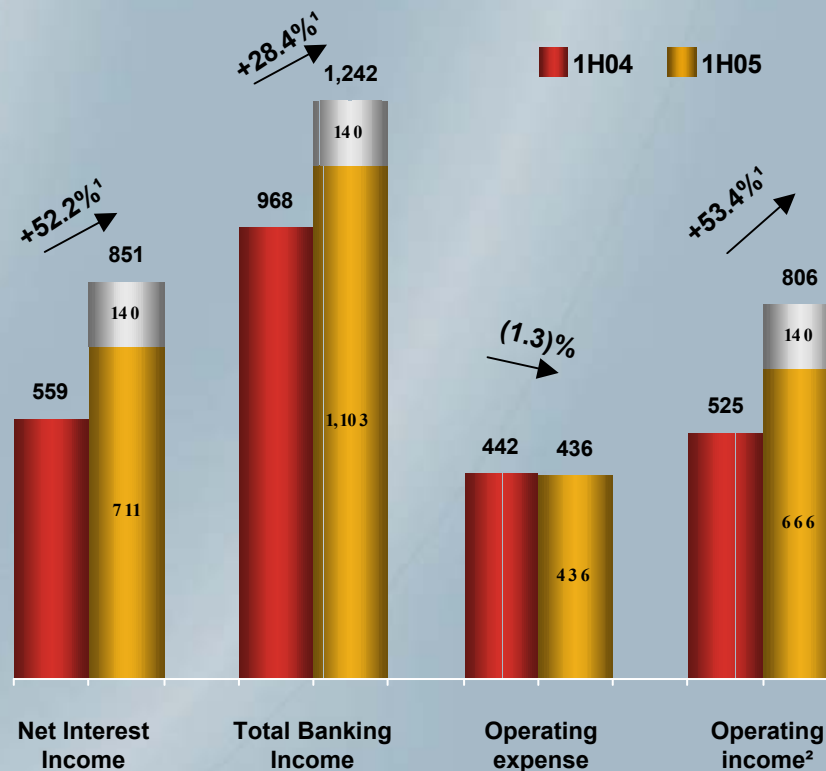
- Much improved NIM since 2003
- Future margin pressure to be partially offset by increased share of loans in total assets
- Potential to further expand fee & commission income as part of cross-selling initiatives
- Aim to maintain strong cost control culture
- 1H2005 figures include a one-off effect of YTL140mm in interest income due to the first time application of mark-to-market valuation to “held for trading” eurobond portfolio

Improving net interest margin (%)



Source: IFRS consolidated financials
¹ Annualized and adjusted for YTL 140m one-off effect of EuroBond revaluation

Improving profitability (YTLmm)



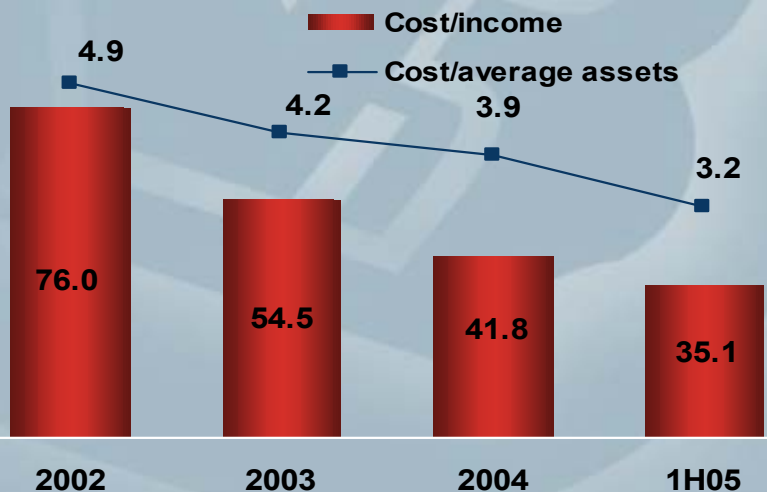
Source: IFRS consolidated financials

¹ Excluding YTL140mm one-off gains, growth rates are 27.2%, 13.9%, 26.8% for Net Interest Income, Total Banking Income and Operating Income, respectively

² Excluding provisioning expenses and recoveries

Stringent cost control and conservative provisioning

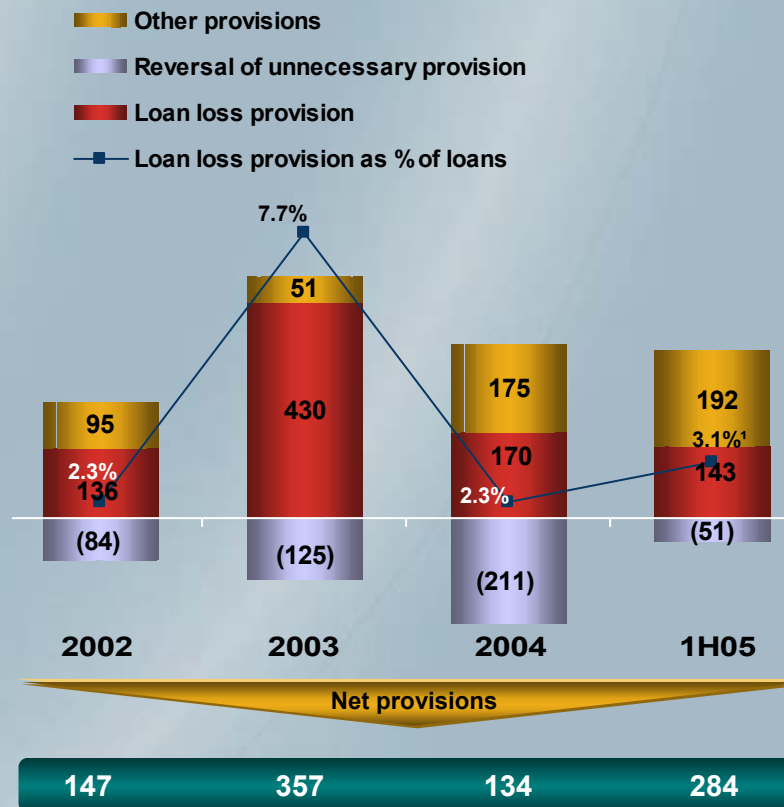
Cost control measures (%)



Comments

- Vakifbank maintained strict cost controls keeping C/I ratio at below 40%
 - Future cost increases planned mainly in marketing
- Provisioning expense were affected by conservative provisioning ahead of IPO - YTL192mm of general reserves

Loan loss provisions (YTLmm)

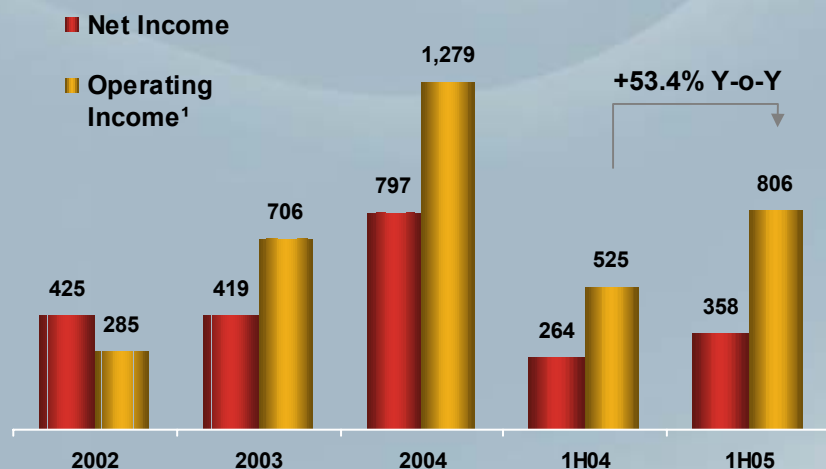


Source: IFRS consolidated financials
1 Annualized

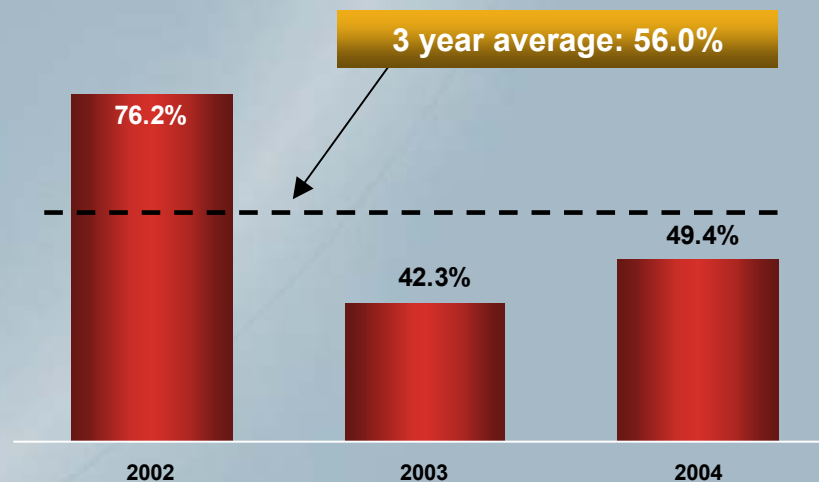
Consistently delivering impressive results

- Improved NIM driven by enhanced balance sheet structure
- Continued improvement in asset quality and more prudent (100%) reserving policy
- Improved cost efficiencies following rationalization of branch network

Operating income and Net income evolution— YTLmm



RoAE (%)



Source: IFRS consolidated financials
¹ Excluding provisions and recoveries

Ownership structure

Share Class	Owner	Pre-IPO (%)	Post-IPO (%)
A	General Directorate of Foundations	55.00	43.00
B	General Directorate of Foundations	19.75	15.44
	Non-GDF managed Foundations	0.25	0.20
C	VB Pension Fund	24.89	19.38
	VB Private Pension Fund	0.06	0.05
	Other Real & Legal Entities	0.05	0.04
D	Free Float	0.00	21.89 ¹

- Three classes of shares currently in place (A, B, C), with a fourth (D) class to be created for primary issuance with up to 279mm new shares
- All shares will have equal voting rights and every ten shares will entitle the holder to one vote
- Initial shareholder sale will be 0.1% of the current capital
- Additional shareholder sale, up to 3.28% of the enlarged capital, may come from the exercise of the greenshoe option. Greenshoe shares will consist of C shares converted to D
- Corporate Governance in line with international standards:
 - Newly created Class D shares to be given priority in nominating 1 Board Member for election
 - Additional 2 independent Board Members to be nominated by Class A and Class C shareholders

Note: ¹ Free float will increase to 25% if greenshoe is fully exercised

Strong foundations for profitable growth

EXISTING STRENGTHS

Retail and SME products and platform

5.6mm retail customers

Extensive nationwide network

Very high cost efficiency

Highest profitability in sector

FUTURE GROWTH DRIVERS

Healthy macro environment

Sector growth potential, especially retail and SMEs

High cross selling potential

Further non-interest income improvement

Lower loan loss provisioning

**STRONG LONG TERM
GROWTH AND PROFITABILITY**



■ Appendices

Balance sheet details: assets

Key financials					
(YTLmm)	2002	2003	2004	1H05	CAGR 2002-1H05
Liquid Assets	136	171	189	218	20.8%
Balances With The Central Bank	365	311	573	397	3.4%
Balances With Banks	679	1,704	2,178	1,859	49.6%
Interbank Funds Sold	166	324	1,136	2,021	171.6%
Trading Securities Portfolio	6,234	6,890	3,317	2,360	(32.2%)
Available for Sale Portfolio	122	1,377	5,903	8,747	451.6%
Reserve Deposits at the Central Bank	927	869	997	959	1.4%
Loans	5,154	6,021	8,858	9,446	27.4%
Trade Receivables	80	108	161	183	39.2%
Sundry Debtors	67	84	87	152	39.0%
Equity Participations	422	391	291	311	(11.6%)
Held to Maturity Securities	2,227	1,507	1,065	832	(32.5%)
Premises & Equipment	1,769	1,545	1,390	1,264	(12.6%)
Other Assets	154	112	203	201	11.3%
Total Assets	18,502	21,416	26,347	28,950	19.6%

Balance sheet details: liabilities

Key financials					
(YTLmm)	2002	2003	2004	1H05	CAGR 2002-1H05
Deposits	13,238	15,202	18,528	20,607	19.4%
<i>o/w demand</i>	2,212	3,009	3,346	3,670	22.5%
<i>o/w time</i>	10,936	12,054	15,024	16,716	18.5%
<i>o/w accruals</i>	90	138	158	221	43.1%
Commitments to Repurchase Securities	233	618	634	806	64.2%
Borrowings Funding Loans	2,156	2,626	3,341	3,065	15.1%
Securities Issued	455	0	0	0	N/M
Funds	238	210	172	159	(14.9%)
Trade Payables	63	107	76	141	38.2%
Deposits and Advances Taken for Imports	186	210	138	84	(27.1%)
Sundry Creditors	79	174	73	44	(20.5%)
Taxes and Dues Payable	156	33	197	69	(27.7%)
Provisions	440	506	650	866	31.1%
Other Liabilities	189	245	250	365	30.0%
Minority interest	311	264	287	258	(7.3%)
Shareholders' Equity	758	1,223	2,003	2,486	60.8%

Income statement

(YTLmm)	2002	2003	2004	1H04	1H05	% growth 1H04-1H05
Interest Income	2,964	2,745	3,233	1,482	1,915	29.2%
Interest Expense	(2,517)	(2,364)	(1,953)	(923)	(1,064)	15.3%
Net Interest Income	447	381	1,280	559	851	52.2%
Net fee and commission income	310	233	273	102	144	39.7%
Other Income	426	938	566	305	242	(20.6%)
Income /(Loss) from Associates	8	(1)	80	1	6	N/M
Net Banking Income	1,191	1,551	2,199	968	1,242	28.4%
Operating Expenses	(399)	(387)	(433)	(202)	(218)	7.9%
Other Expenses	(507)	(458)	(487)	(240)	(218)	(9.2%)
Operating Income before provisions	285	706	1,279	525	806	53.4%
Provisions (net)	(147)	(357)	(134)	(181)	(284)	56.7%
Operating Income	138	350	1,145	344	522	51.6%
Monetary Gain/(Loss)	264	2	(87)	(38)	(62)	64.7%
Tax	50	84	(200)	19	(95)	N/M
Minority Share	(27)	(16)	(60)	(62)	(7)	(88.4%)
Net Income	425	419	797	264	358	35.4%

Source: IFRS consolidated financials