



# Investor Presentation

**TAS Bank Only Results**

*2007 YE*

*February, 2008*

# History

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- Established in April 1954 under the special law “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Kanunu” to manage cash derived from revenues and expenditures of charitable organisations set up during the Ottoman Empire period, conducting banking activities with branch offices in Ankara, Istanbul and Izmir
- In 1957, made its first venture towards broadening its services by establishing Güneş Insurance Company
- Over the next 20 years continued to expand its geographic presence in Turkey reaching 206 branches by 1977
- Since the early 1990s, Vakıfbank has increased the scope of its retail banking and diversified its loan portfolio by including equipment financing, enterprise loans, auto loans, mortgage loans, and credit cards. In 2000, Vakıfbank began offering internet banking services
- Vakıfbank is now a full service commercial and retail bank headquartered in Ankara, providing retail, commercial and investment banking services through a network of 360 branches, 106 satellite branches and five mobile branches, covering 81 Turkish cities
- Internationally, Vakıfbank has subsidiaries in Austria (which operates a branch in Frankfurt and a branch in Köln) and the Turkish Republic of Northern Cyprus and two branches in New York and Bahrain.

# Following successful IPO in November 2005, c. 25% of Vakifbank of is now listed

## Main Shareholders

### ■ General Directorate of Foundations

The GDF manages foundations owning 58.45% of the shares in the Bank (43.0% in the form of Class A shares and 15.45% in the form of Class B shares). The GDF was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister.

### ■ Non-Affiliated Foundations

The non-affiliated foundations are independent foundations with separate boards of trustees. They currently hold Class B shares, constituting 0.19% of the Bank's equity.

### ■ Vakifbank Pension Fund

The Vakifbank Pension Fund has a 16.10% stake in the Bank's capital as a Class C shareholder. The Bank's employees contribute to the Vakifbank Pension Fund as opposed to the mandatory social security coverage provided by the state Social Insurance Institution.

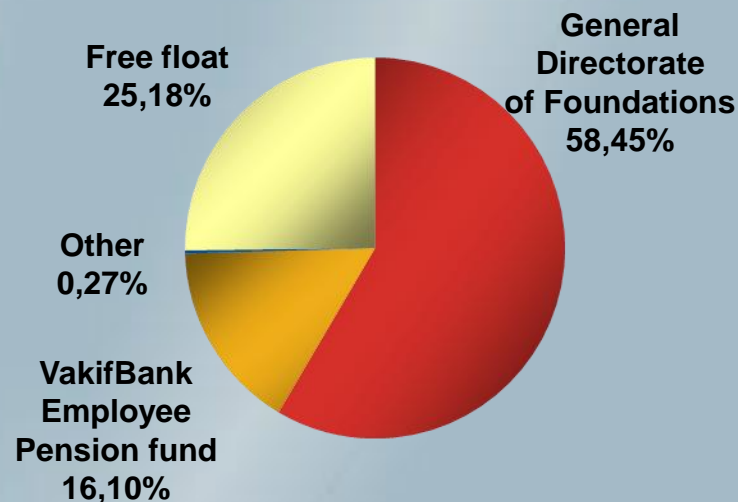
### ■ Other Shareholders

The other shareholders consist of individual or legal entities that together own 0.08% of the Bank's equity as Class C Shareholders.

### ■ Free Float

Public domestic and international shareholders.

## Ownership structure



# Vakıfbank: An Overview of 2007 results

USD=1.1650 YTL

YTL mn

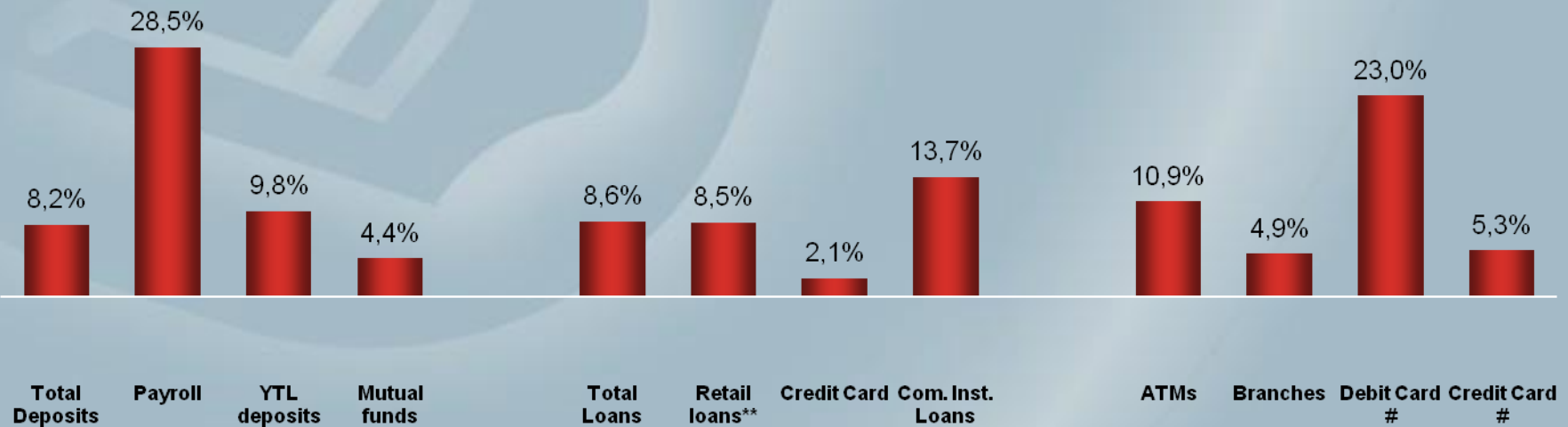
YoY Growth

QoQ Growth

Total Assets	42.408,48	15,0%	5,8%
Total Loans	23.470,00	30,1%	12,7%
Securities	10.986,68	5,3%	(4,2%)
Total Deposits	28.862,51	16,2%	7,2%
Shareholders' Equity	5.226,3	17,1%	4,7%
Net Interest Income	1.675,8	5,7%	3,8%
Operating Income	2.621,1	15,1%	(9,2%)
Net Income	1.030,7	35,3%	(32,8%)
Branch Network		360	
Customer Number		Over 7.5 million	

# VakifBank is a market leader, particularly in retail and SME finance

## Total market share (%) (31.12.2007)



Deposits / Funding

Credits

Distribution

Source: BRSA weekly reports, Capital Markets Board

\* VakifBank estimates

\*\* Includes home, auto and other. Credit card loans, overdrafts not included

# Yield on Loans & Cost of Funding

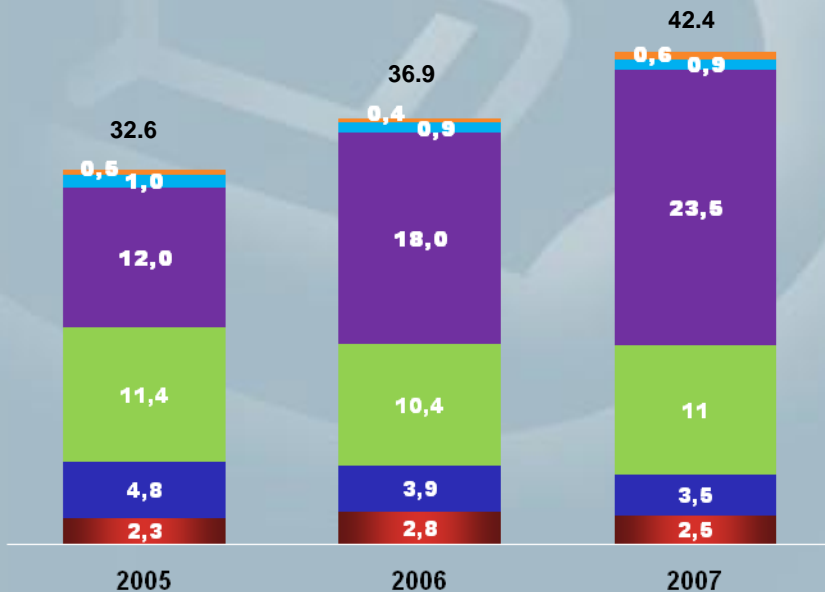
- Further move toward higher margin loans in YTL.
- Increasing yield on Securities.

Yield on loans&securities			Spreads			NIM	
	3Q07	2007		3Q07	2007	3Q07	2007
YTL Loans	19,83%	19,56%	YTL Loans	5,04%	4,55%	4,89%	4,77%
FX Loans	6,59%	6,22%	FX Loans	2,87%	2,70%		
YTL Securities	17,85%	18,21%	YTL Securities	3,06%	3,20%		
FX Securities	7,16%	7,31%	FX Securities	3,44%	3,79%		
Cost of deposits							
YTL Deposits	14,79%	15,01%					
FX Deposits	3,72%	3,52%					

# Diversification of asset mix towards interest-earning assets

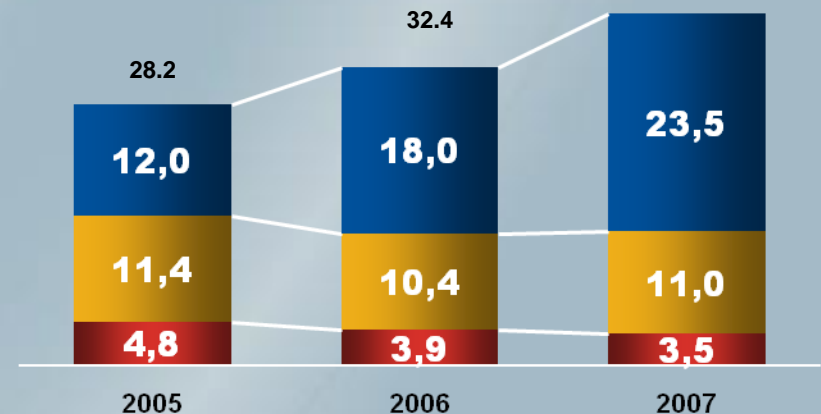
Breakdown of assets (YTLbn)

Other Fixed assets Loans Securities Interbank Cash and central bank



Interest earning assets (YTLbn)

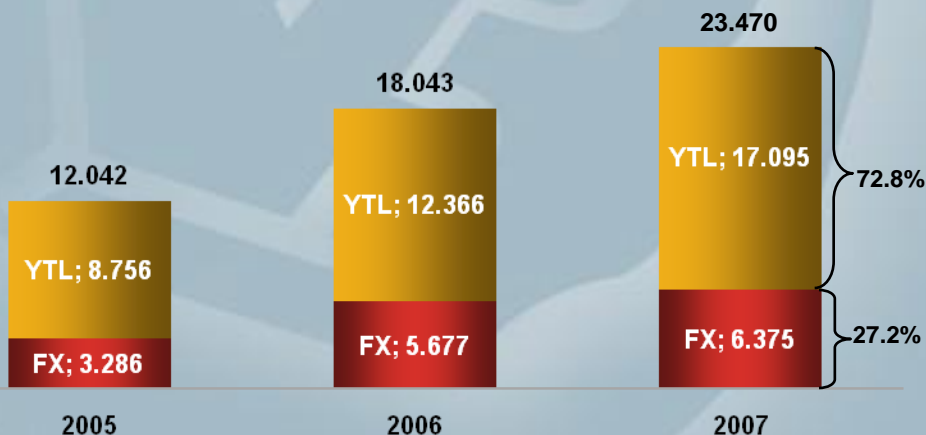
Loans Securities Interbank



- Strong growth in interest earning assets – increased by 17% YoY, 4.0% QoQ- driven by rapid expansion of loan portfolio
- Continued diversification away from securities—from 34.8% of total assets in 2005 to 25.9% in 2007

# Expansion of loan portfolio continued...

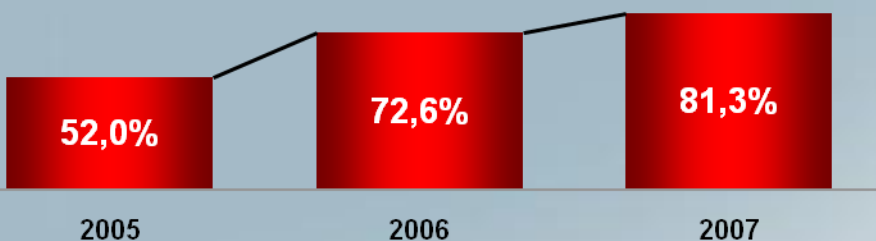
## Loans (YTLmn)



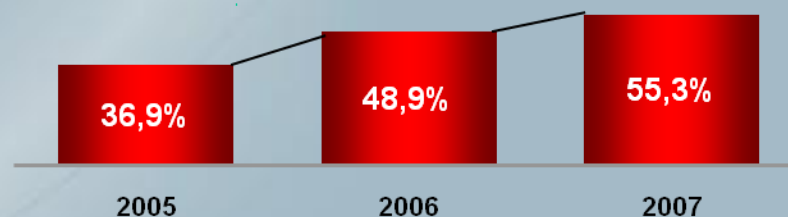
## Comments

- Loan portfolio registered 30.1% increase YoY
- YTL loans grew by 38.2% while FX loans increased by 36 % YoY in terms of USD

## Loan/Deposit (%)



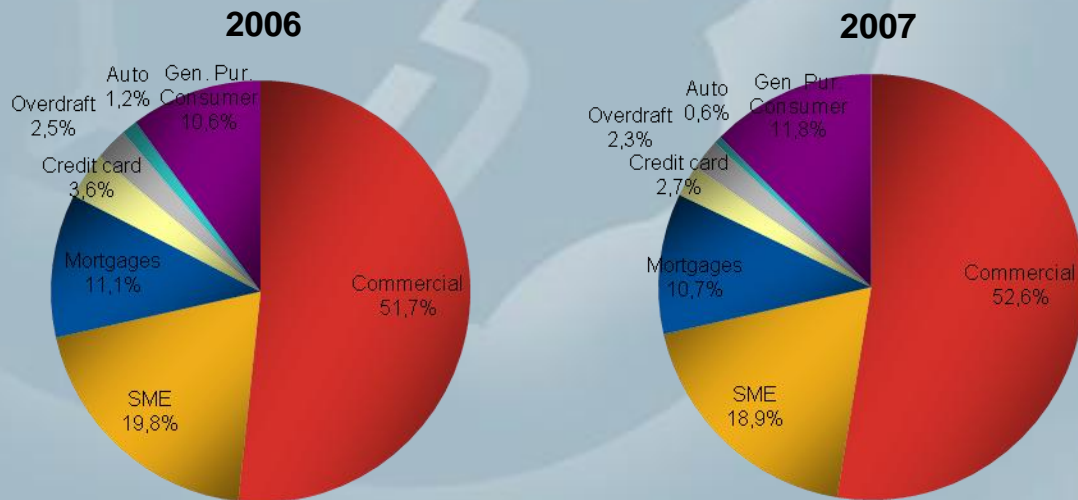
## Loan/Asset (%)





# ...with strong focus on retail and SME lending...

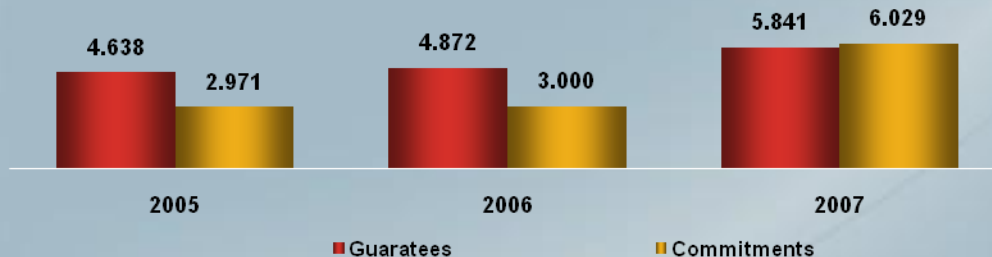
## Breakdown of loans by sector



## Comments

- Good position in traditionally strong regions of central and eastern Turkey
  - Selective expansion in Istanbul region
- To strengthen its retail franchise, VakifBank has 637 SME portfolio managers, 452 retail portfolio managers and 348 marketing associates as of 2007
- As a result of these initiatives, cross-selling ratio for SME portfolio managers is 2.99x and for retail portfolio managers is 2.57x as of 2007
- Sustainable growth rate of off-balance sheet

## Guarantees and Commitments (million YTL)

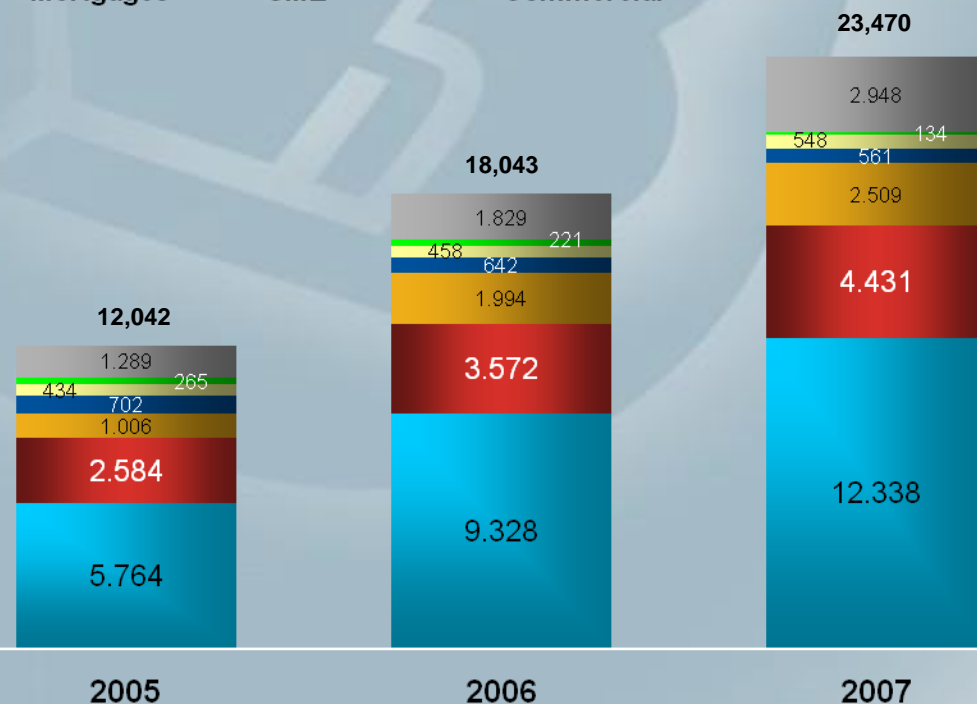


# ...and in particular on high margin products

## Retail, SME and COMM. loans (YTLmn)

■ Other    ■ Auto    ■ Overdraft    ■ Credit cards  
■ Mortgages\*    ■ SME    ■ Commercial

## Loan growths by product in 2007 (%)

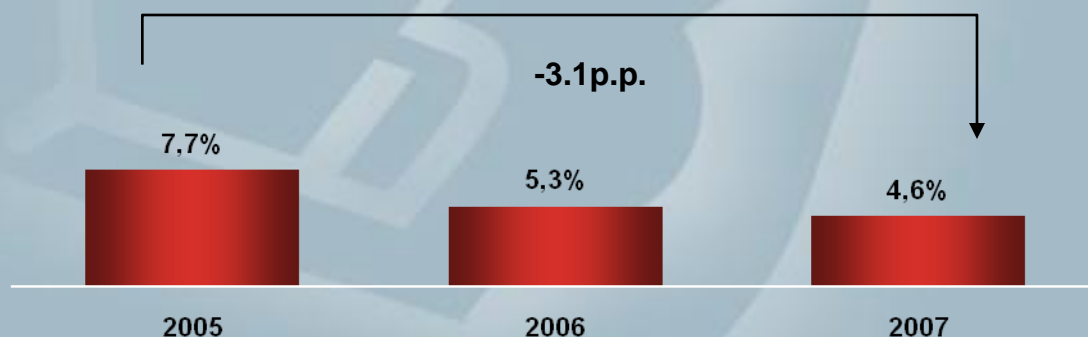


	YoY	QoQ
Home Loans	26%	10%
Gen. Pur. Consumer Loans	61%	20%
Auto Loans	-39%	-10%
Total Retail Loans	38%	14%
Credit Cards	-13%	-1%
Overdraft	20%	6%
SME Loans	24%	14%
Com.&Cor. Loans	32%	13%
Total Loans	30%	13%

\*:Includes Housing Loans+TOKI.

# Steady improvement in asset quality

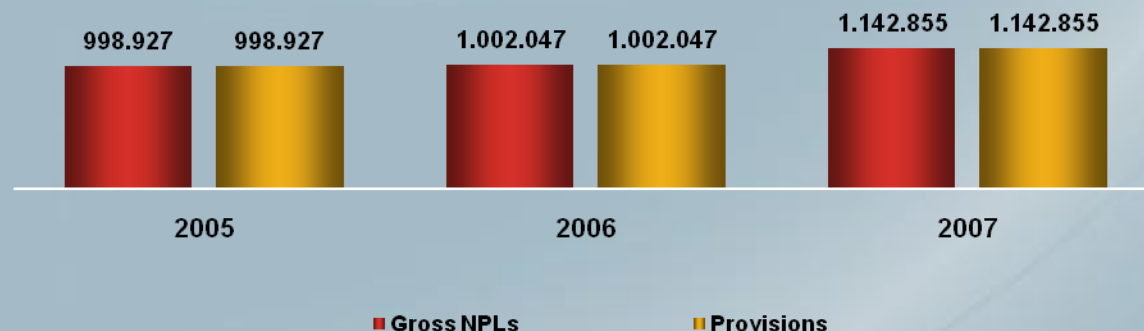
## Gross NPLs as % of gross loans



## Comments

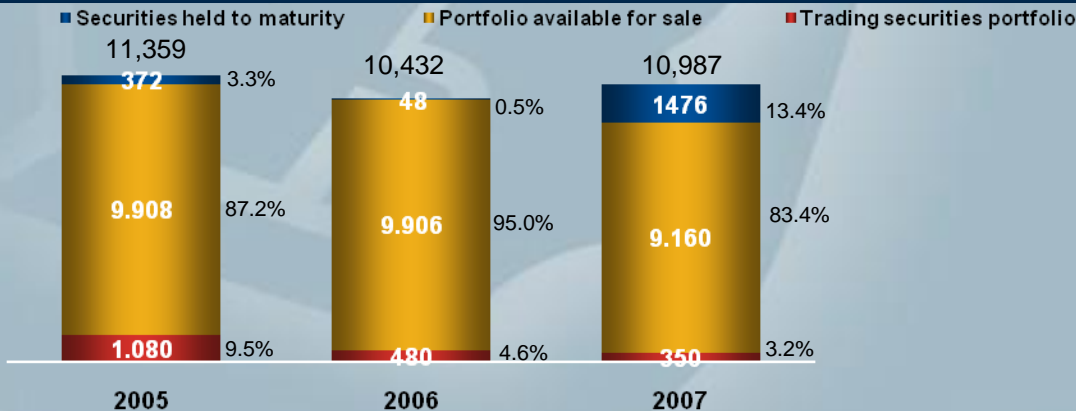
- Despite expansion of the loan portfolio, NPLs continued to decrease reaching 4.64% of total gross loan portfolio in 2007 compared to 7.7% in 2005
- Since 2003, loan loss provisions cover 100% of NPLs

## Gross NPLs and provisions (YTLmn)



# Securities portfolio evolution

## Securities (YTLmn)

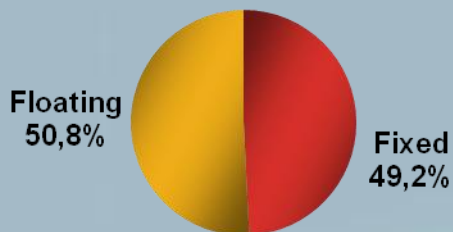


## Comments

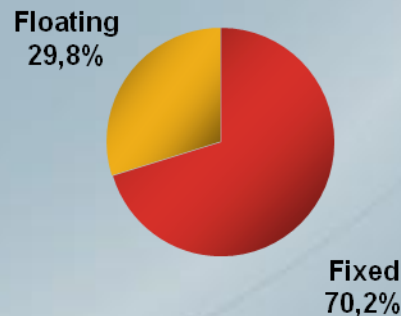
- The securities portfolio increased by 5.3% YoY and decreased by -4.2% QoQ and its share in total assets continued to decline—from 34.8% in 2005 to 25.9% in 2007
- For the 2007; average yield on YTL security portfolio is 18.0% and average yield on FX security portfolio is 6.6%
- Fixed rate dominated FX portfolio will affect margins positively thanks to FED rate cuts

## Security portfolio breakdown by interest 2007

### YTL



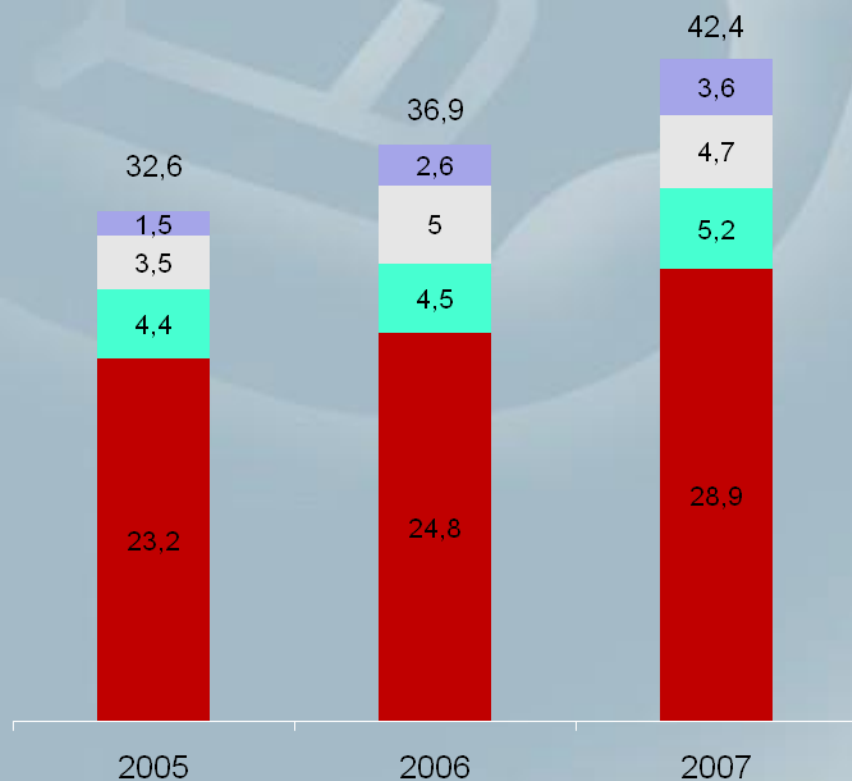
### FX



# Growth supported by strong & stable deposit franchise with ample room for further growth

## Breakdown of liabilities & shareholders equity (YTLbn)

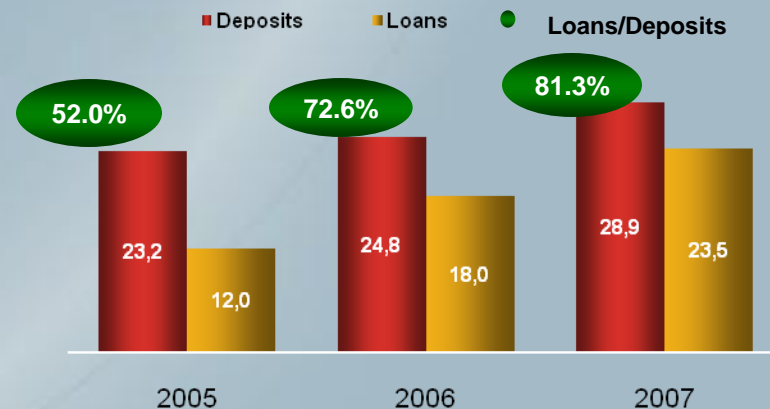
Other Funds Borrowed Shareholders Equity Deposits



## Comments

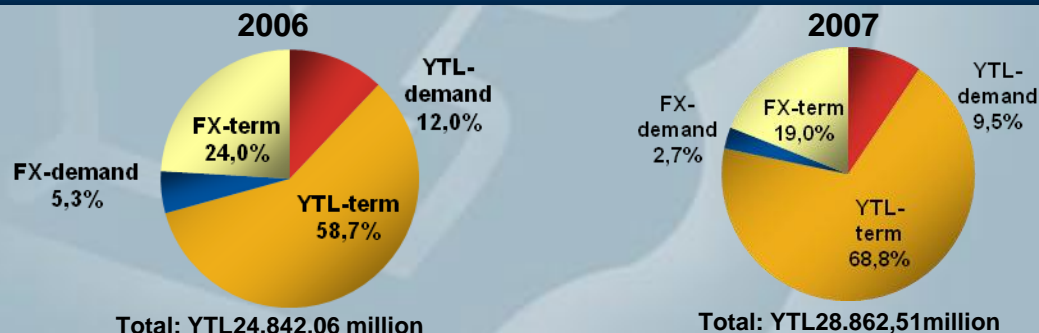
- Total liabilities & shareholders equity grew by 15% YoY and 5.8% QoQ, driven by increase in deposit base
- External Borrowings decreased by 6,1% YoY, due to currency depreciation effect in 2007
- Deposits posted a 16.2% growth YoY and accounted for 68,1% of total liabilities and shareholders' equity

## Loans and deposits (YTLbn)



# Deposit base composition and evolution

## Deposit breakdown by type and currency



## Comments

- Ensured strong profitability by maintaining liquidity levels and controlling interest expenses through controlled 16.2% YoY and 7.2% QoQ deposit growth
- YTL Deposit growth was 27.6% where FX Deposit growth was 6,6% YoY in terms of USD.
- Focus on YTL saving deposits, with an increase of 14.6% YoY

## Customer Deposit composition by type

(YTLmm)	2006		2007	
	Amount	%	Amount	%
<b>Saving deposits<sup>1</sup></b>	<b>5.988</b>	<b>24.7%</b>	<b>6.865</b>	<b>24.4%</b>
Demand	739	3.0%	682	2.4%
Term	5.259	21.7%	6.183	22.0%
<b>Public and Commercial<sup>2</sup></b>	<b>11.123</b>	<b>45,8%</b>	<b>14.968</b>	<b>53.3%</b>
Demand	2.258	9.3%	2,048	7.3%
Term	8,865	36.5%	12.920	46.0%
<b>Foreign currency</b>	<b>7.172</b>	<b>29.5%</b>	<b>6.273</b>	<b>22.3%</b>
Demand	1.306	5.4%	789	2.8%
Term	5.866	24.1%	5.484	19.5%
<b>Total<sup>3</sup></b>	<b>24.284</b>	<b>100.0%</b>	<b>28.105</b>	<b>100.0%</b>

<sup>1</sup> Represents deposits taken from retail customers

<sup>2</sup> Represents deposits taken from government related corporates, SMEs and other entities which are not individuals

<sup>3</sup> Totals do not include Interbank deposits and accrued interests for deposits

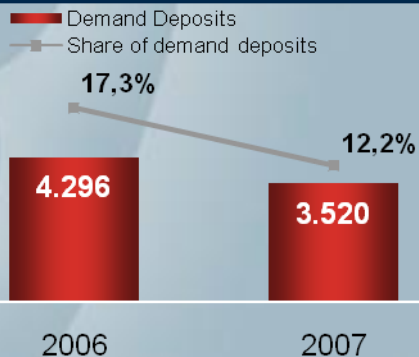
# Focus on Retail Deposits

## State deposits evolution

### Retail Deposits (mnYTL)



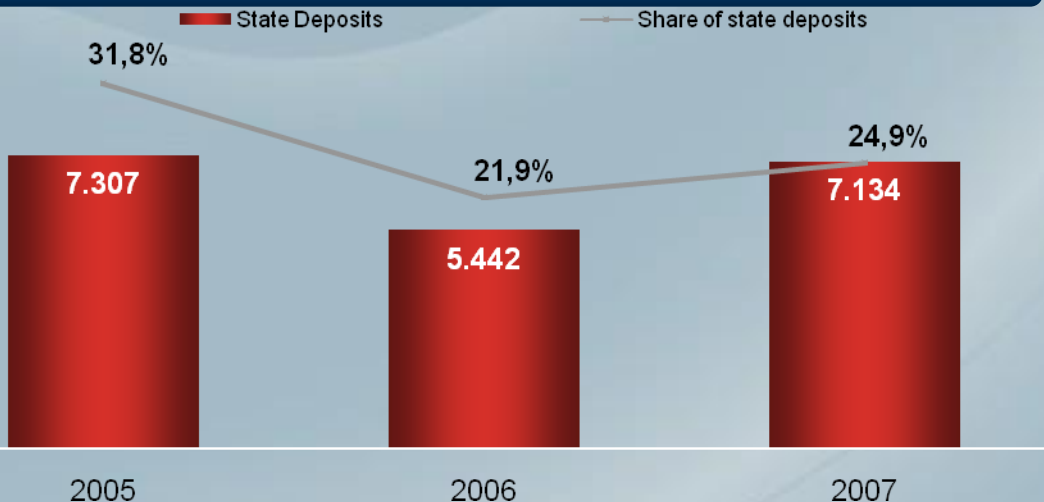
### Demand Deposits (%)



### Comments

- Share of state deposits came down to 24,9 % in 2007 compared to 31,8 % in 2005

### State deposits (YTLmn)



# Strengthened capitalisation to support rapid growth

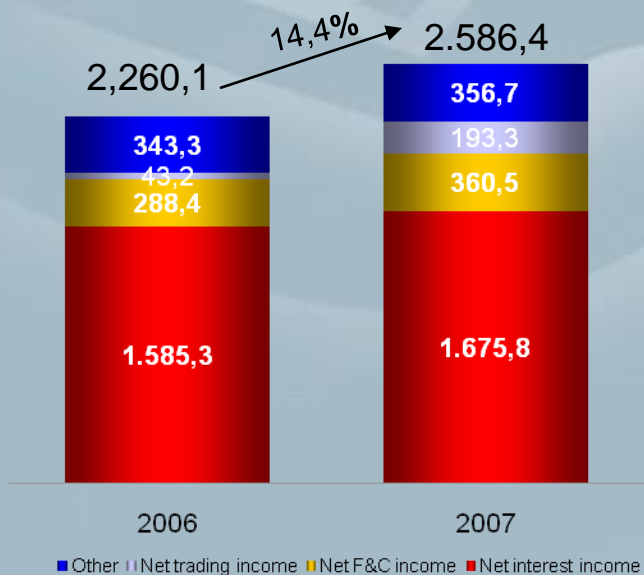
Capital position				Comments
(YTLmn)	2005YE	2006YE	2007YE	
Paid in share capital	1.279,0	2,500.0	2,500.0	<ul style="list-style-type: none"> <li>Operational risk is added to CAR calculation in 2nd Q 2007.</li> </ul>
Adjustment to paid-in capital	605,8	-	-	
Share premium	1.172,3	723.9	723.9	
Reserves	327,0	254,6	624,2	
Profit	535,2	761,6	1030,7	
Prior year income/loss	-	51,7	7.9	
General provisioning (up to 25% of Tier 1)	-	21.0		
<b>Total core capital</b>	<b>3.919,3</b>	<b>4.312,9</b>	<b>4.886,7</b>	
Supplementary capital	540,2	227,0	361,8	
<b>Total capital</b>	<b>4.459,5</b>	<b>4.539,7</b>	<b>4.992</b>	
Deductions	-403,0	-219,4	-448,9	
<b>Total shareholders' equity</b>	<b>4.056,4</b>	<b>4.320,5</b>	<b>4.799,7</b>	
<b>RWA</b>	<b>14.498,5</b>	<b>20.625,7</b>	<b>26.975,5</b>	
<b>Market risk</b>	<b>1.474,9</b>	<b>215,1</b>	<b>650,0</b>	
<b>Operational risk</b>	<b>-</b>	<b>-</b>	<b>3.642,1</b>	
<b>CAR</b>	<b>25.39%</b>	<b>20.73%</b>	<b>15.35%</b>	



# Net banking income posted healthy growth

- Net banking income grew by 14,4% YoY

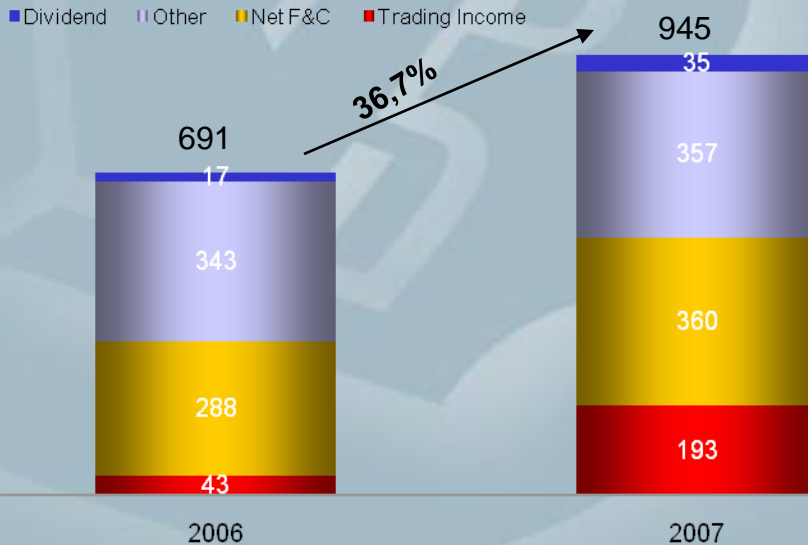
## Net banking income composition (YTLmm)



(YTLmn)	2007	2006	2005
Net interest income	1.675,8	1.585,3	1.319,4
Net F&C income	360,5	288,4	293,7
Net trading income	193,3	43,2	175,7
Dividend income	34,7	16,6	10,3
Other operating income	356,7	343,3	129,0
<b>Total operating income</b>	<b>2.621,1</b>	<b>2.276,7</b>	<b>1.928,0</b>
<b>Total operating expenses (-)</b>	<b>994,6</b>	<b>950,3</b>	<b>731,7</b>
<b>Operating profit</b>	<b>1.626,5</b>	<b>1.326,3</b>	<b>1.196,4</b>
Provisions (-)	368,4	308,4	444,9
Tax provisions (-)	227,4	256,4	223,9
Income from investments and associates	0	0	0
Net monetary gain/loss	0	0	0
<b>Net income</b>	<b>1.030,7</b>	<b>761,6</b>	<b>527,6</b>

# Strong growth in interest income & non-interest income

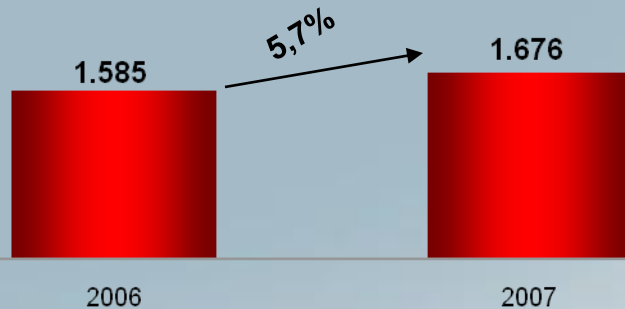
## Non-interest income composition (YTLmn)



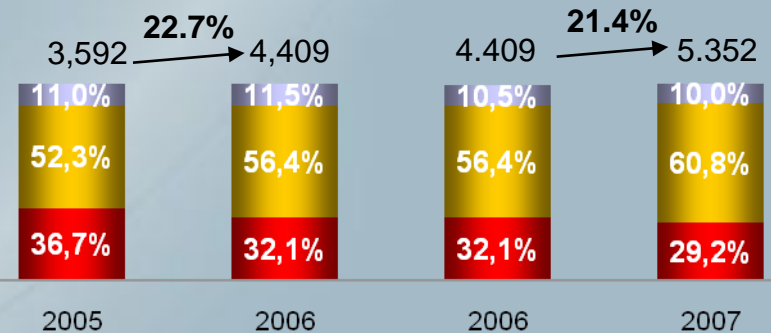
## Net F&C income % of operating income



## Net interest income (YTLmn)



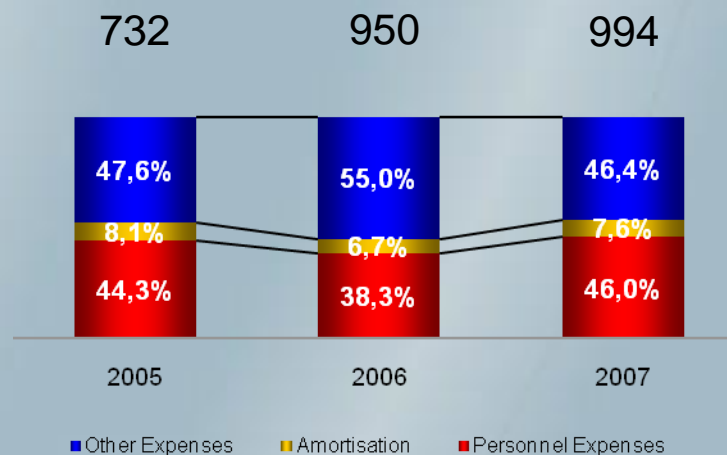
## Interest income (YTLmn)



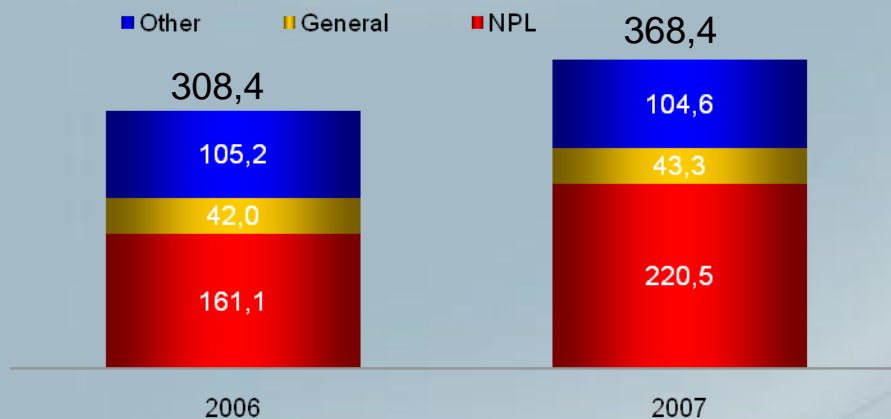
# Operating expenses under control

- Controlled growth in costs, despite ongoing restructuring at branch and headquarter level.
- 60 mn YTL of other provisioning comes from employee dividend provisioning in 2007 which is required by BRSA under new accounting standards.

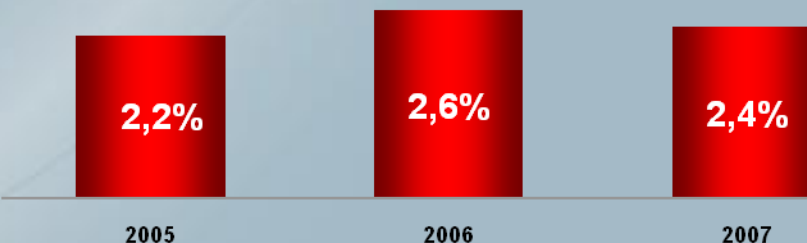
## Other expenses composition (YTLmn)



## Provisioning Expenses (YTLmn)

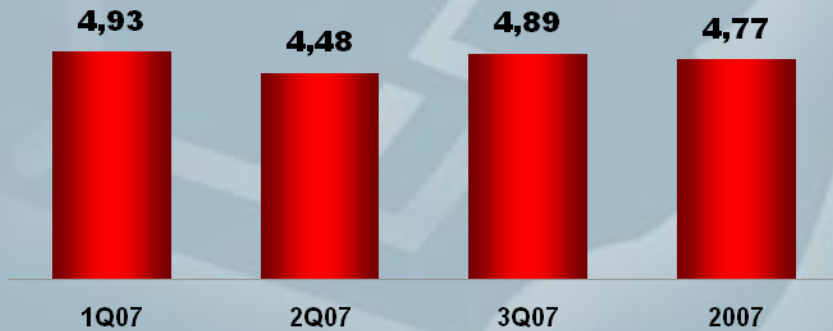


## Cost over assets (%)



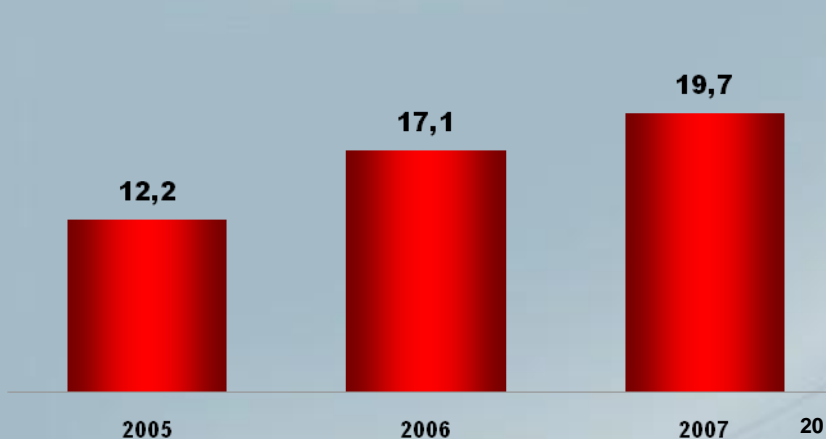
# Resilient NIM

## NIM (%)

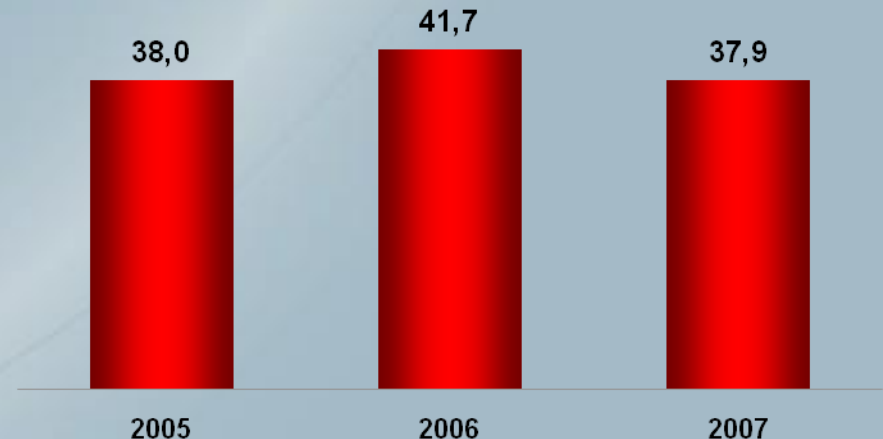


- Due to the increase in deposit costs NIM decreased slightly by 11 bps QoQ .
- Further rate cuts to provide more support to Vakifbanks NIM
- Return on average assets (ROAA) is 2,60% in 2007 compared to 2.19% in 2006.
- $NIM = \text{Net Interest Income} / \text{Average Interest Earning Assets (Interbank + Securities + Loans)}$

## ROE (%)



## Cost/Income (%)



# Balance Sheet Details for 2007: Assets

(Thousand YTL)	2007	2006	Growth %
Cash&Balances with Central Bank	2.490.202	2.783.183	(10,5)
Interbank	3.461.603	3.935.291	(12,0)
Securities	10.986.681	10.432.412	5,3
<i>Trading Securities</i>	349.987	480.476	(27,2)
<i>Available for Sale Portfolio</i>	9.160.332	9.906.045	(7,5)
<i>Held to Maturity Securities</i>	1.476.362	48.391	2950,9
Loans	23.470.003	18.043.240	30,1
Subsidiaries&Investments	520.828	408.840	27,4
Property&Equipment	906.030	890.427	1,8
Other	573.129	391.014	46,6
<b>Total Assets</b>	<b>42.408.476</b>	<b>36.884.407</b>	<b>15,0</b>

# Balance Sheet Details for 2007: Liabilities

## Off-Balance Sheet Details for 2007

(Thousand YTL)	2007	2006	Growth %
Deposits	28.862.513	24.842.060	16,2
Funds Borrowed	4.692.858	4.997.136	(6,1)
Other	3.127.734	2.190.448	42,8
Provisions	499.090	391.362	27,5
Shareholder's Equity	5.226.282	4.463.401	17,1
<b>Total Liability</b>	<b>42.408.476</b>	<b>36.884.407</b>	<b>15,0</b>

### Off-Balance Sheet

<i>Guarantees</i>	5.840.795	4.871.922	19,9
<i>Commitments</i>	6.029.065	2.999.572	101,9
<i>Derivatives</i>	1.463.988	384.968	280,3

# P&L for 2007

(Thousand YTL)	2007	2006	Growth %
Net Interest Income	1.675.834	1.585.250	5,7
Net F&C Income	360.490	288.374	25,0
Dividend Income	34.718	16.557	109,7
Net Trading Income	193.349	43.150	348,1
Other Income	356.713	343.326	3,9
Total Revenues	2.621.104	2.276.657	15,1
Operating Expenses	(994.571)	(950.333)	4,7
Provisions	(368.434)	(308.359)	19,5
Tax Provisions	(227.399)	(256.389)	(11,3)
Net Income	1.030.700	761.576	35,3

# Subsidiaries and affiliates

Türkiye Vakıflar Bankası  
T.A.O

## Financial Subsidiaries

Vakıf Yatırım Menkul Değerler A.Ş.	99%
Vakıfbank International A.G	90%
World Vakıf Off Shore Banking Ltd.	82%
Vakıf Finans Factoring Hizmetleri A.Ş.	78%
Vakıf Deniz Finansal Kiralama A.Ş.	69%
Vakıf Finansal Kiralama A.Ş.	59%
Vakıf Emeklilik A.Ş.	54%
Güneş Sigorta A.Ş.	36%
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.	31%
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	28%
Kıbrıs Vakıflar Bankası Ltd.	15%
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	12%
IMKB Takas ve Saklama Bankası A.Ş.	4.9%
Bankalararası Kart Merkezi A.Ş.	9.7%
Kredi Kayıt Bürosu A.Ş.	9.1%
T.Sınai Kalkınma Bankası A.Ş.	8.4%

## Non-Financial Subsidiaries

Vakıf Sistem Paz.Yaz.Ser.Tic San A.Ş.	73%
Vakıf Enerji ve Madencilik A.Ş.	66%
Taksim Otelcilik A.Ş.	51%
Ataköy Mağazacılık Ticaret A.Ş.	46%
İşkur İşçi İşadamı Kimya Kur. A.Ş.	25%
Vakıf Gayrimenkul Ekspertiz ve Deg. A.Ş.	20%
Roketsan Roket Sanayii ve Tic. A.Ş.	10%





THANK YOU

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