

Earnings Presentation

BRSA Bank-Only 1Q 2016


May 5, 2016

VakıfBank IR App.
Available at










1Q16 Macro Highlights
















Global Economy

-  FED kept all interest rates unchanged in March meeting. The market expectation of FED rate hikes continued to decrease.
-  UST 10Y yield hovers around 1.7% to 1.8%, reflecting a dovish stance for FED rate hikes.
-  Euro area growth came slightly above than expectations at 1.6% in 4Q15. The rise in consumer spending and real estate investments were the key elements supporting the growth.
-  In its March meeting, ECB decided to increase the monthly amount of assets purchases to Euro 80 Bil, from previous Euro 60 Bil.
-  China grew by 6.7% in 1Q16, in line with the expectations.
-  In order to encourage banks to extend loans, Bank of Japan surprisingly decreased the main policy rate to -0.1% in January meeting.

Turkish Economy

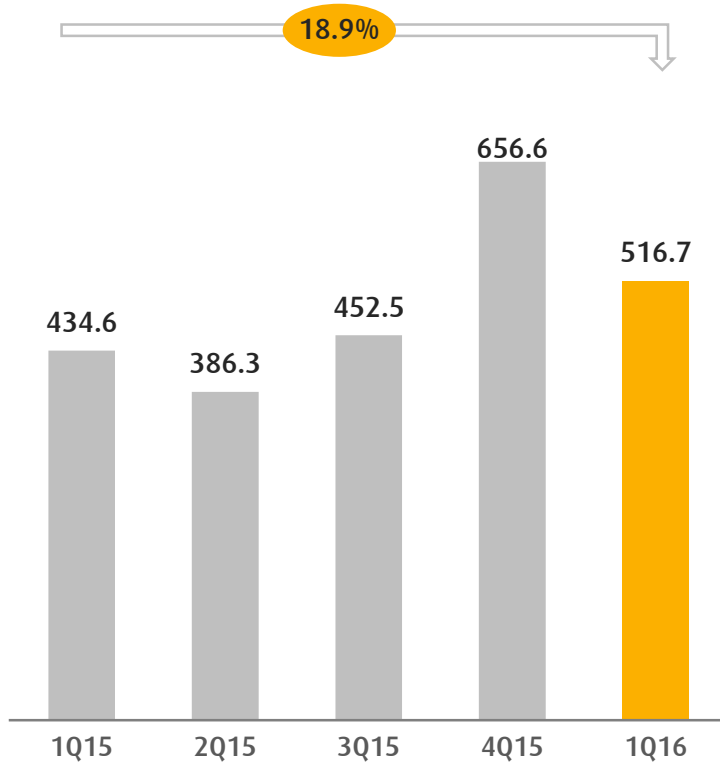
-  Economic activity remained robust in 2015; backed by consumer spending, 2015 annual GDP growth came strong at 4%.
-  Due to sharp decline in food prices, headline inflation came down to 7.5% in March from 8.8% in February.
-  Thanks to low energy prices, 12 month rolling CAD further decreased to USD 30 Bil as of February from USD 32.2 Bil in 2015YE.
-  CBRT cut the upper band of interest rate corridor 75 bps in two tranches, leaving policy rate unchanged at 7.5%, keeping average OMO funding cost at average of 8.5%.
-  TL gained ground against currency basket during the quarter, backed by better global sentiment.
-  Unlike 2015, both equity and fixed income market witnessed net capital inflow during 1Q15.
-  Fiscal performance continued to be resilient; budget deficit to GDP materialized at 1.2% as of 2015YE.

1Q16 VakıfBank Highlights

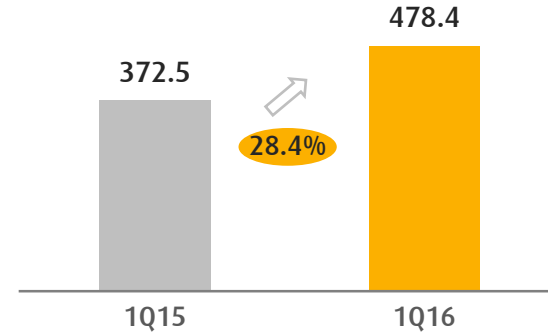
-  Quarterly bank-only net income is TL 516.7 million, which is up by 19% YoY. Excluding dividend income, comparable net income growth* would be 28.4% YoY.
-  Quarterly ROAE and ROAA stand at 12.1% and 1.1% respectively.
-  Total loans are up by 11% YoY and 1.5% QoQ.
-  Moderate loan growth backed by SME and residential mortgage lending;
 - SME loans are up by 4.5% QoQ
 - Residential mortgage loans are up by 3.3% QoQ
-  Market share gains in deposits continued; total deposits are up by 5.1% QoQ, outperforming sector average growth of 2.3%.
-  Both quarterly TL and FX deposit growth came strong at 4.2% and 7% respectively. FX deposits are up by 10.5% QoQ in USD terms.
-  Demand deposits and retail deposits are up by 18.6% and 22.9% YoY; 5.3% and 6.6% QoQ, respectively. The share of retail deposits in total deposits increased to 41.6%.
-  LtD ratio further came down to 108% vs 112% in 2015YE. TL LtD decreased to 112% from 115% in 2015YE, way below sector average of 142%.
-  NPL ratio materialized at 3.94% without asset sale & write off.
-  NPL coverage increased 110 bps QoQ and reached to 84.5% vs sector average of 75.2%.
-  Quarterly NIM was flattish at 4%, which is also 33 bps higher compared to 1Q15 level.
-  Quarterly TL core spread improvement on track; TL core spreads are up by 3 bps QoQ vs sector average decline of 33 bps QoQ. Further core spread improvement is visible in 2Q16.
-  Net interest income is up by 25% YoY and slightly up QoQ.
-  Opex growth is inside the budget; annual opex growth came at 9% YoY, backed by easing on fee rebates.
-  Tier 2 and CET1 ratios materialized at 14.1% and 11.5% respectively, sustaining comfortable levels.

1Q 2016 Earnings and Ratios

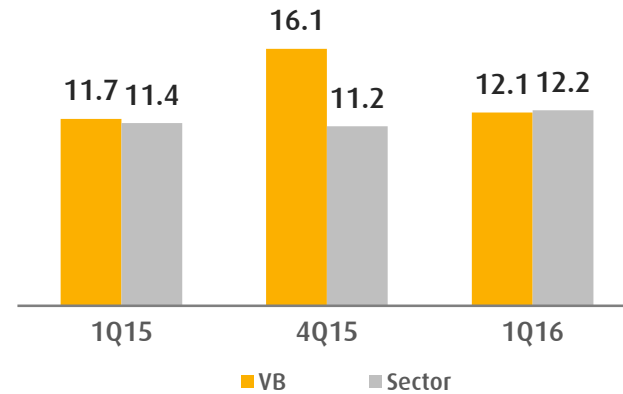
Quarterly Net Income (TL million)



Comparable Net Income (TL million)*

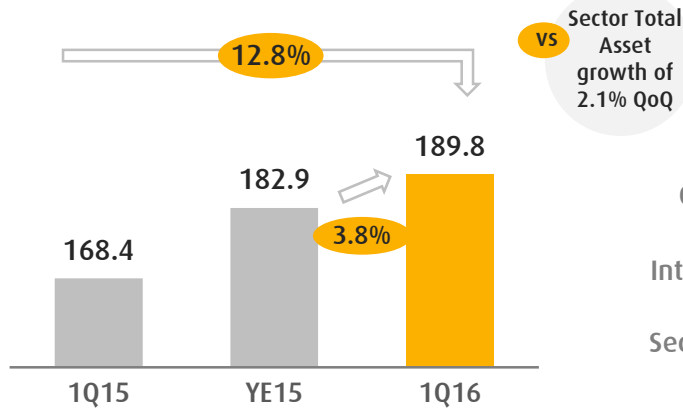


ROAE (%)

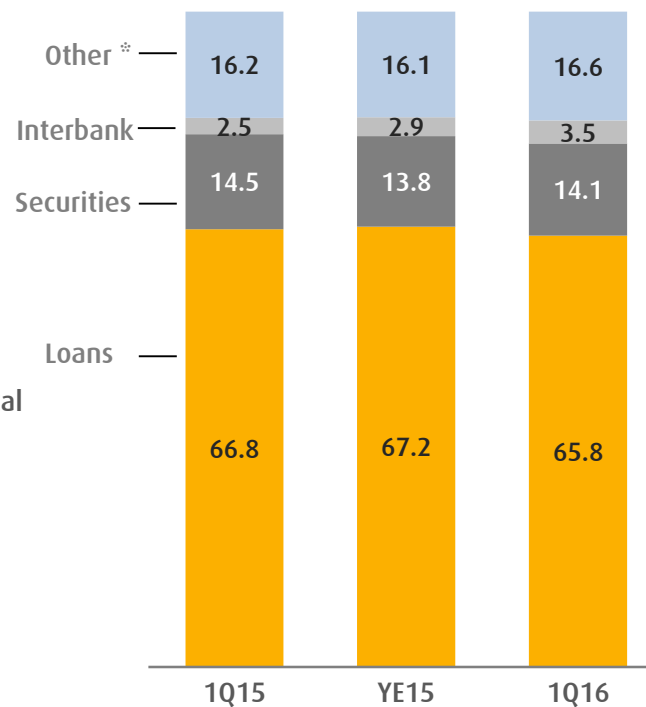


Asset breakdown

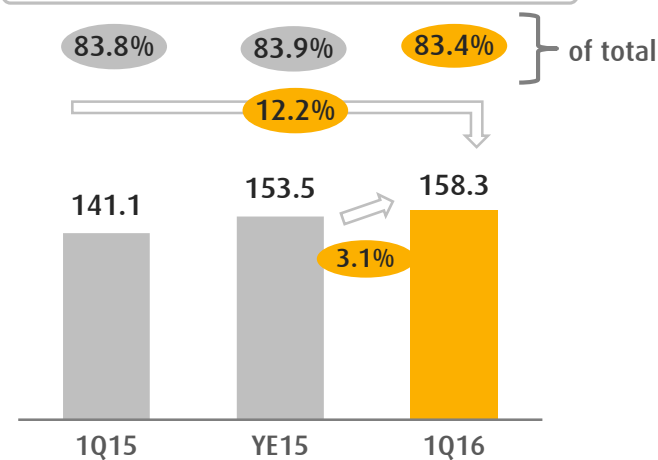
Total Assets (TL billion)



Breakdown of Assets (%)

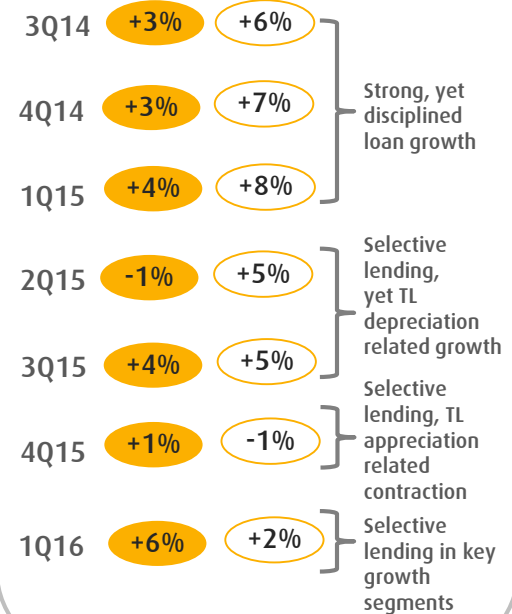


Interest Earning Assets (TL billion)



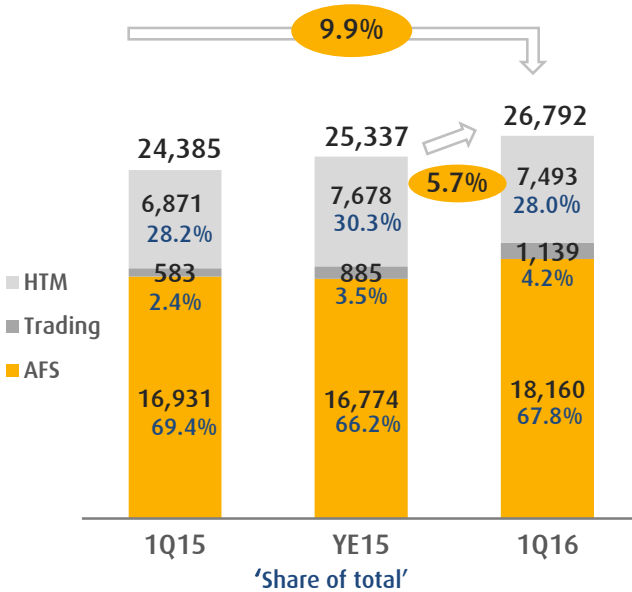
Quarterly Growth

Securities Loans

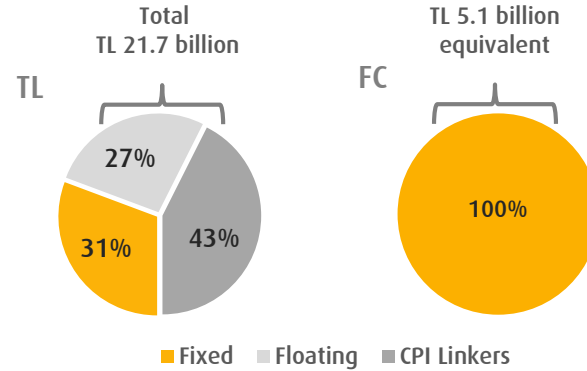


Well balanced security portfolio

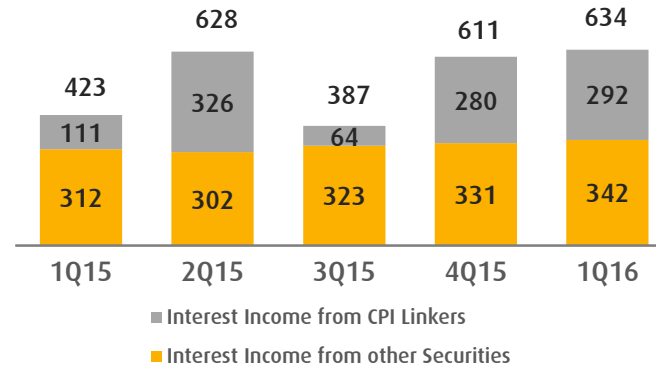
Total Securities (TL million)



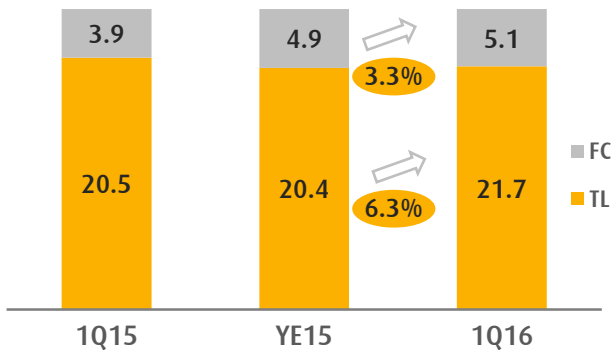
Portfolio Structure



Breakdown of Interest Income from Securities (TL million)



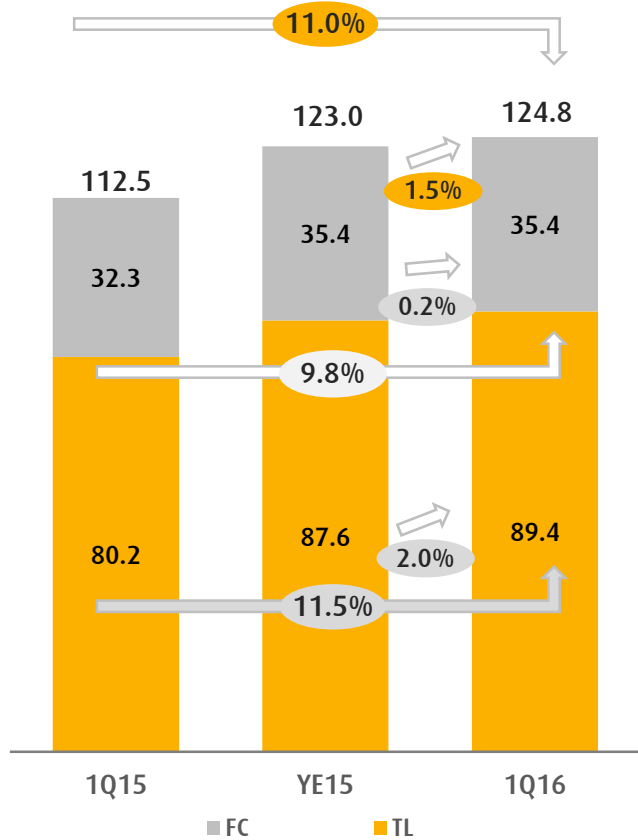
Security Breakdown (TL million)



Quarterly MtM gains under AFS are **TL 183 million**

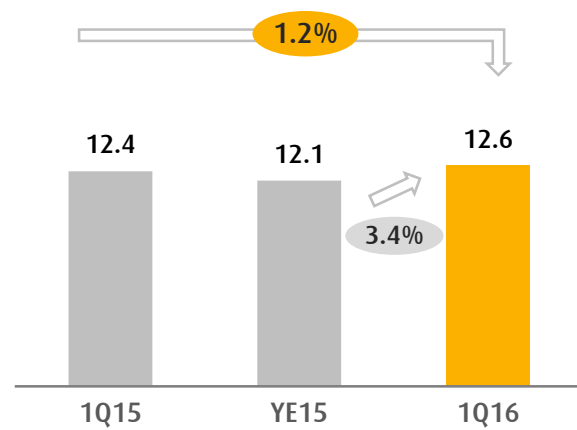
Conservative LtD ratios keep improving

Total Loans (TL billion)

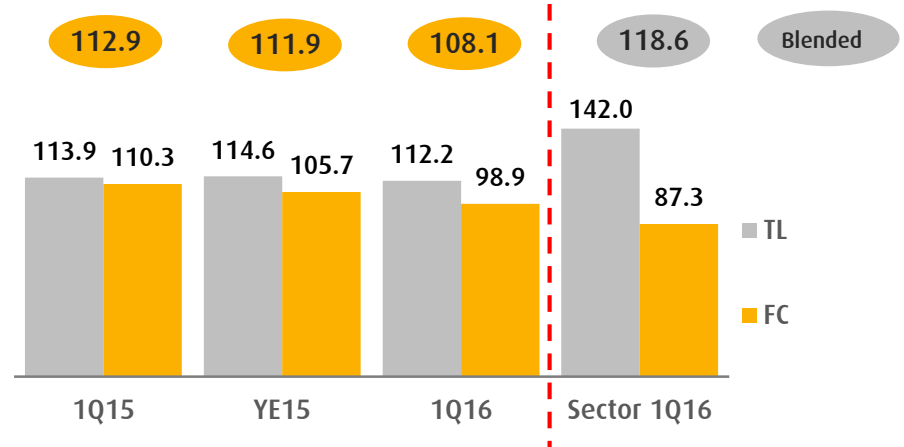


TL (% in total)	71.3%	71.3%	71.6%
FC (% in total)	28.7%	28.7%	28.4%

FC Loans (USD billion)

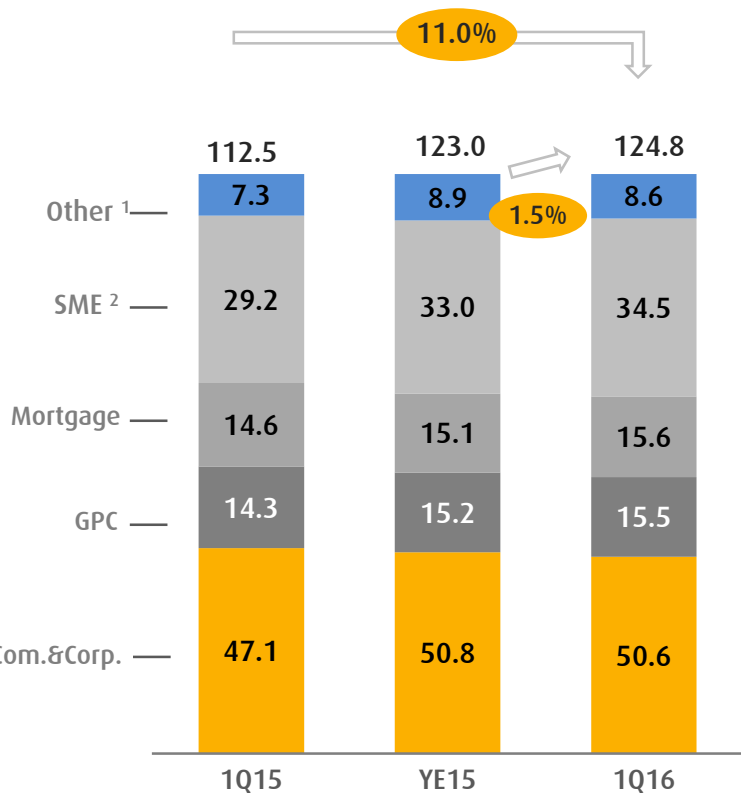


Loan/Deposit (%)

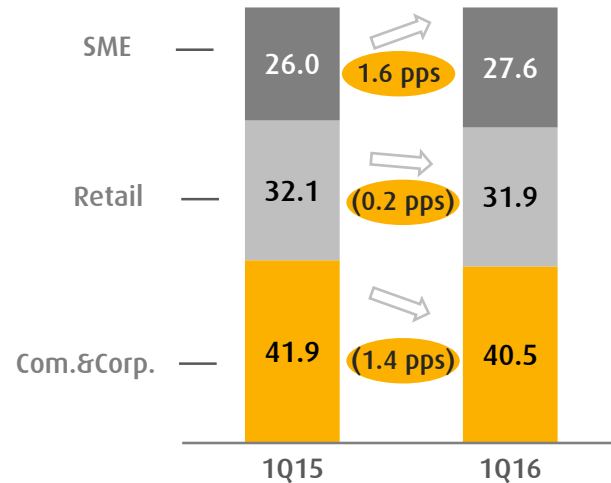


Well diversified loan breakdown

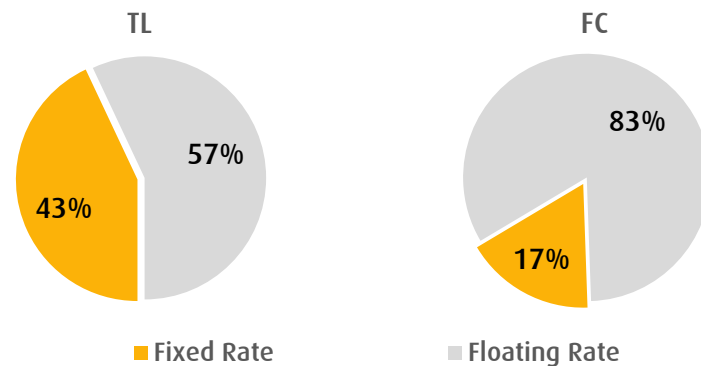
Breakdown of Loans (TL billion)



Portfolio Shift (%)

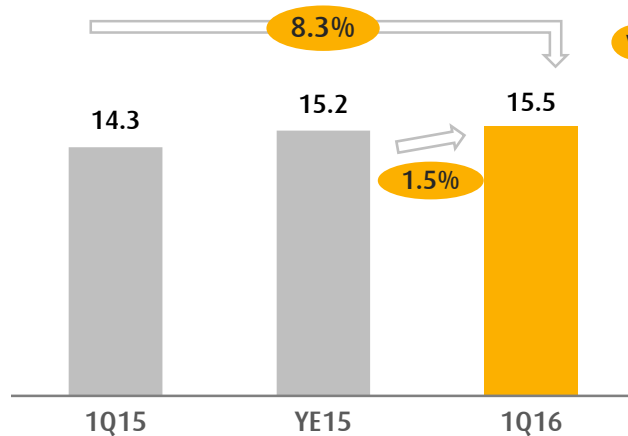


Loans by Interest Structure



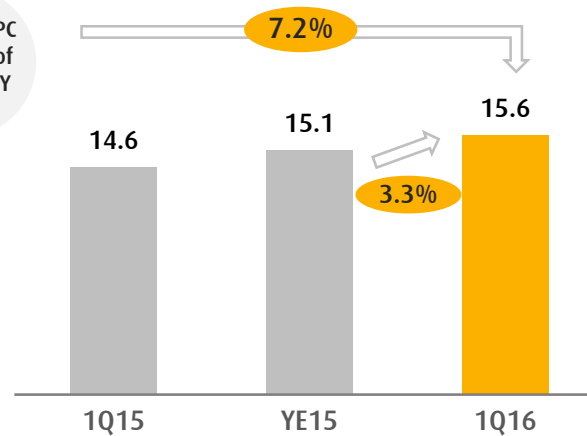
Residential mortgage loans backed retail loan growth

General Purpose Consumer (TL billion)



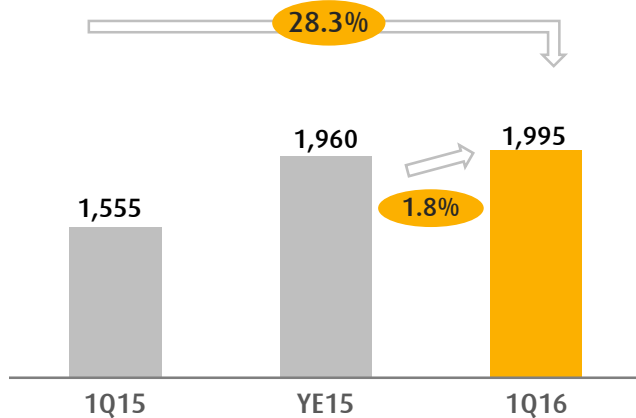
vs Sector GPC growth of 2.1% YoY

Residential Mortgages (TL billion)*

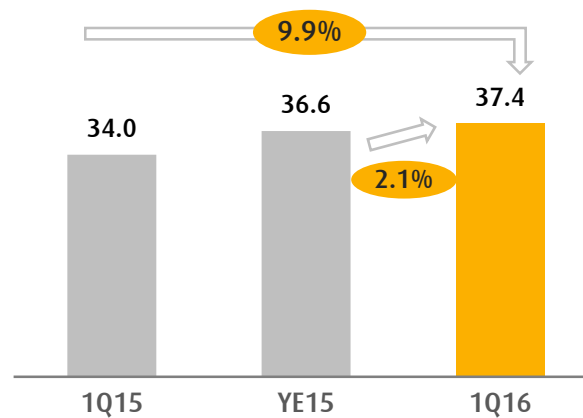


Strong presence in key retail segments thanks to **2.3 million** pay-roll accounts

Retail Overdraft (TL million)



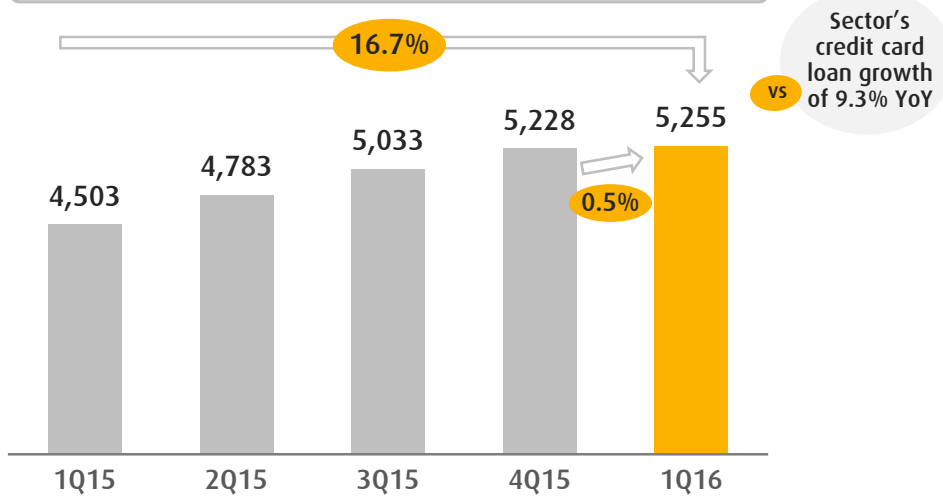
Total Retail (TL billion)



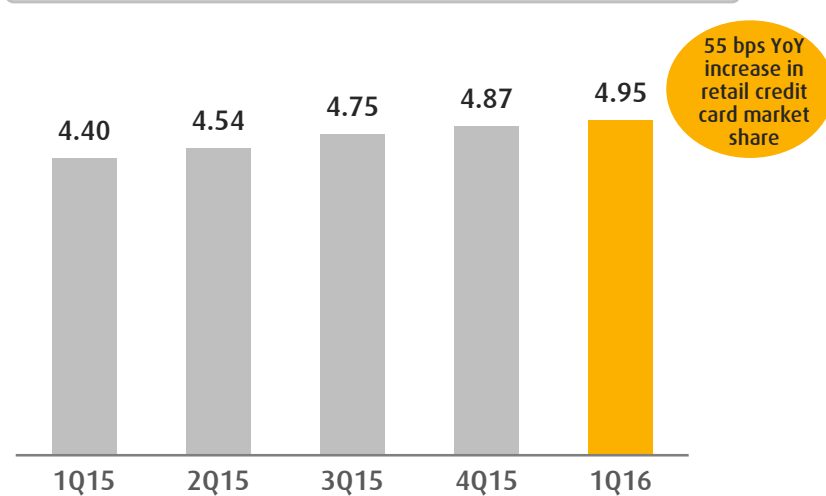
Total retail loan growth **9.9%** YoY outperforming sector average of 6.4%

Improving complementary credit card business under retail franchise

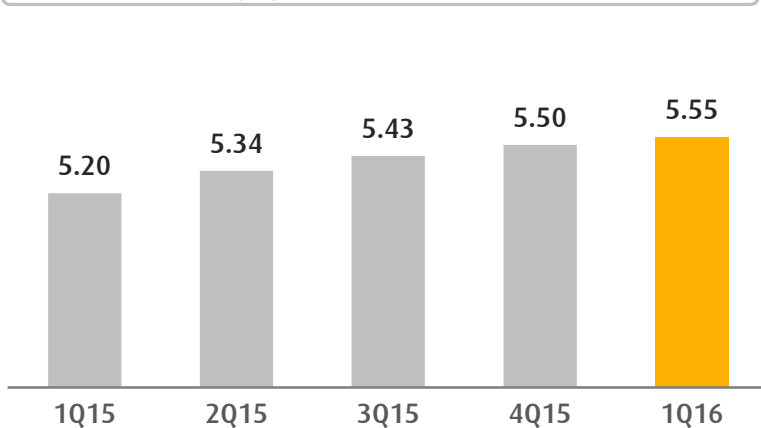
Credit Card Loans (TL million)



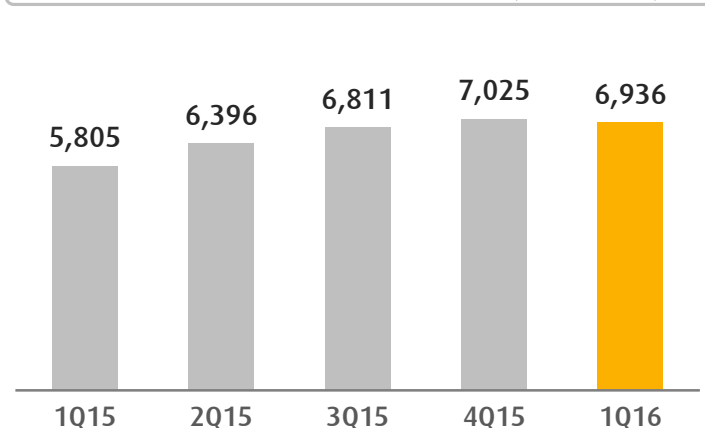
Retail Credit Card Market Share (%)



Market Share* (%)

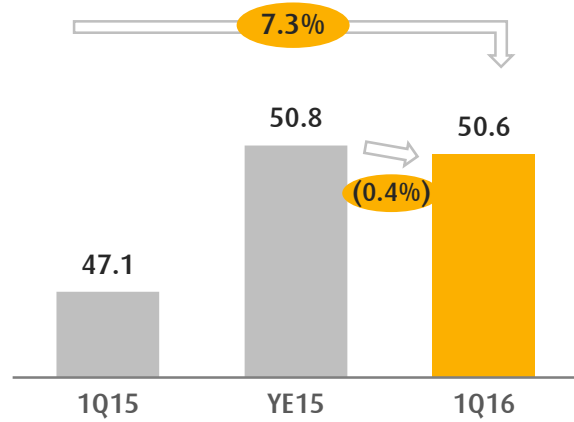


Average Quarterly Issuing Volume (TL million)

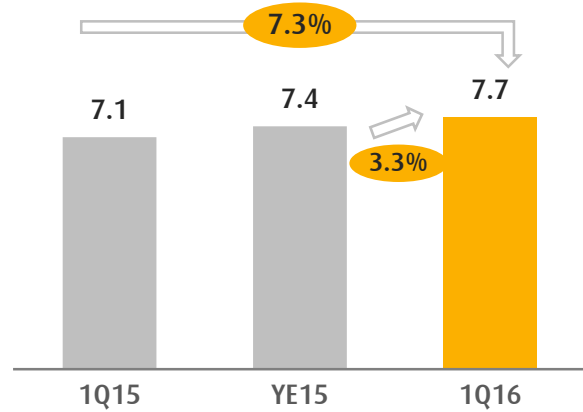


Selective business loan growth among profitable products

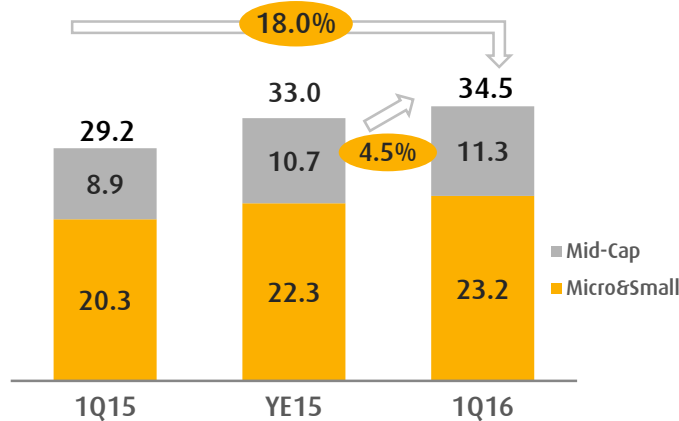
Commercial&Corporate (TL billion)



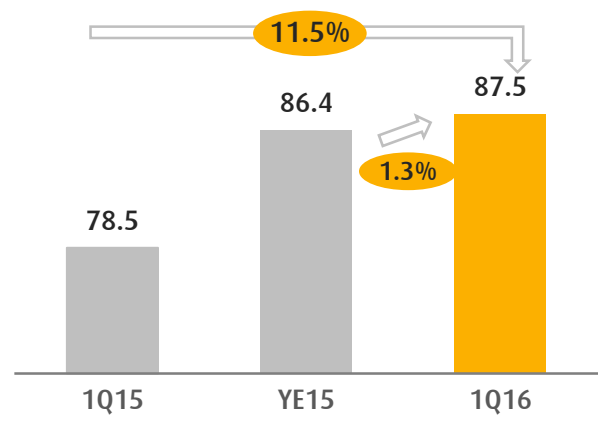
Project Finance Loans (USD billion)



SME* (TL billion)



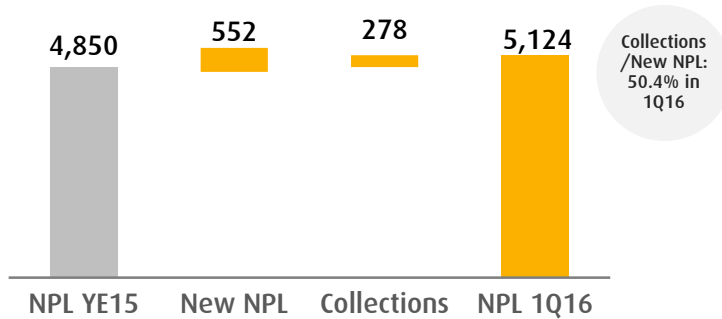
Total Com.&Corporate Loans** (TL billion)



Share of SME loans increased to **28%** in 1Q16 from **26%** in 1Q15

Asset quality

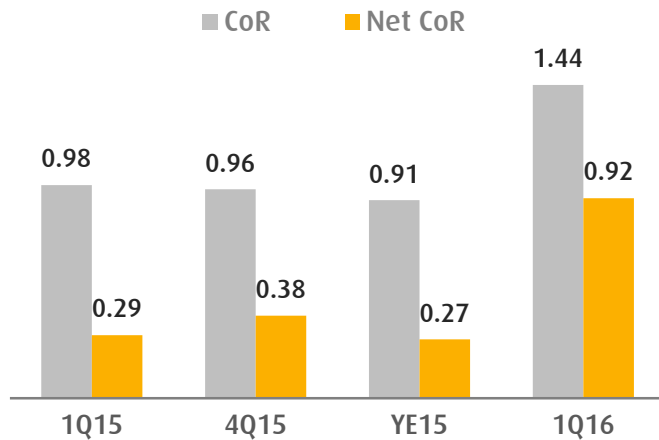
NPL (TL million)¹



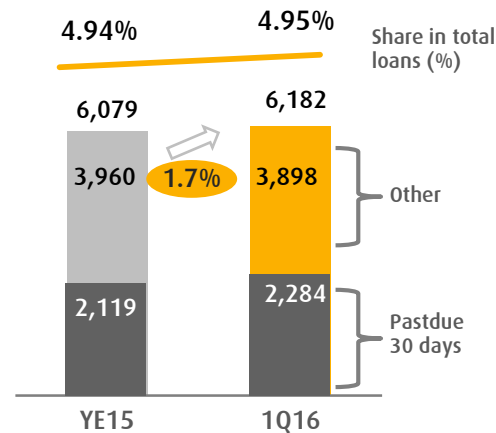
Reported¹ and Comparable NPL Ratios (%)



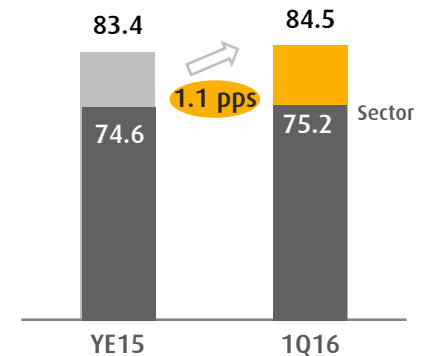
Specific Cost of Risk (%)



Group II Loans (TL million)

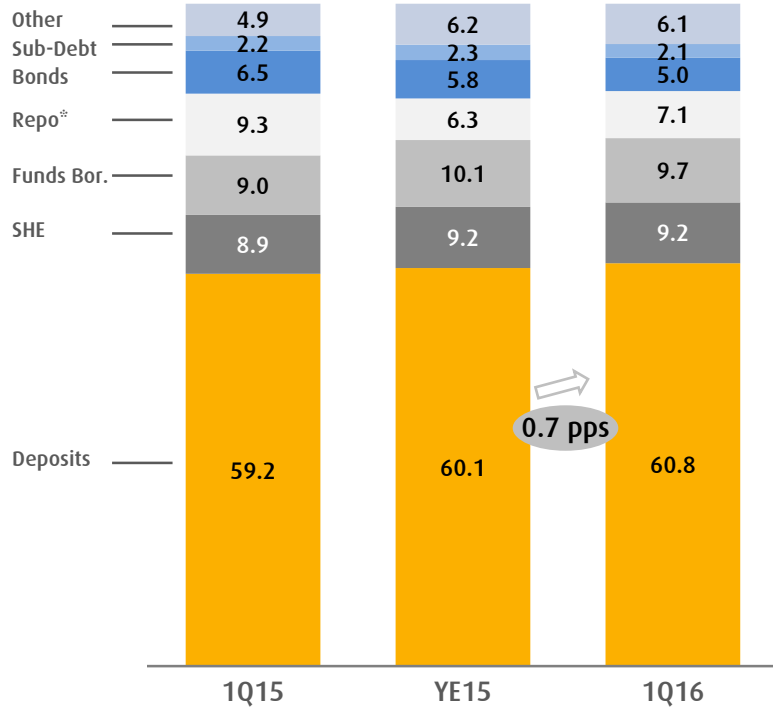


Coverage Ratio (%)

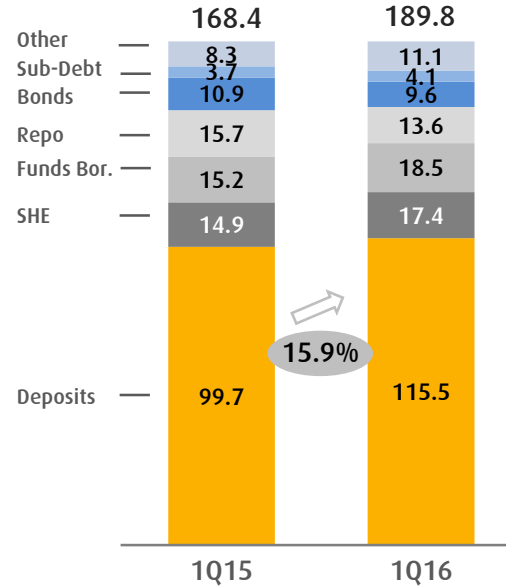


Customer deposits driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL billion)



First Ever Benchmark Euro-denominated Mortgage Covered Bond Issuance of Turkey amounting **EUR 500 million**

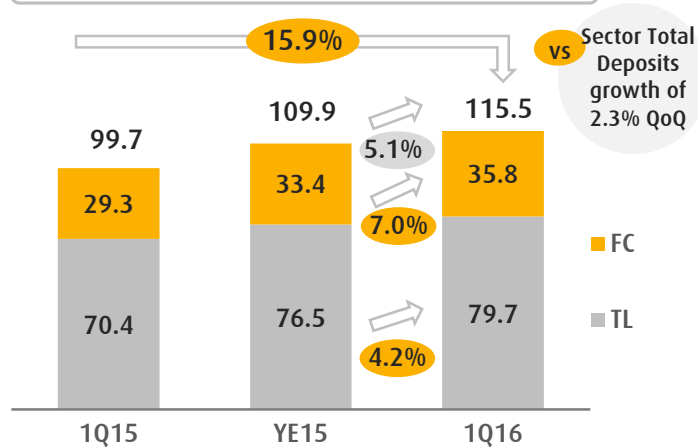
Outstanding DCM volume reached **US\$ 5.0 billion** equivalent**

The share of deposits in total liabilities remain solid at **61%** in 1Q16

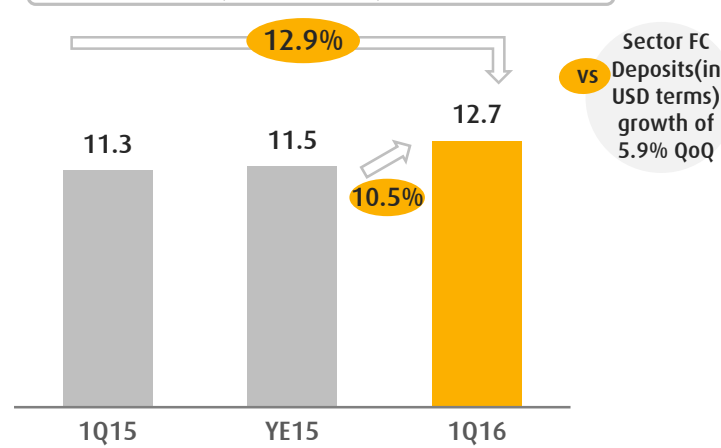
More focus on reliable customer deposits; The share of repo down to **7.1%** in 1Q16 from **9.3%** in 1Q15

Market share gains in every sub-segment of deposits maintained

Total Deposits (TL billion)

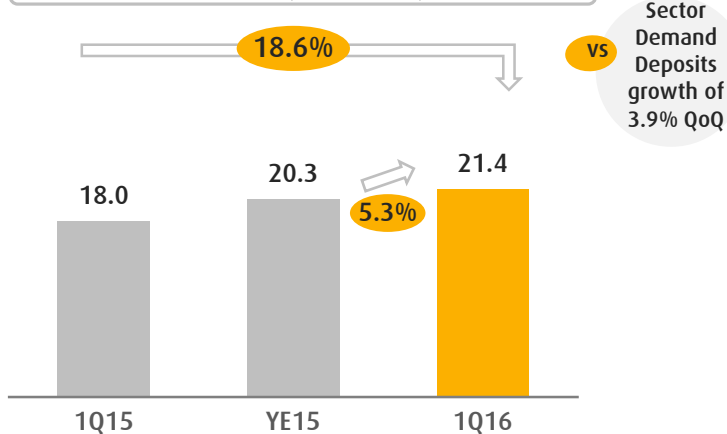


FC Deposits (USD billion)

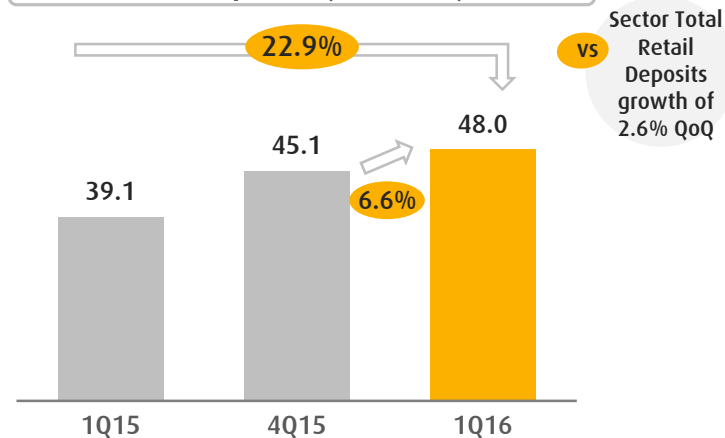


The share of retail deposits in total deposits increased to **41.6%** in 1Q16 from **39.2%** in 1Q15

Demand Deposits (TL billion)



Total Retail Deposits (TL billion)



Total deposit growth of **5.1%** QoQ vs sector average of **2.3%**

Solvency ratios

Capital Adequacy Ratio (%)

Core Tier I

10.8%

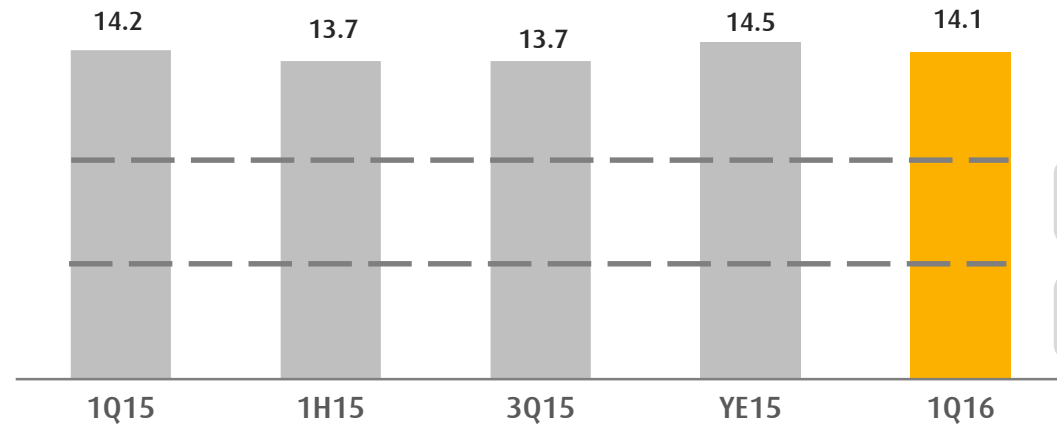
10.4%

10.5%

11.3%

23 bps

11.5%

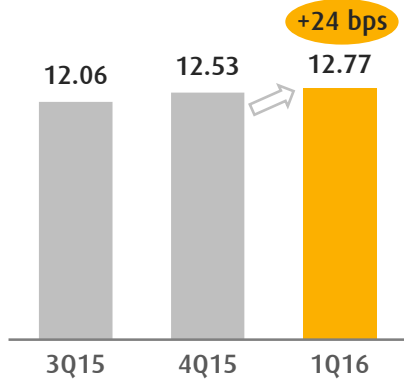


The effect of 0.1 TL decrease in TL/USD rate on CAR is ~18 bps

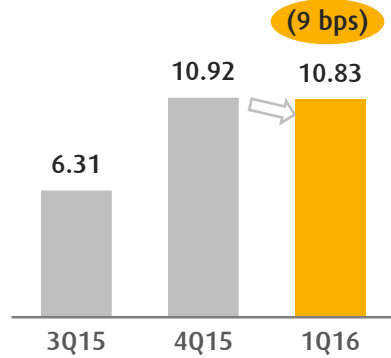
NIM, Spreads and Costs

Yields (%)

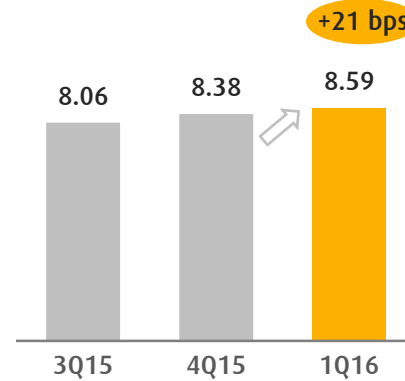
TL Loans



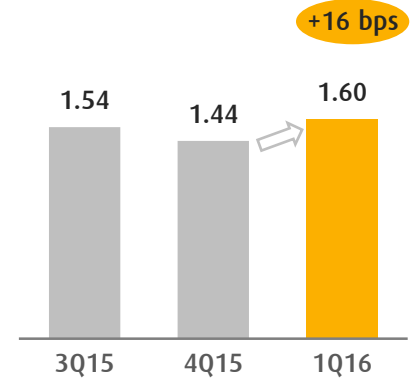
TL Securities



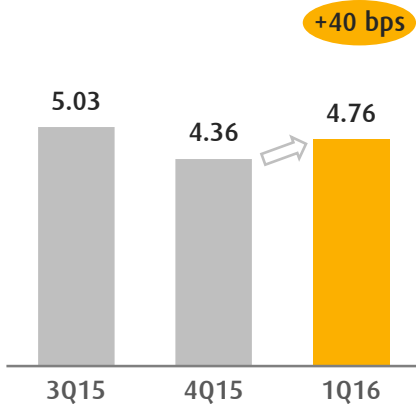
TL Deposits



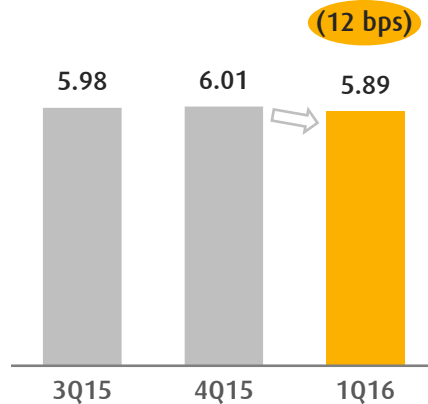
FC Deposits



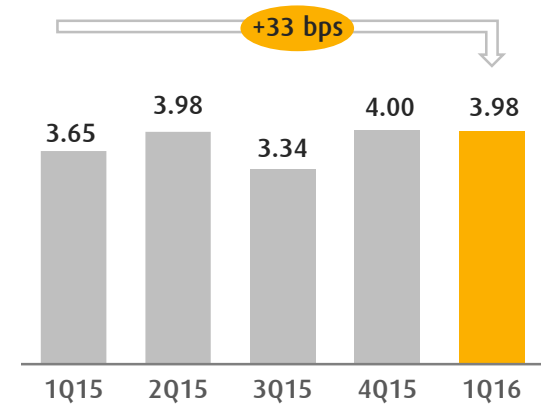
FC Loans



FC Securities*

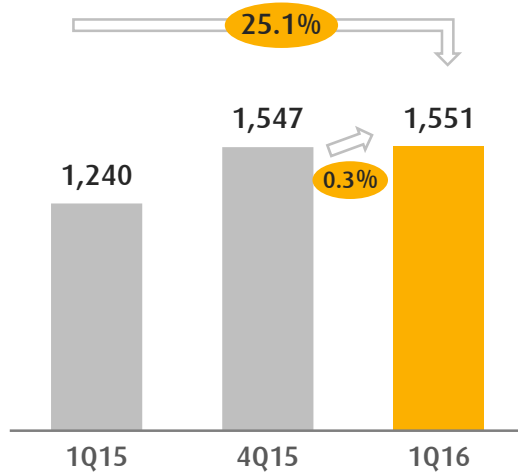


Net Interest Margin (NIM %)

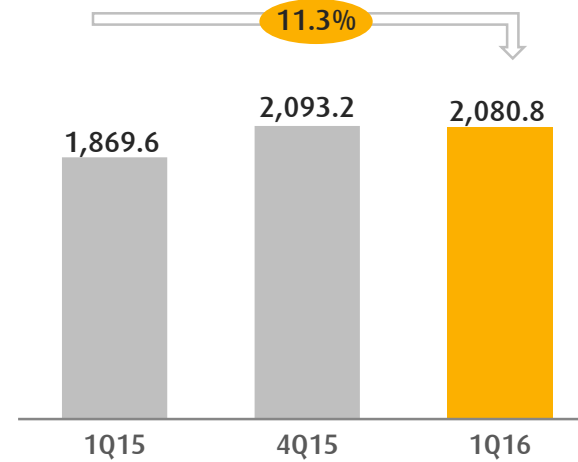


Revenue breakdown

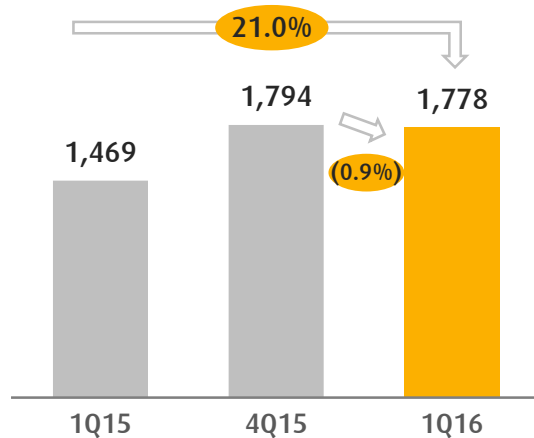
Net Interest Income (TL million)



Total Revenues (TL million)

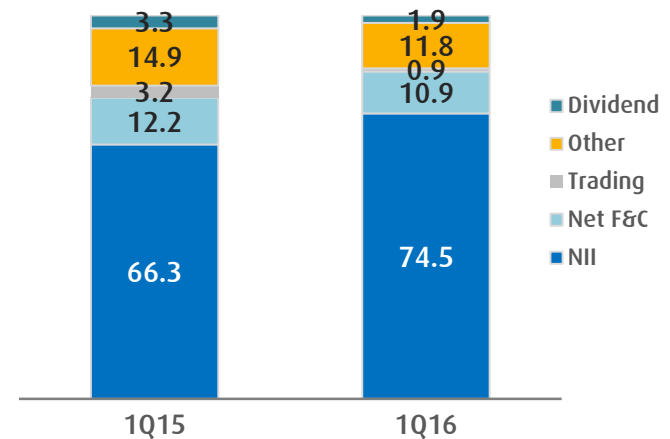


Core Banking Revenues* (TL million)



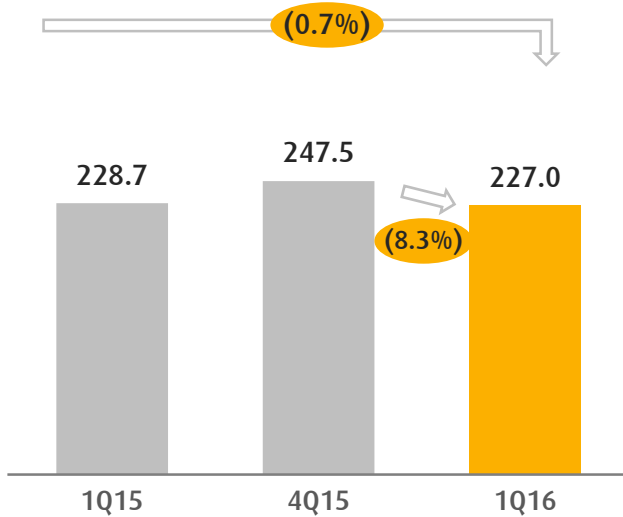
Core Banking Revenue growth of **21.0%** YoY vs sector average growth of 18.9%

Breakdown of Total Revenues (%)



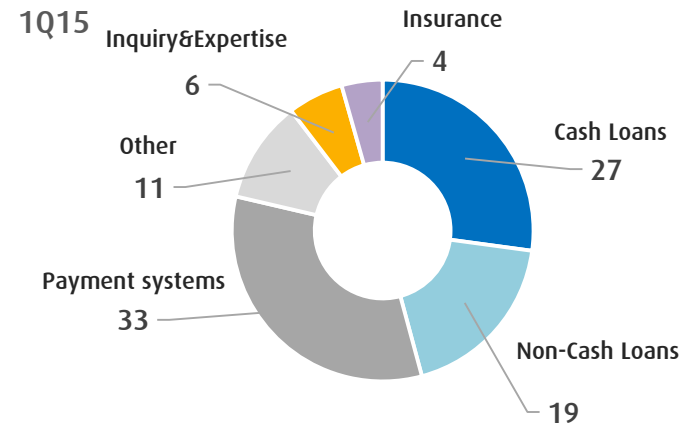
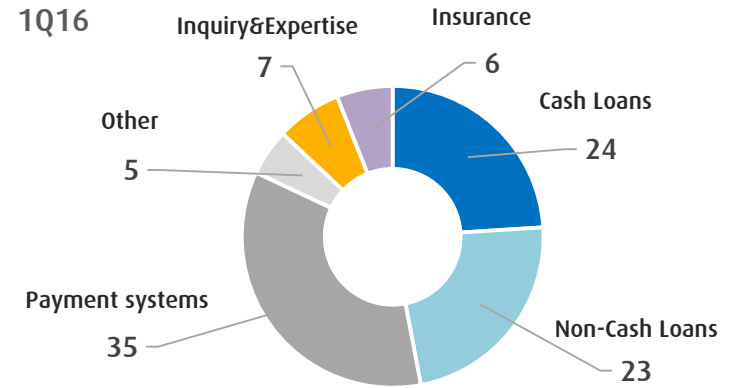
Fee & Commission income

Net Fee & Commission Income (TL million)



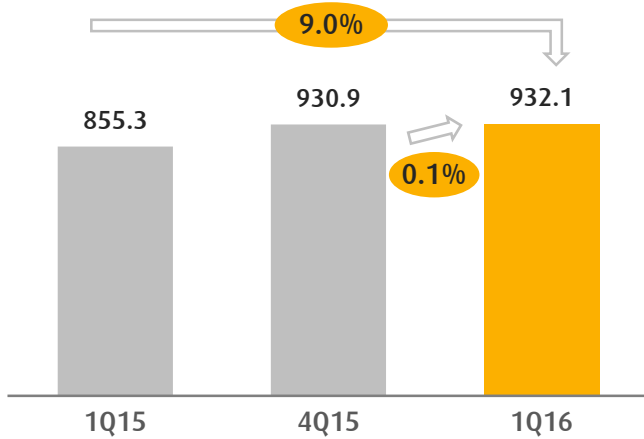
The share of account maintenance fees in total fees was only ~4% in 2015

Breakdown of Net Fee & Commission Income (%)

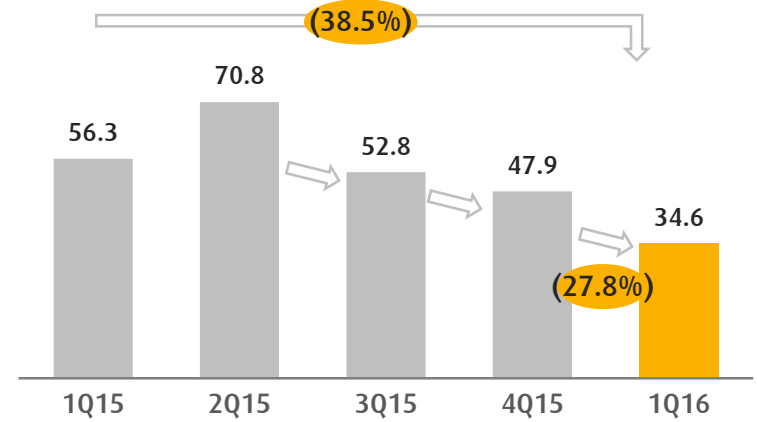


Opex is inside the budget

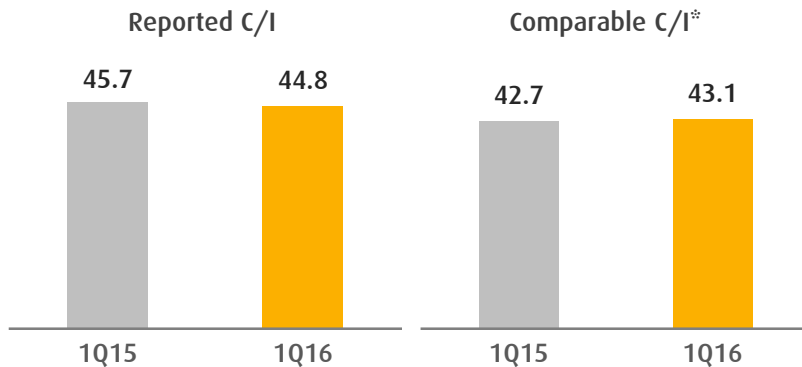
Operating Expenses (TL million)



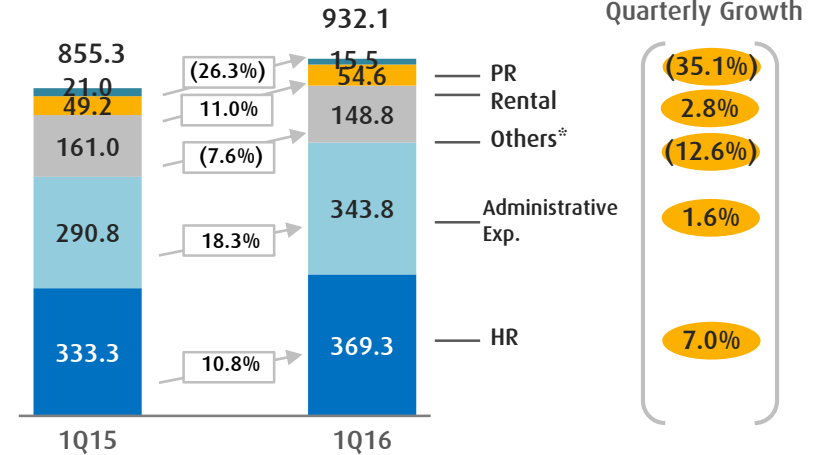
Fee Repayment (Quarterly, TL million)



Cost/Income (%)



Breakdown of Opex (TL million)



VakifBank with numbers

<u>Distribution Channels & Customer (#)</u>	<u>1Q16</u>	<u>Efficiency ('000 TRY)</u>	<u>1Q16</u>
Branches	920	Assets per Employee	12,396
ATMs	3,768	Assets per Branch	206,336
Personnel	15,313	Loans per Employee	8,152
POS Terminals	172,604	Loans per Branch	135,698
Outstanding Credit Cards	3.2 mn	Deposits per Employee	7,542
Total Customers	18.0 mn	Deposits per Branch	125,550
Total Payroll Customers	2.3 mn		
Internet Banking Customers	3.0 mn		
Active Mutual Fund Customers	1.6 mn		

Balance Sheet

	(TL-million, %)	1Q15	YE15	1Q16	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	21,179	21,485	23,928	12.98%	11.37%
	Interbank	4,198	5,234	6,692	59.41%	27.86%
	Securities	24,385	25,337	26,792	9.87%	5.74%
	Loans	112,489	122,974	124,842	10.98%	1.52%
	Subsidiaries & Investments	1,705	1,875	1,904	11.66%	1.59%
	Property & Equipment	704	1,383	1,402	99.19%	1.35%
	Other	3,702	4,659	4,268	15.30%	(8.39%)
	Total Assets	168,362	182,947	189,829	12.75%	3.76%
Off-B.S. Liabilities & SHE	Deposits	99,660	109,923	115,506	15.90%	5.08%
	Funds Borrowed	15,168	18,556	18,504	22.00%	(0.28%)
	Other	36,144	34,777	35,603	(1.50%)	2.37%
	Provisions	2,471	2,924	2,845	15.15%	(2.68%)
	Shareholders' Equity	14,919	16,768	17,371	16.43%	3.60%
	Guarantees	29,938	33,068	32,703	9.23%	(1.10%)
	Commitments	26,336	34,560	36,880	40.04%	6.71%
	Derivatives	39,735	49,924	61,950	55.91%	24.09%

Income Statement

(TRY-Thousand, %)	1Q15	4Q15	1Q16	YoY Growth	QoQ Growth
Net Interest Income	1,240,163	1,546,894	1,550,977	25.1%	0.3%
Net Fee & Com. Income	228,679	247,509	227,031	(0.7%)	(8.3%)
Dividend Income	62,130	89	38,257	(38.4%)	42885.4%
Net Trading Income	59,378	3,906	19,145	(67.8%)	390.1%
Other Income	279,257	294,771	245,403	(12.1%)	(16.7%)
Total Revenues	1,869,607	2,093,169	2,080,813	11.3%	(0.6%)
Operating Expenses	(855,312)	(930,859)	(932,056)	9.0%	0.1%
Provisions	(449,394)	(345,667)	(509,147)	13.3%	47.3%
Tax Provisions	(130,274)	(160,013)	(122,947)	(5.6%)	(23.2%)
Net Income	434,627	656,630	516,663	18.9%	(21.3%)

Diversified funding source via Non-Deposit Funding

Syndicated Loan

September 2015

•US\$ 920 million equivalent 1 year syndicated loan, all in cost as Libor + 0.85% ve Euribor +0.75% with participation of 30 banks from 15 countries.

Sub-debt

January 2015

•US\$ 500 million equivalent subordinated notes (Tier II) were issued with a yield of 6.95%. Coupon rate has been set at 6.875%, maturity of the notes is 10 years.

DPR Securitization

DPR Securitization*

Outstanding balance of DPR Securitization is US\$ 916 million and EUR 260 million.

Private Placements

Private Placements*

•US\$ 4,408 million equivalent private placements were issued since June 2013 under GMTN program. Outstanding balance of private placements is US\$ 172 million equivalent.

Covered Bond

Covered Bond

•EUR 500 million equivalent Covered Bond notes were issued with a yield of 2.578%. Coupon rate has been set at 2.375%, maturity of the notes is 5 years.

IFI Borrowing

•World Bank :US\$ 200 million SME loan was signed in 2010 up to 29.5 years. It has been fully allocated in March 2015.

US\$ 67 million SME Energy Efficiency loan was signed in May 2013 up to 30 years. US\$ 15 million was disbursed in January 2014. The second tranche of the facility was disbursed in April 2016 with the amount of USD 12.6 Million.

•EBRD :Under DPR Program, US\$ 30 million to implement the Women in Business Program and US\$ 95 million to finance SMEs in the Turkish agricultural sector.

•EIB :EUR 25 million GAGF extension loan was disbursed in December 2013 and it was fully allocated in August 2014.

The GAGF II facility EUR 50 million was signed in December 2011 and the first tranche of EUR 25 million was disbursed in December 2014. The second tranche of EUR 25 million has been disbursed in October 2015.

Additional loan for SMEs, EUR 100 million was signed in December 2013 and US\$ 67.9 million was disbursed in February 2014 as the first tranche. The second tranche of USD 54.8 Million has been disbursed in March 2016.

Tur-SEFF II Co-financing Facility; EUR 50 million was signed in July 2013 and first tranche EUR 25 million was disbursed in December 2013, second tranche was disbursed in December 2015.

EIB-SME Mid-Cap facility amounting EUR 200 million was signed in December 2012 and it was fully allocated in September 2013.

SME Loan II for Mid-Caps and SMEs A EUR 100 million was signed in November 2014, the full amount was disbursed as US\$ 123,9 in December 2014 and was fully allocated in December 2015.

SME Loan II for Mid-Caps and SMEs B EUR 100 million was signed in May 2015 and first tranche EUR 50 million was disbursed in December 2015.

•KfW :EUR 100 million MSME loan was disbursed in November 2013 and was fully allocated in January 2014.

EUR 200 million MSME II loan was signed in June 2015 and the full amount of EUR 200 million was disbursed in July 2015.

TL Bonds

•Outstanding TL bonds amounting TL 3.1 billion as of May 5, 2016.

A member of BIST Sustainability Index



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