

# Earnings Presentation

BRSA Bank-Only YE 2012

February 14, 2013



# 4Q 2012 Macro Highlights

- ▮ Real GDP growth in USA fell to 0.1% in the fourth quarter of 2012 due to lower inventories and defense spending. As a result, USA real GDP growth was 2.2% in 2012 .
- ▮ Although the US Congress passed the fiscal cliff deal, a few more cliff-like deadlines remain on the horizon during 2013.
- ▮ With the new government in Japan, BoJ increased the price stability target to 2% and decided open-ended asset purchases which will begin in 2014.
- ▮ China's real GDP growth rate slowed to 7.8% in 2012 from 9.3% in 2011, which was still higher than the expectations.
- ▮ Turkey's real GDP growth rate slowed down to 1.6% YoY in 3Q12. The positive contribution of net exports to growth decreased compared to the first two quarters.
- ▮ In December 2012 annual CPI decreased to 6.16% which was the lowest year-end inflation in the period of inflation targeting, mainly due to the unprocessed food prices.
- ▮ CBRT cut the lower band of interest rate corridor another 25 bps to 5.5% in December.
- ▮ Turkey's CAD was down to 48.9 billion USD in 2012, indicating a decrease of 28.2 billion USD over the previous year.
- ▮ Thanks to massive inflow towards equity market, ISE-100 index rose 52% in 2012 and reached a new record level.
- ▮ Benchmark bond yield decreased to 6.4% in 4Q12 from 7.6% in 3Q12.

## VakifBank 2013 Macro Expectations

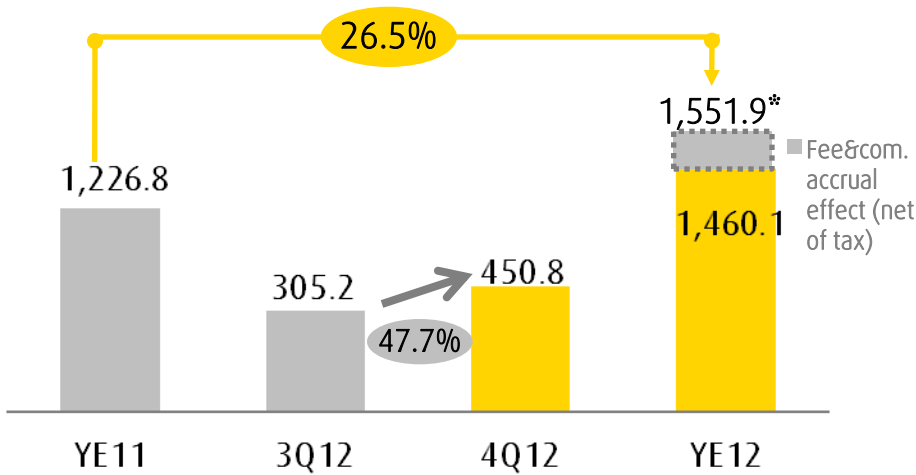
	2013E
GDP (Growth Rate %)	4.2
Unemployment Rate (%)	8.7
CPI (y-y %)	6.0
Current Account Deficit (Bio USD)	59.0
Foreign Account Deficit (Bio USD)	93.0
Benchmark Rates (%)	5.5- 6.5
USD/TL Exchange Rate	1.75 - 1.80

# 2012 VakifBank Highlights

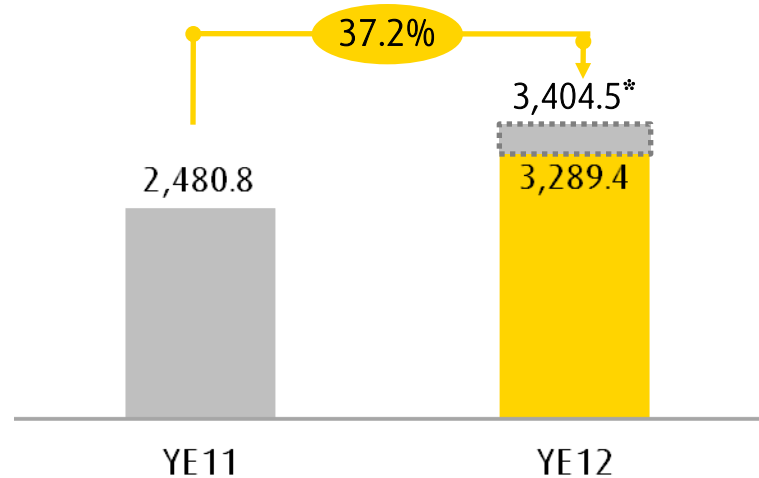
- ✎ The highest quarterly and annually net income figure ever; bank-only net income is 1,460.1 mio TL, up by 19% YoY; fee & commission income adjusted\* comparable net income is 1,551.9 mio TL; up by 26.5% YoY; quarterly net income is 450.7 mio TL, up by 47.7% QoQ.
- ✎ ROAE is up by 422 bps to 15.7% and ROAA is up by 53 bps to 1.8%; which brought annual ROAE and annual ROAA at 13.8% and 1.5% respectively.
- ✎ The highest quarterly net interest income figure ever with 1,326.4 Mio TL, up by 27.8% QoQ; annual net interest income growth reached 41.2%.
- ✎ NIM widened another 117 bps QoQ and reached to 6.13%; annual average NIM widened 90 bps to 4.89%; security provisions adjusted quarterly and annually NIM are 5.8% and 4.8% respectively.
- ✎ Annual loan growth is 18.7% YoY and quarterly loan growth is 5.8% QoQ; driven by 31.3% YoY TL loan growth in high yielding segments, mainly SME.
- ✎ Deposit heavy and actively managed funding mix continued; total deposits are up by 10.3% YoY and 5% QoQ; driven by outstanding 21.2% YoY retail deposit growth. The share of deposits in total liabilities is 64.3%.
- ✎ Strong quarterly net fee & commission income; up by 78.1%; the highest quarterly net fee & commission figure ever.
- ✎ Annual Cost/Income ratio decreased to 40.7%, down by 320 bps YoY; adjusted\* C/I ratio came at 40%, down by 4 pps YoY, one of the lowest in peer group.
- ✎ Overall CAR is up by 248 bps QoQ and reached to 16.14%, one of the highest and healthiest among the peer group. The elements that support CAR in 4Q12;
  - ✓ 915 mio USD LT2 issuances boosted the ratio around 200 bps,
  - ✓ Strong profitability,
  - ✓ Rational usage of capital,
  - ✓ Strong MtM gains.

# YE 2012 Earnings & Ratios

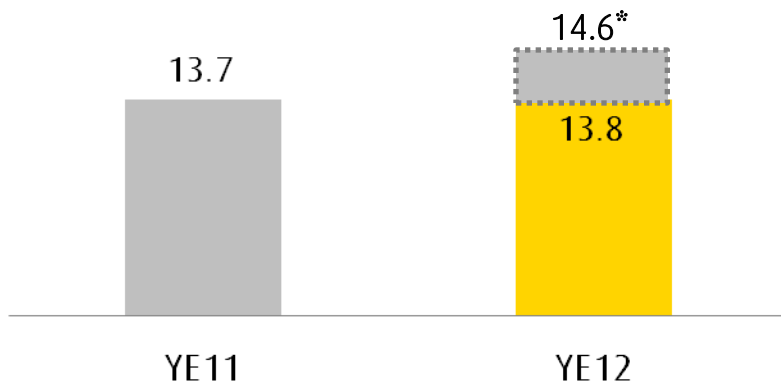
Net Income (Mio TL)\*



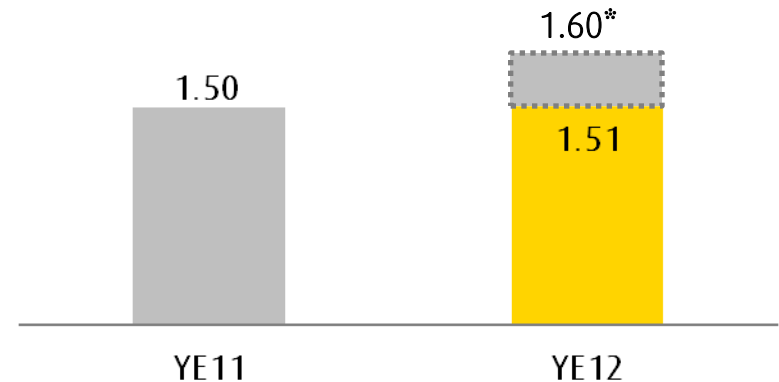
Operating Profit (TL mio)



ROAE (%)

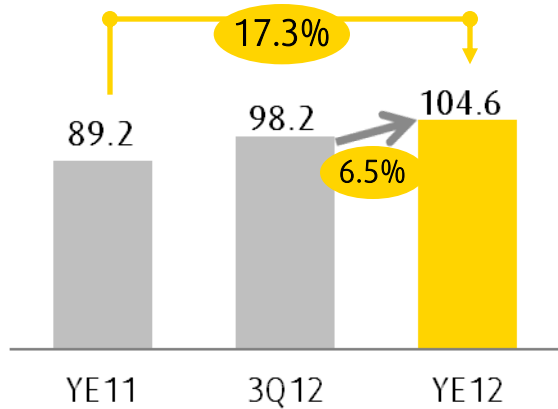


ROAA (%)

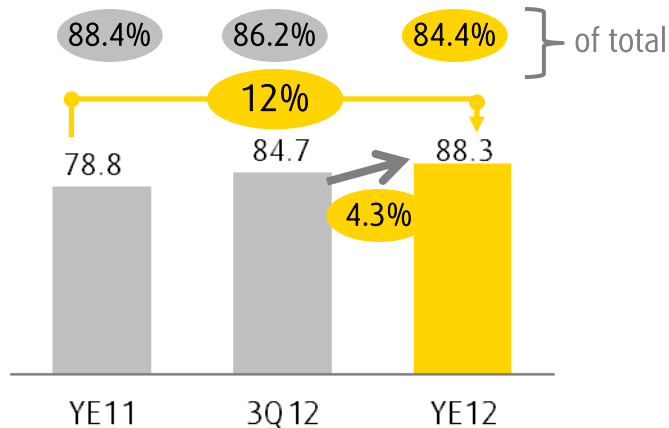


# Timely reshuffling of assets from securities

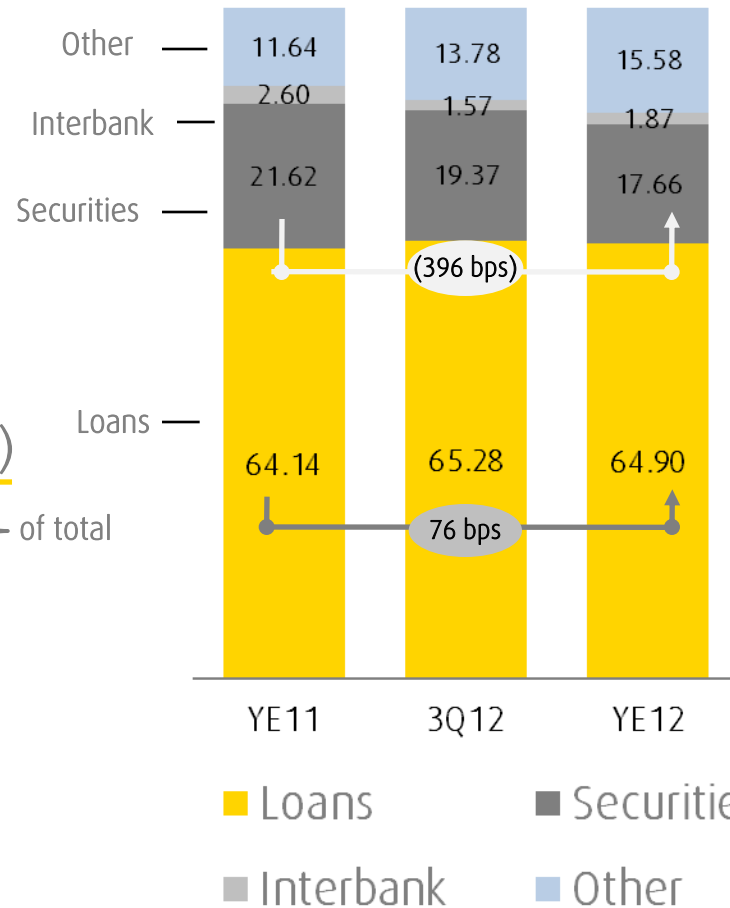
Total Assets (TL bio)



Interest Earning Assets (TL bio)



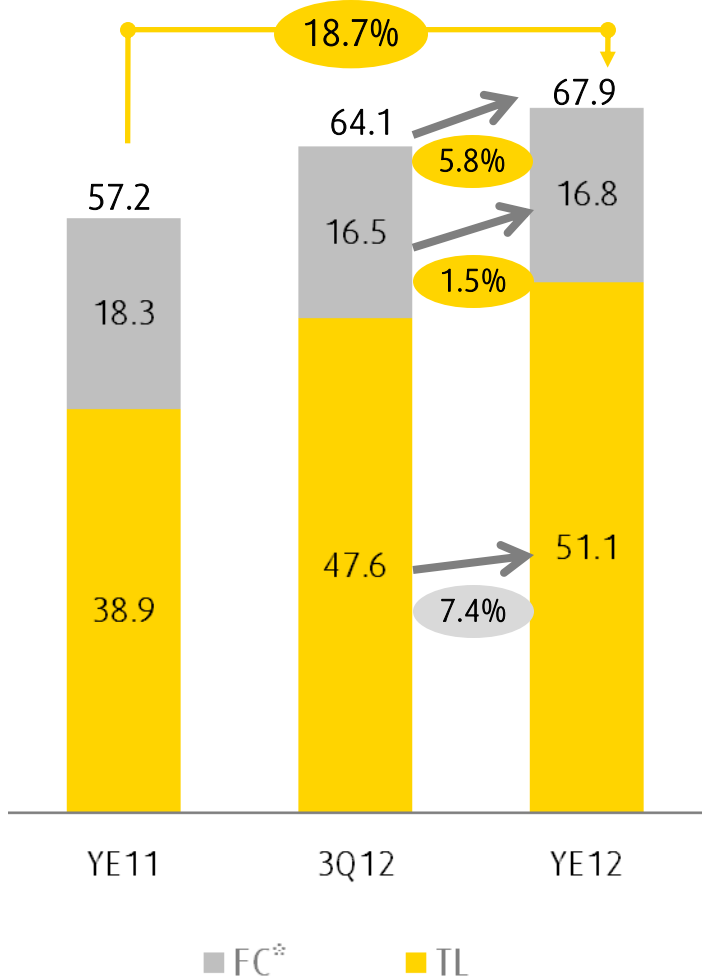
Breakdown of Assets (%)



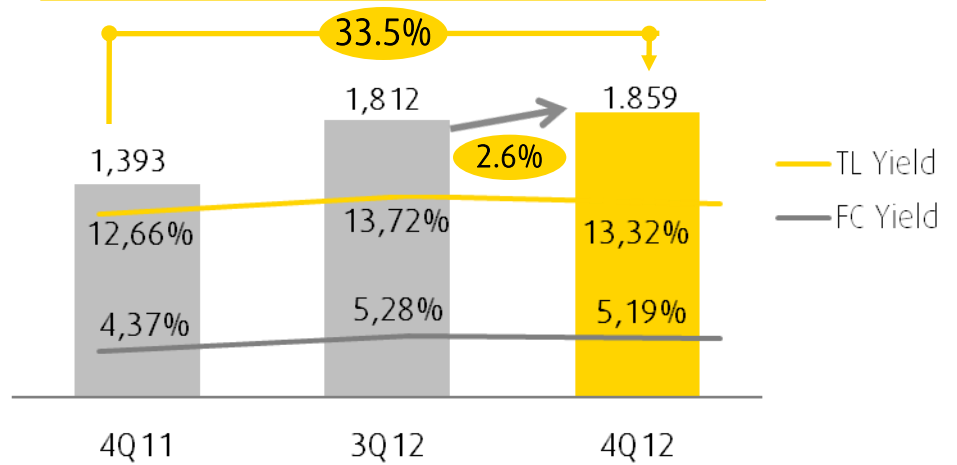
Reshuffling from securities to loans continued; securities' share in assets decreased YoY ;  
**4 pps** to **17.7%**

# Higher interest income growth than loan growth thanks to core spread improvement

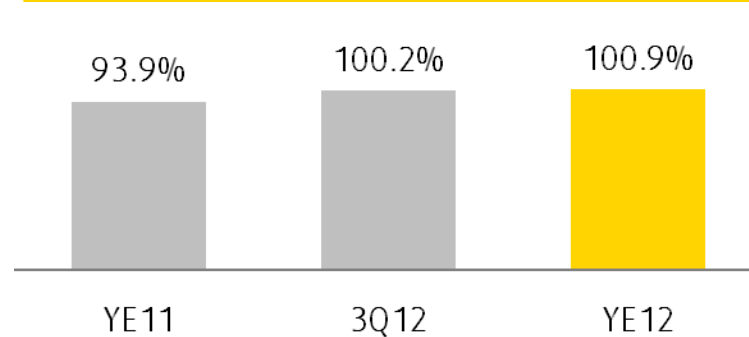
Total Loans (TL bio)



Interest Income on Loans (TL mio)



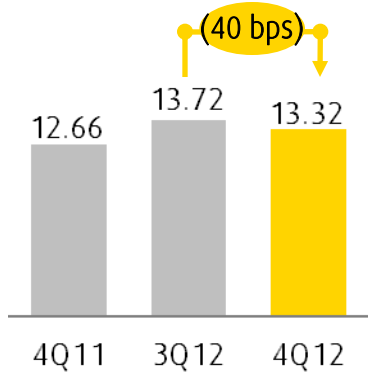
Loan/Deposit (%)



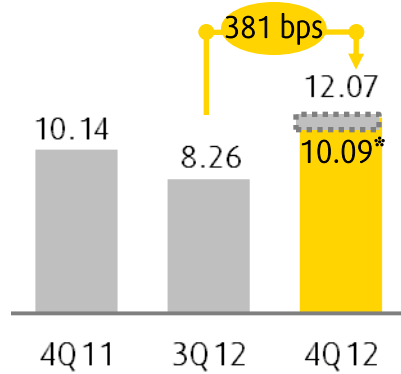
# Strong margin extension supported by TL CPI-linkers & further improved core spreads

## Yields (%)

### TL Loans

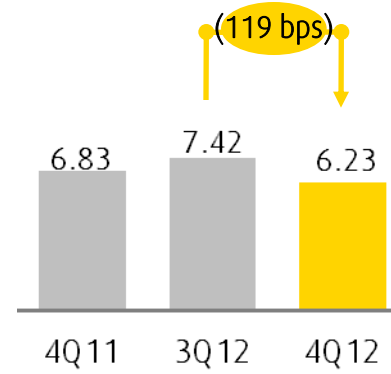


### TL Securities

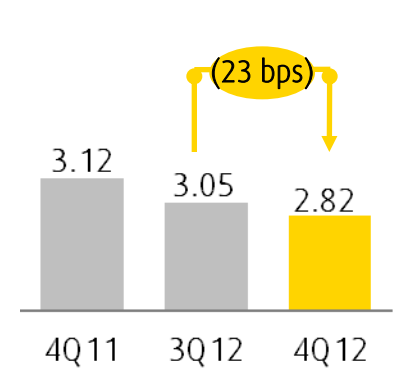


## Cost of Deposits (%)

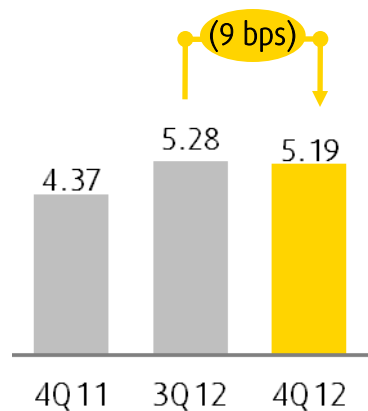
### TL Deposits



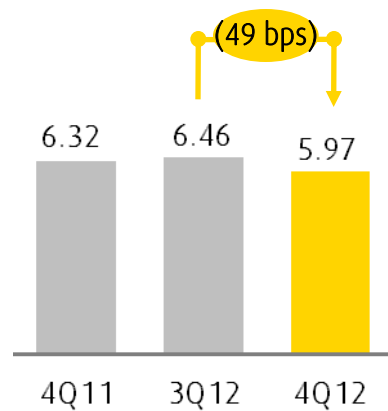
### FC Deposits



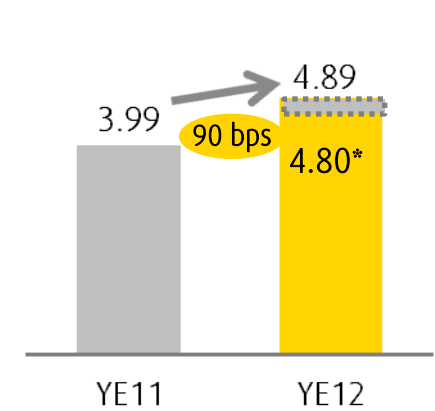
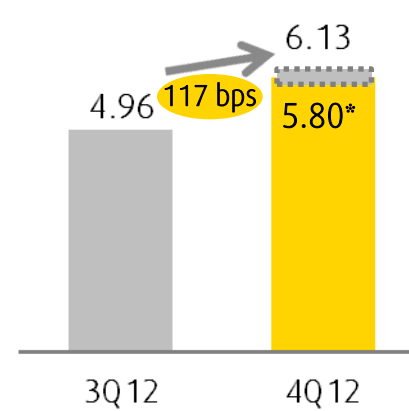
### FC Loans



### FC Securities

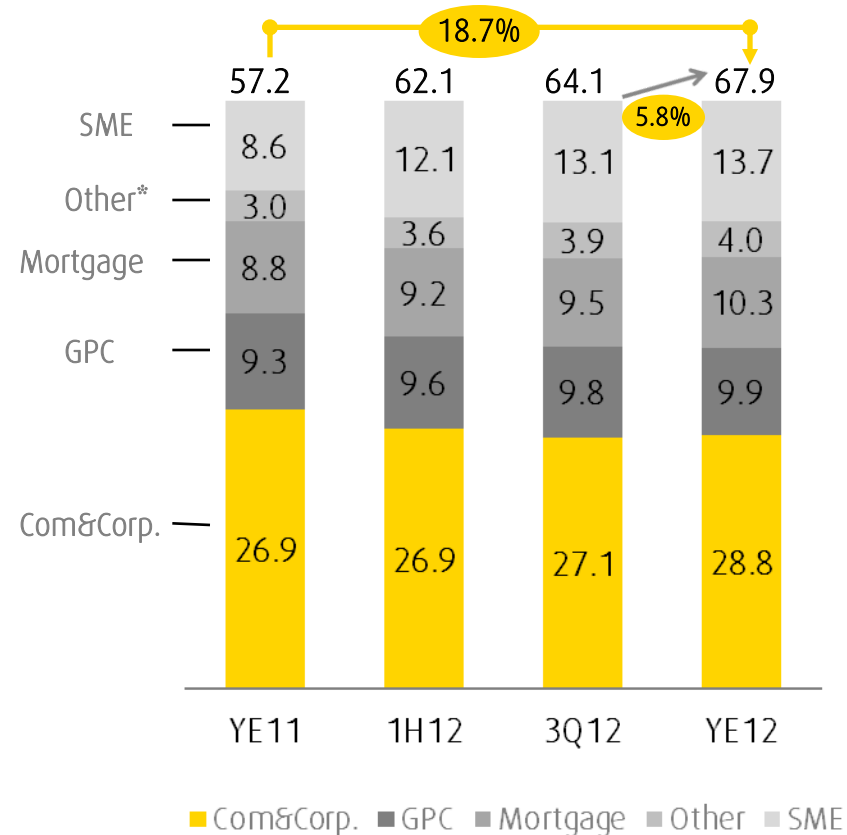


## Net Interest Margin (NIM %)

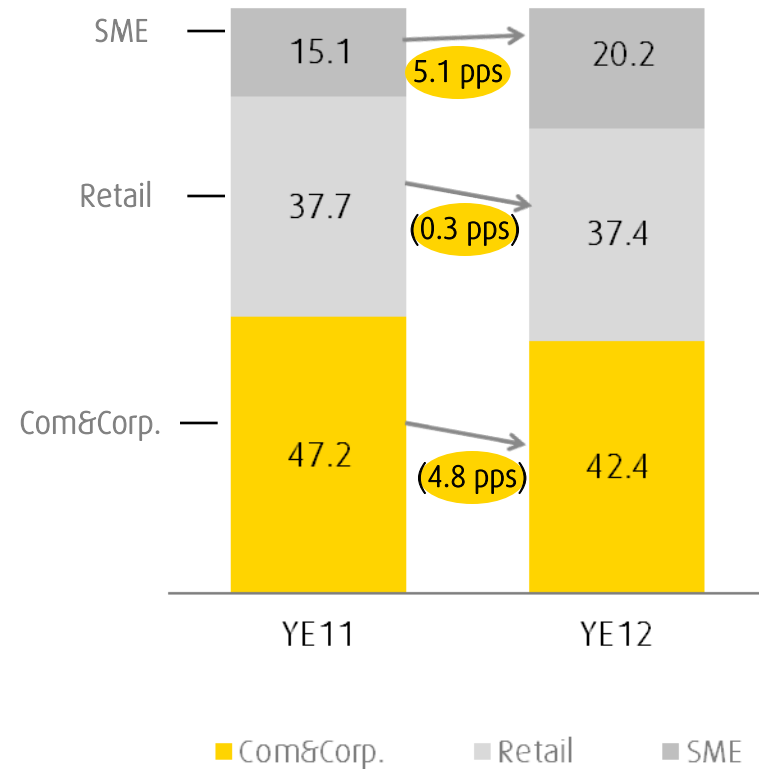


# Loan composition continue to evolve towards more diversified structure

Breakdown of Loans (TL bio)



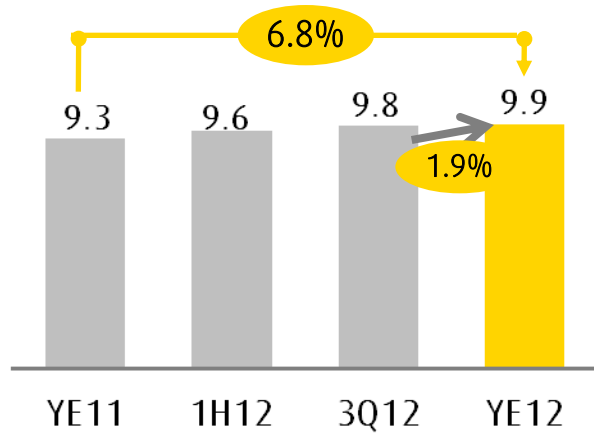
Portfolio Shift (%)



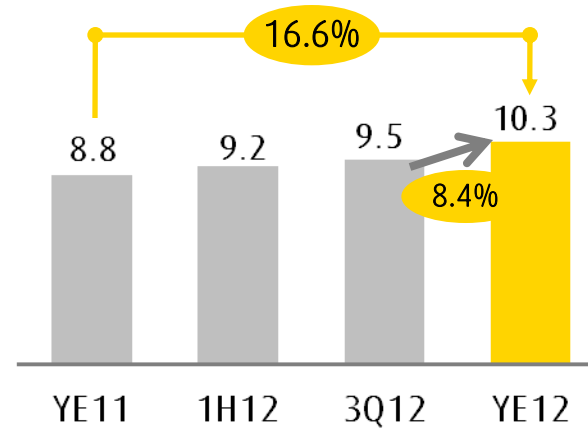


# Retail lending growth accelerated mainly by residential mortgage loans

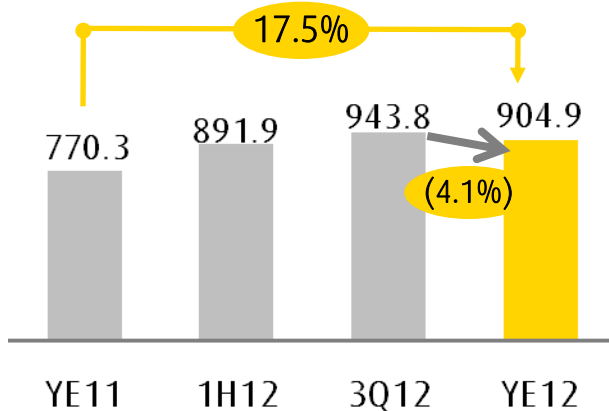
General Purpose Consumer (TL bio)



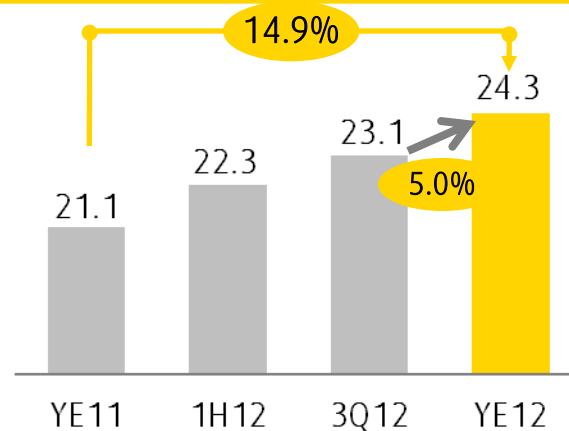
Residential Mortgages<sup>1</sup> (TL bio)



Retail Overdraft (TL mio)



Total Retail (TL bio)



Rankings\*;

# 2 in GPC

# 2 in mortgage

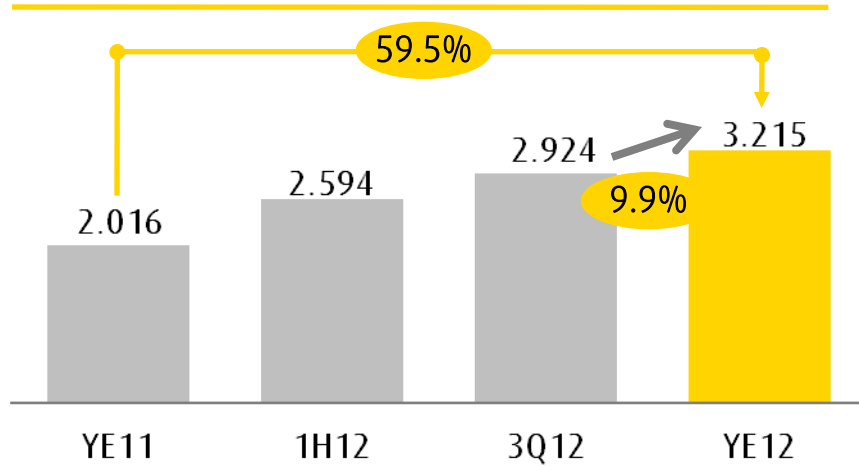
# 1 in retail overdraft

Strong presence in key retail segments thanks to

**2.2 million** pay-roll accounts

# Consistent growth in Credit Cards

Credit Card Loans (TL mio)



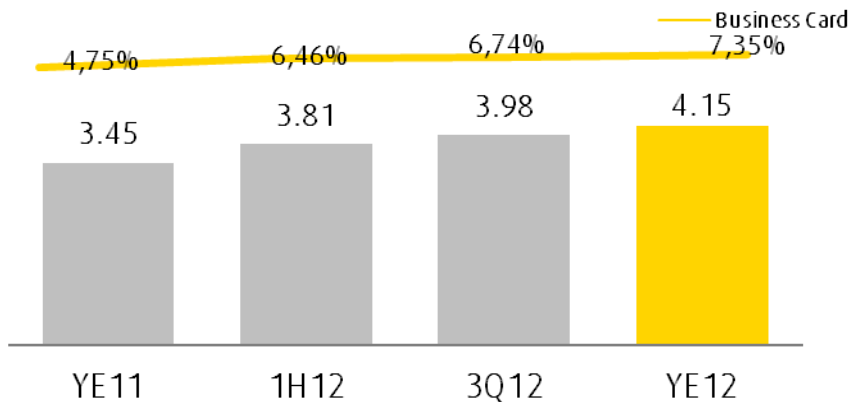
Credit Card Loans growth YoY;

**59.5%**

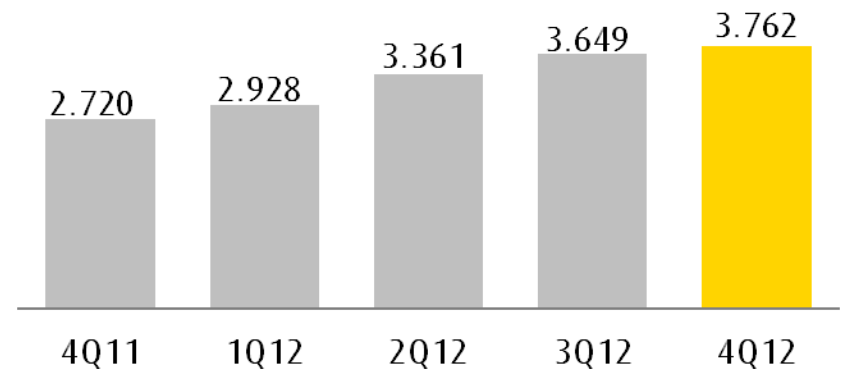
Sector growth YoY;

**32.6%**

Market share\* (%)

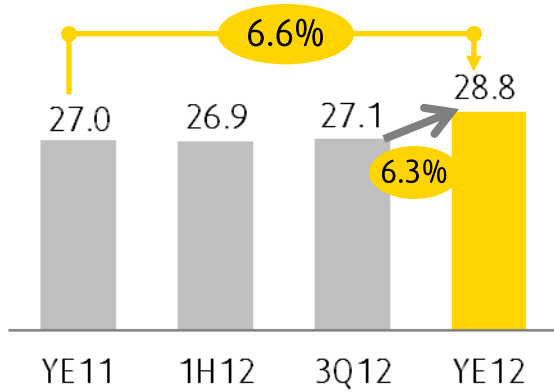


Average Quarterly Issuing Volume (TL mio)

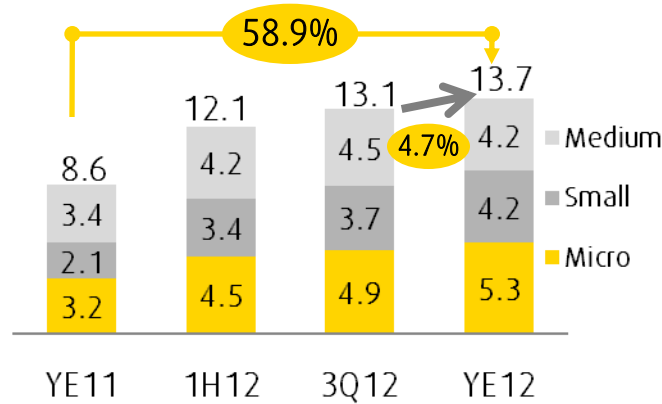


# Stellar penetration in SME segment

Corporate & Commercial (TL bio)



SME\*(TL bio)



Highly collateralized & high yielding SME loans  
YoY growth;

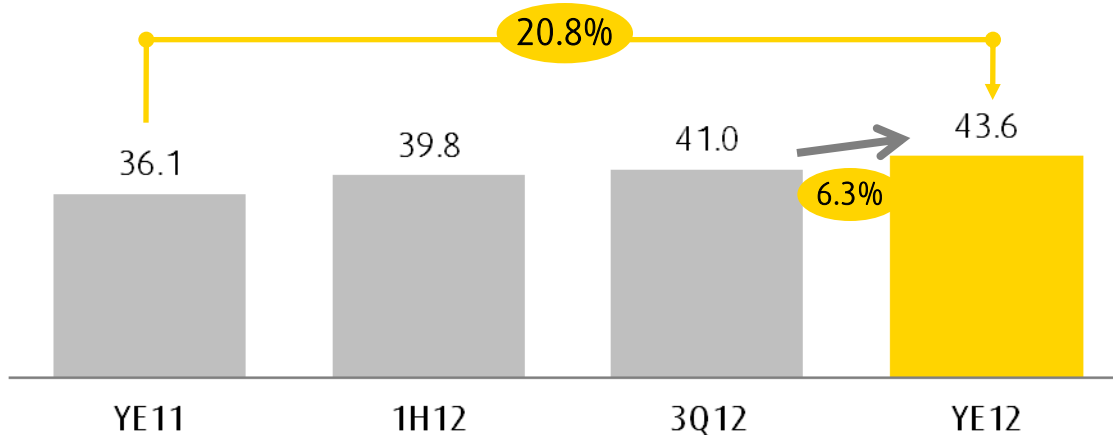
**58.9%**

Share in total loans

**20.2%**

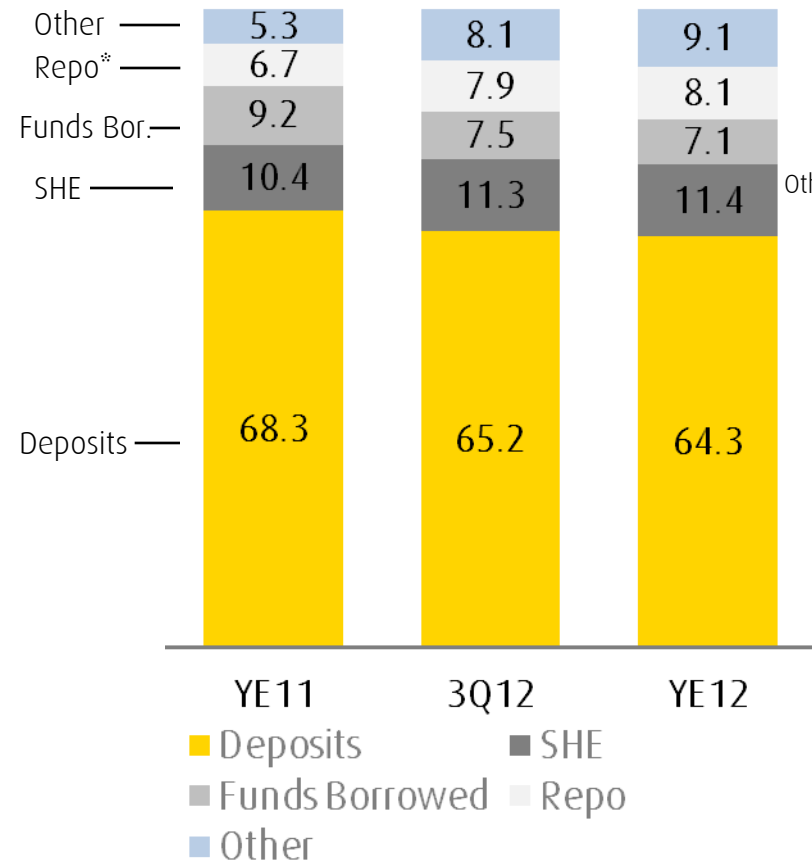
still below peer group average, promises further growth

Total Commercial & Corporate Loans\*\*(TL bio)

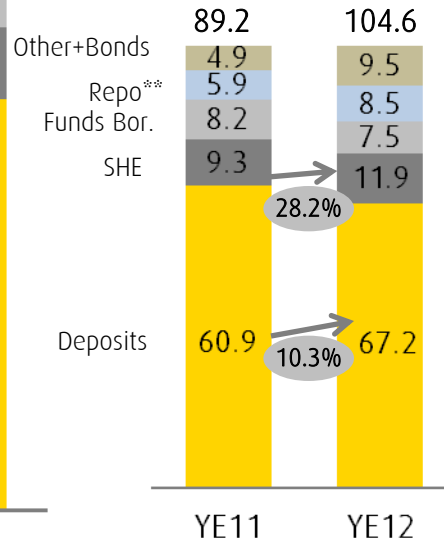


# Solid funding mix with a deposit heavy funding structure

## Breakdown of Liabilities (%)



## Liabilities Shift (TL bio)



Wholesale Borrowing

Funds Borrowed+Bonds Issued / Liabilities

**11%**

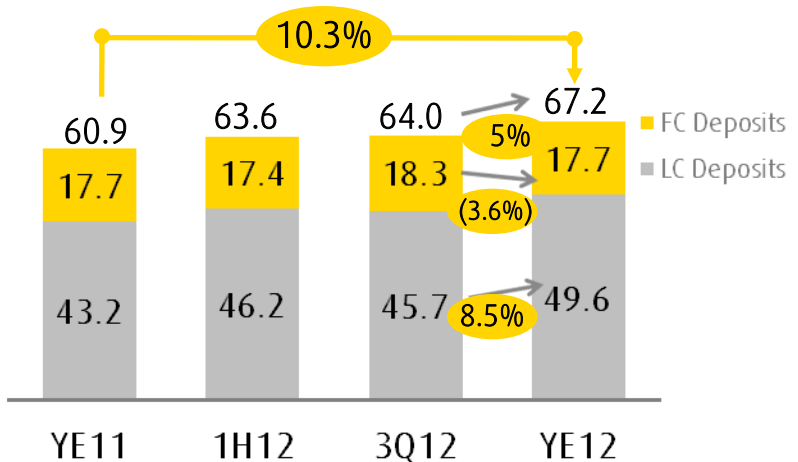
Deposits Heavy Funding Structure

Total Deposits / Liabilities

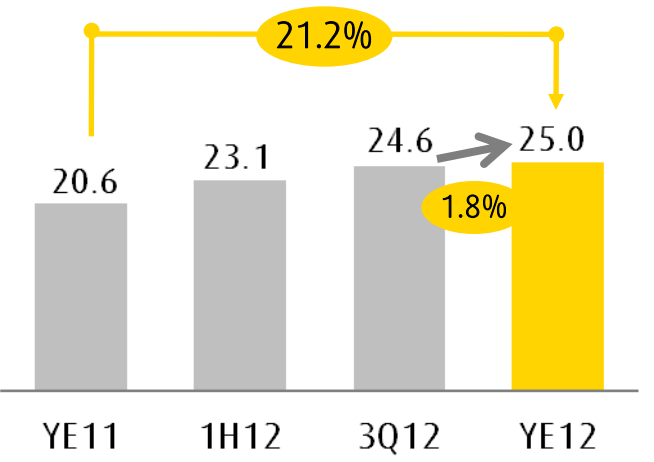
**64.3%**

Outstanding retail&demand deposits growth, one of the most sticky&reliable deposit base in Turkey

Total Deposits (TL bio)



Total Retail Deposits (TL bio)



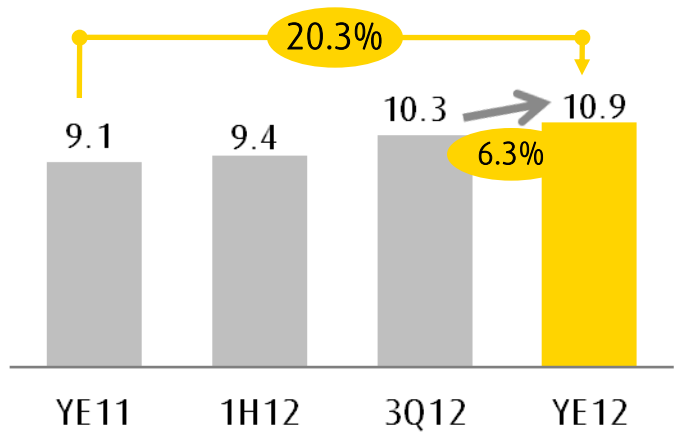
Deposit growth; YoY

**10.3%**

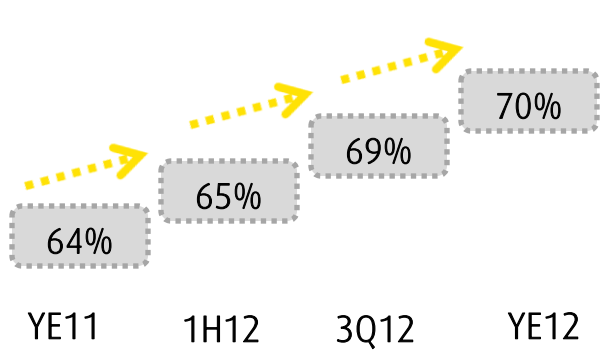
Fueled by retail deposit growth YoY;

**21.2%**

Demand Deposits (TL mio)

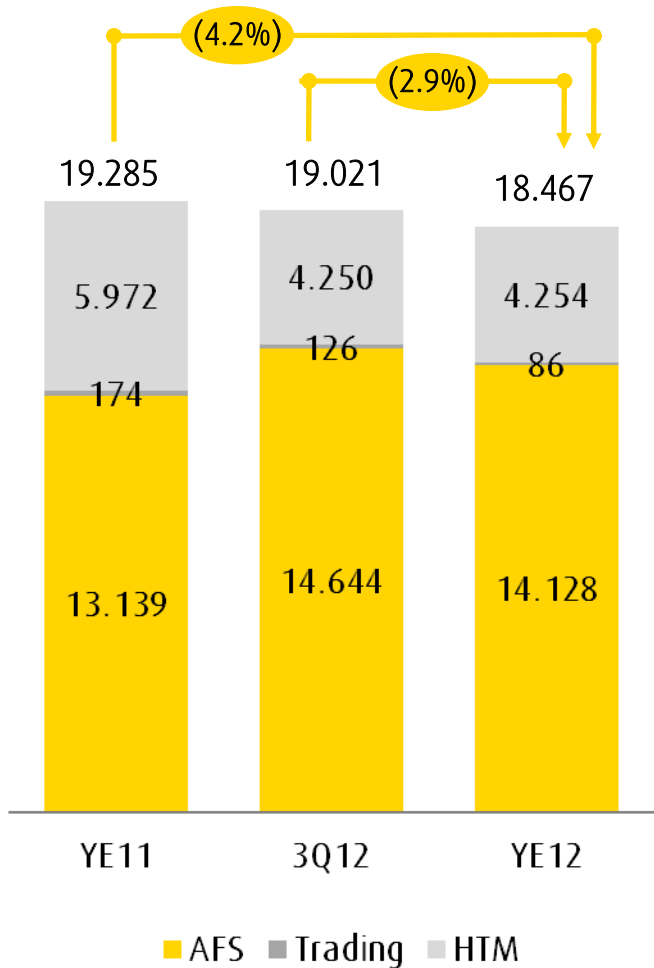


Retail+State Dep. / Total Deposits

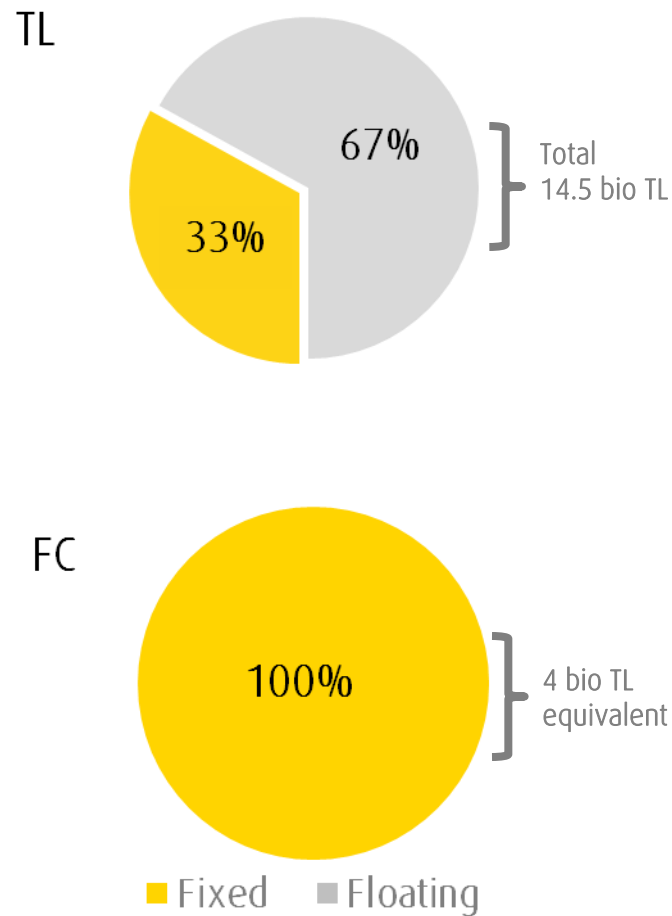


# Securities portfolio mix

Total Securities (TL mio)



Portfolio Structure

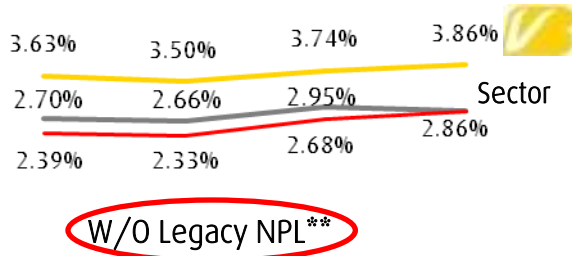


**67%**  
of TL securities are floating.

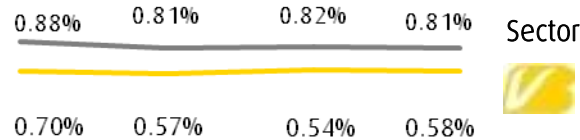
CPI Linkers' share in TL Securities;  
**14.2%**

# NPL Ratios

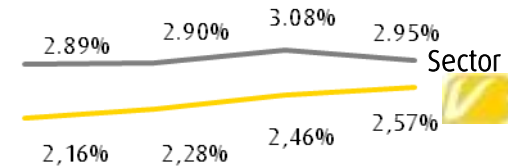
Overall NPL Ratio\* (%)



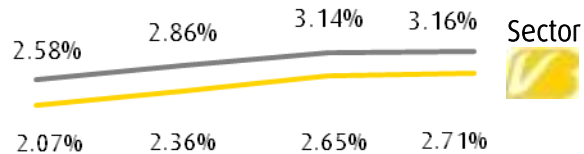
Mortgages NPL (%)



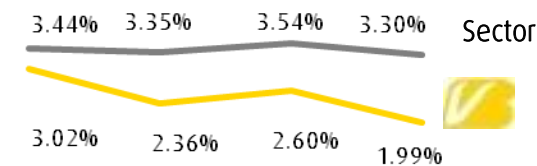
Total Retail NPL (%)



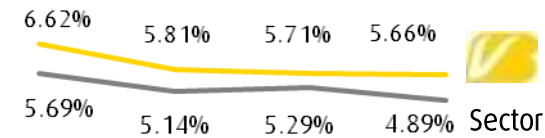
General Purpose Consumer Loans NPL (%)



Commercial Installment NPL (%)



Credit Cards NPL (%)



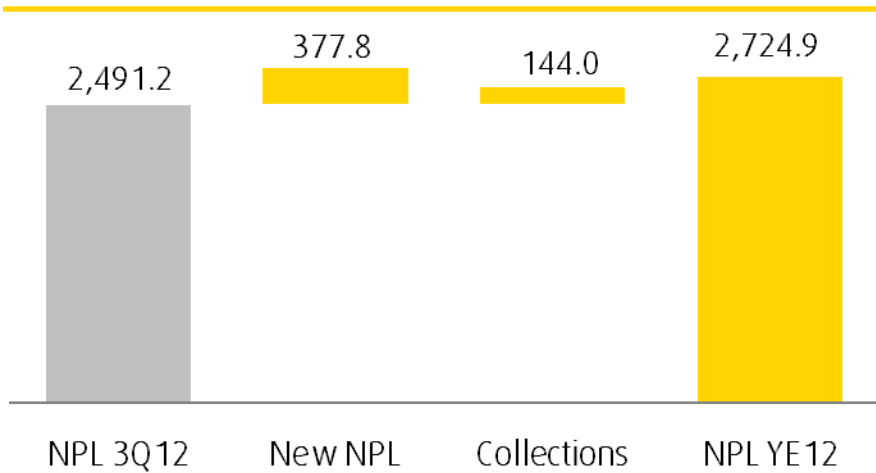
YE11 1H12 3Q12 YE12

YE11 1H12 3Q12 YE12

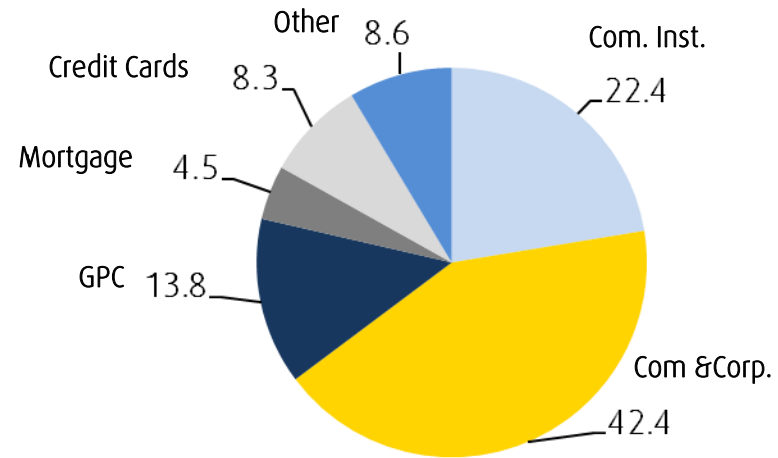
YE11 1H12 3Q12 YE12

# Conservative coverage policy remain unchanged

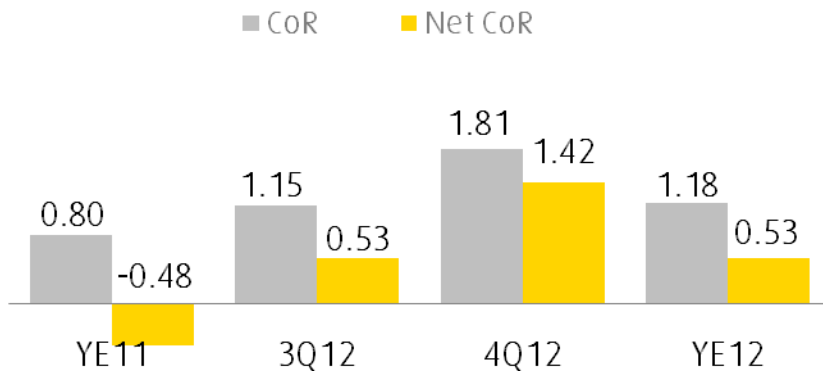
NPL (mio TL)\*



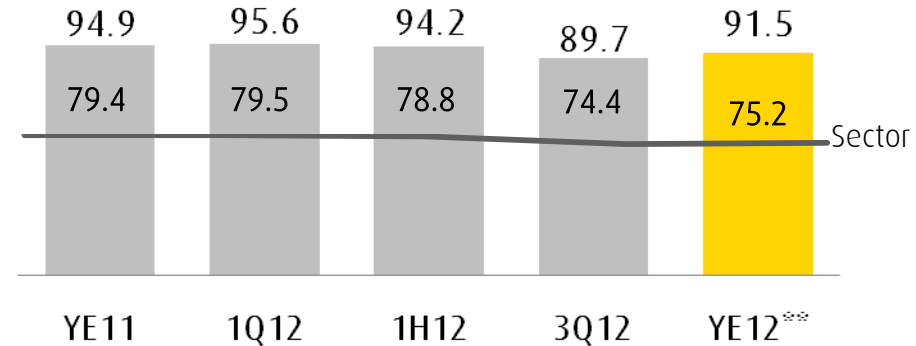
Breakdown of New NPL Inflow (%)



Cost of Risk (%)



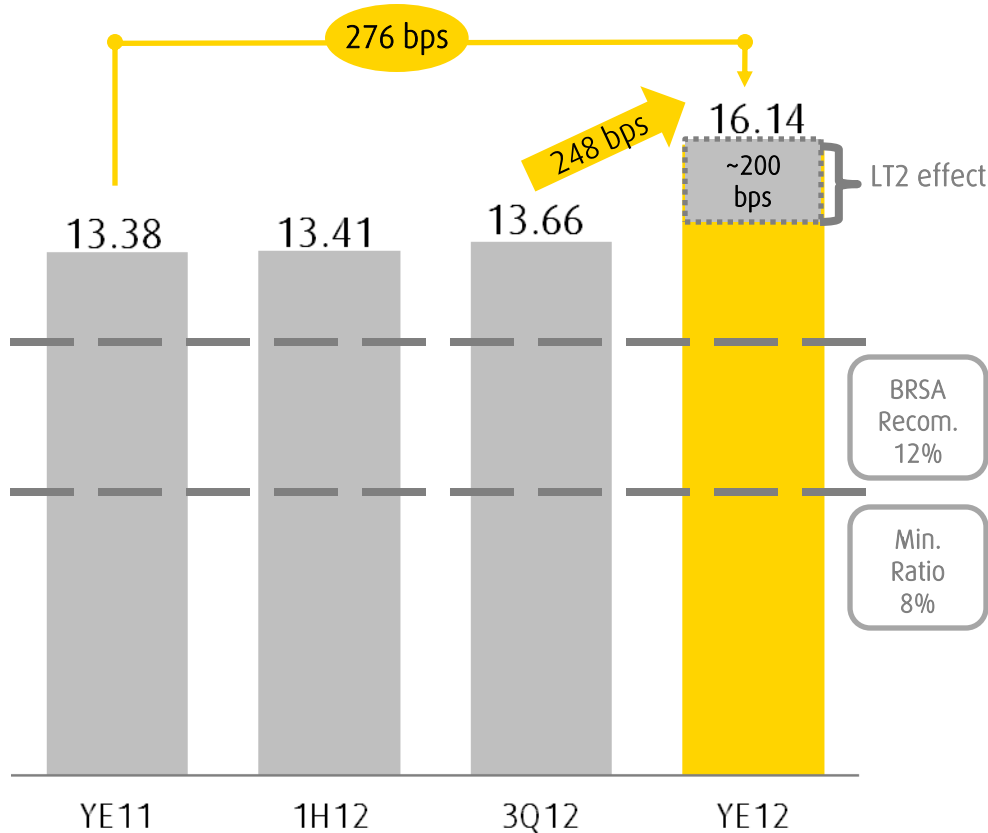
Coverage Ratio of NPL (%)





# One of the best capitalized banks in Turkey

## Capital Adequacy Ratio (%)



## Subordinated Bonds

### November 2012

- US\$ 500 million LT2 with 10 year maturity
- Priced with a fixed coupon of 6%,

### December 2012

- US\$ 415 million LT2 with 10 year maturity
- Priced with a fixed coupon of 5.5%

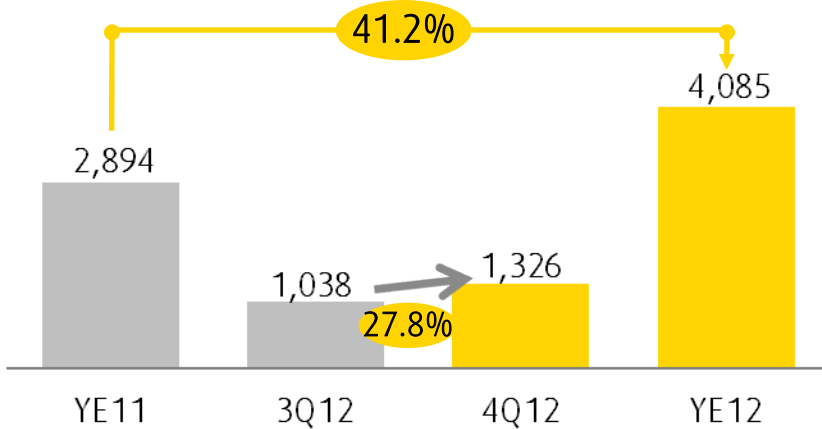
- Total impact on CAR is around 200 bps.

Low Leveraged balance sheet

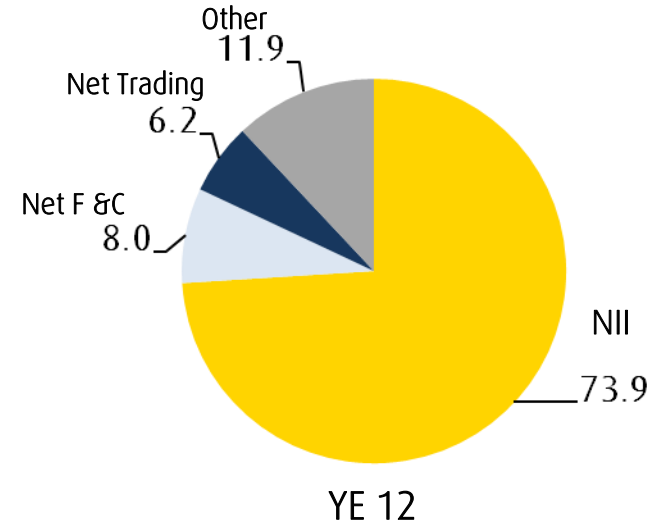
< 8 X Equity

# High quality earnings breakdown

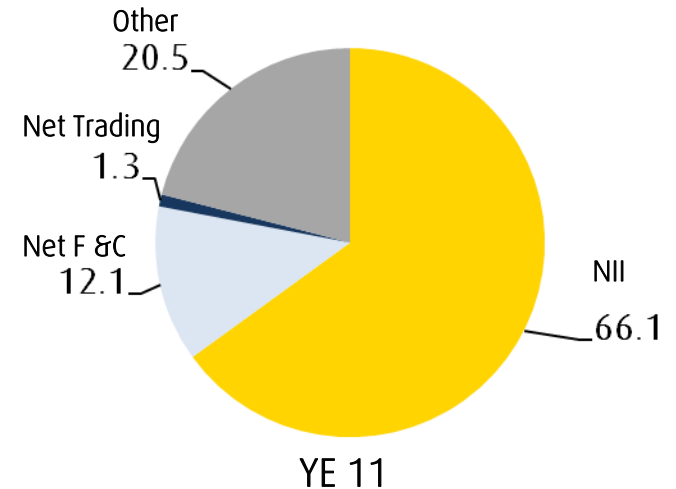
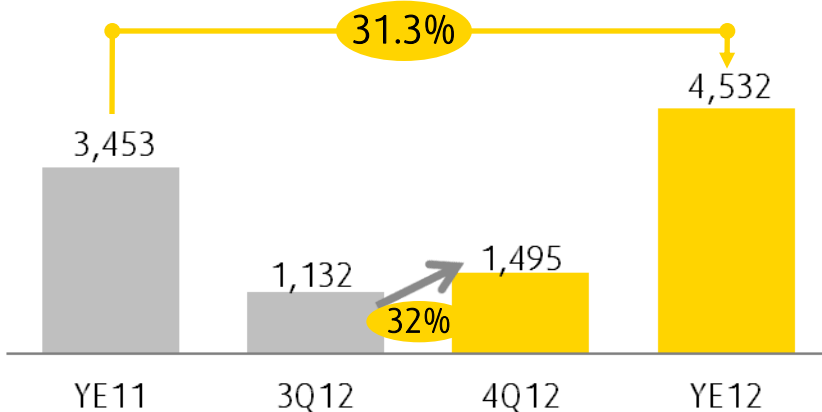
Net Interest Income (TL mio)



Breakdown of Total Revenues (%)

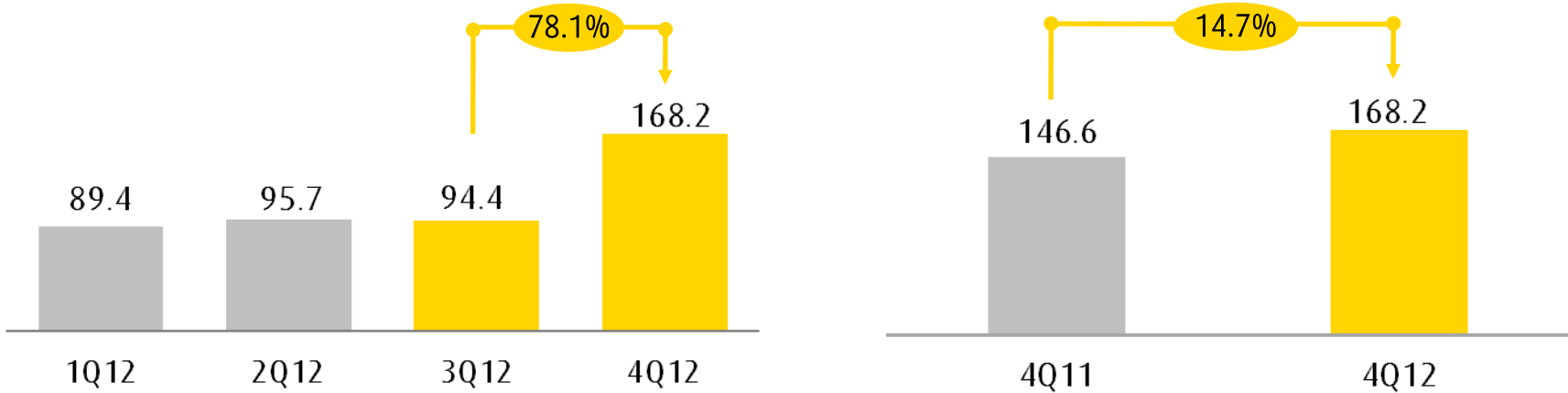


Core Banking Revenues\* (TL mio)

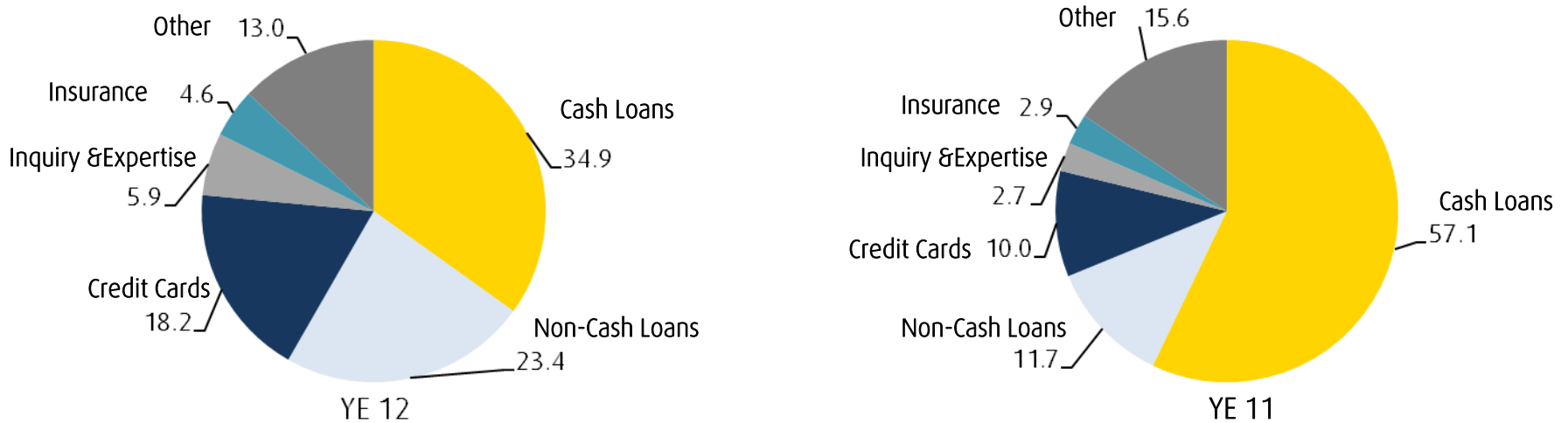


# Highest quarterly fee income ever

Net Fee and Commission Income (TL mio)

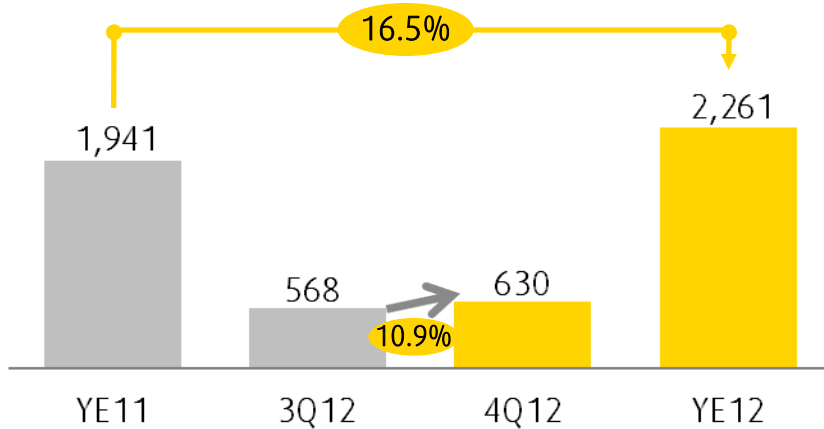


Breakdown of Net Fee&Com. Income (%)

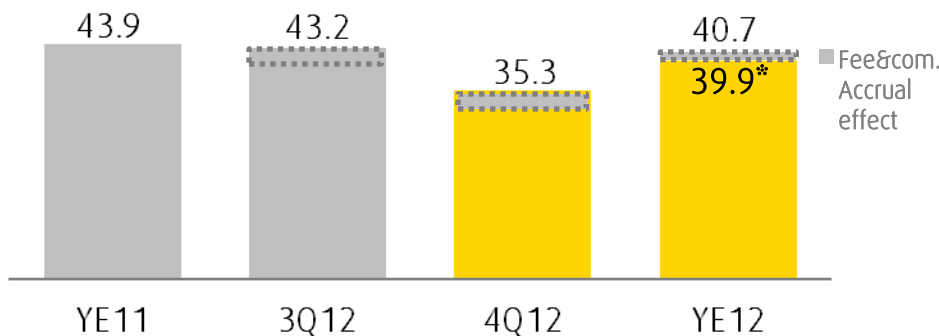


# Improved Cost/Income ratio due to strong revenue growth

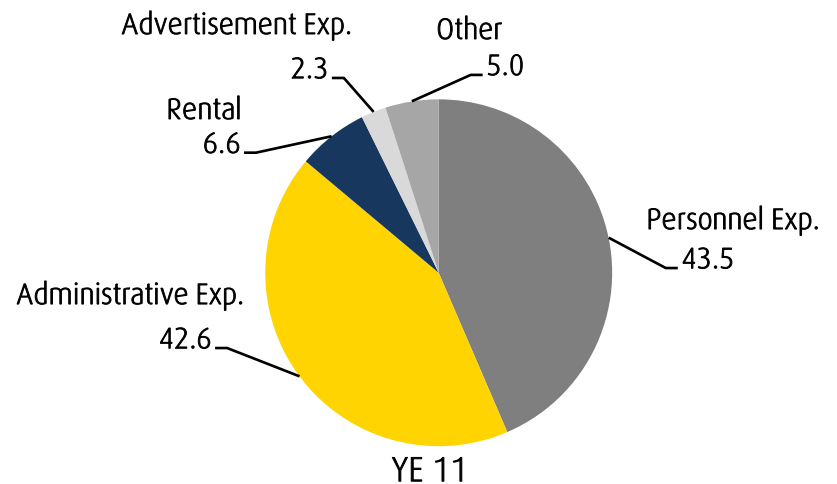
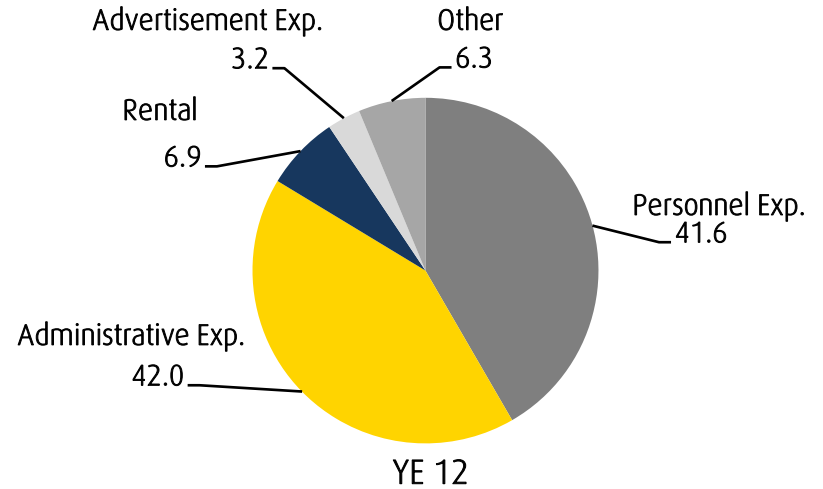
Operating Expenses (TL mio)



Cost/Income (%)



Breakdown of Operating Expenses (%)



# VakifBank with numbers

Distribution Channels & Customer Base (#)	YE2012	Efficiency ('000 TRY)	YE2012
Branches	744	Assets per Employee	7,768
ATMs	2,660	Assets per Branch	140,565
Personnel	13,463	Loans per Employee	5,041
POS Terminals	108,647	Loans per Branch	91,220
Outstanding Credit Cards	2.8 mn	Deposits per Employee	4,995
Total Customers	12.8 mn	Deposits per Branch	90,379
Total Payroll Customers	2.2 mn		
Internet Banking Customers	2.1 mn		
Active Mutual Fund Customers	1.3 mn		

**64** new branch openings in 2012

# Balance Sheet

	(TL-mio, %)	YE2011	3Q2012	YE2012	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	7,137	9,992	12,328	72.7%	23.4%
	Interbank	2,320	1,542	1,955	(15.7%)	26.8%
	Securities	19,285	19,021	18,467	(4.0%)	(2.9%)
	Loans	57,201	64,122	67,868	18.7%	5.8%
	Subsidiaries & Investments	865	967	1,310	51.6%	35.4%
	Property & Equipment	1,094	1,151	1,135	3.8%	(1.5%)
	Other	1,284	1,424	1,518	18.2%	6.6%
	<b>Total Assets</b>	<b>89,184</b>	<b>98,219</b>	<b>104,580</b>	<b>17.3%</b>	<b>6.5%</b>
Liabilities & SHE	Deposits	60,939	64,018	67,242	10.3%	5.0%
	Funds Borrowed	8,237	7,402	7,475	(9.3%)	1.0%
	Other	9,426	14,309	12,233	29.8%	(14.5%)
	Provisions	1,283	1,440	1,641	27.9%	14.0%
	<b>Shareholders Equity</b>	<b>9,298</b>	<b>11,051</b>	<b>11,918</b>	<b>28.2%</b>	<b>7.8%</b>
Off-B.S	Guarantees	15,664	16,494	17,217	9.9%	4.4%
	Commitments	44,555	49,564	50,322	12.9%	1.5%
	Derivatives	12,950	15,659	14,397	11.2%	(8.1%)

# Income Statement

(TRY-Thousand, %)	YE2011	9M2012	YE2012	Δ{YE11 YE12}	Δ{3Q12 4Q12}
Net Interest Income	2,893,718	2,758,165	4,084,594	41.2%	27.8%
Net Fee & Com. Income	559,307	279,546	447,700	(19.9%)	78.1%
Dividend Income	44,817	56,996	57,078	27.4%	(45.7%)
Net Trading Income	39,000	164,954	336,542	762.9%	266.9%
Other Income	885,315	505,933	624,680	(29.4%)	(12.4%)
<b>Total Revenues</b>	<b>4,422,157</b>	<b>3,765,594</b>	<b>5,550,594</b>	<b>25.5%</b>	<b>35.8%</b>
Operating Expense	(1,941,380)	(1,630,771)	(2,261,175)	16.5%	10.9%
Provisions	(905,596)	(839,727)	(1,404,024)	55.0%	62.7%
Tax Provisions	(348,396)	(285,748)	(425,281)	22.1%	47.4%
<b>Net Income</b>	<b>1,226,785</b>	<b>1,009,348</b>	<b>1,460,114</b>	<b>19.0%</b>	<b>47.7%</b>

## Diversified funding source via Non-Deposit Funding

### Syndicated Loan

#### April, 2012

- Secured US\$ 152 million and € 586.7 million 1 year syndicated loan, the all-in cost has been realized as Libor +1.45% and Euribor + 1.45%, respectively
- 98% roll-over ratio 41 banks from 19 countries participated.

#### September, 2012

- Secured US\$ 151 million and € 444.5 million 1 year syndicated loan, the all-in cost has been realized as Libor +1.35% and Euribor + 1.35%, respectively
- 103% roll-over ratio 24 banks from 16 countries participated.

### Eurobond

#### April, 2012

- US\$ 500 million Eurobond with 5 year maturity
- Priced with a fixed coupon of 5,75%, 5.2x over-subscribed,194 investors participated, Geographic allocation of issuance: EU 36%, USA 27%, UK 27%, Asia 7%, ME 3%

### Local Currency Bond

- Issued on June 2012 and terminates on June 2013 with a 374 days maturity, TL 105.1 million bond at a cost of 0.84% and 0.69% coupon payment rate.
- Issued on July 2012 and terminates on June 2013 with a 318 days maturity, TL 98.1 million bond at a cost of 9.07%.
- Issued on September 2012 and terminates on March 2013 with a 175 days maturity, TL 181.6 million bond at a cost of 7.39%.
- Issued on November 2012 and terminates on May 2013 with a 171 days maturity, TL 615.4 million bond at a cost of 6.49%.
- Issued on November 2012 and terminates on November 2013 with a 346 days maturity, TL 53.4 million bond at a cost of 6.93%.
- Issued on January 2013 and terminates on June 2013 with a 143 days maturity, TL 115.7 million bond at a cost of 6.75%.
- Issued on January 2013 and terminates on July 2013 with a 168 days maturity, TL 734.3 million bond at a cost of 7%.
- Issued on January 2013 and terminates on January 2014 with a 364 days maturity, TL 150 million bond at a cost of 7.50%.





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