

# Earnings Presentation

BRSA Bank-Only 3Q 2012

November 9, 2012



# 3Q 2012 Macro Highlights

- ✍ Increased risk perceptions in the global markets led to a rise in expectations for the new monetary easing steps.
- ✍ The International Monetary Fund cut its forecast for global economic growth. The IMF revised down 2013 forecast for global growth to 3.9 percent from the 4.1 percent.
- ✍ Turkey's real GDP growth rate slowed down to %2.9 YoY in 2Q12. Net export continued to be the main source of the growth again in 2Q12.
- ✍ Annual CPI increased to %9.2 in September 2012 but core inflation continued to decline.
- ✍ Unemployment rate rose to %8.4 in July from %8.0 in June due to the rise of youth unemployment rate.
- ✍ Improvement in the current account deficit continued in 3Q12. Annual cumulative current account deficit decreased to \$59 billion which is the lowest level since March 2012.
- ✍ Central Bank (CBRT) started to narrow the interest rate corridor by reducing the upper band of corridor in 3Q12. CBRT also continued to use the Reserve Option Coefficients as a new policy tool.
- ✍ USD/TL exchange rate moved within the range 1.77-1.83 in the third quarter of the 2012.
- ✍ Benchmark bond yield decreased to the level of 7.58% in 3Q12 from 8.6% in 2Q12 with the effect of narrowing in interest rate corridor.
- ✍ Turkish Government recently announced Medium Term Economic Program for 2012-2015;

## 2013-2015 Medium Term Program Main Macroeconomic And Fiscal Targets

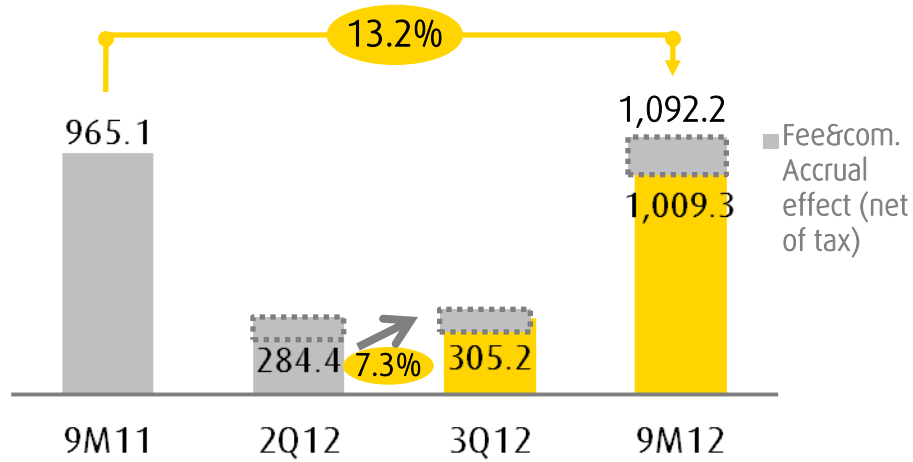
	2012	2013	2014	2015
GDP (Growth Rate)	3.2	4	5	5
Unemployment Rate (%)	9	8.9	8.8	8.7
Budget Balance/ GDP (%)	-2.3	-2.2	-2	-1.8
Current Account Balance / GDP (%)	-7.3	-7.1	-6.9	-6.5
CPI (y-y.%)	7.4	5.3	5	5

# 3Q 2012 VakifBank Highlights

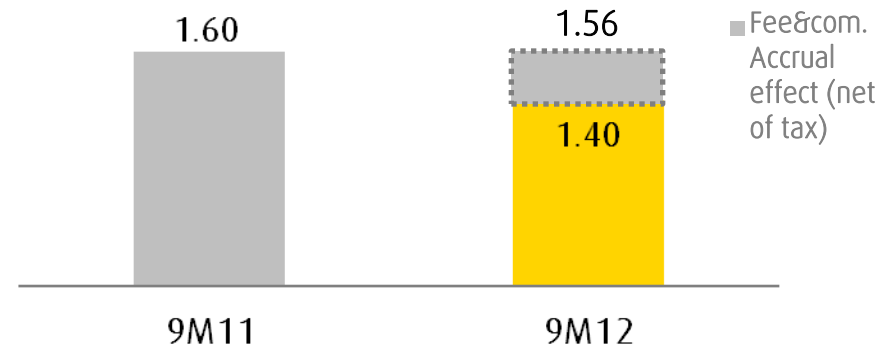
- Bank-only net income is 1,009.3 mio TL, up by 4.6% YoY; fee and commission income adjusted\* comparable net income is 1,092.2 mio TL; up by 13.2% YoY; quarterly net income is 305.2 mio TL, up by 7.3% QoQ.
- Strong top line performance continued; the highest quarterly net interest income figure ever with 1,038.0 Mio TL, up by 32.2% YoY and 15.5% QoQ.
- The highest NIM\*\* in the peer group with 4.96%; the best NIM expansion in peer group with 58 bps QoQ despite 140 bps contraction in security yields because of TL CPI-linkers;
  - ✓ TL loan yields up by 12 bps QoQ to 13.72%; the highest yield in peer group.
  - ✓ TL deposit costs down by 38 bps QoQ to 7.42%; one of the best in the peer group.
  - ✓ TL core spread expanded 50 bps QoQ and FX core spread widened 26 bps QoQ
- Loan growth at 3.3% QoQ and 12.1% Ytd, in line with the annual guidance of 15 to 17%
- TL loan growth at 5.2% QoQ, mainly driven by SME lending, which is up by 8.4% QoQ.
- Annual deposit growth at 15.2%, outperforming sector average of 7.9% mainly driven by retail deposit, which is up by 6.2% QoQ and 28.7% YoY. The share of retail deposits in total deposits is up by 201 bps QoQ to 38.4%.
- Nominal NPL growth at 15.5% Ytd and 10.8% QoQ; better than the sector averages of 21% Ytd and 13.9% QoQ without asset sale & write off; NPL ratio stands at 3.7%.
- Steady cost discipline;
  - ✓ Opex is up by 14.6% YoY, inside 2012 guidance despite non-recurring costs of headquarter move to Istanbul and new branch openings.
  - ✓ Branch extension accelerated, 51 new branches opened QoQ and total branch number reached to 741.
  - ✓ 9M Cost/Income is down by 24 bps YoY to 43.3%
- Solvency ratios continue to improve to 13.66% CAR under Basel-II; will be boosted 110 bps more with 500 mio USD LT2 issued on 1st of November.

# 3Q 2012 Earnings and Ratios

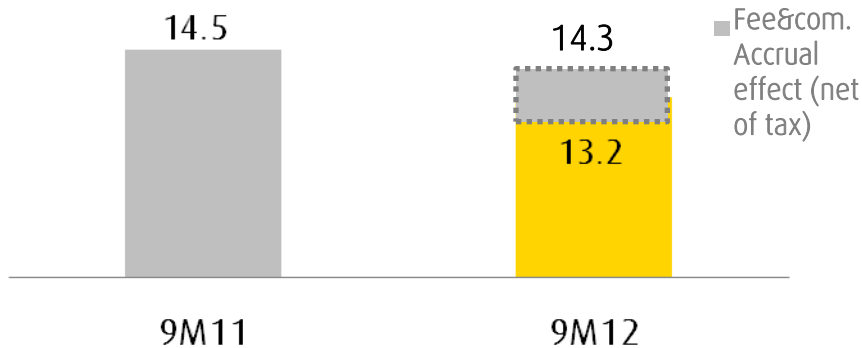
Net Income (Mio TL)\*



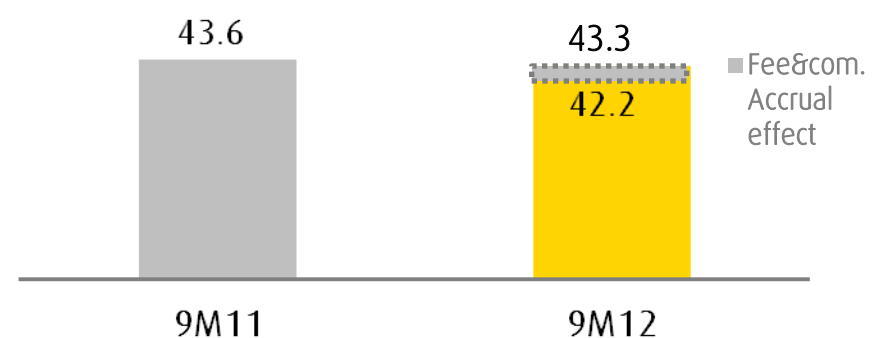
ROAA (%)



ROAE (%)

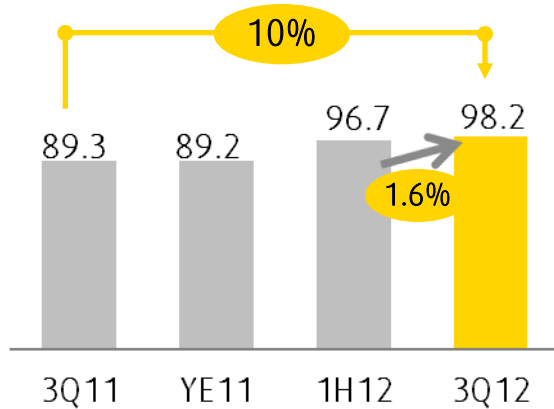


Cost/Income (%)

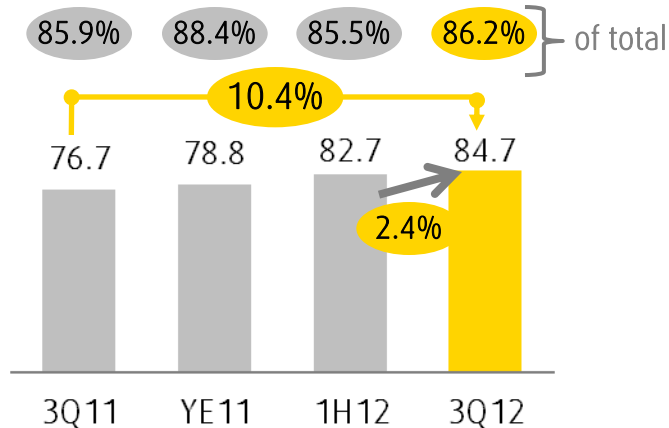


# Total Assets

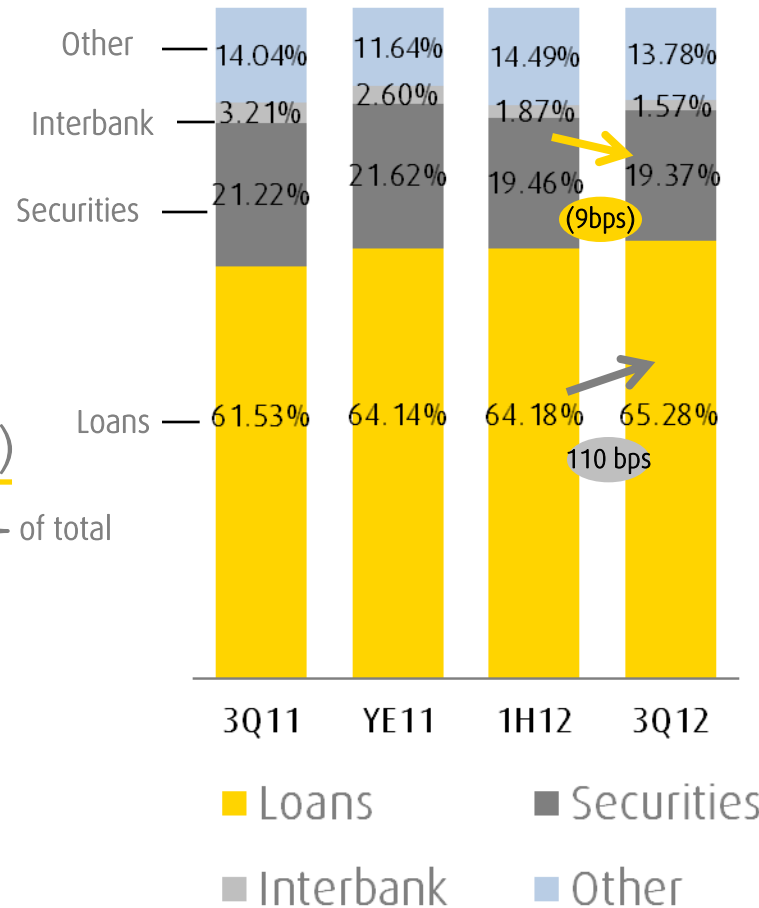
Total Assets (TL bio)



Interest Earning Assets (TL bio)



Breakdown of Assets (%)



Asset Growth; YoY

**10%**

Reshuffling from securities to loans continued; securities' share in assets decreased YoY ;

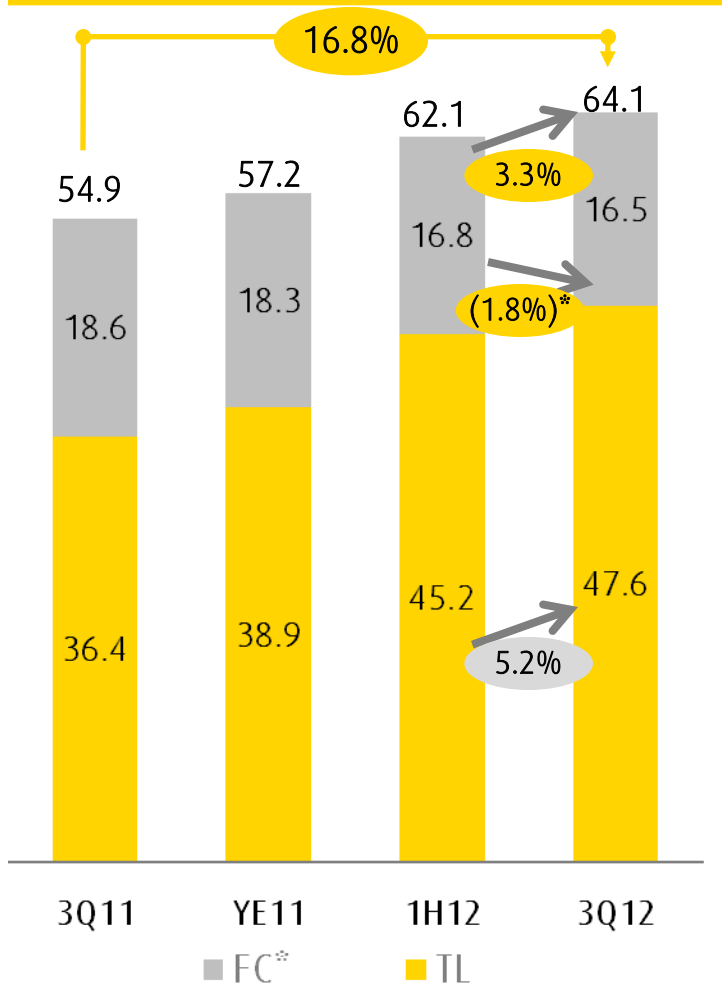
**1.9 pps** to **19.4%**

Loans' share in assets increased YoY;

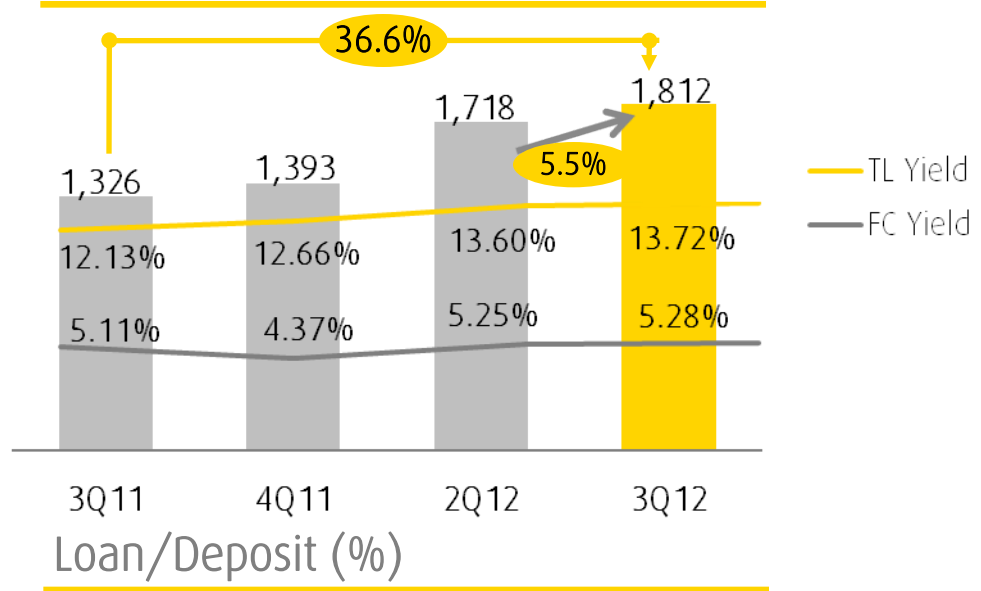
**3.8 pps** to **65.3%**

# The highest TL loan yield in peer group\*\* thanks to focus on lucrative products

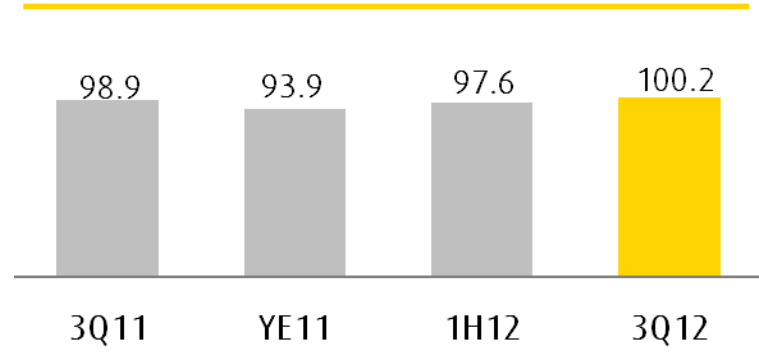
Total Loans (TL bio)



Interest Income on Loans (TL mio)



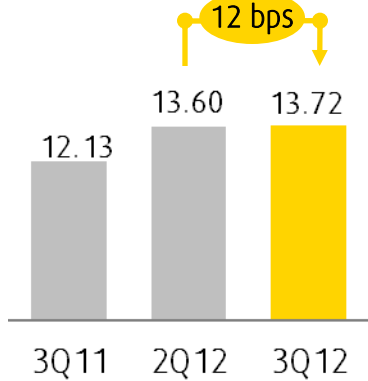
Loan/Deposit (%)



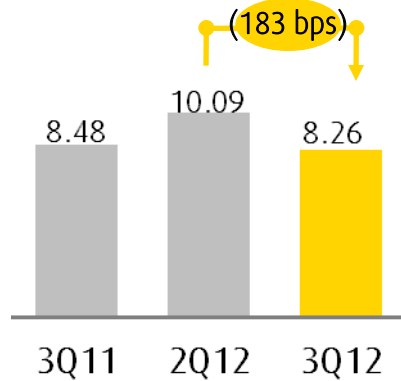
# Strong margin extension despite negative contribution from TL CPI-linkers securities

## Yields (%)

### TL Loans

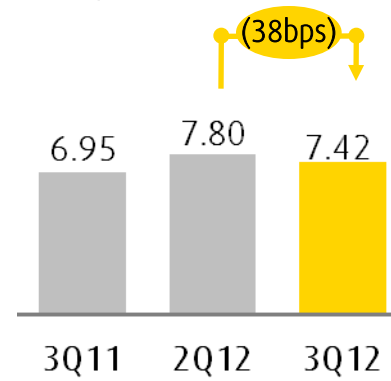


### TL Securities

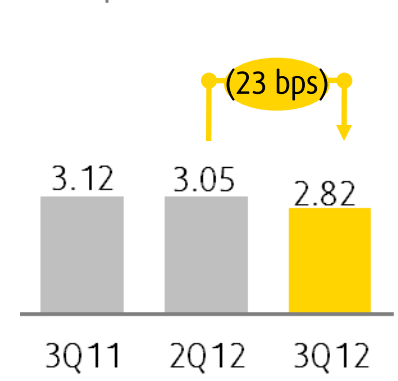


## Cost of Deposits (%)

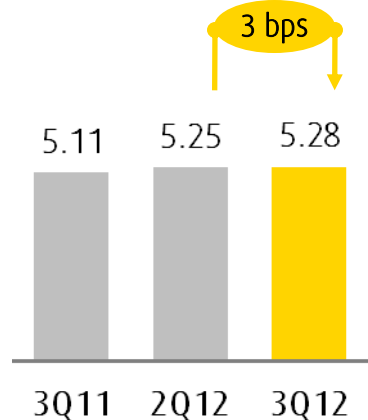
### TL Deposits



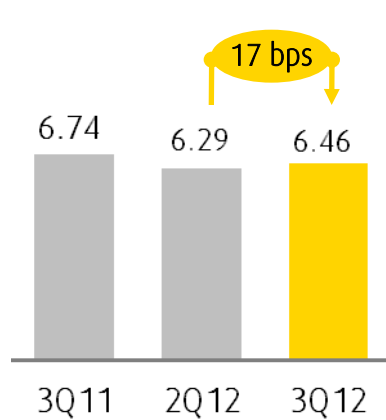
### FC Deposits



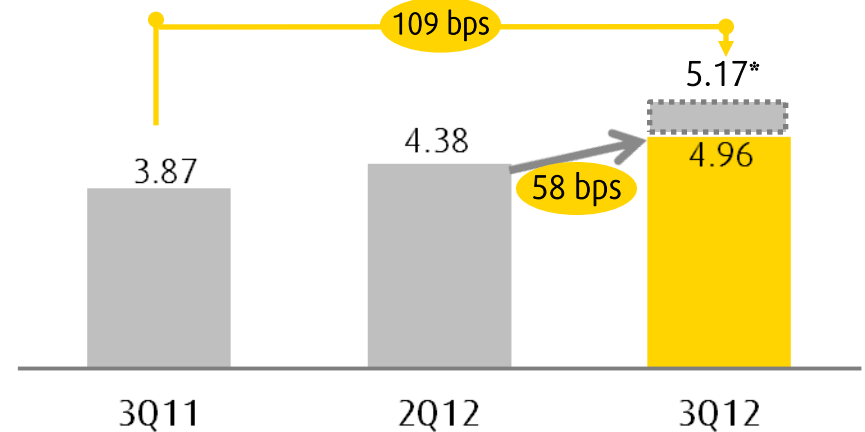
### FC Loans



### FC Securities

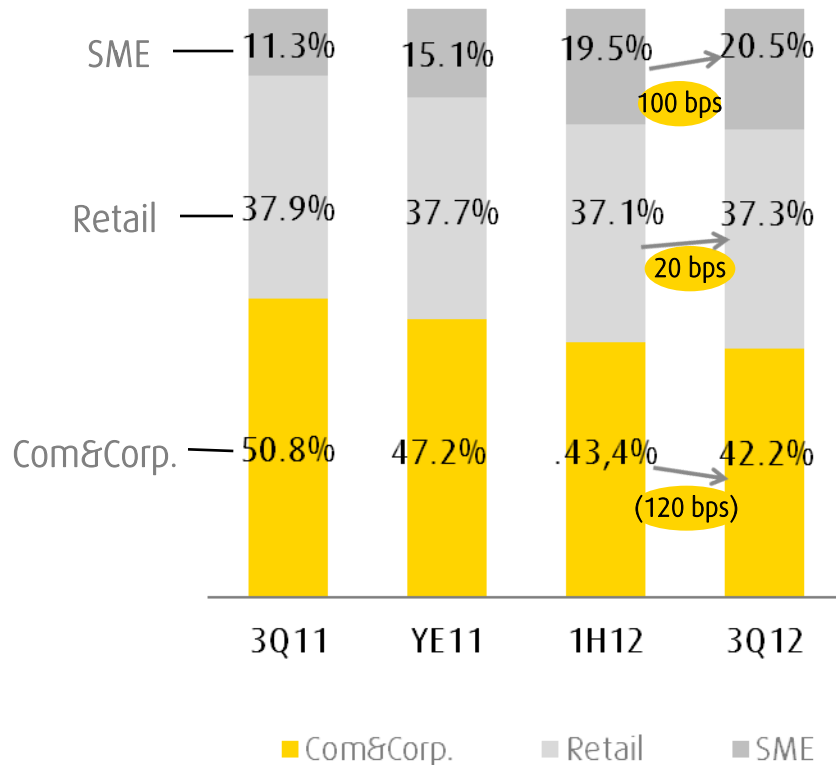


## Net Interest Margin (NIM %)

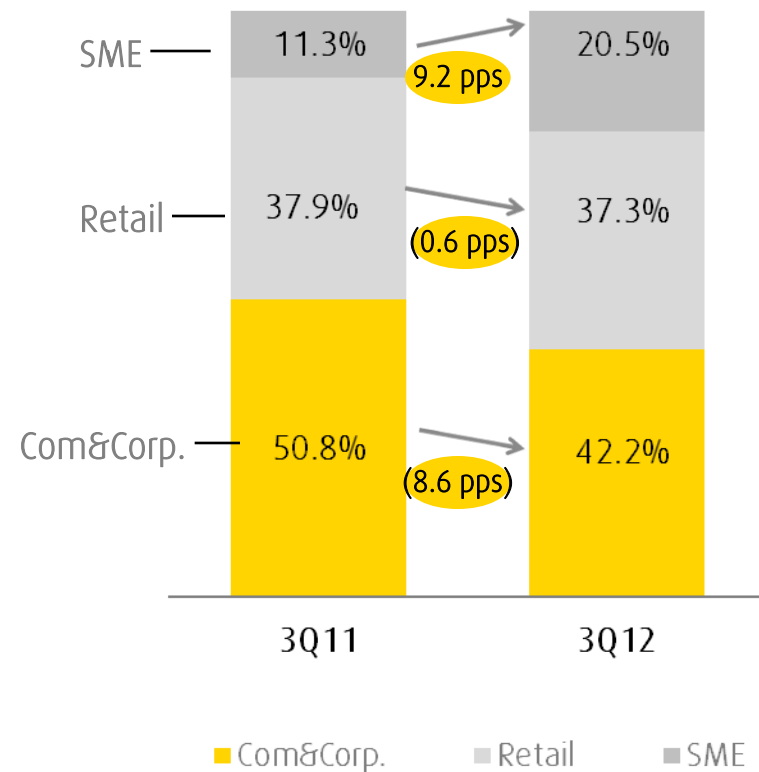


# Significant shift towards higher yielding SME segment continue to support NIM

Breakdown of Loans (%)



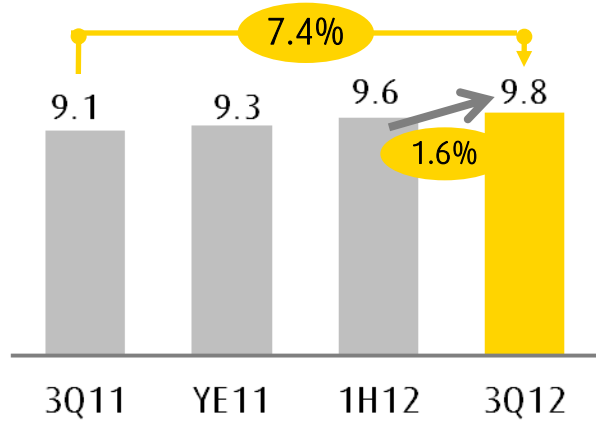
Portfolio Shift (%)



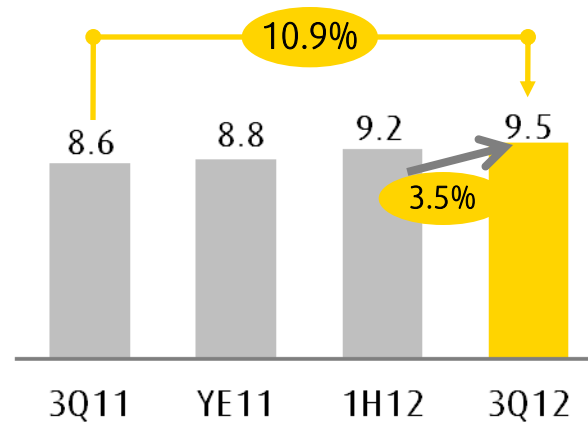


Strong presence in retail lending maintained despite slowdown in GPC due to high provisioning and capital costs

General Purpose Consumer (TL bio)



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



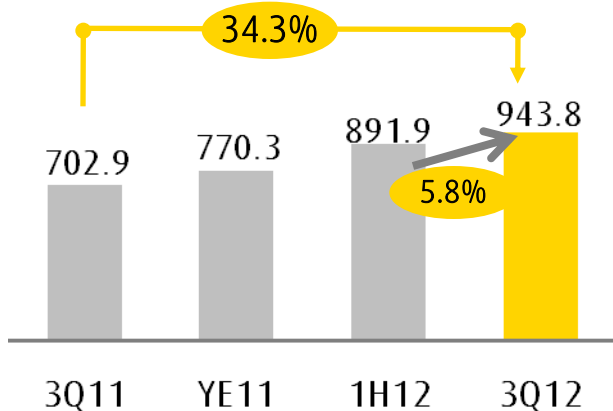
Rankings\*;

# 2 in GPC

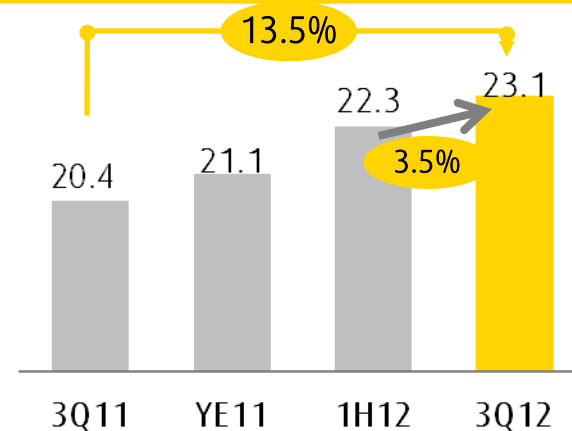
# 2 in mortgage

# 1 in retail overdraft

Retail Overdraft (TL mio)



Total Retail (TL bio)

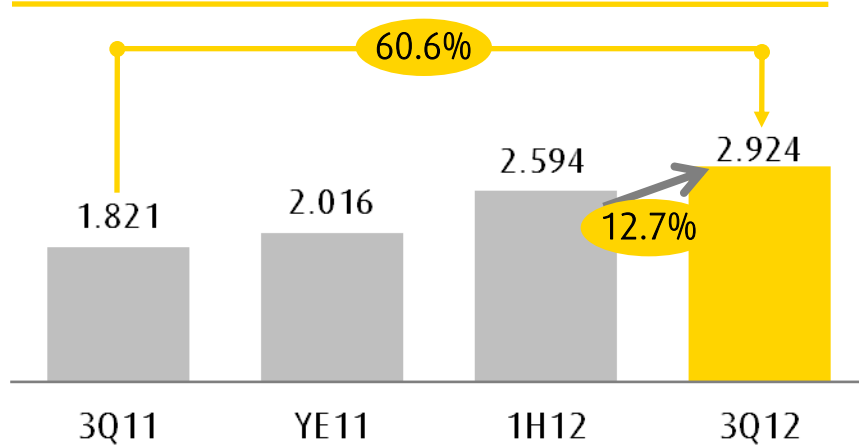


Strong presence in key retail segments thanks to

**2.2 million** pay-roll accounts

# Consistent growth in Credit Cards

Credit Card Loans (TL mio)



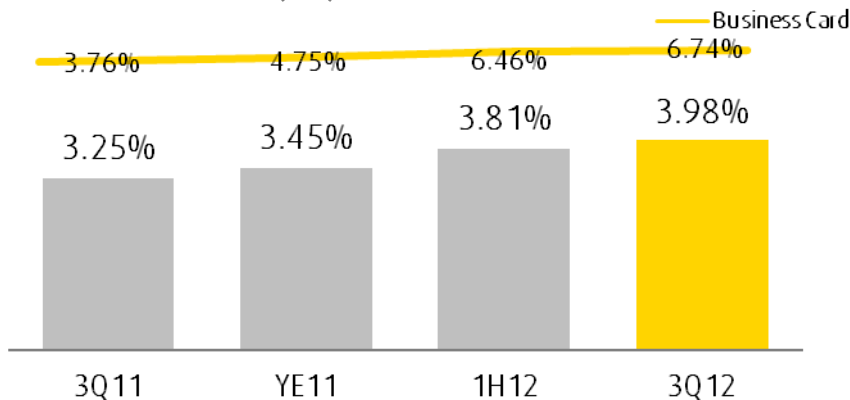
Credit Card Loans growth Ytd;

**45%**

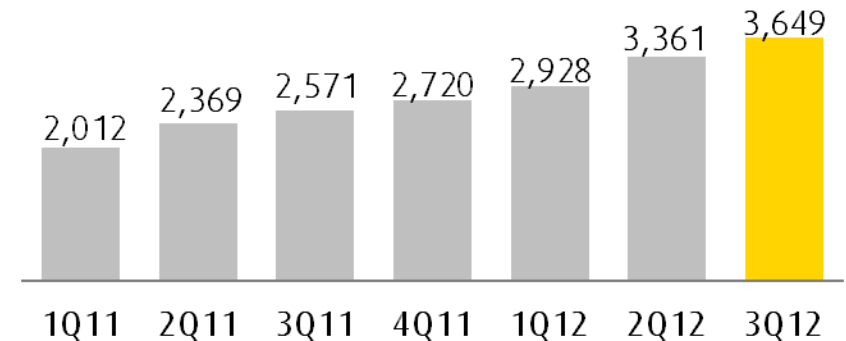
Sector growth Ytd;

**25.5%**

Market share\* (%)

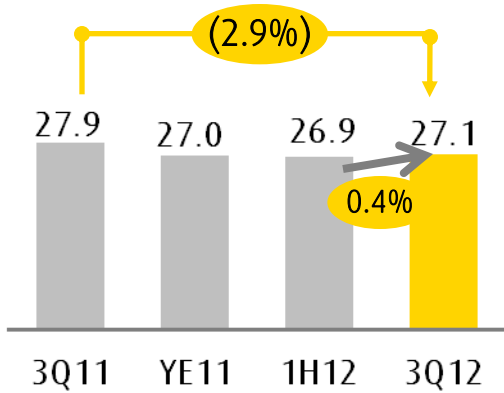


Average Quarterly Issuing Volume (TL mio)

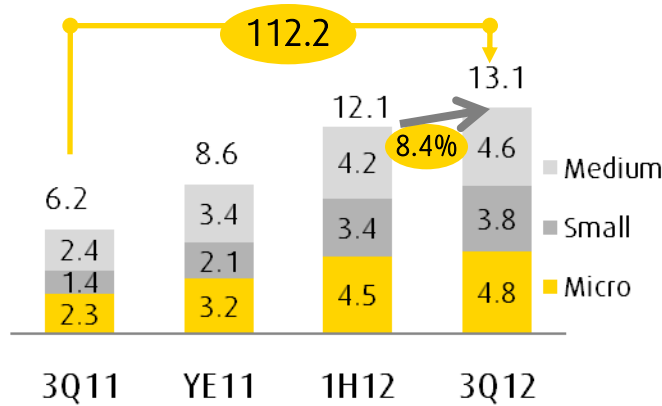


# High yielding SME lending growth continued

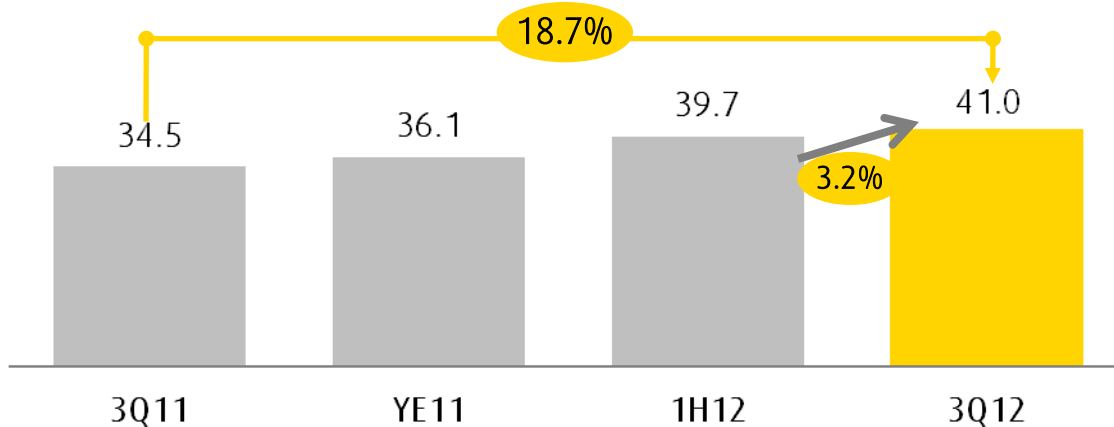
Corporate (TL bio)



SME\*(TL bio)



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



Highly collateralized & high yielding SME loans

QoQ growth;

**8.4%**

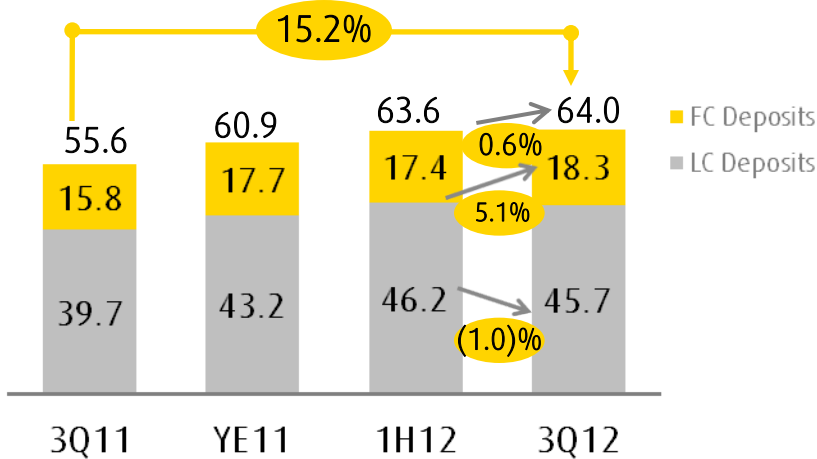
Share in total loans

**20.5%**

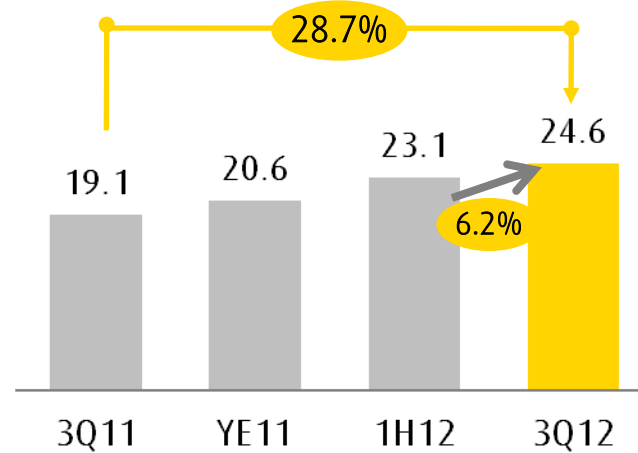
still below peer group average, promises further growth

# Composition shift in favour of less costly retail and demand deposits

Total Deposits (TL bio)



Total Retail Deposits (TL bio)



Deposit growth; YoY

**15.2%**

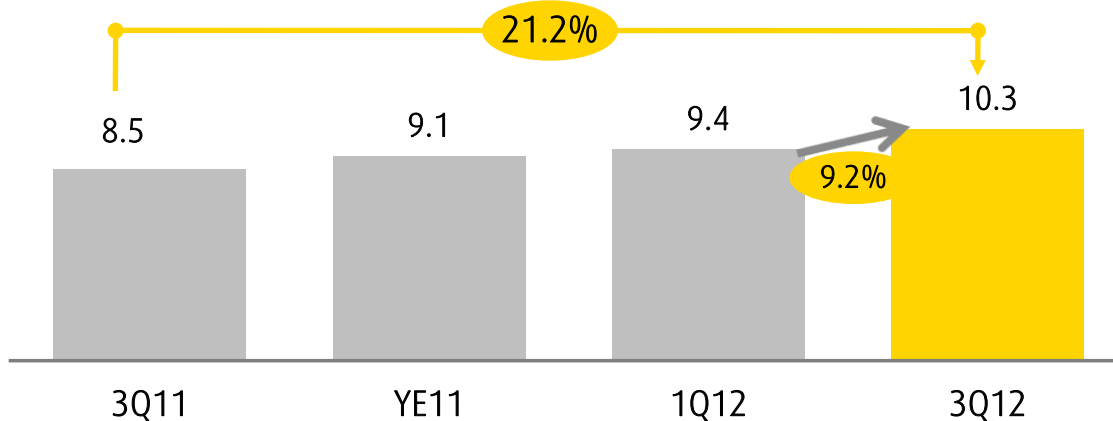
Outperforming sector average growth YoY;

**7.9%**

Fueled by retail deposit growth YoY;

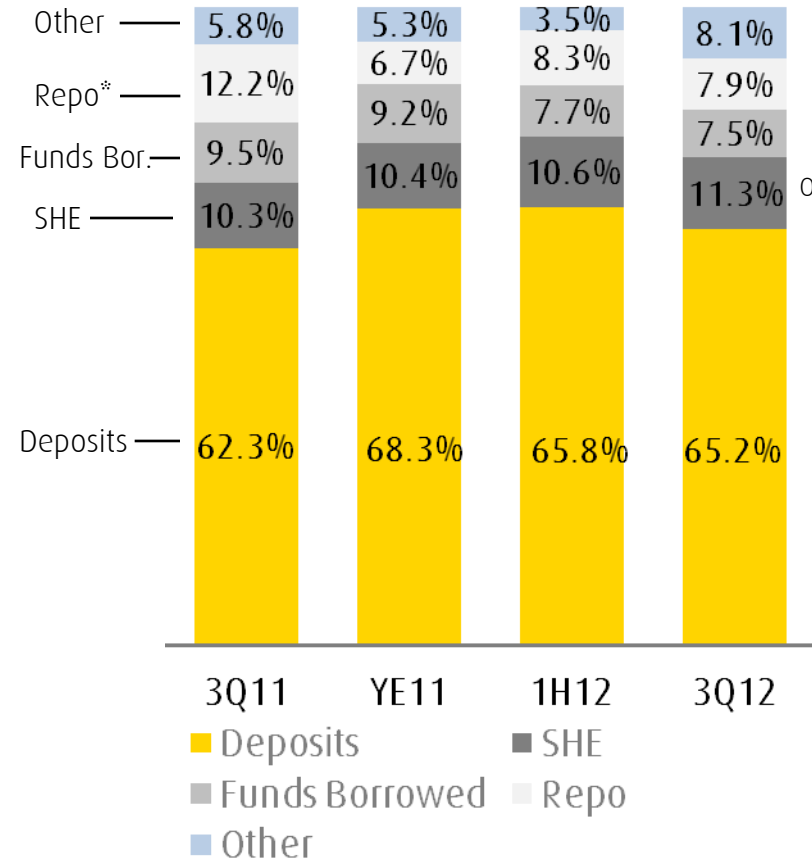
**28.7%**

Demand Deposits (TL mio)

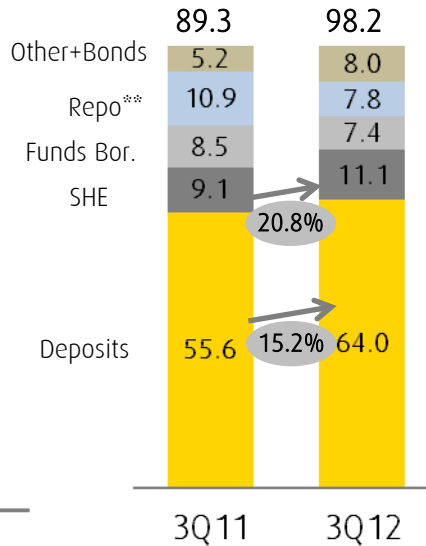


# Solid funding mix-deposit heavy funding structure remained

## Breakdown of Liabilities (%)



## Liabilities Shift (TL bio)



Wholesale Borrowing

Funds Borrowed+Bonds Issued / Liabilities

**10.7%**

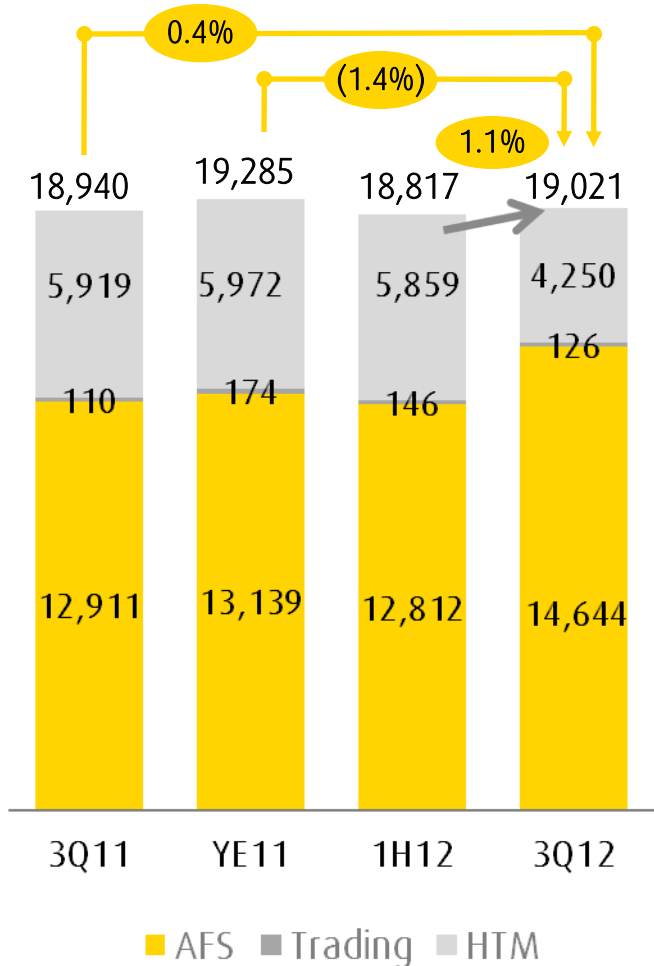
Deposits Heavy Funding Structure

Total Deposits / Liabilities

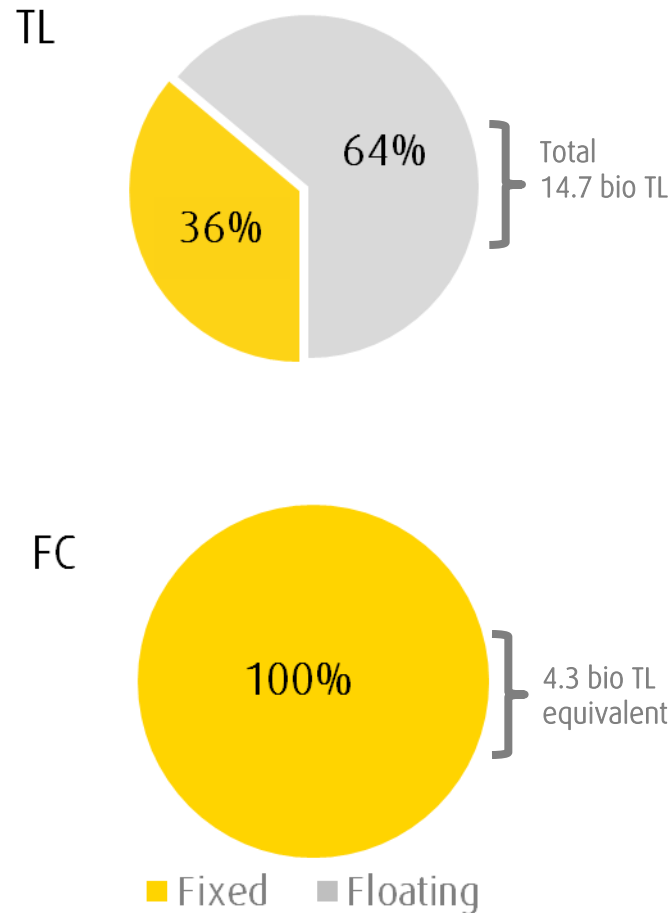
**65.2%**

# Securities portfolio mix

Total Securities (TL mio)



Portfolio Structure

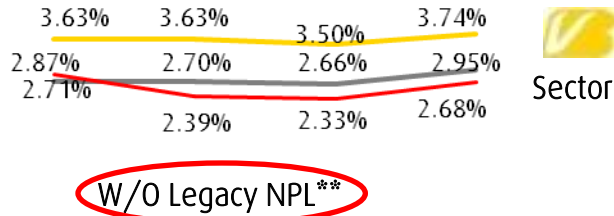


**64%**  
of TL securities are floating.

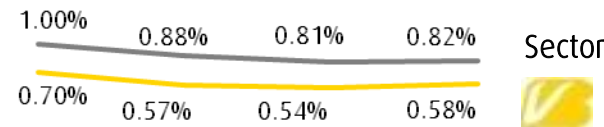
CPI Linkers' share in TL Securities;  
**13%**

# NPL Ratios

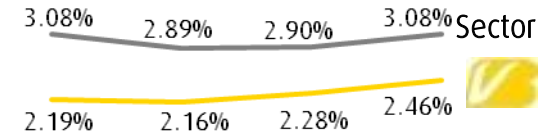
Overall NPL Ratio\* (%)



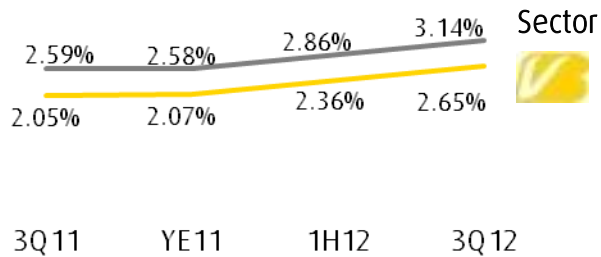
Mortgages NPL (%)



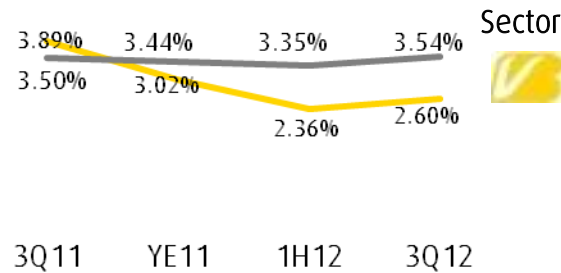
Total Retail NPL (%)



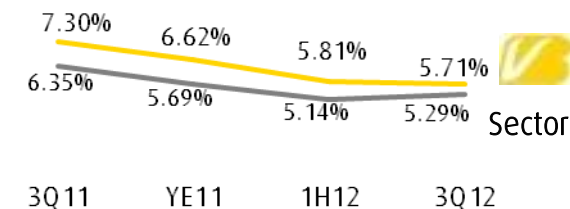
General Purpose Consumer Loans NPL (%)



Commercial Installment NPL (%)

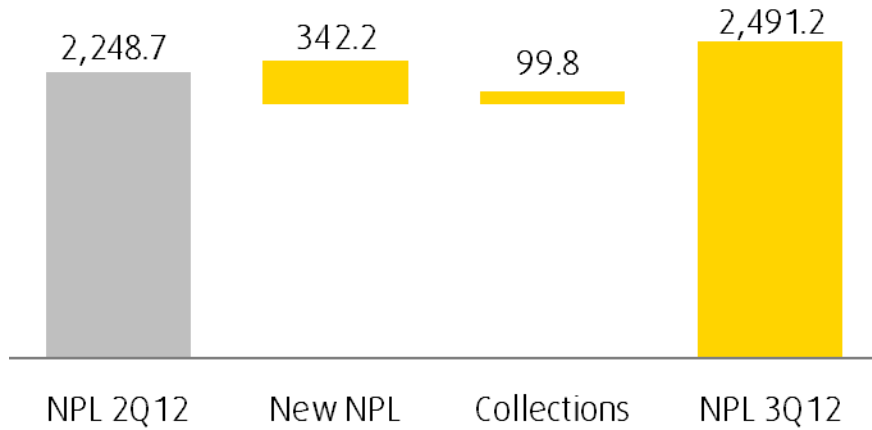


Credit Cards NPL (%)

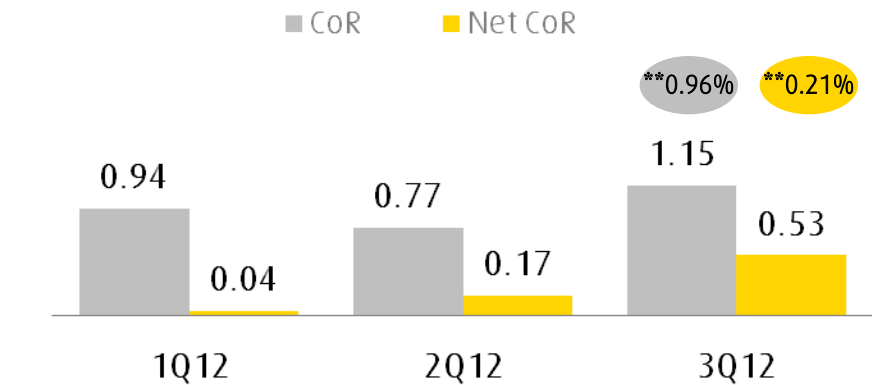


# Conservative coverage policy remain unchanged

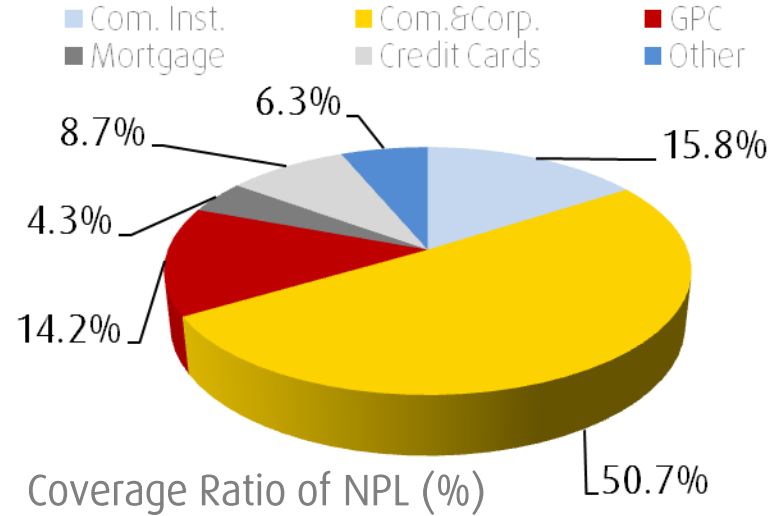
NPL (mio TL)\*



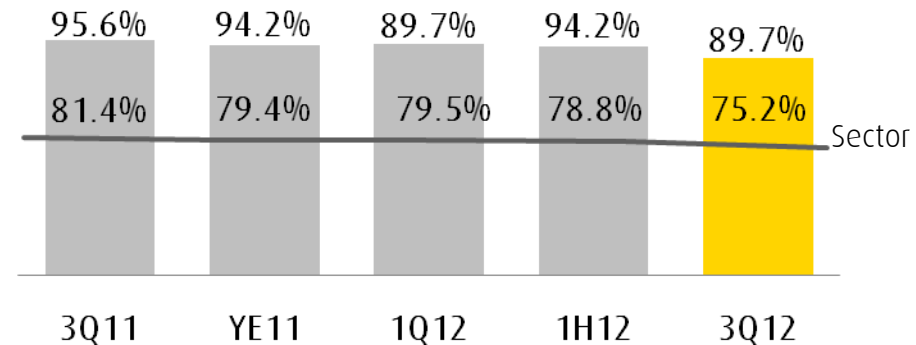
Cost of Risk (%)



Breakdown of New NPL Inflow



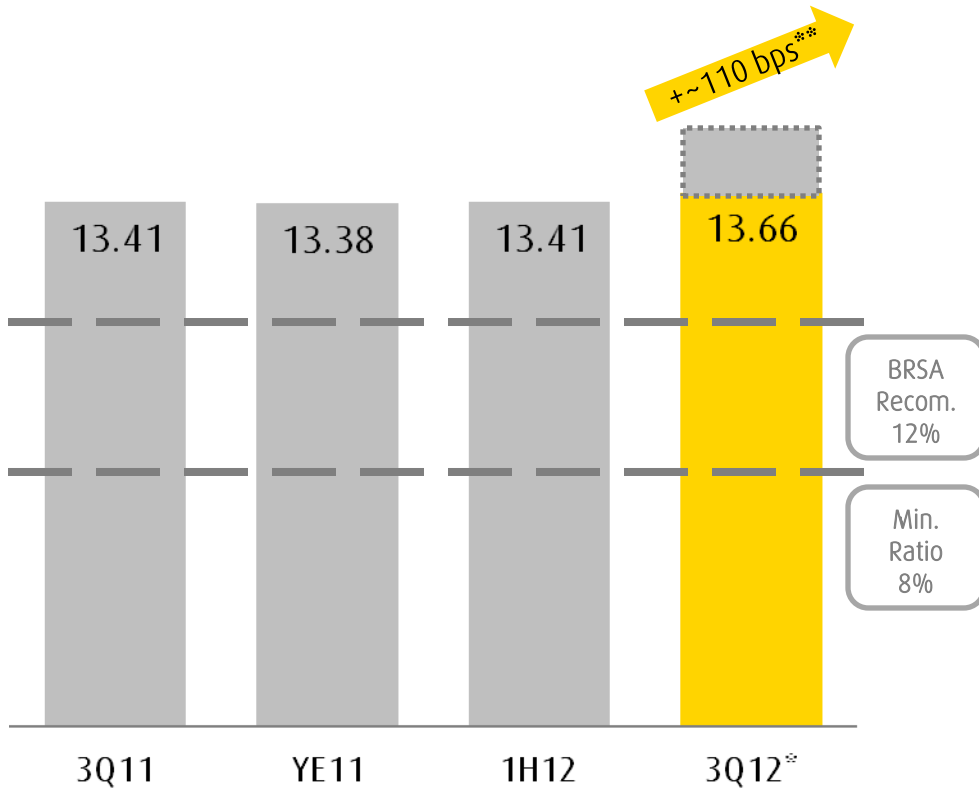
Coverage Ratio of NPL (%)





# Negative impact of Basel II diminished thanks to MtM gains & rational usage of capital

## Capital Adequacy Ratio (%)



## Subordinated Bond Issuance

### November 2012

- US\$ 500 million LT2 with 10 year maturity
- Priced with a fixed coupon of 6%,
- 5.2x over-subscribed,
- 207 investors participated,
- Allocation: 43% to private banking customers; 38% to asset management companies and 19% to banks,
- The impact on CAR will be around 110 bps.

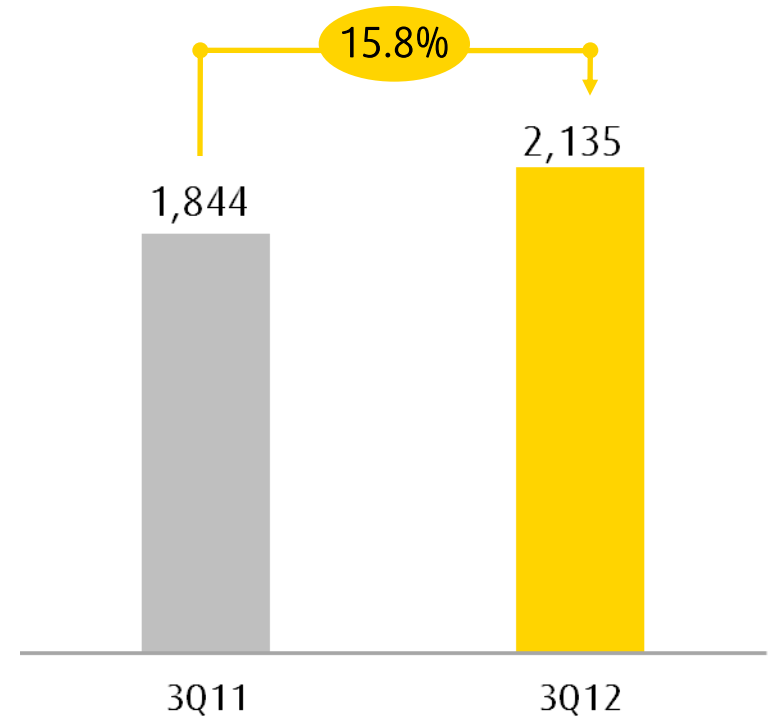
Low Leveraged balance sheet

< 8 X Equity

# Earnings Summary

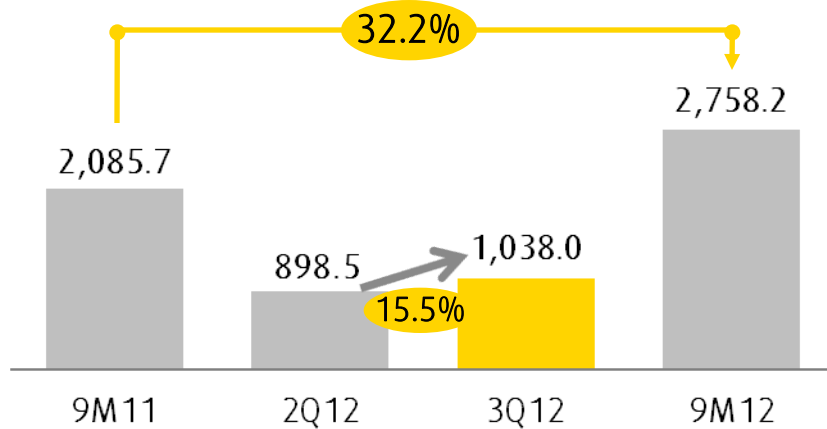
(TL-mio, %)	9M2011	9M2012	Growth
Net Interest Income	2,085.7	2,758.2	32.24
Adj. Net F&C Income	412.7	383.2	(7.16%)
Net Trading Income	15.6	165	955.71%
Divident Income	44.5	57	28.09%
Other Operating Income	707.9	505.9	(28.53%)
<b>Total Operating Income</b>	<b>3,266.4</b>	<b>3,765.6</b>	<b>15.28%</b>
<b>Total Operating Expenses (-)</b>	<b>1,422.5</b>	<b>1,630.8</b>	<b>14.64%</b>
<b>Operating Profit</b>	<b>1,843.9</b>	<b>2,134.8</b>	<b>15.78%</b>
Provisions (-)	608.8	839.7	37.92%
Tax Provisions (-)	269.9	285.7	5.88%
Income from investments	0	0	0
Net Monetary Gain/Loss	0	0	0
<b>Net Income</b>	<b>965.1</b>	<b>1,009.3</b>	<b>4.58%</b>

## Operating Profit (TL mio)



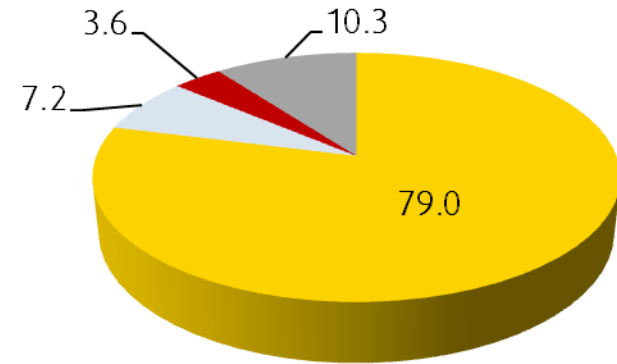
# High quality earnings breakdown thanks to strong NII

Net Interest Income (TL mio)



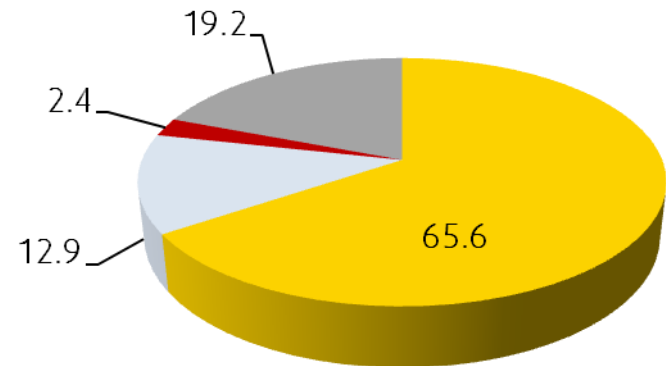
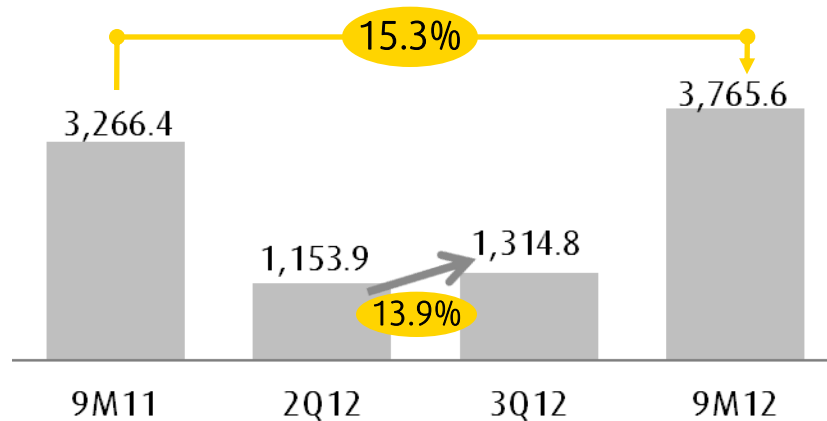
Breakdown of Total Revenues (%)

■ NII ■ Net F&C ■ Net Trading ■ Other



3Q12

Total Revenues (TL mio)



3Q11

# VakifBank with numbers

Distribution Channels & Customer Base (#)	3Q2012	Efficiency ('000 TRY)	3Q2012
Branches	741	Assets per Employee	7,428
ATMs	2,640	Assets per Branch	132,550
Personnel	13,223	Loans per Employee	4,849
POS Terminals	100,183	Loans per Branch	86,534
Outstanding Credit Cards	2.8 mn	Deposits per Employee	4,841
Total Customers	12.5 mn	Deposits per Branch	86,393
Total Payroll Customers	2.2 mn		
Internet Banking Customers	2 mn		
Active Mutual Fund Customers	1.4 mn		

Ytd **61** new  
branch openings

# Balance Sheet

	(TL-mio, %)	3Q2011	2Q2012	3Q2012	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	8,935	10,840	9,992	11.8%	(7.8%)
	Interbank	2,863	1,804	1,542	(46.5%)	(14.5%)
	Securities	18,940	18,817	19,021	0.4%	(1.1%)
	Loans	54,919	62,068	64,122	16.8%	3.1%
	Subsidiaries & Investments	819	953	967	18.1%	(3.3)%
	Property & Equipment	1,104	1,105	1,151	4.3%	4.2%
	Other	1,675	1,116	1,424	(15%)	(27.5%)
	<b>Total Assets</b>	<b>86,255</b>	<b>96,704</b>	<b>98,219</b>	<b>10%</b>	<b>1.6%</b>
Liabilities & SHE	Deposits	55,560	63,610	64,018	15.2%	0.6%
	Funds Borrowed	8,469	7,486	7,402	(12.6%)	(1.1%)
	Other	14,911	14,054	14,309	(4%)	1.8%
	Provisions	1,167	1,342	1,440	23.4%	7.3%
	<b>Shareholders Equity</b>	<b>9,148</b>	<b>10,212</b>	<b>11,051</b>	<b>20.8%</b>	<b>8.2%</b>
Off-B.S	Guarantees	14,433	16,836	16,494	14.3%	(2%)
	Commitments	12,638	46,802	49,564	292.2%	5.9%
	Derivatives	10,875	13,384	15,659	44%	17%

# Income Statement

(TRY-Thousand, %)	3Q2011	2Q2012	3Q2012	$\Delta\{3Q11$ 3Q12}	$\Delta\{2Q12$ 3Q12}
Net Interest Income	2,085,674	1,720,159	2,758,165	32.2%	15.5%
Net Fee & Com. Income	412,693	185,123	279,546	(32.3%)	(1.3%)
Dividend Income	44,495	56,845	56,996	28.1%	(89.5%)
Net Trading Income	15,625	118,195	164,954	955.7%	326.7%
Other Income	707,904	370,461	505,933	(28.5%)	(8%)
<b>Total Revenues</b>	<b>3,266,391</b>	<b>2,450,783</b>	<b>3,765,594</b>	<b>15.3%</b>	<b>13.9%</b>
Operating Expense	(1,422,536)	(1,062,586)	(1,630,771)	14.6%	3%
Provisions	(608,832)	(492,968)	(839,727)	37.9%	49.2%
Tax Provisions	(269,888)	(191,070)	(285,748)	5.9%	(49.6%)
<b>Net Income</b>	<b>965,135</b>	<b>704,159</b>	<b>1,009,348</b>	<b>4.6%</b>	<b>7.3%</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

#### 2Q 2012

- Issued on June 2012 and terminates on November 2012 with a maturity of 179 days, TL 926.8 million bond at a cost of 10.44%
- 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.

#### 3Q 2012

- Issued on July 2012 and terminates on January 2013 with a maturity of 175 days ,TL 724.6 million bond at a cost of 8.73% .
- 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 December 2012 with a 91 days maturity, TL 204.3 million bond at a cost of 6.92%.
- 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%.



Investor Relations

Çamlık Cad. Çayır Çimen Sok. No:2 Kat:6

34330 1. Levent-İstanbul / Turkey

E-mail: [investor.relations@vakifbank.com.tr](mailto:investor.relations@vakifbank.com.tr)

Tel (90-212) 316 7390

Fax (90-212) 316 7126

[www.vakifbank.com.tr](http://www.vakifbank.com.tr)



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