

Earnings Presentation

BRSA Bank-Only YE 2014

February 16, 2015

VakıfBank IR App.
Available at







4Q 2014 Macro Highlights

Global Economy

-  FED terminated QE in 4Q14.
-  Annual inflation in Eurozone came at -0.2% in 2014, the lowest level since September 2009.
-  Monetary expansion outlook further strengthened for Europe and Japan.
-  Oil prices fell from 110 USD/barrel in June 2014 to 50 USD/barrel in December, 2014.

Turkish Economy

-  Annual inflation came at 8.2% in 2014.
-  3Q14 GDP growth materialized at 1.7%, lower than expectations due to the drought.
-  CBRT left all key policy rates unchanged in 4Q14.
-  CBT cut the policy rate 50 bps to 7.75% and left the rate corridors unchanged at 7.50-11.25% in January, 2015.

Key Macroeconomic Parameters

	2010	2011	2012	2013	2014
Real GDP Growth	9.2%	8.8%	2.2%	4.0%	2.9%*
Current Account / GDP	6.4%	10.0%	6.0%	7.9%	5.7%*
Current Account Deficit (USD bn)	45.4	75.1	46.9	65.0	45.8
Foreign Trade Deficit (USD bn)	71.7	105.9	84.1	99.8	84.5
Unemployment	11.1%	9.1%	8.4%	9.0%	9.9*
Policy Rate	6.50%	5.75%	5.50%	4.50%	8.25%
Inflation (CPI)	6.4%	10.5%	6.2%	7.4%	8.2%
TL/USD	1.54	1.89	1.78	2.13	2.33
TL/EUR	2.06	2.44	2.35	2.93	2.83

Macroeconomic Parameters (Quarterly)

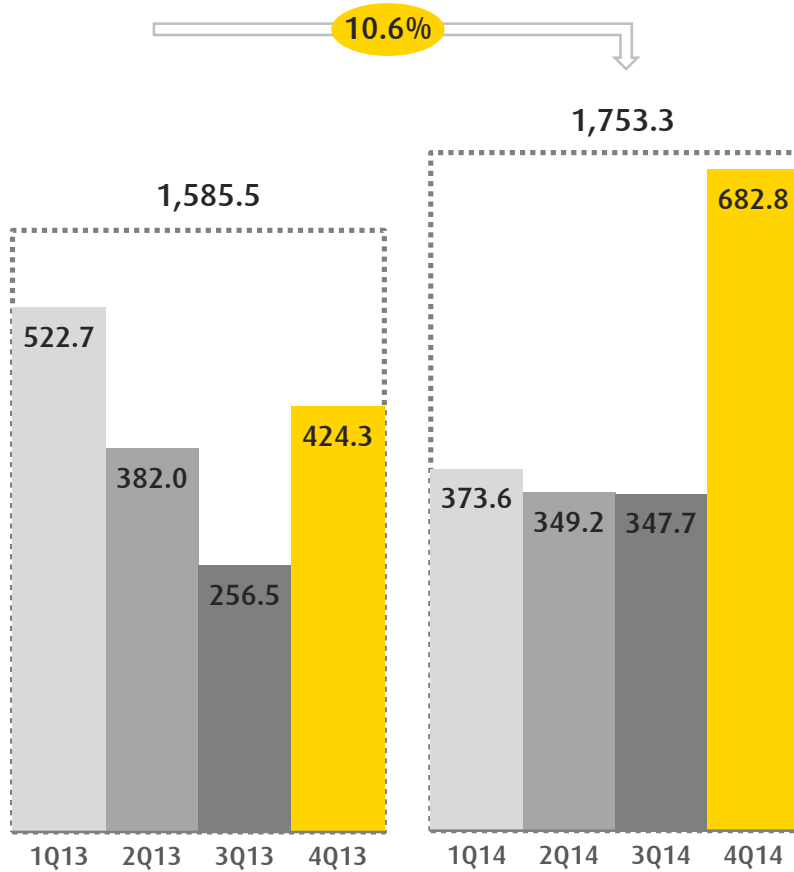
	1Q14	2Q14	3Q14	4Q14
Real GDP Growth	4.8%	2.2%	1.7%	2.9%*
Current Account / GDP	7.4%	6.5%	5.9%	3.4%*
Current Account Deficit (USD bn)	11.7	12.6	6.7	14.8
Foreign Trade Deficit (USD bn)	17.3	22.4	21.7	23.1
Unemployment	9.7%	9.1%	10.5%	10.3%*
Policy Rate	10.00%	8.75%	8.25%	8.25%
Inflation (CPI)	8.4%	9.2%	8.9%	8.2%
TL/USD	2.15	2.12	2.28	2.33
TL/EUR	2.97	2.90	2.87	2.83

4Q 2014 VakıfBank Highlights

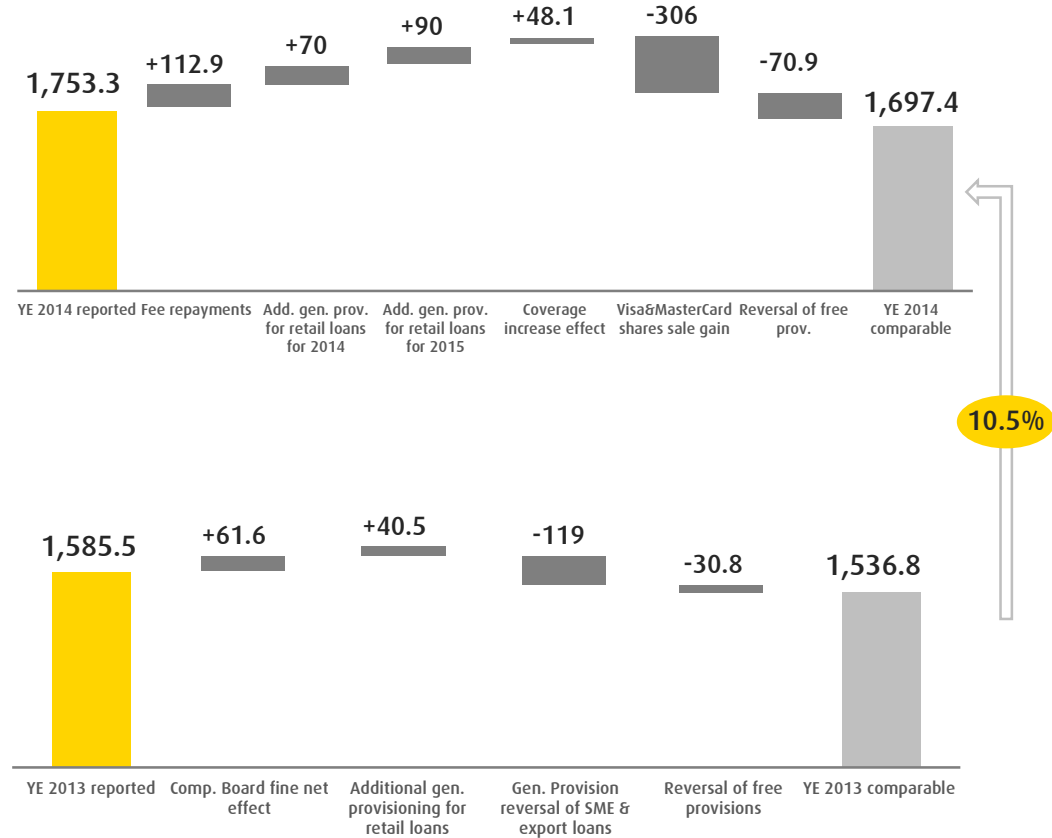
- Quarterly bank-only net income is 682.8 mio TL, which is almost doubled QoQ.
- Quarterly ROAE and ROAA stand at 19.2% and 1.8% respectively, both are well above the sector averages.
- Annual bank-only net income realized at 1,753.3 mio TL, which is up by 10.6% YoY, higher than the Sector's flat earnings.
- Annual ROAE also stands 122 bps higher than sector average at 12.8%.
- Market share increase in all key areas;
 - Total loans are up by 20.6% vs sector average growth of 18.5% YoY
 - Total assets are up by 16.8% vs sector average growth of 15.1% YoY
 - Total deposits are up by 12.5% vs sector average growth of 11.3% YoY
- TL loans are up by 6% QoQ and 17.9% YoY, mainly coming from non-retail segments.
- FC loans are up by 7.9% QoQ and 18.8% YoY in USD terms, driven by project finance lending.
- Solid deposit franchise further strengthened thanks to distribution network increase; demand deposits and retail deposits are up by 22.9% and 16.1% YoY respectively.
- NPL ratio improved 19 bps QoQ and 25 bps YoY to 3.67% without any asset sale and write-off.
- Annual Gross CoR came in line with the budget at 120 bps; Net CoR came even better than the budget at 48 bps despite coverage increase; NPL coverage is 94%, still the highest ratio in peer group.
- Quarterly NIM widened 21 bps to 4.25% backed by CPI linkers; which brought annual NIM to 3.85% level.
- Net Interest Income is up by 12.2% QoQ thanks to volume growth and margin expansion.
- Quarterly other income is boosted by Visa & Mastercard share selling with an amount of 306 mio TL.
- Total provisions are up by only 7.8% QoQ despite 90 mio TL front-loaded general provisioning for regulation effective 2015 YE.
- Opex growth is inside the budget; excluding mandatory fee reimbursements of 112.9 mio TL, comparable opex growth came at 11.2% YoY.
- Solvency ratios are at comfortable levels; Tier I and Tier II ratios stand at 11.4% and 14% respectively. Tier II ratio will further be boosted around 90 by thanks to Turkey's first ever New Style Tier II issuance on January 2015.

YE 2014 Earnings and Ratios

Net Income (Mio TL)

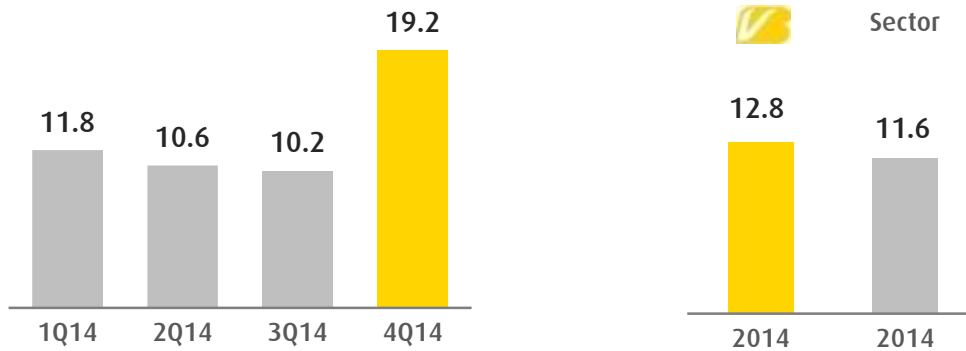


Comparable Net Income Excluding One-off Costs and Gains (Mio TL)

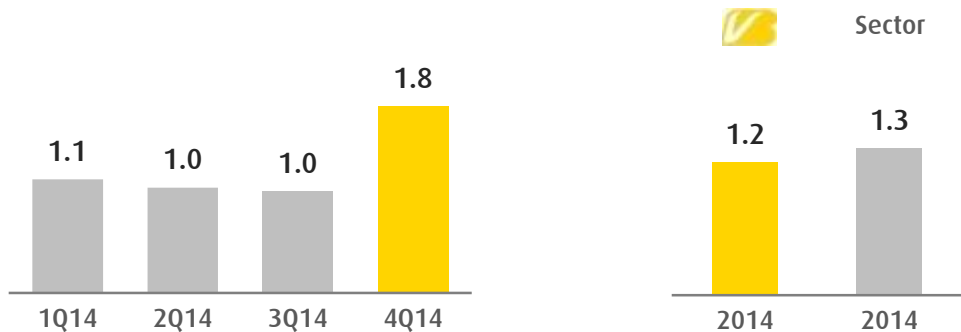


2014 Profitability Ratios

ROAE (%)



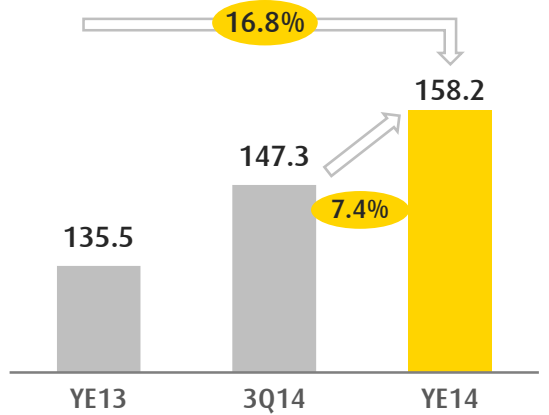
ROAA (%)



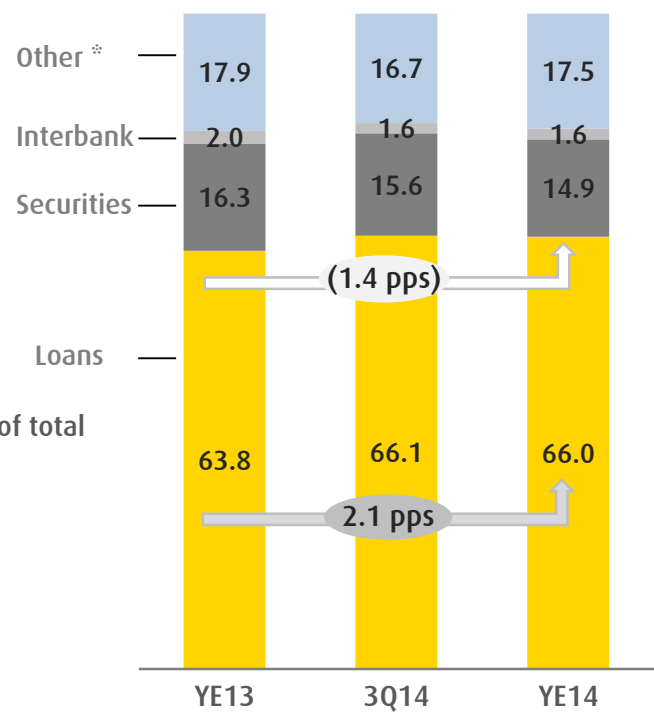
Outperforming
Sector
Profitability
Ratios
2014 ROAE
12.8%
VS
Sector
Average of
11.6%

Well managed asset mix

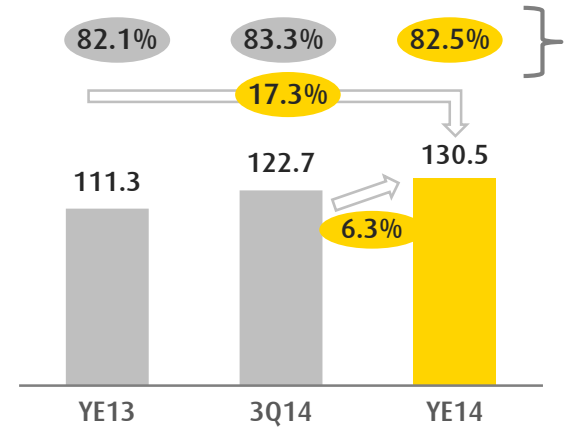
Total Assets (TL bio)



Breakdown of Assets (%)



Interest Earning Assets (TL bio)



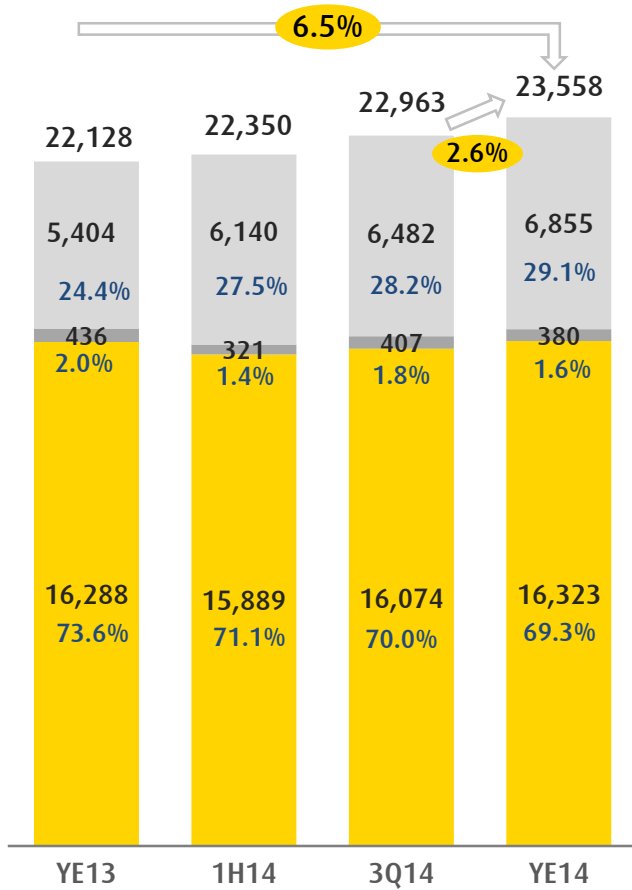
Quarterly Growth

	Securities	Loans
4Q13	+2%	+6%
1Q14	+4%	+3%
2Q14	-3%	+2%
3Q14	+3%	+6%
4Q14	+3%	+7%

Moderate loan growth (4Q13, 1Q14, 2Q14)
Accelerated, yet disciplined and selective loan growth (3Q14, 4Q14)

Stable composition of securities

Total Securities (TL mio)

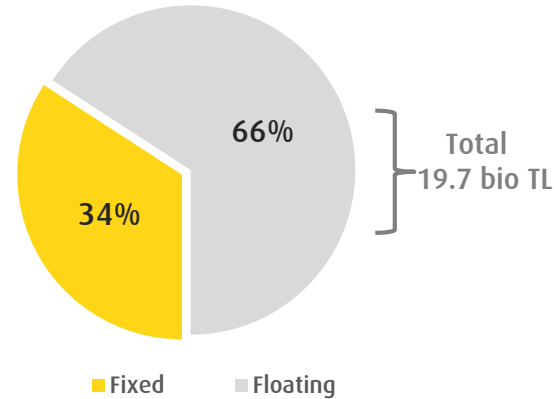


■ AFS ■ Trading ■ HTM

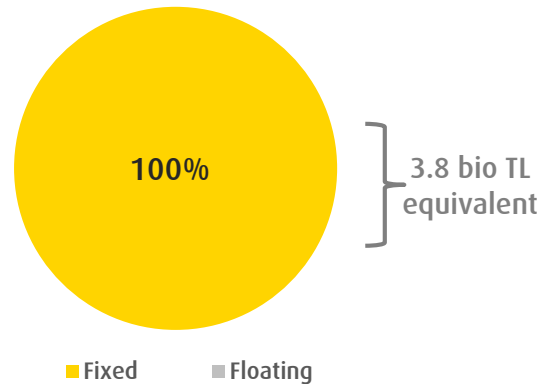
'Share of total'

Portfolio Structure

TL



FC



CPI Linkers' share in TL Securities increased to

37.4%

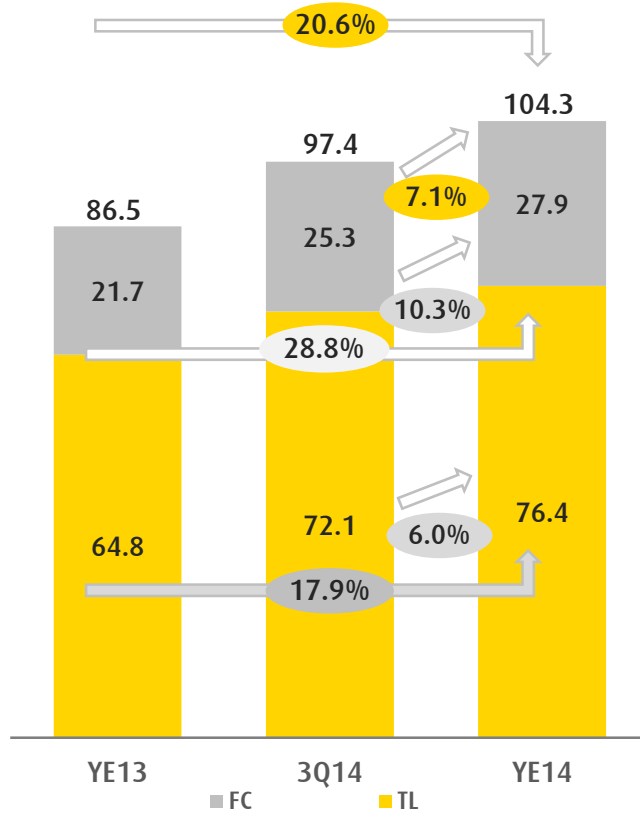
in 2014 from

28.7%

in 2013

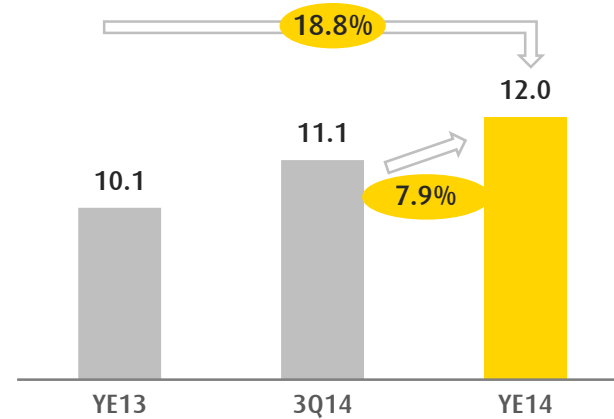
Selective market share gain in key loan segments

Total Loans (TL bio)

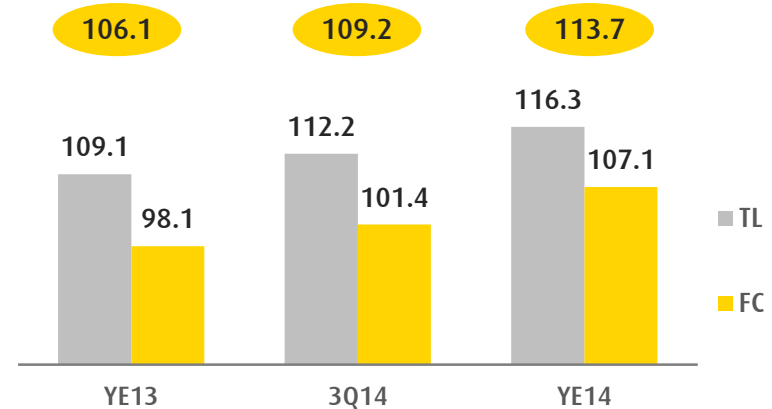


TL (% in total)	74.9%	74.0%	73.3%
FC (% in total)	25.1%	26.0%	26.7%

FC Loans (USD bio)

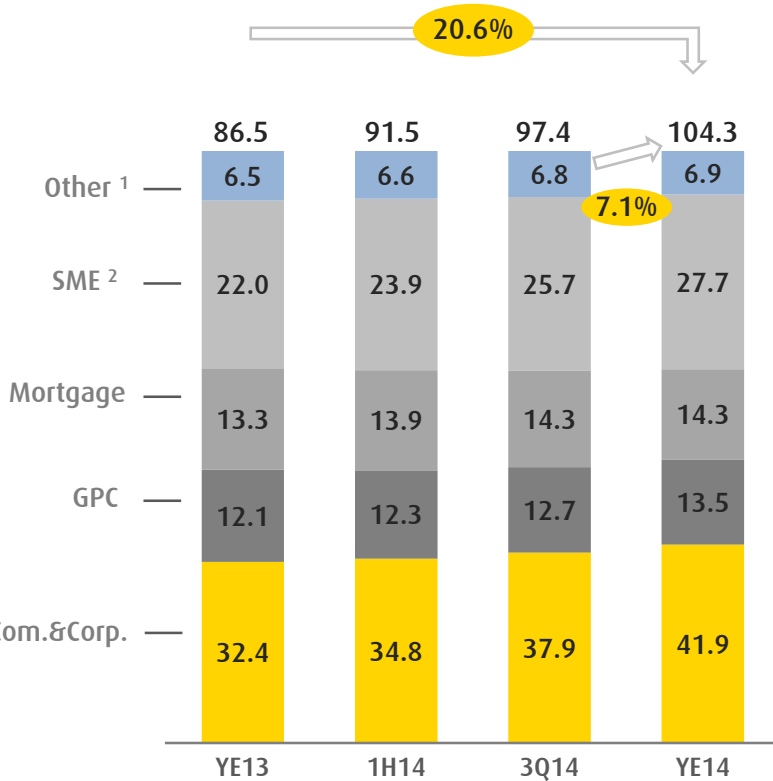


Loan/Deposit (%)

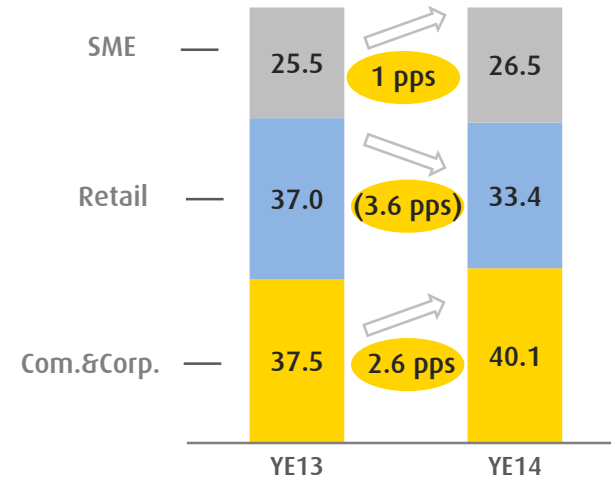


Well diversified loan breakdown

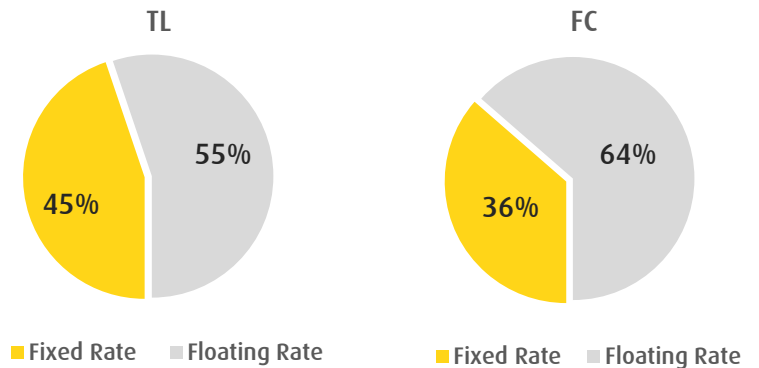
Breakdown of Loans (TL Bio)



Portfolio Shift (%)³

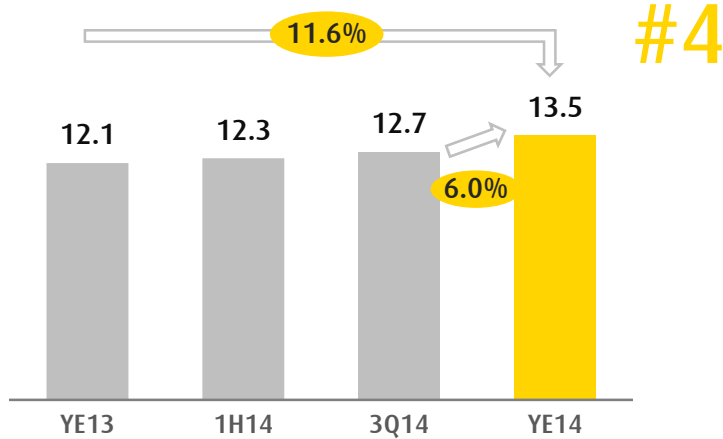


Loans by Interest Structure

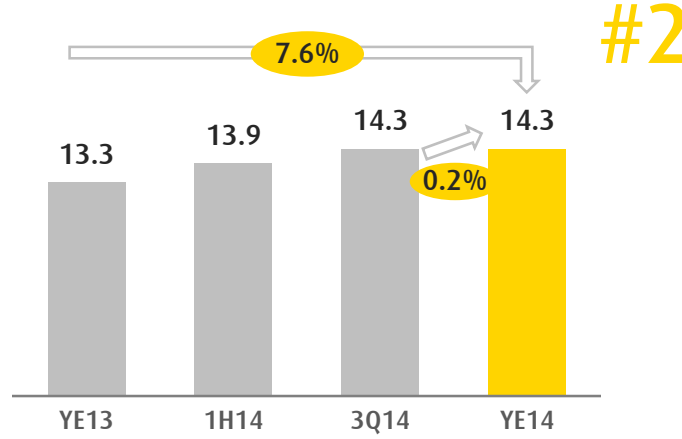


Macro prudential measures effected all retail segments, slower but modest growth

General Purpose Consumer (TL bio)

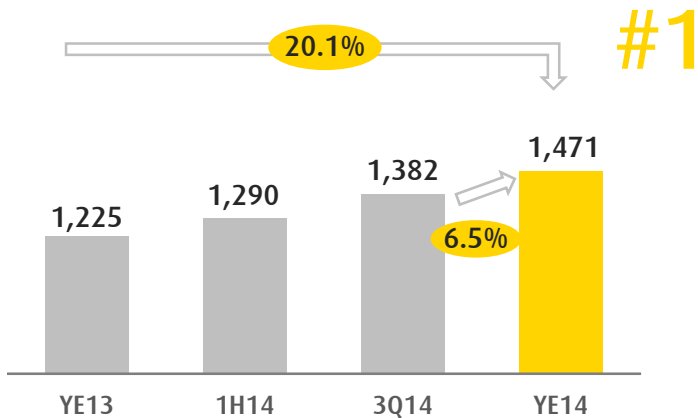


Residential Mortgages (TL bio)*

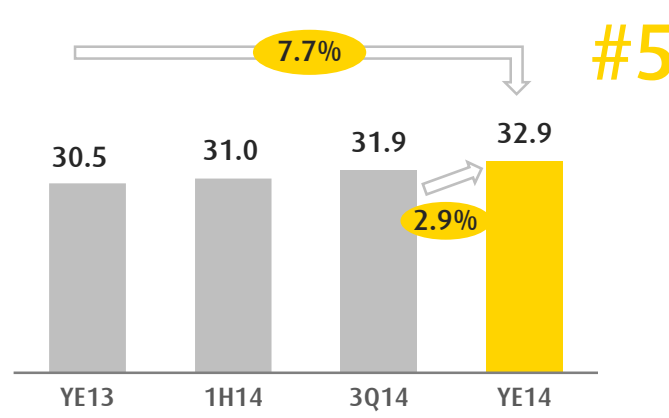


Ranking in peer group

Retail Overdraft (TL mio)



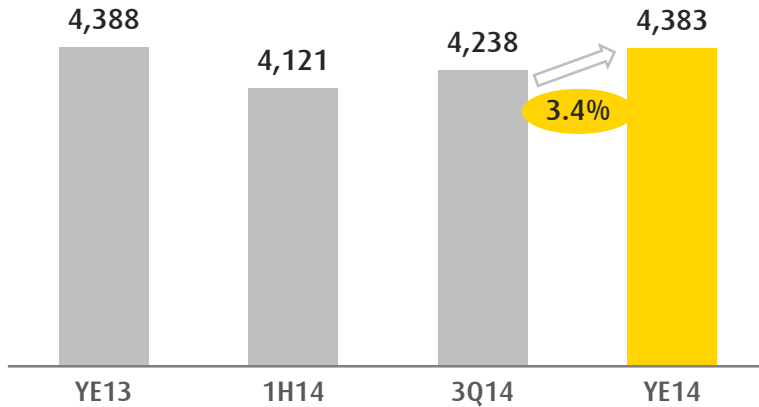
Total Retail (TL bio)



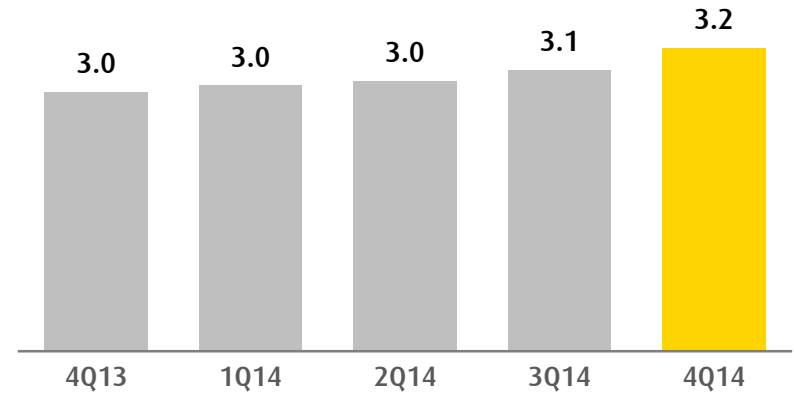
Strong presence in key retail segments thanks to 2.3 million pay-roll accounts

Sustainable market share gain on Credit Cards

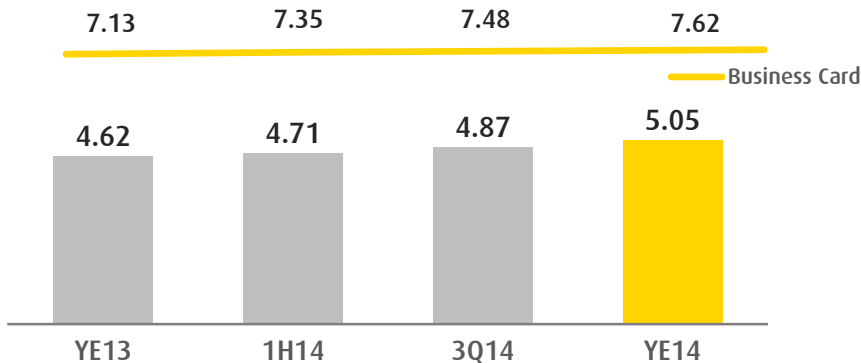
Credit Card Loans (TL mio)



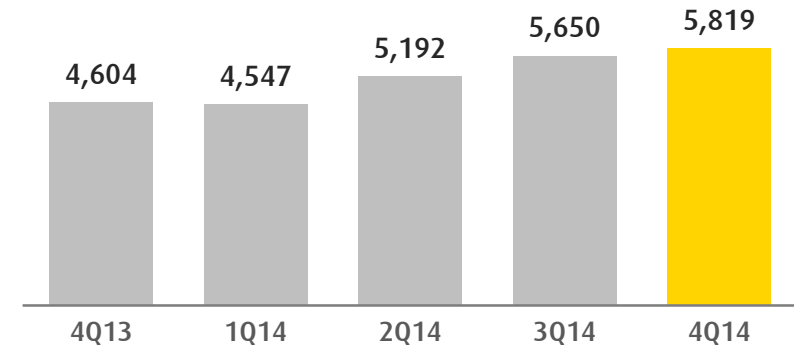
Outstanding Credit Cards (mio #)



Market Share* (%)

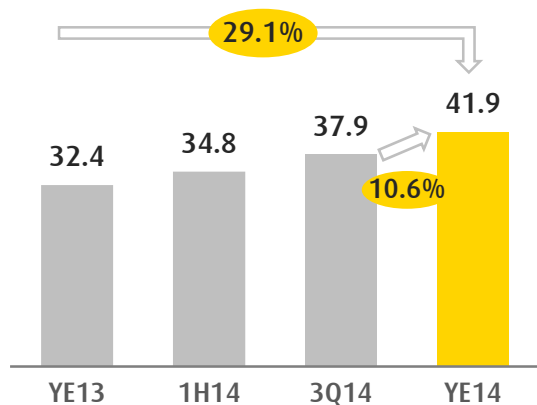


Average Quarterly Issuing Volume (TL mio)

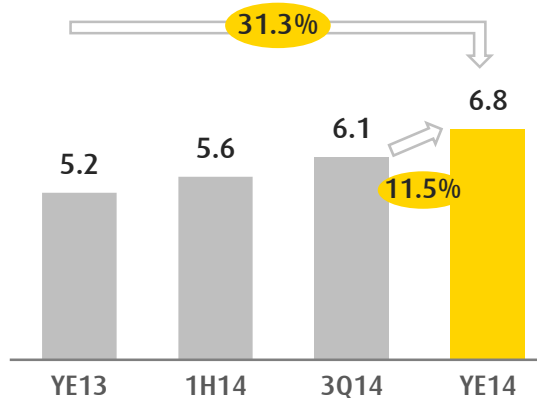


Loan growth is fuelled by high quality segments

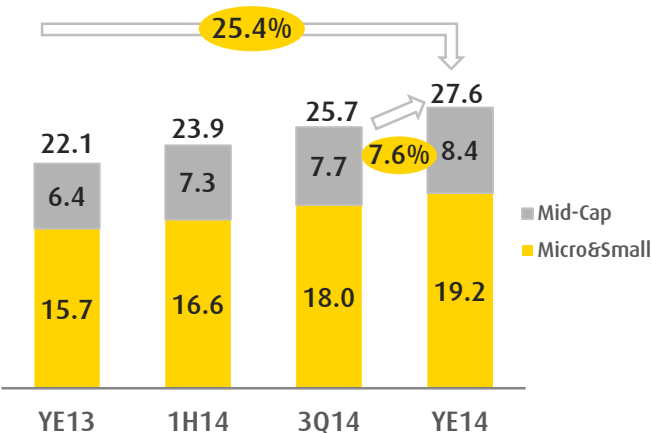
Commercial&Corporate (TL bio)



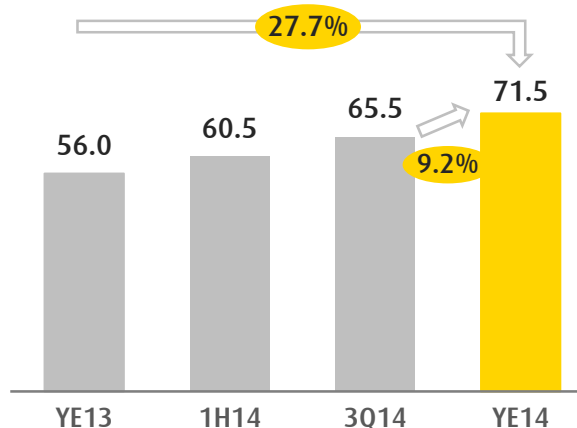
Project Finance Loans (USD bio)



SME* (TL bio)



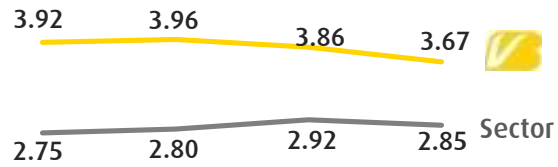
Total Com.&Corporate Loans** (TL bio)



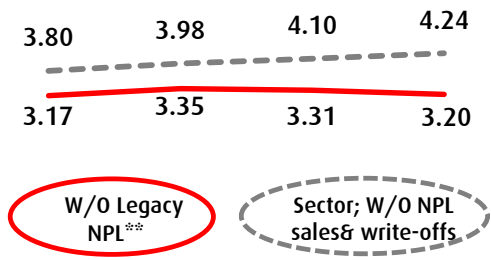
Project Finance Loan growth **11.5%** QoQ and **31.3%** YoY in USD terms

Asset quality improvement accelerated despite negative trend in sector

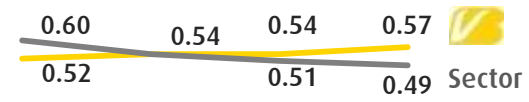
Reported NPL Ratio (%)**



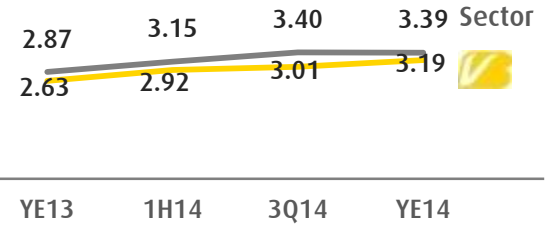
Comparable NPL Ratio (%)



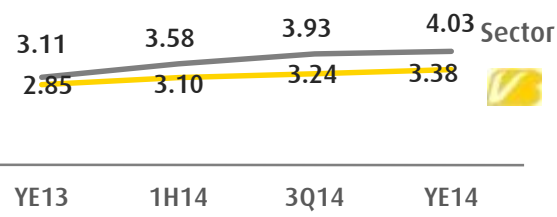
Mortgages NPL Ratio (%)



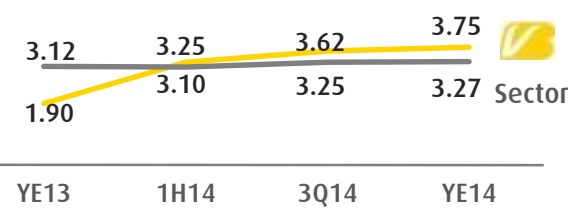
Total Retail NPL Ratio (%)



GPC NPL Ratio (%)

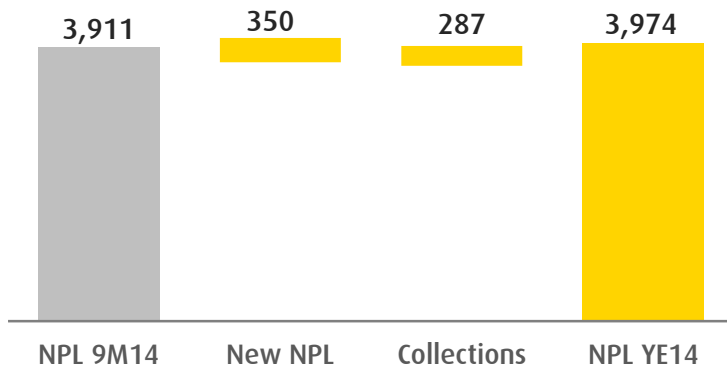


SME NPL Ratio (%)

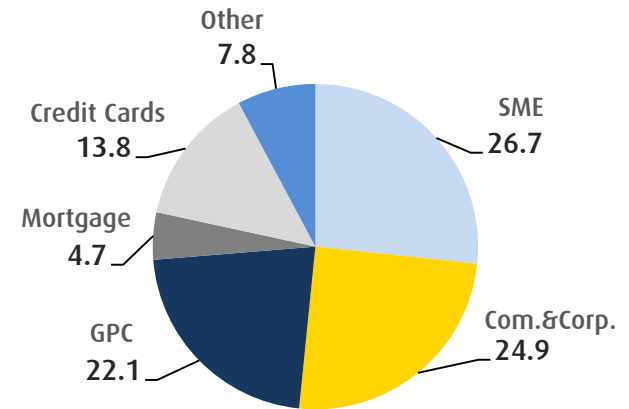


Net CoR is inside budget despite highest coverage ratio of 94% in peer group

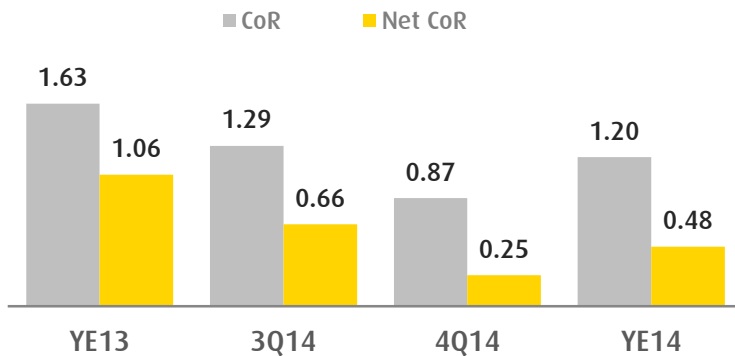
NPL (mio TL)*



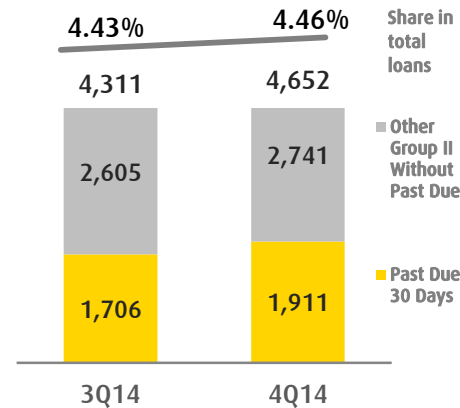
Breakdown of New NPL Inflow (%)



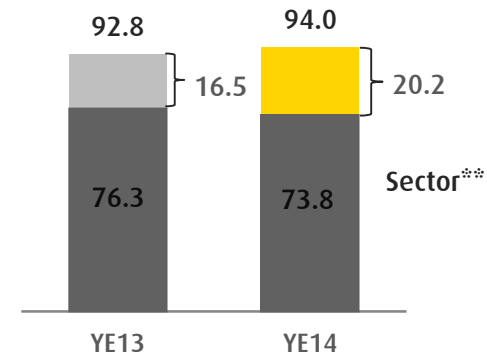
Specific Cost of Risk (%)



Group II Loans (mio TL)

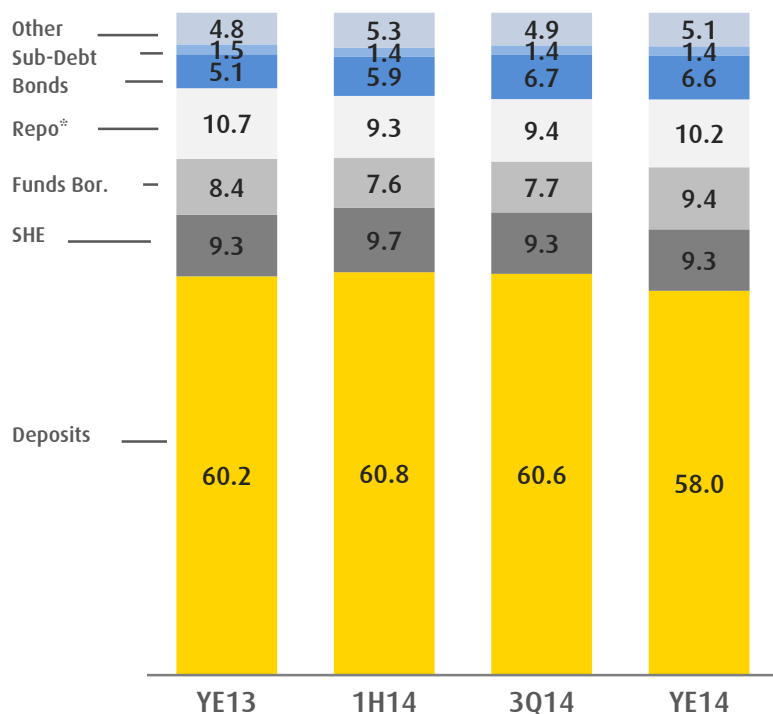


Coverage Ratio (%)

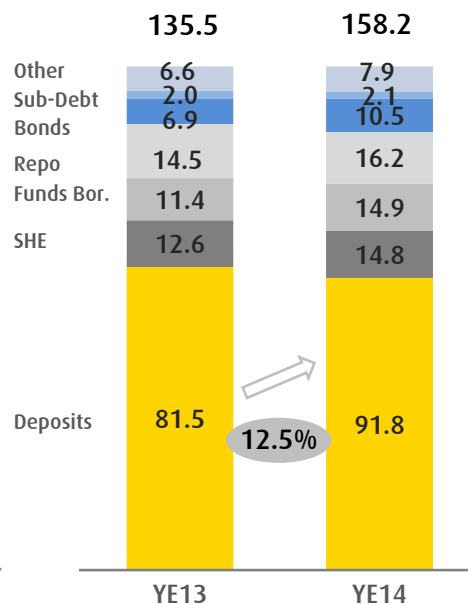


Customer deposits remain the main funding tool

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bio)



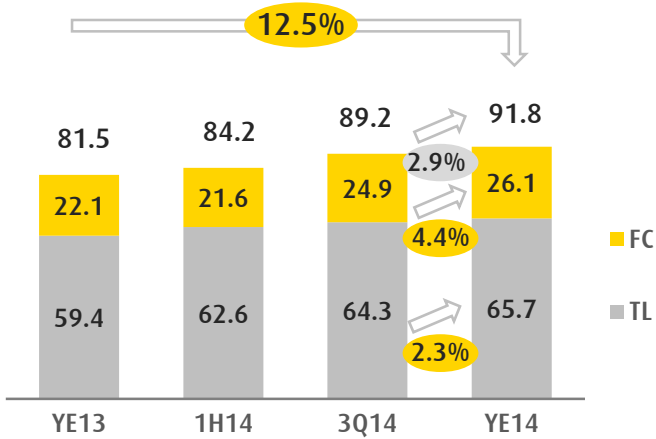
1 #1 in private placement flow worth of USD 2.7 bio through 106 transactions since June 2013

2 #2 in private placement outstanding balance worth of USD 1.0 bio

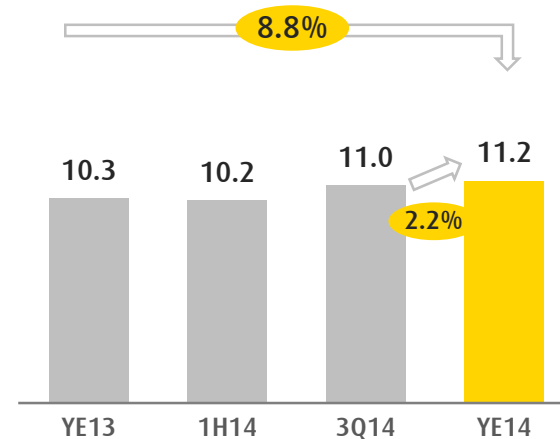
3 Outstanding DCM volume amounting USD 7.2 bio equivalent**

Non-granular deposit base via faster growth on retail and demand deposit

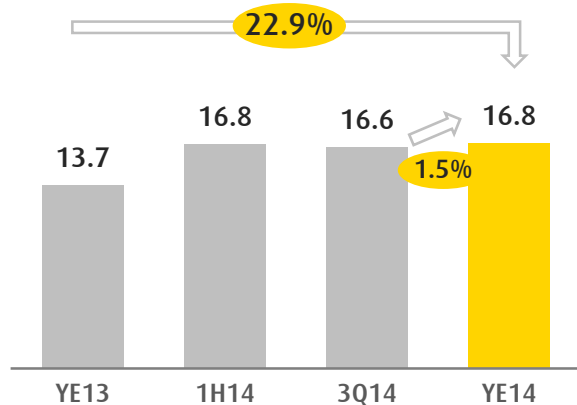
Total Deposits (TL bio)



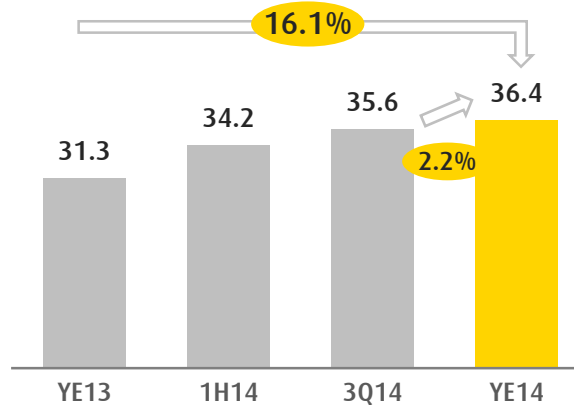
FC Deposits (USD bio)



Demand Deposits (TL bio)



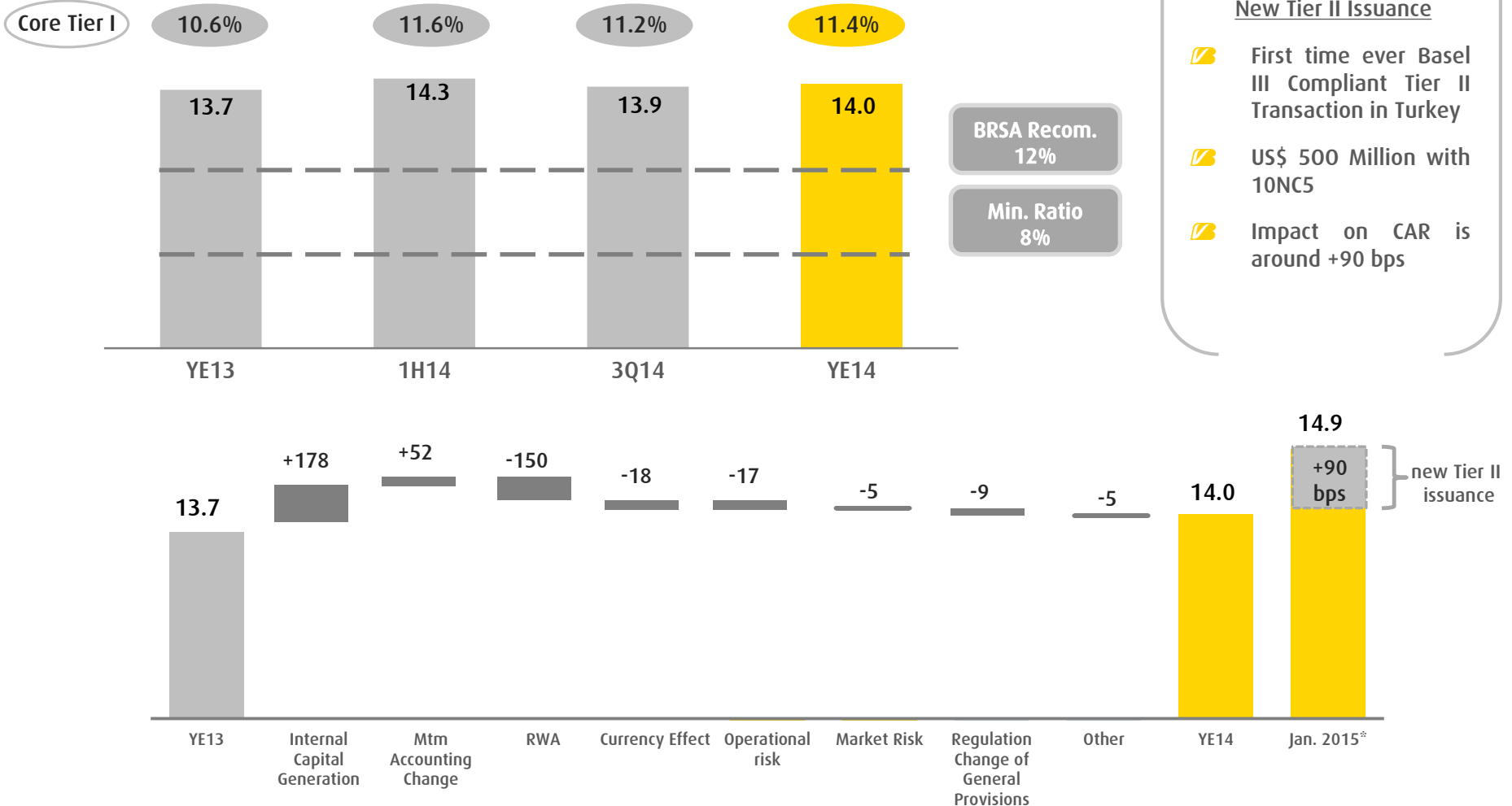
Total Retail Deposits (TL bio)



Demand Deposit growth YoY;
22.9%
 VS
 Sector Average of
12%

Solvency ratios

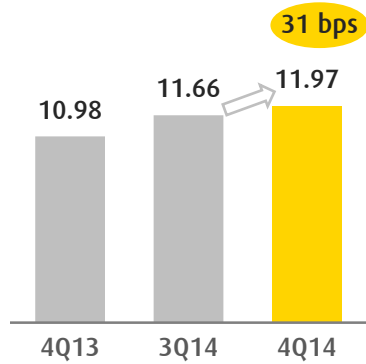
Capital Adequacy Ratio (%)



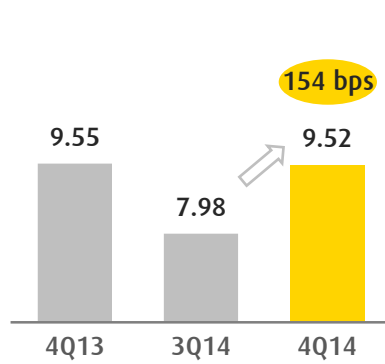
NIM, Spreads and Costs

Yields (%)

TL Loans

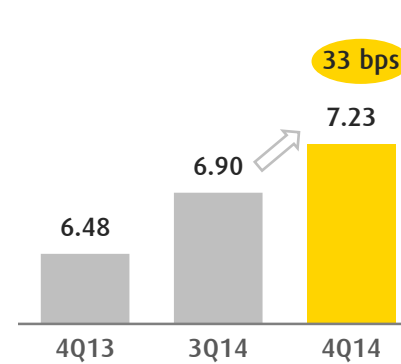


TL Securities

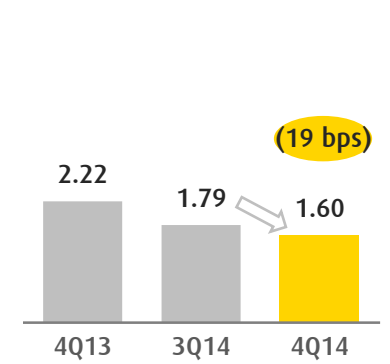


Cost of Deposits (%)

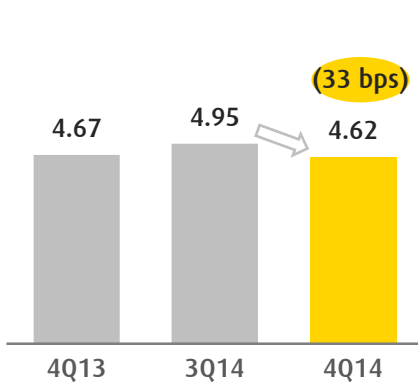
TL Deposits



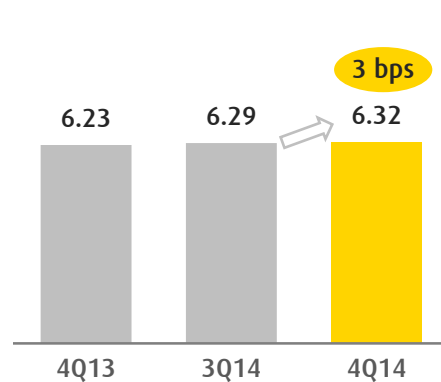
FC Deposits



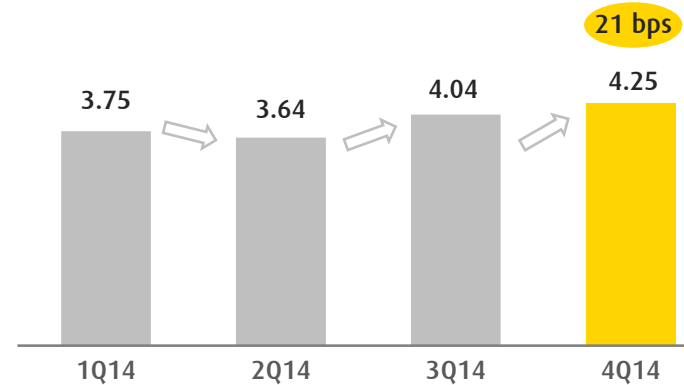
FC Loans



FC Securities

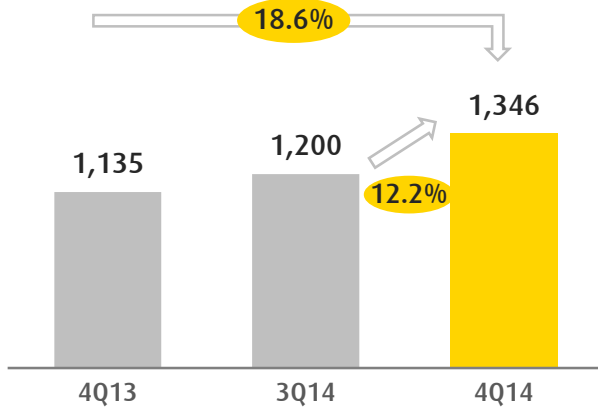


Net Interest Margin (NIM %)

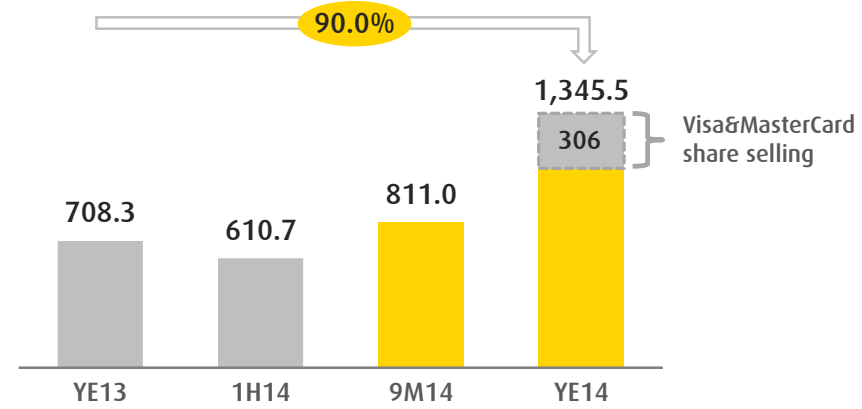


Earnings breakdown

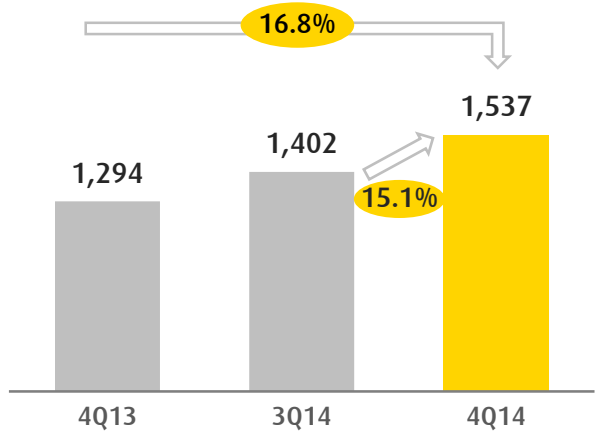
Net Interest Income (TL mio)



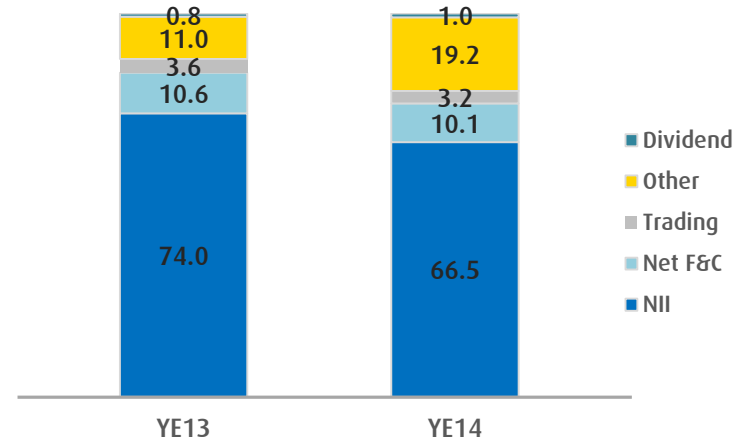
Other Income (TL mio)



Core Banking Revenues* (TL mio)

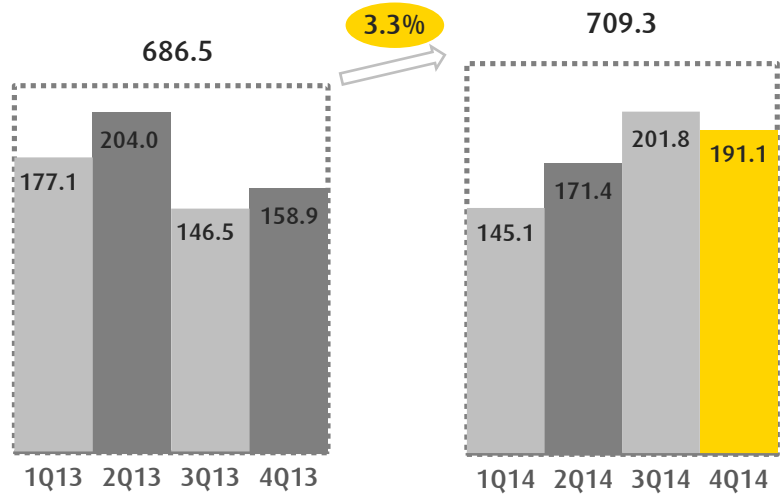


Breakdown of Total Revenues (%)

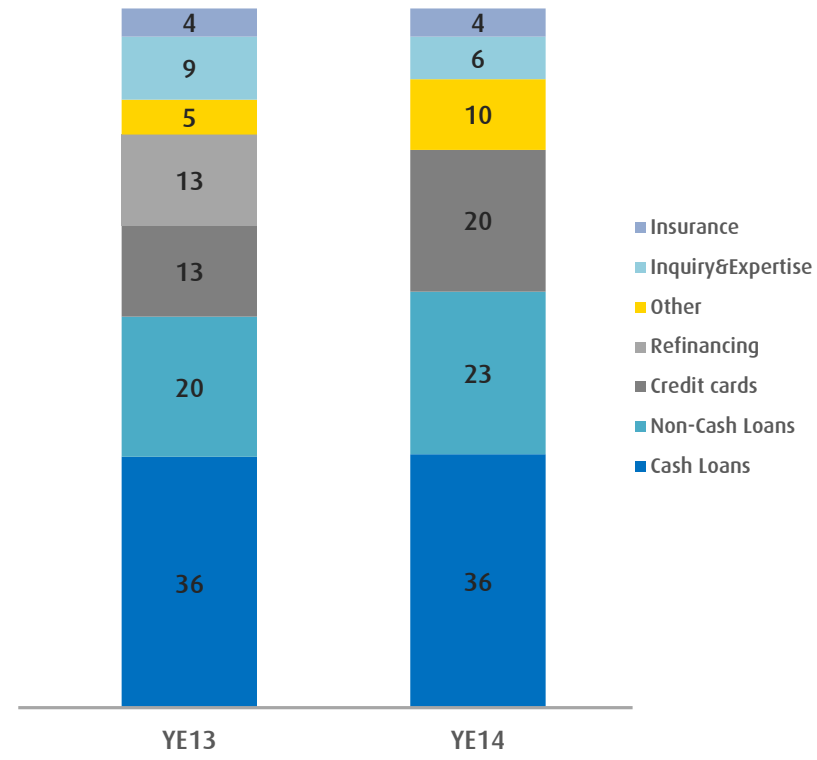


Revenue Items

Net Fee and Commission Income (TL mio)



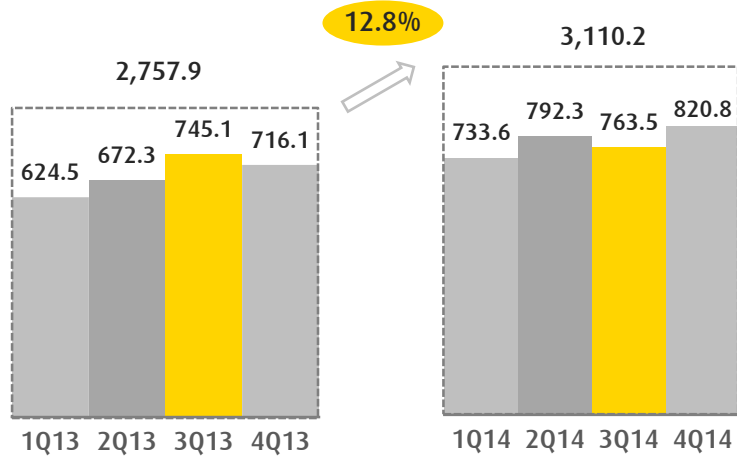
Breakdown of Net Fee and Commission Income (%)



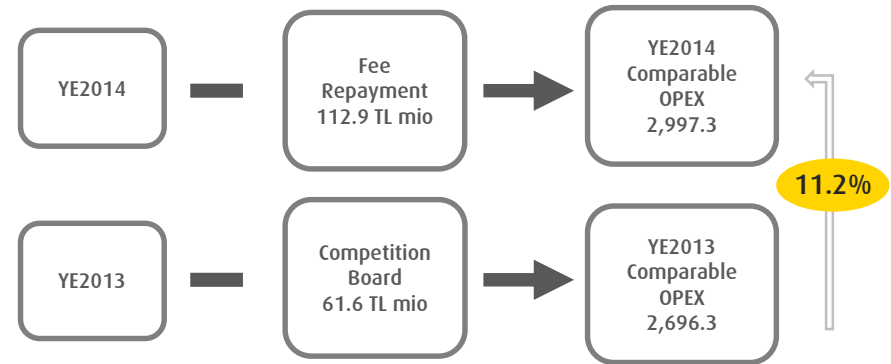
+ 182 mio TL fee collected, waiting for accrual on upcoming quarters

Opex

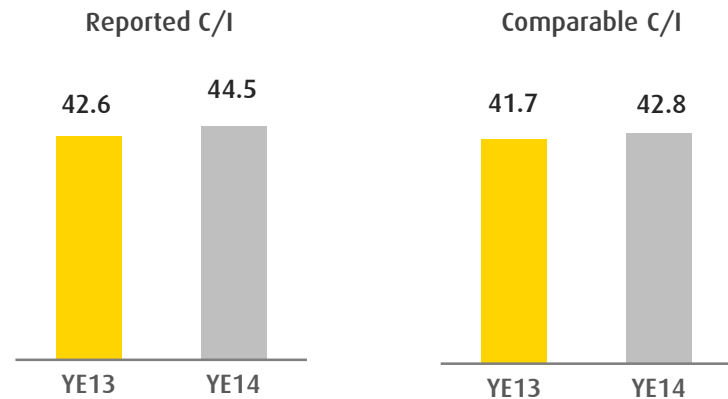
Operating Expenses (TL mio)



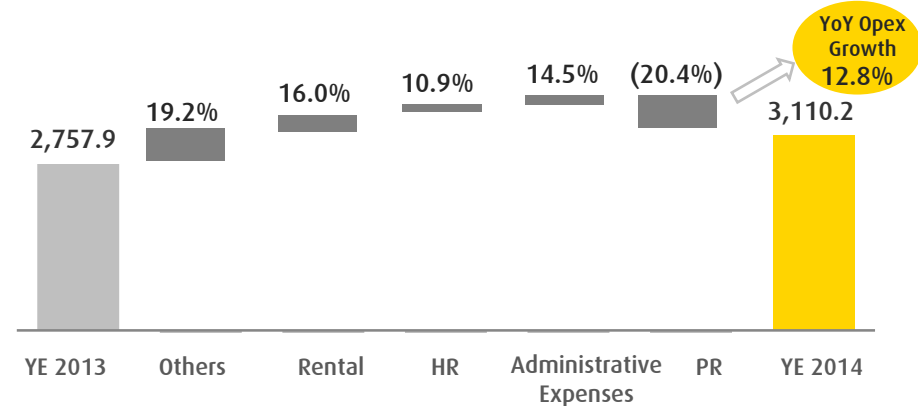
Comparable Opex



Cost/Income (%)



Breakdown of Opex Growth



VakifBank with numbers

Distribution Channels & Customer (#)	YE2014	Efficiency ('000 TRY)	YE2014
Branches	893	Assets per Employee	10,604
ATMs	3,197	Assets per Branch	177,176
Personnel	14,920	Loans per Employee	6,994
POS Terminals	160,761	Loans per Branch	116,846
Outstanding Credit Cards	3.2 mn	Deposits per Employee	6,150
Total Customers	16.7 mn	Deposits per Branch	102,751
Total Payroll Customers	2.3 mn		
Internet Banking Customers	2.9 mn		
Active Mutual Fund Customers	1.5 mn		

34 new branch openings in 2014

Balance Sheet

	(TL-mio, %)	YE2013	3Q2014	YE2014	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	18,968	19,431	21,885	15.4%	12.6%
	Interbank	2,639	2,354	2,571	(2.6%)	9.2%
	Securities	22,128	22,963	23,558	6.5%	2.6%
	Loans	86,496	97,398	104,343	20.6%	7.1%
	Subsidiaries & Investments	1,611	1,532	1,737	7.8%	13.4%
	Property & Equipment	659	688	709	7.6%	3.0%
	Other	2,995	2,900	3,415	14.0%	17.7%
	Total Assets	135,496	147,266	158,218	16.8%	7.4%
Off-B.S. Liabilities & SHE	Deposits	81,533	89,197	91,757	12.5%	2.9%
	Funds Borrowed	11,405	11,303	14,927	30.9%	32.1%
	Other	27,928	30,941	34,325	22.9%	10.9%
	Provisions	2,014	2,143	2,437	21.0%	13.8%
	Shareholders' Equity	12,616	13,682	14,772	17.1%	8.0%
	Guarantees	23,341	27,275	28,634	22.7%	5.0%
	Commitments	71,602	22,704	26,621	(62.8%)	17.3%
Derivatives	26,318	34,524	36,207	37.6%	4.9%	

Income Statement

(TRY-Thousand, %)	YE2013	3Q2014	4Q2014	YE2014	YoY Growth	QoQ Growth
Net Interest Income	4,789,617	1,199,883	1,346,154	4,651,478	(2.9%)	12.2%
Net Fee & Com. Income	686,511	201,767	191,100	709,334	3.3%	(5.3%)
Dividend Income	54,001	358	322	66,288	22.8%	(10.1%)
Net Trading Income	231,657	33,289	37,408	223,119	(3.7%)	12.4%
Other Income	708,320	200,349	534,513	1,345,534	90.0%	166.8%
Total Revenues	6,470,106	1,635,646	2,109,497	6,995,753	8.1%	29.0%
Operating Expenses	(2,757,921)	(763,457)	(820,772)	(3,110,210)	12.8%	7.5%
Provisions	(1,729,271)	(416,304)	(448,809)	(1,671,867)	(3.3%)	7.8%
Tax Provisions	(397,375)	(108,209)	(157,126)	(460,403)	15.9%	45.2%
Net Income	1,585,539	347,676	682,790	1,753,273	10.6%	96.4%

Diversified funding source via Non-Deposit Funding

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 and 1 day.

DPR Securitization

December 2014

- Obtained a new foreign borrowing in Euro and USD currencies, amounting US\$ 928.6 million equivalent through future flow transaction, USD 500 million of which has a maturity of 5 years and USD 428.6 million of which has a maturity of 7 years.

Private Placements

Private Placements

- US\$ 2,684 million equivalent private placements were issued since June 2013 under GMTN program

IFI Borrowing

- World Bank :US\$ 67 million SME Financing Energy Efficient loan was signed in May, 2013 up to 30 years. US\$ 15 million has been disbursed in January, 2014.
- EBRD :US\$ 80 million Tur-SEFF II was signed in May, 2013 and the amount of US\$ 55 million has been disbursed in May, 2013.
- EIB :25 million EUR GAGF project loan has been disbursed in December 2013.
The extension amount for the facility 50 million EUR was signed in December, 2013 and the amount of 25 Milyon EUR was disbursed in December 2014.
Municipal Loan, US\$ 100 million, was signed in December, 2013 and USD 67.865.000 has been disbursed in February 2014.
Tur-SEFF II extension; US\$ 50 million was signed in July, 2013 and US\$ 25 million has been disbursed in December, 2013.
SME II Loan II for Midcaps and SMEs was signed in November 2014, the full amount was disbursed as USD 123.920.000 in December
- KfW :100 million EUR MSME loan was disbursed in November, 2013 and has been fully allocated in January 2014.

Local Currency Bond

- Issued in May 2014 and terminated in October 2014 with a 175 days maturity, TL 565.2 million bond at a cost of 9.9%.
- Issued in May 2014 and terminates in April 2015 with a 350 days maturity, TL 12.5 million bond at a cost of 10.3%.
- Issued in June 2014 and terminated in November 2014 with a 168 days maturity, TL 561.2 million bond at a cost of 9.1%.
- Issued in June 2014 and terminates in May 2015 with a 357 days maturity, TL 36.4 million bond at a cost of 9.3%.
- Issued in June 2014 and terminates in December 2014 with a 175 days maturity, TL 156.6 million bond at a cost of 8.9%.
- Issued in August 2014 and terminated in February 2015 with a 175 days maturity, TL 688.8 million bond at a cost of 9.3%.
- Issued in August 2014 and terminates in August 2015 with a 350 days maturity, TL 44.9 million bond at a cost of 9.9%.
- Issued in September 2014 and terminated in December 2014 with a 84 days maturity, TL 148.3 million bond at a cost of 8.7%.
- Issued in September 2014 and terminates in March 2015 with a 175 days maturity, TL 377.9 million bond at a cost of 9.4%.
- Issued in October 2014 and terminates in April 2015 with a 175 days maturity, TL 752.4 million bond at a cost of 9.3%.
- Issued in October 2014 and terminates in August 2015 with a 287 days maturity, TL 94.6 million bond at a cost of 9.6%.
- Issued in November 2014 and terminates in March 2015 with a 112 days maturity, TL 416.6 million bond at a cost of 8.7%.
- Issued in November 2014 and terminates in May 2015 with a 175 days maturity, TL 245.1 million bond at a cost of 8.7%.
- Issued in November 2014 and terminates in August 2015 with a 259 days maturity, TL 27.6 million bond at a cost of 8.8%.
- Issued in December 2014 and terminates in March 2015 with a 91 days maturity, TL 210.7 million bond at a cost of 8.6%.
- Issued in December 2014 and terminates in May 2015 with a 154 days maturity, TL 165.9 million bond at a cost of 8.6%.
- Issued in December 2014 and terminates in August 2015 with a 238 days maturity, TL 14.6 million bond at a cost of 8.7%.
- Issued in January 2015 and terminates on May 2015 with a 119 days maturity, TL 136.9 million bond at a cost of 8.2%.



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