

Earnings Presentation










BRSA Bank-Only 1H 2015

August 3, 2015















VakıfBank IR App.
Available at



1H 2015 Macro Highlights

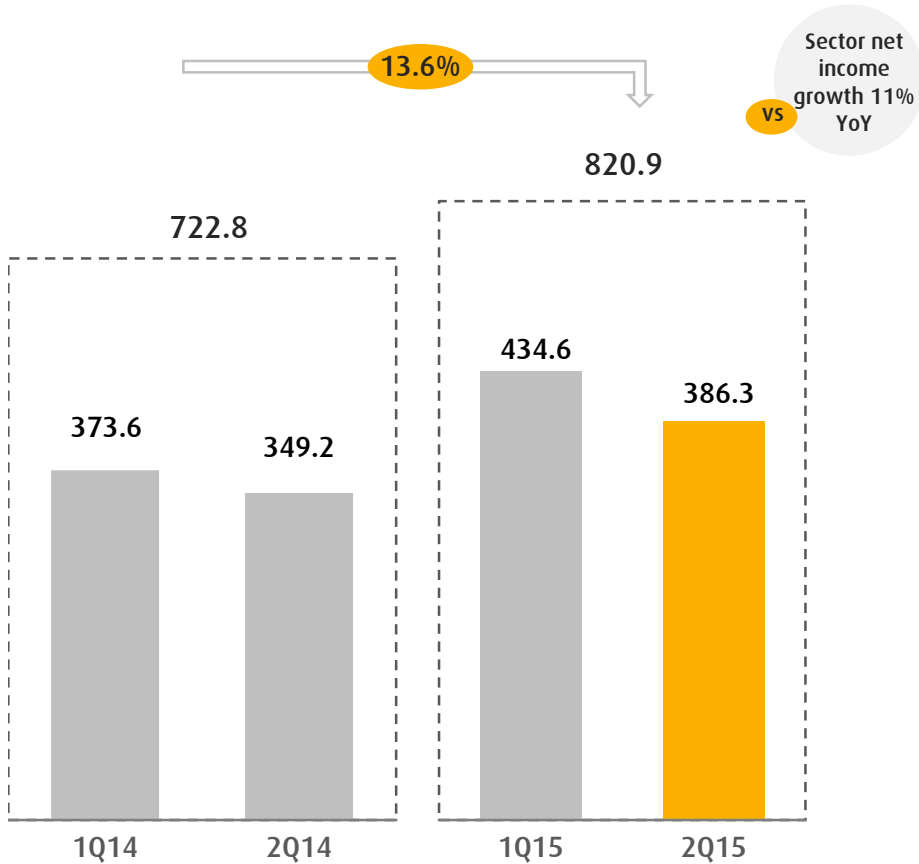
-  US real GDP decreased at annual rate of 0.2% in the first quarter of 2015, according to the third estimate. The decrease in real GDP in the first quarter primarily reflected negative contributions from exports, nonresidential fixed investment, and state and local government spending.
-  In June meeting Fed downwardly revised its growth projections for 2015 and the number of participants who expect no rate hike or only one rate hike this year increased to seven from three in March meeting. Therefore first rate hike expectations shifted to December in the market.
-  The GDP in the Euro Area expanded 1% in 1Q15 over the same quarter of the previous year. GDP growth in France and Italy helped boost Eurozone economic growth in 1Q15. The moderate increase in growth is expected to keep the ECB to continue its asset purchase program amounting 60 billion Euros on a monthly basis until September 2016.
-  Economic uncertainty across Europe related to Greece goes on in 2Q15. Greece failed to pay its 1.6 billion Euro debt to International Monetary Fund (IMF) and has become the first advanced economy defaults on its payments to IMF.
-  With the aim of helping stabilizing growth, China's central bank cuts one-year benchmark lending rate by a quarter of a percentage point to 4.85% and its one-year deposit rate by the same scale to 2%. Besides, it also lowered the reserve requirement by half a percentage point for banks with sizable lending to farmers and small businesses.
-  Turkey GDP growth came in at 2.3% in 1Q15, exceeding consensus. The highest contribution came from private consumption growth which has contributed 3.1 pp to the 1Q15 GDP growth. The sharp increase in car sales supported to the GDP growth. Since the underlying growth dynamics still remain weak, better than expected 1Q15 GDP does not change the cautious outlook regarding the growth.
-  Headline inflation sharply decreased to 7.2% YoY in June with the contribution of falling food prices and to 6.8% in July. However, core inflation and producer prices remained high.
-  The C/A deficit came in at \$3.99 billion in May 2015. 12 month rolling C/A deficit decreased to \$44.7 billion. C/A has been recovering since the beginning of 2014 albeit slower recovery. The ex-gold and ex-energy current account deficit narrowed from \$2 billion in April to \$0.9 billion in May but 12 month rolling ex-gold and ex-energy current account gave deficit for the first time after April 2014.
-  CBRT did not change the interest rates in the second quarter of 2015. Due to uncertainty in global markets, volatility in exchange rates as well as energy and food prices, CBRT stated that it has to maintain a cautious stance in monetary policy.

1H 2015 VakıfBank Highlights

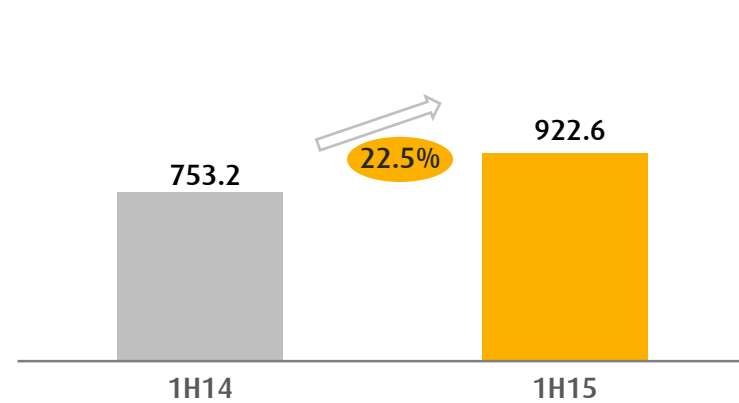
-  1H15 bank-only net income was 820.9 TL mn, which was up by 13.6% YoY.
-  1H15 ROAE came at 11%, comparable ROAE excluding mandatory fee reimbursements were 12.4% which was higher than sector average.
-  Total loans were up by 5.2% QoQ vs sector average growth of 5.7% QoQ, Ytd loan growth reached to 13.4%, which was slightly higher than sector average of 12.7%
 - TL loans were up by 5.5% QoQ, driven by high yielding SME, General Purpose Consumer loans and Credit Cards growth of 7.6%, 5.9% and 6.2%, respectively.
 - Quarterly FC loan growth was moderate, backed by project finance lending growth of 6.2%.
-  Loan/Assets ratio continued to increase and peaked at all time record level at 68% while Securities/Assets ratio decreased to all time low level of 13.9%
-  Total deposits were slightly up by 0.6% QoQ due to the decrease on TL deposits while Ytd deposit growth reached to 9.3%, outperforming operating budget targets.
-  Demand deposits and retail deposits continued to grow faster thanks to distribution network increase, which were up by 13.9% and 15.2% Ytd respectively, outperforming the sector averages.
-  NPL ratio continued to improve another 5 bps QoQ and 15 bps Ytd, came down to 3.52% which reached the year-end target.
-  NPL coverage ratio increased 1.3 ppt to 93% due to the aging effect, which is one of the highest ratio among peer group as of 1H15.
-  NII was up by 15.5% QoQ and 26.9% YoY. Quarterly NIM widened 33 bps thanks to 52 bps positive impact of CPI Linkers despite 36 bps TL core spread tightening mainly resulting from increased cost of TL deposits.
-  Net Fee and Commission Income was up by 42% YoY, reaching 221 mio TL for the quarter, thanks to loan growth and better contribution from payment systems.
-  Collections from NPL continued to increase which was up by a hefty 39.3% QoQ.
-  Net CoR came at 47 bps in 1H15 which is inside the budget, despite coverage increase resulting from aging effect of NPL.
-  Opex growth is in line with the operating budget; excluding mandatory fee reimbursements of 127 TL mn, comparable annual opex growth is 9.8%.^{*}
-  1H15 comparable Cost/Income ratio improved 3 ppt YoY and came at 42.7%.^{*}

1H 2015 Earnings and Ratios

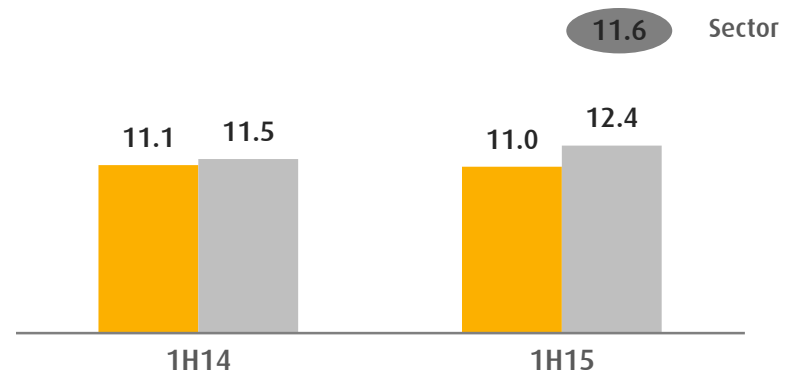
Net Income (TL mn)



Comparable Net Income* (TL mn)



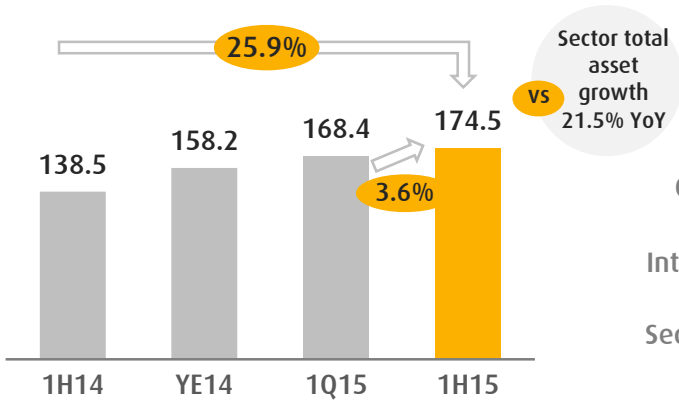
ROAE (%)



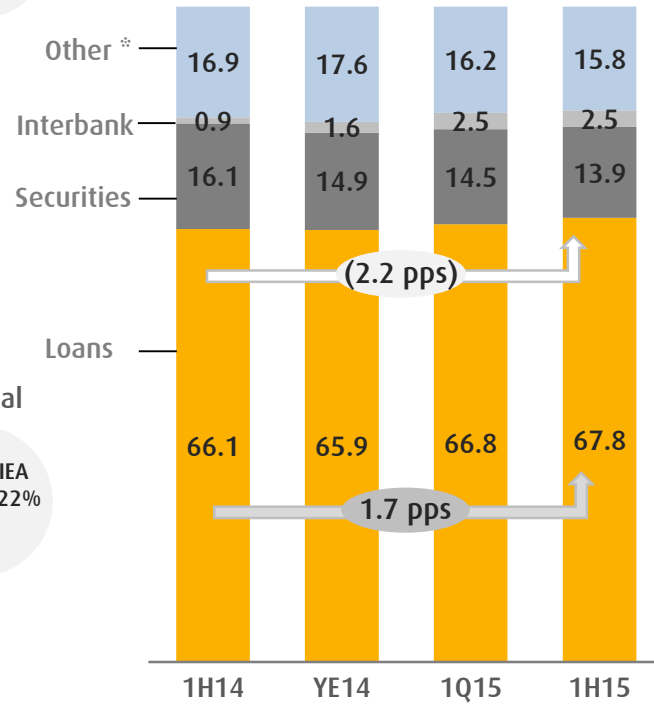
■ ROAE ■ Comparable ROAE

Loans/Assets reached to all time record level

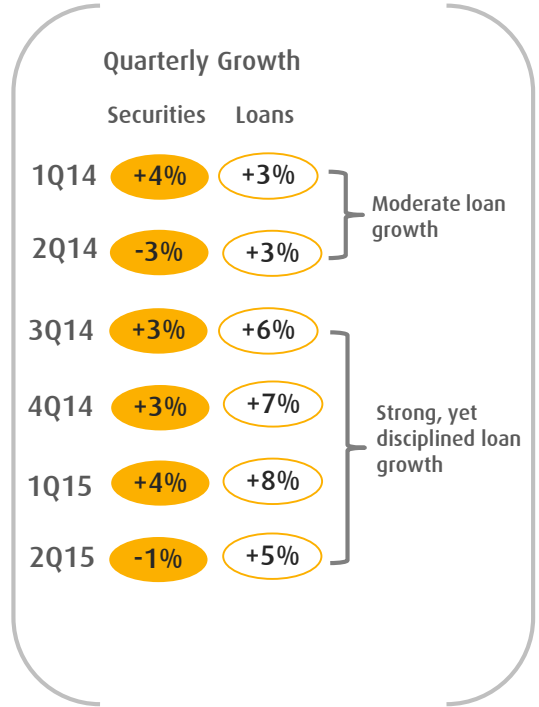
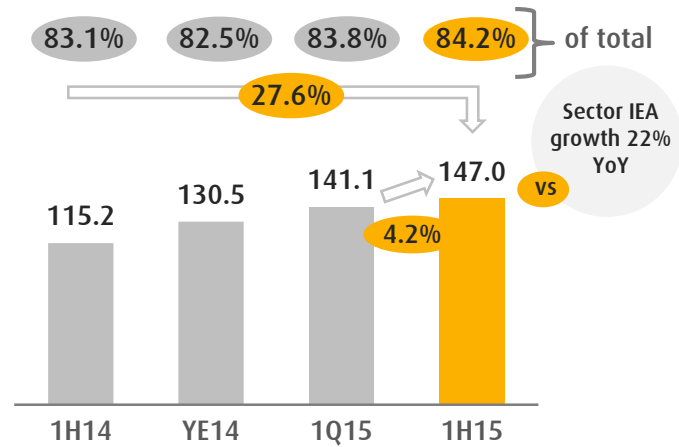
Total Assets (TL bn)



Breakdown of Assets (%)

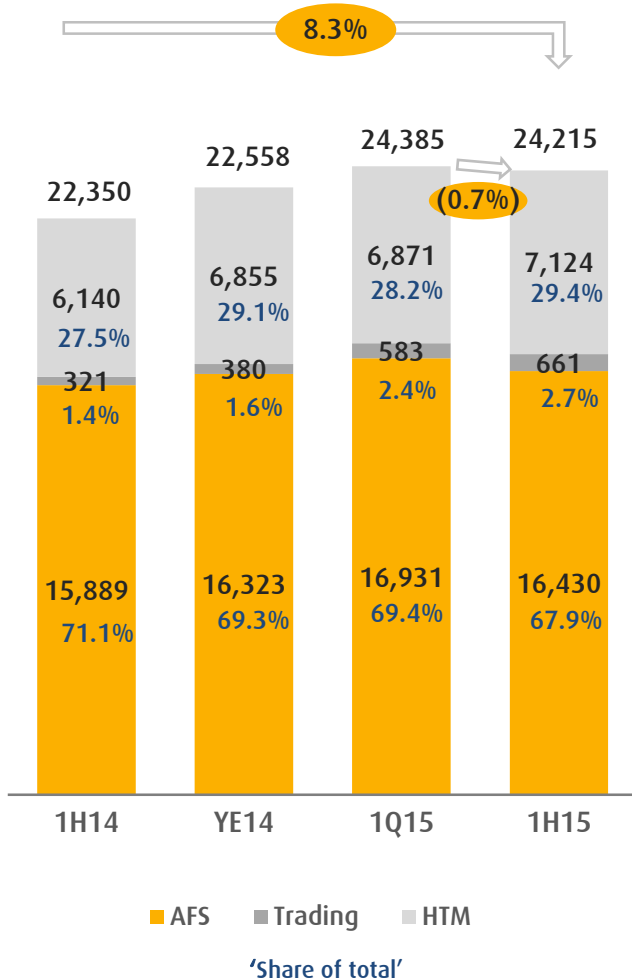


Interest Earning Assets (TL bn)

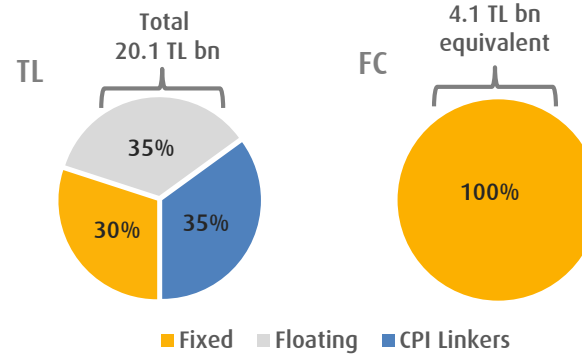


Effective management of security portfolio

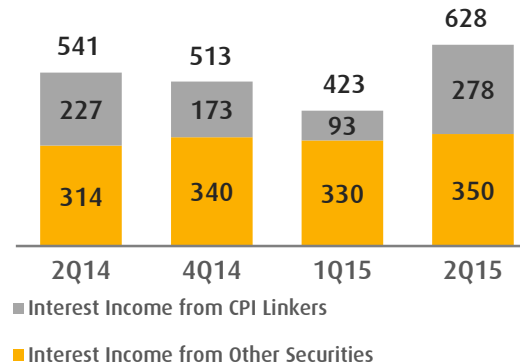
Total Securities (TL mn)



Portfolio Structure



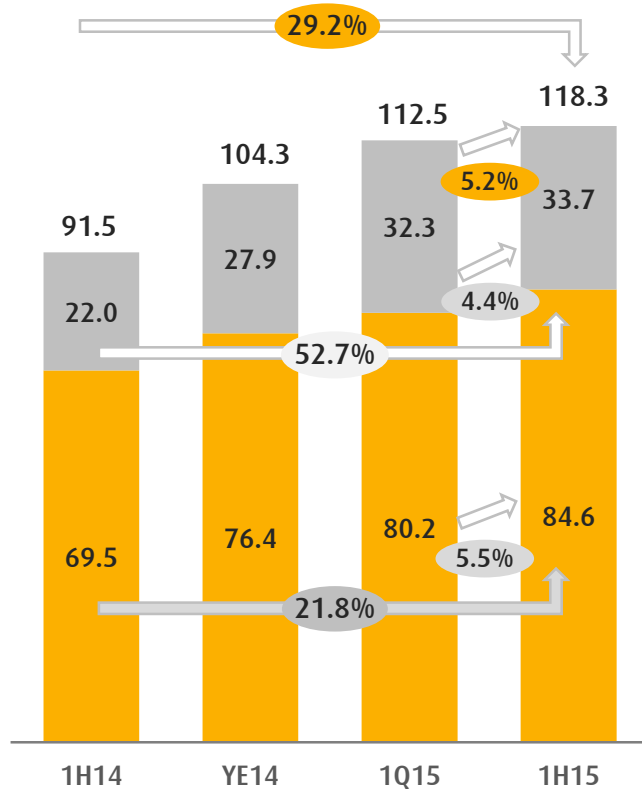
Breakdown of Interest Income from Securities (TL mn)



Share of securities in total assets decreased to **13.9%** in 1H15 vs **16.1%** in 1H14

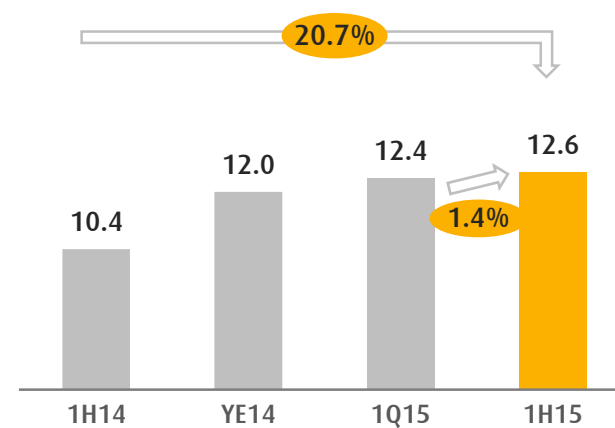
Accelerated yet disciplined loan growth in target segments

Total Loans (TL bn)

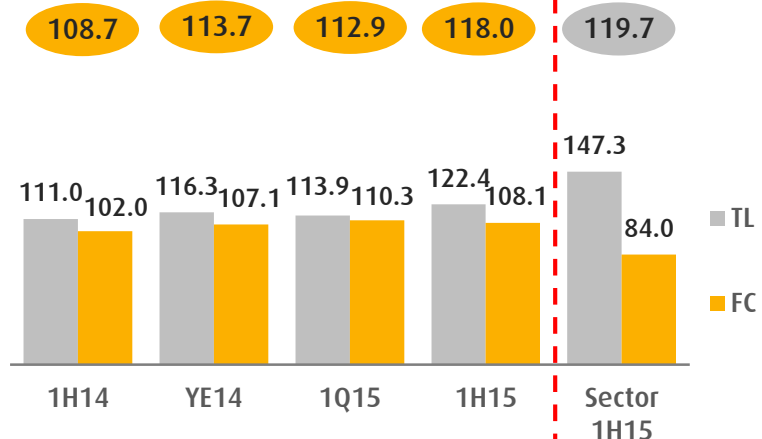


TL (% in total)	75.9%	73.3%	71.3%	71.5%
FC (% in total)	24.1%	26.7%	28.7%	28.5%

FC Loans (USD bn)

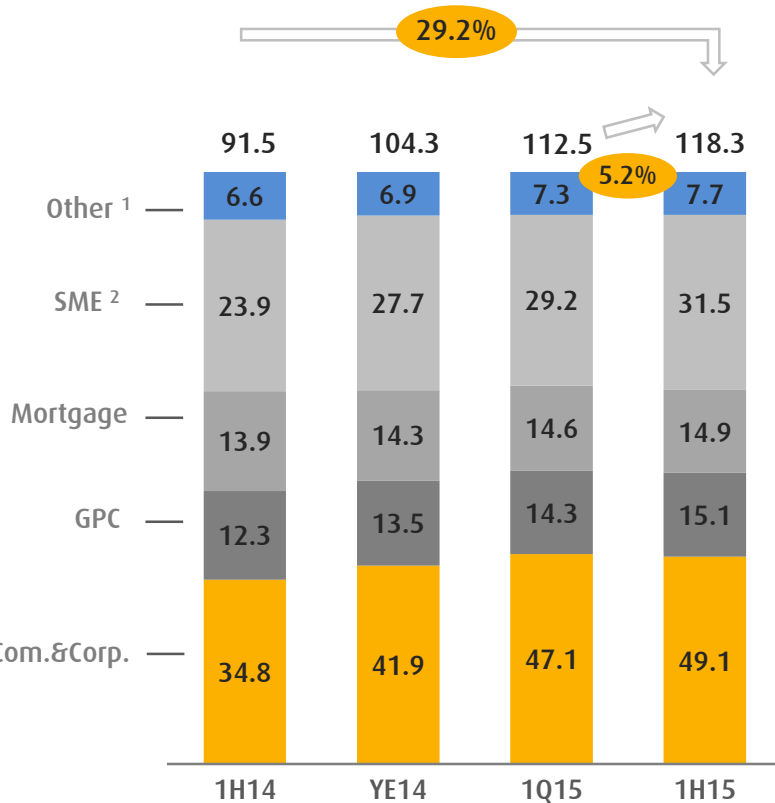


Loan/Deposit (%)

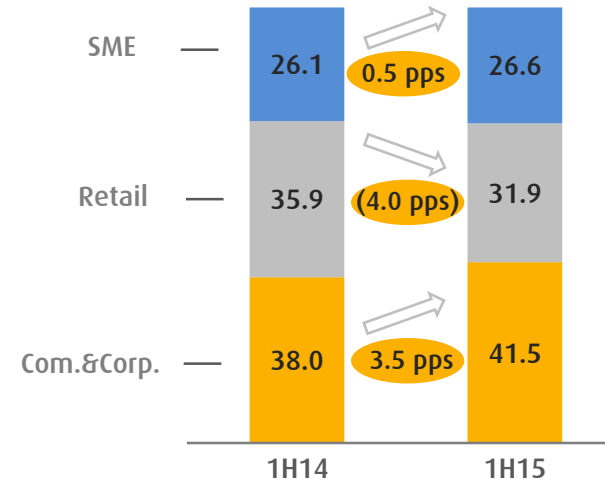


Well diversified loan breakdown

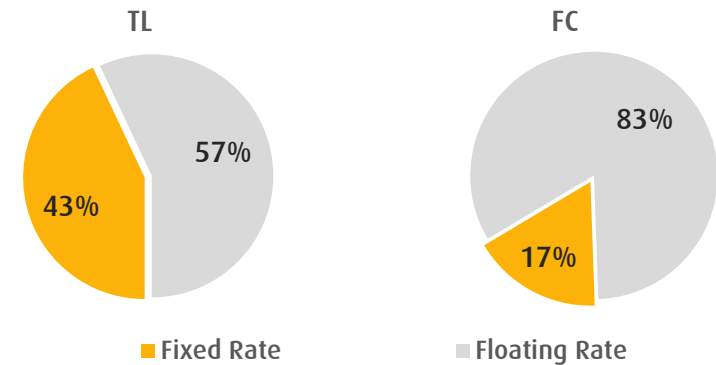
Breakdown of Loans (TL bn)



Portfolio Shift (%)

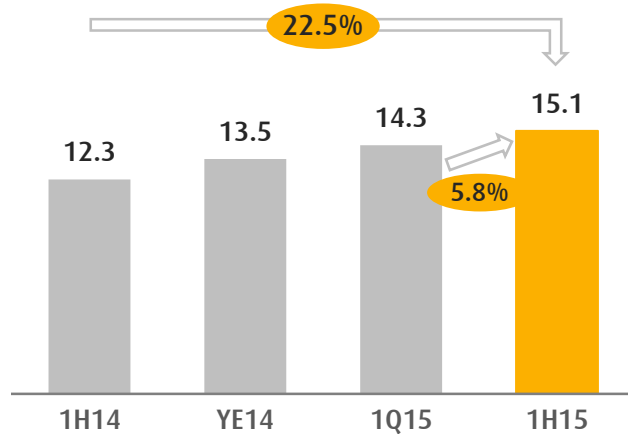


Loans by Interest Structure

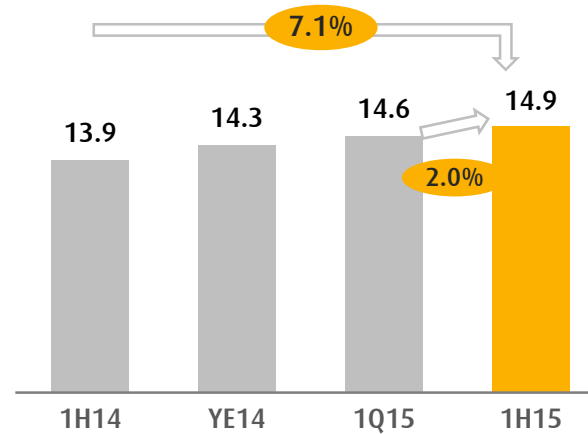


Ongoing focus on higher margin products in retail

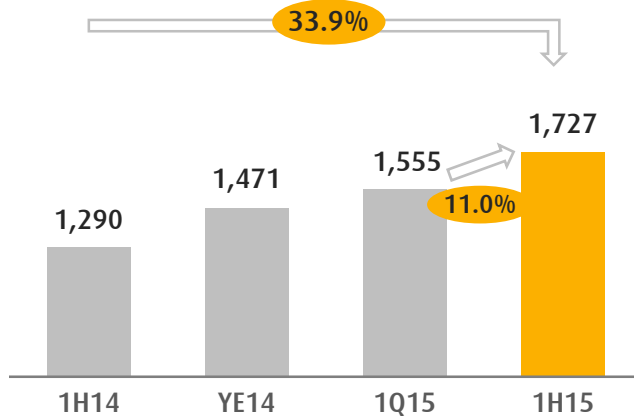
General Purpose Consumer (TL bn)



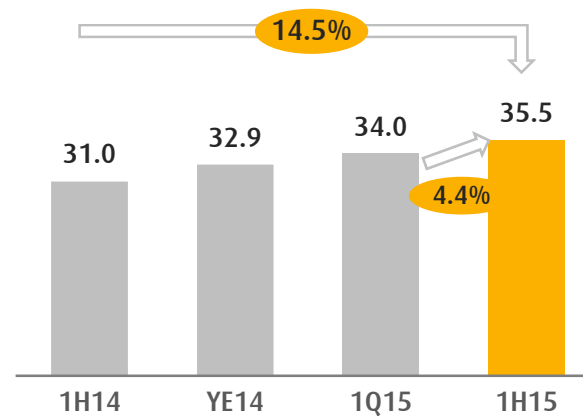
Residential Mortgages (TL bn)*



Retail Overdraft (TL mn)



Total Retail (TL bn)



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

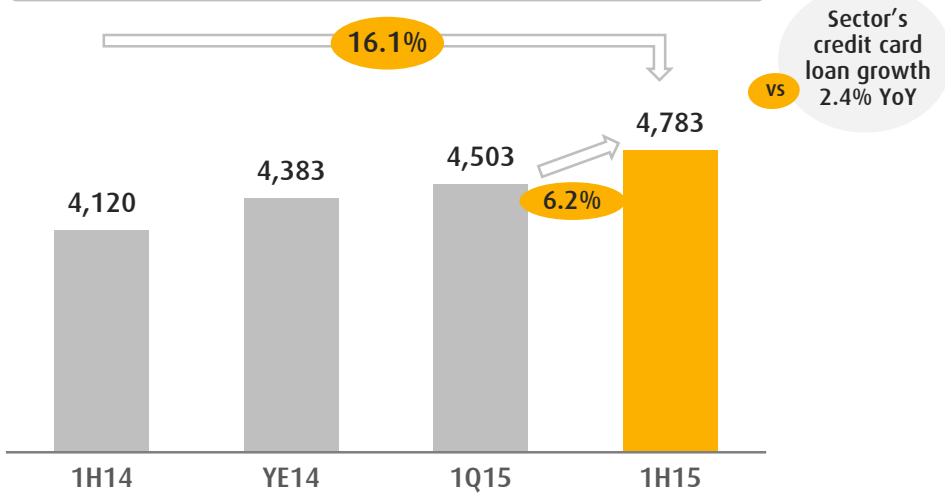
Market share gain in lucrative products
GPC loan growth

5.8%

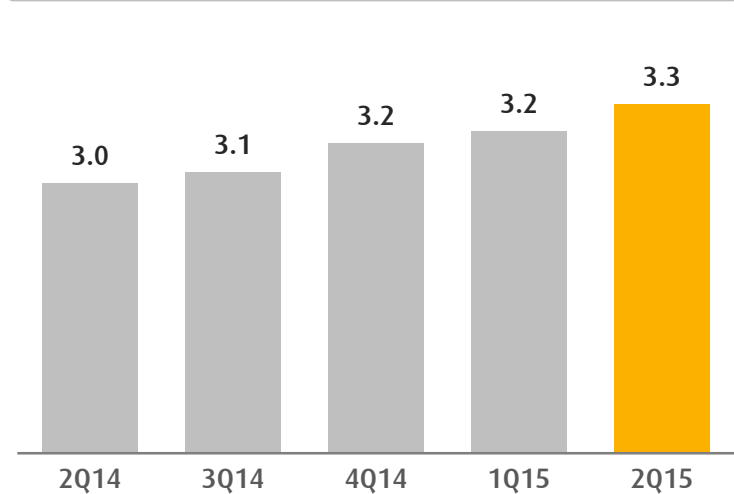
QoQ outperforming sector average of **0.9%**

Sustained healthy growth in credit cards despite macroprudential measures

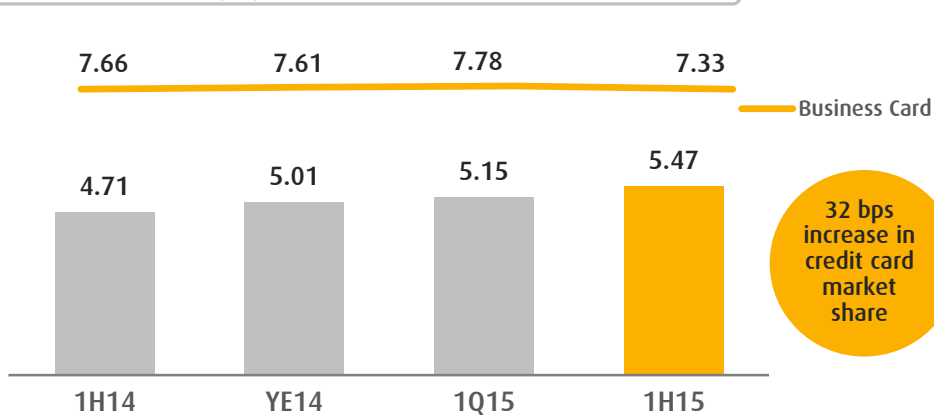
Credit Card Loans (TL mn)



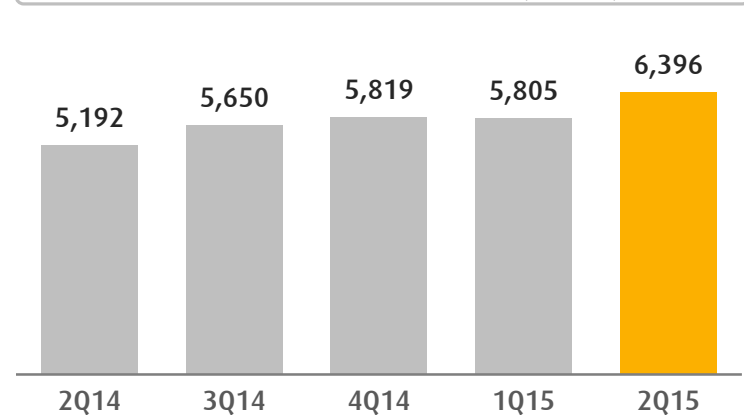
Outstanding Credit Cards (mn #)



Market Share* (%)

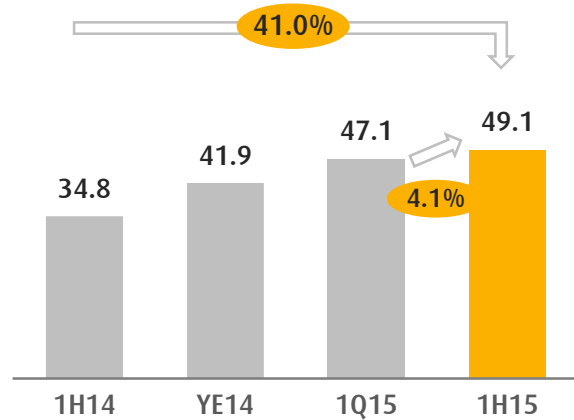


Average Quarterly Issuing Volume (TL mn)

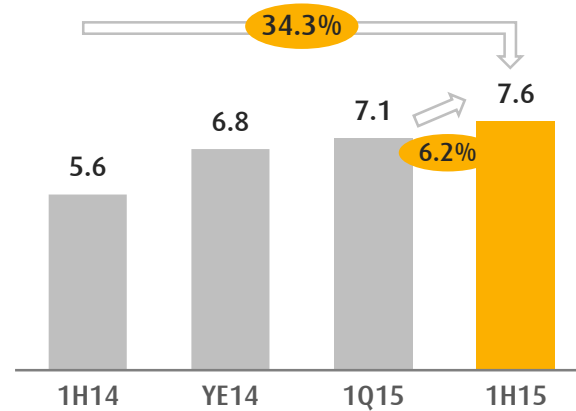


Loan growth is fuelled by high quality segments

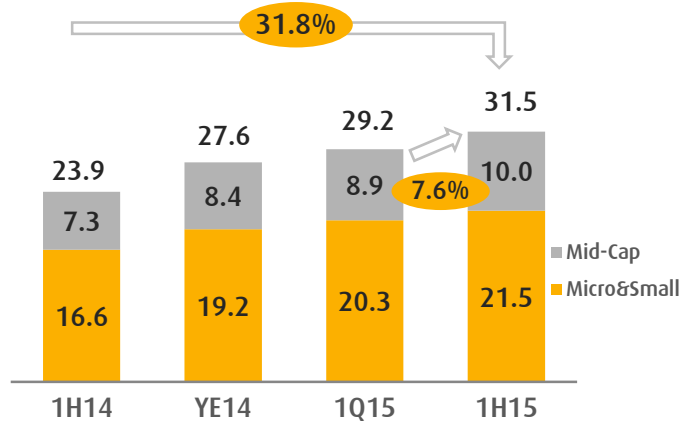
Commercial&Corporate (TL bn)



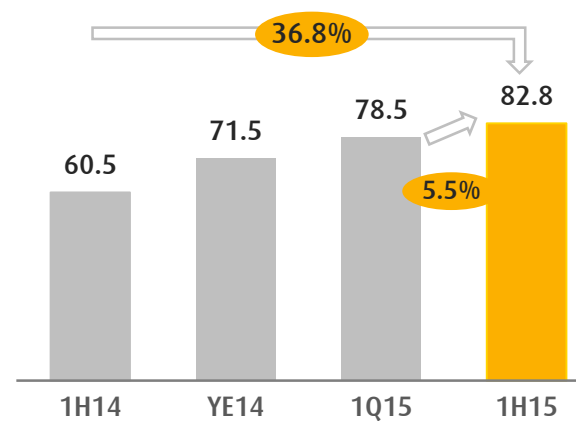
Project Finance Loans (USD bn)



SME* (TL bn)



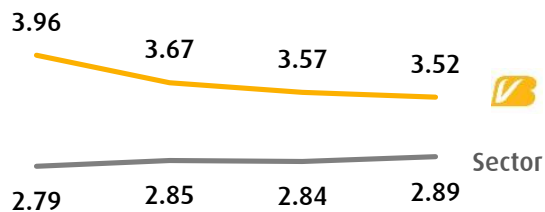
Total Com.&Corporate Loans** (TL bn)



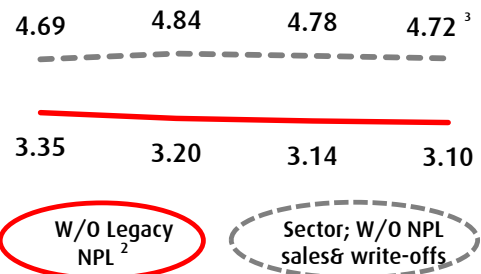
Share of commercial & corporate loans increased to **41.5%** in 2Q15 from **38%** in 2Q14

Asset quality improvement remained intact

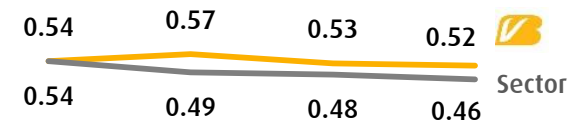
Reported NPL Ratio (%)¹



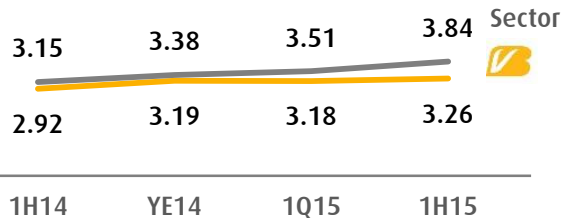
Comparable NPL Ratio (%)



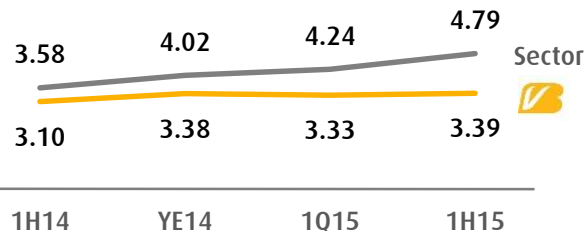
Mortgages NPL Ratio (%)



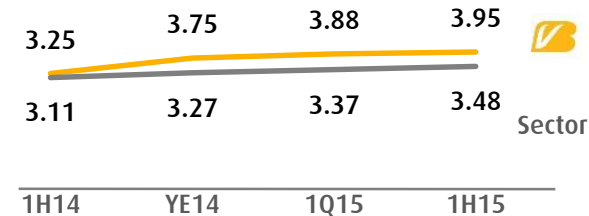
Total Retail NPL Ratio (%)



GPC NPL Ratio (%)



SME NPL Ratio (%)

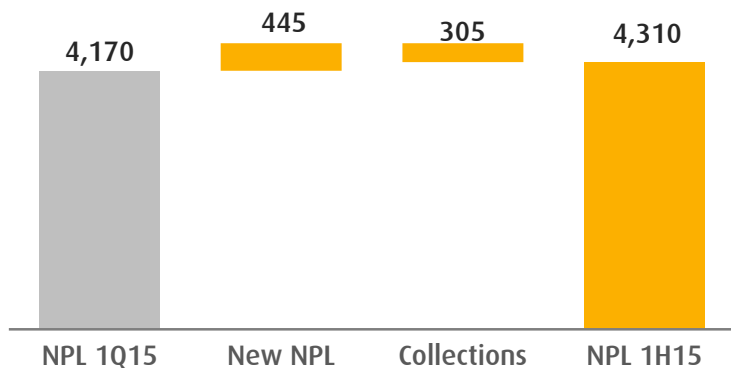


¹ Accumulated NPL, no write off & no asset sale for VakifBank.

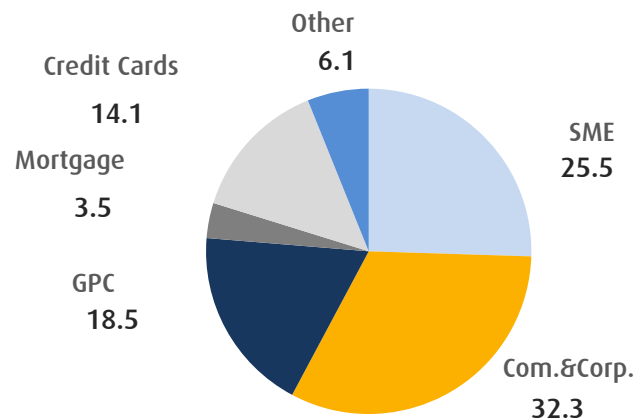
² NPL Ratio, if legacy NPL before 2008 excluded. ³ Asset sale & write off for the sector according to TBA and Banks' Financial Reports as of March 2015.

Net CoR is inside budget despite one of the highest coverage ratio of 93% in peer group

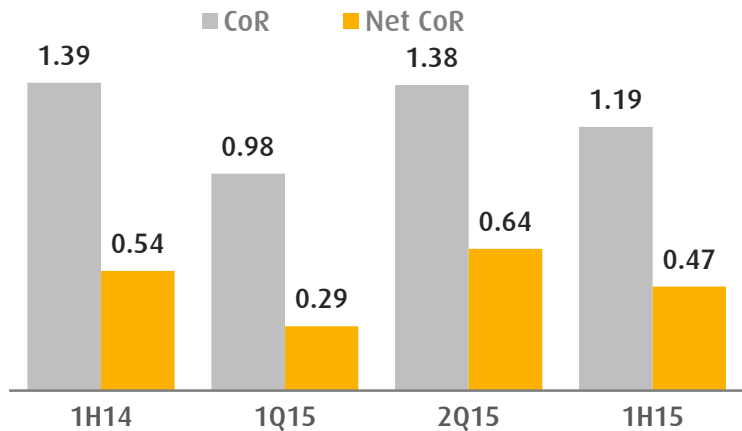
NPL (TL mn)*



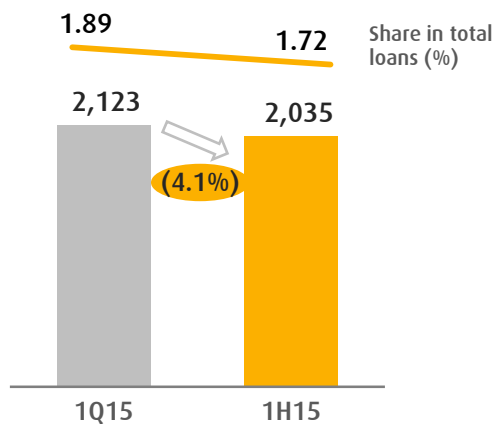
Breakdown of New NPL Inflow (%)



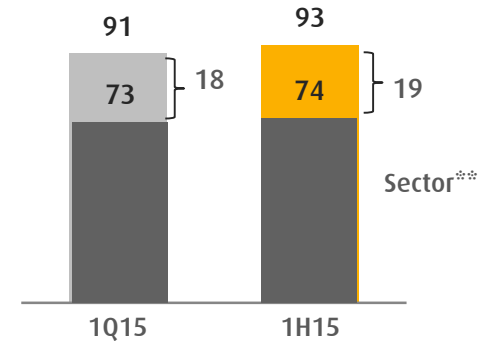
Specific Cost of Risk (%)



Past Due 30 Days (TL mn)

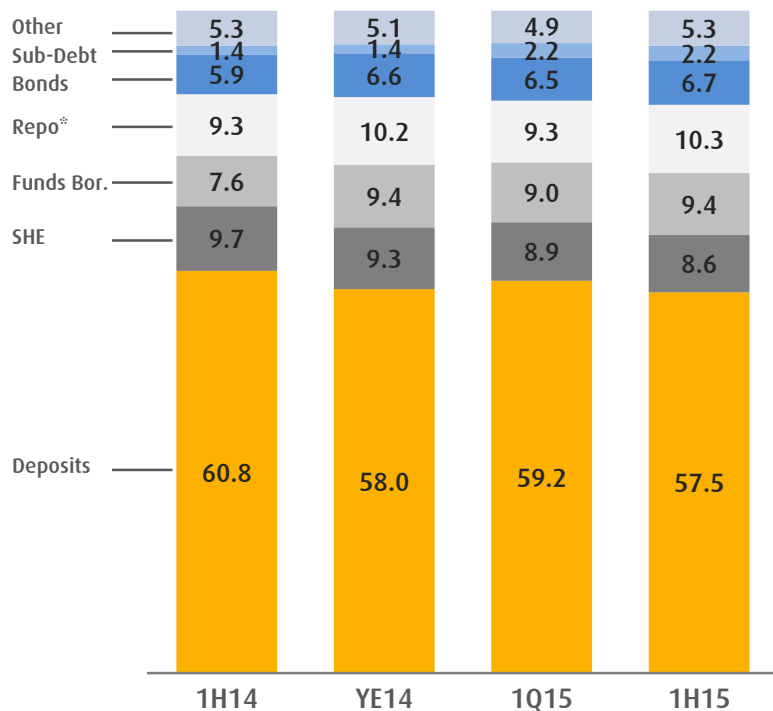


Coverage Ratio (%)

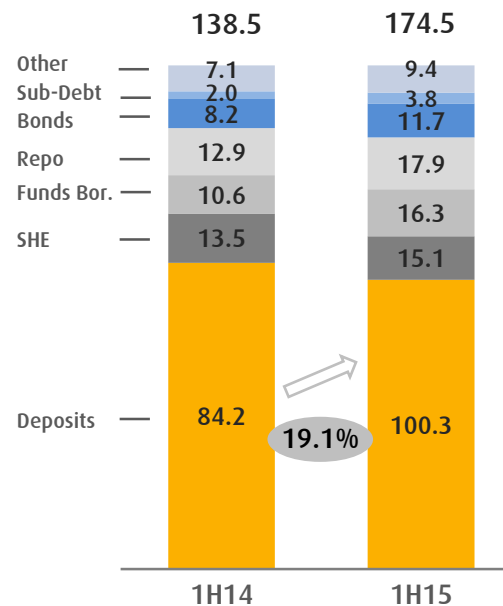


Customer deposit driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bn)



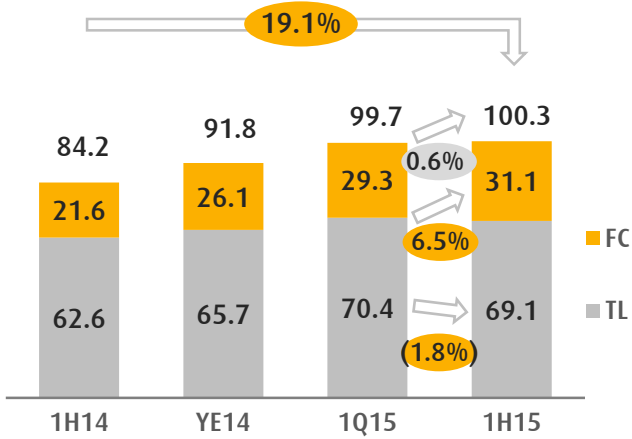
Private placement outstanding balance worth of US\$ 1.3 billion

Outstanding DCM volume amounting US\$ 6 billion equivalent**

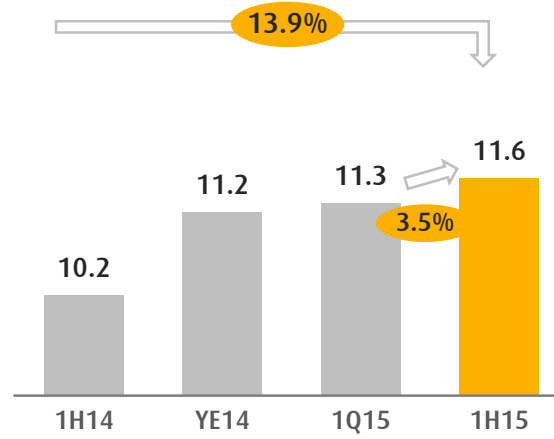
Mortgage Covered Bond Programme was established in July 2015.

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

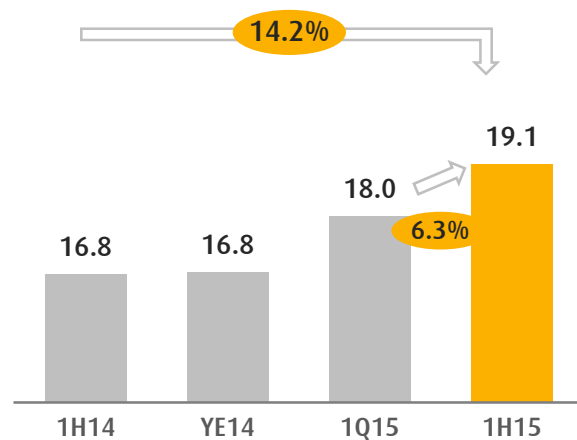
Total Deposits (TL bn)



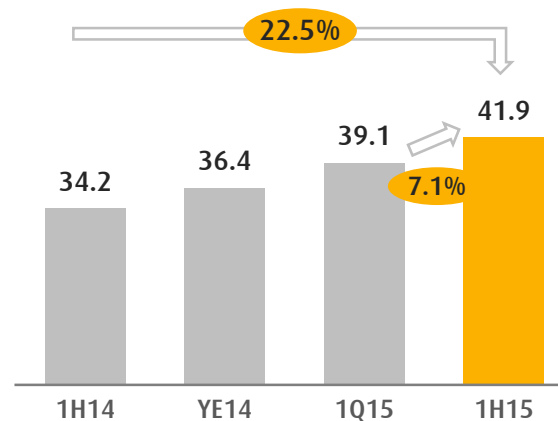
FC Deposits (USD bn)



Demand Deposits (TL bn)



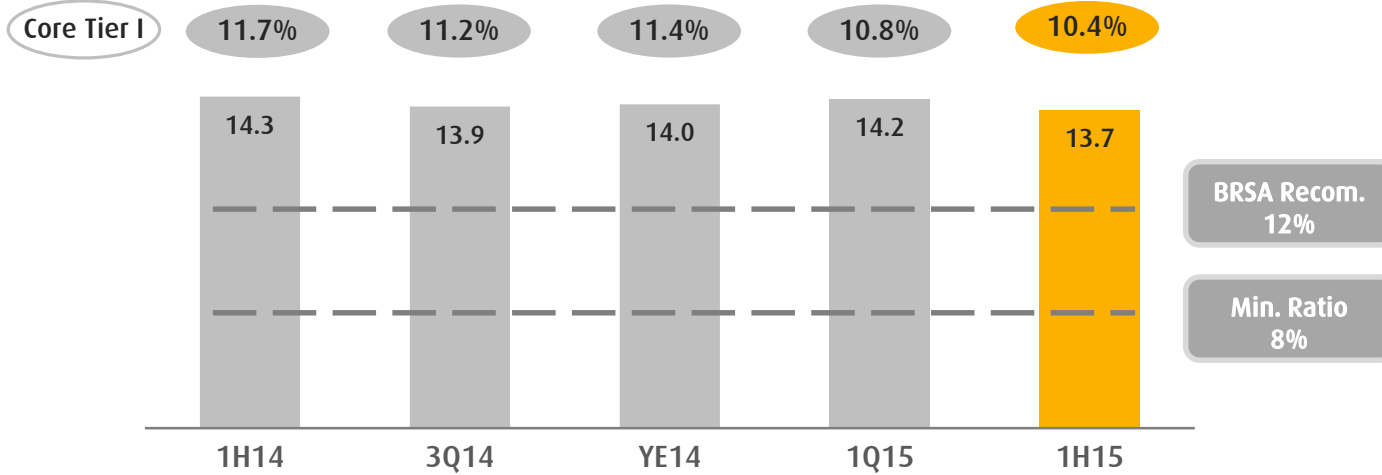
Total Retail Deposits (TL bn)



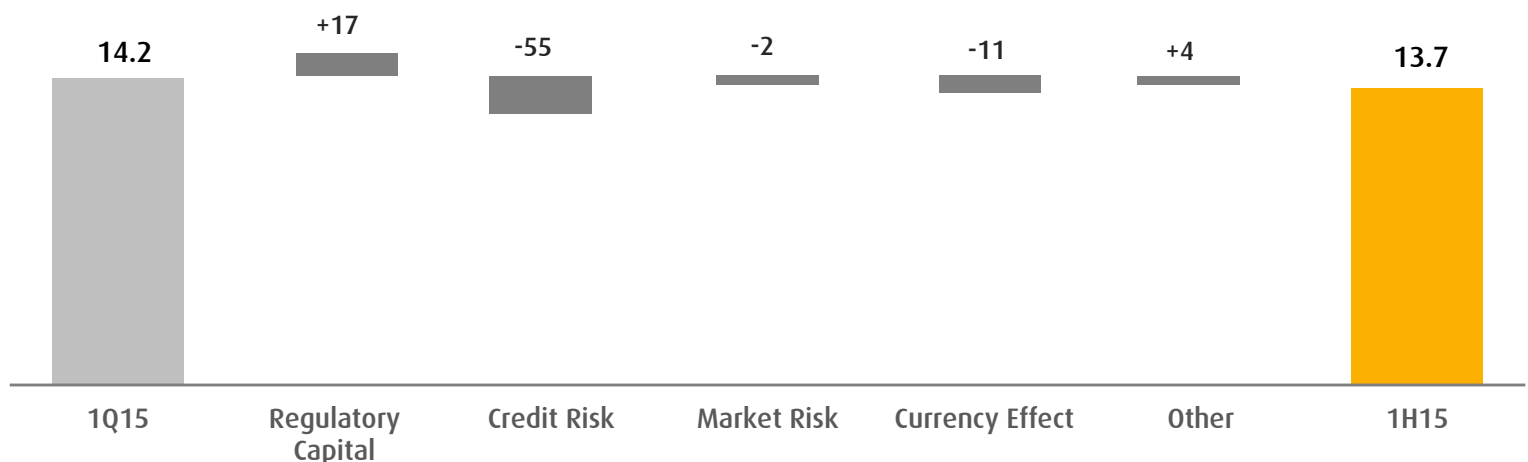
Solid quarterly retail deposit growth of **7.1%** vs sector average of **5.5%** in 2Q15

Solvency ratios

Capital Adequacy Ratio (%)



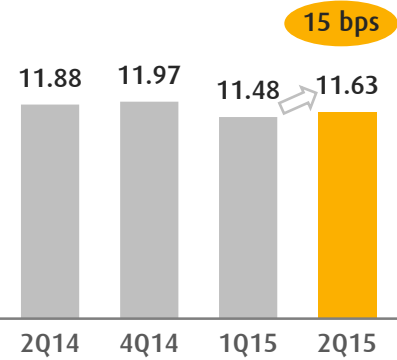
Share of FX capital in total regulatory capital increased to **16.6%** in 2Q15 creating natural hedge to FX volatility



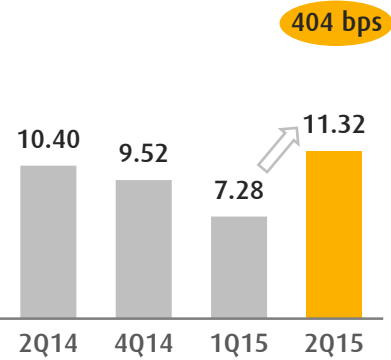
NIM, Spreads and Costs

Yields (%)

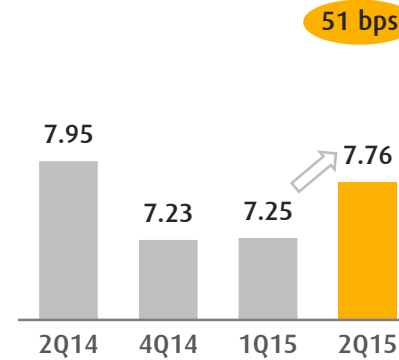
TL Loans



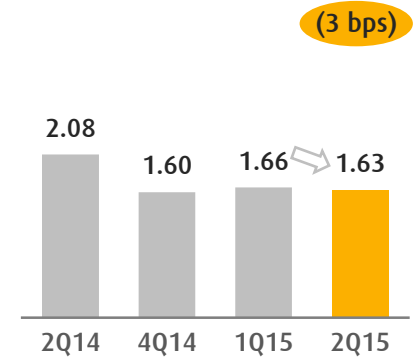
TL Securities



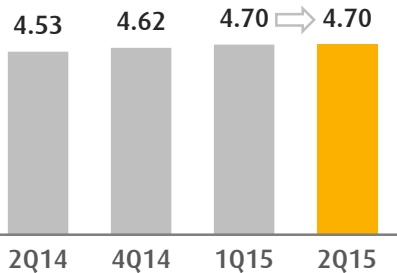
TL Deposits



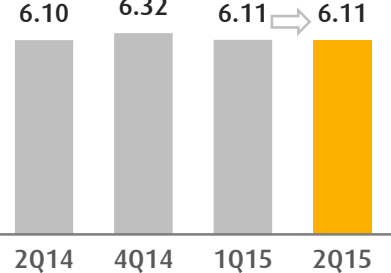
FC Deposits



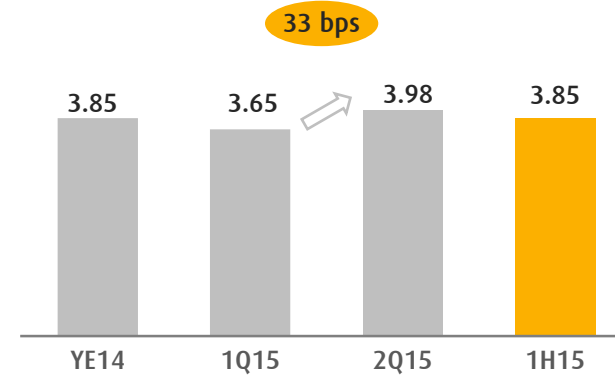
FC Loans



FC Securities*



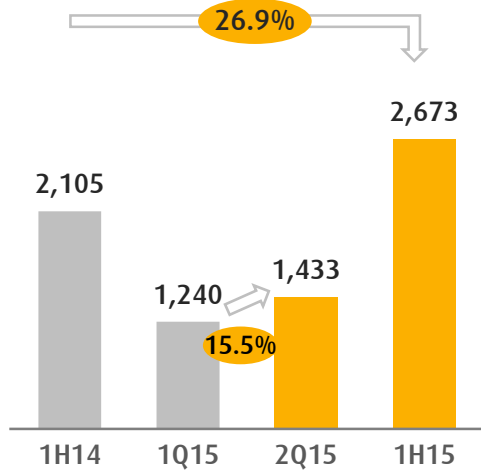
Net Interest Margin (NIM %)



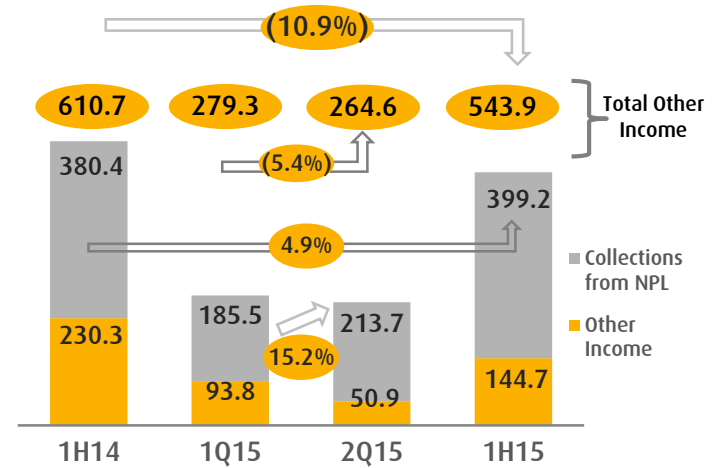
Impact of CPI Linkers on NIM is +52 bps

Earnings breakdown

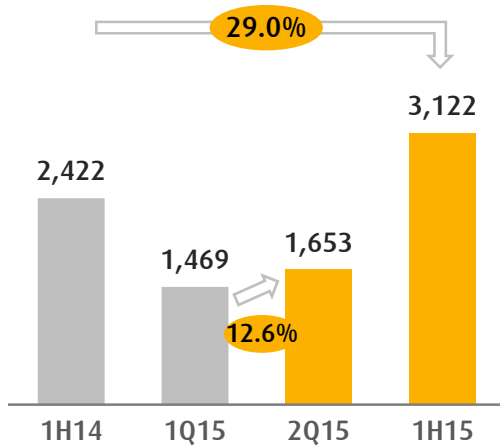
Net Interest Income (TL mn)



Other Income (TL mn)

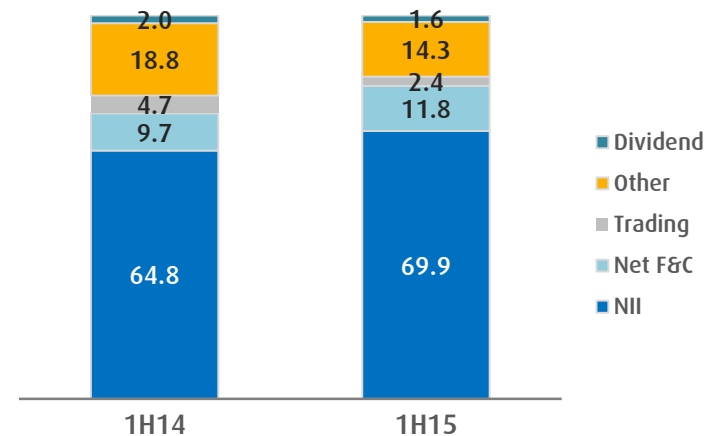


Core Banking Revenues* (TL mn)



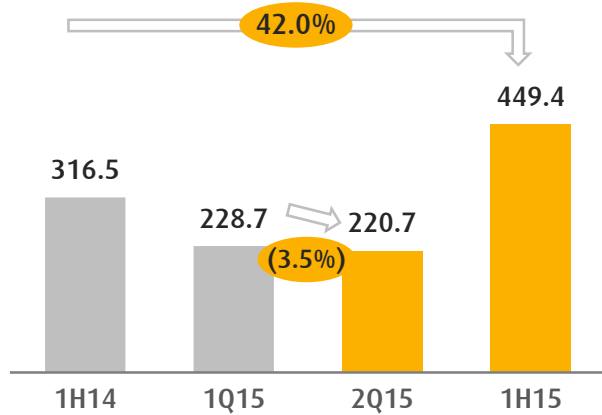
Core Banking Revenues growth of **29%** vs sector average growth of 18.3%

Breakdown of Total Revenues (%)

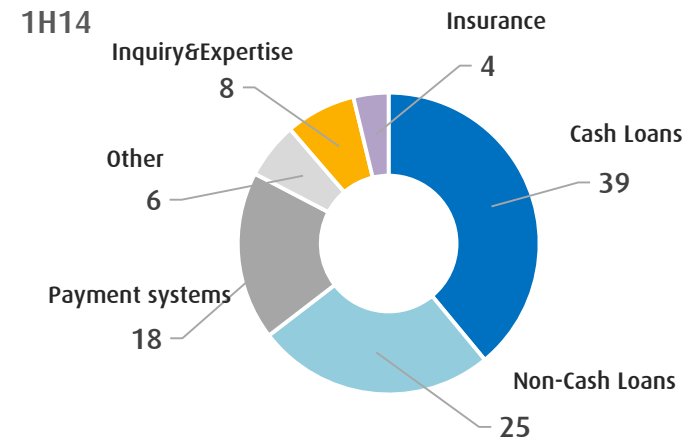
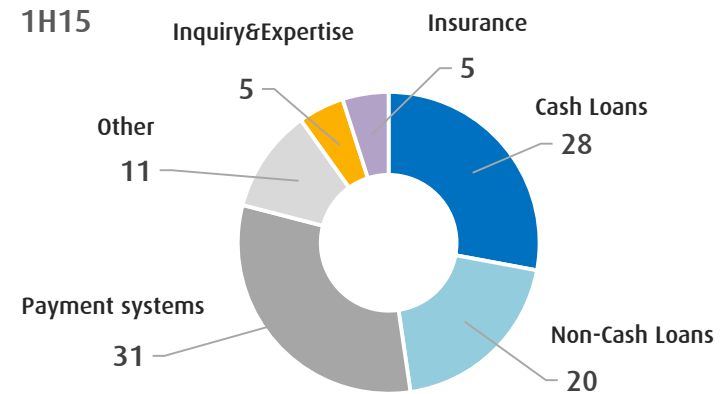


Eye-catching fee growth promise better than budget figures for full year 2015

Net Fee and Commission Income (TL mn)



Breakdown of Net Fee and Commission Income (%)



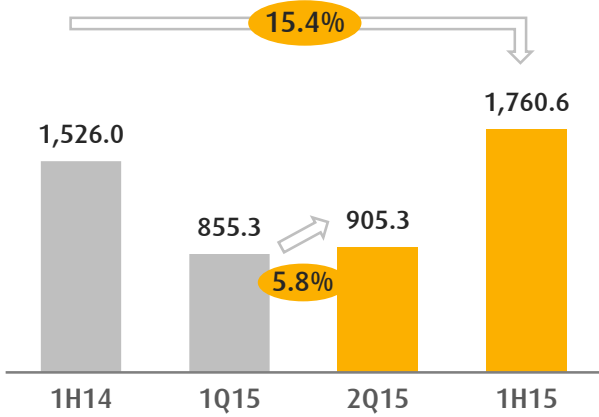
Share of fees in total revenues increased to **11.8%** in 1H15 vs 9.7% in 1H14

Contribution of payment systems related fees increased to **31.1%** in 1H15 vs 18.0% in 1H14

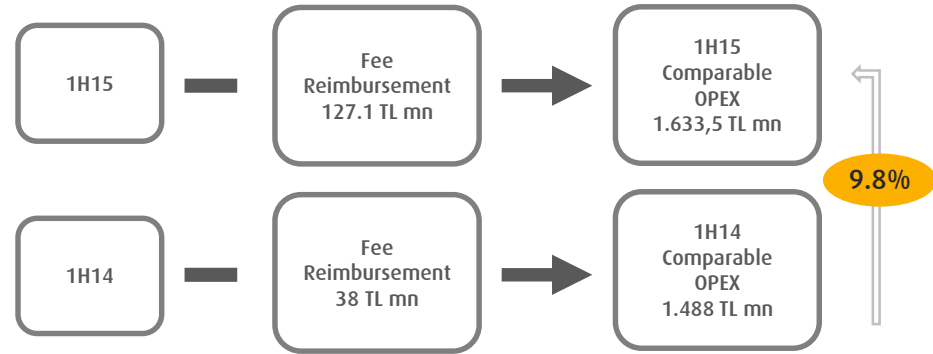
Fee / Opex ratio increased to **25.5%** in 1H15 vs 20.7% in 1H14

Comparable opex growth is better than the operating budget, Cost/Income improves

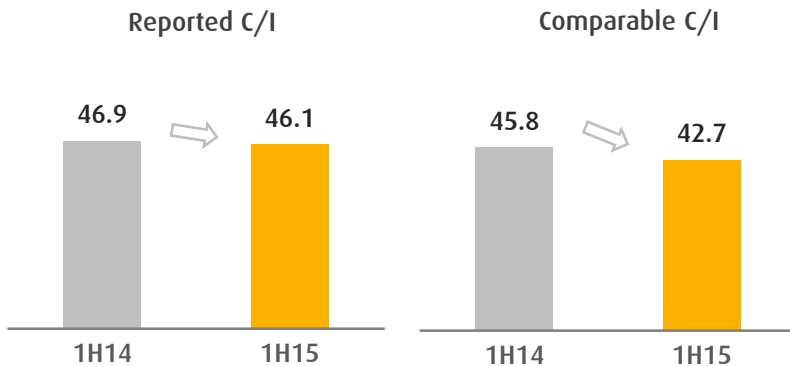
Operating Expenses (TL mn)



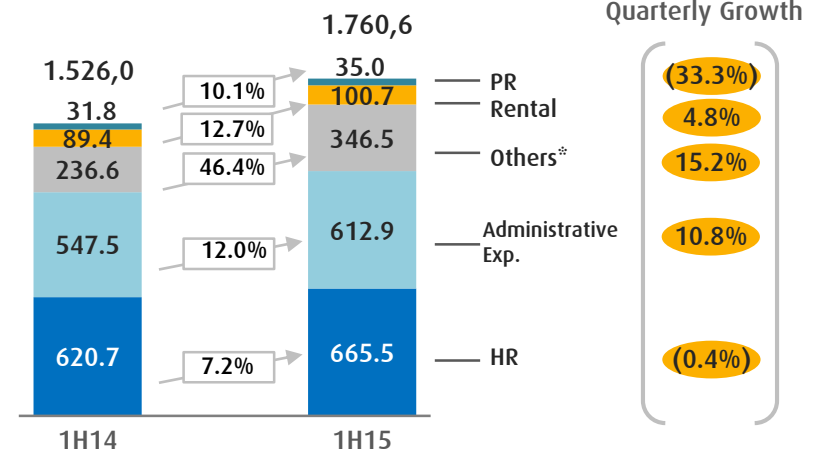
Comparable Opex



Cost/Income (%)



Breakdown of Opex (TL mn)



VakifBank with numbers

Distribution Channels & Customer (#)	1H2015	Efficiency ('000 TRY)	1H2015
Branches	904*	Assets per Employee	11,385
ATMs	3,357	Assets per Branch	193,211
Personnel	15,324	Loans per Employee	7,720
POS Terminals	159,251	Loans per Branch	131,002
Outstanding Credit Cards	3.3 mn	Deposits per Employee	6,543
Total Customers	17.2 mn	Deposits per Branch	111,043
Total Payroll Customers	2.3 mn		
Internet Banking Customers	3.1 mn		
Active Mutual Fund Customers	1.6 mn		

11 new branch openings Ytd

Balance Sheet

	(TL-mio, %)	1H2014	1Q2015	1H2015	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	18,638	21,179	21,518	15.5%	1.6%
	Interbank	1,286	4,198	4,443	245.5%	5.8%
	Securities	22,350	24,385	24,215	8.3%	(0.7%)
	Loans	91,541	112,489	118,294	29.2%	5.2%
	Subsidiaries & Investments	1,538	1,705	1,705	10.9%	0.0%
	Property & Equipment	669	704	732	9.4%	4.0%
	Other	2,517	3,702	3,563	41.6%	(3.8%)
	Total Assets	138,539	168,362	174,470	25.9%	3.6%
Off-B.S. Liabilities & SHE	Deposits	84,206	99,660	100,271	19.1%	0.6%
	Funds Borrowed	10,573	15,168	16,325	54.4%	7.6%
	Other	28,234	36,144	40,141	42.2%	11.1%
	Provisions	2,030	2,471	2,682	32.1%	8.5%
	Shareholders' Equity	13,496	14,919	15,051	11.5%	0.9%
	Guarantees	24,694	29,938	32,858	33.1%	9.8%
	Commitments	21,797	26,336	26,611	22.1%	1.0%
Derivatives	27,234	39,735	44,118	62.0%	11.0%	

Income Statement

(TRY-Thousand, %)	1H2014	1Q2015	2Q2015	1H2015	YoY Growth	QoQ Growth
Net Interest Income	2,105,441	1,240,163	1,432,613	2,672,776	26.9%	15.5%
Net Fee & Com. Income	316,467	228,679	220,746	449,425	42.0%	(3.5%)
Dividend Income	65,608	62,130	0	62,130	(5.3%)	(100.0%)
Net Trading Income	152,422	59,378	33,808	93,186	(38.9%)	(43.1%)
Other Income	610,672	279,257	264,613	543,870	(10.9%)	(5.2%)
Total Revenues	3,250,610	1,869,607	1,951,780	3,821,387	17.6%	4.4%
Operating Expenses	(1,525,981)	(855,312)	(905,305)	(1,760,617)	15.4%	5.8%
Provisions	(806,754)	(449,394)	(540,677)	(990,071)	22.7%	20.3%
Tax Provisions	(195,068)	(130,274)	(119,488)	(249,762)	28.0%	(8.3%)
Net Income	722,807	434,627	386,310	820,937	13.6%	(11.1%)

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.

DPR Securitization

DPR Securitization*

Outstanding balance of DPR Securitization is US\$ 1,249 million.

Private Placements

Private Placements*

- US\$ 3,969 million equivalent private placements were issued since June 2013 under GMTN program.

IFI Borrowing

- World Bank :US\$ 67 million SME Energy Efficiency 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 :EUR 25 million GAGF extension loan has been disbursed in December 2013 and has been 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.
Municipal Loan, EUR 100 million, was signed in December 2013 and US\$ 67,9 million has been disbursed in February 2014.
Tur-SEFF II extension; EUR 50 million was signed in July 2013 and EUR 25 million has been disbursed in December 2013.
SME II Loan II for Midcaps and SMEs A EUR 100 million was signed in November 2014, the full amount was disbursed as US\$ 123,9 in December 2014.
SME II Loan II for Midcaps and SMEs B EUR 100 million was signed in May 2015 and has not been disbursed yet.
- KfW : EUR 100 million MSME loan was disbursed in November 2013 and has been 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.

Local Currency Bond

- Issued in May 2014 and terminated 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 May 2015 with a 357 days maturity, TL 36.4 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 October 2014 and terminated 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 terminated 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 terminated 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 terminated in May 2015 with a 119 days maturity, TL 136.9 million bond at a cost of 8.2%.

- Issued in February 2015 and terminates on August 2015 with a 175 days maturity, TL 472.5 million bond at a cost of 9.2%.
- Issued in February 2015 and terminates on October 2015 with a 238 days maturity, TL 2.8 million bond at a cost of 9.2%.
- Issued in March 2015 and terminated on June 2015 with a 84 days maturity, TL 592.6 million bond at a cost of 9.5%.
- Issued in March 2015 and terminates on September 2015 with a 175 days maturity, TL 226.8 million bond at a cost of 9.5%.
- Issued in April 2015 and terminates on August 2015 with a 112 days maturity, TL 430.4 million bond at a cost of 9.8%.
- Issued in April 2015 and terminates on October 2015 with a 175 days maturity, TL 185.4 million bond at a cost of 9.8%.
- Issued in May 2015 and terminates on September 2015 with a 112 days maturity, TL 352.5 million bond at a cost of 10.3%.
- Issued in May 2015 and terminates on November 2015 with a 175 days maturity, TL 445.6 million bond at a cost of 10.4%.
- Issued in June 2015 and terminates on October 2015 with a 126 days maturity, TL 411.8 million bond at a cost of 9.8%.
- Issued in June 2015 and terminates on November 2015 with a 154 days maturity, TL 123.4 million bond at a cost of 9.9%.



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