

VakıfBank's 2014 YE net income: 1 billion 753 million

VakıfBank delivered TL 683 million net income in 4Q14, which is above than the market expectation and 2014 full year cumulative net income materialized at TL 1 billion 753 million. Despite banking sector's flat earnings in 2014, VakıfBank's net income increased by 10.6% on annual terms. VakıfBank's total assets, total loans and total deposits reached to above TL 158 billion, TL 104 billion and TL 91 billion with an annual increase of 17%, 21% and 13%, respectively.

According to 2014YE unconsolidated financial results, VakıfBank provided TL 133 billion to Turkish economy through cash and non-cash loans in 2014. VakıfBank opened 34 new branches in 2014 and total branch number reached to 893. Not only in terms of net income growth but also in terms of loan, asset and deposit growth; VakıfBank outperformed the sector averages.

Sustainable Profitability Increase

VakıfBank's CEO, Mr Halil Aydođan assessed the unconsolidated financials of 2014YE and indicated that a successful year is left behind in a period of fragility and volatility due to the uncertainty of global economy, said "We are proud that VakıfBank's net income increase in 2014, similar to 2013, was higher than the sector average. Additionally, VakıfBank's average return on equity came also higher than sector at 13% in 2014. VakıfBank will continue to grow in the upcoming years with sustainable profitability increase."

Faster Growth in SME loans and project finance

Pointing out that the loan growth in 2014 came mainly from non-retail segments like SME, Corporate and Commercial, which is in line with the macro prudential measures, Mr. Aydođan stated, "Our cash loans, with 21% annual increase which is higher than sector average, exceeded TL 104 billion and more importantly, SME loans and project finance loans reached to TL 28 billion and USD 6.8 billion with an increase of 25% and 31%, respectively. We will continue to support real economy, especially SMEs that are keystones of the economy and promoter of the exports."

Positive differential in asset quality became the most distinct feature of 2014

Emphasizing that the most significant success of 2014 balance sheet came from asset quality side, Mr. Aydođan said, "Without any asset sale or write off, in a year that sector's NPL ratio increased, VakıfBank's NPL ratio decreased 25 bps compared to 2013, through higher collections than last year and decline on new NPL inflows. More importantly, coverage ratio of VakıfBank increased to 94% which is the highest among peer banks, realizing at 20 bps higher than the sector average. Without compromising from profitability, the Bank continues to stand confident in a prudential and conservative way."

Solid funding base

Stating that the total deposit growth was also higher than the sector average and therefore market share of VakıfBank in deposits also increased, Mr. Aydođan continued his speech, "Total deposit exceeded TL 91 billion, increasing by 13% on annual terms. More importantly, as a result of the increase in branch numbers in recent years, non-granular characteristics of our deposit portfolio became more visible. Faster growth on demand and retail deposit support this argument; demand deposits reached to TL 16.8 billion, increasing by 23%, retail deposits reached to TL 36.4 billion, increasing by 16%."

Remarking to the important developments in non-deposit funding sources, CEO Mr. Aydođan said, "VakıfBank issued first ever Euro denominated eurobond out of Turkey in the first half of the year, apart from sovereign. In the second half of the year, VakıfBank obtained USD 930 million DPR securitization loan through future flow transactions in 7 tranches, in different maturities up to 7 years. In addition, VakıfBank issued the first ever Basel 3 compliant Tier II subordinated notes out of Turkey, amounting USD 500 million in January, 2015. We will continue to evaluate new and different funding sources for the usage of medium and long term financial needs of the real sector."

Only Public Institution in BIST Sustainability Index

Indicating that another important development of 2014 for VakıfBank is being included to BIST Sustainability Index, which is launched in the last quarter of the year, Mr. Aydođan said "While Sustainability Index is composed of 15 most distinguished companies of Turkey; only 4 banks, including VakıfBank, were eligible to be in the index. More importantly, VakıfBank became the only public institution to be included in the index. We act taking full account of the responsibility to the environment, public, employees and shareholders and consider the sustainability studies as a debt to future generations."

Branch openings and employment will continue in 2015

In line with the strategy of being close to the customers and expanding the customer base, Mr. Aydođan underlined that branch openings will continue in 2015, "In accordance with the aim of reaching to 1000 branches, VakıfBank plans to open about 40 new branches and hire roughly 800 new employees in 2015."

Significant financial indicators of unconsolidated balance sheet of VakıfBank dated December 31, 2014

Net Profit Before Tax	TL 2.213,7 million
Net Profit	TL 1.753,3 million
Total Assets	TL 158.217,7 million
Total Cash and Non-cash Loans	TL 132.977,4 million
Cash Loans	TL 104.343,4 million
Non-cash Loans	TL 28.633,9 million
Total Deposits	TL 91.757,0 million
Equity	TL 14.771,8 million
Funds Borrowed	TL 14.927,0 million