VakıfBank

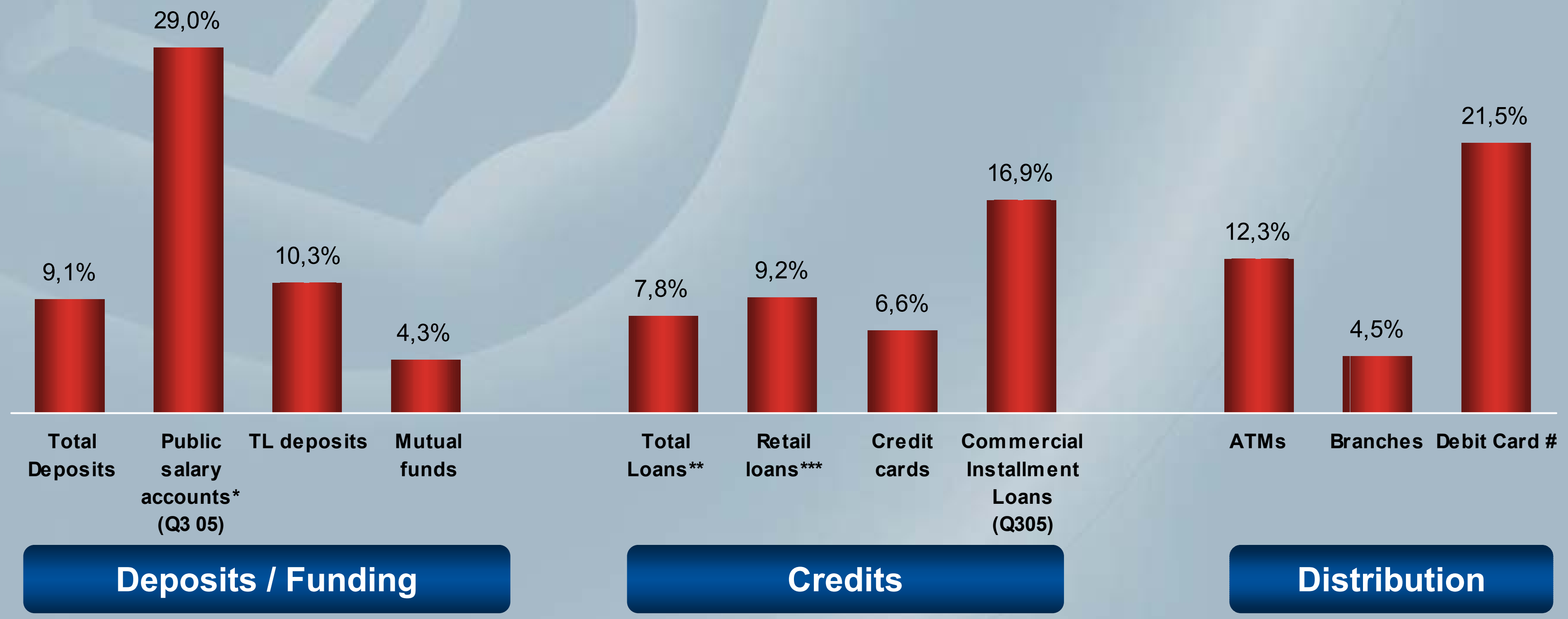
Investor Presentation

BRSA Solo Results

March 10, 2006

VakifBank: continued leadership, particularly in retail and SME finance

Market shares (%) (2005)



Source: Turkish Banks Association reports under BRSA standards, Capital Markets Board

* VakıfBank estimates

** Total banking system loans = Short term + Medium and Long Term + Loans under Follow up - Specific Provisions

*** Includes home, auto and other. Credit card loans, overdrafts, and State Mass Housing Authority (TOKI) loans not included

VakıfBank financial performance trends

B/S mix	Increased share of loans in total assets Decreasing trading securities portfolio Increased funding from retail deposits
B/S growth	Strong asset growth driven primarily by rapid loan expansion (retail and SME loans) Funding (deposits) growth in line with assets
Asset quality	Decreasing level of NPLs, stringent credit review/scoring systems 100% NPL coverage
Capitalisation	Strong capitalisation levels, allowing for future growth Repaid government sub-debt
Revenue mix	Increased share of interest income from loans, rather than securities Focus on generating fee & commission income
Profitability	Well managed cost base and efficient network

Financial performance 2005

Balance sheet highlights

- Continued rapid expansion of credit portfolio supported by strong growth in deposits
  - Gross loan portfolio increased by 45.7% to YTL12.9bn
  - Customer deposits grew by 33.8% to YTL22.3bn
  - Significant growth in higher yielding YTL products: YTL loans grew by 47.9%; YTL deposits registered a 47.9% growth
- Share of loans in total assets increased to 36.8% compared to 27.5% in 2003, while the share of securities portfolio contracted to 32.5% from 40.3% in 2003
- Loan to deposit ratio reached 53.3% in 2005 compared to 37.7% in 2003
- Strengthened capital base as a result of successful IPO raising YTL1.5bn
- Prudent provisioning and improving loan quality: NPLs down to 7.7% of gross loan portfolio in 2005 and are fully provisioned

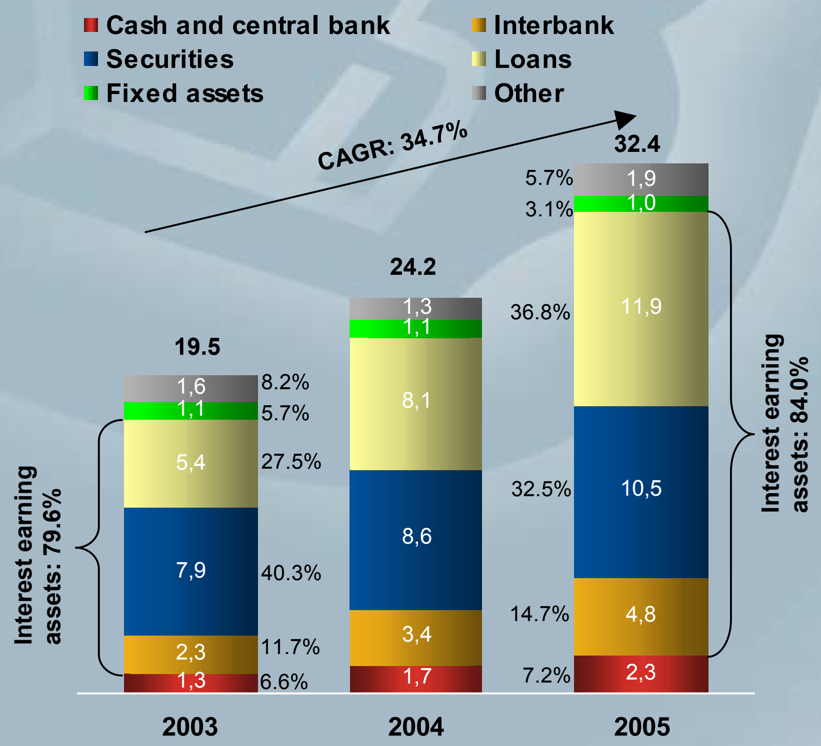
Financial performance 2005

P/L Highlights

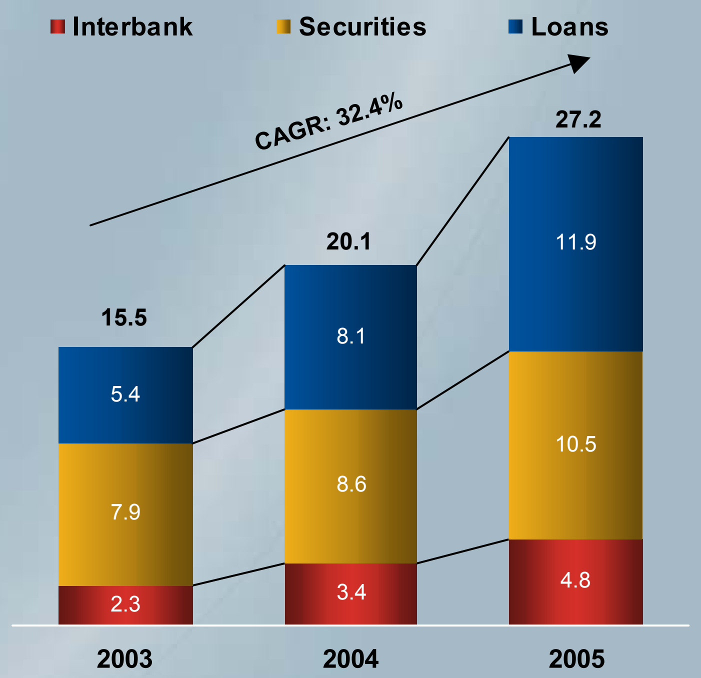
- **Strong NIM despite margin pressure**
  - Lending and deposit margins driven by market trends
  - Very limited non-interest earning assets and strong YTL funding
- **Further potential to grow fee & commission income**
  - Improving cross-selling ratio: from 1.97x to 2.25x in 6 months with the appointments of relationship managers
  - Expected increase in credit card usage due to new legislation and credit card reorganization
- **Strong cost control**
  - Vakifbank remains one of the most efficient banks in Turkey
  - Cost/income ratio is in line with top players at 38%
  - Productivity per branch and employee remain very strong

Diversification of asset mix towards interest-earning assets

Asset composition (YTLbn)



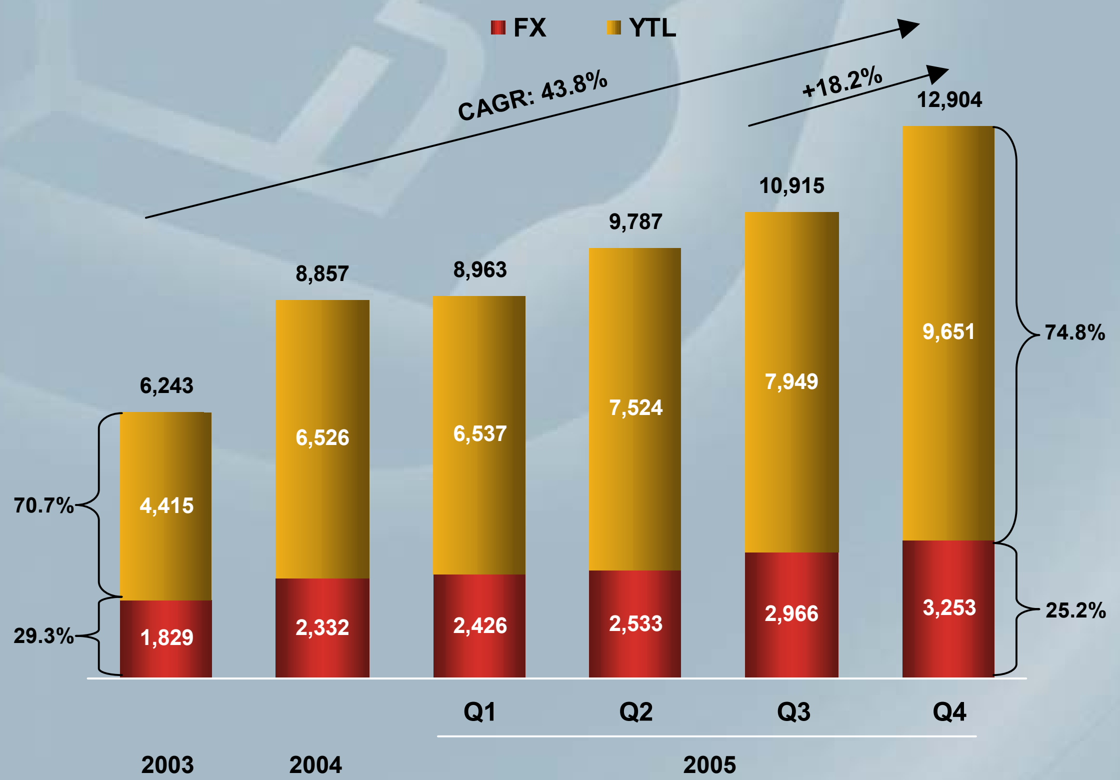
Interest earning assets (YTLbn)



- Strong growth in assets driven by rapid expansion of loan portfolio
- Continued diversification away from securities–from 40.3% of total assets in 2003 to 32.5% in 2005

Rapid expansion of loan portfolio continued...

Gross loans (YTLmm)

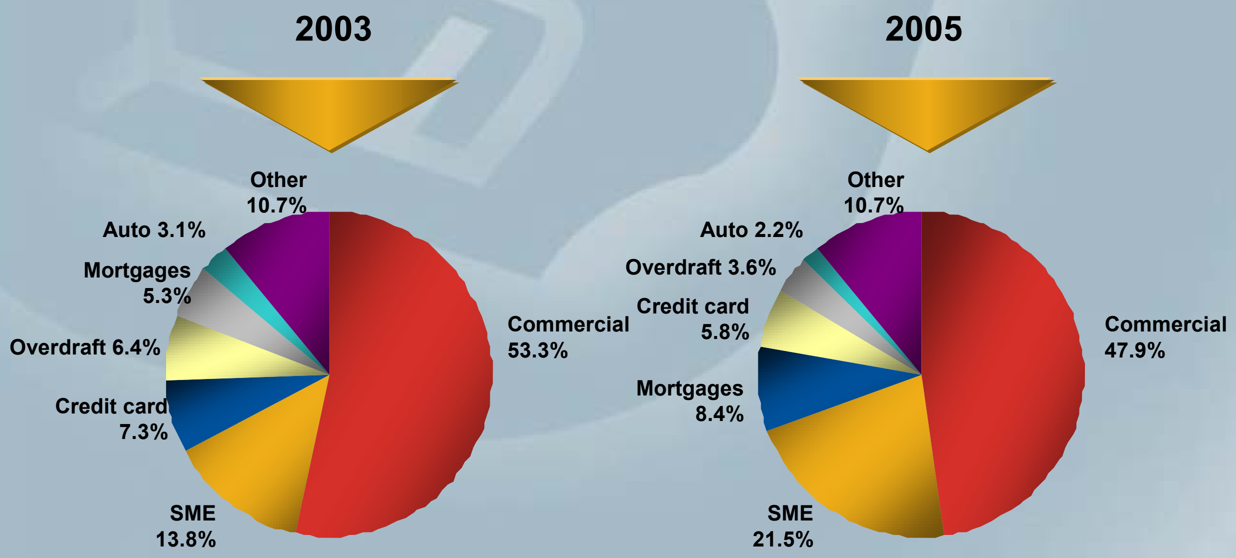


Comments

- Loan portfolio registered a 45.7% increase in 2005
- After a slowdown in the first three quarters of 2005 due to IPO preparations, loan growth resumed with total portfolio increasing by 18.2% in Q4
- Higher yielding YTL loans grew by 47.9% in 2005 while FX-denominated loans increased by 39.5%

...with strong focus on retail and SME lending...

Breakdown of loans by sector

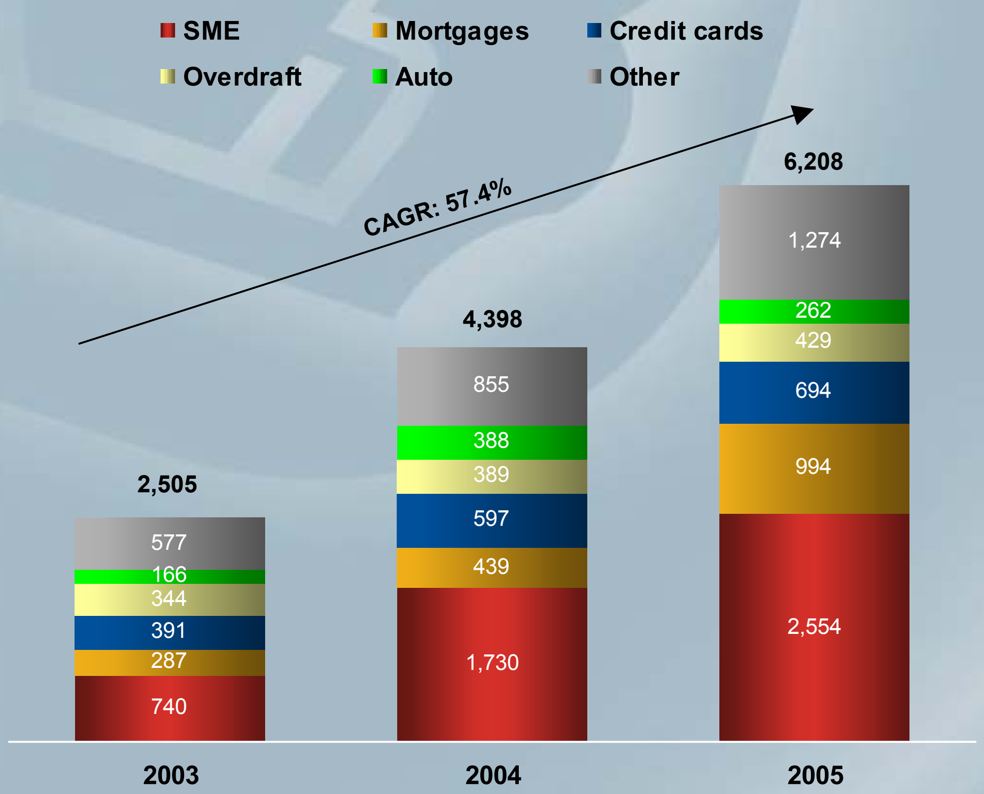


Comments

- Continuous increase in lending to retail and SME customers from 46.7% of total loans in 2003 to 51.6% as of December 31, 2005
- Good position in traditionally strong regions of central and eastern Turkey
  - Selective expansion in Istanbul region

...and in particular on high margin products

Retail and SME loans (YTLmm)

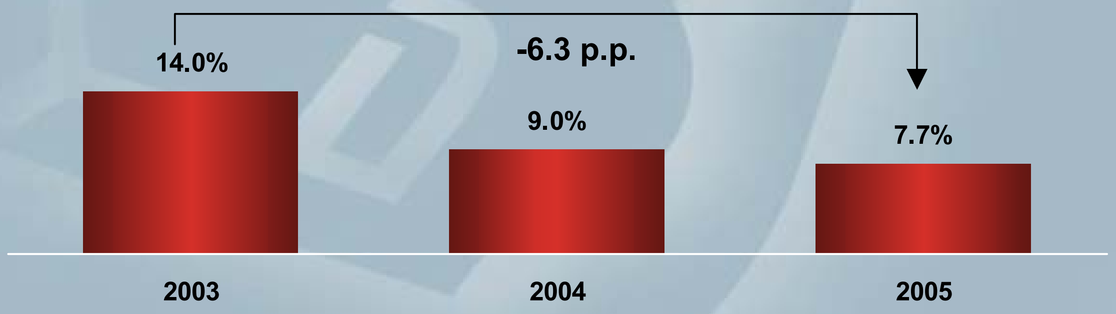


Comments

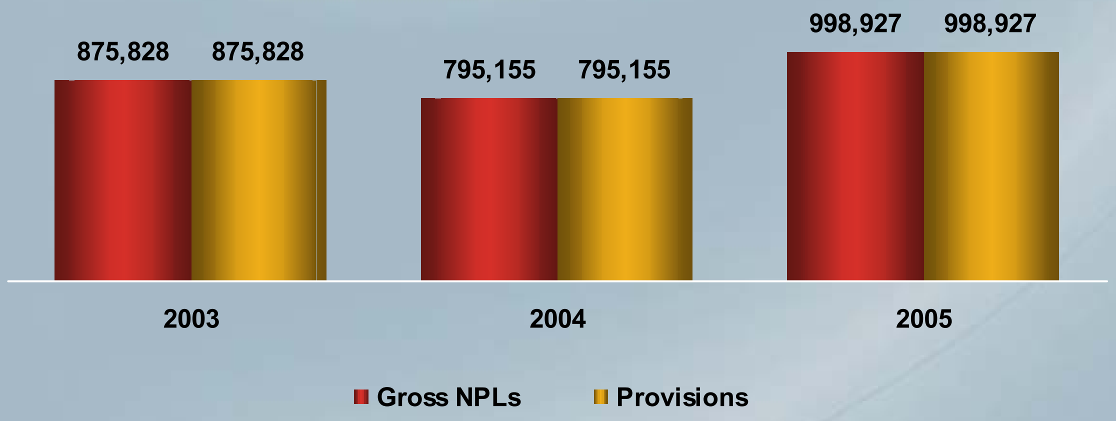
- High yields in retail & SME lending: credit card 37%, overdraft 49%, installment loans 22%
- To strengthen its retail franchise, VakifBank introduced 632 SME portfolio managers and 332 retail portfolio managers in 2005
- As a result of these initiatives, cross-selling ratio for SME portfolio managers increased from 1.97x in June 2005 to 2.25x in November 2005
- At the same time, average loan per customer grew from YTL3,527 for SME portfolio manager to YTL4,188

Steady and significant improvement in asset quality

Gross NPLs as % of gross loans



Gross NPLs and provisions (YTLmm)

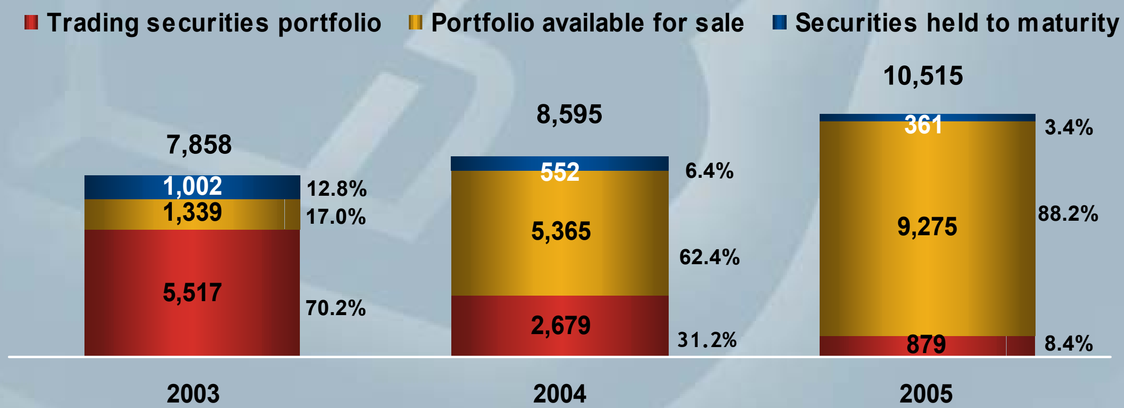


Comments

- Despite rapid expansion of the loan portfolio, NPLs continued to decrease reaching 7.7% of total gross loan portfolio in 2005 compared to 14.0% in 2003
- Since 2003, loan loss provisions cover 100% of NPLs

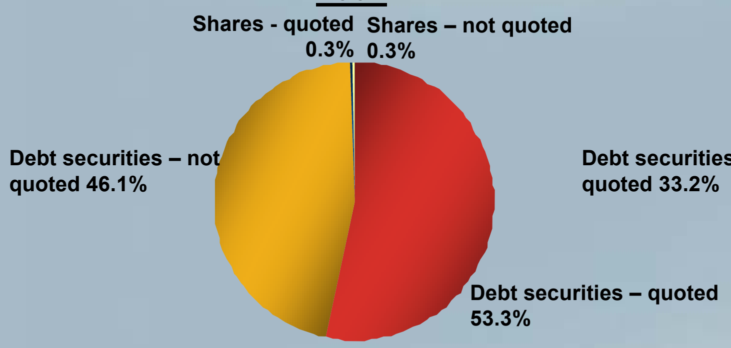
Securities portfolio evolution

Securities 2005 (YTLmm)



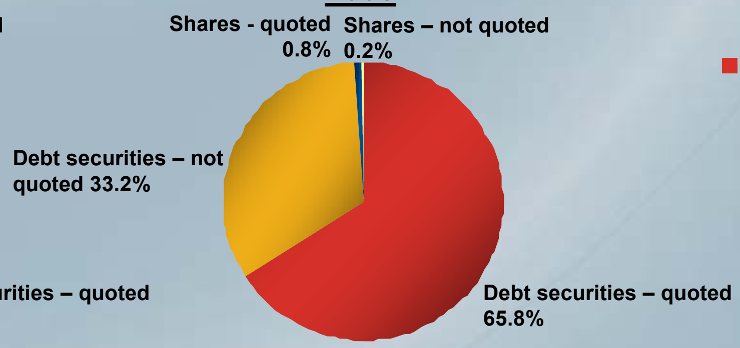
Available for sale portfolio breakdown by type of security

2004



Total¹: YTL5,375mm

2005



Total¹: YTL9,288mm

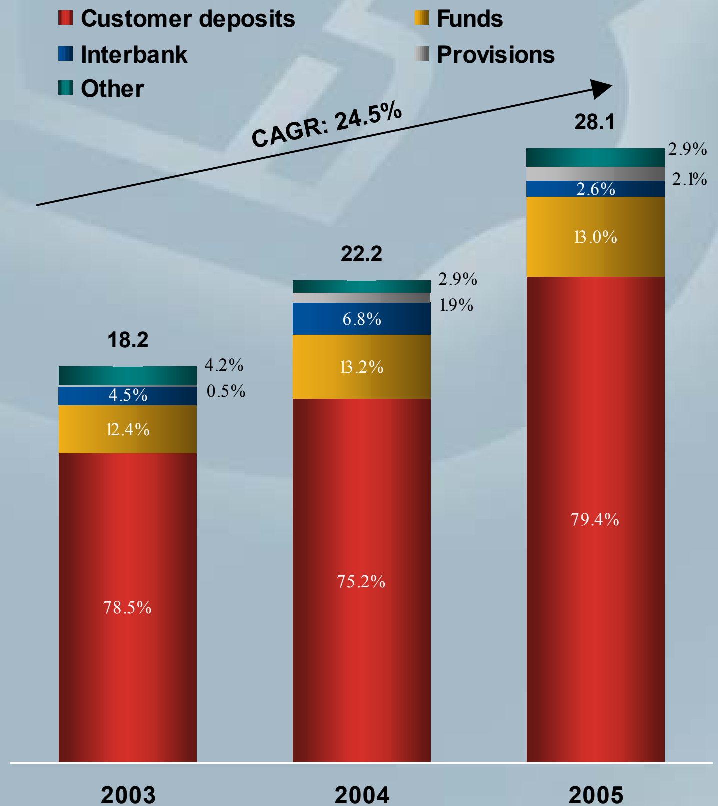
Comments

- The securities portfolio increased by 22.3% in 2005 but its share in total assets continued to decline—from 40.3% in 2003 to 32.5% in 2005
- Trading portfolio decreased by 67.2% in 2005 with its share dropping from 70.2% of total securities portfolio in 2003 to 8.4% in 2005
- Portfolio of securities available for sale stood at 88.2% of total securities portfolio in 2005 compared to 17.0% in 2003

¹ Excluding impairment provision

Strong deposit growth is supporting the expansion of credit portfolio

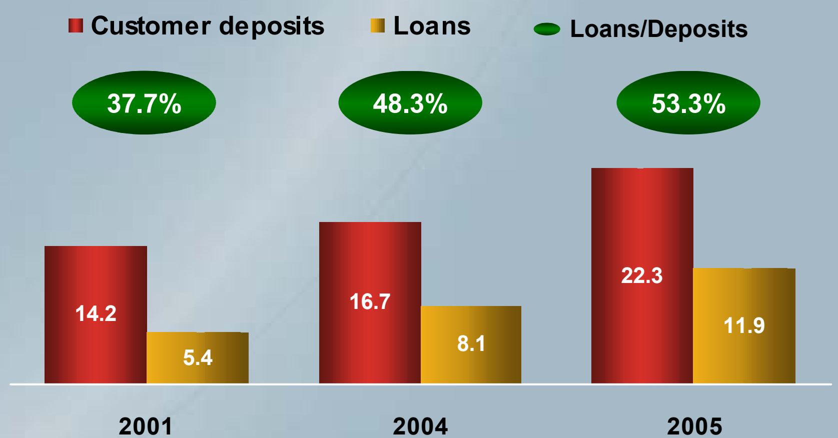
Breakdown of liabilities (YTLbn)



Comments

- Total liabilities grew by 26.7% in 2005 driven by continued expansion of deposit base and increase in external funding
- Despite a decline in Q1 05, customer deposits posted a 33.8% growth in 2005 and accounted for 79.4% of total liabilities

Loans and customer deposits (YTLbn)

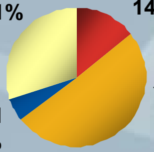


Note: Customer deposits exclude interbank deposits
Total liabilities excluding equity

Deposit base composition and evolution

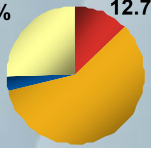
Customer deposit breakdown by type and currency

2004



Total: YTL16.7bn

2005



Total: YTL22.3bn

Comments

- Increased focus on YTL deposit base–from 56.7% in 2003 to 71.3% in 2005
- Significant portion of 'cheap' demand deposits
  - Still below market average

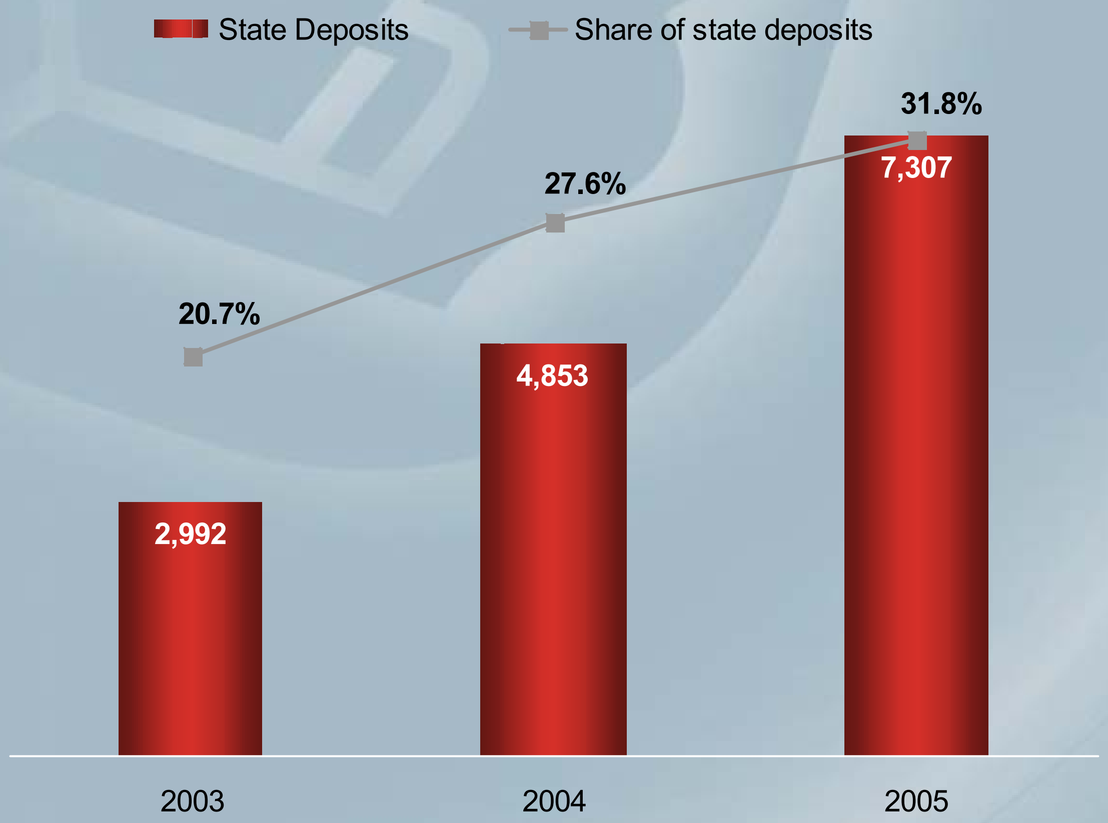
Deposit composition by type

	2003		2004		2005		CAGR (%)
(YTLmm)	Amount	%	Amount	%	Amount	%	%
Saving deposits[1]	1,196	8.4%	1,857	11.1%	3,664	16.4%	75.1%
Demand	252	1.8%	315	1.9%	548	2.5%	47.5%
Term	944	6.6%	1,542	9.2%	3,116	14.0%	81.7%
Public and Commercial[2]	6,880	48.3%	8,914	53.4%	12,262	54.9%	33.5%
Demand	1,787	12.5%	2,063	12.4%	2,282	10.2%	13.0%
Term	5,093	35.8%	6,851	41.0%	9,980	44.7%	40.0%
Foreign currency	6,165	43.3%	5,919	35.5%	6,398	28.7%	1.9%
Demand	945	6.6%	891	5.3%	778	3.5%	(9.3%)
Term	5,220	36.7%	5,028	30.1%	5,620	25.2%	3.8%
Total[3]	14,241	100.0%	16,689	100.0%	22,323	100.0%	25.2%

[1] Represents deposits taken from retail customers
[2] Represents deposits taken from government related corporates, SMEs and other entities which are not individuals
[3] Totals do not include Interbank deposits

Despite IPO, state deposits remained almost unchanged

State deposits (YTLmm)



Comments

- Despite IPO, VakifBank did not experience a significant withdrawal of state deposits
- Much less pressure felt after two largest deposit departures in Q3 2005 and Q1 2006

Strengthened capitalisation to support rapid growth

Capital position

(YTLmm)	2003	2004	2005
Paid in share capital	320.8	420.1	1,279.0
Adjustment to paid-in capital	652.0	605.8	605.8
Share premium	0.0	0.0	1,172.3
Reserves	0.0	32.1	327.0
Profit	264.1	855.9	535.2
Total core capital	**1,236.9**	**1,913.9**	**3,919.3**
Supplementary capital	394.4	423.4	540.2
Total capital	**1,631.3**	**2,337.3**	**4,459.5**
Deductions	(259.4)	(244.3)	(403.0)
Total shareholders' equity	**1,371.9**	**2,093.1**	**4,056.4**
RWA	**8,033.4**	**10,713.7**	**14,499.8**
Market risk	**1,155.0**	**1,356.3**	**1,474.9**
Capital adequacy ratios			
Total capital	**14.9%**	**17.3%**	**25.4%**

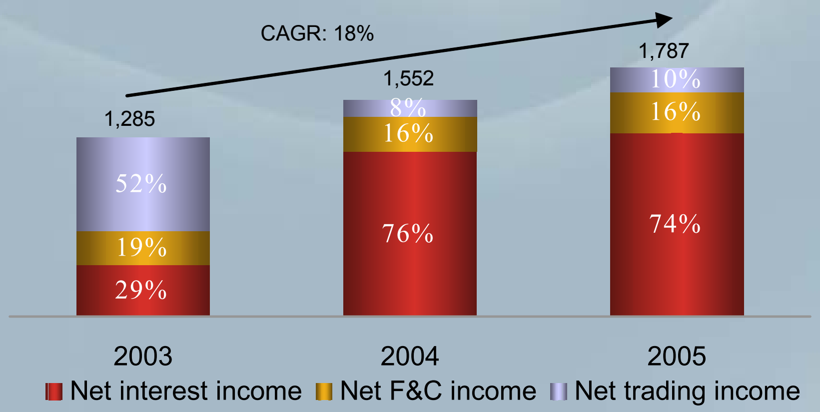
Comments

- **The bank successfully raised YTL1,45mm through an IPO in November 2005**
- **Subordinated debt of YTL213mm was paid back to SDIF**
- **The bank is currently considering starting to pay a regular dividend to its shareholders**

Net banking income posted healthy growth in 2005

- Net banking income grew by a CAGR of 18% over the last 2 years, with a growth rate of 15% in 2005
- Continuous diversification from securities to more client-driven business
- Net profit 2005/2006 comparison affected by different effective tax rates and extraordinary operating income items

Net banking income composition (YTLmm)

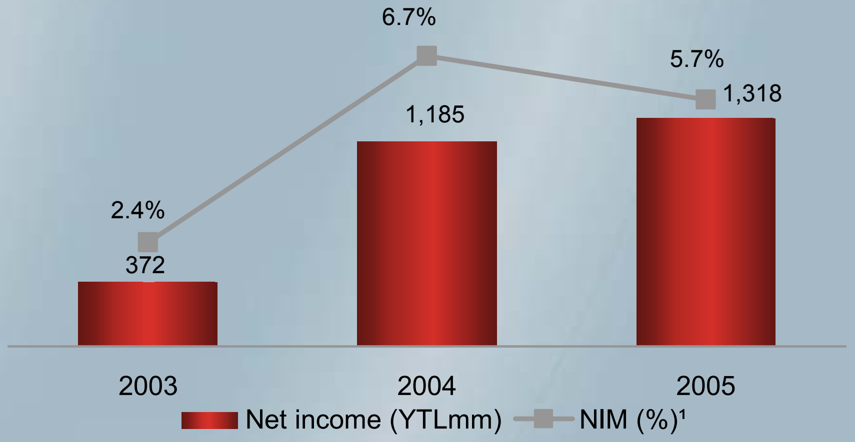


(YTLmm)	2003	2004	2005	CAGR 2003-2005 (%)
Net interest income	372	1,185	1,318	88.3%
Net F&C income	240	250	294	10.6%
Net trading income	674	117	176	(48.9%)
Dividend income	1	4	3	130.8%
Other operating income	198	246	129	(19.2%)
Total operating income	**1,484**	**1,801**	**1,919**	**13.7%**
Total operating expenses	**786**	**722**	**732**	**(3.5%)**
Operating profit	**698**	**1,079**	**1,188**	**30.5%**
Provisions	440	344	434	(0.7%)
Tax provisions	0	143	226	N/M
Income from investments and associates	16	48	7	(34.9%)
Net monetary gain/loss	(10)	(16)	0	(100%)
Net income	**264**	**624**	**535**	**42.4%**

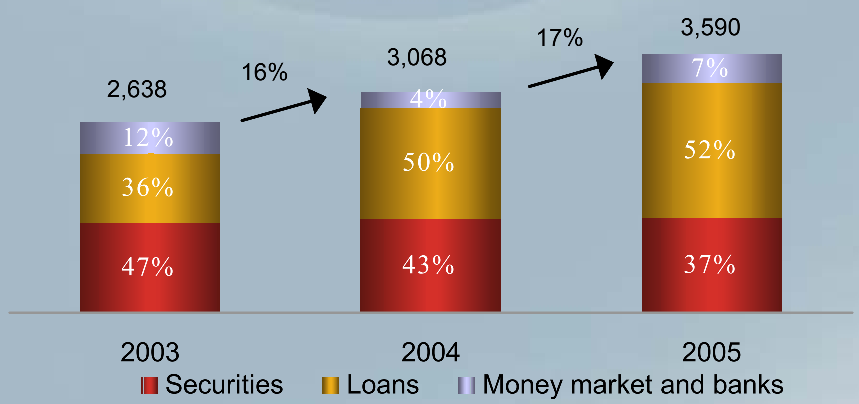
Increasing interest income from loan activities

- **Net interest income up by 11.2%, despite declining margins**
  - **increasing income from lending activity**
- **Further move toward higher margin loans in YTL**
- **Two new SME products to be announced in 2006**

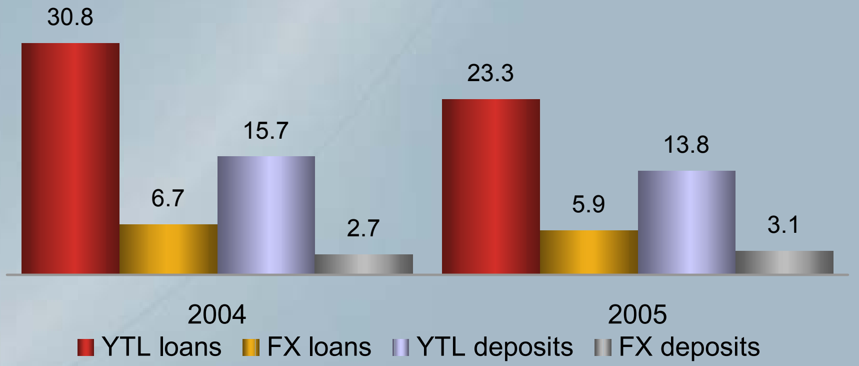
Net interest income



Interest income (YTLmm)

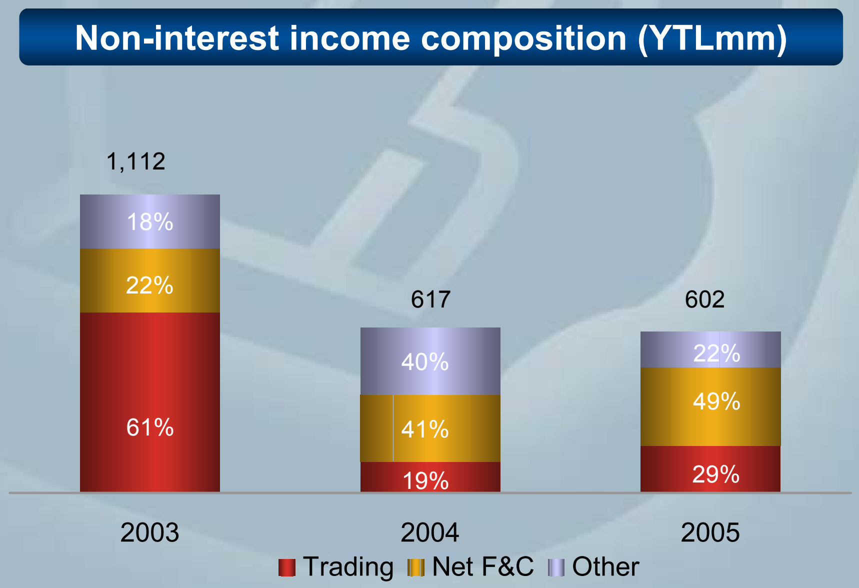


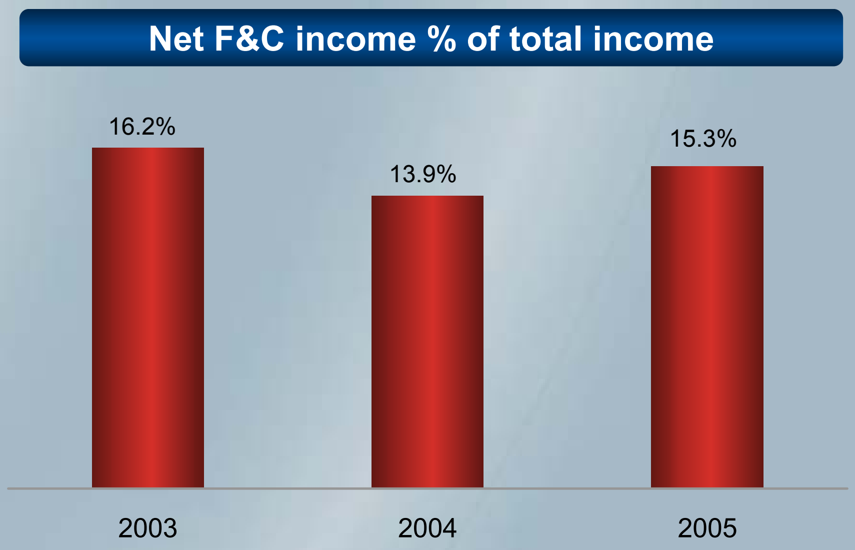
Yield on loans and deposits (%)



¹ Based on interest earning assets adjusted to include IPO proceeds for applicable portion of year only

Net fee and commission income continues to grow





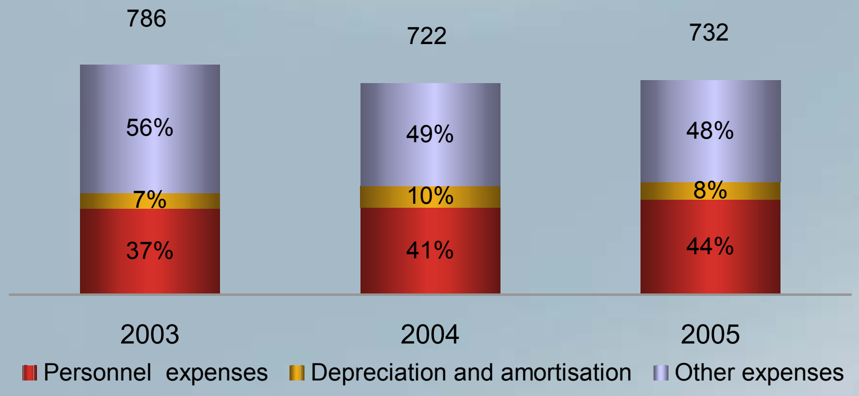
- Net F&C income up by 17.4% driven by increase in cash loans
- Strong trading income, however, reduced from 2003 levels
- Other income reduced due to lack of sales of non-core assets and reduced provision releases

Operating expenses under control

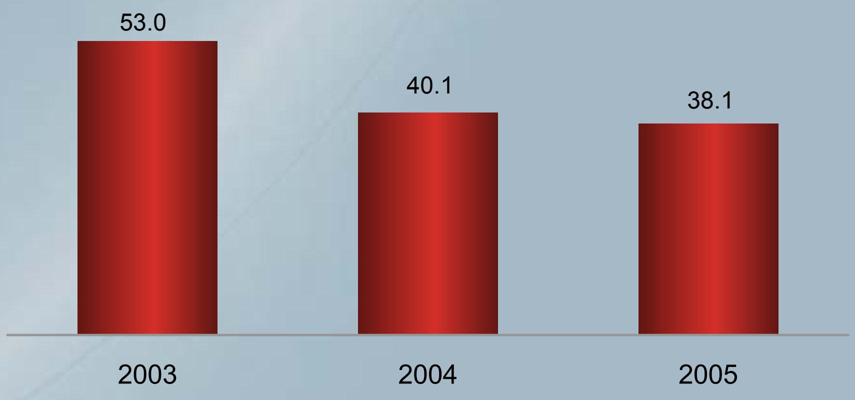
- Virtually no growth in costs, despite going through restructuring and an IPO in 2005
- Continued strong cost controls, with C/I ratio almost flat at 38%

Operating expenses/average assets (%)

Other expenses composition (YTLmm)

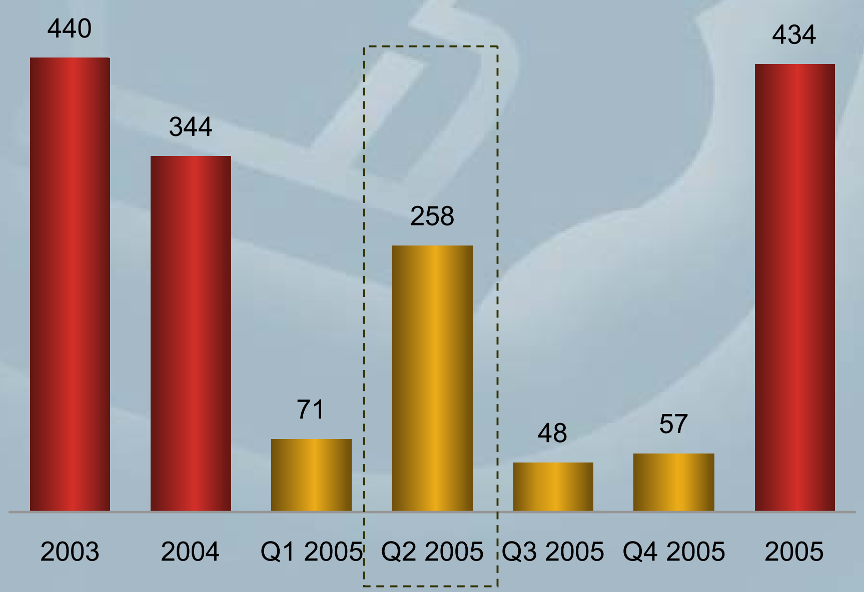


Cost/income ratio (%)

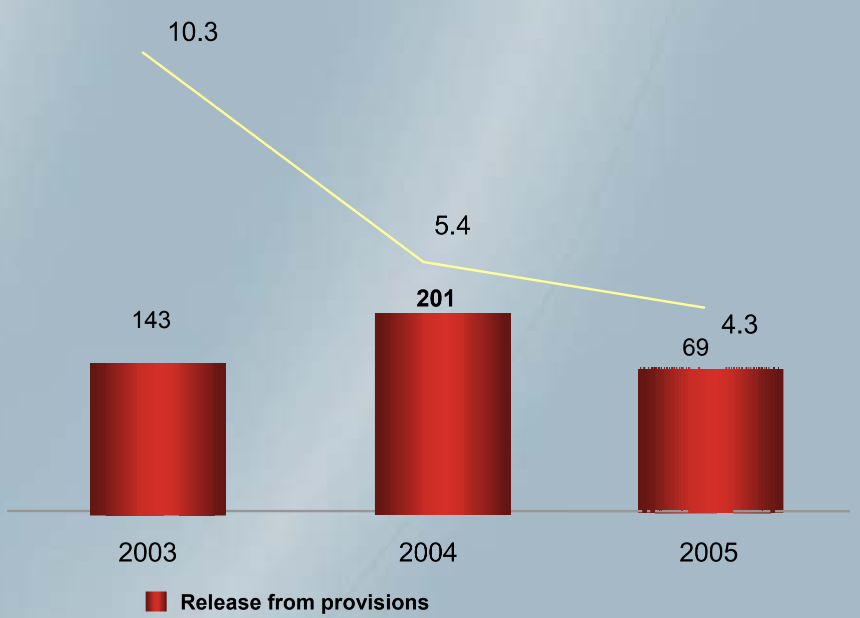


VakifBank provisioned conservatively in preparation for IPO

Provision expenses (YTLmm)



Provisions/average loans (%)



- **Provisions expenses increase of 26% on 2004**
  - **increased provisioning pre-IPO in Q2 2005**
- **Decline in provision expenses to average loans (4.3% in 2005 vs. 5.4% in 2004)**

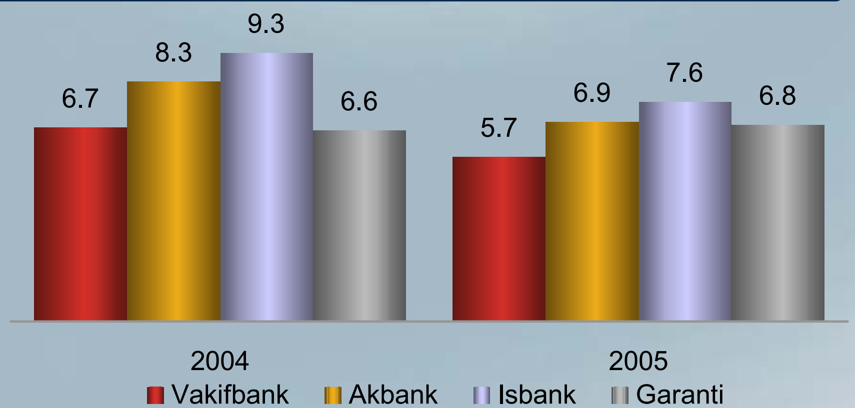
Performance in line with top peers

- Maintained ROE above stated target of 20%
- The decline in NIM is relatively less than some leading competitors:
  - Further growth in loans/assets expected to provide more support to Vakifbank's NIM
- Strong cost control relative to leading peers

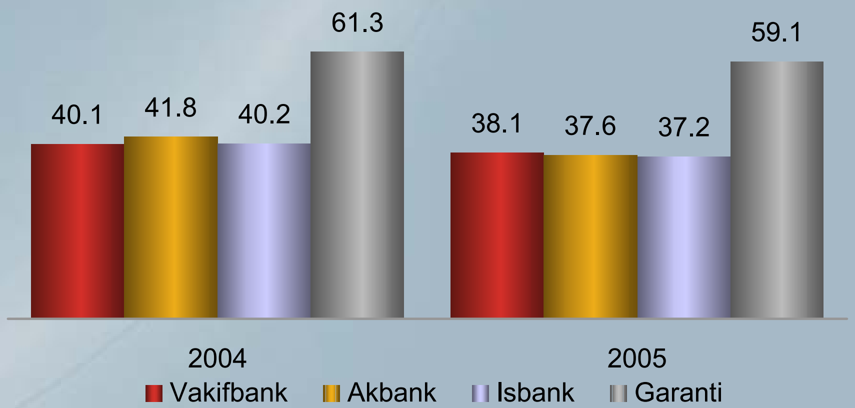
ROAE (%)

¹ Equity adjusted to include IPO proceeds for the applicable portion of the year only

NIM (%)



Cost/income (%)



Note: Vakifbank 2005 NIM adjusted to include IPO proceeds for the applicable portion of the year only

Visible results from IT upgrade

	Metric	Pre upgrade (1H04)	2005 (avg)
Call centre	Calls per month	654.246	707.130
	Answered calls per month	572.072	677.094
	Missed calls per month	82.174	36.519
	Agent capacity	60	100
Alternative channels	ATM transactions per month	21.153.237	22.152.632
	POS transactions per month	10.015.896	10.396.749
	Internet transactions per month	8.032.957	9.602.248

Future investments planned

- Renewal of IT hardware in all bank branches
- Offloading some of the data traffic from mainframe
- Full connectivity from branch network to central system
- Additional security system for internet banking applications
- Systems upgrade for introduction of "chip and pin" credit card

Business development for 2006

- 9 regional sales & marketing directorates to promote commercial, retail and SME banking
- 28 new branches to be opened, mainly in Istanbul
- 2 corporate banking branches in Istanbul, locations already determined
- Head office reorganization in progress
- Operational workload in Ankara and Istanbul branches alleviated by centralising follow up on overdue loans and mortgage creation
- Relationship managers at branches now incentivised with 30% performance based appraisal system
- Renovation of 200 branches completed during 2004 and 2005, 100 more to be completed in 2006
- Marketing campaign through commercials and advertisements throughout 2006, stressing the strengthened capitalisation and transformed VakıfBank
- Credit Card division to be reorganised with the help of a consulting company

VakıfBank

THANK YOU