

VakıfBank IR App.
Available at

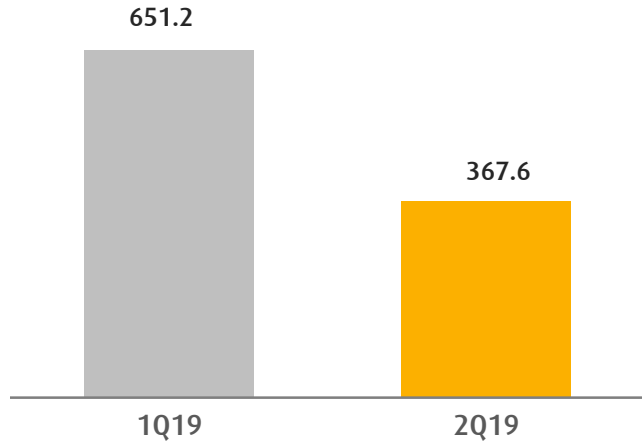


Earnings Presentation BRSA Bank-Only 1H 2019 August 9, 2019

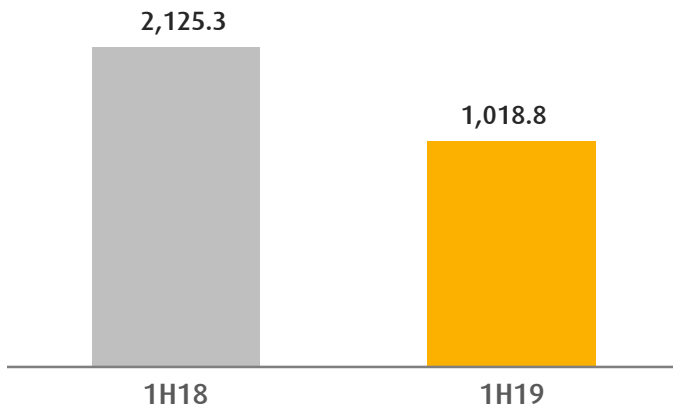
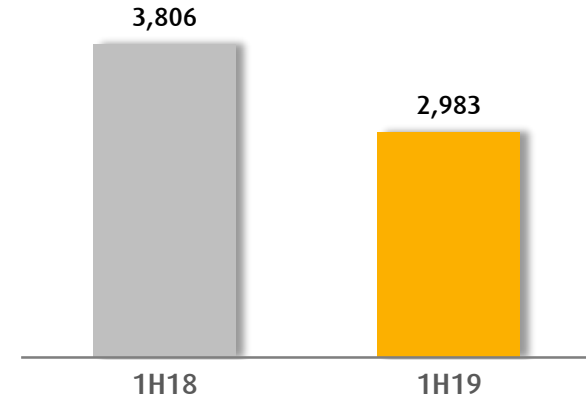
1H19 Earnings and Ratios

Net Income (TL million)

Pre-Provisioning Operating Profit (TL million)**

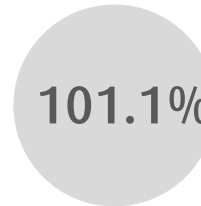


With sustained
TL 917 million
free provisions in
the balance
sheet

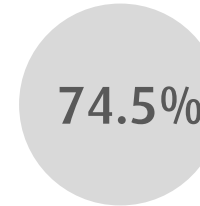


Strong coverage ratios maintained

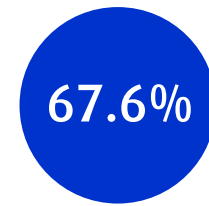
Total NPL Coverage Ratio



Stage III Coverage Ratio



Sector Stage III Coverage Ratio



10.2% better than sector

Key Highlights of 1H19

Muted quarterly lending growth

- TL loans are flattish QoQ.
- FX loans are up by **1.7%** QoQ in USD terms.
- Retail loans are up by **1.8%** QoQ.
- Business loans are up by **1.4%** QoQ.

Strong quarterly deposit growth

- Total deposits are up by **8.2%** QoQ.
- TL deposits are up by **7.4%** QoQ.
- Retail deposits are up by **7.9%** QoQ.
- CPI linker deposits amounted **TL10 billion**.*

Further increased liquidity and improved LtD ratios

- Total LCR increased to **142.3%*** vs 118.9% in 1Q19.
- FX LCR reached all time high level at **562.3%***.
- Total LtD came down to **116.7%** vs 124.3% in 1Q19.
- TL LtD improved around 10 ppt to **136%** from 146% a quarter ago.

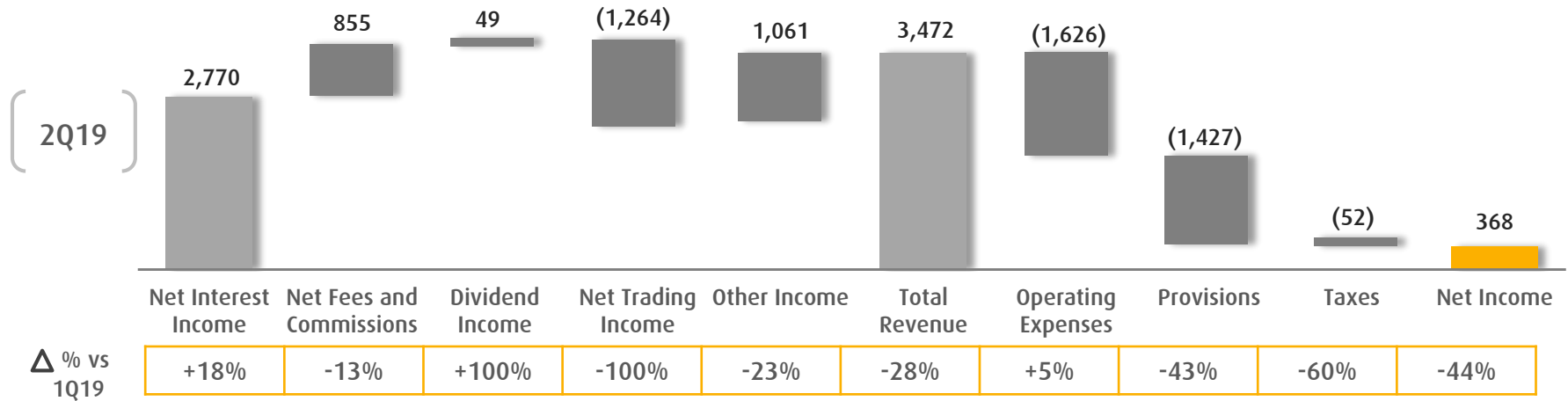
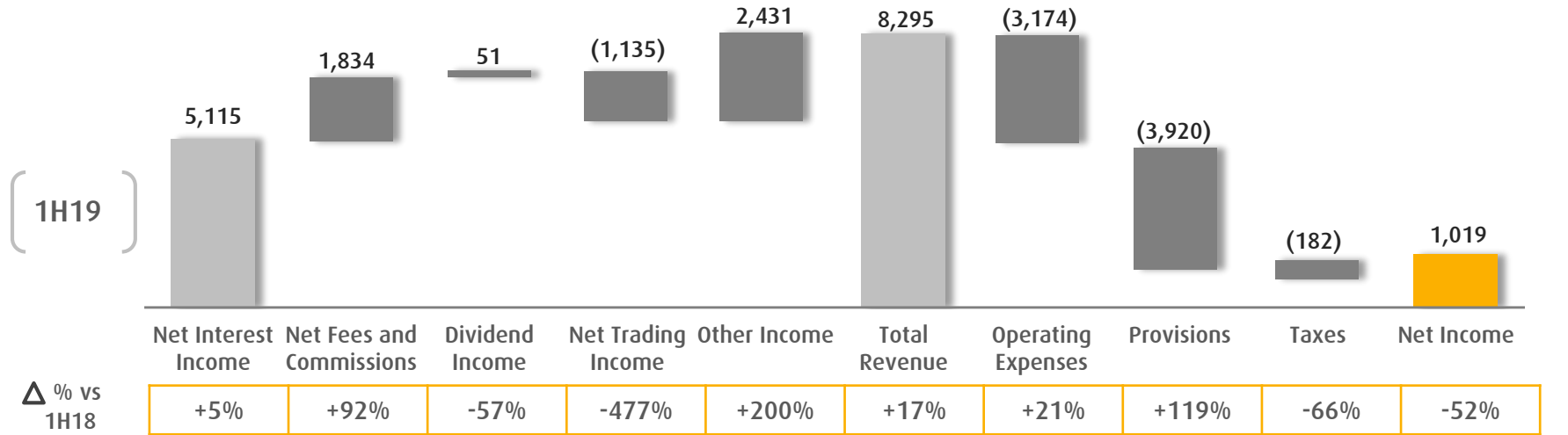
Lower than expected NPL inflows and better Net CoR figures

- NPL ratio materialized at **4.74%** in 1H19 vs 4.65% in 2018YE.
- Net CoR came at **151 bps**, significantly lower than the initial guidance.
- NPL specific coverage remained solid at **74.5%** vs sector average of 67.6%.

Stellar fee income generation capacity despite muted lending growth

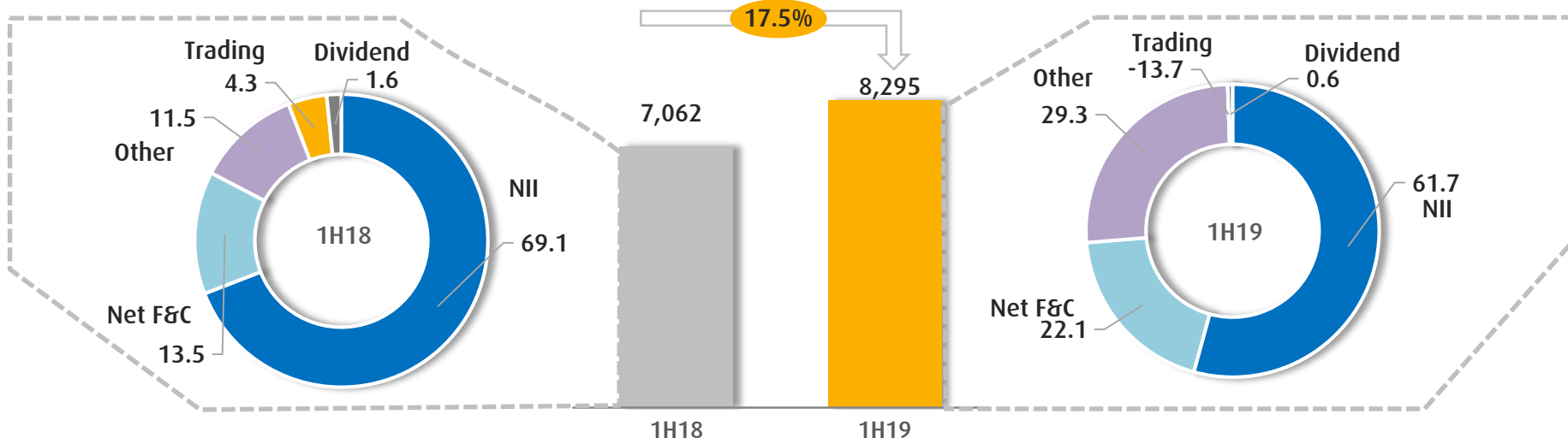
- **92%** annual fee income growth.
- All time high Fee/Total Revenues at **22.1%** in 1H19.

1H19 P&L Details

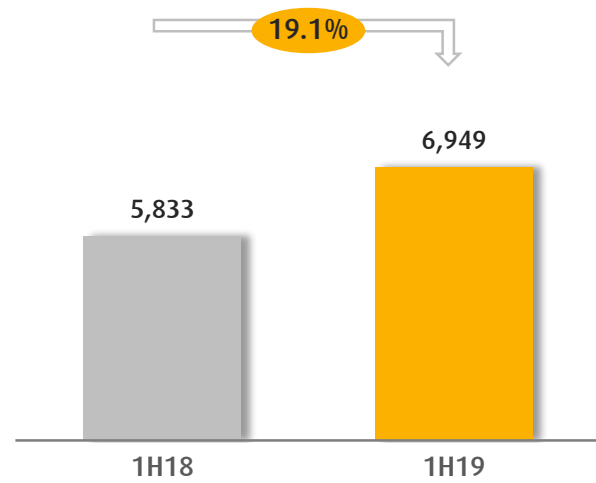


Revenue breakdown

Total Revenues – Revenue Breakdown (TL million)



Core Banking Revenues (TL million)*



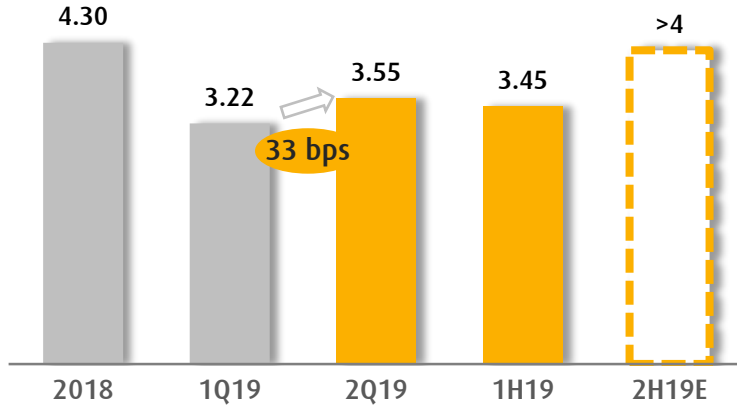
83.8%



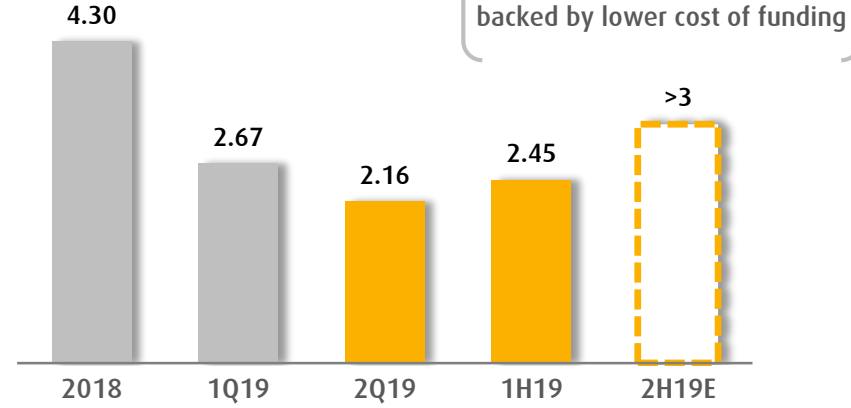
Share of high quality core banking revenues in total

NIM, Spreads & Swap

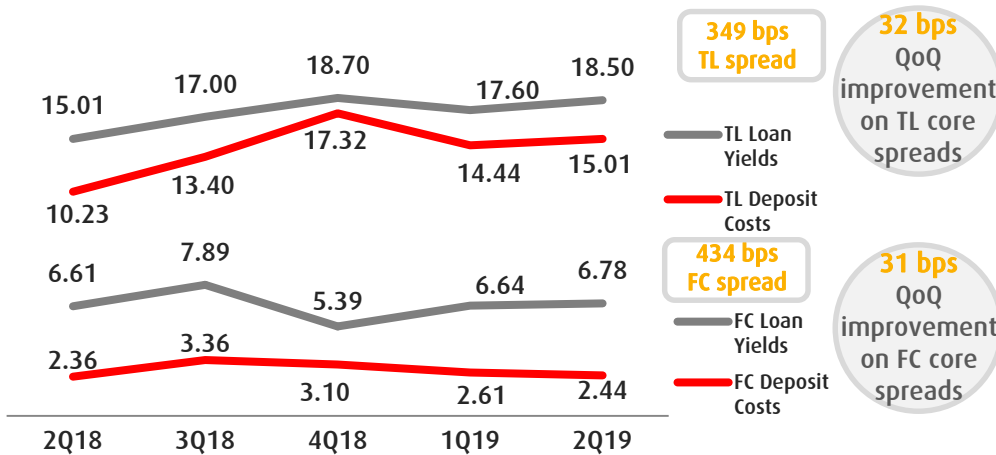
Net Interest Margin (NIM %)



Swap Adjusted Net Interest Margin (%)



Core Spreads (%)

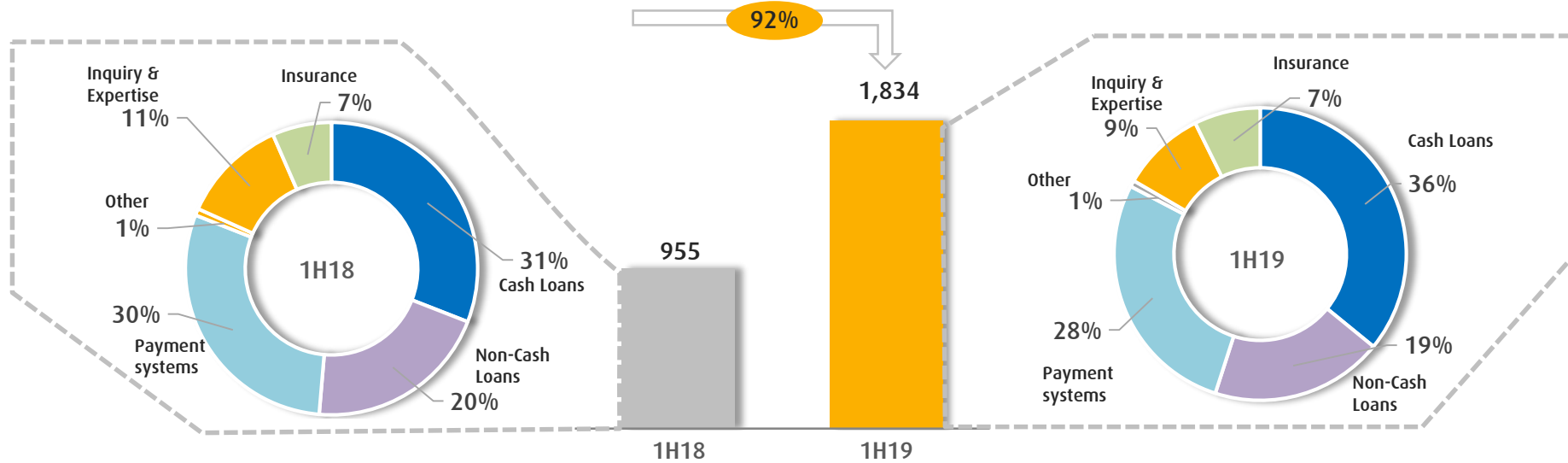


Swap Cost

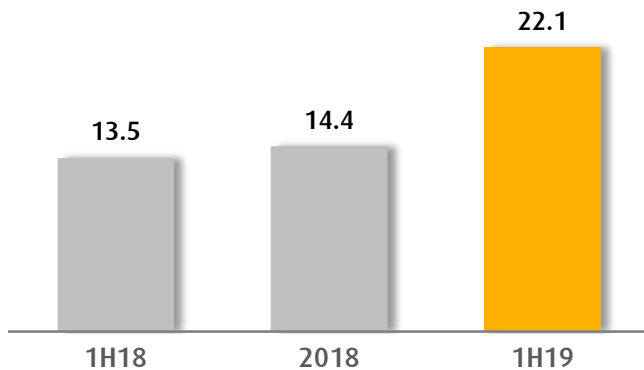
	1Q19	2Q19
Swap Cost	TL 398 million	TL 1,083 million
Average Swap Usage	TL 6.9 billion	TL 17.9 billion

Stellar fee income generation capacity despite muted lending growth

Net Fee & Commission Income (TL million) – Fee Breakdown

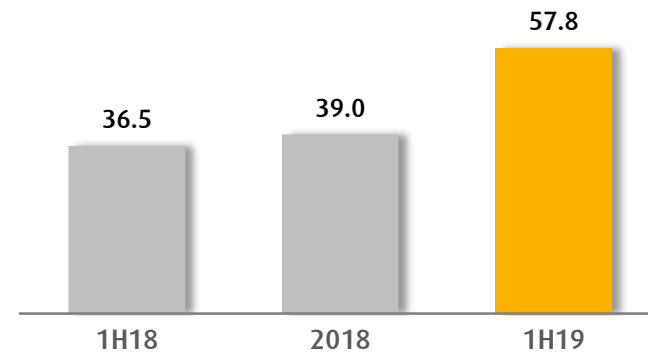


Fee/Total Revenue (%)



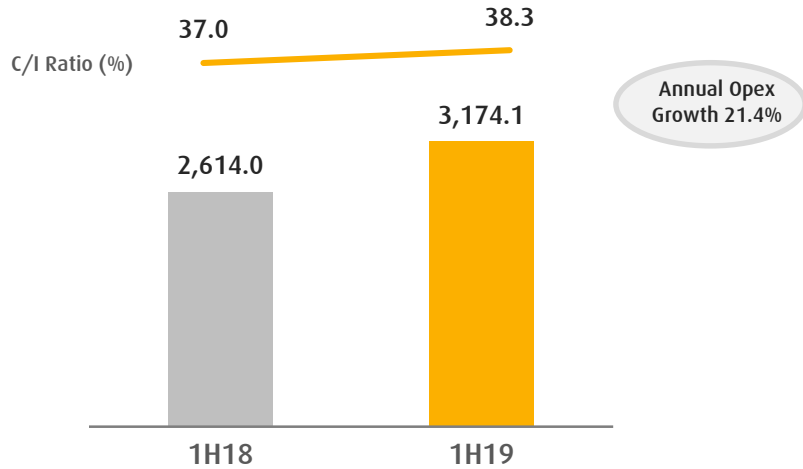
All time best fee ratios

Fee/Operating Expense (%)

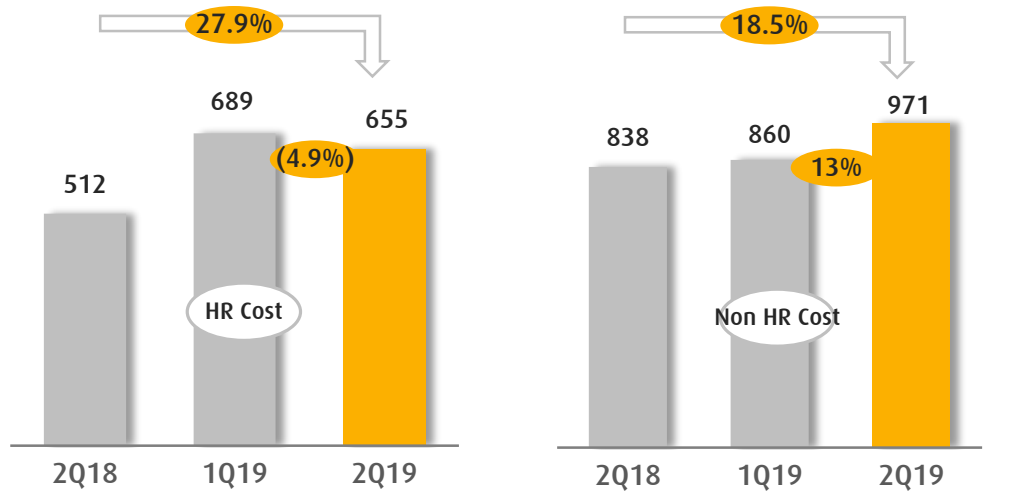
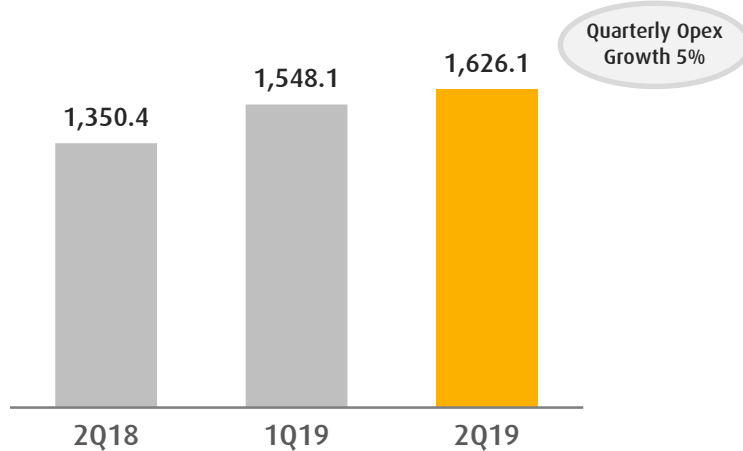
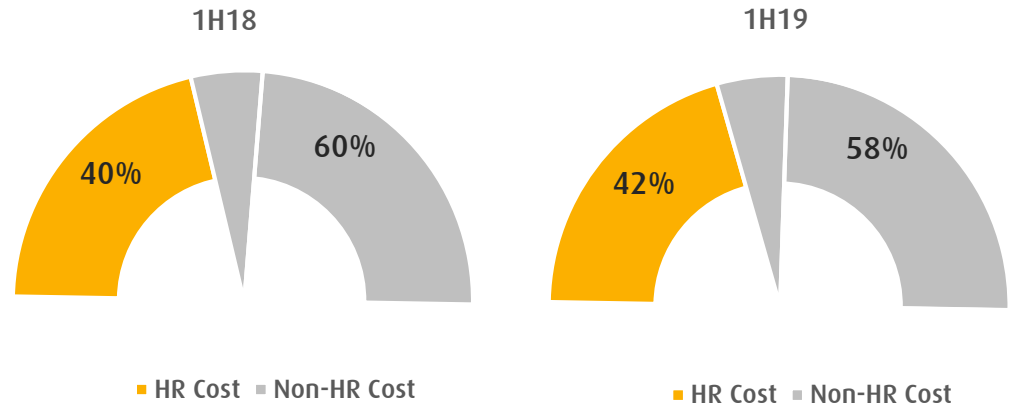


Opex breakdown and Cost/Income Ratios

Operating Expenses (TL million)

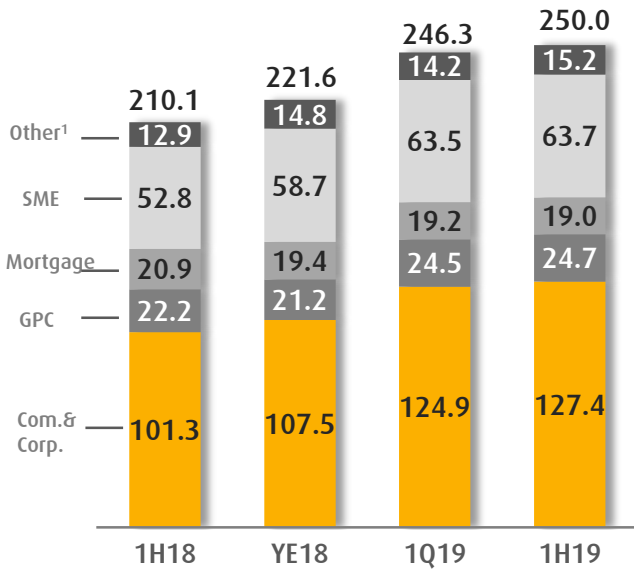


Breakdown of OPEX

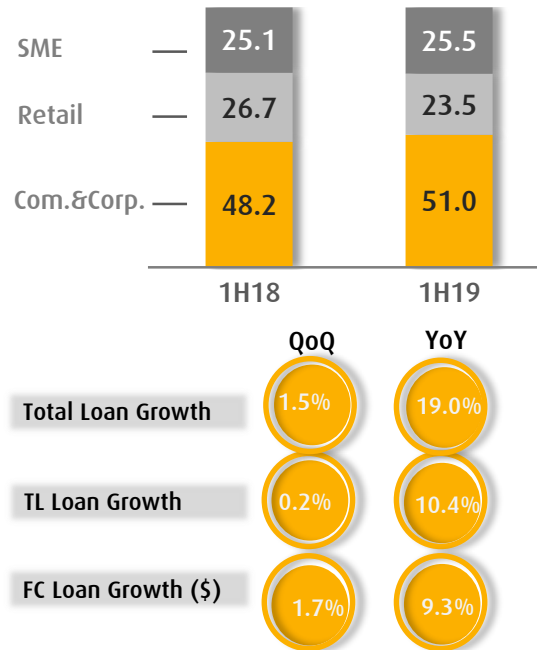


Well diversified & stable loan breakdown

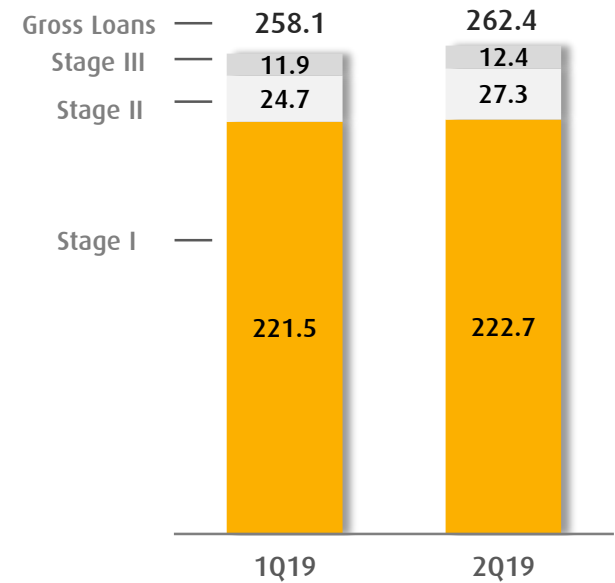
Segment Breakdown of Loans (TL billion)



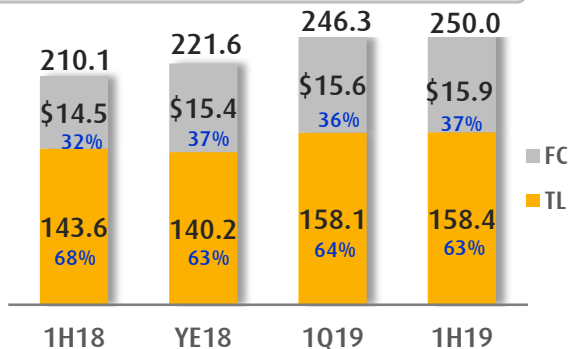
Portfolio Breakdown (%)



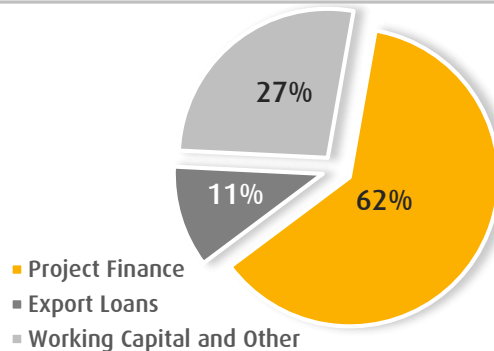
Asset Quality Breakdown (TL billion)



Currency Breakdown of Loans (TL billion)



Breakdown of FC Loans

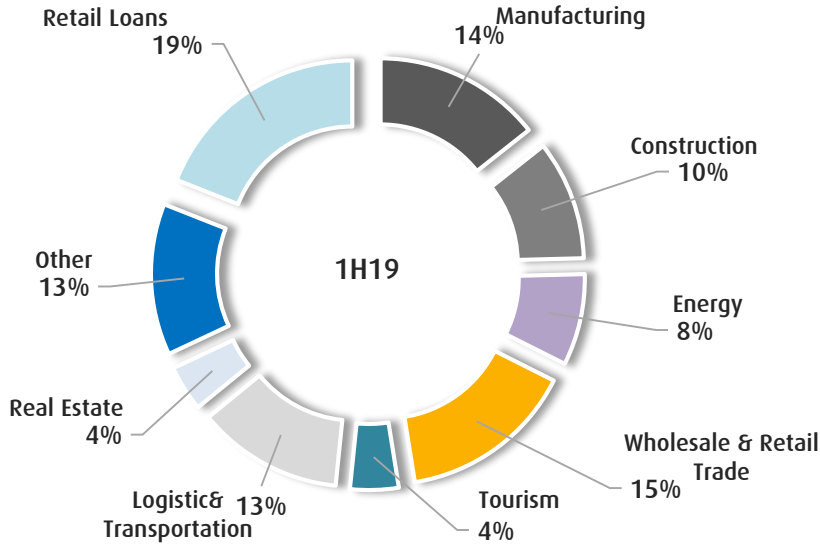


CGF Loans

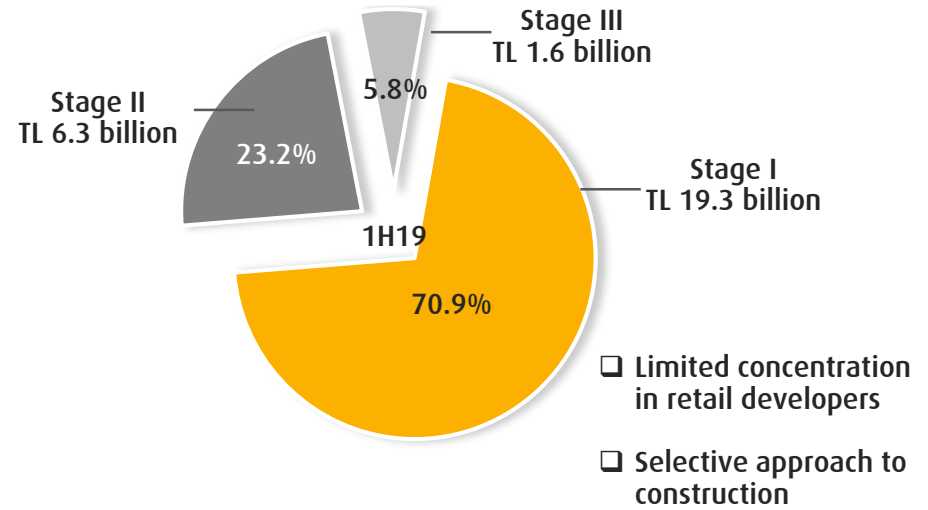
(TL bn)	2018	1Q19	2Q19
Total CGF	25.3	29.8	31.9
Guarantee Limit			
Originated Amount	26.6	32.8	35.4
Outstanding Amount After Redemptions	21.4	23.1	21.8

Breakdown of Loan Portfolio

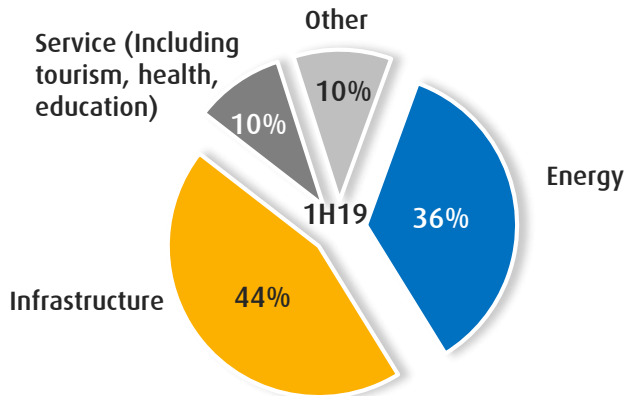
Sector Breakdown of Cash Loans



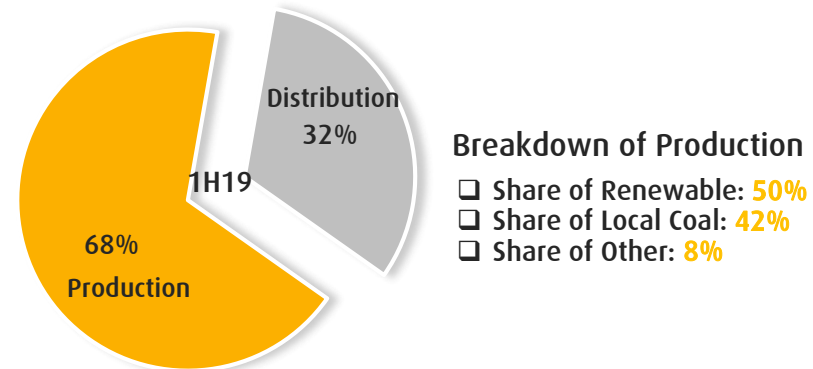
Breakdown of Construction Loans



Breakdown of Project Finance

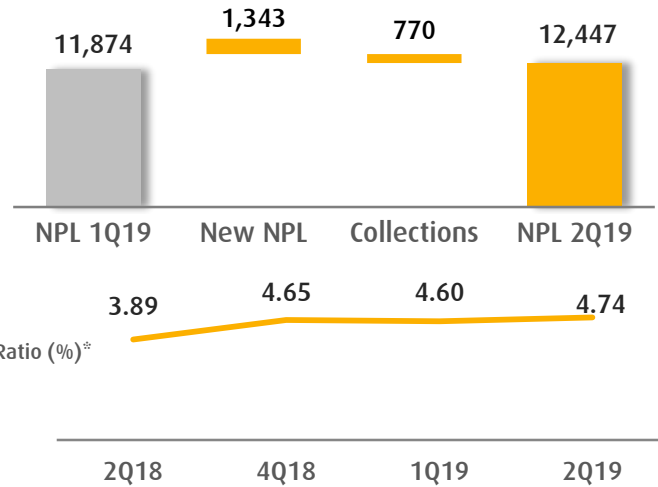


Breakdown of Energy Loans

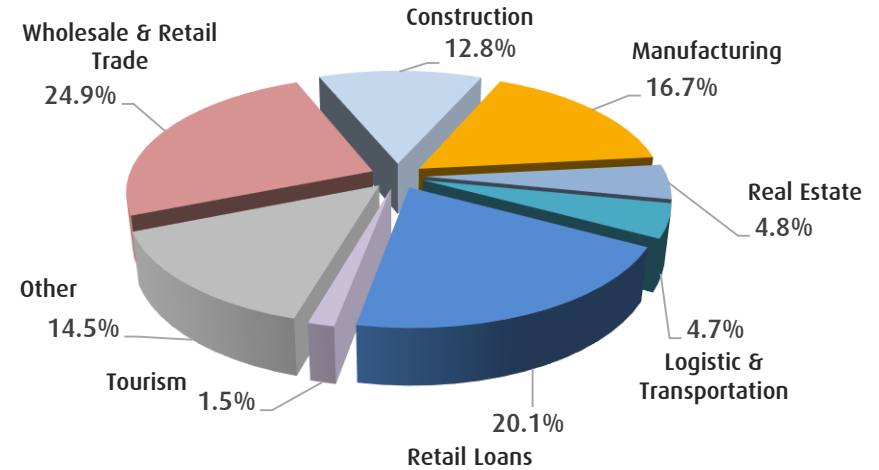


Lower than expected NPL inflows

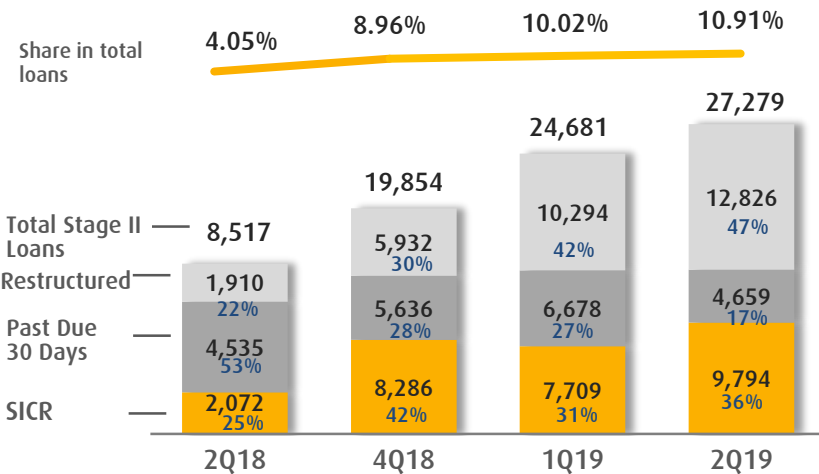
NPL (TL million)*



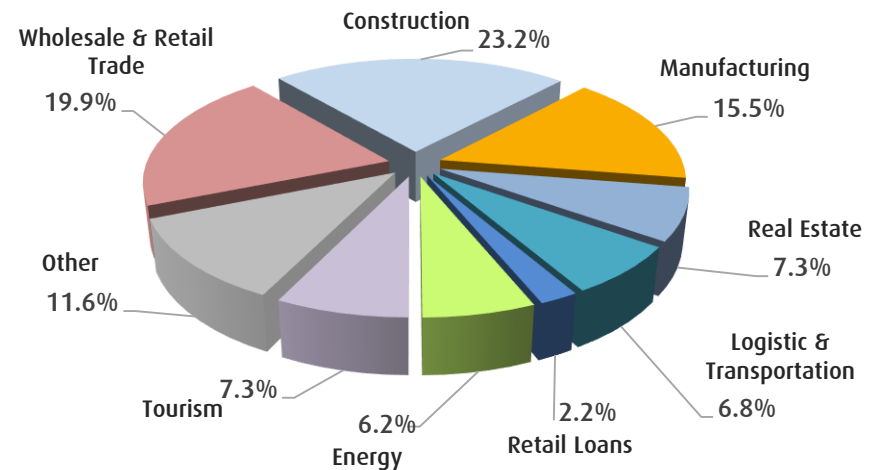
Sector Breakdown of Stage III Loans



Stage II Loans Breakdown (TL million)

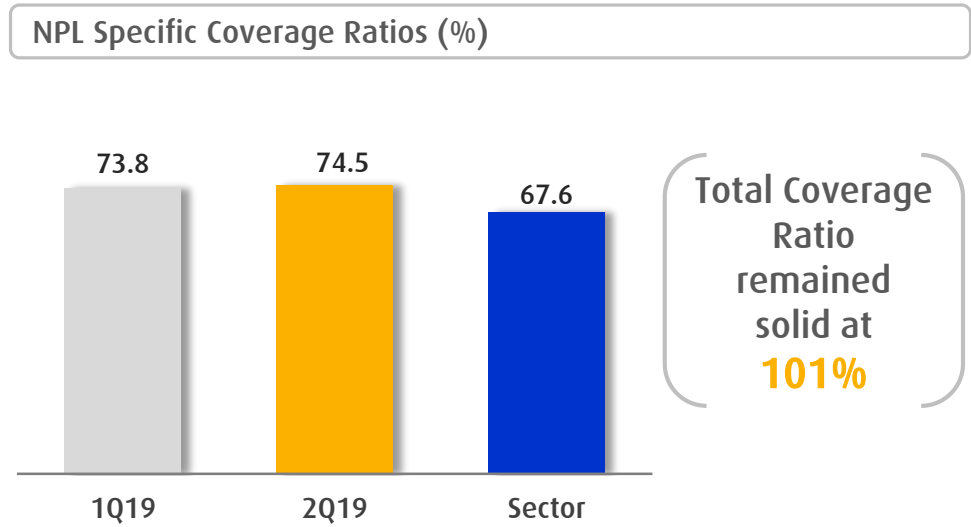
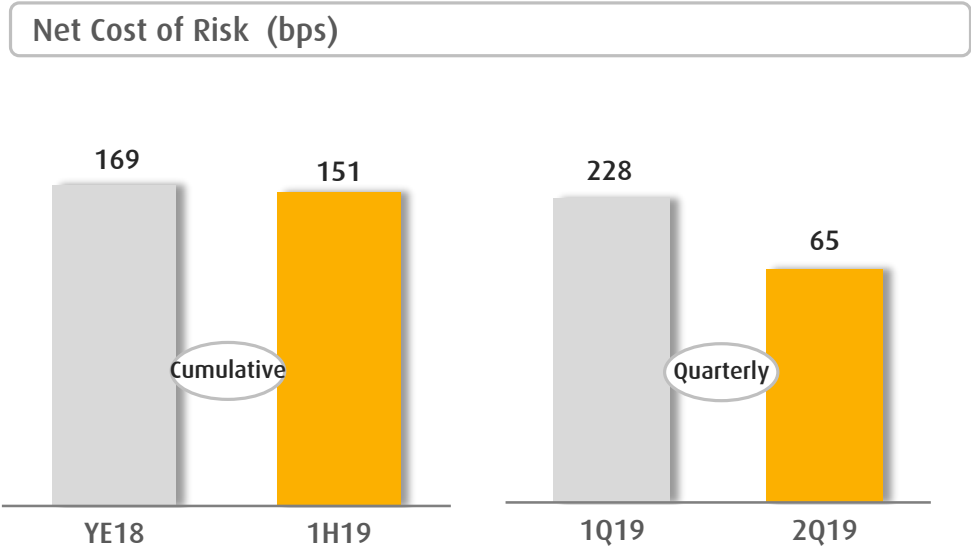


Sector Breakdown of Stage II Loans



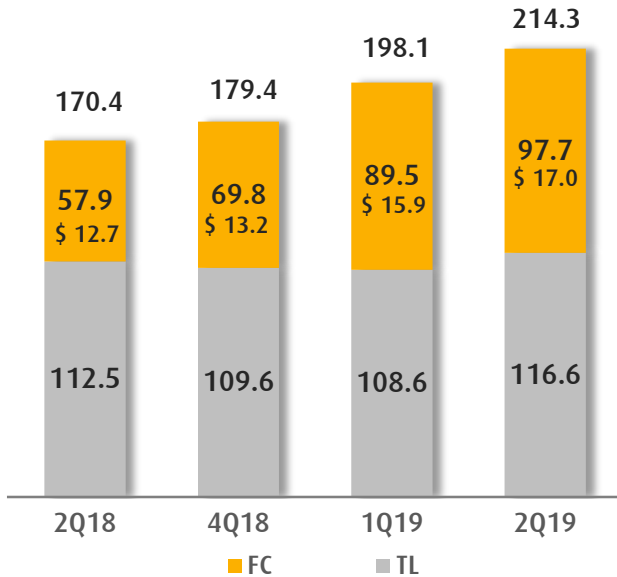
Better than expected CoR and above than sector specific coverage ratio

Net Expected Credit Losses	
(Thousand TL)	1H19
Expected Credit Losses	3,874,579
Stage I	867,910
Stage II	1,182,605
Stage III	1,824,064
Provision Reversals under other income	2,138,359
Stage I	732,154
Stage II	852,365
Stage III	553,840
Net Expected Credit Losses	1,736,220
Net CoR	151 bps

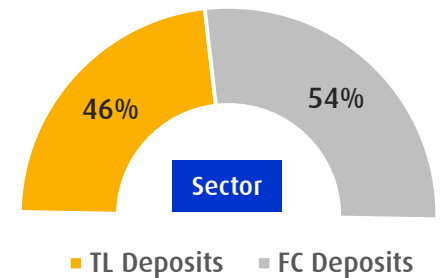
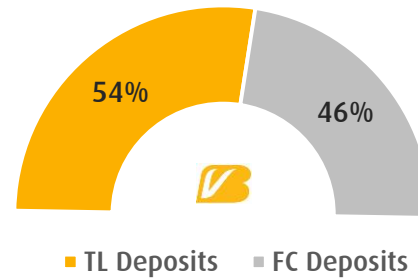


Customer deposits driven well diversified funding structure

Total Deposits (TL billion)

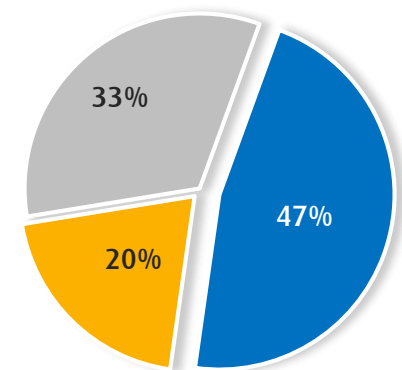
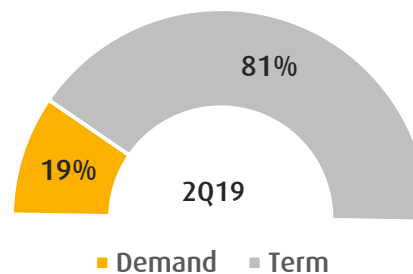


Breakdown of Deposits



The share of customer deposit is **56%** in total liabilities

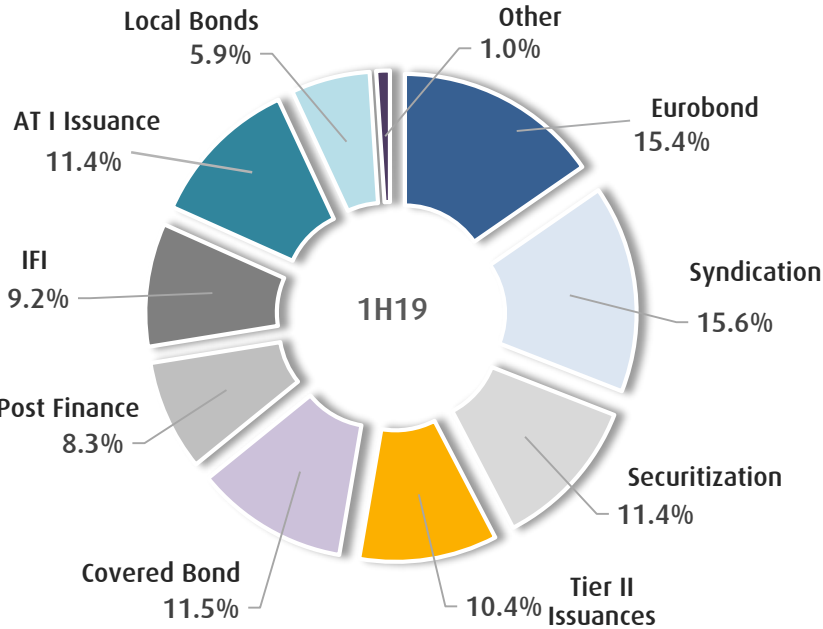
CPI linker deposits reached **TL 10 billion**



	QoQ	YoY
Total Deposits Growth	8.2%	25.7%
TL Deposits Growth	7.4%	3.7%
FC Deposits Growth (\$)	6.8%	34%

Timely executed long term wholesale funding transactions

Breakdown of Wholesale Funding*



EUR 700 million Basel III compatible Additional Tier I issuance under GMTN programme with PNC5 structure and 5.076% coupon rate.

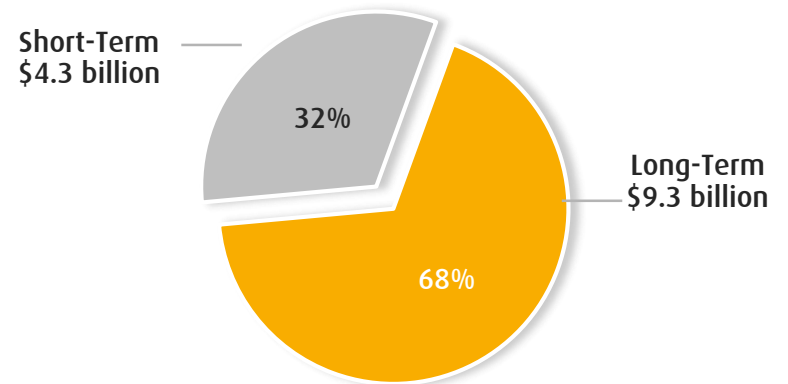
USD 1.1 billion syndication loan obtained from total 38 correspondent banks in April 2019 with **100%** roll-over ratio.

FC liquidity (available in short term) remained solid at **~USD 5.5 billion***

~USD 15 billion
Total wholesale borrowing

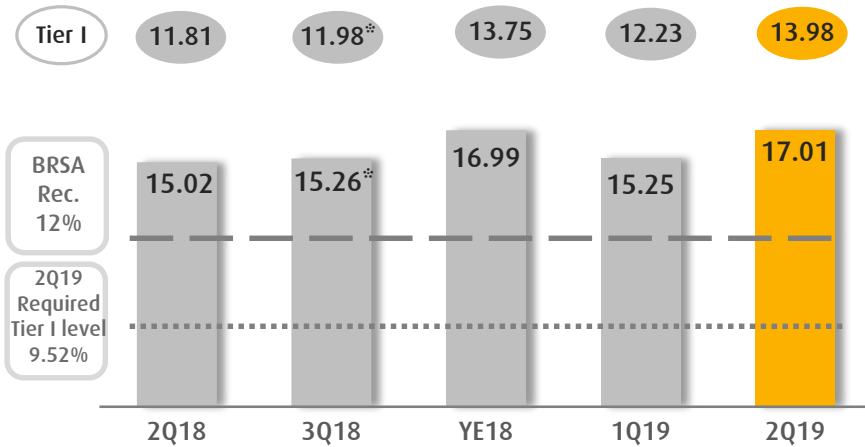
Share of total wholesale borrowing in total liabilities: **~22%**

Maturity Breakdown of External Debt



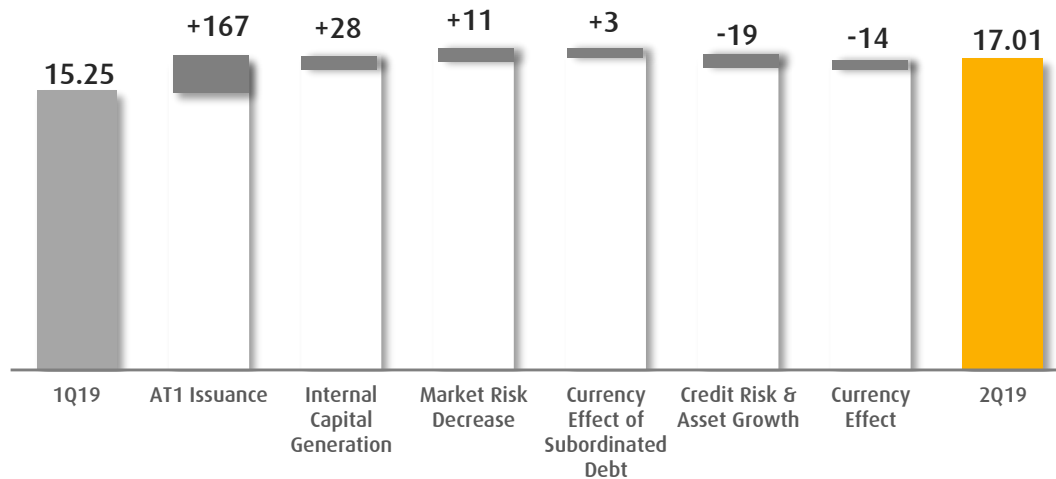
Strong solvency ratios amid challenging macro conditions

Capital Adequacy Ratio (%)



The effect of 0.1 TL decrease/increase in USD/TL parity on CAR is **~8 bps**

The effect of 1 ppt interest rate increase/decrease on CAR is **~6 bps**



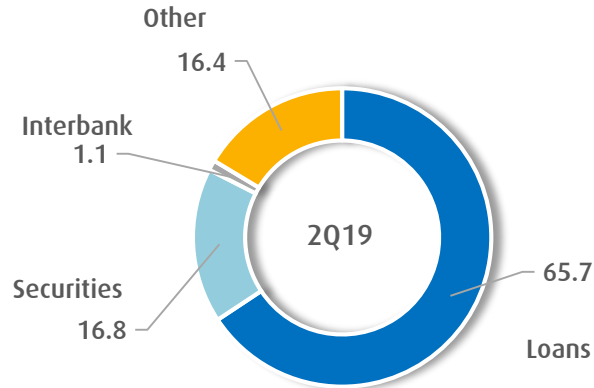
Buffers (%)	2019
Capital Conservation Buffer	2.500
Counter Cyclical Buffer	0.019
SIFI Buffer* (Group I)	1.000
Minimum CET I	8.019
Minimum Tier I	9.519

Appendix

Pg. 17	Composition of Assets&Liabilities
Pg. 18	Well balanced Securities Portfolio
Pg. 19	Retail Lending Portfolio
Pg. 20	Strong growth in mobile platforms continues
Pg. 21	VakifBank with Numbers
Pg. 22	Diversified Funding Sources via Non-Deposit Funding
Pg. 23	Unconsolidated Key Financial Ratios
Pg. 24	Unconsolidated Balance Sheet
Pg. 25	Unconsolidated Income Statement

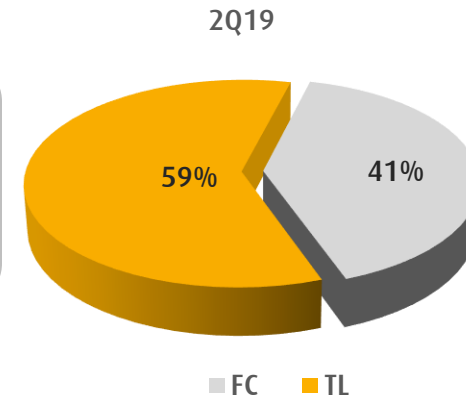
Composition of Asset & Liabilities

Breakdown of Assets (%)

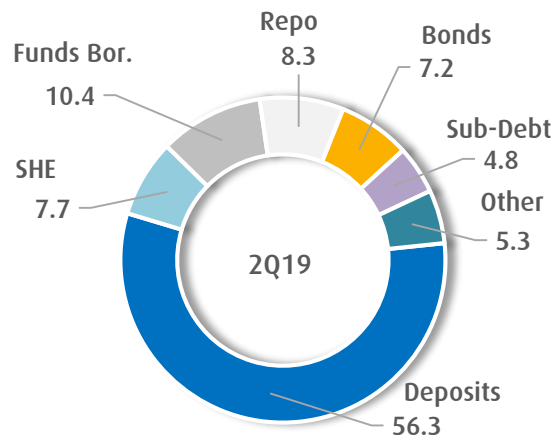


The share of IEA
83.6%
in total assets

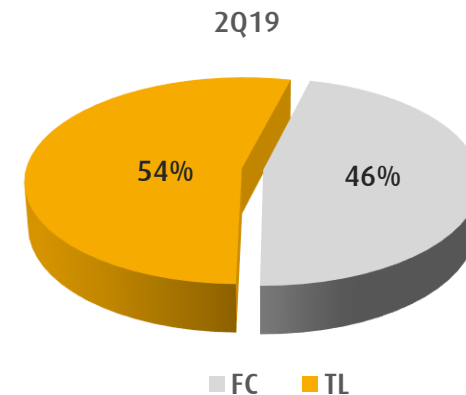
TL/FC Mix in Total Assets



Breakdown of Liabilities (%)

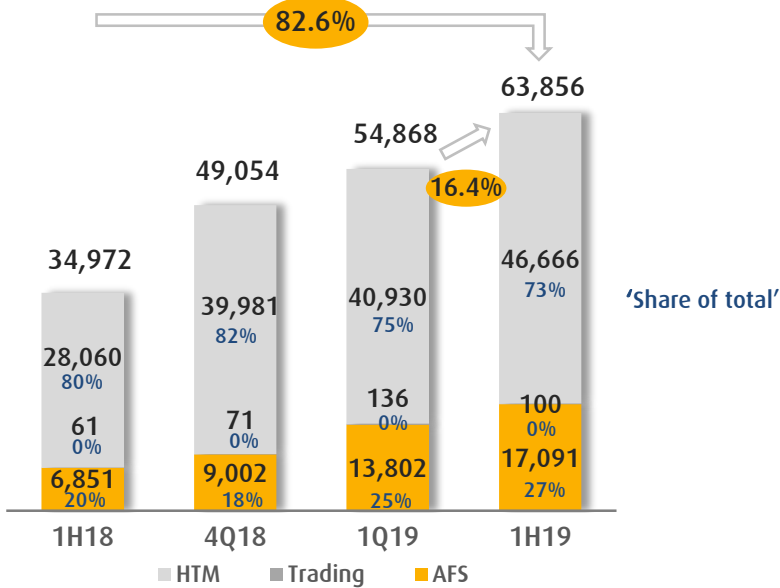


TL/FC Mix in Total Liabilities

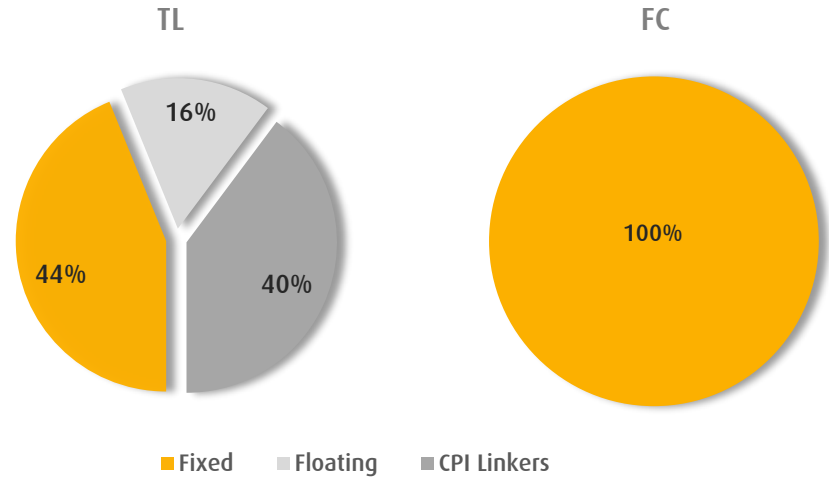


Well balanced security portfolio

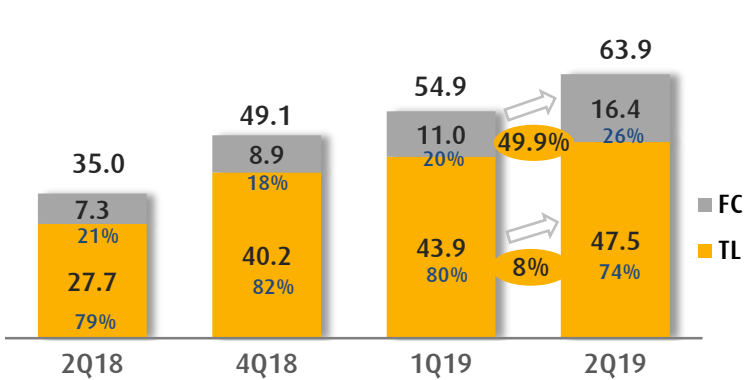
Total Securities (TL million)



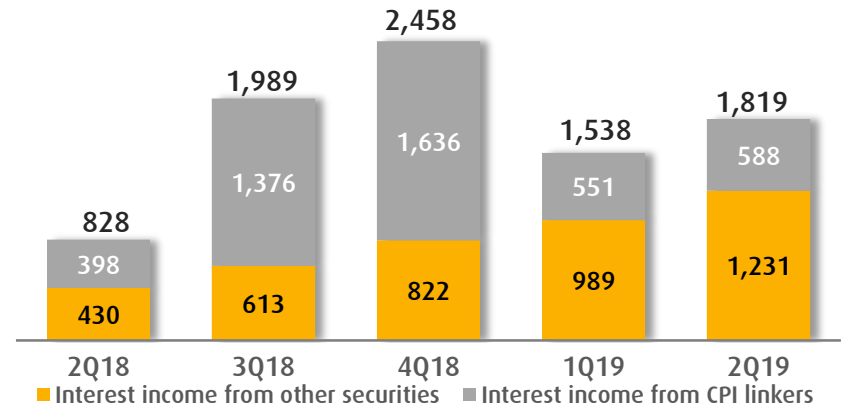
Portfolio Structure



Security Breakdown (TL billion)

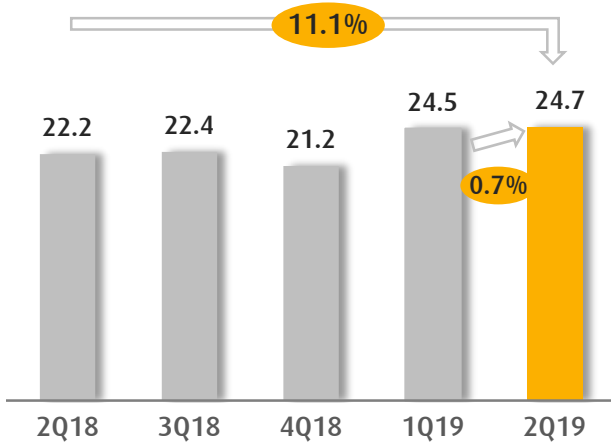


Breakdown of Interest Income from Securities (TL million)

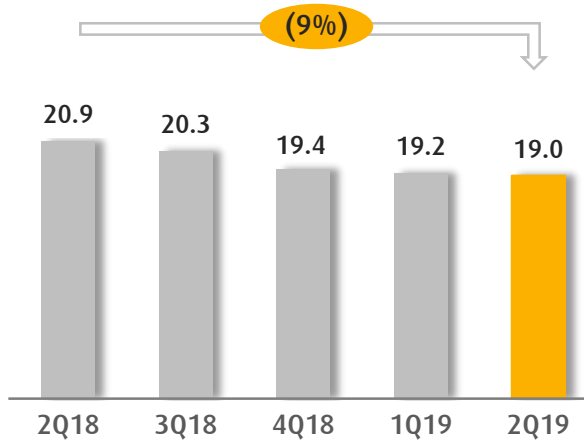


Retail Lending Portfolio

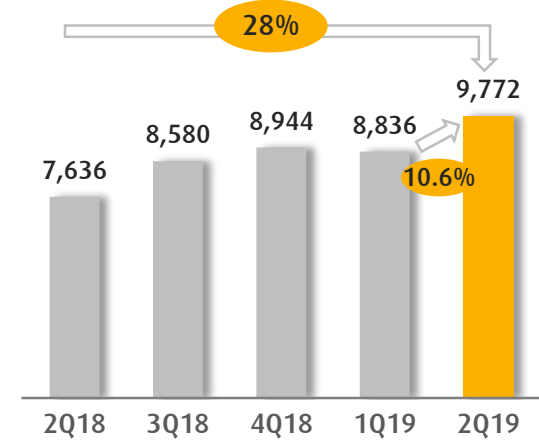
General Purpose Consumer (TL billion)



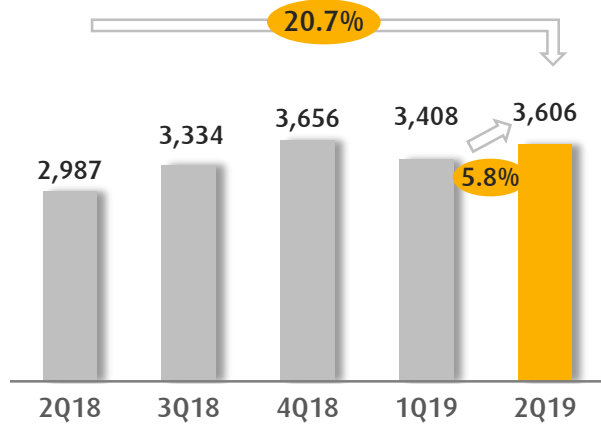
Residential Mortgages (TL billion)



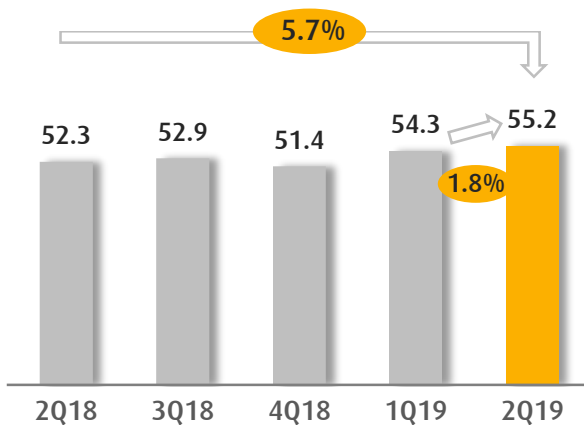
Credit Card Loans (TL million)*



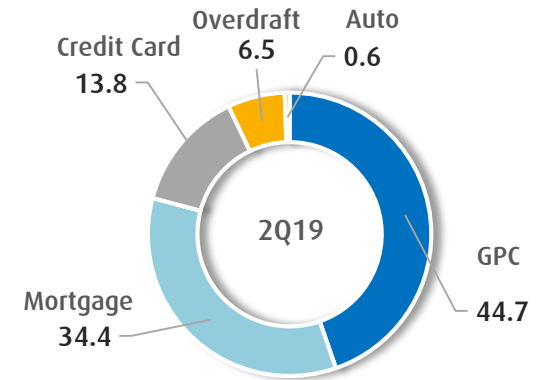
Retail Overdraft (TL million)



Total Retail (TL billion)

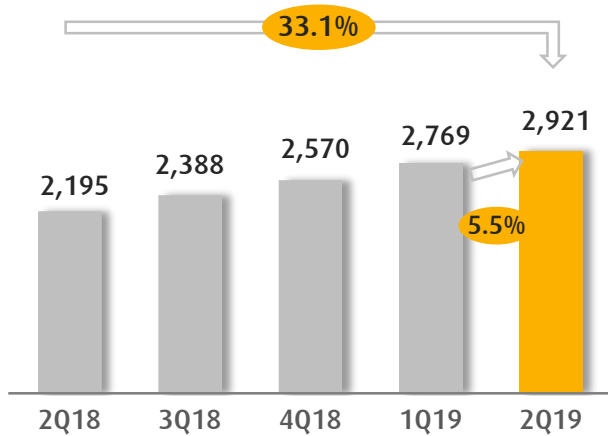


Breakdown of Retail Loans (%)

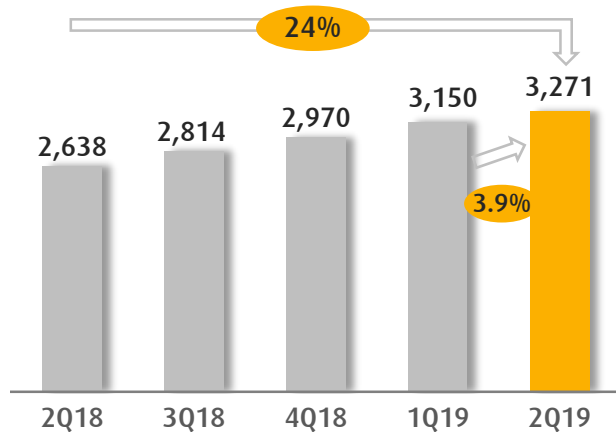


Strong growth in mobile platforms continues

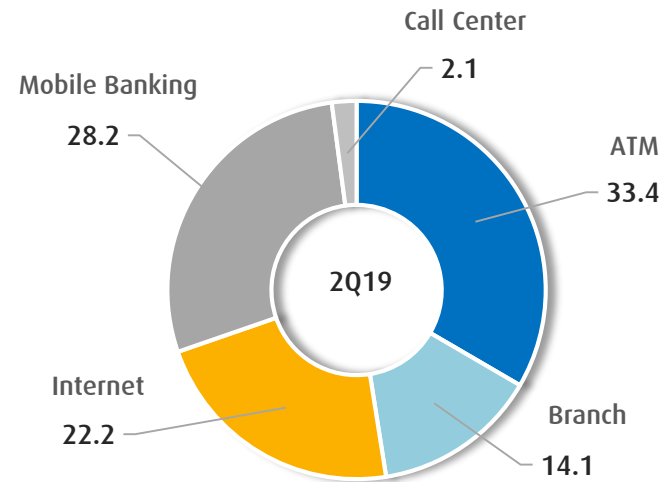
Active Mobile Banking Customers (#thousand)*



Active Internet Banking Customers (#thousand)*



Breakdown of Transactions (%)



~86%
of all banking transactions executed via non-branch channels

VakifBank with numbers

Distribution Channels&Customer (#)	1H19	Efficiency ('000 TRY)	1H19
Personnel	16,754	Assets per Employee	22,713
POS Terminals	315,631	Assets per Branch	400,132
Outstanding Credit Cards	4.9 mn	Loans per Employee	14,920
Total Customers	22.5 mn	Loans per Branch	262,856
Total Payroll Customers	2.4 mn	Deposits per Employee	12,791
Active Mutual Fund Customers	1.6 mn	Deposits per Branch	225,337

Distribution
Platforms



951
Branches



4,209
ATMs



3,271K
Active Online
Banking
Customers



24/7
Telephone
Banking



2,921K
Active Mobile
Customers

Diversified funding sources via Non-Deposit Funding

Syndicated Loan	<p>US\$ 2.30 billion outstanding April 2019 US\$ 1.100 million equivalent syndicated loan, all in cost as Libor + 2.50% and Euribor +2.40% with participation of 38 banks from 17 countries. November 2018 US\$ 854 million equivalent syndicated loan with 1 year and 2 year tranches, all in cost as Libor + 2.75% and Euribor +2.65% for 1 year and Libor + 3.50% for two years with participation of 20 banks from 11 countries. March 2017 US\$ 250 million 3 year bilateral loan with ICBC Dubai.</p>
Sub-debt	<p>US\$ 1.4 billion & TL525 million outstanding Tier II and 5 billion TL & EUR 700 million Tier I April 2019 EUR 700 million Tier I notes were issued with a fixed coupon rate. September 2018 TL 5 billion perpetual Tier I notes were issued with a fixed coupon rate. September 2017 TL 525 million subordinated notes (Tier II) were issued with a floating coupon rate set at 5 year sovereign + 3,5. Maturity of the notes are 10 years. February 2017 US\$ 228 million equivalent of 2012 subordinated notes (Tier II) were exchanged. Coupon rate has been set at 8%, maturity of the notes is 10 years. 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. October 2012 US\$ 900 million equivalent subordinated notes (Tier II) were issued with a yield of 6.08%. Coupon rate has been set at 6%, maturity of the notes is 10 years. After Exchange nominal amount is US \$672 million.</p>
Eurobonds	<p>US\$ 2.25 billion outstanding March 2019 US\$ 600 million equivalent senior unsecured notes were issued with a yield of 8.20%. Coupon rate has been set at 8.125%, maturity of the notes is 5 years January 2018 US\$ 650 million equivalent senior unsecured notes were issued with a yield of 5.85%. Coupon rate has been set at 5.75%, maturity of the notes is 5 years. May 2017 US\$ 500 million equivalent senior unsecured notes were issued with a yield of 5.650%. Coupon rate has been set at 5.625%, maturity of the notes is 5 years. October 2016 US\$ 500 million equivalent senior unsecured notes were issued with a yield of 5.614%. Coupon rate has been set at 5.5%, maturity of the notes is 5 years.</p>
DPR Securitizations	<p>US\$ 1.68 million outstanding October 2018 DPR borrowing amounting USD 300 million through treasury financing transaction within DPR securitization program. Total amount of transaction is procured tranche with a maturity of 10 years. May 2018 DPR borrowing in Euro and USD currencies, amounting USD 380 million equivalent in total, through future flow transaction within DPR securitization program. Total amount of transaction is procured in six separate tranches of which has a maturity of 5 years. October 2016 DPR borrowing in Euro and USD currencies, amounting USD 890 million equivalent in total, through future flow transaction and treasury financing transaction as well as other required transactions within DPR securitization program. Total amount of transaction is procured in seven separate tranches, USD 354.4 million of which has a maturity of 5 years and USD 535.7 million of which has a maturity of 7 years.</p>
Covered Bond	<p>EUR 500 million and TL 6.2 billion outstanding February 2019 TL 1.118,2 million Covered Bond notes were issued with the maturity of 8 years. January 2019 TL 396.3 million Covered Bond notes were issued with the maturity of 8 years. December 2018 TL 1 billion Covered Bond notes were issued with the maturity of 5 years. February 2018 TL 1 billion Covered Bond notes were issued with the maturity of 5 years. December 2017 TL 1.3 billion Covered Bond notes were issued with the maturity of 5 years. October 2017 TL 1.3 billion Covered Bond notes were issued with the maturity of 5.5 years. May 2016 Euro 500 million equivalent Covered Bond notes were issued with a yield of 2.578%. Coupon rate has been set at 2.375%, maturity of the notes is 5 years.</p>
IFI Borrowing	<p>US\$ 1.5 billion outstanding World Bank outstanding funding US\$ 240.2 million. EBRD outstanding funding US\$ 186.4 million (US\$ 120 million under DPR Program and EUR 50 million under Covered Bond Program included). EIB outstanding funding US\$ 784.9 million. KfW outstanding funding US\$ 250.4 million. AFD outstanding funding US\$ 91.06 million.</p>
TL Bonds	<p>Outstanding TL bonds amounting TL 5.0 billion</p>

Unconsolidated Key Financial Ratios

	1H18	9M18	2018	1Q19	1H19
Profitability					
ROAE	17.2%	16.6%	16.1%	9.1%	7.1%
ROAA	1.5%	1.3%	1.4%	0.8%	0.6%
Cost / Income	37.0%	33.8%	36.9%	32.1%	38.3%
Cost / Assets	1.7%	1.5%	1.8%	1.7%	1.7%
Fee / Cost	36.5%	39.4%	39.0%	63.2%	57.8%
Liquidity					
Loans / Deposits	123.3%	123.6%	123.5%	124.3%	116.7%
<i>TL Loans / Deposits</i>	127.6%	129.4%	127.9%	145.5%	135.8%
Liquidity Coverage Ratio (Total)	106.7%	115.9%	111.6%	118.9%	112.7%
<i>FC Liquidity Coverage Ratio</i>	240.1%	272.4%	264.0%	353.5%	400.3%
Asset Quality					
NPL Ratio	3.9%	3.9%	4.6%	4.6%	4.7%
Coverage Ratio	77.8%	77.0%	74.3%	73.8%	74.5%
Net Cost of Risk	1.2%	2.1%	1.7%	2.3%	1.5%
Solvency					
CAR	15.02%	17.23%	16.99%	15.25%	17.01%
Tier I Ratio	11.81%	13.69%	13.75%	12.23%	13.98%
Leverage	10.7x	12.2x	10.7x	11.7x	12.0x

Unconsolidated Balance Sheet

	1H18		1Q19		1H19		TL		USD	
	TL	USD	TL	USD	TL	USD	ΔYoY	ΔQoQ	ΔYoY	ΔQoQ
Assets										
(thousand)										
Cash & Balances with Central Bank	35,533,591	7,765,887	30,451,373	5,399,180	35,884,469	6,229,943	1.0%	17.8%	(19.8%)	15.4%
Interbank	7,431,301	1,624,115	5,546,267	983,381	4,233,500	734,983	(43.0%)	(23.7%)	(54.7%)	(25.3%)
Securities	38,498,619	8,413,895	54,867,564	9,728,291	63,856,201	11,086,146	65.9%	16.4%	31.8%	14.0%
Loans	210,101,417	45,917,785	246,252,652	43,661,818	249,976,401	43,398,681	19.0%	1.5%	(5.5%)	(0.6%)
Subsidiaries & Investments	2,841,047	620,912	3,004,780	532,762	2,923,689	507,585	2.9%	(2.7%)	(18.3%)	(4.7%)
Property & Equipment	1,472,897	321,902	2,911,934	516,300	2,921,960	507,285	98.4%	0.3%	57.6%	(1.7%)
Other	10,166,568	2,221,909	20,189,521	3,579,702	20,729,140	3,598,809	103.9%	2.7%	62.0%	0.5%
Total Assets	306,045,440	66,886,406	363,224,091	64,401,435	380,525,360	66,063,431	24.3%	4.8%	(1.2%)	2.6%
Liabilities & SHE										
Deposits	170,416,614	37,244,649	198,123,939	35,128,358	214,295,203	37,204,028	25.7%	8.2%	(0.1%)	5.9%
Funds Borrowed	38,171,150	8,342,327	41,012,738	7,271,762	39,470,077	6,852,444	3.4%	(3.8%)	(17.9%)	(5.8%)
Other	69,237,066	15,131,800	93,255,718	16,534,702	95,384,252	16,559,766	37.8%	2.3%	9.4%	0.2%
Provisions	2,133,221	466,217	2,216,368	392,973	2,101,043	364,764	(1.5%)	(5.2%)	(21.8%)	(7.2%)
Shareholders' Equity	26,087,389	5,701,414	28,615,328	5,073,640	29,274,785	5,082,428	12.2%	2.3%	(10.9%)	0.2%
Guarantees	60,188,610	13,154,255	69,305,153	12,288,148	70,719,539	12,277,698	17.5%	2.0%	(6.7%)	(0.1%)
Commitments	60,621,008	13,248,756	76,161,093	13,503,740	69,264,287	12,025,050	14.3%	(9.1%)	(9.2%)	(11.0%)
Derivatives	91,135,081	19,917,624	147,781,873	26,202,460	153,725,472	26,688,450	68.7%	4.0%	34.0%	1.9%

Unconsolidated Income Statement

(TL-thousand, %)	1H18	1Q19	2Q19	1H19	Δ YoY	Δ QoQ
Net Interest Income	4,877,953	2,344,772	2,769,984	5,114,756	4.9%	18.1%
Net Fee & Com. Income	955,348	978,559	855,486	1,834,045	92.0%	(12.6%)
Dividend Income	117,447	1,337	49,354	50,691	(56.8%)	3591.4%
Net Trading Income	300,959	128,934	-1,263,930	-1,134,996	(477.1%)	(1080.3%)
Other Income	810,218	1,369,707	1,061,216	2,430,923	200.0%	(22.5%)
Total Revenues	7,061,925	4,823,309	3,472,110	8,295,419	17.5%	(28.0%)
Operating Expenses	-2,613,984	-1,548,067	-1,626,076	-3,174,143	21.4%	5.0%
Provisions	-1,789,772	-2,493,625	-1,426,738	-3,920,363	119.0%	(42.8%)
Tax Provisions	-532,908	-130,395	-51,727	-182,122	(65.8%)	(60.3%)
Net Income	2,125,261	651,222	367,569	1,018,791	(52.1%)	(43.6%)

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