

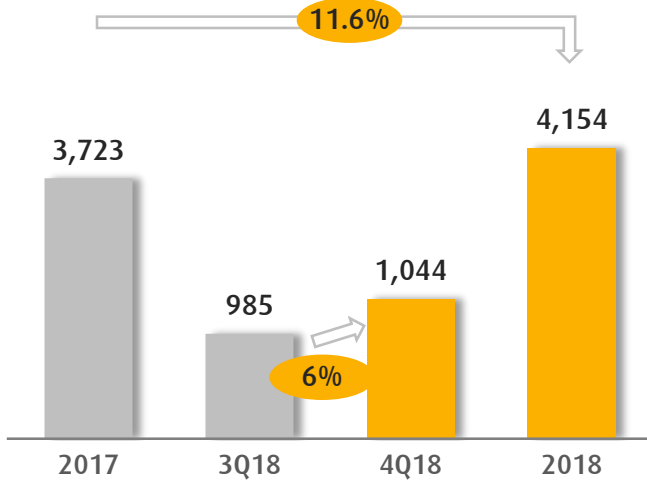
VakıfBank IR App.
Available at



Earnings Presentation BRSA Bank-Only YE 2018 February 13, 2019

4Q18 Earnings and Ratios

Net Income (TL million)

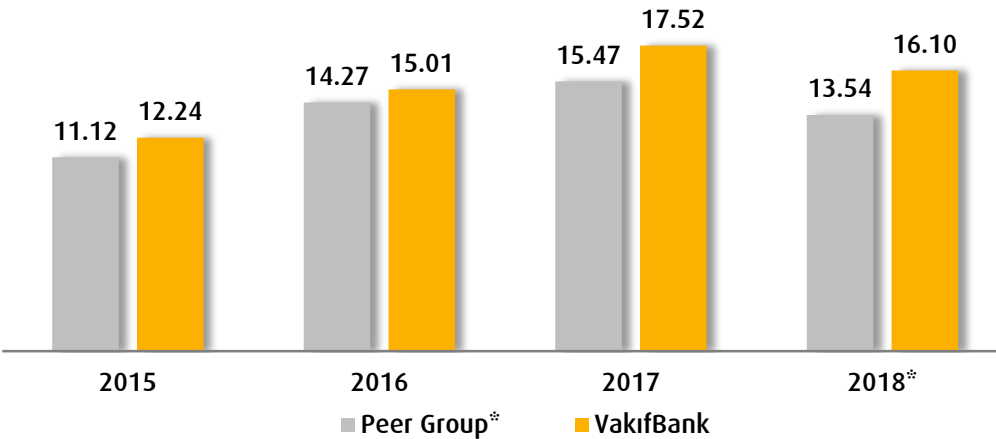


Stellar earnings despite additional free provisioning of **TL 530 million** set aside in 4Q18

Total free provisioning reached **TL 1,030 million** in 2018

Without free provisioning, annual earnings would be **TL 4.7 billion**

ROAE (%)



Sustainable profitability outperformance on track even in challenging macro environment of 2018

Drivers of Strong Performance & Key Highlights of 4Q18

Effective NIM management

- 2018 NIM came at **4.30%** vs 2017 average of 4.24%.
- CPI contribution peaked with **TL 1.6 billion** interest income in 4Q18.
- Core spreads bottom out in 4Q18 and promise dramatic increase towards 2019.

Stellar fee performance supported by diversified fee sources

- 2018 fee growth came at **72.3%** YoY, by far highest growth in Turkey.
- Quarterly fee growth materialized at **23.0%**, thanks to increased focus on fee generation.
- Fee/Opex ratio increased to **39.0%** in 2018 vs 30.1% in 2017.

Further enhanced solvency ratios amid challenging macro conditions

- Turkey's first ever Additional Tier-1 issuance with an amount of **TL 5 billion** was accomplished in 3Q18.
- The transaction had **208 bps** positive impact on Tier-1 and total CAR.
- Total CAR came at **17.0%** vs 15.5% in 2017 which is up by 147 bps.
- Tier I came at **13.8%** vs 12.3% in 2017 which is up by 142 bps.
- Adjusted with free provisioning, total CAR and Tier I ratios would be **17.4%** and **14.2%**, respectively.

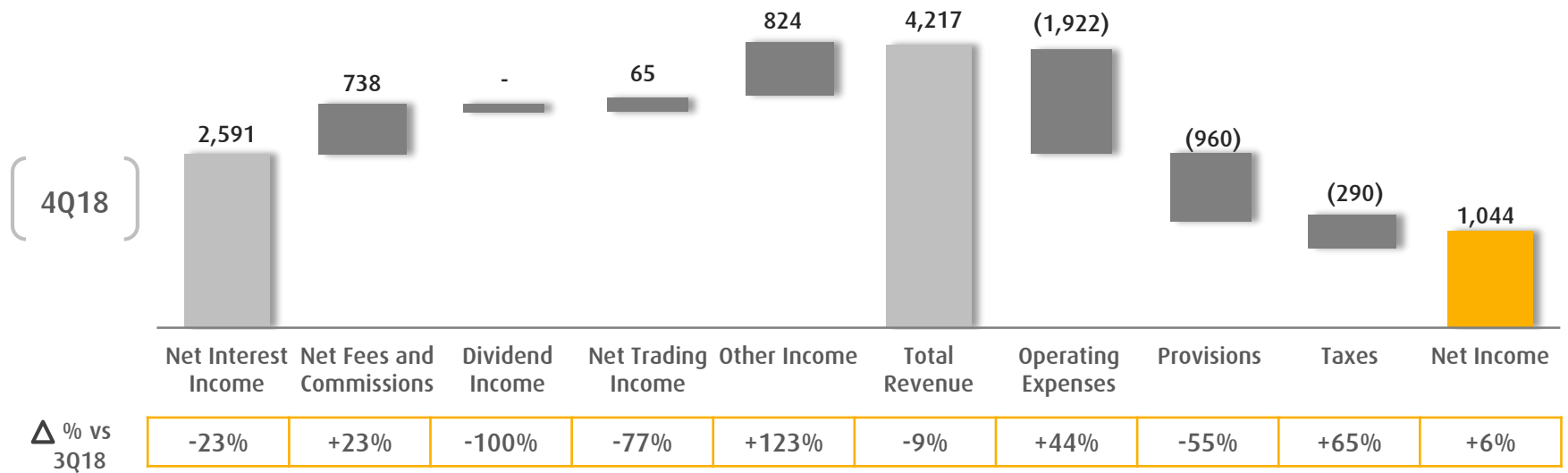
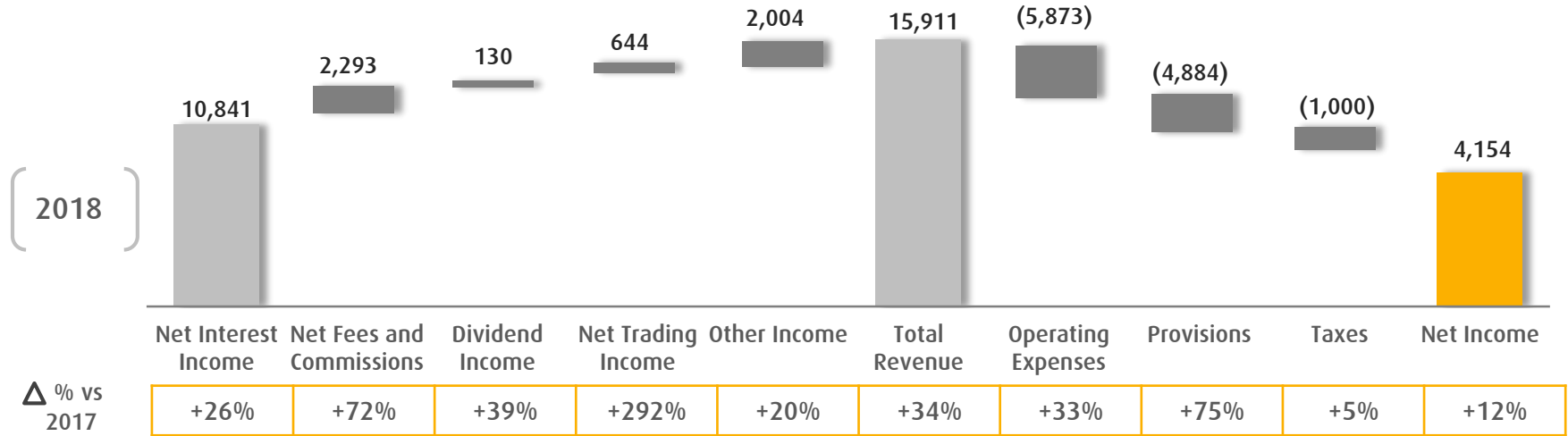
Disciplined and sound liquidity levels maintained

- FC LCR came at **264.0%** vs required level of 70%.
- Total LCR came at **111.6%** vs required level of 90%.
- TL LtD ratio came at **128%** vs sector average of 138%.

Timely executed long term international funding transactions

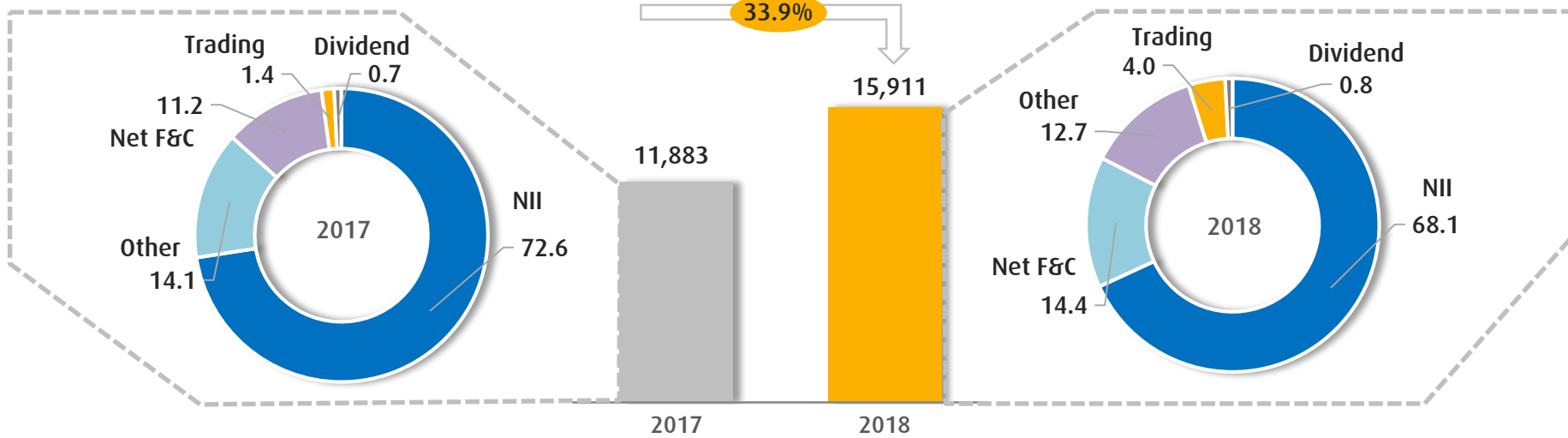
- Total syndication roll over ratio materialized at **111%** in 2018.
- Timely eurobond issuance of **USD 650 million** in January with 5 years maturity at 5.75% coupon rate.
- **TL 3.5 billion** long term covered bond issuances continued during 2018 and 2019 YtD.
- Total fresh funding of **USD 680 million** under DPR securitization programme up to 10-year maturity.

2018 P&L Details

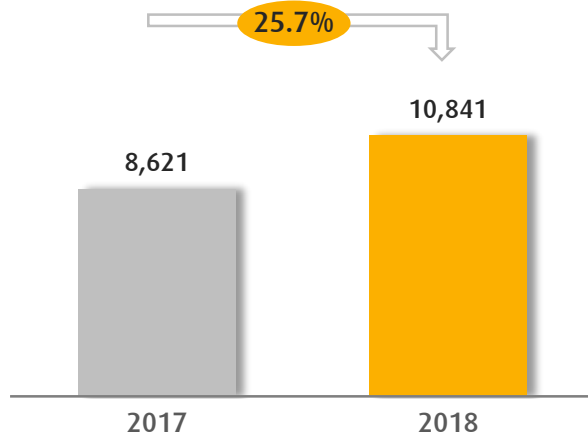


Revenue breakdown

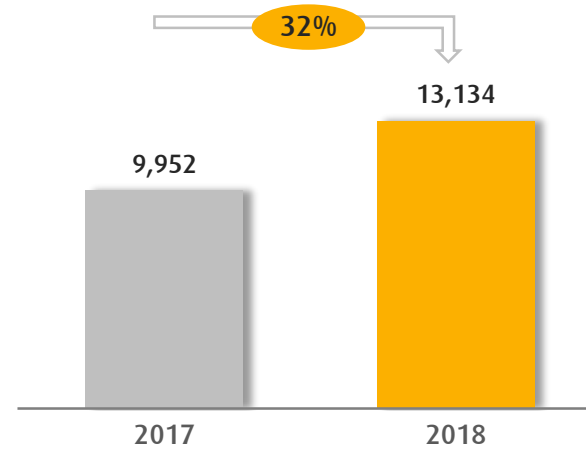
Total Revenues – Revenue Breakdown (TL million)



Net Interest Income (TL million)

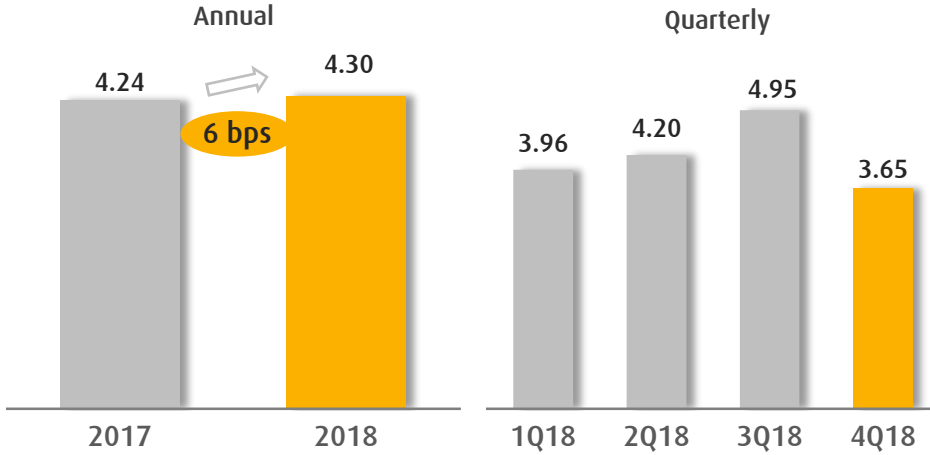


Core Banking Revenues (TL million)*

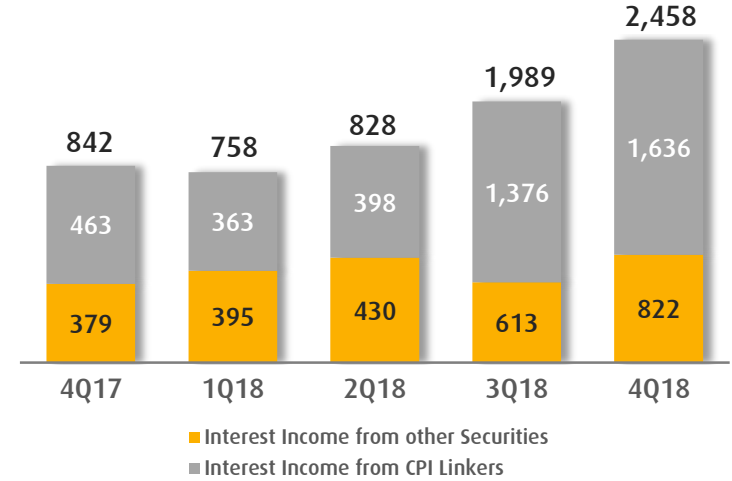


NIM, Spreads and Costs

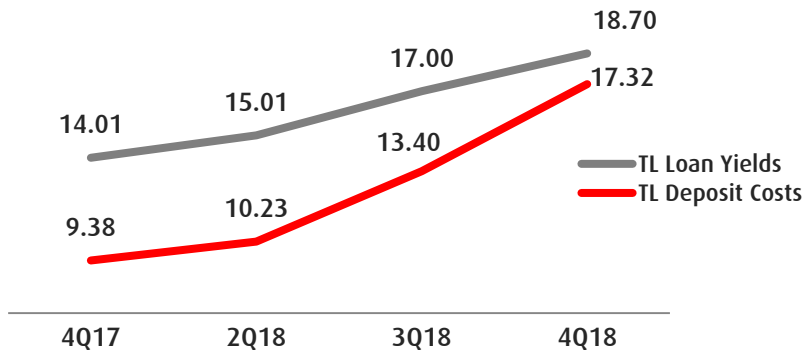
Net Interest Margin (NIM %)



Breakdown of Interest Income from Securities (TL million)



Core Spreads (%)



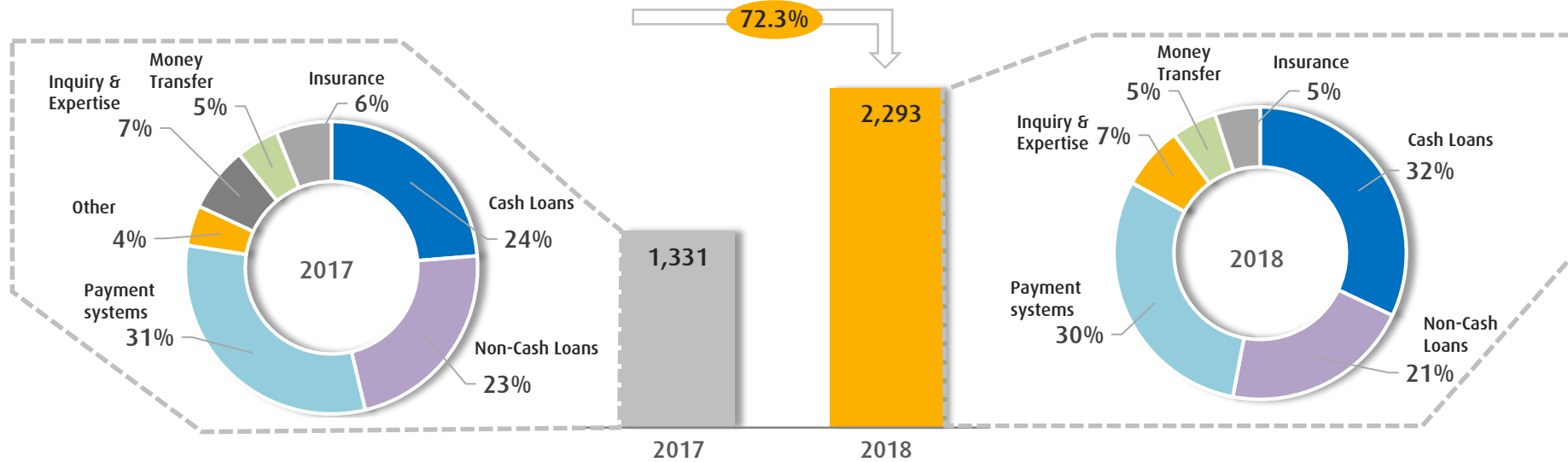
4Q18 CPI amount:
TL 21.8 billion
 4Q18 CPI real yield: **2.48%**

CPI contribution peaked
TL 1.6 billion
 interest income in 4Q18

Core spreads bottom out in 4Q18 and promise strong growth towards 2019

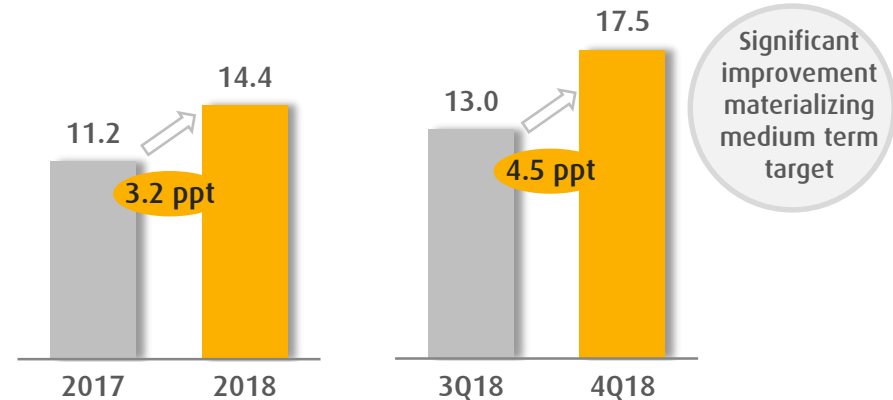
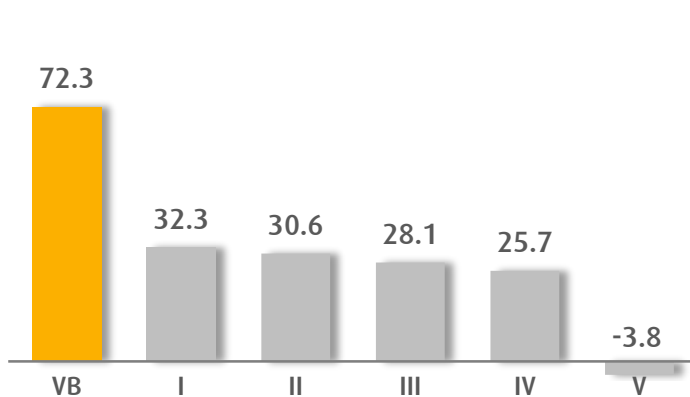
Stellar fee growth supported by diversified fee sources

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



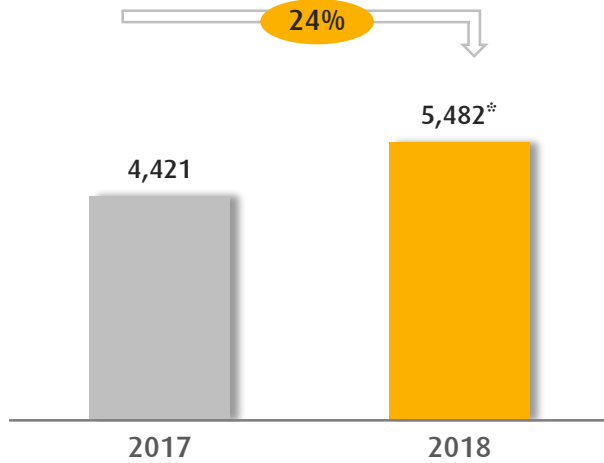
2018 Fee&Com. Income Growth vs Listed Peer Banks (%)**

Fee/Operating Income (%)

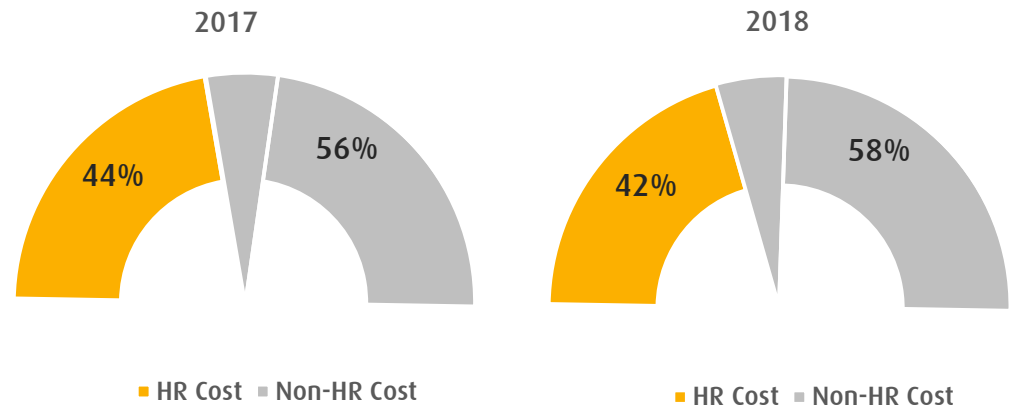


Further improved C/I ratio despite high inflation driven cost growth

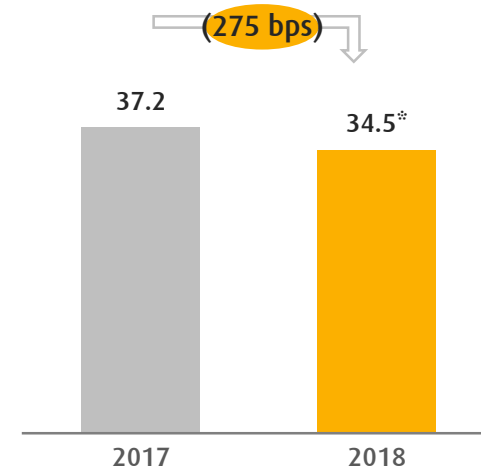
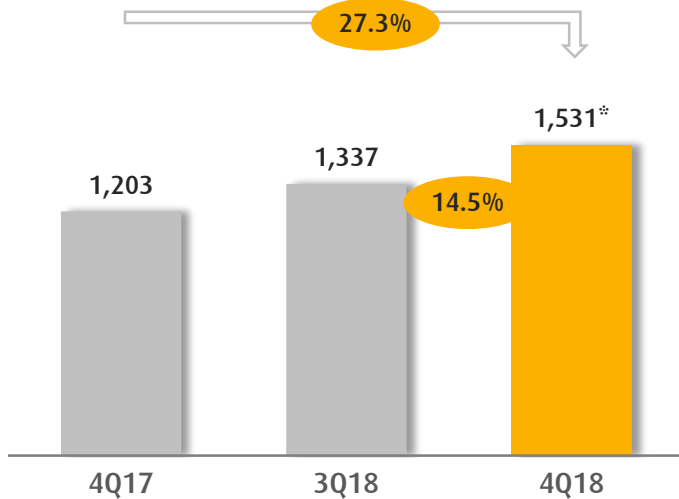
Operating Expenses (TL million)



Breakdown of OPEX

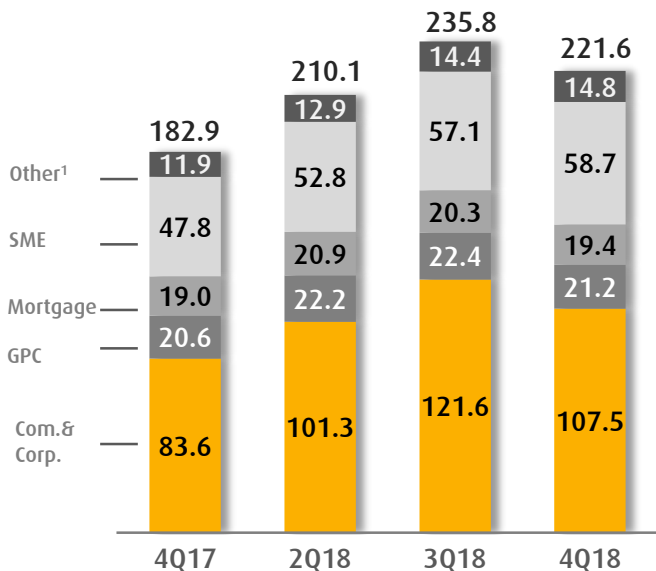


Cost/Income (%)

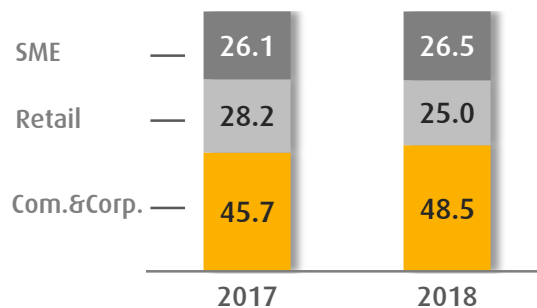


Well diversified & stable loan breakdown

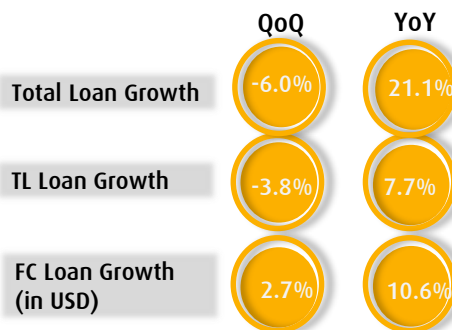
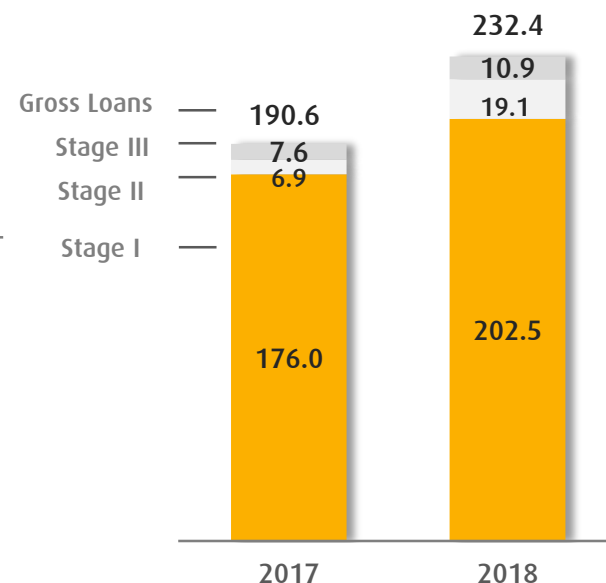
Breakdown of Loans (TL billion)



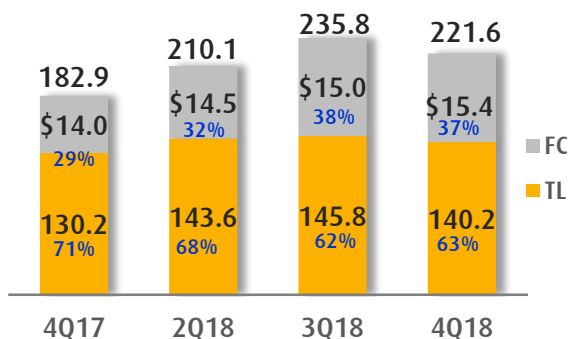
Portfolio Breakdown (%)



Loan Portfolio Breakdown (TL billion)



Breakdown of Loans (TL billion)



Breakdown of FC Loans

	Share	QoQ (US\$)	YoY (US\$)
Project Finance	64%	2%	9%
Export Loans	9%	(3%)	6%
Working Capital and Other	27%	8%	12%

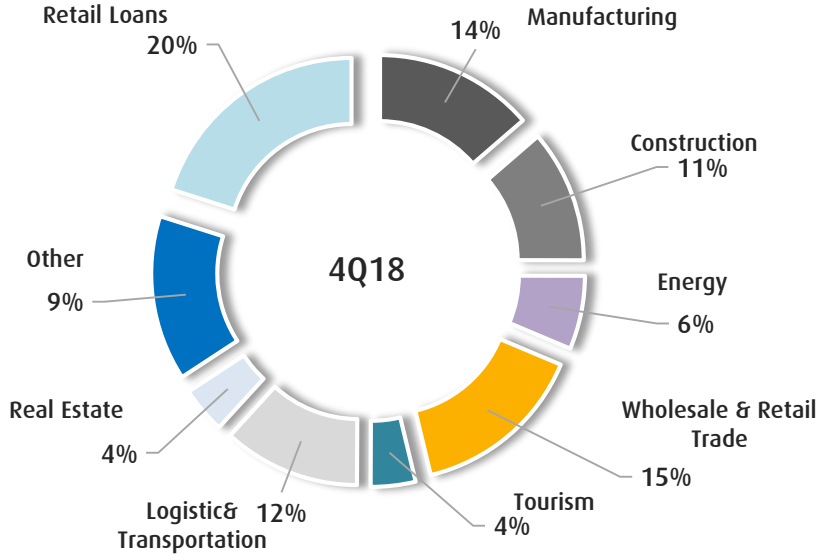
CGF Loans

(TL bn)	2017	1H18	9M18	2018
Total CGF Guarantee Limit	21.3	25.3	26.0	26.6
Originated Amount	20.9	26.6	28.0	28.9
Outstanding Amount after redemptions	18.6	21.4	21.6	19.6

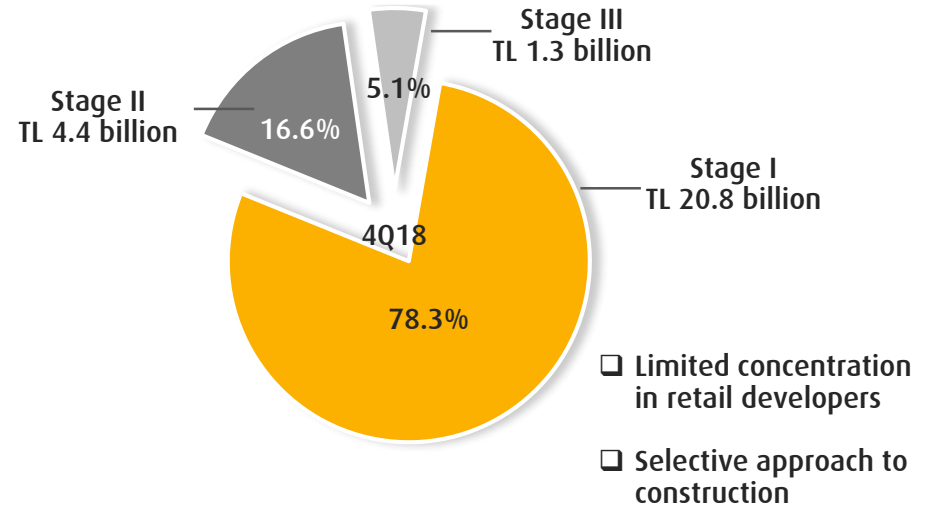
TL 9.3 billion amortisation

Breakdown of Loan Portfolio

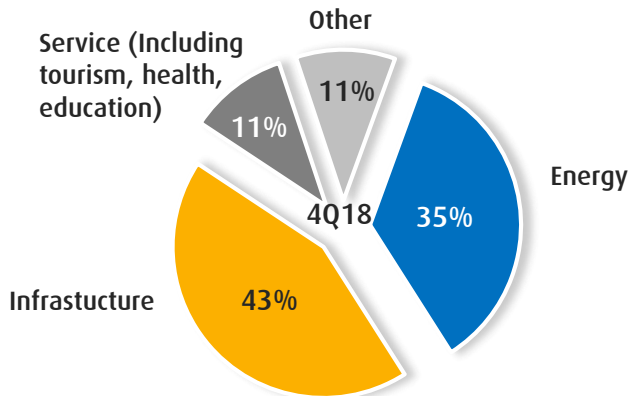
Sector Breakdown of Cash Loans



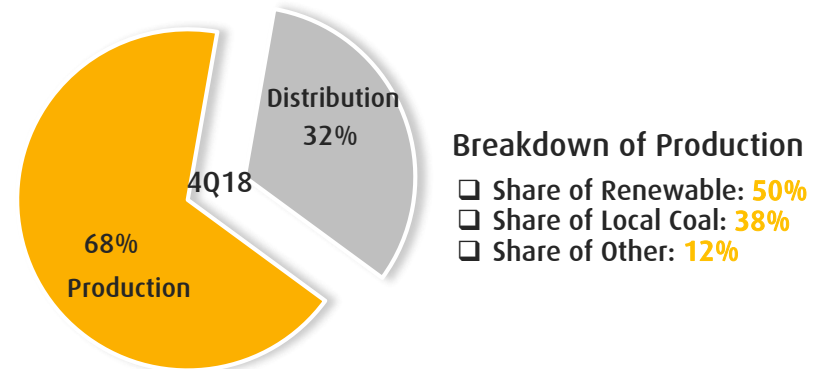
Breakdown of Construction Loans



Breakdown of Project Finance

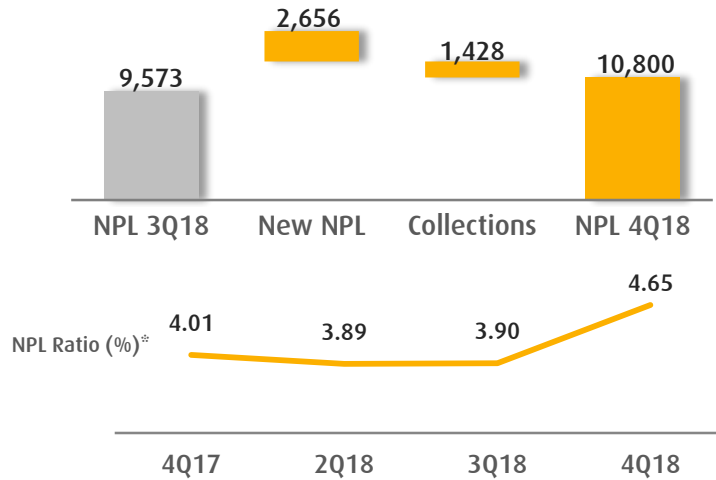


Breakdown of Energy Loans

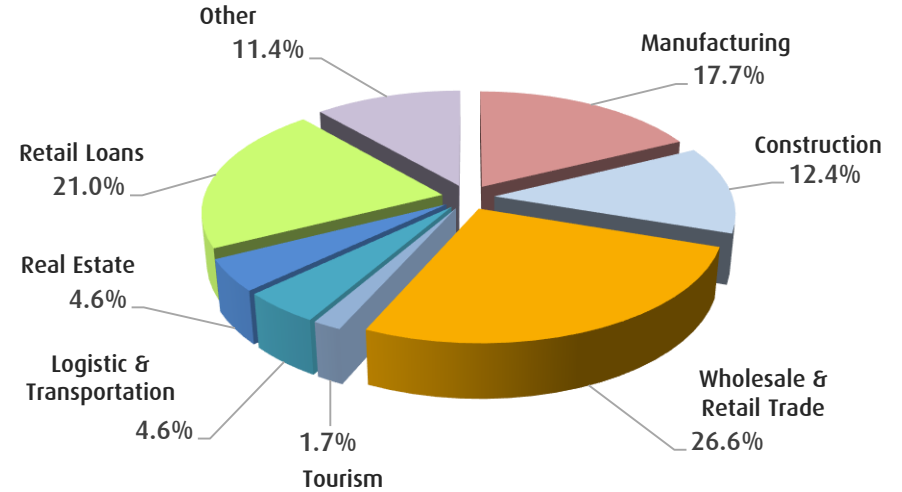


Relatively weak economic activity reflected in asset quality but nothing unexpected

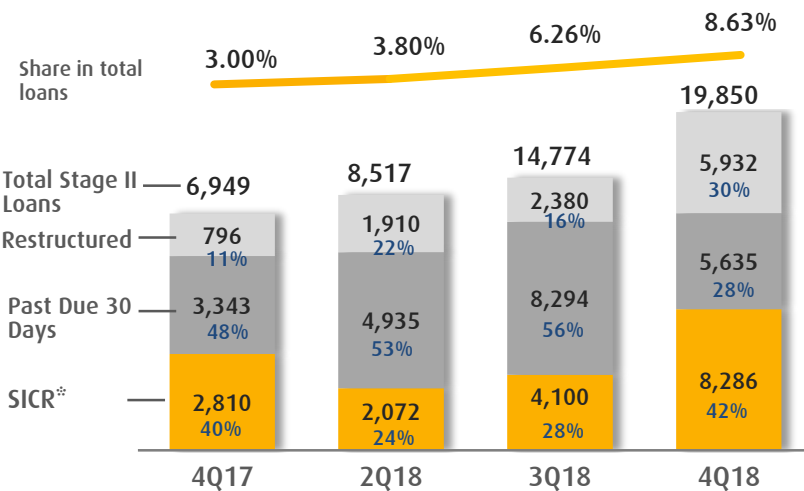
NPL (TL million)*



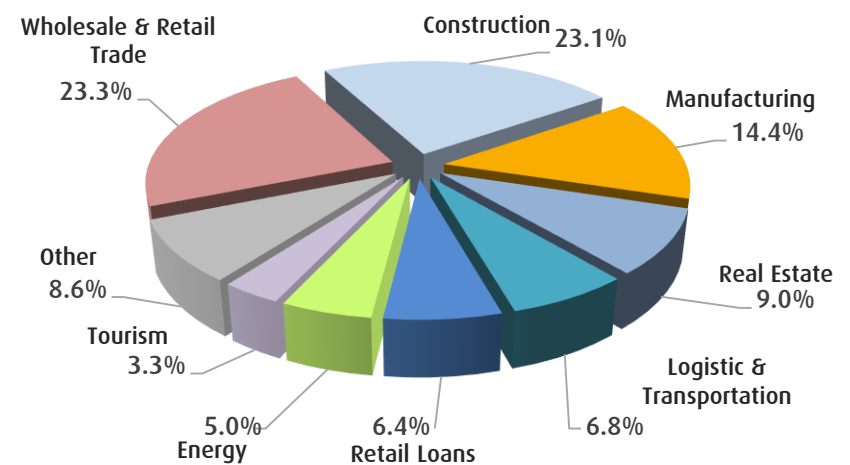
Sector Breakdown of Stage III Loans



Stage II Loans Breakdown (TL million)



Sector Breakdown of Stage II Loans



CoR ratios elevated in line with the asset quality trends

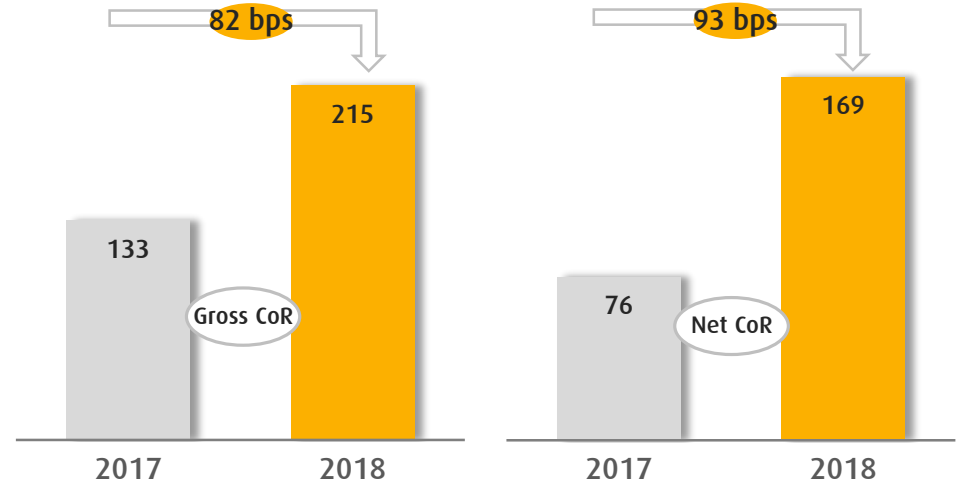
Net Expected Credit Losses

(Thousand TL)	2018
Expected Credit Losses	4,350,468
Stage I	368,768
Stage II	995,287
Stage III	2,986,413
Provision Reversals under other income	1,692,746
Stage III	933,910
Net Expected Credit Losses	2,657,722
Net CoR (Stage III)	164 bps

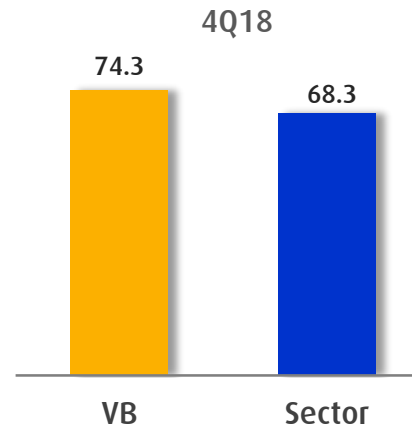
Coverage Ratios

	3Q18	4Q18
Stage I	0.9%	0.8%
Stage II	9.8%	6.9%
Stage III	77.0%	74.3%

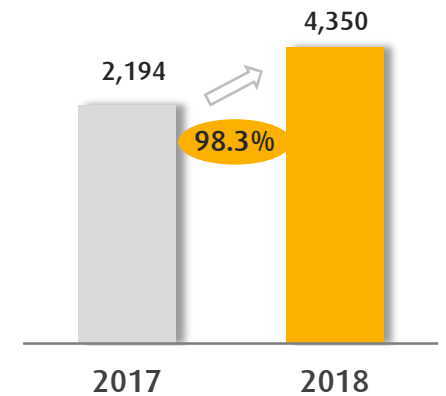
Cost of Risk Ratios (bps)



Coverage Ratios (%)

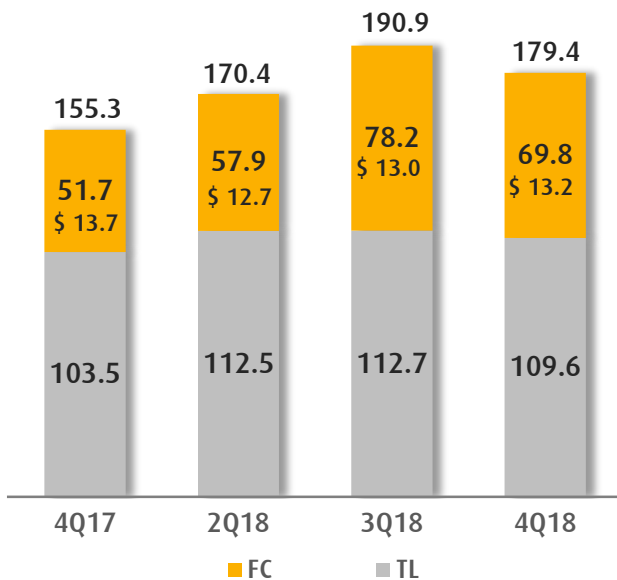


Loan-Loss Provisioning (TL million)

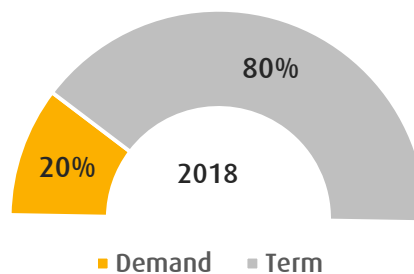


Customer deposits driven well diversified funding structure

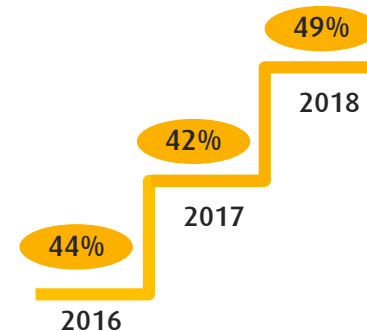
Total Deposits (TL billion)



Breakdown of Deposits



Share of Retail Deposits



Retail deposit share in total deposits reached **%49** in YE 2018

Total Deposits Growth

-6.0%

15.5%

TL Deposits Growth

-2.7%

5.9%

FC Deposits Growth (\$)

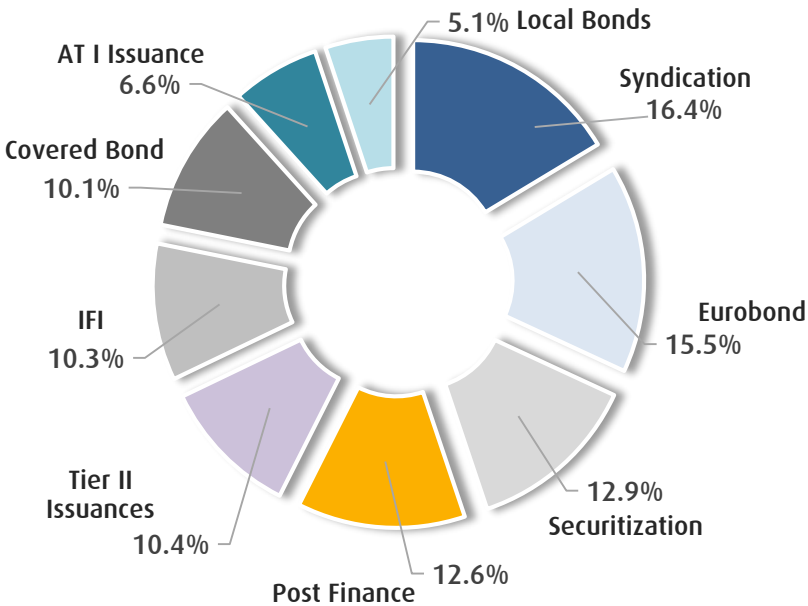
1.4%

-3.4%

billion TL	VB 4Q18	VB QoQ	VB YoY	Sector QoQ	Sector YoY
Total Deposits	179	-6%	16%	-5%	19%
TL	110	-3%	6%	1%	9%
FC (\$)	13	1%	-3%	3%	-6%
Customer *	172	-6%	18%	N.A.	N.A.
Demand	36	7%	20%	-7%	19%
Repo **	28	5%	216%	-33%	-2%
TL	26	13%	273%	-40%	20%
FC	2	-42%	9%	-20%	-22%
Borrowings (Funds Borrowed + Securities Issued + Sub-debt)	77	-15%	43%	-16%	22%

Timely executed long term wholesale funding transactions

Breakdown of Wholesale Funding



Important International Funding Transactions of 2018

USD 650 million senior unsecured bond with **5.75%** coupon rate in January 2018

Fresh **USD 680 million** DPR securitization in 2018

USD 2,077 million syndication loan with **111%** roll over ratio in 2018

Total **TL 3.5 billion** fresh covered bond issuance during 2018 and 2019 YtD

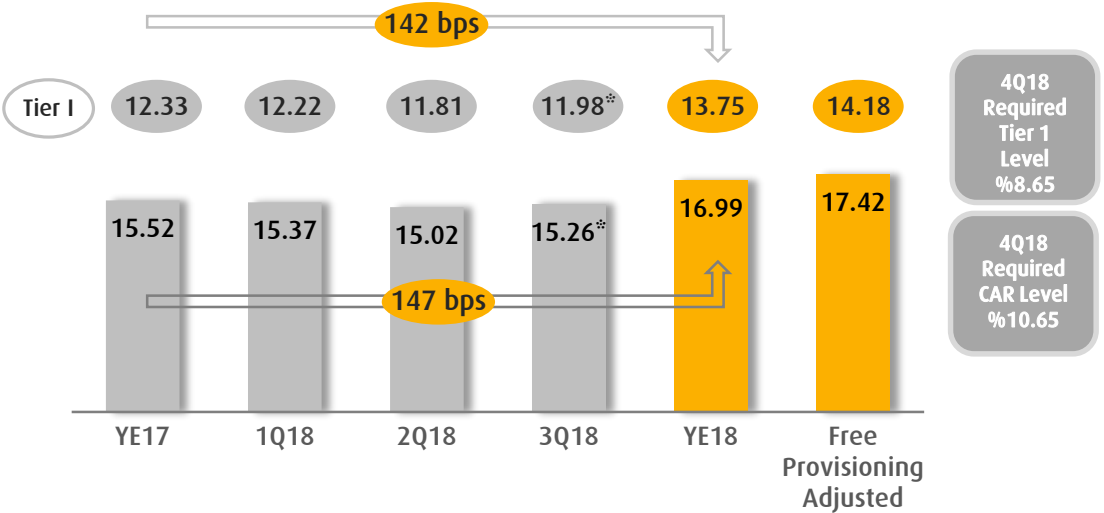
Total outstanding covered bond issuance amount is **TL 9.2 billion**

~USD 14 billion
Total wholesale borrowing

Share of total wholesale borrowing in total liabilities:
~23%

Stellar solvency ratios amid challenging macro conditions

Capital Adequacy Ratio (%)

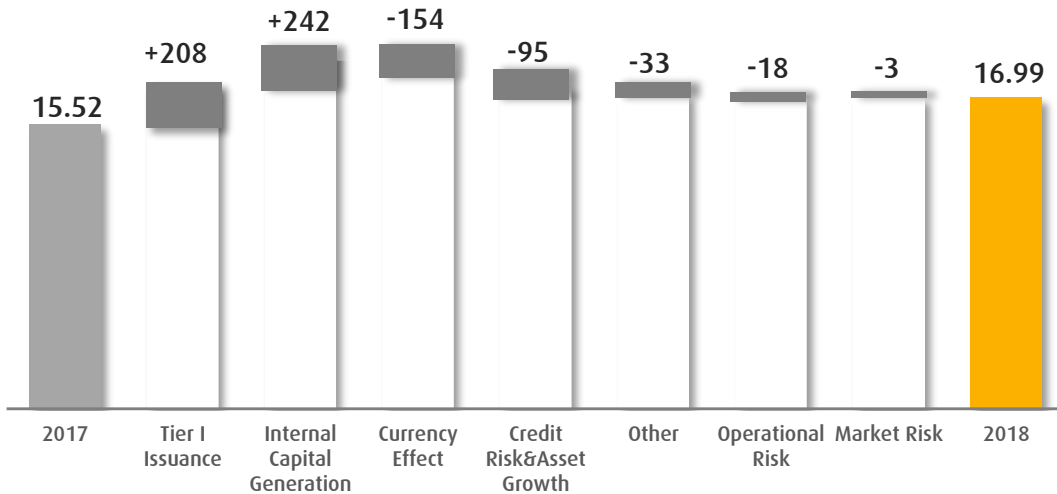


4Q18 Required Tier 1 Level %8.65
4Q18 Required CAR Level %10.65

The effect of 0.1 TL decrease /increase in USD/TL parity on CAR is ~12 bps

Basel III compatible Additional Tier I issuance TL 5 billion Perp NC5 in 3Q18

The effect of 1 ppt interest rate increase/ decrease on CAR is ~2 bps



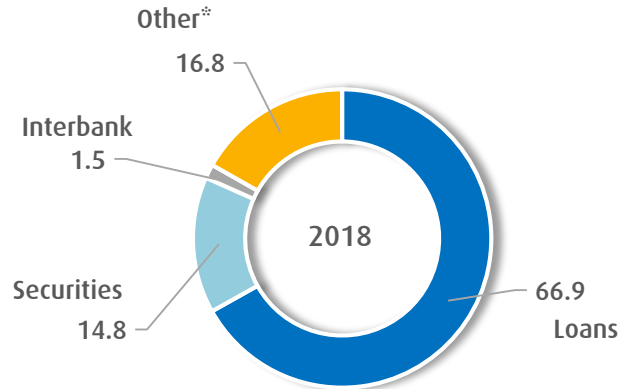
Buffers (%)	4Q18	2019
Capital Conservation Buffer	1.875	2.500
Counter Cyclical Buffer**	0.020	N.A
SIFI Buffer*** (Group I)	0.750	1.000
<u>Minimum CET I</u>	<u>7.145</u>	<u>8.000</u>
Minimum Tier I	8.645	9.500

Appendix

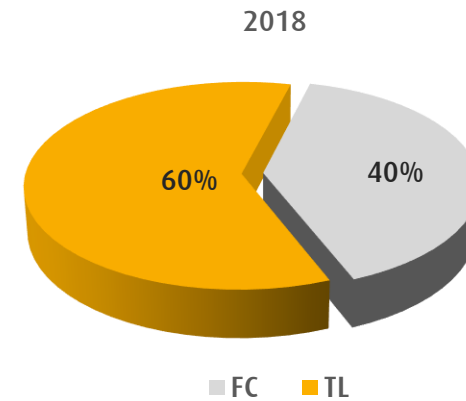
Pg. 17	Composition of Assets&Liabilities
Pg. 18	Well balanced Securities Portfolio
Pg. 19	Retail Lending Portfolio
Pg. 20	Strong growth in mobile platforms continues
Pg. 21	VakifBank with Numbers
Pg. 22	Diversified Funding Sources via Non-Deposit Funding
Pg. 23	Unconsolidated Key Financial Ratios
Pg.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

Composition of Asset & Liabilities

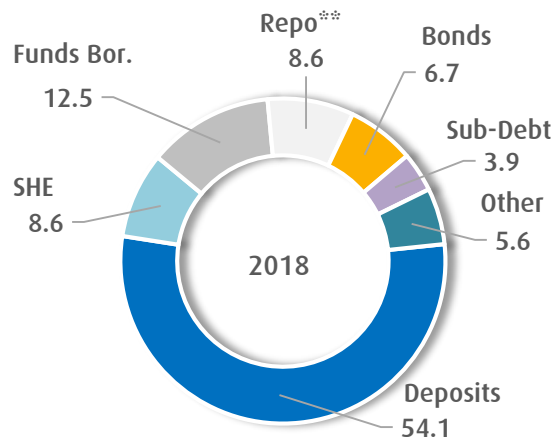
Breakdown of Assets (%)



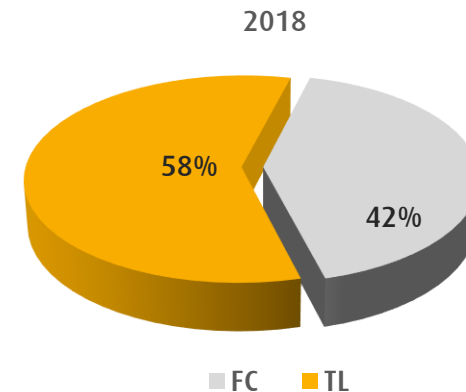
TL/FC Mix in Total Assets



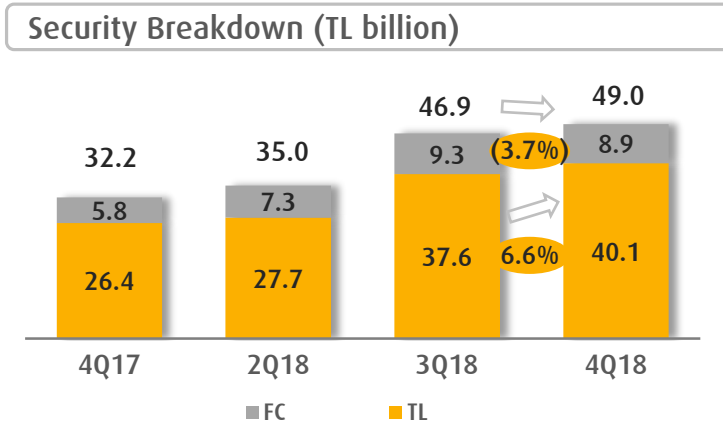
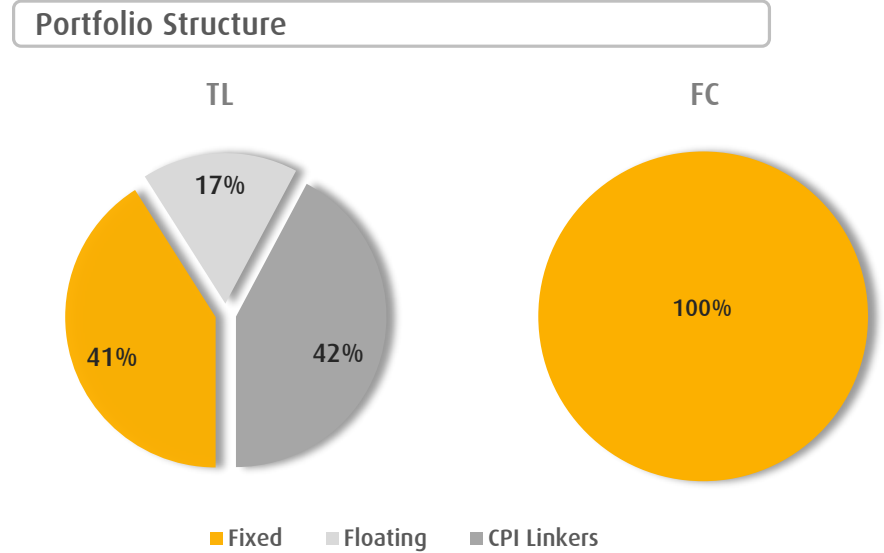
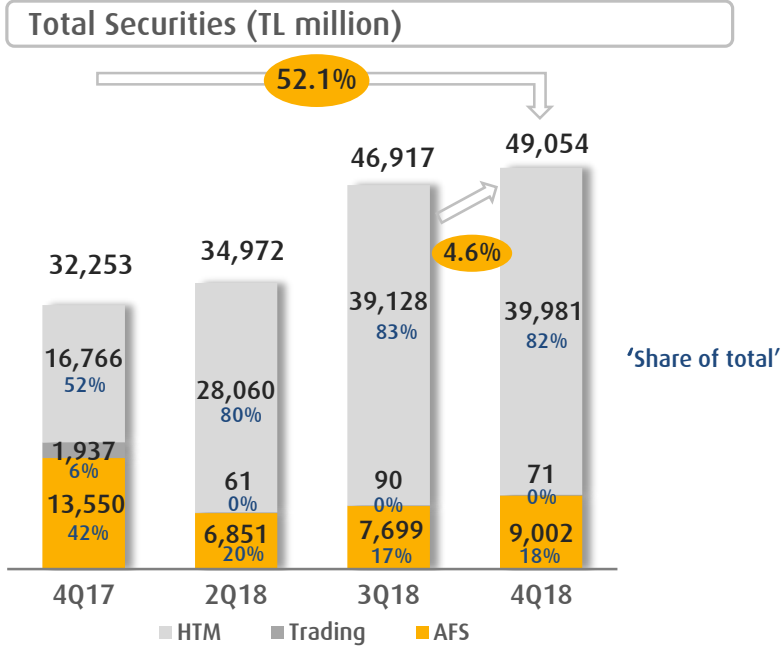
Breakdown of Liabilities (%)



TL/FC Mix in Total Liabilities



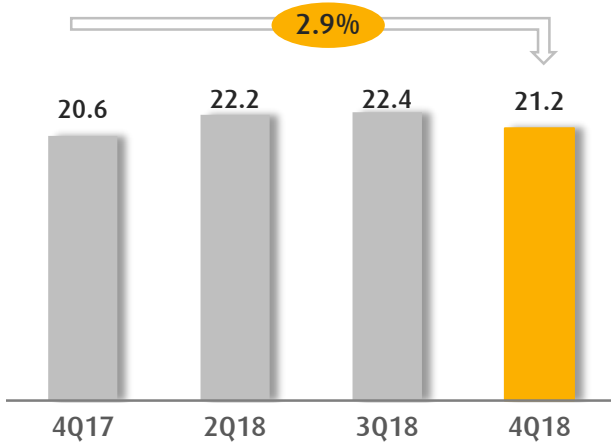
Well balanced security portfolio



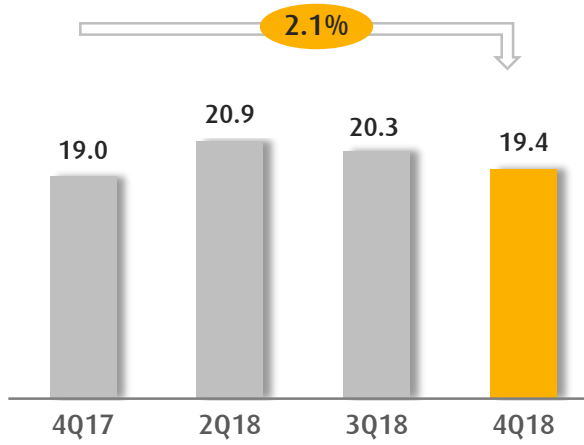
Share of securities in total assets is **14.8%** in YE 2018

Retail Lending Portfolio

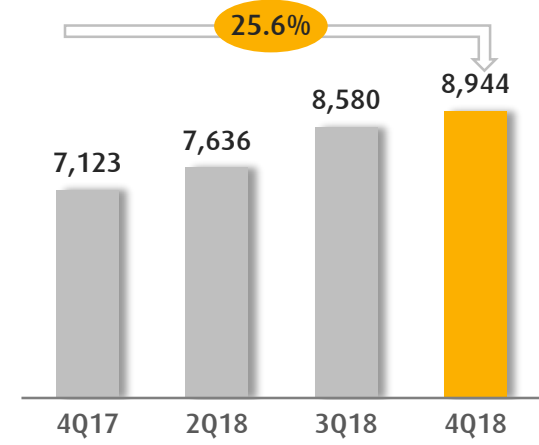
General Purpose Consumer (TL billion)



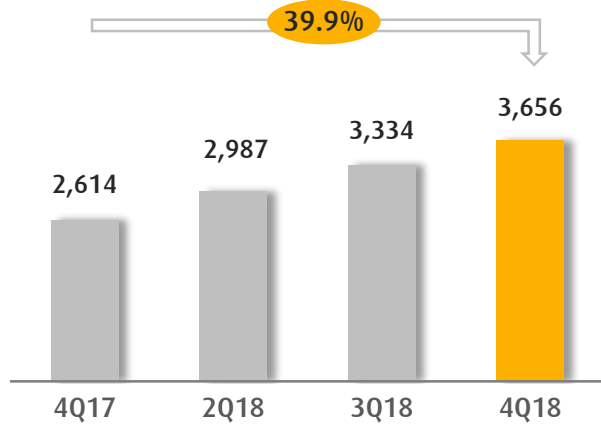
Residential Mortgages (TL billion)



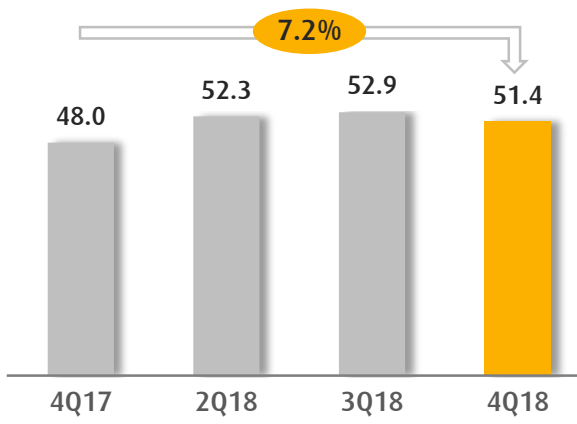
Credit Card Loans (TL million)*



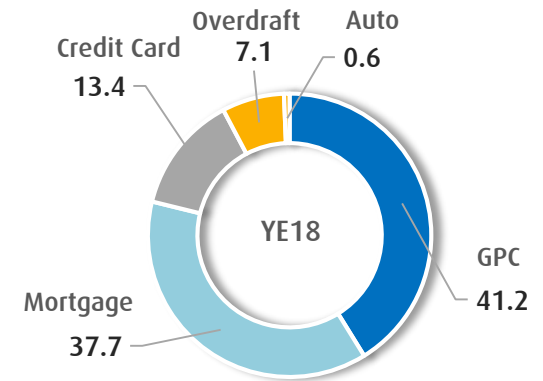
Retail Overdraft (TL million)



Total Retail (TL billion)

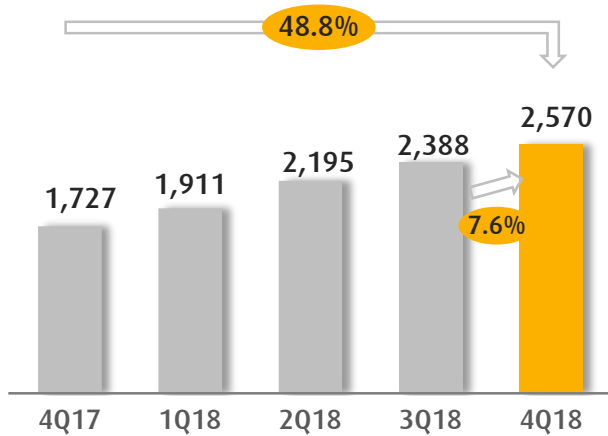


Breakdown of Retail Loans (%)

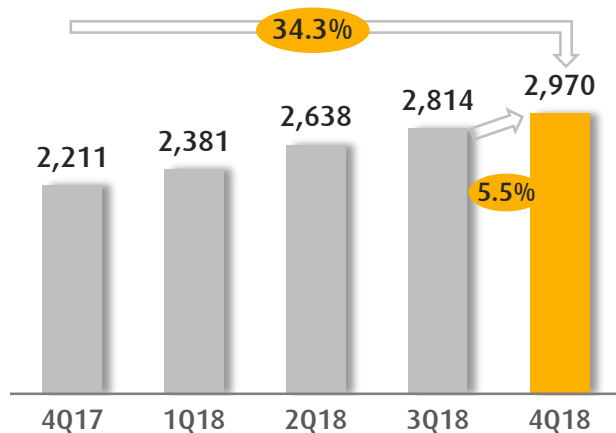


Strong growth in mobile platforms continues

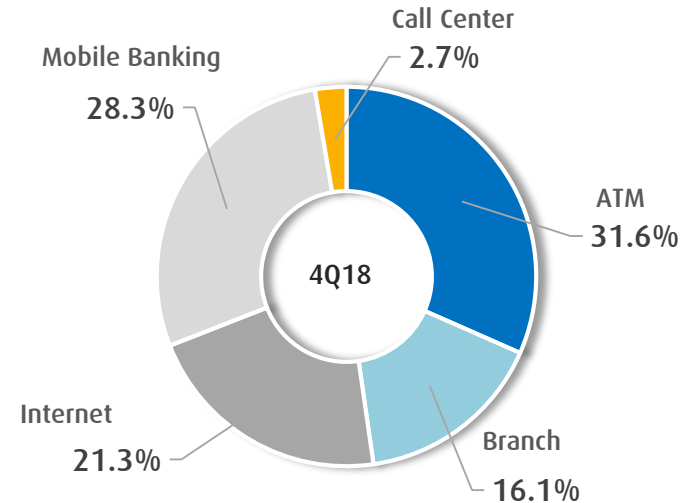
Active Mobile Banking Customers (#thousand)*



Active Internet Banking Customers (#thousand)*



Breakdown of Transactions



~84%
of all banking transactions executed via non-branch channels

VakifBank with numbers

Distribution Channels&Customer (#)	4Q18	Efficiency ('000 TRY)	4Q18
Personnel	16,767	Assets per Employee	19,762
POS Terminals	220,270	Assets per Branch	348,429
Outstanding Credit Cards	4.7 mn	Loans per Employee	13,217
Total Customers	22.0 mn	Loans per Branch	233,025
Total Payroll Customers	2.5 mn	Deposits per Employee	10,700
Active Mutual Fund Customers	1.6 mn	Deposits per Branch	188,652

Distribution
Platforms



951
Branches



4,173
ATMs



2,970K
Active Online
Banking
Customers



24/7
Telephone
Banking



2,570K
Active Mobile
Customers

Diversified funding sources via Non-Deposit Funding

Syndicated Loan	<p>US\$ 2.33 billion outstanding November 2018 US\$ 1.291 billion 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. April 2018 US\$ 1.291 billion equivalent syndicated loan with 1 year and 2 year tranches, all in cost as Libor + 1.30% and Euribor +1.20% for 1 year and Libor + 2.10% for two years with participation of 35 banks from 17 countries. March 2017 US\$ 250 million 3 year bilateral loan with ICBC Dubai.</p>
Sub-debt	<p>US\$ 1.4 billion and TL525 million outstanding Tier II and 5 billion TL Tier I 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\$ 2.2 billion outstanding 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. June 2014 EUR 500 million equivalent senior unsecured notes were issued with a yield of 3,650%. Coupon rate has been set at 3.5%, maturity of the notes is 5 years.</p>
DPR Securitizations	<p>US\$ 1.854 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 5.06 billion outstanding 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\$ 1.8 billion outstanding World Bank outstanding funding US\$ 240.8 million. EBRD outstanding funding US\$ 248.8 million (US\$ 182 million under DPR Program and EUR 50 million under Covered Bond Program included). EIB outstanding funding US\$ 858.6 million. KfW outstanding funding US\$ 274,6 million. AFD outstanding funding US\$ 91,5 million.</p>
TL Bonds	<p>Outstanding TL bonds amounting TL 9,4 billion as of December 31, 2018.</p>

Unconsolidated Key Financial Ratios

	2017**	4Q17	3Q18	4Q18	2018**
Profitability					
ROAE	17.5%	15.9%	14.9%	15.2%	16.1%
ROAA	1.5%	1.4%	1.2%	1.2%	1.4%
Cost / Income	37.2%	37.3%	28.9%	45.6%	36.9%
Cost / Assets	1.6%	1.8%	1.5%	2.3%	1.8%
Fee / Cost	30.1%	1.8%	1.5%	2.3%	39.0%
Liquidity					
Loans / Deposits	117.8%	117.8%	123.6%	123.5%	123.5%
<i>TL Loans / Deposits</i>	125.8%	125.8%	129.4%	127.9%	127.9%
Liquidity Coverage Ratio (Total)	102.2%	102.2%	115.9%	111.5%	111.5%
<i>FC Liquidity Coverage Ratio</i>	235.4%	235.4%	272.4%	264.0%	264.0%
Asset Quality					
NPL Ratio	4.0%	4.0%	3.9%	4.6%	4.6%
Coverage Ratio	86.4%	86.4%	77.0%	74.3%	74.3%
Cost of Risk	1.3%	1.1%	3.4%	1.3%	1.9%
Solvency					
CAR	15.5%	15.5%	17.2%	17.0%	17.0%
Tier I Ratio	12.3%	12.3%	13.7%	13.8%	13.8%
Leverage	10.6x	12.2x	12.2x	10.7x	10.7x

Unconsolidated Balance Sheet

	YE17		3Q18		YE18		TL		USD	
	TL	USD	TL	USD	TL	USD	ΔYoY	ΔQoQ	ΔYoY	ΔQoQ
Assets										
(thousand)										
Cash & Balances with Central Bank	28,644,824	7,577,996	35,775,875	5,962,646	32,254,489	6,108,805	12.6%	(9.8%)	(19.4%)	2.5%
Interbank	13,539,930	3,581,992	10,065,427	1,677,571	5,018,593	950,491	(62.9%)	(50.1%)	(73.5%)	(43.3%)
Securities	32,252,573	8,532,427	46,916,525	7,819,421	49,054,049	9,290,540	52.1%	4.6%	8.9%	18.8%
Loans	182,932,228	48,394,769	235,842,821	39,307,137	221,606,750	41,970,975	21.1%	(6.0%)	(13.3%)	6.8%
Subsidiaries & Investments	2,563,016	678,047	2,916,376	486,063	3,051,217	577,882	19.0%	4.6%	(14.8%)	18.9%
Property & Equipment	1,417,263	374,937	1,552,613	258,769	2,567,625	486,293	81.2%	65.4%	29.7%	87.9%
Other	9,221,876	2,439,650	20,340,792	3,390,132	17,802,918	3,371,765	93.9%	(12.1%)	38.8%	(0.1%)
Total Assets	270,571,710	71,579,817	353,410,429	58,901,738	331,355,641	62,756,750	22.5%	(6.2%)	(12.3%)	6.6%
Liabilities & SHE										
Deposits	155,277,122	41,078,604	190,888,301	31,814,717	179,407,907	33,978,770	15.5%	(6.0%)	(17.3%)	6.8%
Funds Borrowed	28,307,621	7,488,789	47,550,990	7,925,165	41,349,836	7,831,408	46.1%	(13.0%)	4.6%	(1.2%)
Other	62,202,160	16,455,598	86,216,497	14,369,416	79,976,349	15,147,036	28.6%	(7.2%)	(8.0%)	5.4%
Provisions	1,526,989	403,965	2,062,205	343,701	2,271,359	430,182	54.0%	14.0%	10.2%	29.6%
Shareholders' Equity	23,257,818	6,152,862	26,692,436	4,448,739	28,350,190	5,369,354	21.9%	6.2%	(12.7%)	20.7%
Guarantees	50,767,584	13,430,578	72,280,972	12,046,829	65,165,276	12,341,908	28.4%	(9.8%)	(8.1%)	2.4%
Commitments	48,326,032	12,784,665	67,032,791	11,172,132	63,815,604	12,086,289	32.1%	(4.8%)	(5.5%)	8.2%
Derivatives	60,733,519	16,067,069	124,300,026	20,716,671	109,741,971	20,784,464	80.7%	(11.7%)	29.4%	0.3%






Unconsolidated Income Statement

(TL-thousand, %)	2017	3Q18	4Q18	2018	Δ YoY	Δ QoQ
Net Interest Income	8,621,426	3,372,167	2,590,567	10,840,687	25.7%	(23.2%)
Net Fee & Com. Income	1,330,665	599,991	737,871	2,293,210	72.3%	23.0%
Dividend Income	93,561	12,137	40	129,624	38.5%	(99.7%)
Net Trading Income	164,212	277,876	64,800	643,635	292.0%	(76.7%)
Other Income	1,673,529	369,865	823,530	2,003,613	19.7%	122.7%
Total Revenues	11,883,393	4,632,036	4,216,808	15,910,769	33.9%	(9.0%)
Operating Expenses	-4,420,728	-1,337,061	-1,922,292	-5,873,337	32.9%	43.8%
Provisions	-2,787,533	-2,133,876	-959,857	-4,883,505	75.2%	(55.0%)
Tax Provisions	-951,749	-176,241	-290,456	-999,605	5.0%	64.8%
Net Income	3,723,383	984,858	1,044,203	4,154,322	11.6%	6.0%

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