

Earnings Presentation

BRSA Bank-Only 1H 2016

August 9, 2016

VakıfBank IR App.
Available at

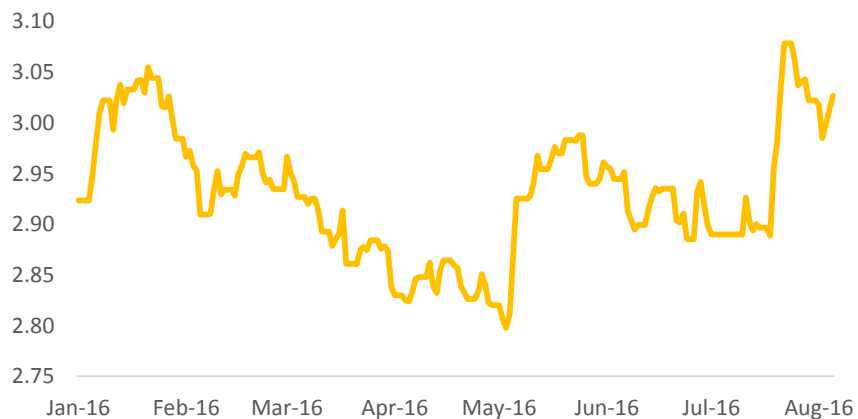


2Q16 Macro Highlights

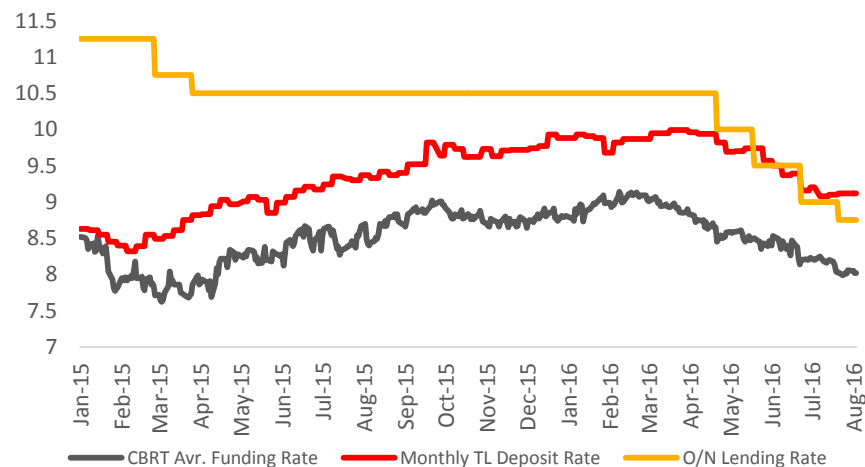
Key Macroeconomic Parameters (Quarterly)

	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16
Real GDP Growth	2.5%	3.7%	3.9%	5.7%	4.8%	3.7%*
Current Account / GDP	5.4%	5.5%	5.2%	4.5%	4.2%	3.9%*
Current Account Deficit (USD bn)	10.5	11.3	2.7	7.6	7.8	9.8*
Foreign Trade Deficit (USD bn)	15.3	18.1	15.9	14.2	12.1	15.9
Unemployment	11.0%	9.5%	10.1%	10.6%	10.1%	9.6%*
Policy Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
CBRT funding rate	8.0%	8.6%	9.0%	8.8%	8.9%	8.2%
Inflation (CPI)	7.6%	7.2%	7.9%	8.8%	7.5%	7.6%
USD/TL	2.61	2.69	3.03	2.92	2.82	2.88
EUR/TL	2.81	3.00	3.40	3.18	3.21	3.21

USD/TL


















Monetary Policy



Banking Sector

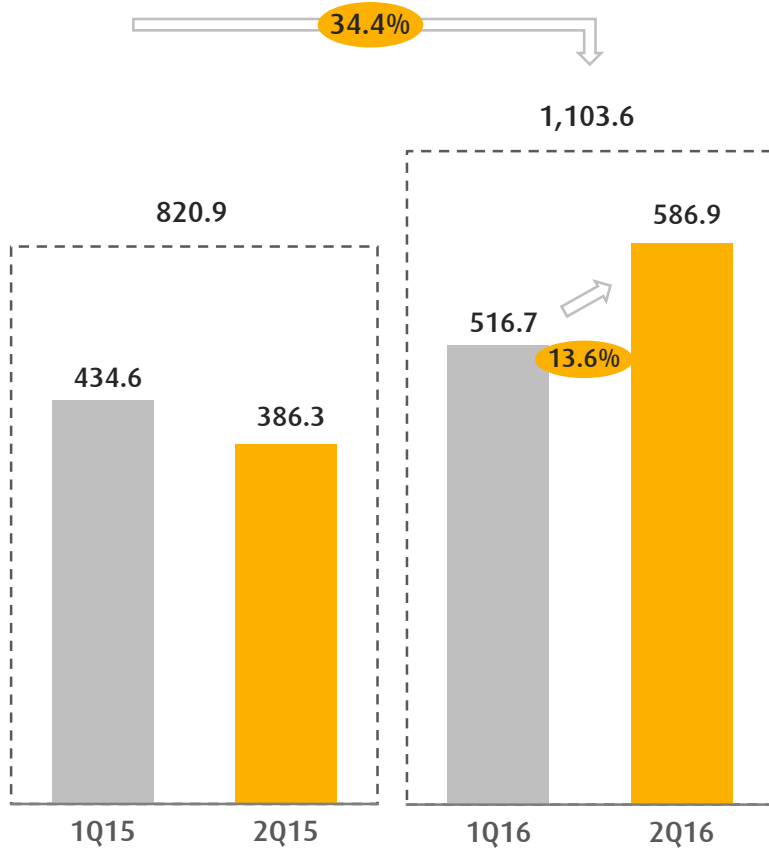
(%)	2Q15	4Q15	1Q16	2Q16
Loan Growth	5.7	0.2	1.8	3.9
TL	5.2	1.7	2.3	3.9
FC	6.8	(3.0)	0.7	3.9
Deposit Growth	4.7	(1.9)	2.3	2.9
TL	(1.5)	1.7	2.1	5.2
FC	13.9	(6.3)	2.6	0.0
NPL Ratio	2.9	3.1	3.3	3.3

2Q16 VakifBank Highlights

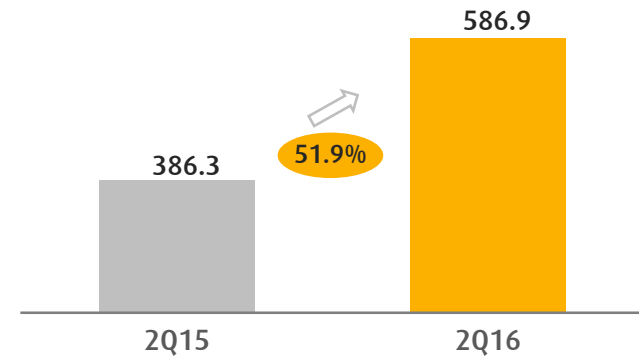
-  Quarterly bank-only net income is TL 586.9 million, which is up by 51.9% YoY and 13.6% QoQ.
-  1H16 bank-only net income is TL 1,103.6 TL million, which is up by 34.4% YoY.
-  Quarterly and semi-annually ROAE came at 13.3% and 12.7% respectively.
-  Despite the lack of CPI linkers support, quarterly NIM contraction was limited only 9 bps to 3.89%, backed by mainly TL core spread improvement. Quarterly NIM would be 20 bps up assuming flat CPI Linker support.
-  TL core spreads are up by 65 bps QoQ, due to;
 - 34 bps increase in lending yields,
 - 31 bps decrease in cost of deposits.
-  1H16 NIM is 3.96% vs 3.85% of 1H15.
-  Total loans are up by a modest 3.6% QoQ and 9.3% YoY.
-  TL loans are up by 3.2% QoQ, driven by improving retail lending.
-  FX loans are up by 2.4% QoQ in USD terms; driven by project finance lending.
-  Total deposits are slightly down QoQ but demand deposits are up by 6% vs sector average of 5.7% and retail deposits are up by 4.7% vs sector average of 3.5%.
-  Quarterly NII is up by 8% YoY and flattish QoQ.
-  1H16 NII is up by 15.9% YoY.
-  Quarterly net trading income of TL 53.7 million is supported by both timely trading of securities and FX exchange gains.
-  Opex is up by only 8.3% YoY and 4.5% QoQ; fee rebates continued to go down; quarterly fee rebate came down to TL 24.8 million vs TL 34.6 million in 1Q16.
-  Solvency ratios further improved thanks to strong internal capital generation;
 - Core Tier-I ratio increased 32 bps QoQ to 11.8%, the highest quarterly level since 1Q13.
 - Tier II ratio also increased 34 bps to 14.42%.

1H 2016 Earnings and Ratios

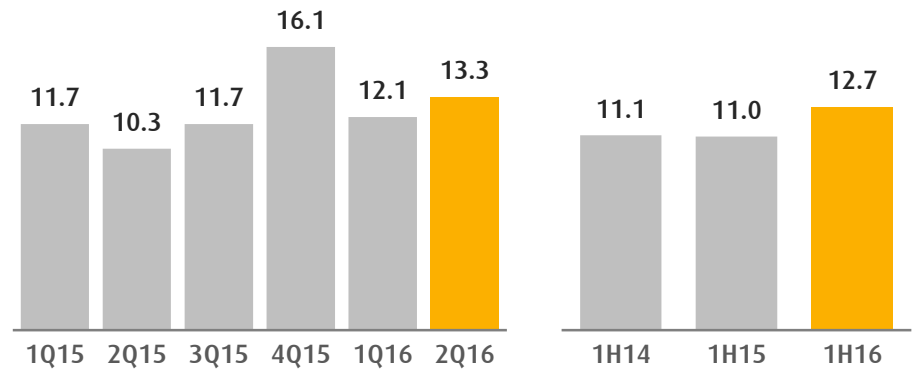
Net Income (TL mn)



Net Income (Quarterly)

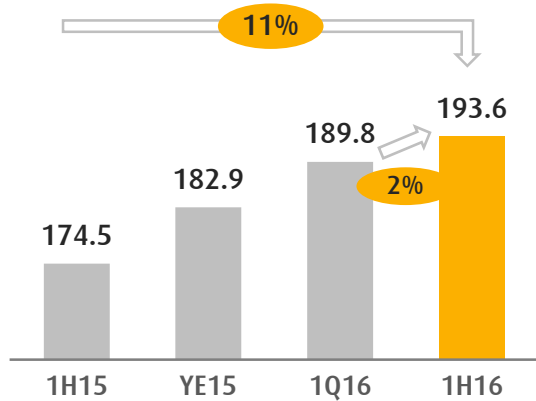


ROAE (%)

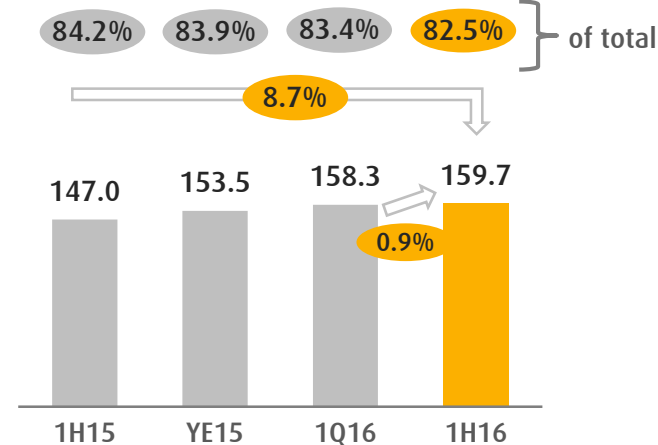


Asset Breakdown

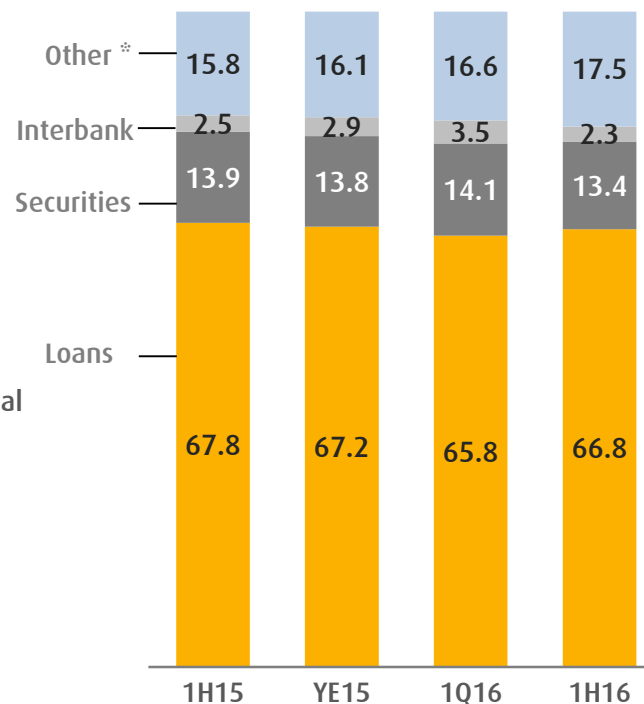
Total Assets (TL billion)



Interest Earning Assets (TL billion)

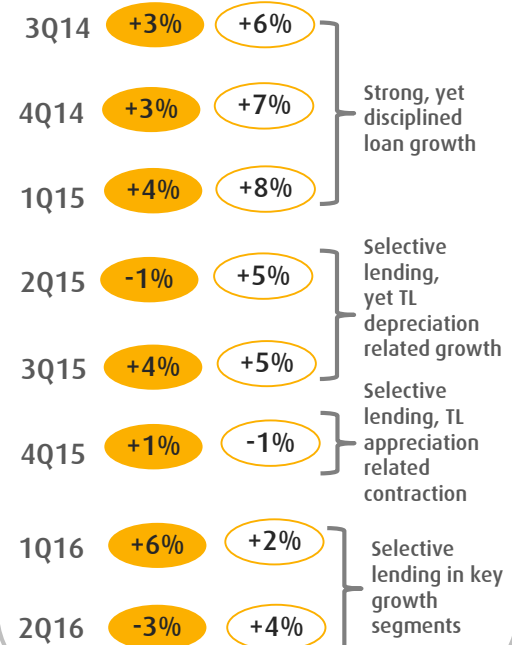


Breakdown of Assets (%)



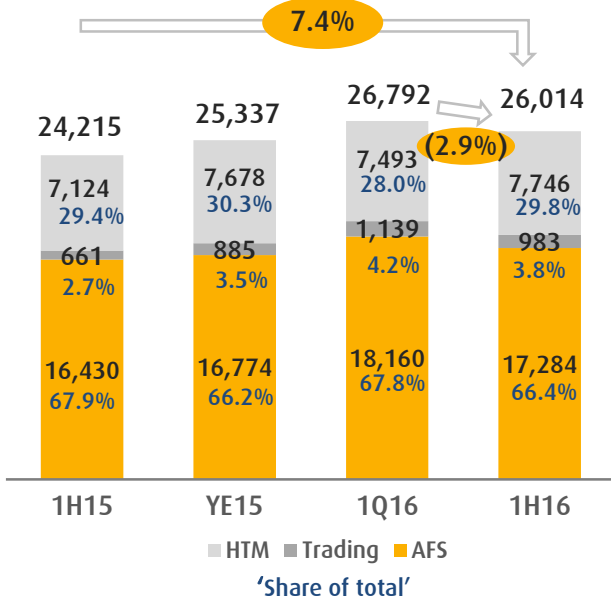
Quarterly Growth

Securities Loans

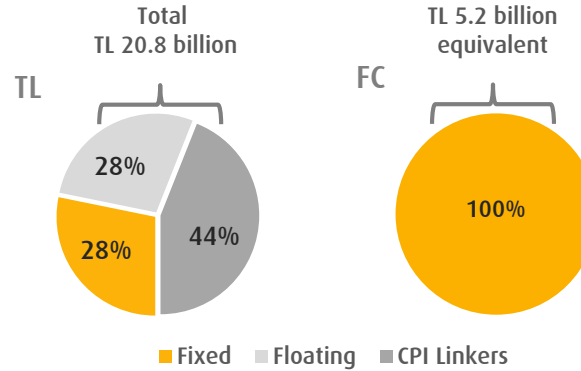


Effective management of security portfolio

Total Securities (TL million)

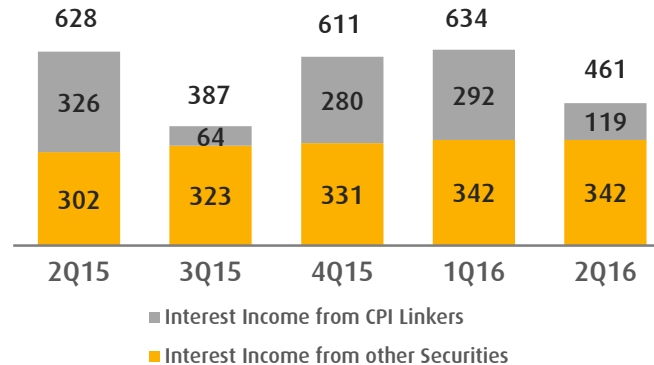


Portfolio Structure



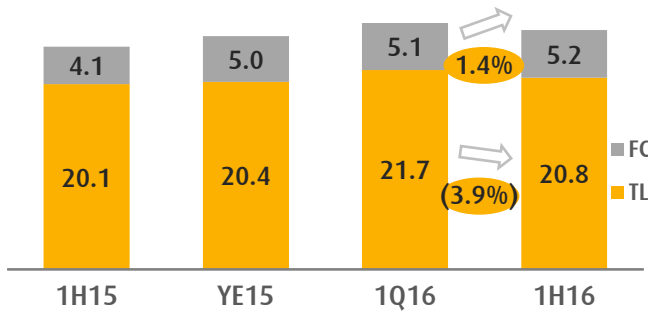
Quarterly MtM gains under AFS are **TL 126 million**

Breakdown of Interest Income from Securities (TL million)



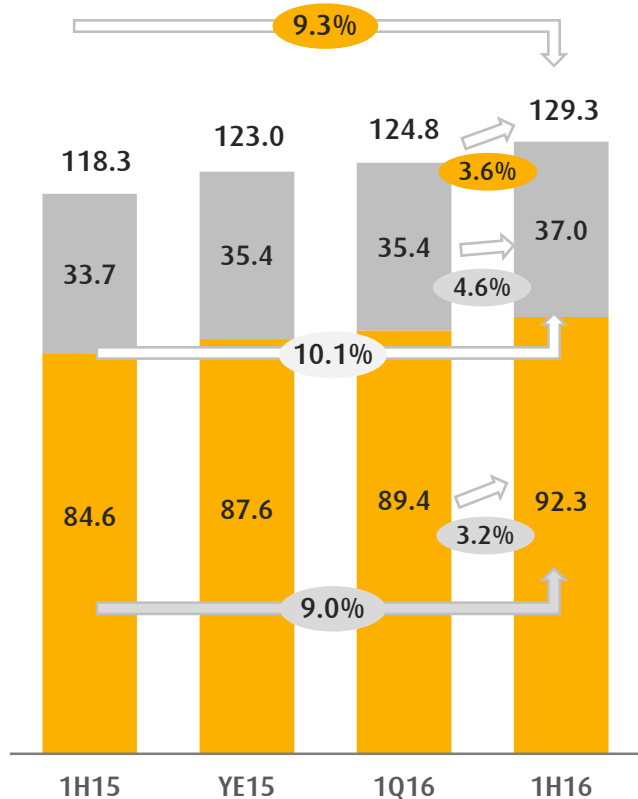
Interest income from CPI Linkers is expected to be **TL 250 million** in 3Q16

Security Breakdown (TL billion)



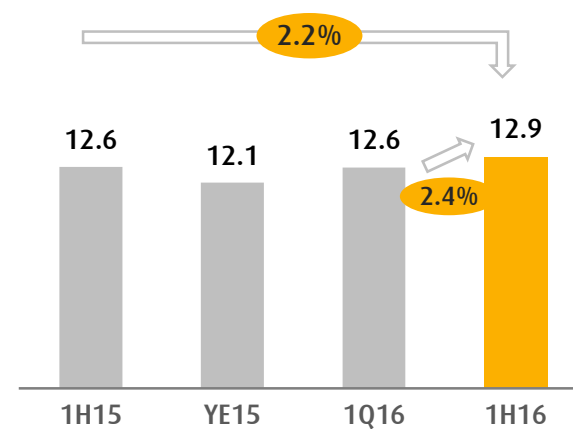
Disciplined and selective lending in key growth segments

Total Loans (TL billion)

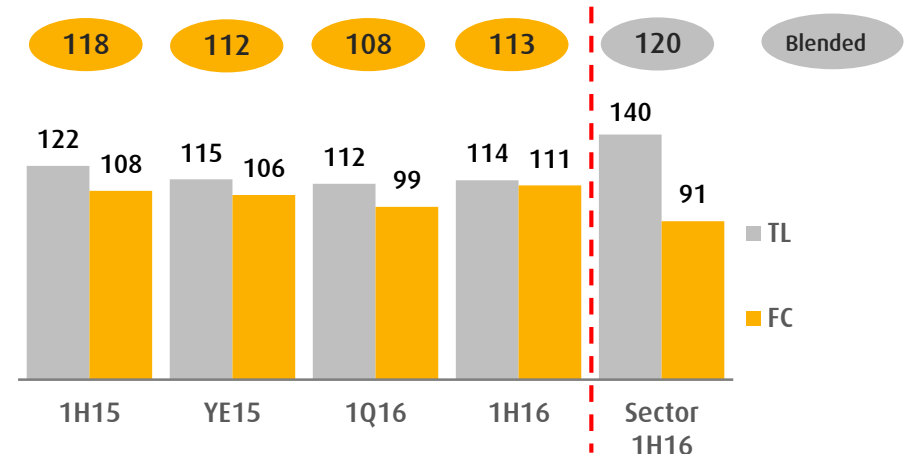


TL (% in total)	71.5%	71.3%	71.6%	71.3%
FC (% in total)	28.5%	28.7%	28.4%	28.7%

FC Loans (USD billion)

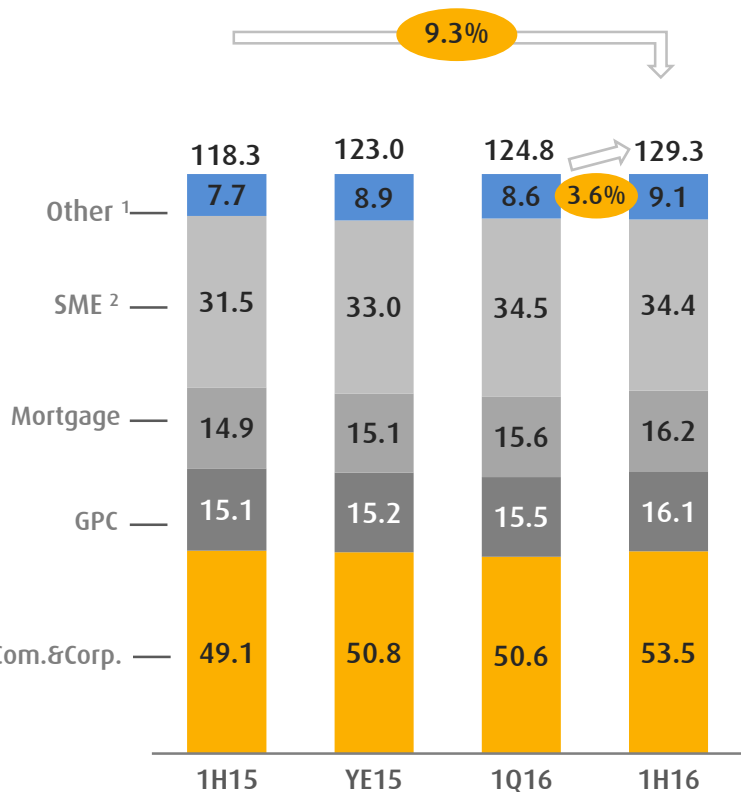


Loan/Deposit (%)

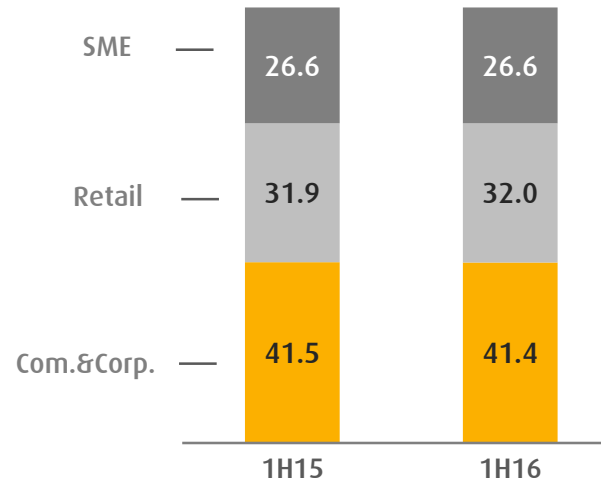


Well diversified & stable loan breakdown

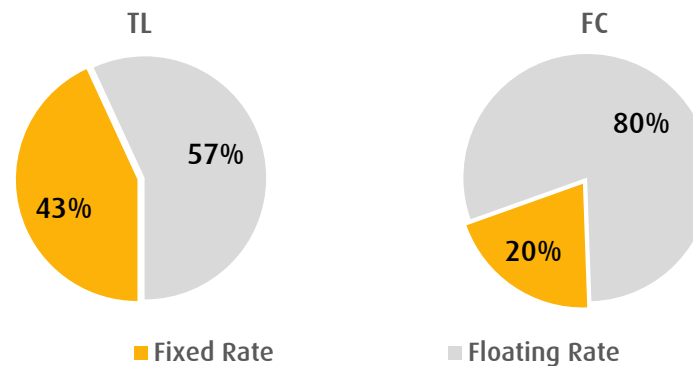
Breakdown of Loans (TL billion)



Portfolio Breakdown (%)



Loans by Interest Structure

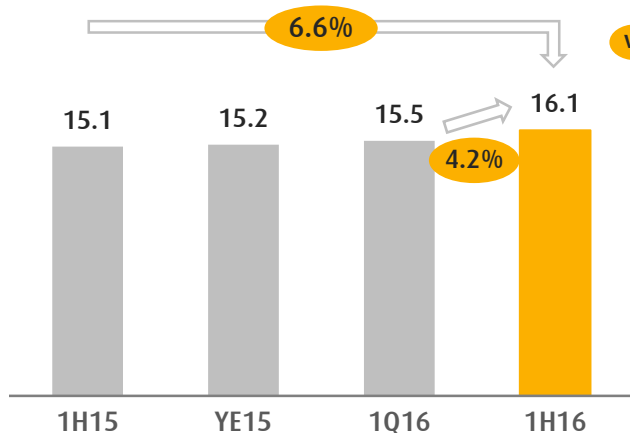


¹ Other includes credit cards, overdraft and auto loans.

² According to official definition of the government, annual turnover up to TL 40 million companies are classified under SME.

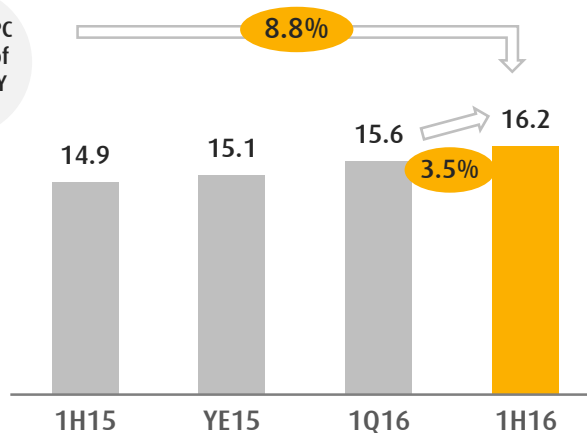
Ongoing focus on high yielding segments in retail

General Purpose Consumer (TL billion)



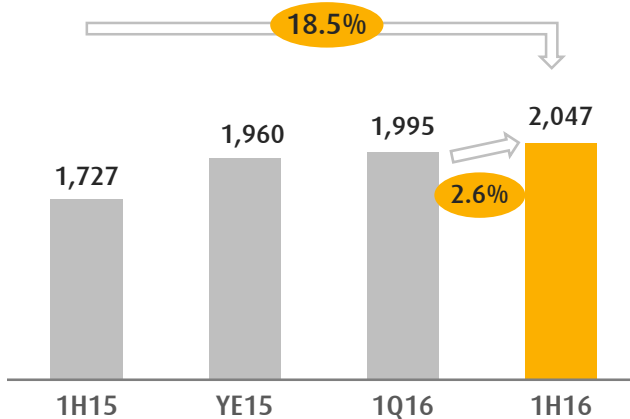
vs Sector GPC growth of 2.8% YoY

Residential Mortgages (TL billion)*

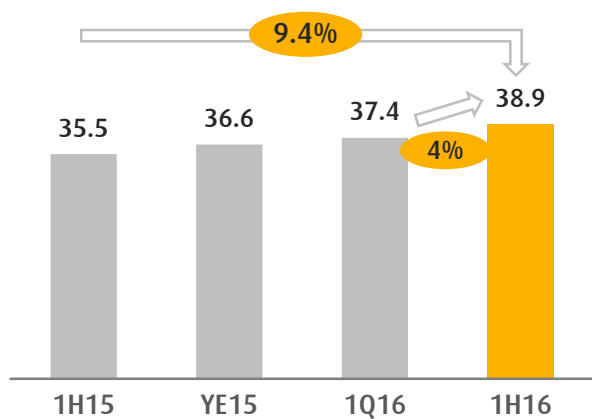


Strong presence in key retail segments thanks to **2.3 million** pay-roll accounts

Retail Overdraft (TL million)



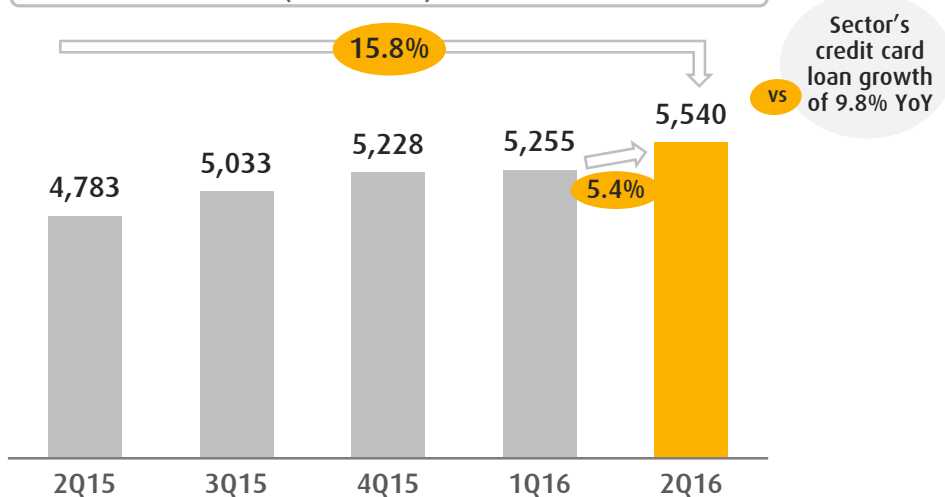
Total Retail (TL billion)



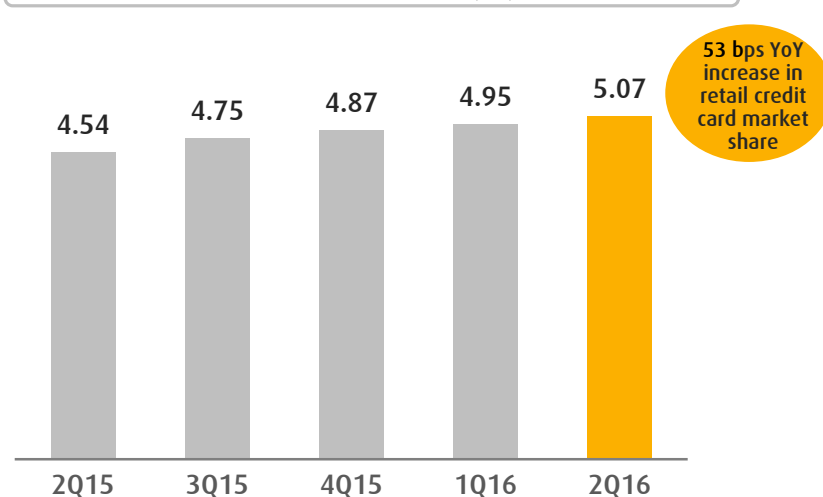
Total retail loan growth **9.4%** YoY outperforming sector average of 6.1%

Consistently growing complementary credit card business

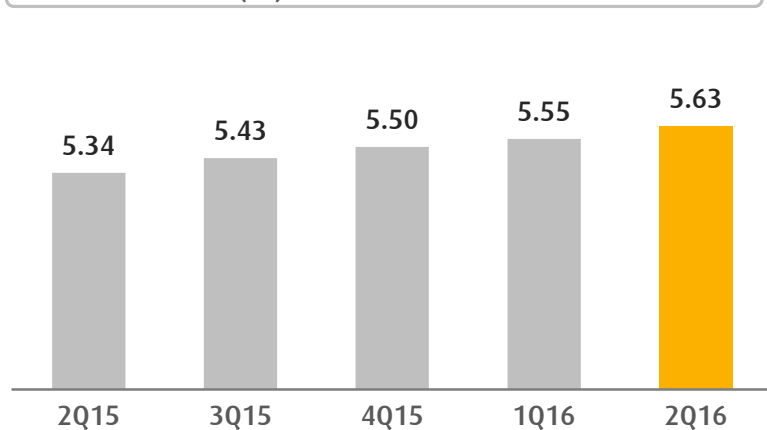
Credit Card Loans (TL million)



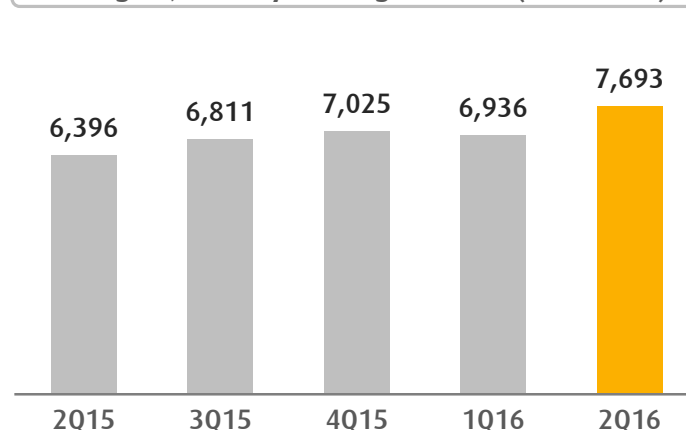
Retail Credit Card Market Share (%)



Market Share* (%)

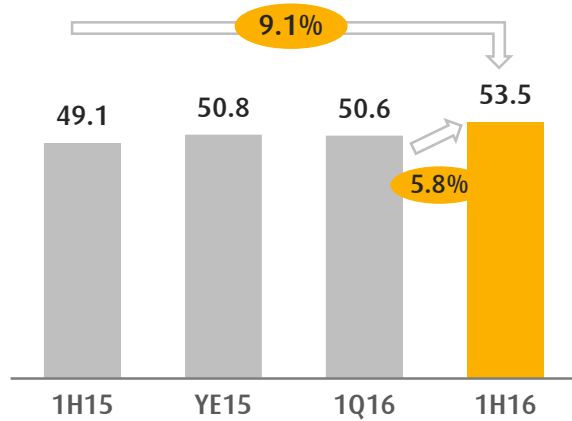


Average Quarterly Issuing Volume (TL million)

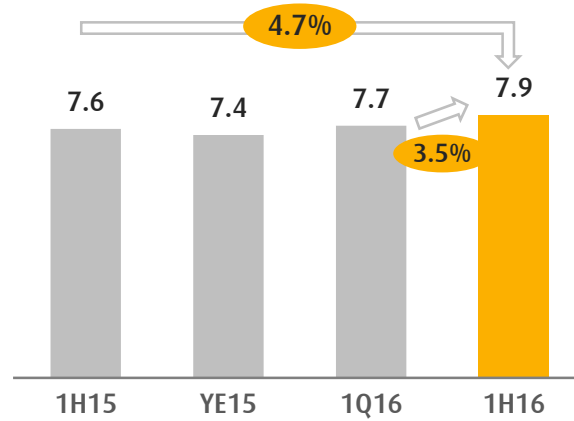


Selective business lending growth mostly towards high quality corporate sector

Commercial&Corporate (TL billion)

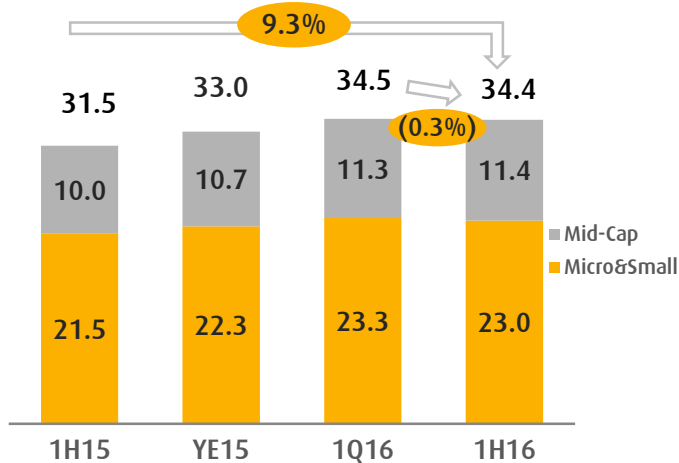


Project Finance Loans (USD billion)

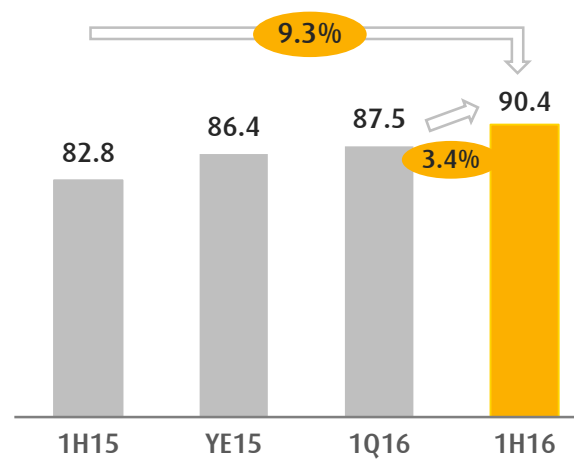


Project finance lending is up by **3.5%** QoQ in USD terms

SME* (TL billion)



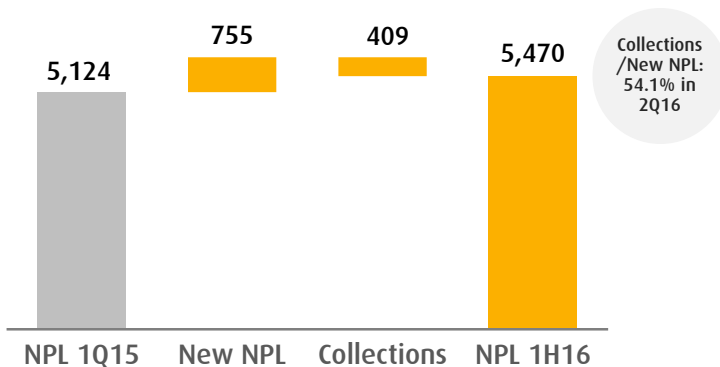
Total Com.&Corporate Loans** (TL billion)



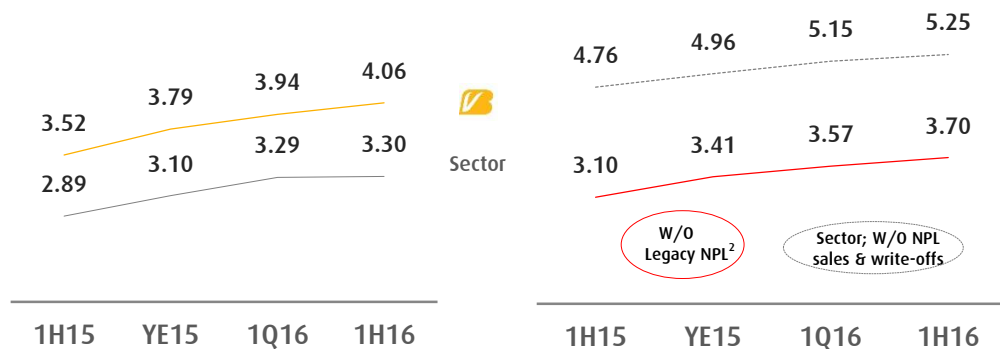
The share of Mid-cap in SME lending increased to **33.1%** in 2Q16 from **31.6%** in 2Q15

Asset quality

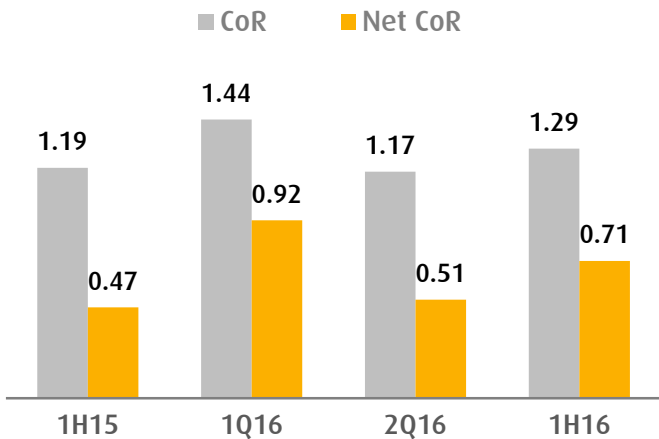
NPL (TL million)¹



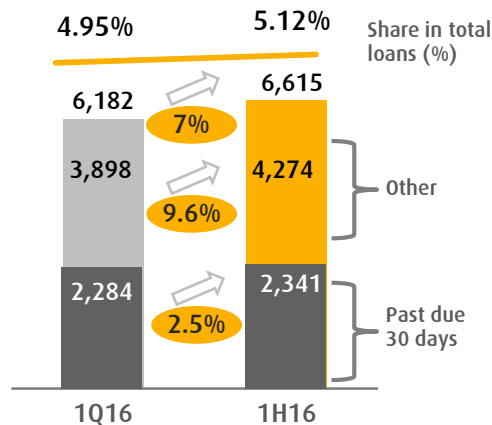
Reported¹ and Comparable NPL Ratios (%)



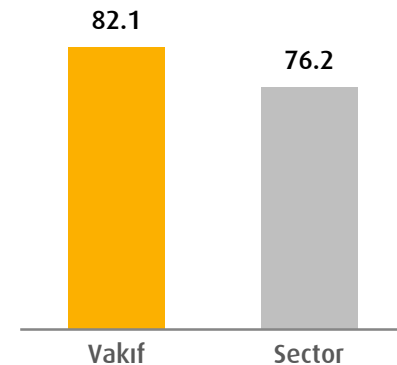
Specific Cost of Risk (%)



Group II Loans (TL million)

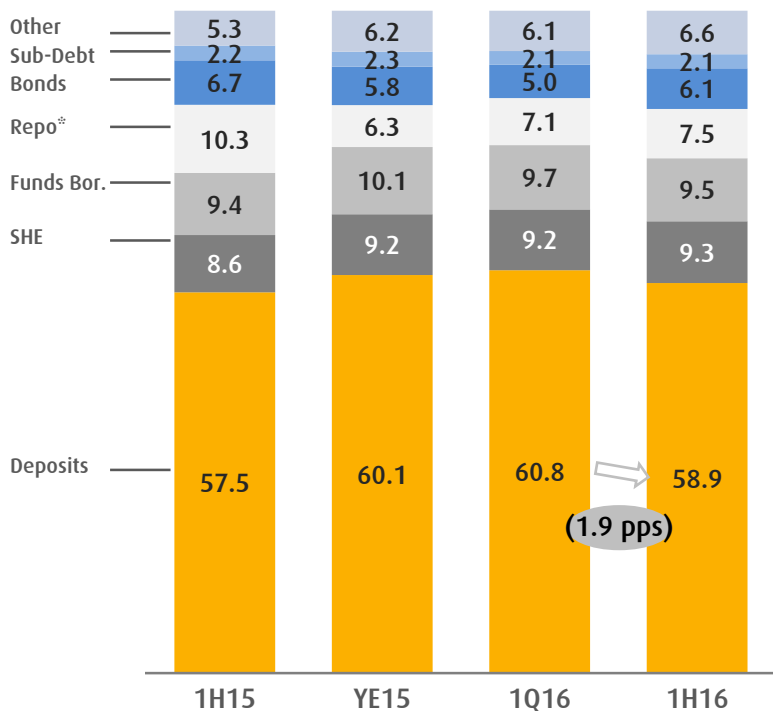


Coverage Ratio (%)

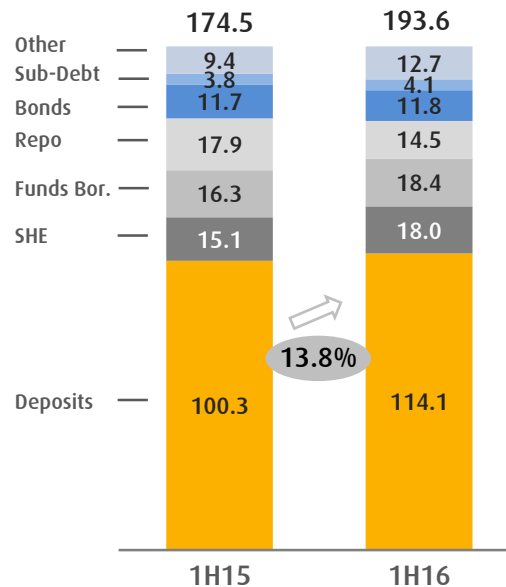


Customer deposits driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL billion)



First Ever Benchmark Euro-denominated Mortgage Covered Bond Issuance of Turkey amounting **EUR 500 million**

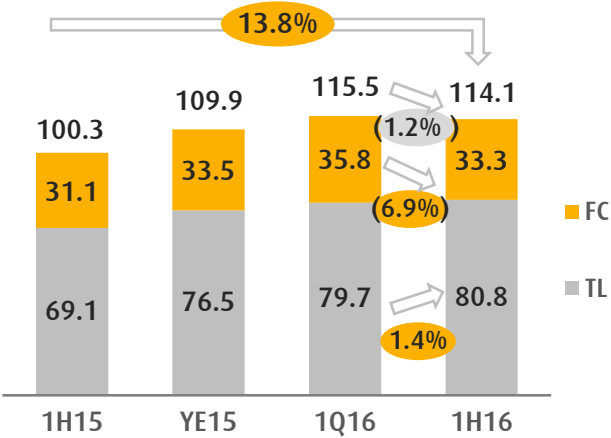
Ytd international borrowing reached **US\$ 2 billion** equivalent

The share of deposits in total liabilities is solid at **59%** in 1H16

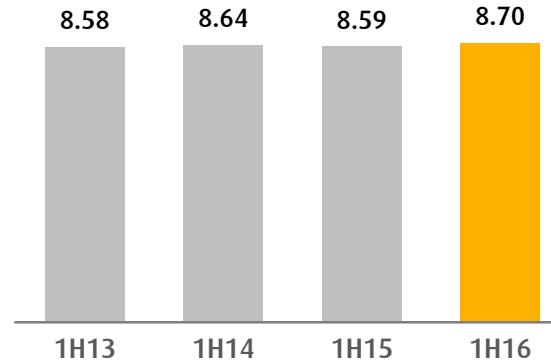
More focus on reliable customer deposits; The share of repo down to **7.5%** in 1H16 from **10.3%** in 1H15

Market share gaining in retail & demand deposits on track

Total Deposits (TL billion)

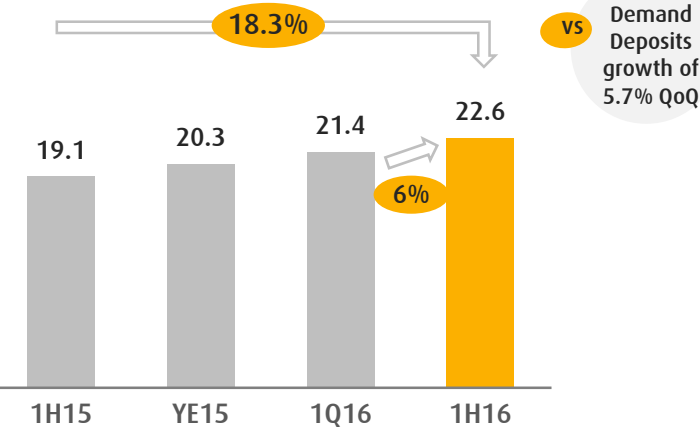


Deposit Market Share (%)

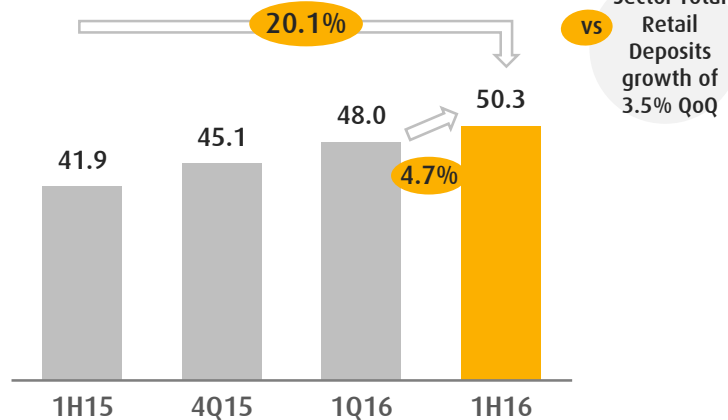


Demand deposits growth of **18.3%** YoY vs sector average of 17.3%

Demand Deposits (TL billion)



Total Retail Deposits (TL billion)



Reliable retail deposit growth of **20.1%** YoY vs sector average of 13.2%

Solid solvency ratios further strenghtened via strong internal capital generation and efficient usage of capital

Capital Adequacy Ratio (%)

Core Tier I

10.4%

10.5%

11.3%

11.5%

11.8%

13.7

13.7

14.5

14.1

34 bps

14.4

Highest quarterly Tier I ratio under Basel III

BRSA Recom. 12%

Min. Ratio 8%

9.30% YoY loan growth vs. 5.8% YoY RWA growth

The effect of 1 ppt interest rate increase/decrease on CAR is ~15 bps

The effect of 0.1 TL decrease/increase in USD/TL parity on CAR is ~20 bps

1H15

3Q15

YE15

1Q16

2Q16

14.08

+47

+8

+10

-24

-7

14.42

1Q16

Internal Capital Generation

Market Risk

Other

Credit Risk

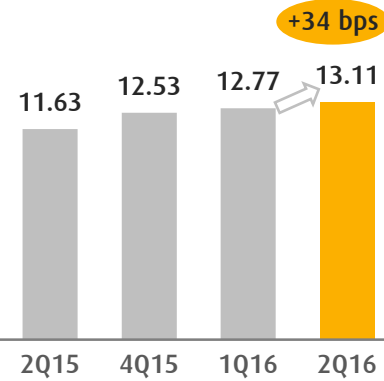
Currency Effect

1H16

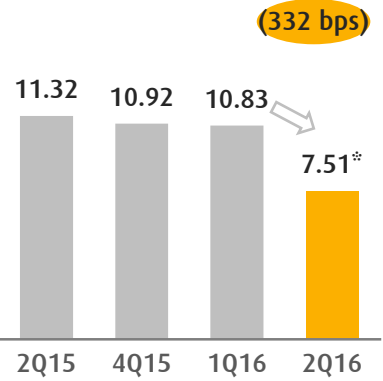
NIM, Spreads and Costs

Yields (%)

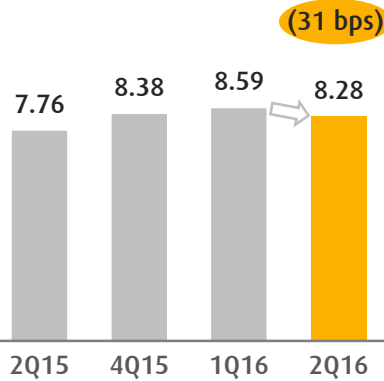
TL Loans



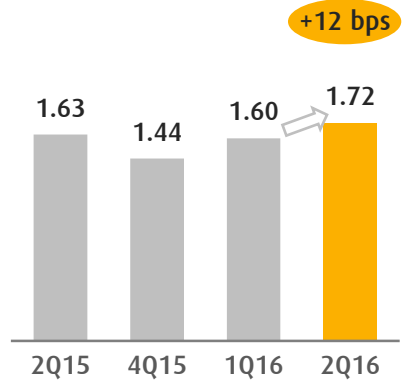
TL Securities



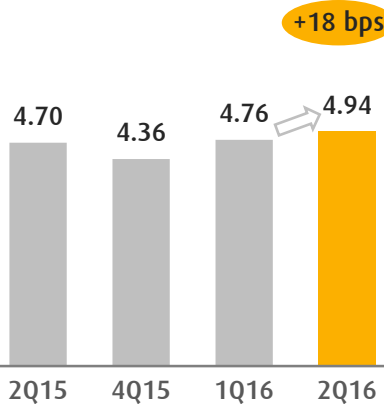
TL Deposits



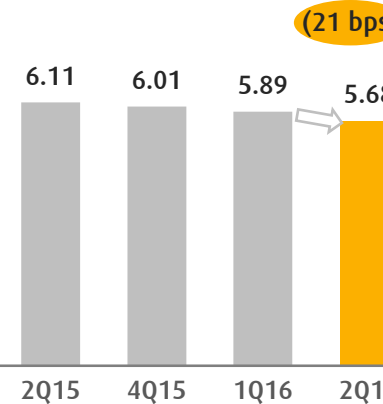
FC Deposits



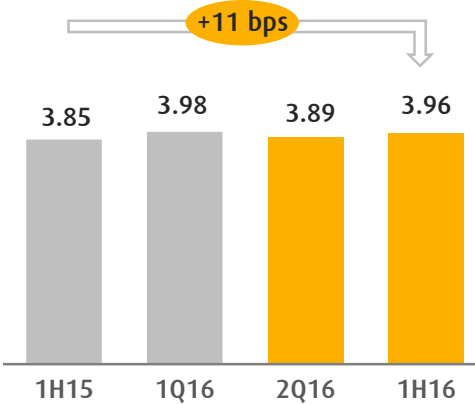
FC Loans



FC Securities**



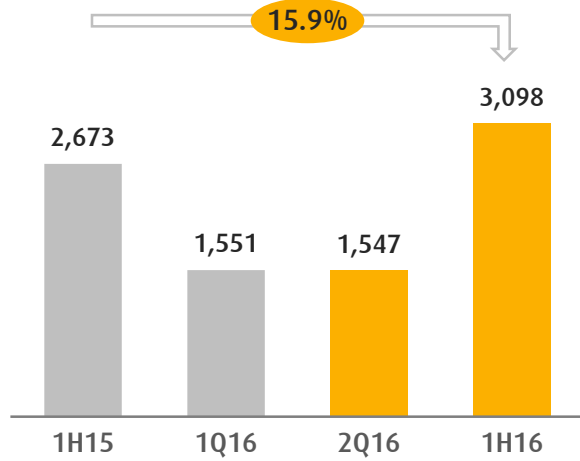
Net Interest Margin (NIM %)



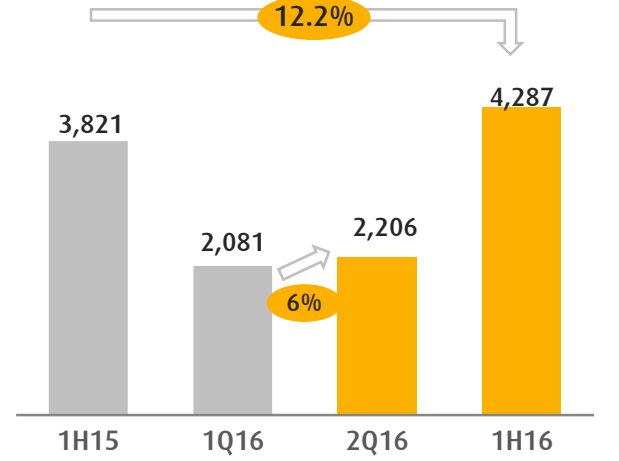
Impact of CPI Linkers on NIM is expected to be around +20 bps in 3Q16

Revenue breakdown

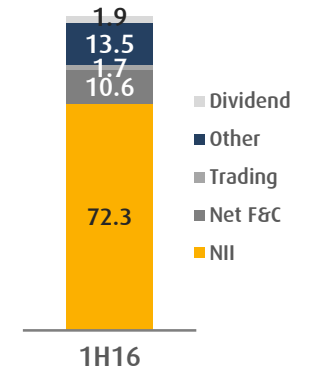
Net Interest Income (TL million)



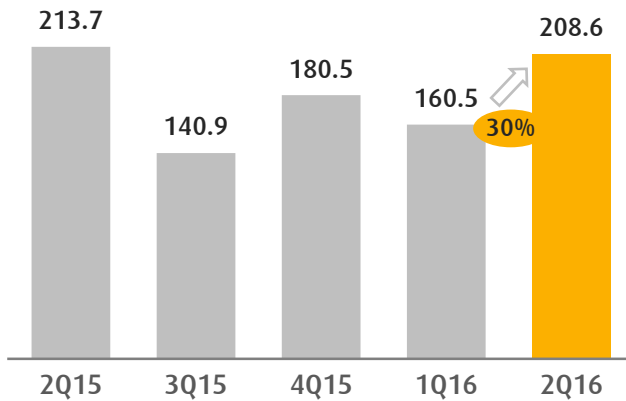
Total Revenues (TL million)



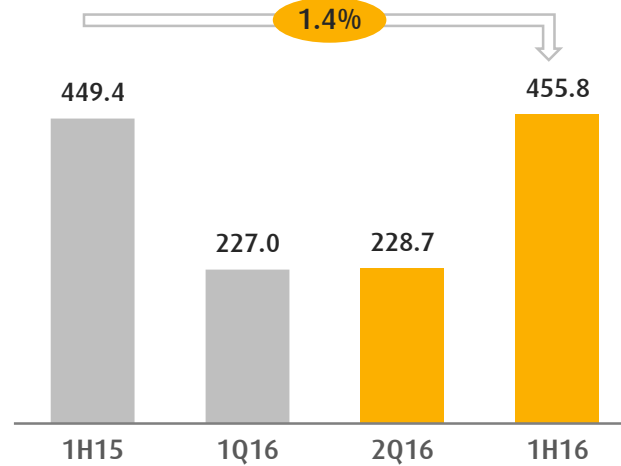
Revenue Breakdown



Quarterly Provision Reversals (TL million)



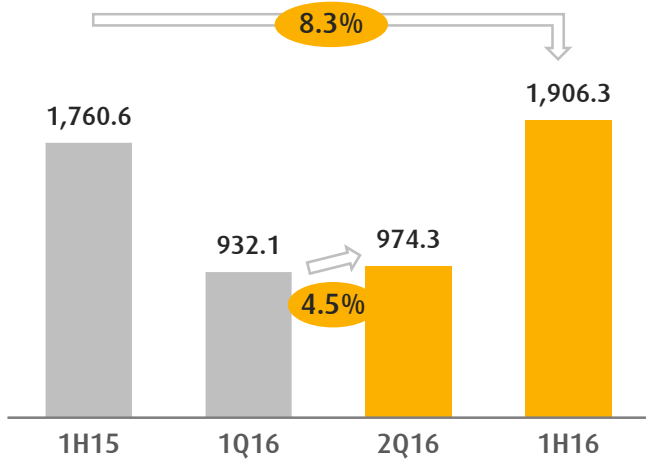
Net Fee & Commission Income (TL million)



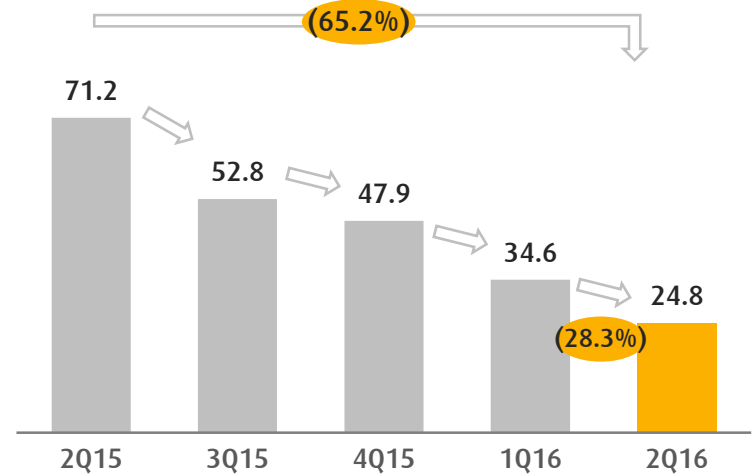
TL 86 million
 Visa Europe payment income
 • TL 64 million booked under Other Income
 • TL 22 million booked under Dividend Income

Opex growth is inside operational budget

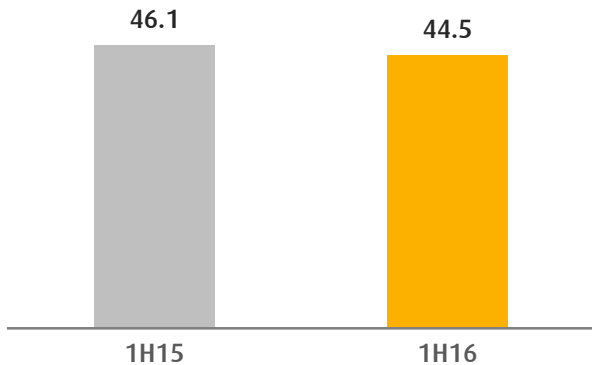
Operating Expenses (TL million)



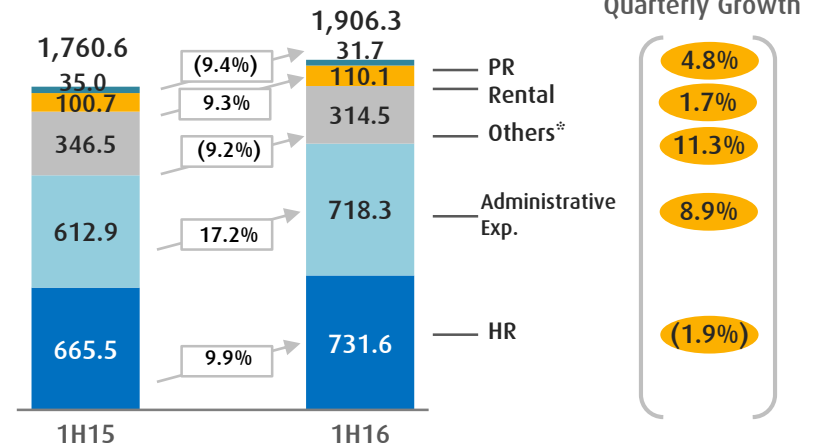
Fee Repayment (Quarterly, TL million)



Cost/Income (%)



Breakdown of Opex (TL million)



VakifBank with numbers

<u>Distribution Channels & Customer (#)</u>	<u>1H16</u>	<u>Efficiency ('000 TRY)</u>	<u>1H16</u>
Branches	923*	Assets per Employee	12,604
ATMs	3,862	Assets per Branch	210,022
Personnel	15,363	Loans per Employee	8,416
POS Terminals	187,861	Loans per Branch	140,239
Outstanding Credit Cards	3.3 mn	Deposits per Employee	7,429
Total Customers	18.2 mn	Deposits per Branch	123,789
Total Payroll Customers	2.3 mn		
Internet Banking Customers	3.1 mn		
Active Mutual Fund Customers	1.6 mn		

Balance Sheet

	(TL-million, %)	1H15	1Q16	1H16	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	21,518	23,928	25,799	19.90%	7.82%
	Interbank	4,443	6,692	4,364	(1.79%)	(34.80%)
	Securities	24,215	26,792	26,014	7.43%	(2.90%)
	Loans	118,294	124,842	129,300	9.30%	3.57%
	Subsidiaries & Investments	1,705	1,904	1,865	9.40%	(2.05%)
	Property & Equipment	732	1,402	1,404	91.73%	0.12%
	Other	3,562	4,268	4,896	37.42%	14.71%
	Total Assets	174,470	189,829	193,640	10.99%	2.01%
Off-B.S. Liabilities & SHE	Deposits	100,271	115,506	114,134	13.82%	(1.19%)
	Funds Borrowed	16,325	18,504	18,420	12.83%	(0.46%)
	Other	40,140	35,603	40,041	(0.25%)	12.46%
	Provisions	2,682	2,845	3,019	12.57%	6.09%
	Shareholders' Equity	15,051	17,371	18,028	19.78%	3.78%
	Guarantees	32,858	32,703	33,596	2.24%	2.73%
	Commitments	26,611	36,880	38,419	44.37%	4.17%
	Derivatives	44,118	61,950	70,435	59.65%	13.70%

Income Statement

(TRY-Thousand, %)	1H15	1Q16	2Q16	1H16	YoY Growth	QoQ Growth
Net Interest Income	2,672,776	1,550,977	1,547,215	3,098,192	15.9%	(0.2%)
Net Fee & Com. Income	449,425	227,031	228,729	455,760	1.4%	0.7%
Dividend Income	62,130	38,257	44,465	82,722	33.1%	16.2%
Net Trading Income	93,186	19,145	53,674	72,819	(21.9%)	180.4%
Other Income	543,870	245,403	332,269	577,672	6.2%	35.4%
Total Revenues	3,821,387	2,080,813	2,206,352	4,287,165	12.2%	6.0%
Operating Expenses	(1,760,617)	(932,056)	(974,270)	(1,906,326)	8.3%	4.5%
Provisions	(990,071)	(509,147)	(480,882)	(990,029)	0.0%	(5.6%)
Tax Provisions	(249,762)	(122,947)	(164,276)	(287,223)	15.0%	33.6%
Net Income	820,937	516,663	586,924	1,103,587	34.4%	13.6%

Diversified funding source via Non-Deposit Funding

Syndicated Loan

April 2016

•US\$ 920 million equivalent 1 year syndicated loan, all in cost as Libor + 0.85% ve Euribor +0.75% with participation of 30 banks from 15 countries.

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\$ 865 million and EUR 260 million.

Private Placements

Private Placements*

•US\$ 4,687 million equivalent private placements were issued since June 2013 under GMTN program. Outstanding balance of private placements is US\$ 303 million equivalent.

Covered Bond

Covered Bond

•EUR 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.

IFI Borrowing

- World Bank : US\$ 200 million SME loan was signed in 2010 up to 29.5 years. It has been fully allocated in March 2015. US\$ 67 million SME Energy Efficiency loan was signed in May 2013 up to 30 years. US\$ 15 million was disbursed in January 2014. The second tranche of the facility was disbursed in April 2016 with the amount of US\$ 12.6 million.
- EBRD : Under DPR Program, US\$ 30 million to implement the Women in Business Program and US\$ 95 million to finance SMEs operating in the Turkish agricultural sector. Under Covered Bond issuance, EBRD invested EUR 50 million to implement Women in Business Program and to finance SMEs operating in the Turkish agricultural sector.
- EIB : 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. The second tranche of EUR 25 million has been disbursed in October 2015. An additional fund of EUR 25 million was allocated by EIB to Vakifbank in December 2015 as an amendment to the loan agreement which was signed on December 2011. EUR 25 million GAGF extension loan has been disbursed in May 2016. Additional loan for SMEs, EUR 100 million was signed in December 2013 and US\$ 67.9 million was disbursed in February 2014 as the first tranche. The second tranche of US\$ 54.8 million has been disbursed in March 2016. Tur-SEFF II Co-financing Facility; EUR 50 million was signed in July 2013 and first tranche EUR 25 million was disbursed in December 2013, second tranche was disbursed in December 2015. SME Loan II for Mid-Caps and SMEs B EUR 100 million was signed in May 2015 and first tranche EUR 50 million was disbursed in December 2015. The second tranche was disbursed as TL 167,8 million in June 2016.
- KfW : EUR 100 million MSME loan was disbursed in November 2013 and was 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.

TL Bonds

•Outstanding TL bonds amounting TL 3.2 billion as of August 9, 2016.

A member of BIST Sustainability Index



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