

Earnings Presentation

BRSA Bank-Only 3Q 2015

November 5, 2015

VakifBank IR App.
Available at



3Q15 Macro Highlights
















Global Economy

-  FED kept its policy rate unchanged, citing concerns on global economic risks and low domestic inflation rate. The timing of interest rate increase is still unclear.
-  Unemployment rate in US materialized at 5.1% in 3Q15, lowest level since 2008.
-  Capital outflows from EM countries reached to US\$ 40 billion in 3Q15, the highest quarterly figure since 4Q08.
-  Amid fears of slowing growth in China, Chinese GDP growth came at 6.9% in 3Q15, below than 7% for the first time since 1Q09.
-  Euro Area countries have agreed on a financial assistance program for Greece in July 2015. Following that, Greece paid its debt to IMF and ECB.
-  ECB may extend bond buying programme due to the concerns on fragile economic recovery and modest growth expectation across Euro area.

Turkish Economy

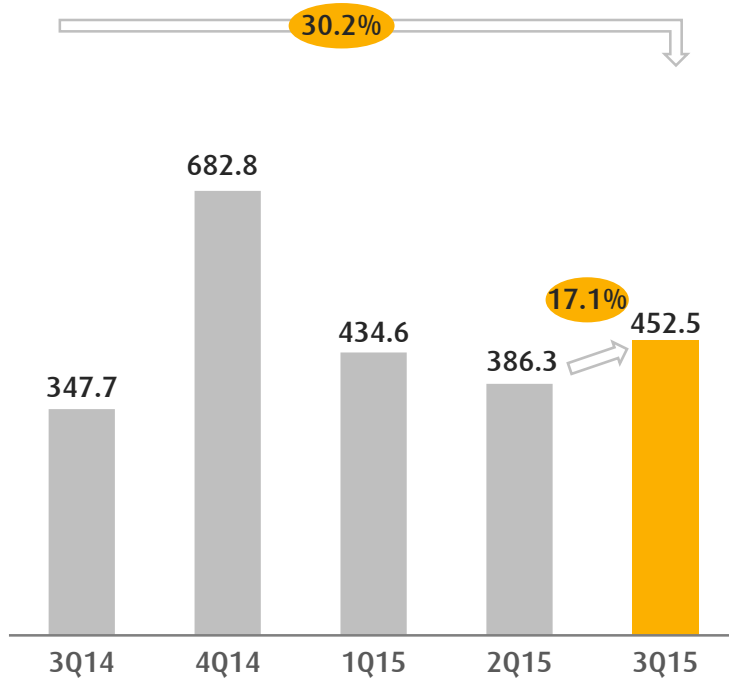
-  Turkish GDP growth came above than expectations at 3.8% in 2Q15 on the back of acceleration in domestic demand.
-  Headline annual inflation reached to 7.95% in September due to pass-through impact of currency depreciation. TL depreciated another 7% in 3Q15 against USD.
-  12-month rolling CAD decreased to US\$ 43 billion in August thanks to low energy prices and improving trade deficit.
-  CBRT left interest rates unchanged and stated further actions will be linked to FED policies. The bank also released a road map for the simplification of its monetary policy.
-  Turkish government announced new medium term economic programme with 3% and 4% GDP expectations for 2015 and 2016 respectively.

3Q15 VakifBank Highlights

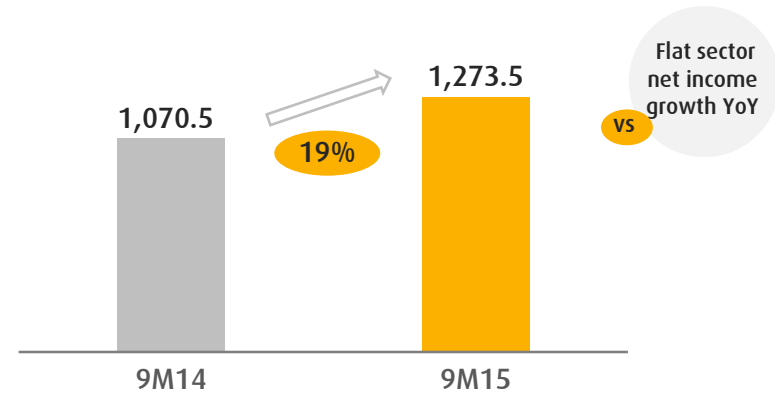
-  Quarterly bank-only net income is TL 452.5 million, which is up by 17% QoQ vs sector decline of 32%.
-  9M15 cumulative net income is TL 1,273.5 million, which is up by 19% YoY vs flattish sector earnings.
-  Quarterly ROAE came at 11.7% vs sector average of 7.8%.
-  NIM is down QoQ 64 bps purely from CPI linkers volatility.
-  Core spreads started to improve;
-  TL spreads are up by 13 bps,
-  FC spreads are up by 43 bps.
-  Total loans are up by 5% QoQ mainly because of TL depreciation, which brought Ytd loan growth to above 19% level, in line with the sector.
-  Total deposits are up by 12.3% QoQ vs sector average of 8.7%.
-  TL deposits, the key competition area among Turkish banks, are up by 9.3% QoQ, which brought Ytd growth to 15% vs sector average of 6%.
-  TL Loan to Deposit ratio decreased 8.5 ppt QoQ to comfortable level of 113.9% vs sector average of 141.5%, low TL LtD ratio saves the bank from high cost swap vulnerability.
-  NPL provisioning policy optimisation; policy amendment of group IV from 100% to 50% in line with BRSA regulation.
-  NPL coverage materialized at 82.8%, which is still way above the sector average of 73.5%.^{*}
-  Net Fee and Commission Income is up by 1.5% QoQ and 30% YoY with continued strong contribution from payment systems.
-  Tier II ratio came at 13.72% flattish QoQ despite hefty TL depreciation and MtM losses under AFS thanks to disciplined capital usage and fixed asset revaluation of TL 550 million.

9M15 Earnings and Ratios

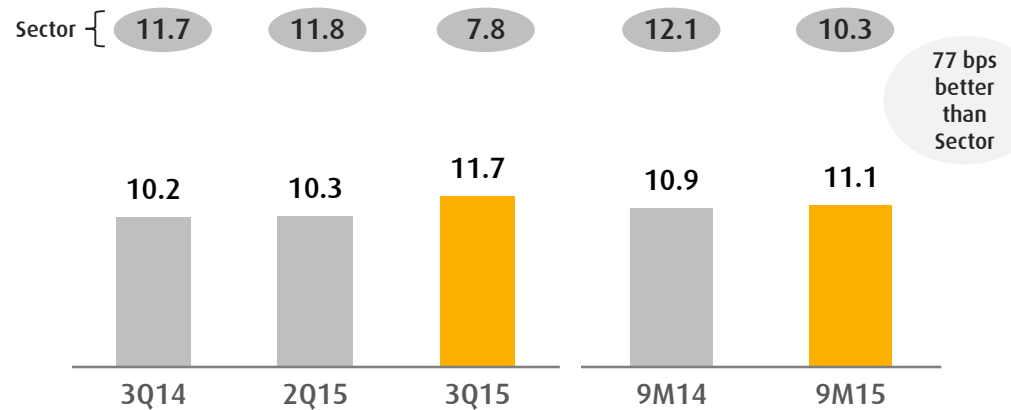
Quarterly Net Income (TL million)



Net Income (TL million)

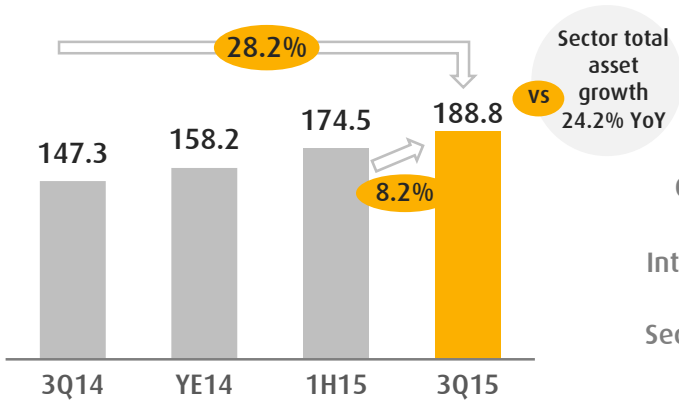


ROAE (%)

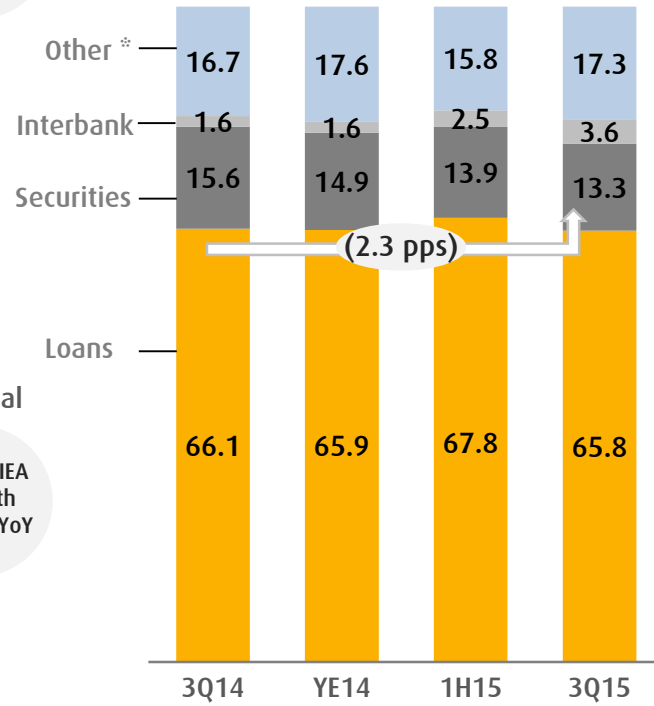


Customer driven asset growth

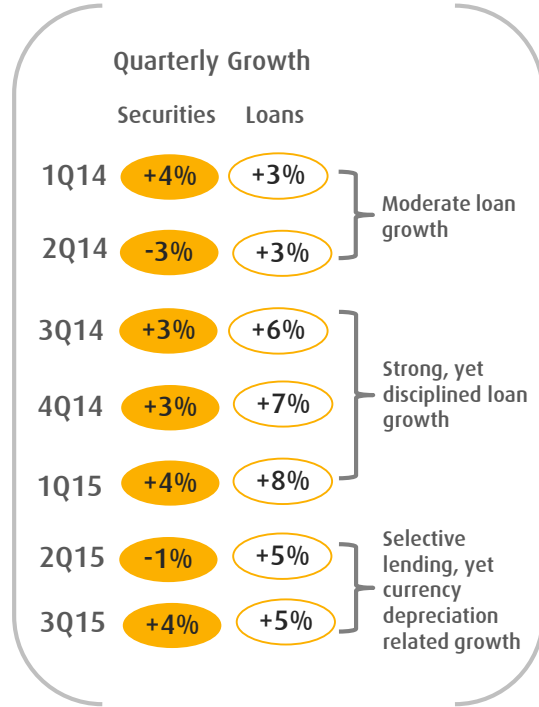
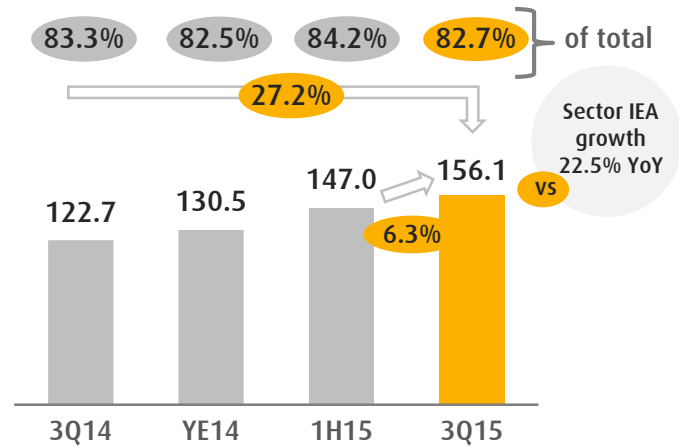
Total Assets (TL billion)



Breakdown of Assets (%)

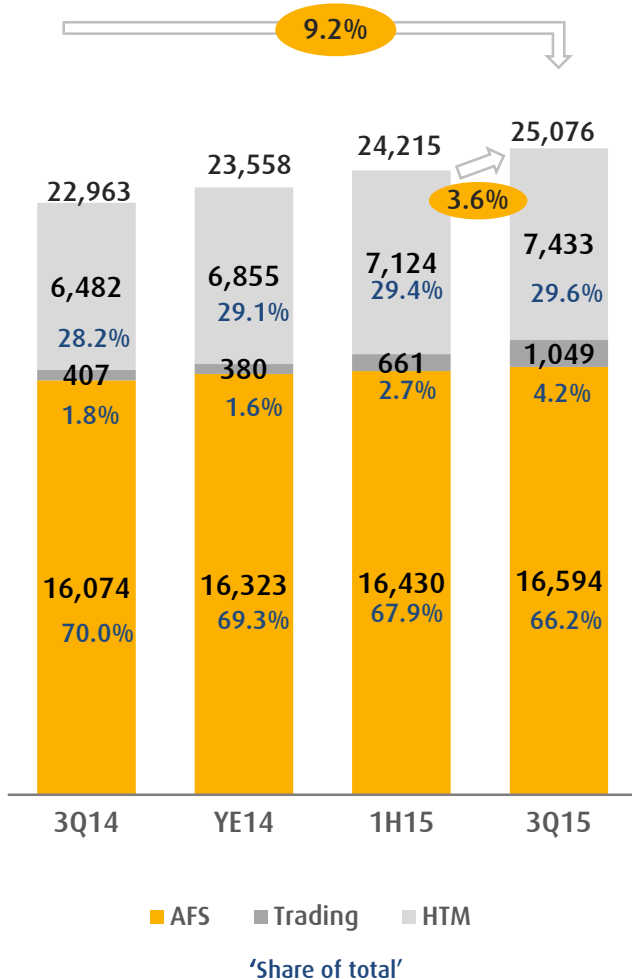


Interest Earning Assets (TL billion)

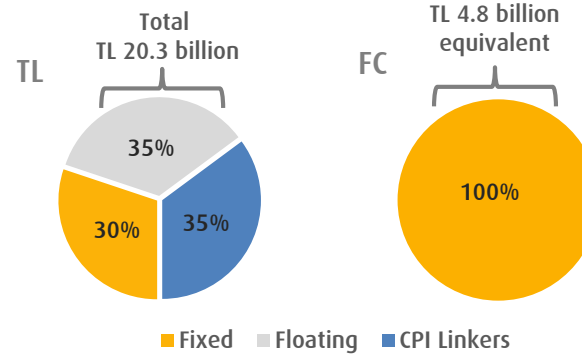


Well balanced and stable security portfolio

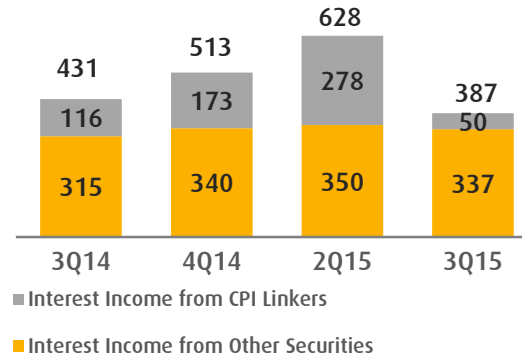
Total Securities (TL million)



Portfolio Structure



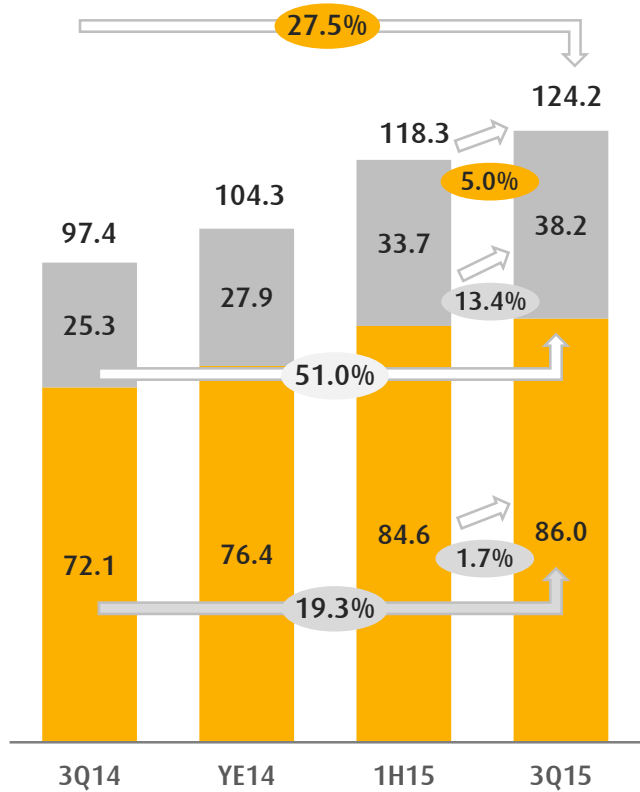
Breakdown of Interest Income from Securities (TL million)



Interest income from CPI linkers is expected to be around **TL 240 million** in 4Q15

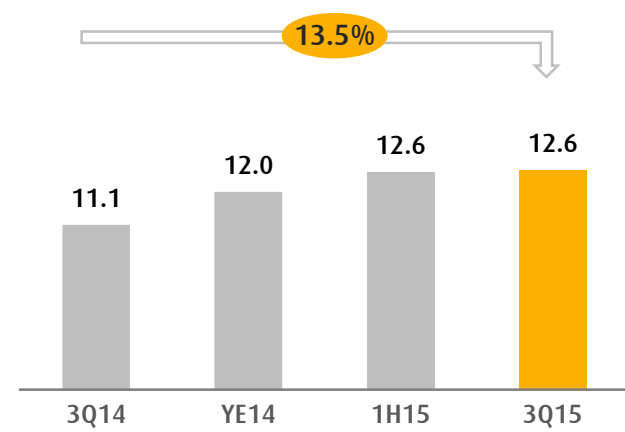
Selective and profitability focus loan growth in target segments

Total Loans (TL billion)

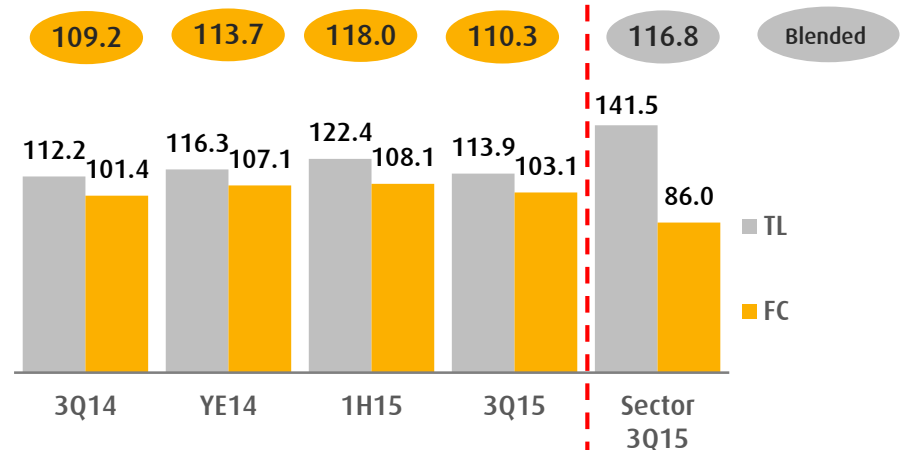


Sector total loan growth vs 24.8% YoY

FC Loans (USD billion)



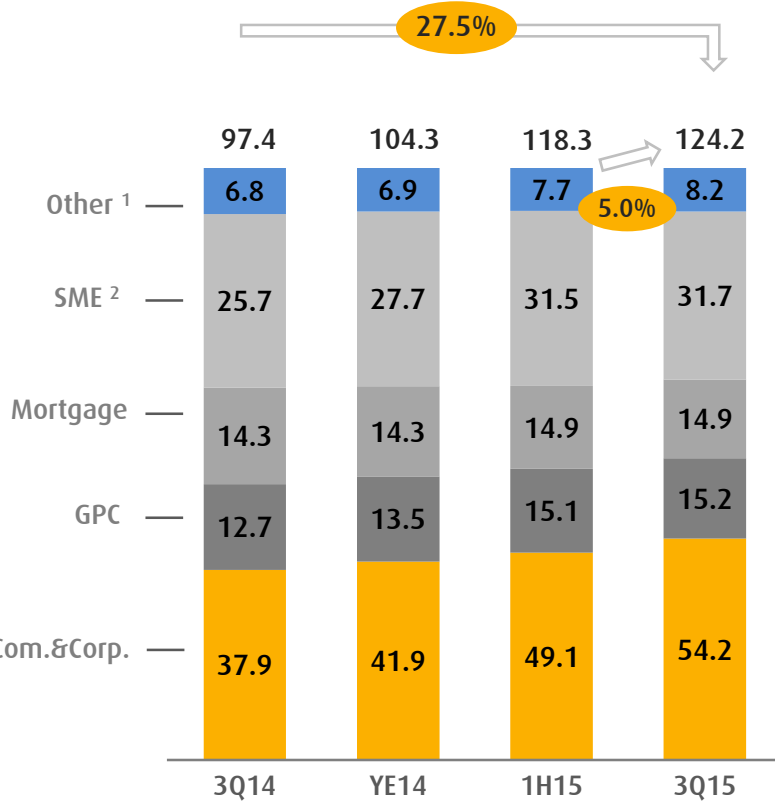
Loan/Deposit (%)



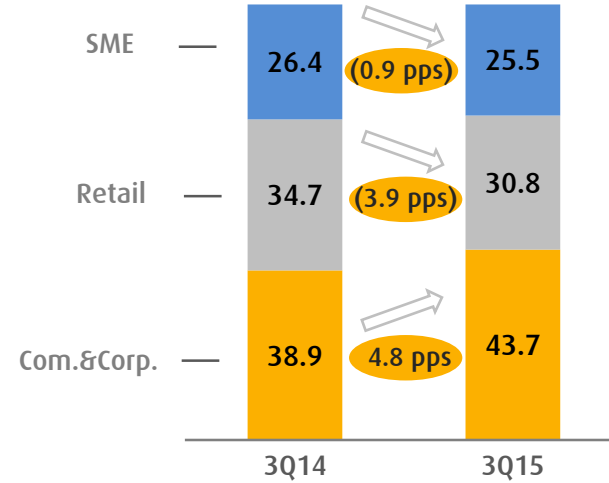
TL (% in total)	74.0%	73.3%	71.5%	69.3%
FC (% in total)	26.0%	26.7%	28.5%	30.7%

Well diversified loan breakdown

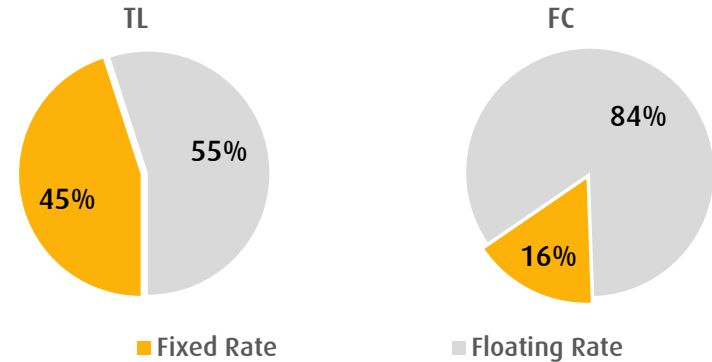
Breakdown of Loans (TL billion)



Portfolio Shift (%)



Loans by Interest Structure

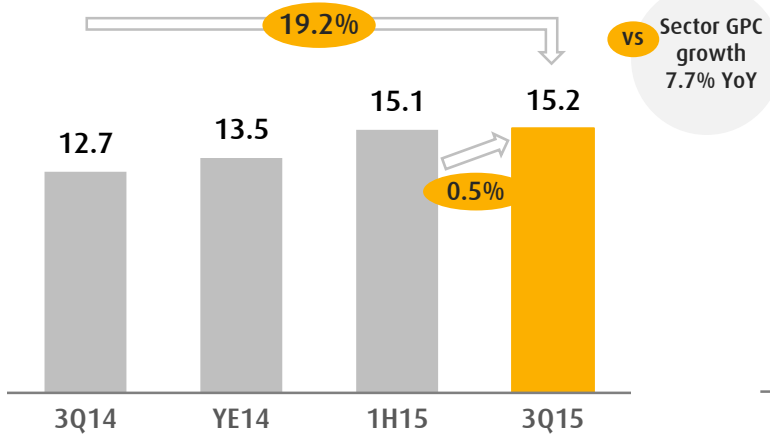


¹ Other includes credit cards, overdraft and auto loans.

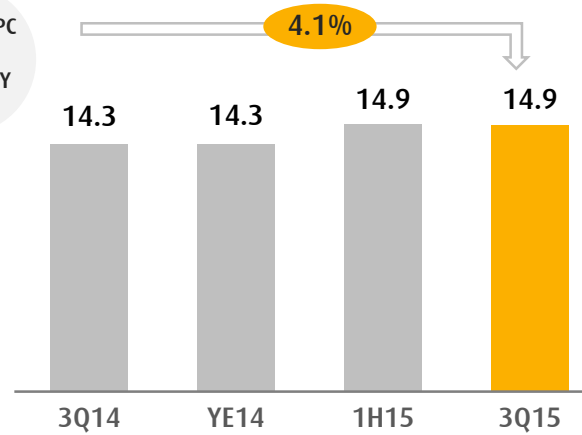
² According to official definition of the government, annual turnover up to TL 40 million companies are classified under SME.

Market share gaining in lucrative retail sub-segments sustained

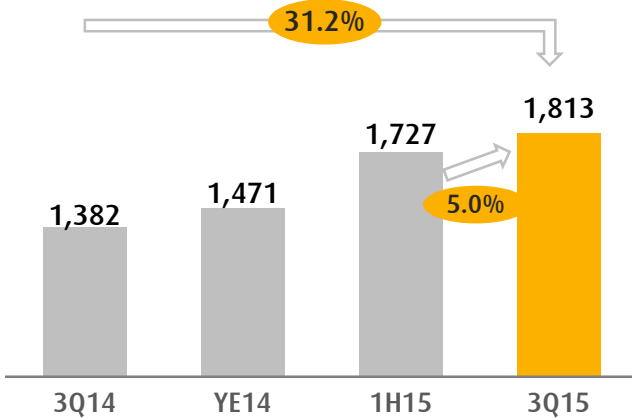
General Purpose Consumer (TL billion)



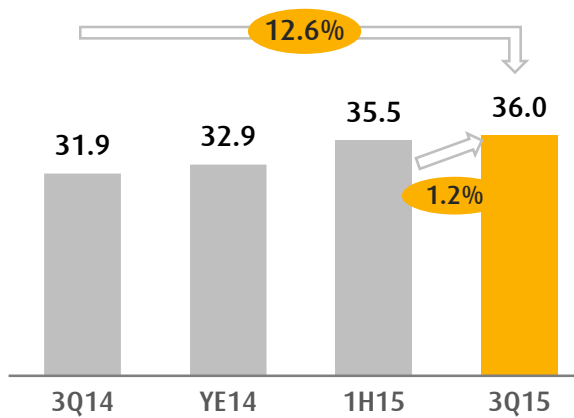
Residential Mortgages (TL billion)*



Retail Overdraft (TL million)



Total Retail (TL billion)

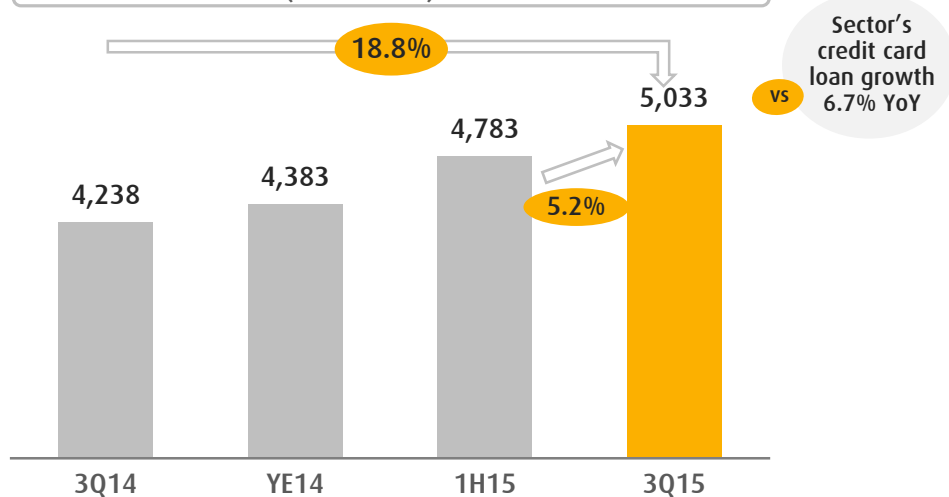


Strong presence in key retail segments thanks to **2.3 million** pay-roll accounts

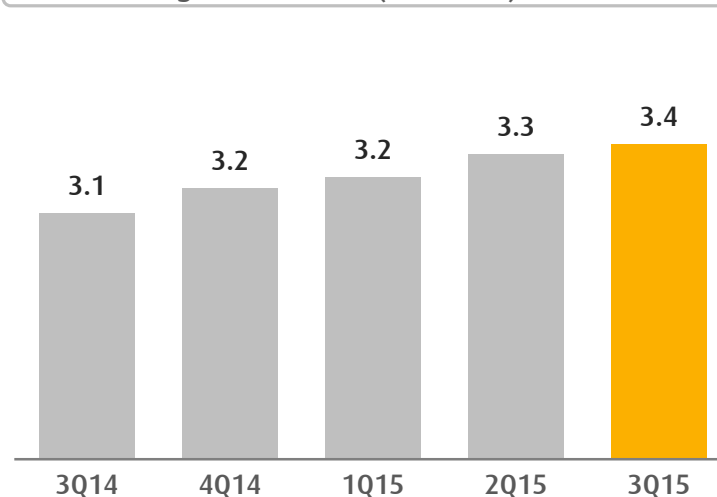
Total retail loan growth **9.5%** Ytd outperforming sector average of **6.9%**

Sustained healthy growth in credit cards despite macroprudential measures

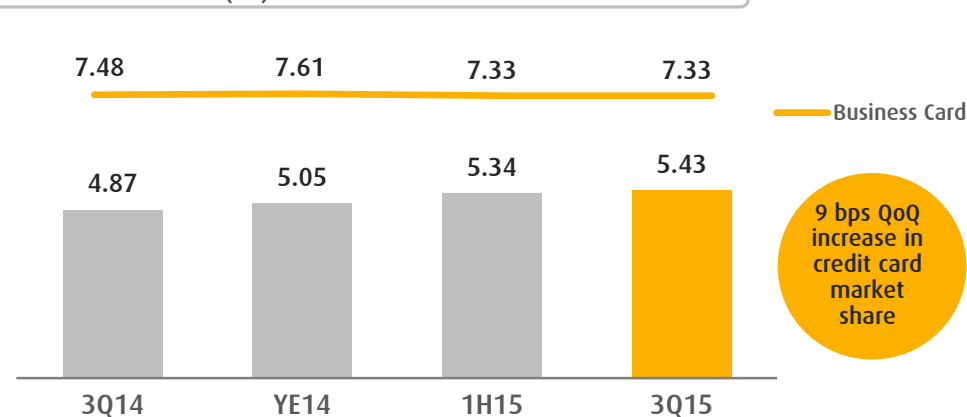
Credit Card Loans (TL million)



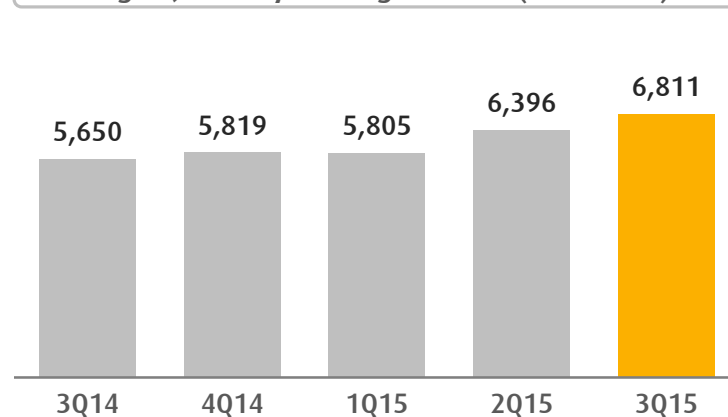
Outstanding Credit Cards (million #)



Market Share* (%)

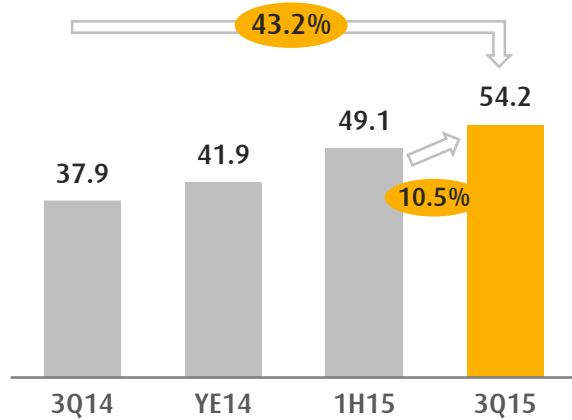


Average Quarterly Issuing Volume (TL million)

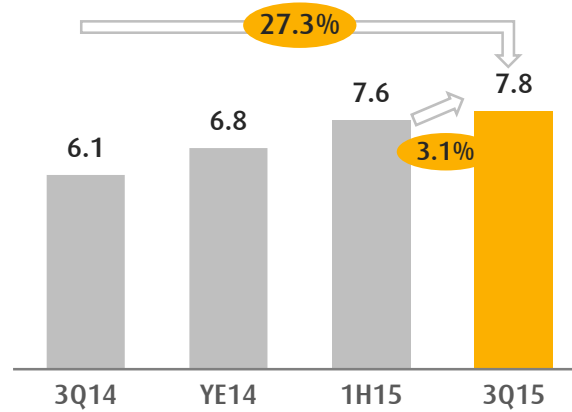


Project-finance lending driven quarterly commercial&corporate loan growth

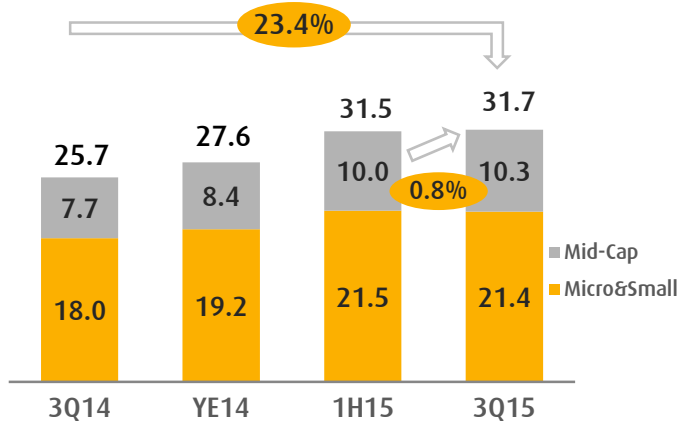
Commercial&Corporate (TL billion)



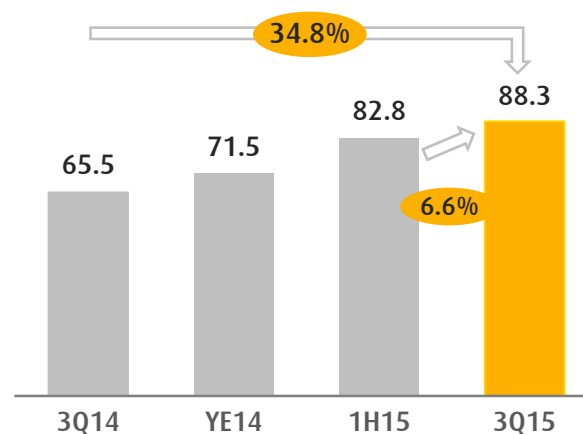
Project Finance Loans (USD billion)



SME* (TL billion)



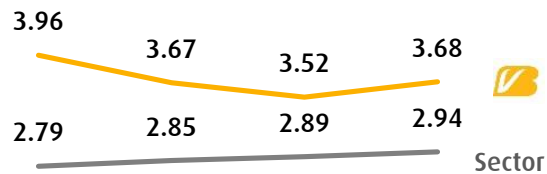
Total Com.&Corporate Loans** (TL billion)



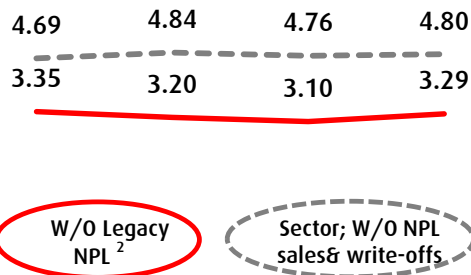
Share of commercial & corporate loans increased to **43.7%** in 3Q15 from **38.9%** in 3Q14

Asset quality

Reported NPL Ratio (%)¹



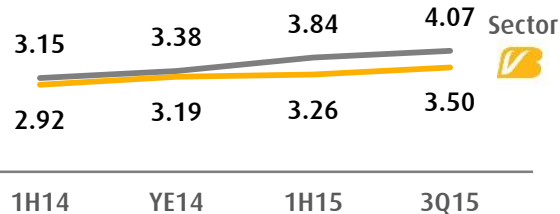
Comparable NPL Ratio (%)



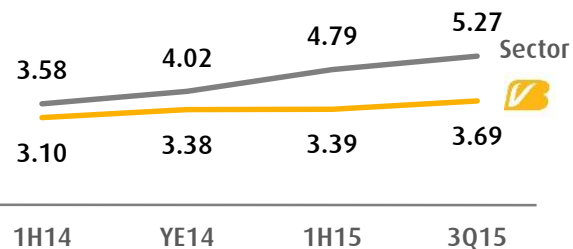
Mortgages NPL Ratio (%)



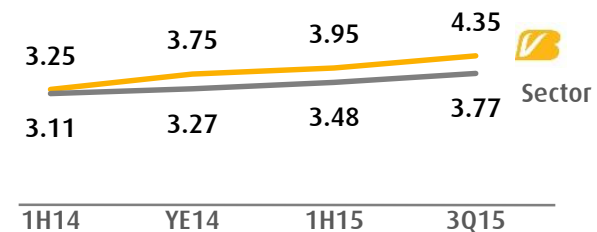
Total Retail NPL Ratio (%)



GPC NPL Ratio (%)

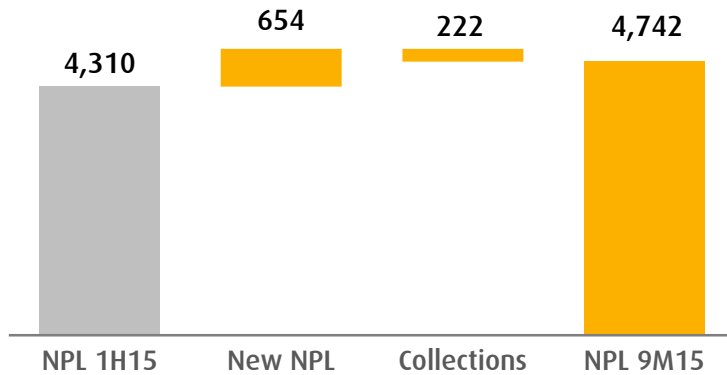


SME NPL Ratio (%)

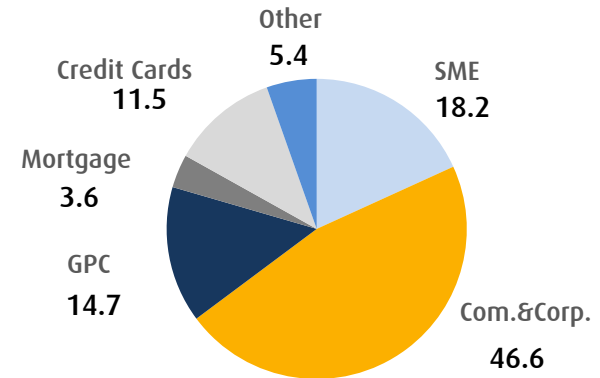


Optimization of Group IV NPL provisioning resulted around 6.8 pps decrease on coverage

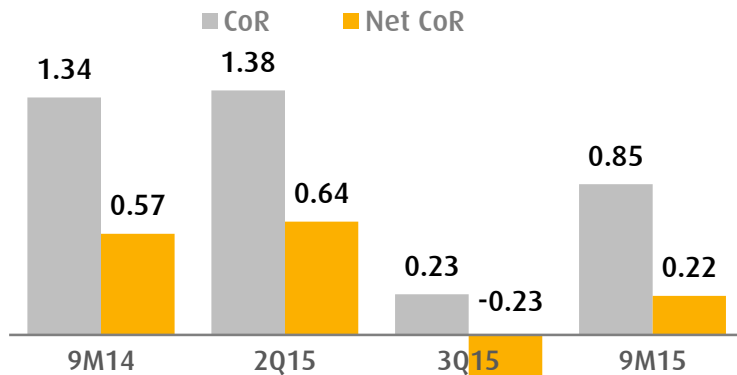
NPL (TL million)*



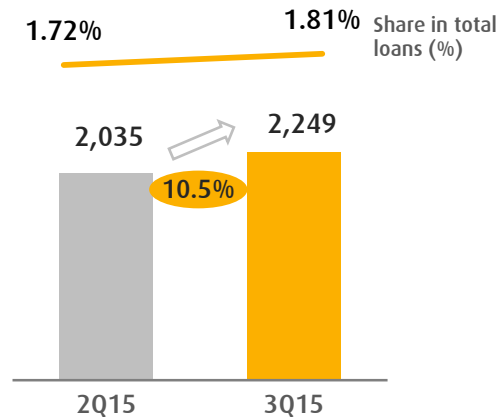
Breakdown of New NPL Inflow (%)



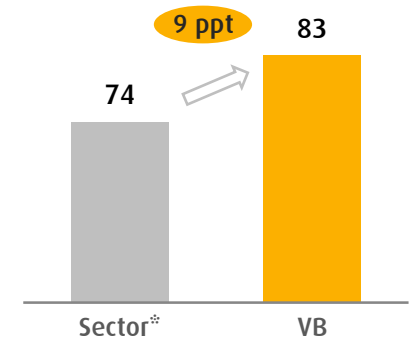
Specific Cost of Risk (%)



Past Due 30 Days (TL million)

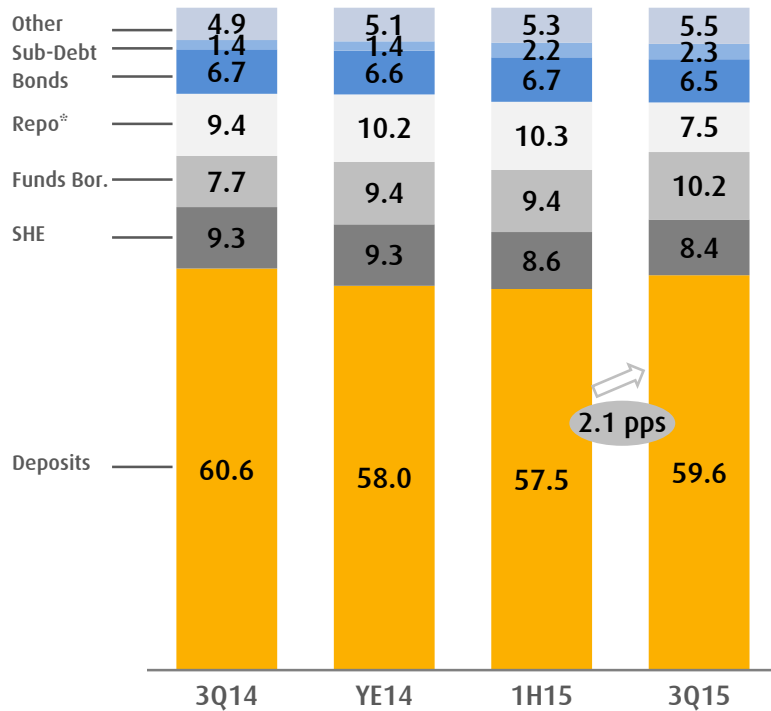


Coverage Ratio (%)

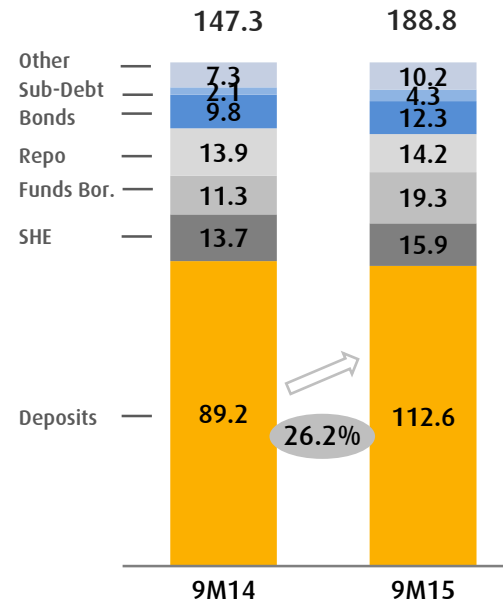


Customer deposit driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL billion)



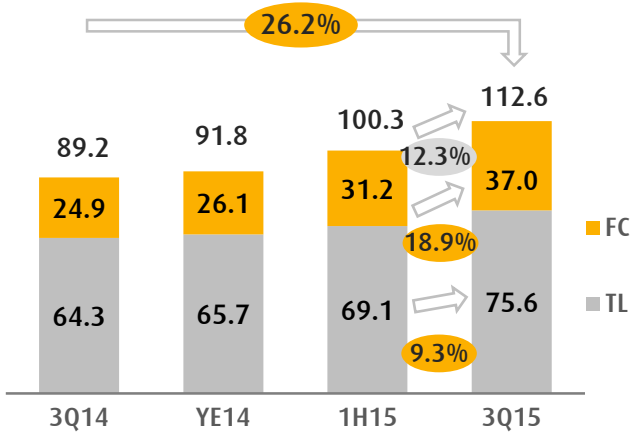
Private placement outstanding balance worth of **US\$ 868 million**

Outstanding DCM volume amounting **US\$ 4.6 billion** equivalent**

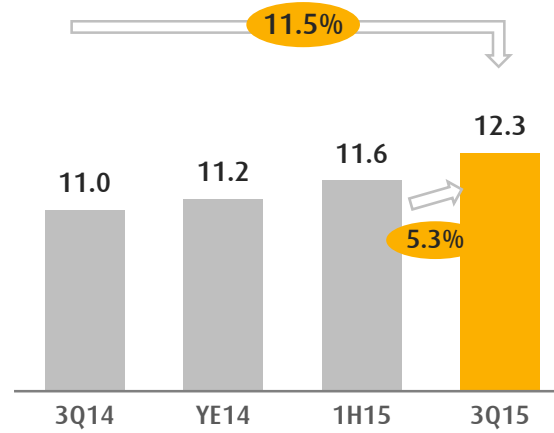
Mortgage backed Covered Bond Programme was established in July 2015.

Non-granular deposit base via stellar growth on demand and retail deposit

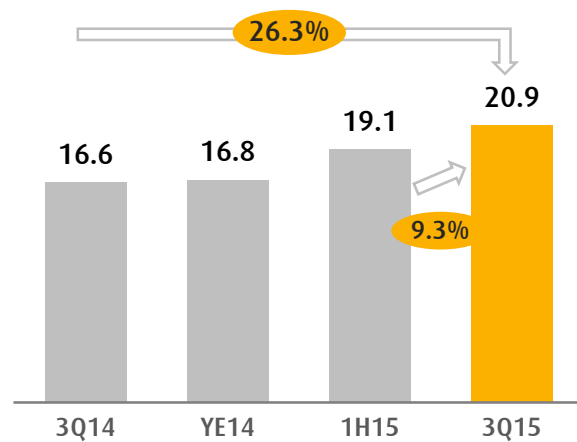
Total Deposits (TL billion)



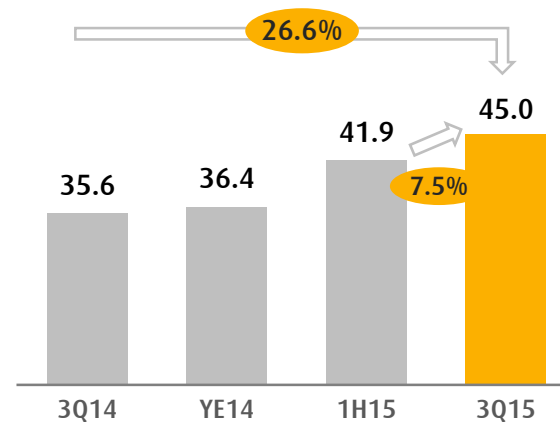
FC Deposits (USD billion)



Demand Deposits (TL billion)



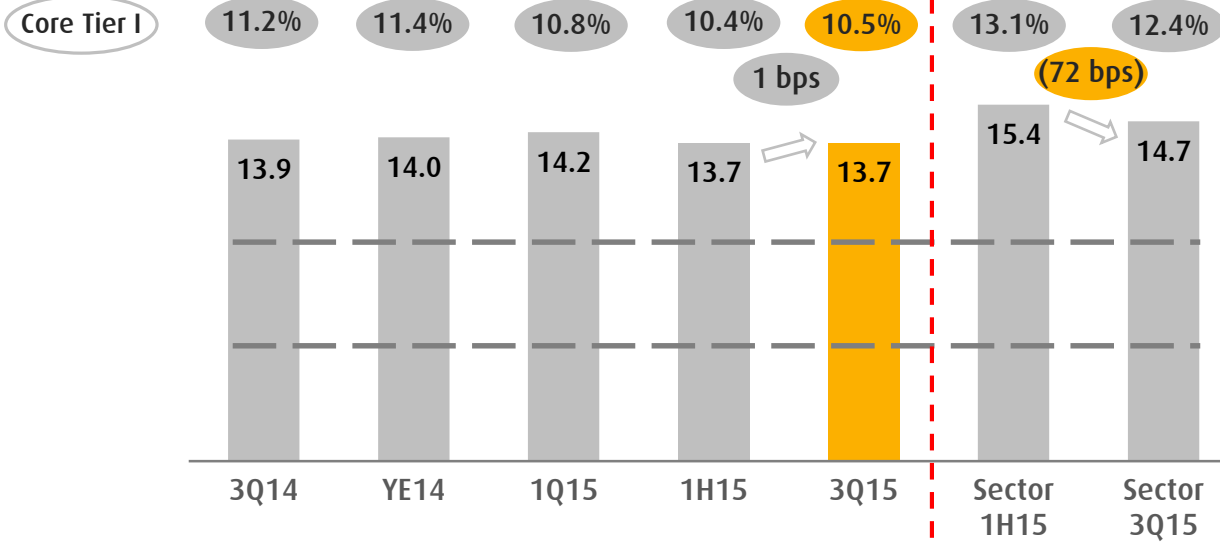
Total Retail Deposits (TL billion)



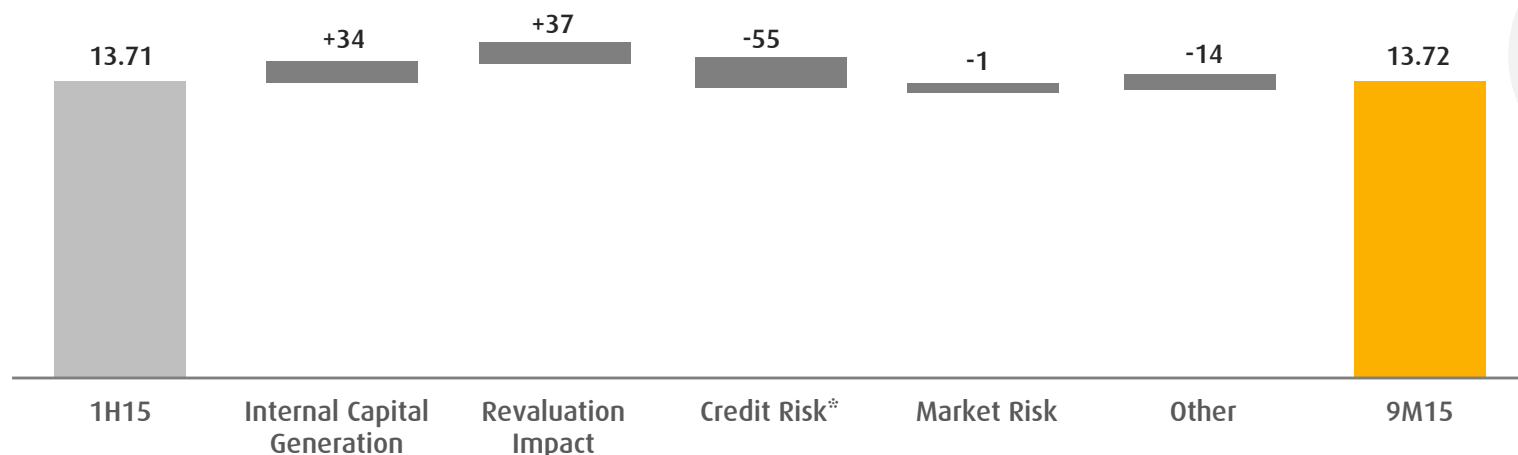
Solid TL deposit growth of **15%**
Ytd vs sector average of 6%

Solvency ratios

Capital Adequacy Ratio (%)



The impact of revaluation of fixed assets is **37 bps** on Tier II

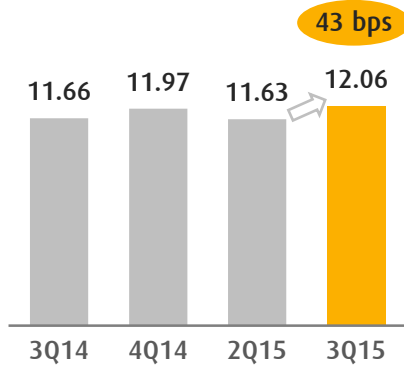


The effect of 0.1 TL increase/decrease in TL/USD rate on CAR is **~14 bps**

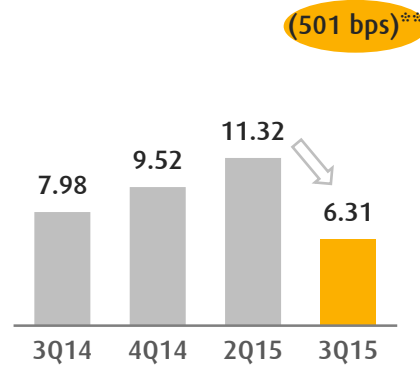
NIM, Spreads and Costs

Yields (%)

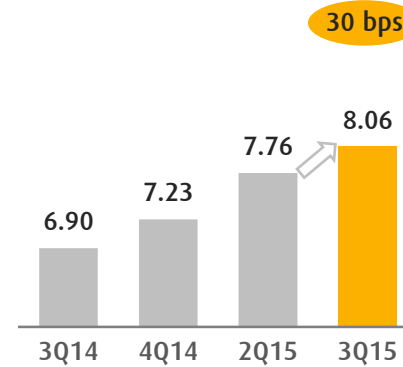
TL Loans



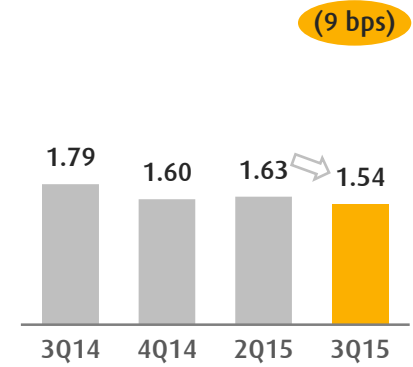
TL Securities



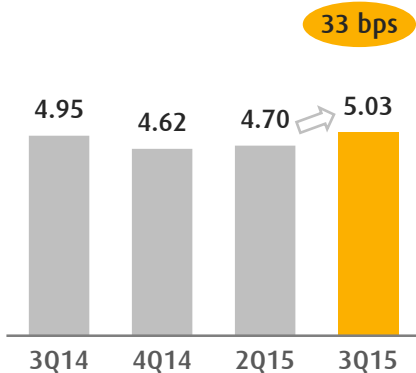
TL Deposits



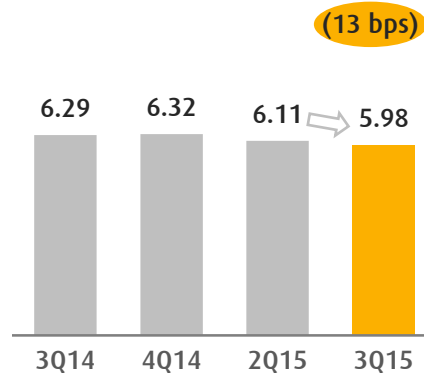
FC Deposits



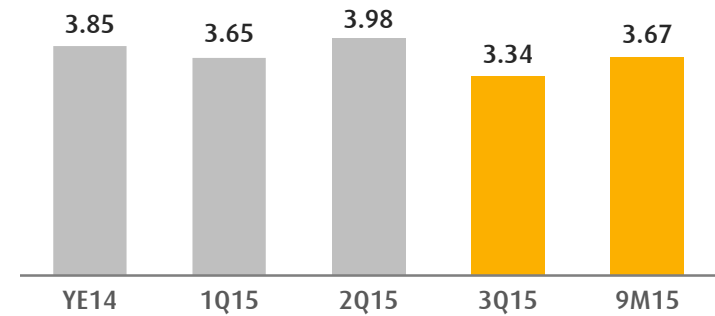
FC Loans



FC Securities*

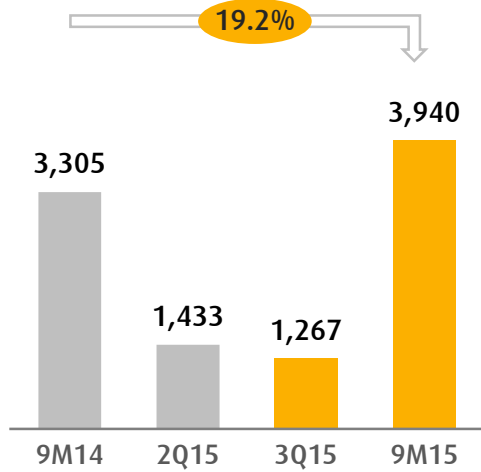


Net Interest Margin (NIM %)***

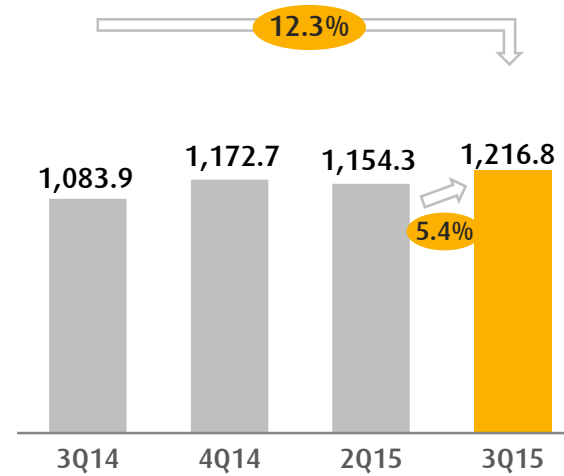


Earnings breakdown

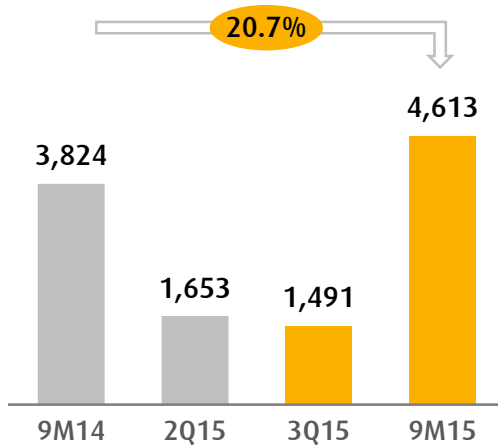
Net Interest Income (TL million)



Net Interest Income excluding CPI (TL million)

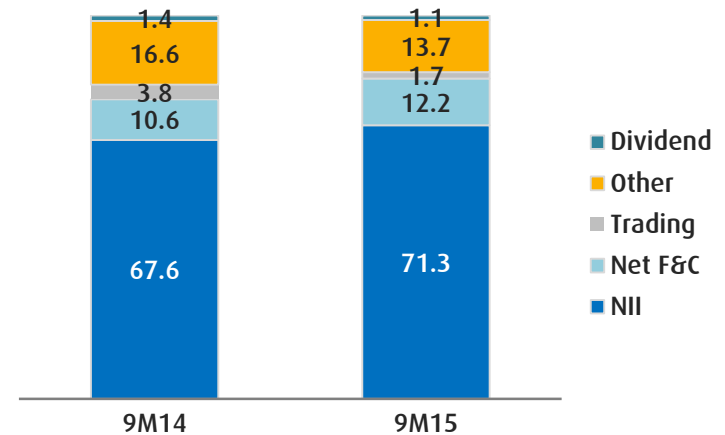


Core Banking Revenues* (TL million)



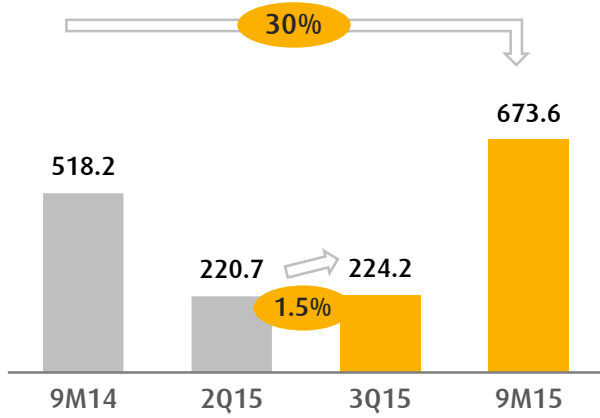
Core Banking Revenue growth of **20.7%** vs sector average growth of 16.1%

Breakdown of Total Revenues (%)

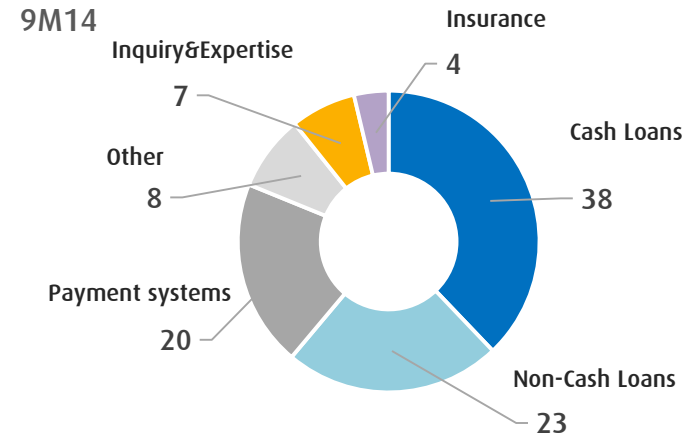
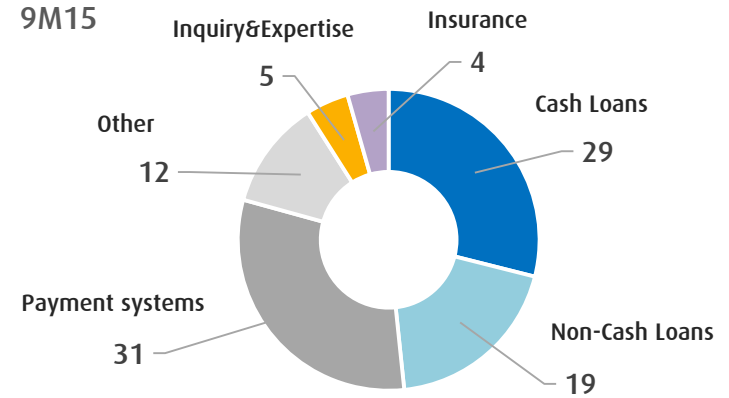


Promising fee growth is in line with upward revision towards 30%

Net Fee and Commission Income (TL million)



Breakdown of Net Fee and Commission Income (%)



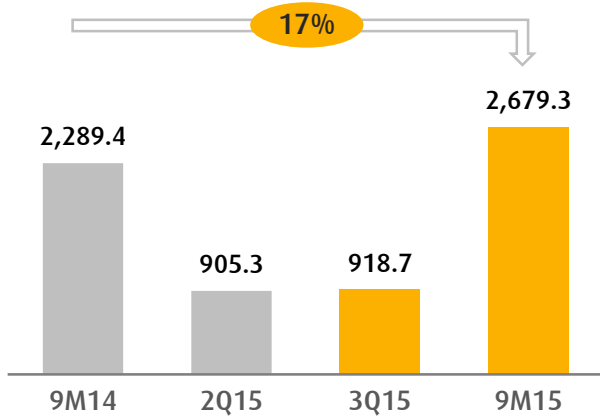
Share of fees in total revenues increased to **12.2%** in 9M15 vs 10.6% in 9M14

Contribution of payment systems related fees increased to **30.9%** in 9M15 vs 20.0% in 9M14

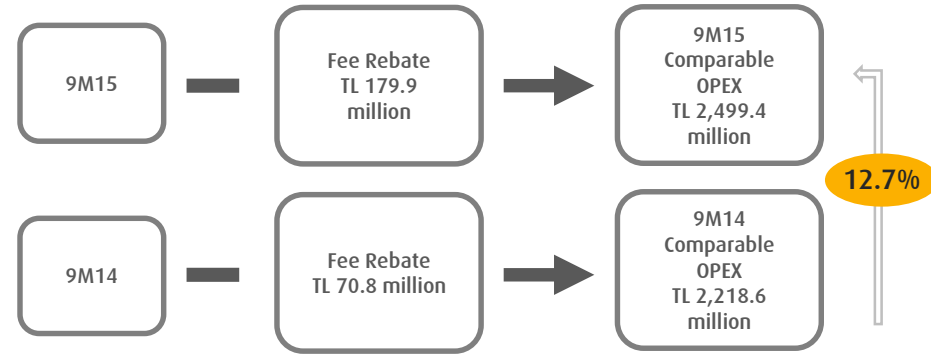
Fee / Opex ratio increased to **25.1%** in 9M15 vs 22.6% in 9M14

Comparable opex growth is better than the operating budget

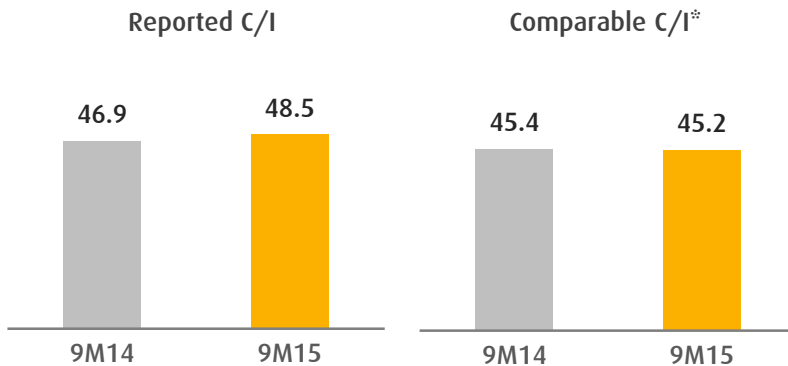
Operating Expenses (TL million)



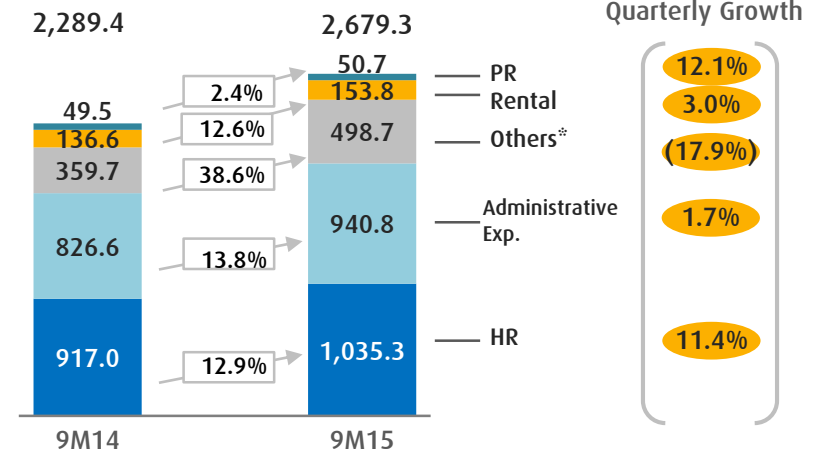
Comparable Opex*



Cost/Income (%)



Breakdown of Opex (TL million)



VakifBank with numbers

Distribution Channels & Customer (#)	9M15	Efficiency ('000 TRY)	9M15
Branches	912*	Assets per Employee	12,271
ATMs	3,446	Assets per Branch	207,723
Personnel	15,388	Loans per Employee	8,073
POS Terminals	163,893	Loans per Branch	136,662
Outstanding Credit Cards	3.4 mn	Deposits per Employee	7,316
Total Customers	17.4 mn	Deposits per Branch	123,849
Total Payroll Customers	2.3 mn		
Internet Banking Customers	3.2 mn		
Active Mutual Fund Customers	1.6 mn		

19 new branch openings Ytd

Balance Sheet

	(TL-million, %)	3Q14	2Q15	3Q15	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	19,431	21,518	25,127	29.3%	16.8%
	Interbank	2,354	4,443	6,843	190.6%	54.0%
	Securities	22,963	24,215	25,076	9.2%	3.6%
	Loans	97,398	118,294	124,226	27.5%	5.0%
	Subsidiaries & Investments	1,532	1,705	1,859	21.3%	9.0%
	Property & Equipment	688	732	1,332	93.5%	81.9%
	Other	2,900	3,563	4,357	50.2%	22.3%
	Total Assets	147,266	174,470	188,820	28.2%	8.2%
Off-B.S. Liabilities & SHE	Deposits	89,197	100,271	112,578	26.2%	12.3%
	Funds Borrowed	11,303	16,325	19,275	70.5%	18.1%
	Other	30,941	40,141	38,260	23.7%	(4.7%)
	Provisions	2,143	2,682	2,830	32.1%	5.5%
	Shareholders' Equity	13,682	15,051	15,877	16.0%	5.5%
	Guarantees	27,275	32,858	35,190	29.0%	7.1%
	Commitments	22,704	26,611	27,835	22.6%	4.6%
	Derivatives	34,524	44,118	53,887	56.1%	22.1%

Income Statement

(TRY-Thousand, %)	9M14	2Q15	3Q15	9M15	YoY Growth	QoQ Growth
Net Interest Income	3,305,324	1,432,613	1,266,811	3,939,587	19.2%	(11.6%)
Net Fee & Com. Income	518,234	220,746	224,150	673,575	30.0%	1.5%
Dividend Income	65,966	0	0	62,130	(5.8%)	0.0%
Net Trading Income	185,711	33,808	2,382	95,568	(48.5%)	(93.0%)
Other Income	811,021	264,613	209,637	753,507	(7.1%)	(20.8%)
Total Revenues	4,886,256	1,951,780	1,702,980	5,524,367	13.1%	(12.7%)
Operating Expenses	(2,289,438)	(905,305)	(918,707)	(2,679,324)	17.0%	1.5%
Provisions	(1,223,058)	(540,677)	(201,322)	(1,191,393)	(2.6%)	(62.8%)
Tax Provisions	(303,277)	(119,488)	(130,409)	(380,171)	25.4%	9.1%
Net Income	1,070,483	386,310	452,542	1,273,479	19.0%	17.1%

Diversified funding source via Non-Deposit Funding

Syndicated Loan

September, 2015

•US\$ 936 million equivalent 1 year syndicated loan, all in cost as Libor/Euribor 0.75% and 122% roll over ratio with participation of 30 banks from 16 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\$ 948 million and EUR 260 million.

Private Placements

Private Placements*

•US\$ 4,157 million equivalent private placements were issued since June 2013 under GMTN program. Outstanding balance of Private Placements are US\$ 868 million equivalent.

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.
- EBRD : US\$ 80 million Tur-SEFF II was signed in May 2013 and the amount of US\$ 55 million was disbursed in May 2013.
- EIB : EUR 25 million GAGF extension loan was disbursed in December 2013 and it was fully allocated in August 2014.
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.
Municipal Loan, EUR 100 million, was signed in December 2013 and US\$ 67.9 million was disbursed in February 2014 as the first tranche.
Tur-SEFF II extension; EUR 50 million was signed in July 2013 and EUR 25 million was disbursed in December 2013.
EIB-SME Mid-Cap facility amounting EUR 200 million was signed in December 2012 and it was fully allocated in September 2013.
SME Loan II for Mid-Caps and SMEs A EUR 100 million was signed in November 2014, the full amount was disbursed as US\$ 123,9 in December 2014.
SME Loan II for Mid-caps and SMEs B EUR 100 million was signed in May 2015 and has not been disbursed yet.
- 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.

Local Currency Bond

- Issued in August 2014 and terminated in August 2015 with a 350 days maturity, TL 44.9 million bond at a cost of 9.9%.
- Issued in October 2014 and terminated in August 2015 with a 287 days maturity, TL 94.6 million bond at a cost of 9.6%.
- Issued in November 2014 and terminated in August 2015 with a 259 days maturity, TL 27.6 million bond at a cost of 8.8%.
- Issued in December 2014 and terminated in August 2015 with a 238 days maturity, TL 14.6 million bond at a cost of 8.7%.
- Issued in February 2015 and terminated in August 2015 with a 175 days maturity, TL 472.5 million bond at a cost of 9.2%.
- Issued in February 2015 and terminated in October 2015 with a 238 days maturity, TL 2.8 million bond at a cost of 9.2%.
- Issued in March 2015 and terminated in September 2015 with a 175 days maturity, TL 226.8 million bond at a cost of 9.5%.
- Issued in April 2015 and terminated in August 2015 with a 112 days maturity, TL 430.4 million bond at a cost of 9.8%.
- Issued in April 2015 and terminated in October 2015 with a 175 days maturity, TL 185.4 million bond at a cost of 9.8%.
- Issued in May 2015 and terminated in September 2015 with a 112 days maturity, TL 531.5 million bond at a cost of 10.3%.
- Issued in May 2015 and terminates in November 2015 with a 175 days maturity, TL 266.6 million bond at a cost of 10.4%.
- Issued in June 2015 and terminated in October 2015 with a 126 days maturity, TL 411.8 million bond at a cost of 9.8%.
- Issued in June 2015 and terminates in November 2015 with a 154 days maturity, TL 123.4 million bond at a cost of 9.9%.
- Issued in August 2015 and terminates in November 2015 with a 91 days maturity, TL 362.3 million bond at a cost of 10.1%.
- Issued in August 2015 and terminates in December 2015 with a 126 days maturity, TL 332.4 million bond at a cost of 10.3%.
- Issued in August 2015 and terminates in January 2016 with a 175 days maturity, TL 252.3 million bond at a cost of 10.5%.
- Issued in September 2015 and terminates in December 2015 with a 98 days maturity, TL 659.3 million bond at a cost of 10.7%.
- Issued in September 2015 and terminates in February 2016 with a 175 days maturity, TL 245.8 million bond at a cost of 11.2%.
- Issued in October 2015 and terminates in January 2016 with a 112 days maturity, TL 518.2 million bond at a cost of 11.0%.
- Issued in October 2015 and terminates in April 2016 with a 175 days maturity, TL 531.8 million bond at a cost of 11.4%.
- Issued in November 2015 and terminates in February 2016 with a 112 days maturity, TL 493,2 million bond at a cost of 10.6%.
- Issued in November 2015 and terminates in April 2016 with a 175 days maturity, TL 321,2 million bond at a cost of 10.7%.



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