

Earnings Presentation

BRSA Bank-Only YE 2015

February 11, 2016

VakifBank IR App.
Available at






4Q15 Macro Highlights

Global Economy

-  FED's first rate hike in December 2015, brought an end to the seven year period of near-zero interest rates.
-  Slowdown in Chinese economy continued to be a global concern.
-  Further decline in oil prices hit commodity exporter emerging markets.
-  ECB extended QE by six months until March 2017.
-  The trend of capital outflow from EM to DM continued during 4Q15 .

Turkish Economy

-  3Q15 GDP growth came strong at 4%, backed by consumption and public expenditures. Thus, 9M15 cumulative growth materialized at 3.4%.
-  Headline 2015YE inflation came at 8.8%, due to food inflation & pass through impact of depreciation.
-  CBRT kept all interest rates unchanged despite FED's rate hike action.

Key Macroeconomic Parameters

	2011	2012	2013	2014	2015
Real GDP Growth	8.8%	2.1%	4.2%	2.9%	4.0%*
Current Account / GDP	9.6%	6.1%	7.7%	5.5%	4.5%*
Current Account Deficit (USD bn)	74.4	48.0	63.6	43.6	32.2
Foreign Trade Deficit (USD bn)	105.9	84.1	99.9	84.6	63.3
Unemployment	9.2%	8.4%	9.1%	10.0%	10.7%*
Policy Rate	5.75%	5.50%	4.50%	8.25%	7.50%
CBRT funding rate	9.0%	5.6%	7.1%	8.5%	8.8%
Inflation (CPI)	10.5%	6.2%	7.4%	8.2%	8.8%
USD/TL	1.89	1.78	2.13	2.33	2.92
EUR/TL	2.44	2.35	2.93	2.83	3.18

Key Macroeconomic Parameters (Quarterly)

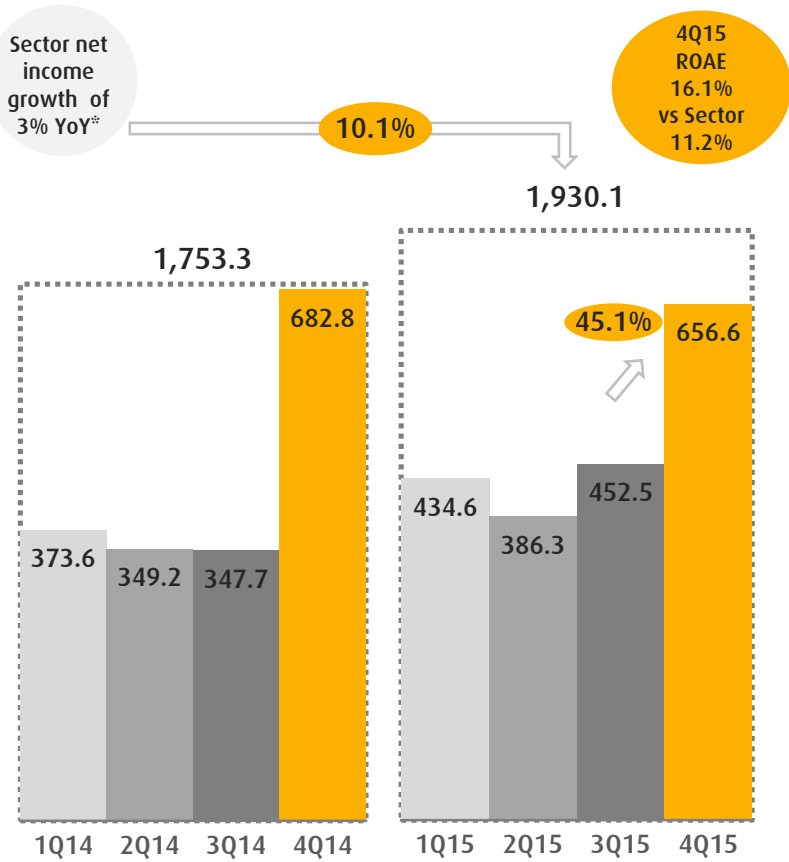
	1Q15	2Q15	3Q15	4Q15
Real GDP Growth	2.5%	3.8%	4.0%	5.5%*
Current Account / GDP	5.4%	5.5%	5.2%	4.5%*
Current Account Deficit (USD bn)	10.5	11.3	2.7	7.7
Foreign Trade Deficit (USD bn)	15.3	18.1	15.8	14.1
Unemployment	11.0%	9.5%	10.3%	10.7%*
Policy Rate	7.50%	7.50%	7.50%	7.50%
CBRT funding rate	8.0%	8.6%	9.0%	8.8%
Inflation (CPI)	7.6%	7.2%	8.0%	8.8%
USD/TL	2.61	2.69	3.03	2.92
EUR/TL	2.81	3.00	3.39	3.18

4Q15 VakifBank Highlights

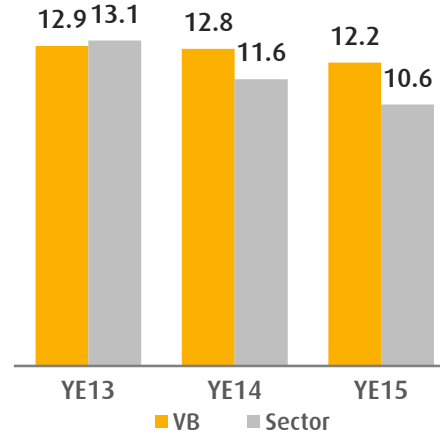
- ✔ Quarterly bank-only net income is TL 656.6 million, which is up by 45% QoQ.
- ✔ Quarterly ROAE and ROAA stand at 16.1% and 1.4% respectively, well above the sector averages.
- ✔ Annual bank-only net income realized at TL 1,930.1 million, which is up by 10.1% vs the sector average growth of 3%*.
- ✔ Sustainable profitability performance on track;
 - Above the sector net income growth in the last 3 years in a row,
 - Above the sector ROAE generation in the last 2 years in a row; 2015 ROAE stands 169 bps higher than sector at 12.2%
- ✔ Total loans are up by 17.9% YoY, in line with operating budget guidance.
- ✔ Total deposits are up by 19.8% YoY driven by strong retail and demand deposit growth, which are up by 24% and 20.6% YoY respectively.
- ✔ TL deposits, the competitionary area among Turkish banks, are up by 16.4% vs sector average growth of 8.2% YoY.
- ✔ LtD ratio came at 112% vs sector average of 119%. TL LtD materialized at 115%, way below sector average of 142%.
- ✔ Quarterly NIM expanded 66 bps to 4%, backed by CPI linkers and further improved TL core spreads. 2015 cumulative NIM materialized at 3.86%.
- ✔ Strong net fee & commission income growth thanks to payment systems & transactional banking; net fee and commission income is up by 10.4% QoQ and 29.9% YoY.
- ✔ 27 branches are opened in 2015 and the total branch number reached to 920.
- ✔ Excluding fee rebates, comparable opex is up by 12.8% YoY, which is also in line with budget.**
- ✔ Strong asset quality remains intact, NPL ratio is up by only 12 bps YoY without asset sale & write off; beating industry averages.
- ✔ NPL coverage increased 56 bps QoQ and reached to 83.4% vs sector average of 74.6%.
- ✔ Total Group II loans and pass due 30 days within group II loans decreased 1% and 5.8% QoQ, respectively.
- ✔ CET1 and Tier II CAR ratios increased both 80 bps QoQ to 11.26% and 14.52% respectively, supported by strong net income, TL appreciation and MtM gains.

YE 2015 Earnings and Ratios

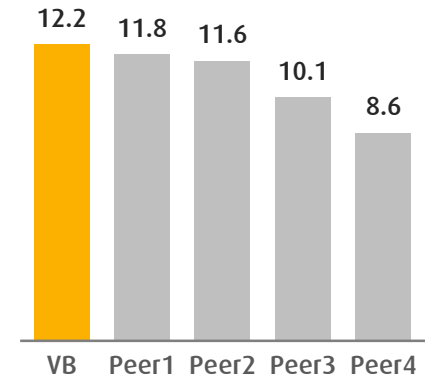
Quarterly Net Income (TL million)



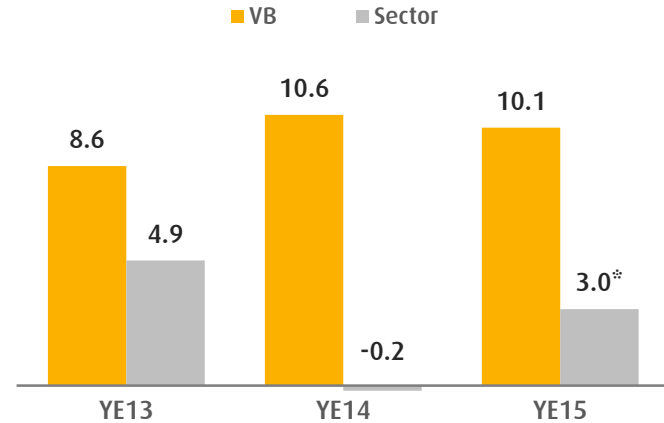
ROAE (%)



2015 ROAE Comparison (%)***

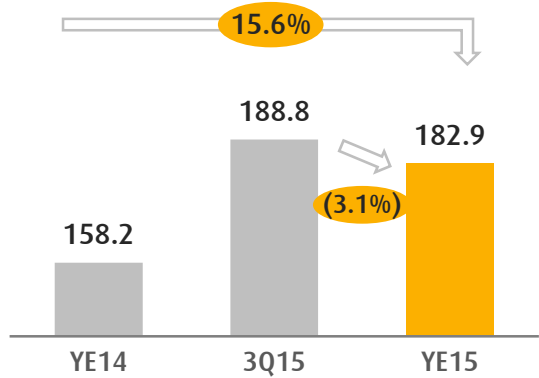


Net Income Growth (%)

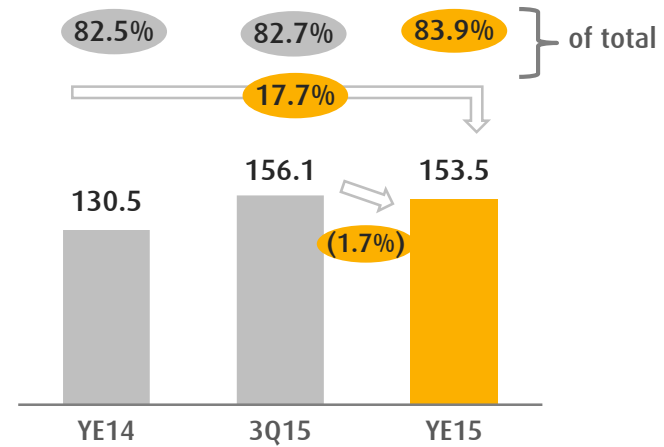


The highest Loans/Assets ratio in peer group

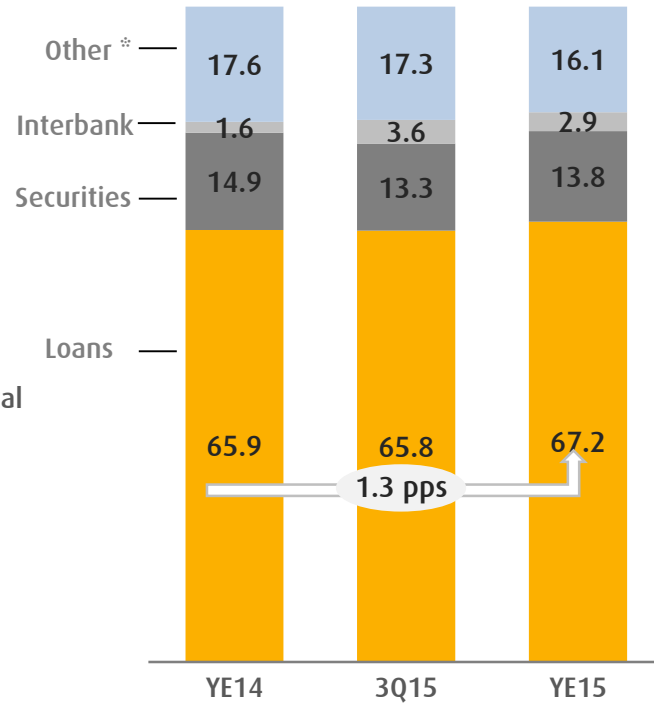
Total Assets (TL billion)



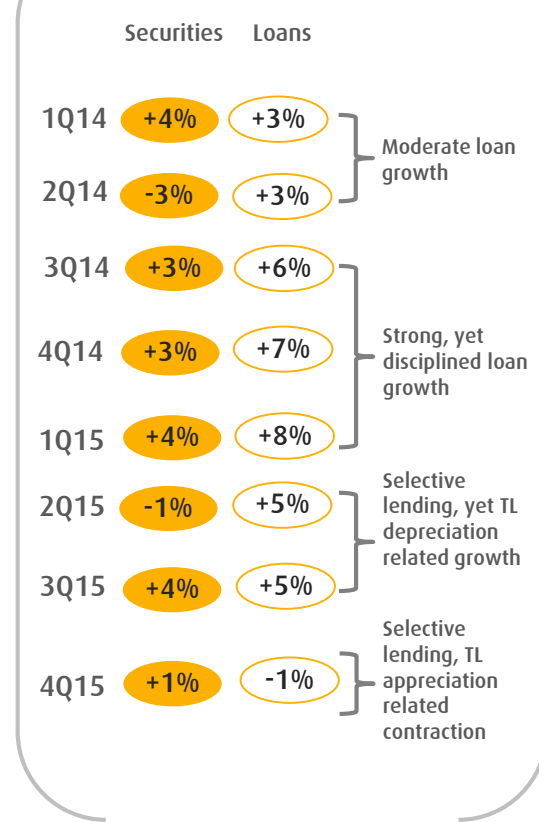
Interest Earning Assets (TL billion)



Breakdown of Assets (%)

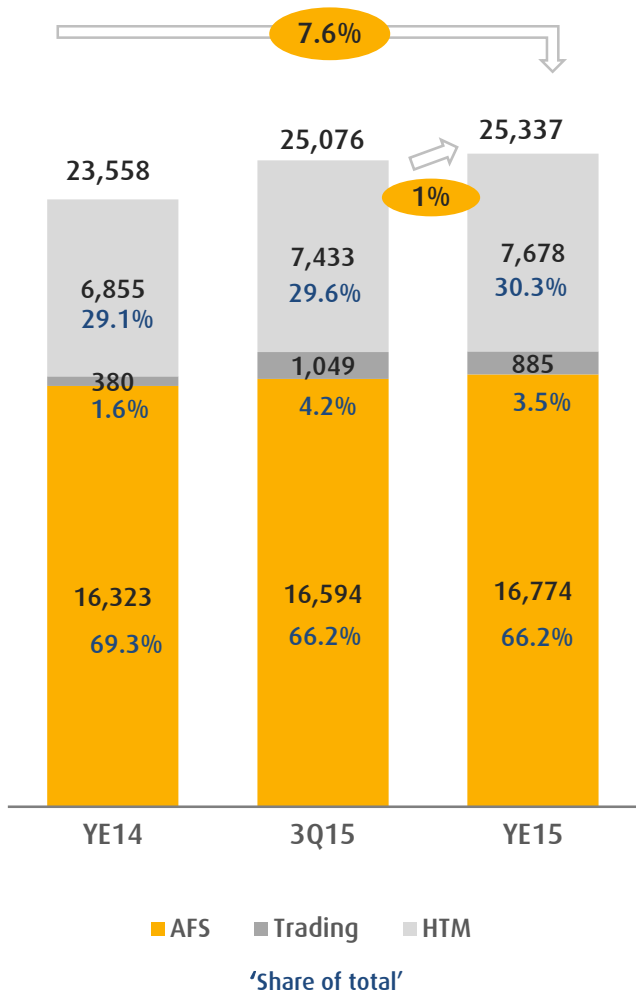


Quarterly Growth

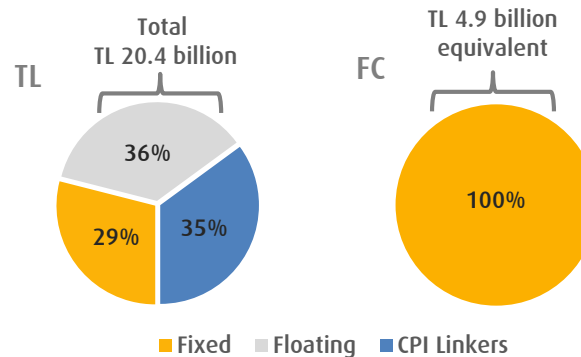


Well balanced and stable security portfolio

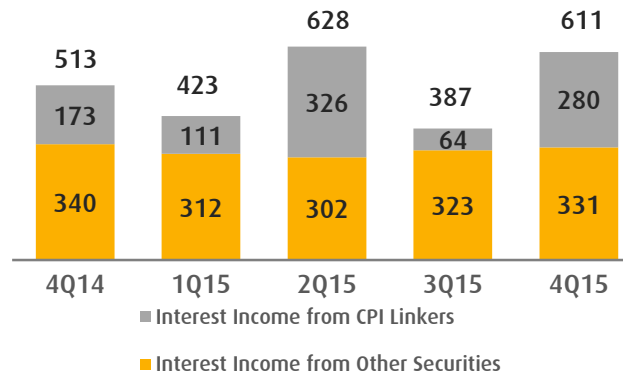
Total Securities (TL million)



Portfolio Structure



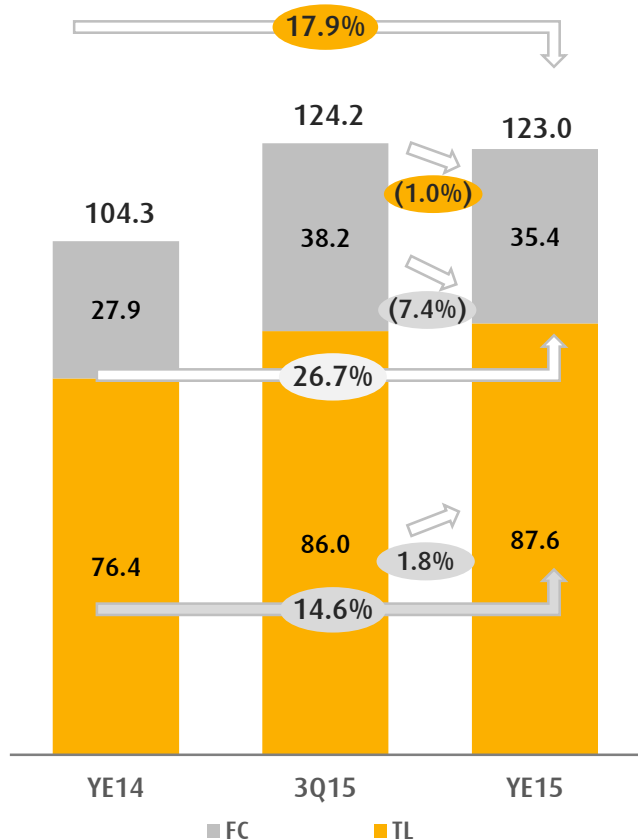
Breakdown of Interest Income from Securities (TL million)



Quarterly
MtM
gains
under AFS
**TL 251
million**

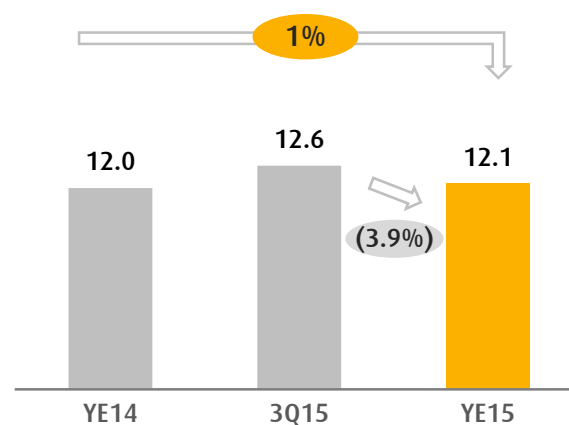
Selective and profitability focused loan growth in key segments

Total Loans (TL billion)

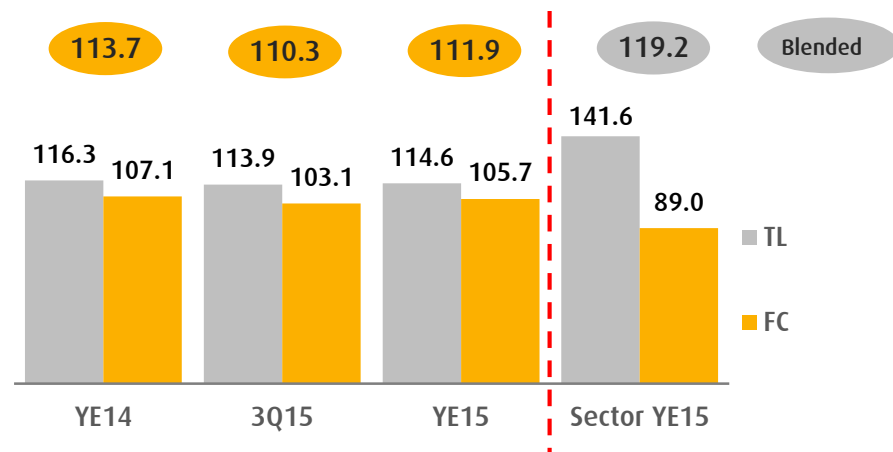


TL (% in total)	73.3%	69.3%	71.3%
FC (% in total)	26.7%	30.7%	28.7%

FC Loans (USD billion)

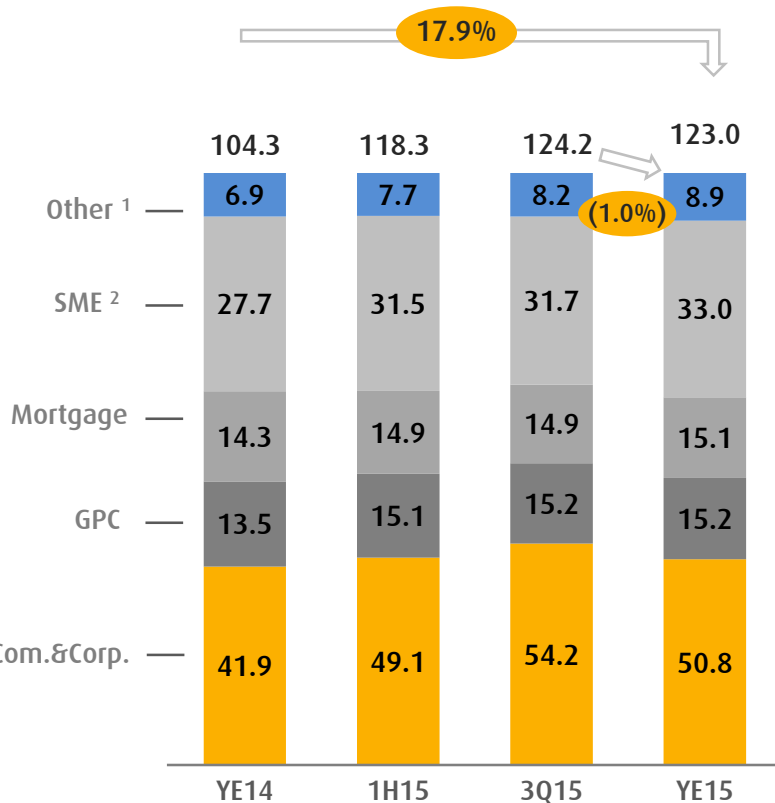


Loan/Deposit (%)

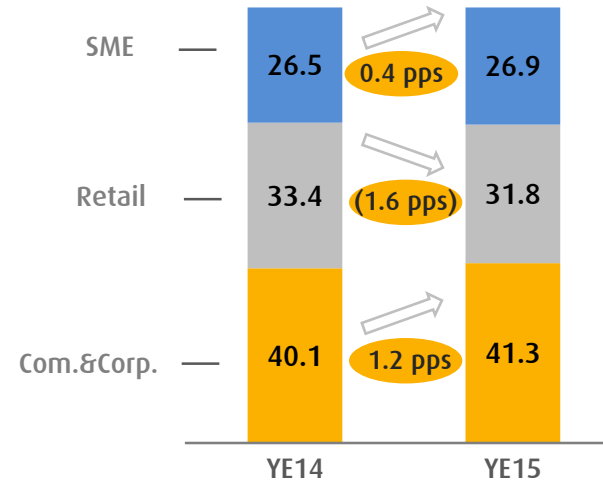


Well diversified loan breakdown with higher share of corporate & commercial loans

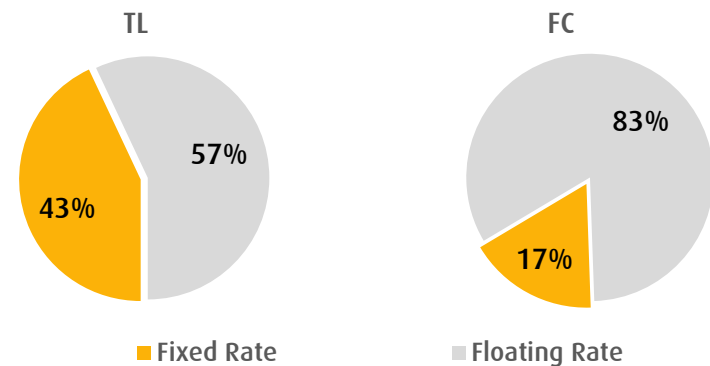
Breakdown of Loans (TL billion)



Portfolio Shift (%)

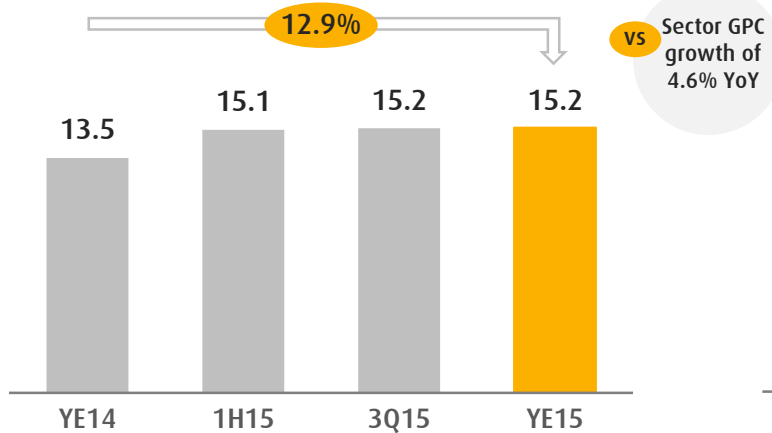


Loans by Interest Structure

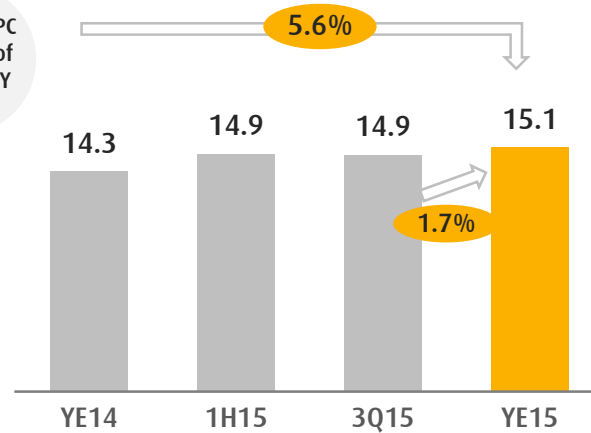


Retail banking market share gains sustained

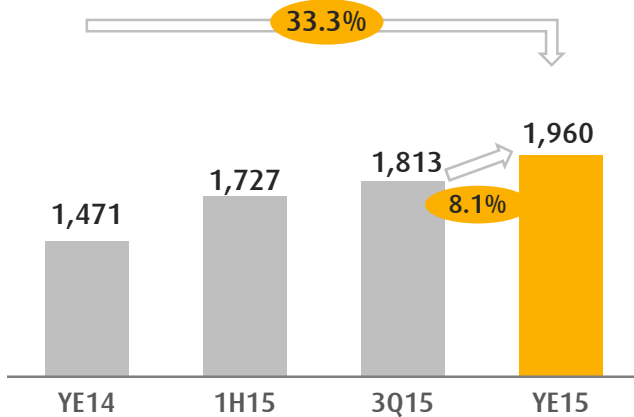
General Purpose Consumer (TL billion)



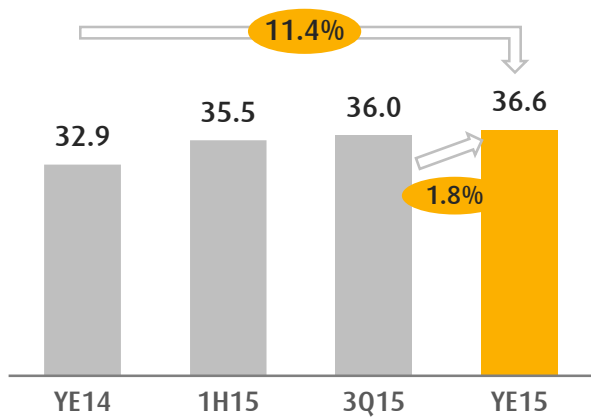
Residential Mortgages (TL billion)*



Retail Overdraft (TL million)



Total Retail (TL billion)

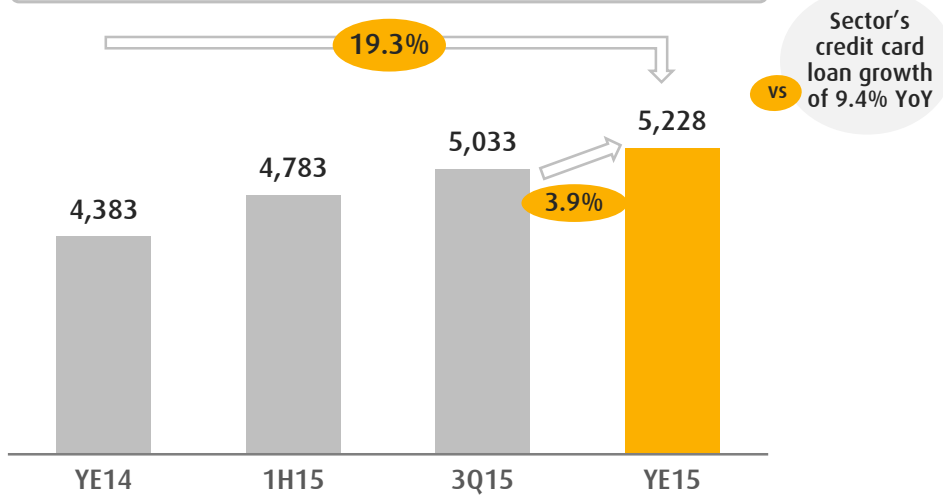


Strong presence in key retail segments thanks to **2.4 million** pay-roll accounts

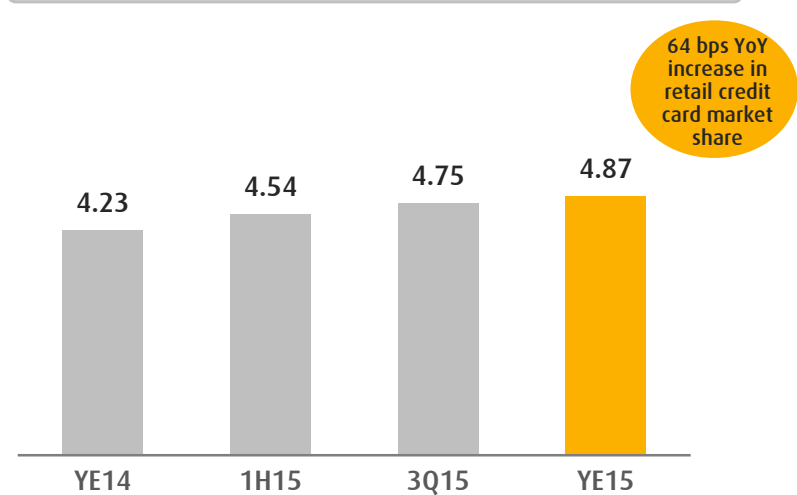
Total retail loan growth **11.4%** YoY outperforming sector average of **8.1%**

Sustained healthy growth in credit cards despite macroprudential measures

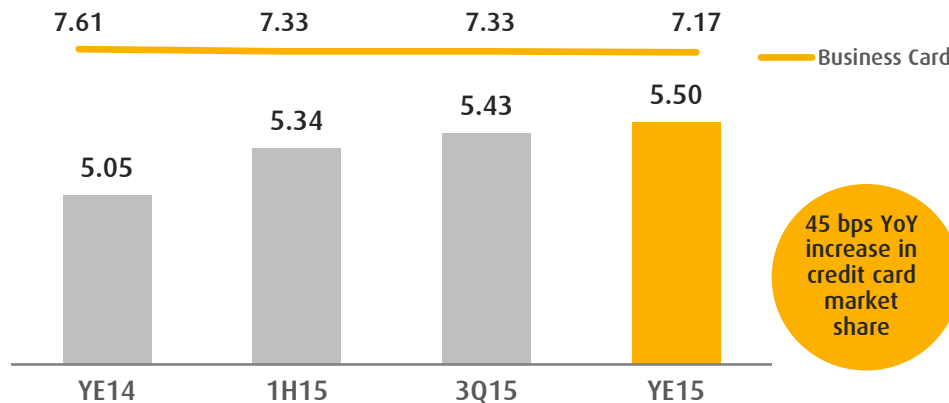
Credit Card Loans (TL million)



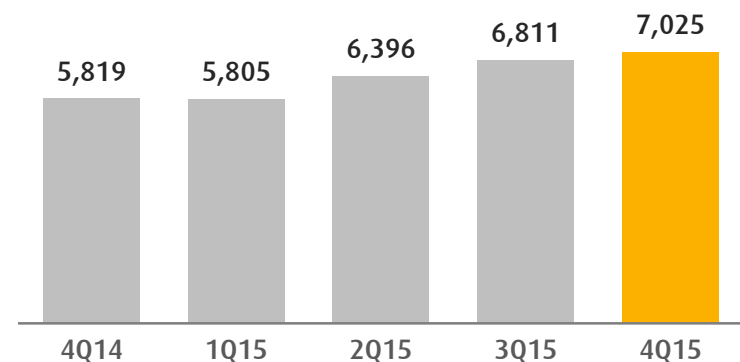
Retail credit card market share (%)



Market Share* (%)

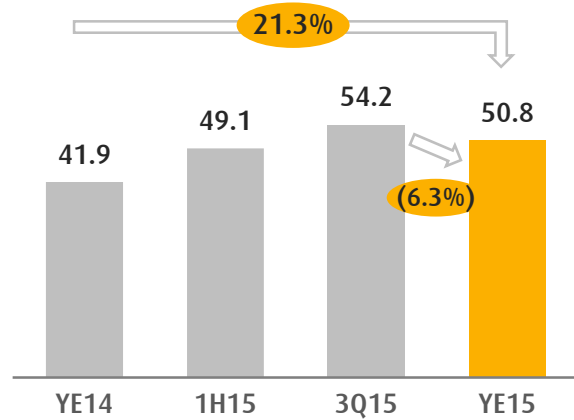


Average Quarterly Issuing Volume (TL million)

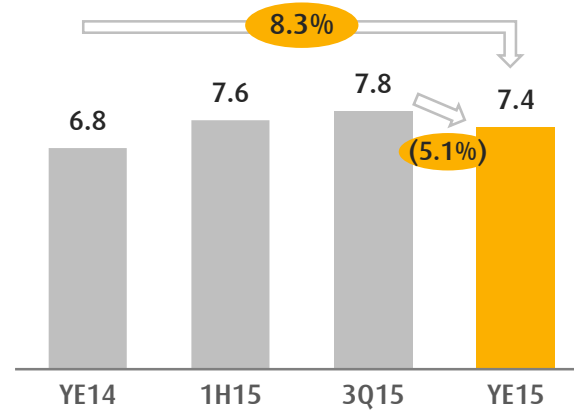


Selective loan growth in high quality corporate segment throughout the year

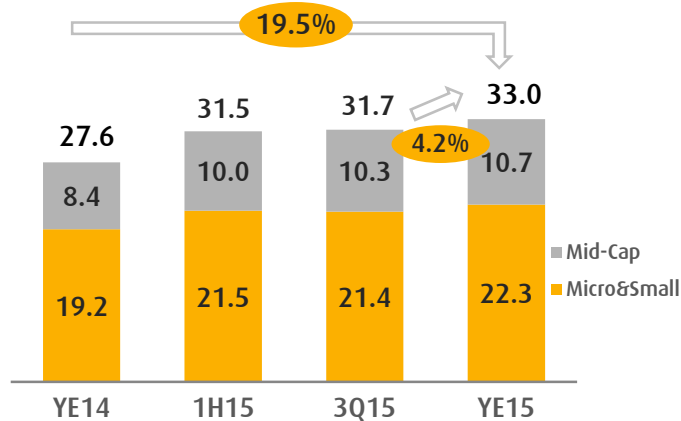
Commercial&Corporate (TL billion)



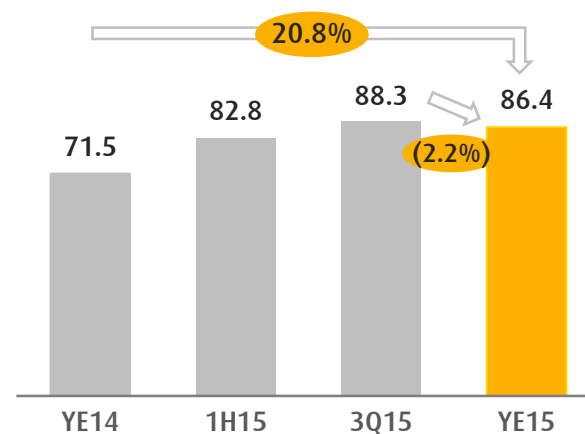
Project Finance Loans (USD billion)



SME* (TL billion)



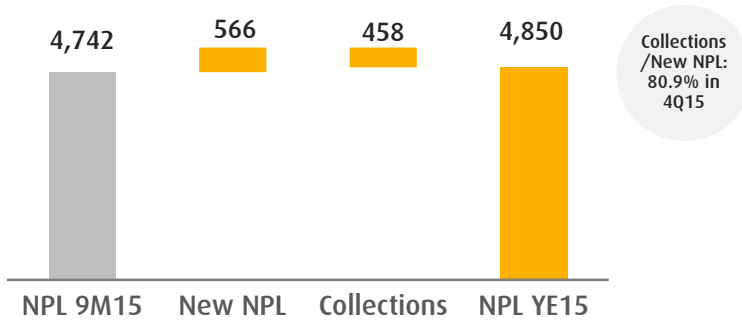
Total Com.&Corporate Loans** (TL billion)



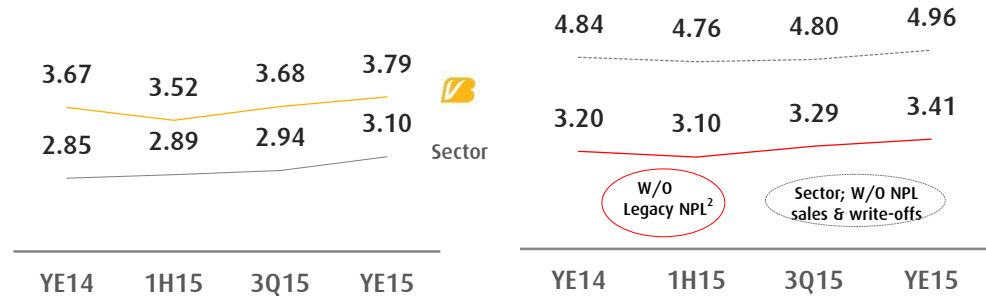
Share of commercial & corporate loans increased to **41.3%** in 4Q15 from **40.1%** in 4Q14

Strong collections & limited new NPL inflow helped Net CoR to be inside the budget

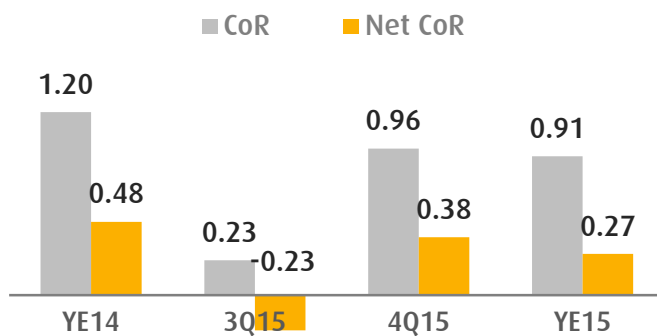
NPL (TL million)¹



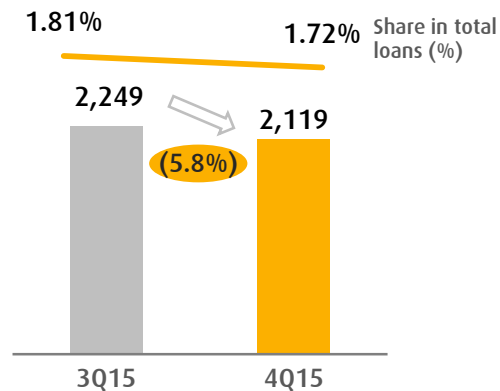
Reported¹ and Comparable NPL Ratios (%)



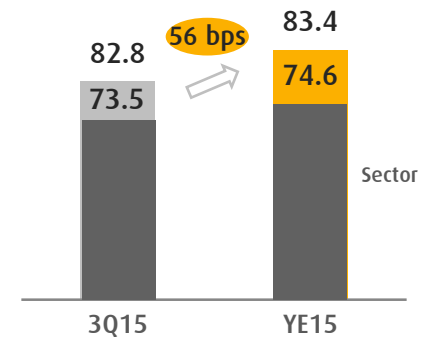
Specific Cost of Risk (%)



Past Due 30 Days (TL million)

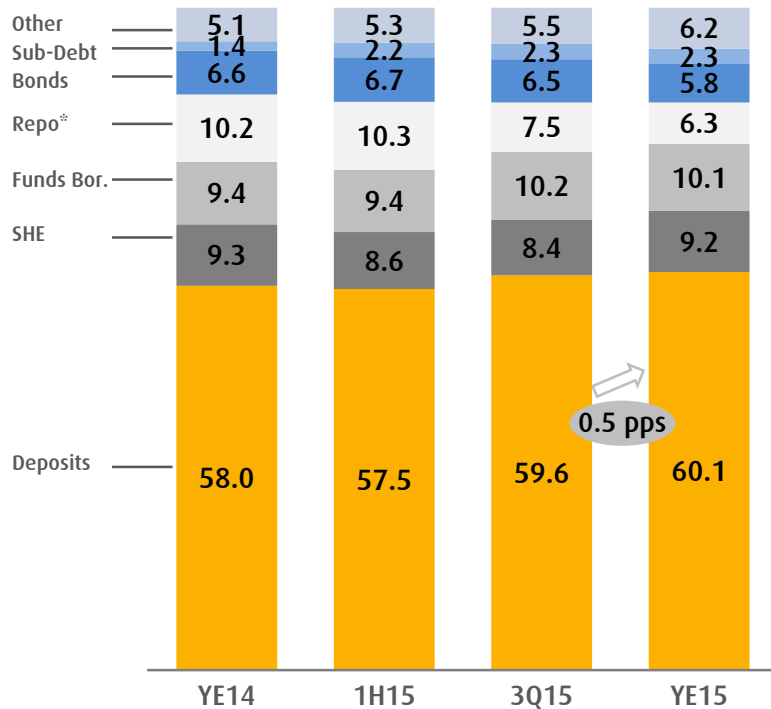


Coverage Ratio (%)

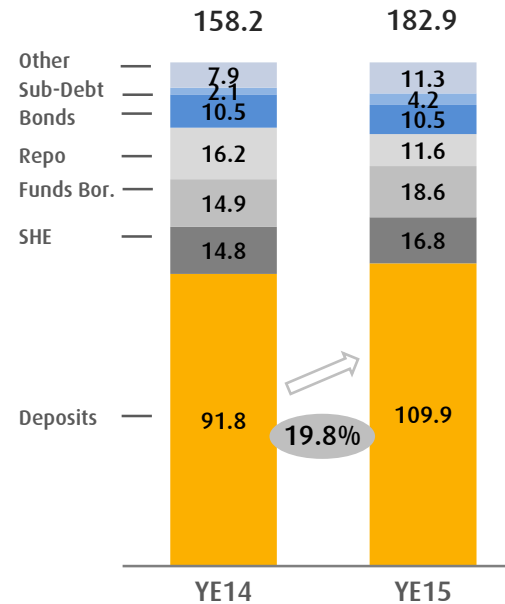


Customer deposit driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL billion)



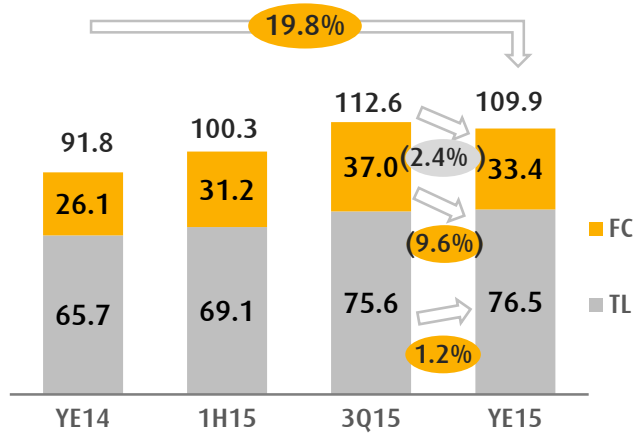
Outstanding DCM volume reached **US\$ 5.0 billion** equivalent**

LtD down to **112%** in 2015 vs sector average of 119%

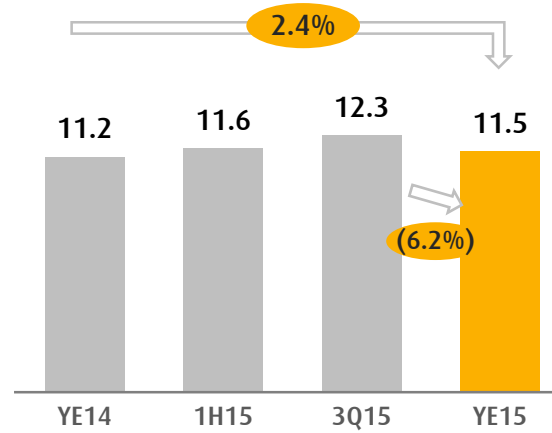
More focus on reliable customer deposits;
The share of repo down to **6.3%** in 2015 YE from **10.2%** in 2014 YE

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

Total Deposits (TL billion)

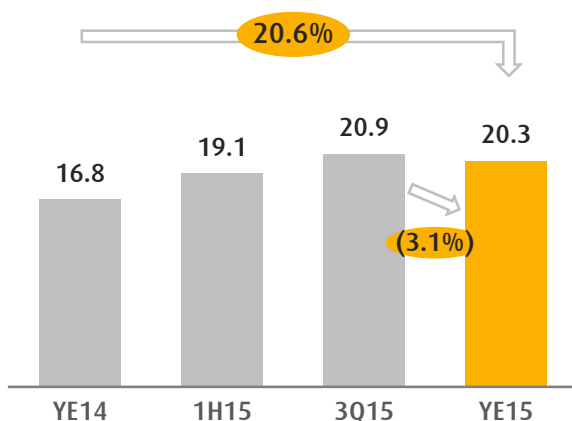


FC Deposits (USD billion)

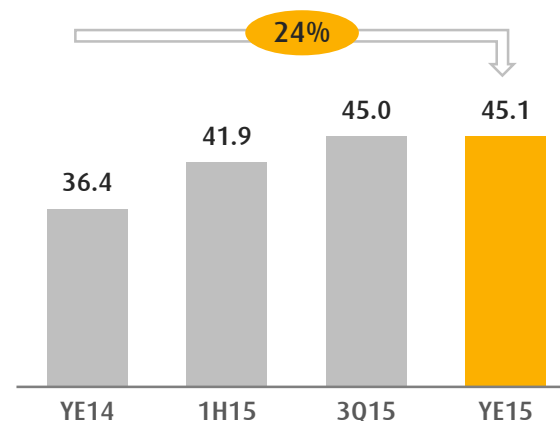


Total deposit growth of **20%** YoY vs sector average of 18%

Demand Deposits (TL billion)



Total Retail Deposits (TL billion)



TL Deposit growth doubled the sector at **16.4%** YoY growth

Solvency ratios

Capital Adequacy Ratio (%)

Core Tier I

11.4%

10.8%

10.4%

10.5%

11.3%

14.0

14.2

13.7

13.7

80 bps

14.5

BRSA Recom.
12%

Min. Ratio
8%

YE14

1Q15

1H15

3Q15

YE15

13.96

+135

+98

-63

-94

-12

-5

-3

14.52

CAR
improvement
of 56 bps YoY

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

YE14

Internal Capital
Generation

Sub-Debt
Issuance

Credit Risk

Currency Effect

Operational
Risk

Market Risk

Other

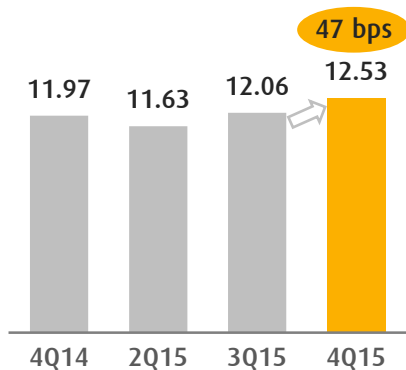
YE15

CPI Linkers and further improved TL core spreads supported quarterly NIM

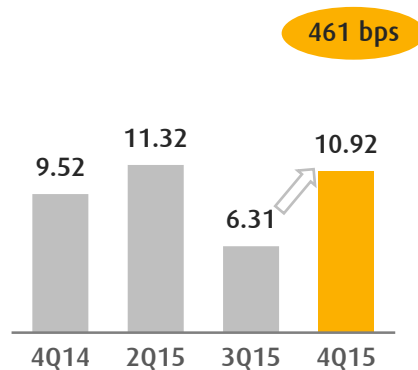
Yields (%)

Cost of Deposits (%)

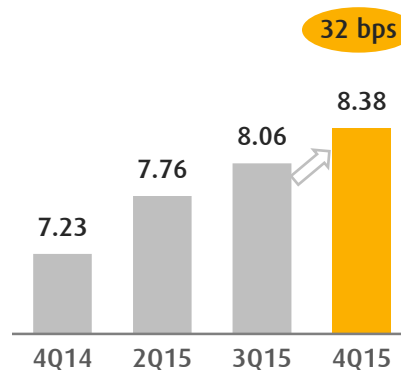
TL Loans



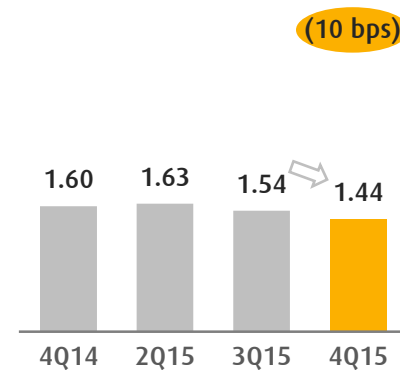
TL Securities



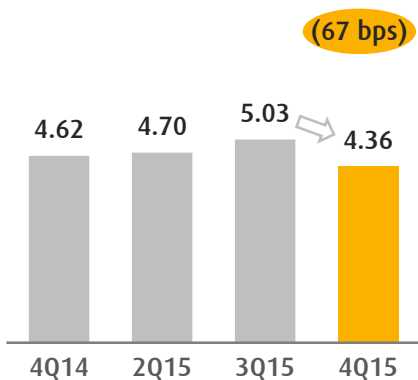
TL Deposits



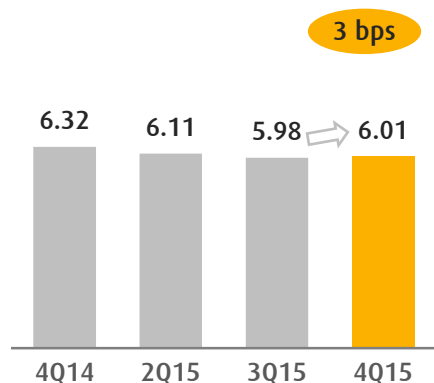
FC Deposits



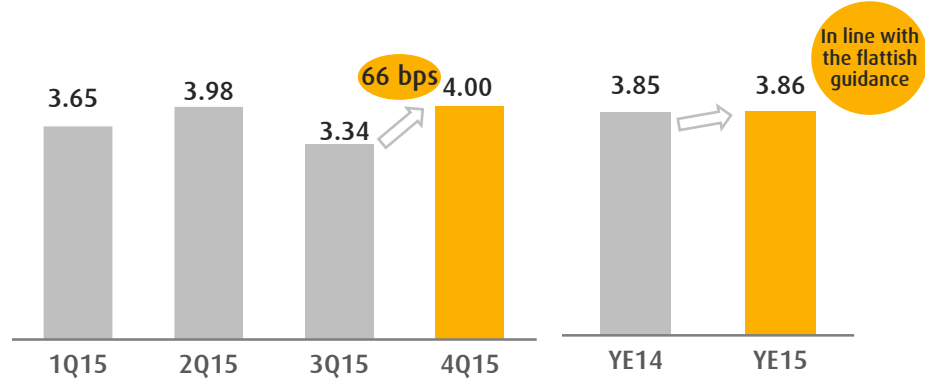
FC Loans



FC Securities*

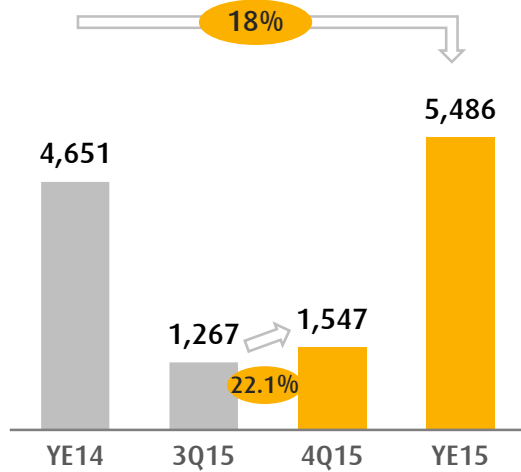


Net Interest Margin (NIM %)

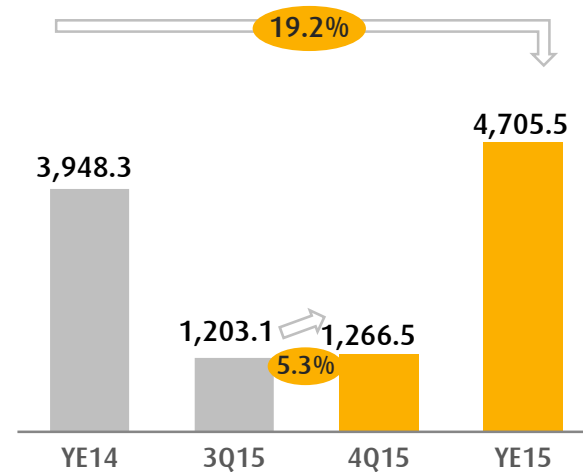


Earnings breakdown

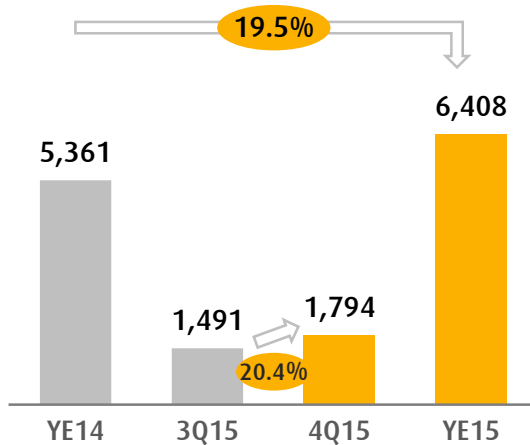
Net Interest Income (TL million)



Net Interest Income excluding CPI (TL million)

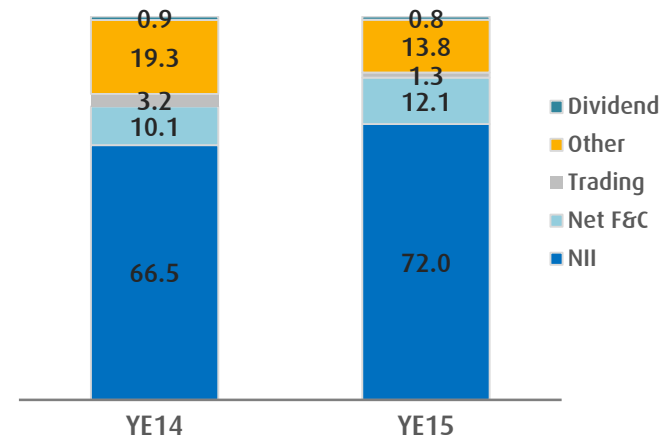


Core Banking Revenues* (TL million)



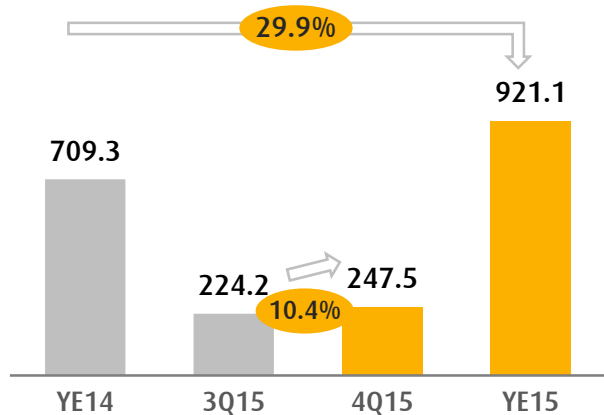
Core Banking Revenue growth of **19.5%** YoY vs sector average growth of 15.5%

Breakdown of Total Revenues (%)

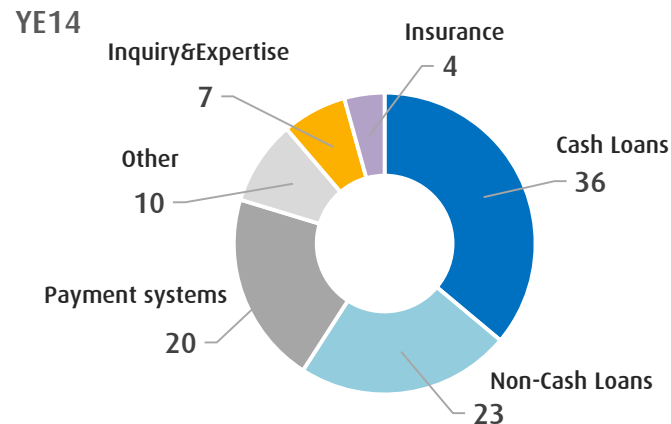
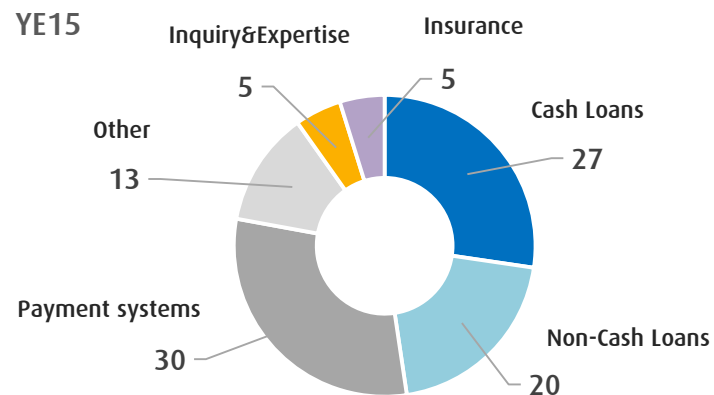


Strong fee growth at 30% YoY despite regulatory pressures

Net Fee and Commission Income (TL million)



Breakdown of Net Fee and Commission Income (%)



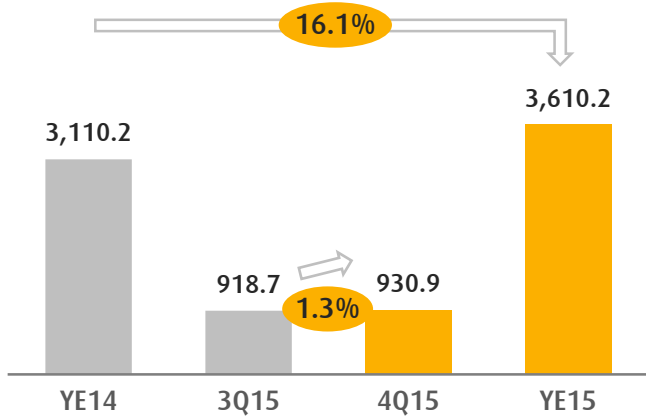
Share of fees in total revenues increased to **12.1%** in YE15 vs 10.1% in YE14

Contribution of payment systems related fees increased to **30.2%** in YE15 vs 20.5% in YE14

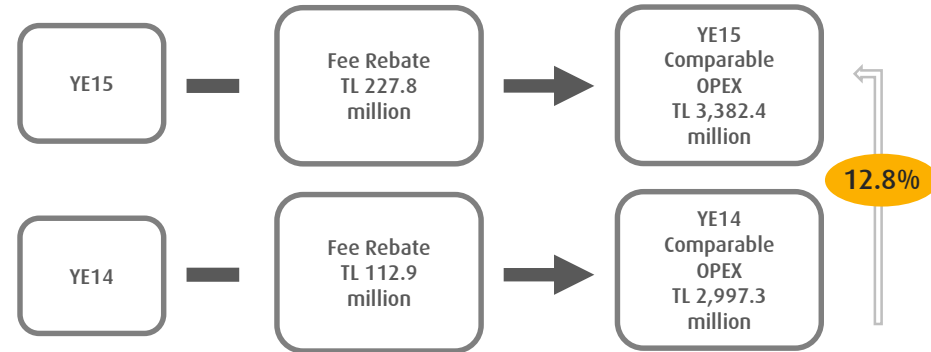
Fee / Opex ratio increased to **25.5%** in YE15 vs 22.8% in YE14

Comparable opex growth is in line with the operating budget

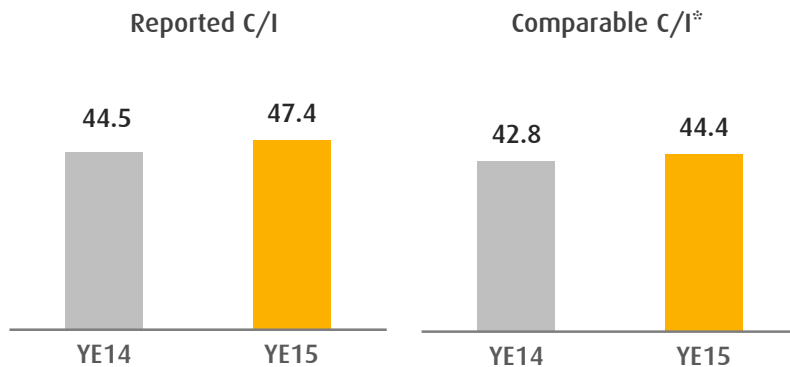
Operating Expenses (TL million)



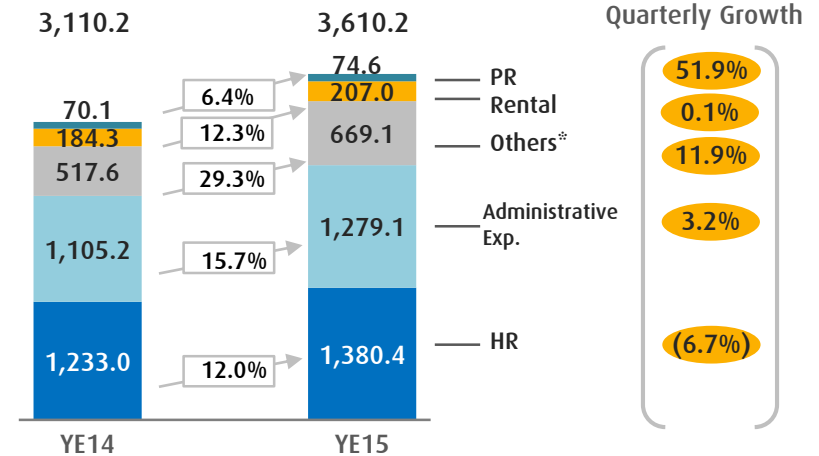
Comparable Opex*



Cost/Income (%)



Breakdown of Opex (TL million)



VakifBank with numbers

Distribution Channels & Customer (#)	YE15	Efficiency ('000 TRY)	YE15
Branches	920	Assets per Employee	11,872
ATMs	3,576	Assets per Branch	198,856
Personnel	15,410	Loans per Employee	7,980
POS Terminals	172,663	Loans per Branch	133,668
Outstanding Credit Cards	3.1 mn	Deposits per Employee	7,133
Total Customers	17.7 mn	Deposits per Branch	119,481
Total Payroll Customers	2.4 mn		
Internet Banking Customers	2.8 mn		
Active Mutual Fund Customers	1.6 mn		

27 new branch
openings in 2015

Balance Sheet

	(TL-million, %)	YE14	3Q15	YE15	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	21,885	25,127	21,485	(1.8%)	(14.5%)
	Interbank	2,571	6,843	5,234	103.6%	(23.5%)
	Securities	23,558	25,076	25,337	7.6%	1.0%
	Loans	104,343	124,226	122,974	17.9%	(1.0%)
	Subsidiaries & Investments	1,737	1,859	1,875	7.9%	0.8%
	Property & Equipment	709	1,332	1,383	95.1%	3.8%
	Other	3,415	4,357	4,659	36.4%	6.9%
	Total Assets	158,218	188,820	182,947	15.6%	(3.1%)
Off-B.S. Liabilities & SHE	Deposits	91,757	112,578	109,923	19.8%	(2.4%)
	Funds Borrowed	14,927	19,275	18,556	24.3%	(3.7%)
	Other	34,325	38,260	34,776	1.3%	(9.1%)
	Provisions	2,437	2,830	2,924	20.0%	3.3%
	Shareholders' Equity	14,772	15,877	16,768	13.5%	5.6%
	Guarantees	28,634	35,190	33,068	15.5%	(6.0%)
	Commitments	26,621	27,835	34,560	29.8%	24.2%
	Derivatives	36,207	53,887	49,924	37.9%	(7.4%)

Income Statement

(TRY-Thousand, %)	YE14	3Q15	4Q15	YE15	YoY Growth	QoQ Growth
Net Interest Income	4,651,478	1,266,811	1,546,894	5,486,481	18.0%	22.1%
Net Fee & Com. Income	709,334	224,150	247,509	921,084	29.9%	10.4%
Dividend Income	66,288	0	89	62,219	(6.1%)	100.0%
Net Trading Income	223,119	2,382	3,906	99,474	(55.4%)	64.0%
Other Income	1,345,534	209,637	294,771	1,048,278	(22.1%)	40.6%
Total Revenues	6,995,753	1,702,980	2,093,169	7,617,536	8.9%	22.9%
Operating Expenses	(3,110,210)	(918,707)	(930,859)	(3,610,183)	16.1%	1.3%
Provisions	(1,671,867)	(201,322)	(345,667)	(1,537,060)	(8.1%)	71.7%
Tax Provisions	(460,403)	(130,409)	(160,013)	(540,184)	17.3%	22.7%
Net Income	1,753,273	452,542	656,630	1,930,109	10.1%	45.1%

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\$ 922 million and EUR 260 million.

Private Placements

Private Placements*

•US\$ 4,327 million equivalent private placements were issued since June 2013 under GMTN program. Outstanding balance of private placements is US\$ 262 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 :Under DPR Program, US\$ 30 million to implement the Women in Business Program and US\$ 95 million to finance SMEs in the Turkish agricultural sector.
- 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.
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.
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.
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 and was fully allocated 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.
- 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 February 11, 2016.

A member of BIST Sustainability Index



Investor Relations

Levent Mah. Çayır Çimen Sok. No:7 Kat:6

34330 Beşiktaş-İstanbul / Turkey

E-mail: investorrelations@vakifbank.com.tr

Tel (90-212) 316 7336

Fax (90-212) 316 7126

www.vakifbank.com.tr

Disclaimer Notice: This report has been prepared by VakıfBank, Investor Relations Department and is provided for information purposes only. Although the information on which the report is based has been obtained from sources which we believe to be reliable, no representation or warranty is made by VakıfBank for the accuracy or completeness of the information contained herein. Information contained herein is subject to change without notice. VakıfBank accepts no liability whatsoever for any direct or consequential loss of any kind arising out of the use this document or any part of its content.