

Earnings Presentation

BRSA Bank-Only 1Q 2017

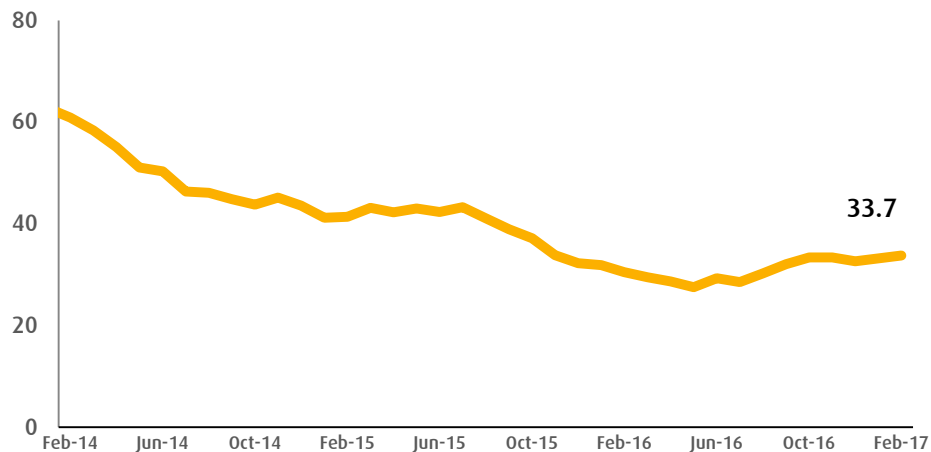
May 10, 2017

VakıfBank IR App.
Available at

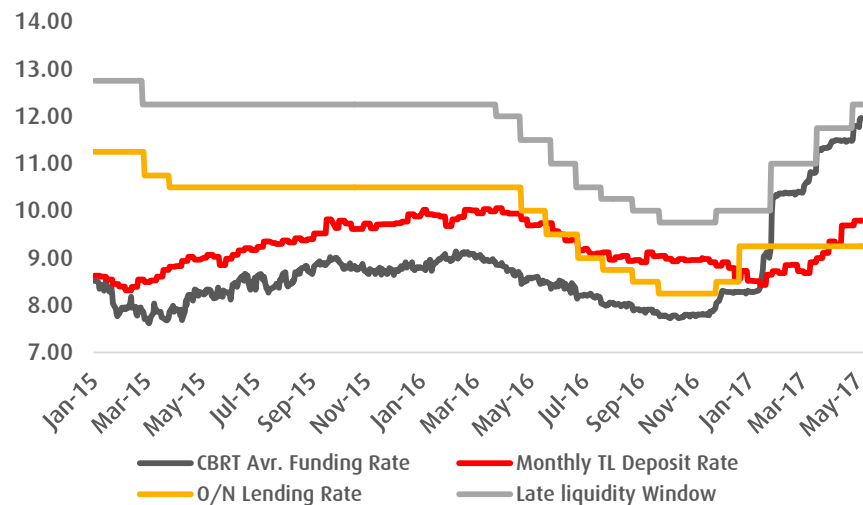


1Q17 Macro Highlights

Current Account Deficit (12m, bn USD)



Monetary Policy






















USD/TL



Banking Sector

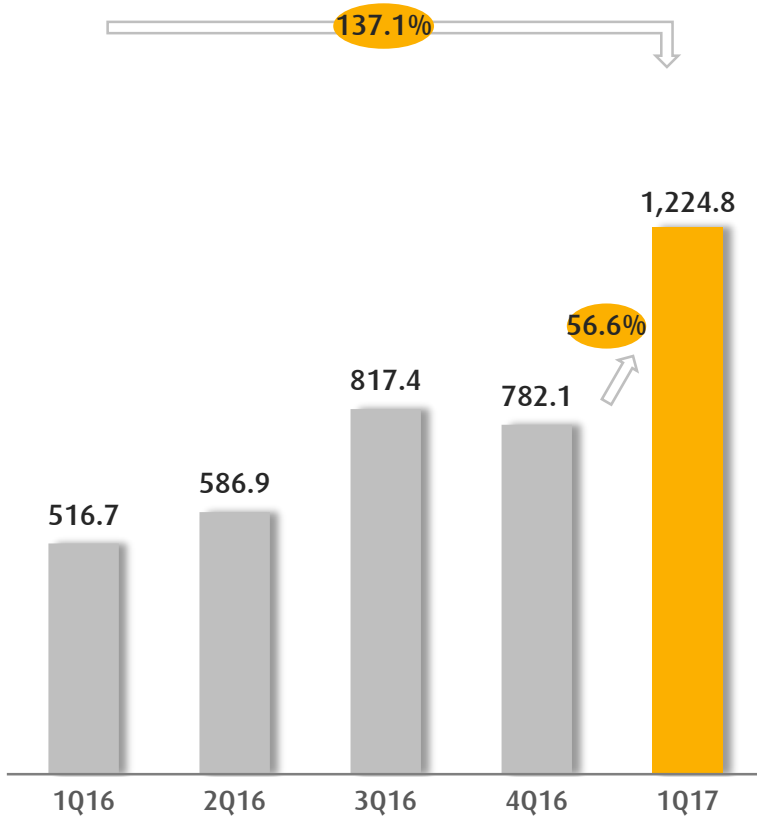
(%)	QoQ	YoY
Loan Growth	5.5	21.1
TL	7.3	17.1
FC	2.2	29.8
Deposit Growth	4.4	19.1
TL	(0.3)	15.3
FC	11.1	24.3
Asset Growth	4.9	19.0

1Q17 VakifBank Highlights

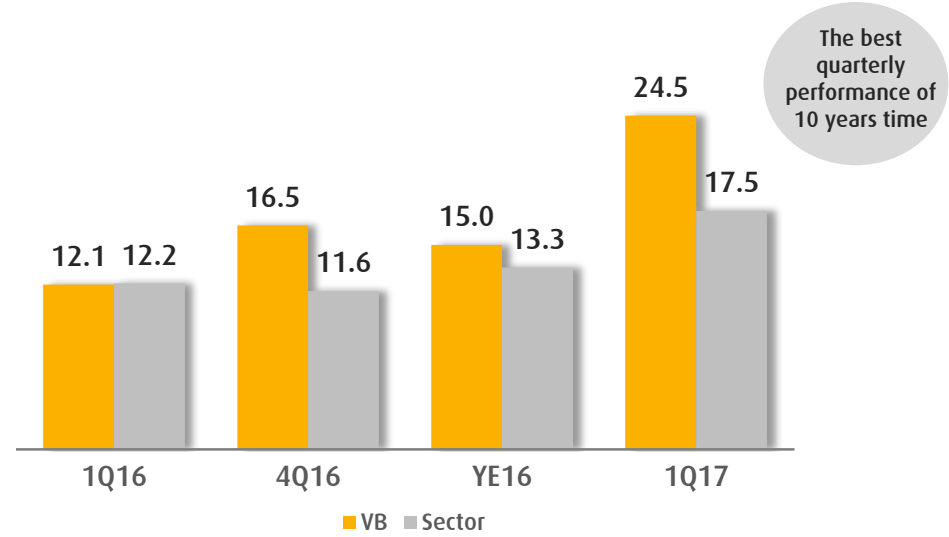
-  All time best quarterly net income of TL 1,224.8 million, which is up by 137% YoY and 57% QoQ.
-  The best quarterly performance of 10 years in profitability ratios; ROAE and ROAA are at 24.5% and 2.3% respectively.
-  Total loans are up by 22.7% YoY and 4.5% QoQ.
-  TL lending is up by 17% YoY and 5.7% QoQ.
-  NPL ratio materialized at 4.21% while NPL coverage ratio further increased 130 bps QoQ to 84.3% in 1Q17.
-  New NPL inflow is down by 24.6% QoQ; net CoR came down to 93 bps vs 159 bps in 4Q16 on the back of lower NPL inflow and higher collections.
-  The share of Group II loans in total also decreased 15 bps QoQ to 4.6%.
-  Total deposits are up by 12.5% YoY and 5% QoQ.
-  Flattish LtD ratio at 117.8%; TL LtD ratio came at 118.5% way below sector average of 144.2%.
-  Quarterly NIM is up by 69 bps to 5.2%;
 -  TL core spreads are up by 30 bps QoQ thanks to lower cost of TL deposits,
 -  Interest income from CPI Linkers is TL 539 million in 1Q17 vs TL 179 million in 4Q16.
-  Net Interest Income is up by 53.2% YoY and 22% QoQ.
-  Fee & Commission income is up by 28.1% YoY.
-  Disciplined cost management on track; annual opex growth of 9.1%, below annual CPI.
-  C/I Ratio came all time low level at 31.1% on the back of strong revenue growth and cost efficiency.
-  Solvency ratios further improved via strong internal capital generation, effective capital management and regulatory easing;
 -  Total CAR is up by 129 bps QoQ to 15.45%,
 -  Core Tier I is up by 89 bps to 12.36%.

1Q17 Earnings and Ratios

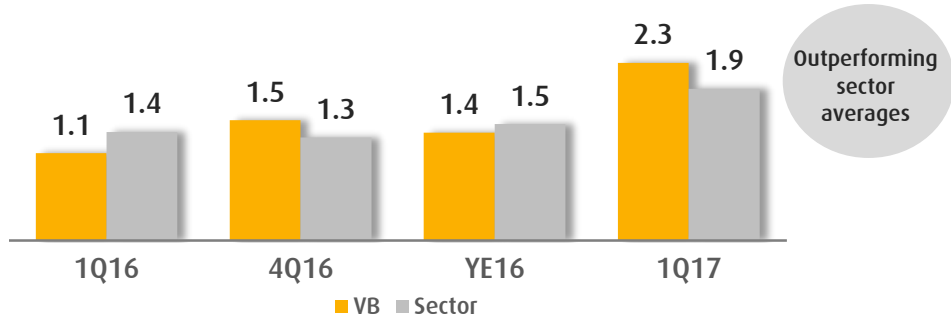
Net Income (TL million)



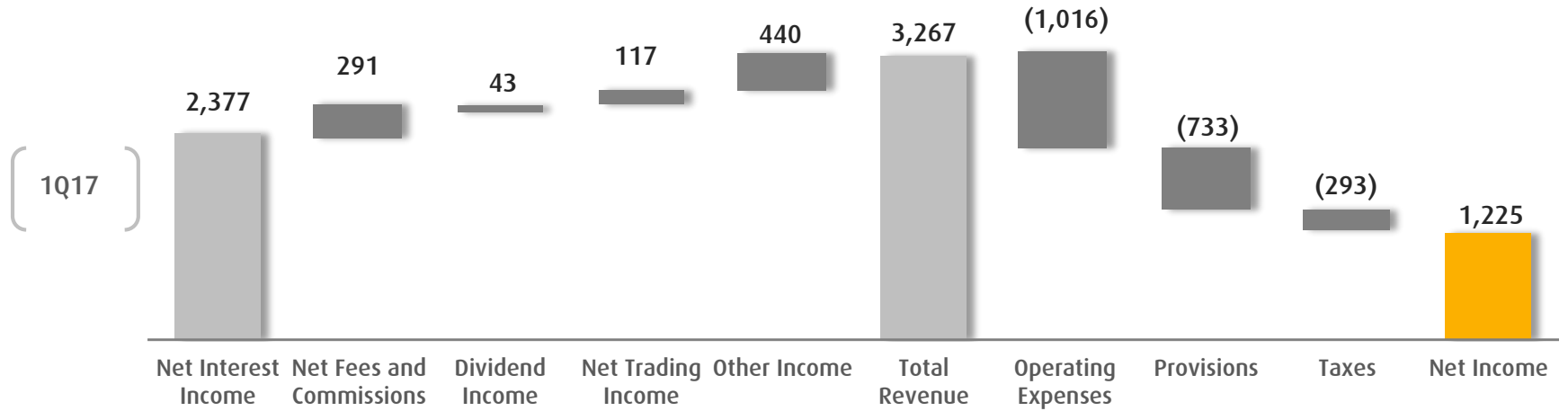
ROAE (%)



ROAA (%)



1Q17 P&L Details

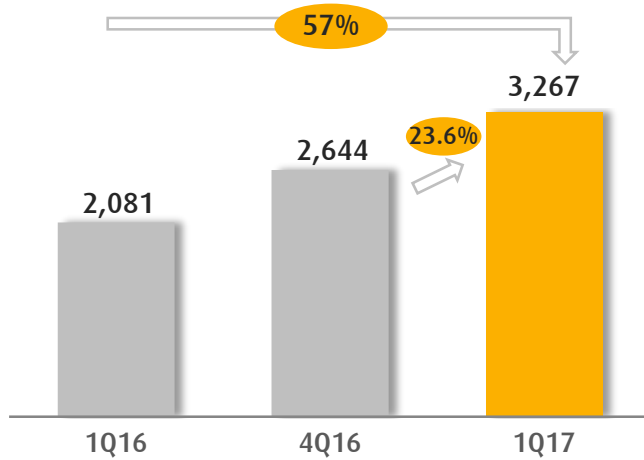


Δ % vs 1Q16	Net Interest Income	Net Fees and Commissions	Dividend Income	Net Trading Income	Other Income	Total Revenue	Operating Expenses	Provisions	Taxes	Net Income
	+53%	+28%	+12%	+513%	+79%	+57%	+9%	+44%	+138%	+137%

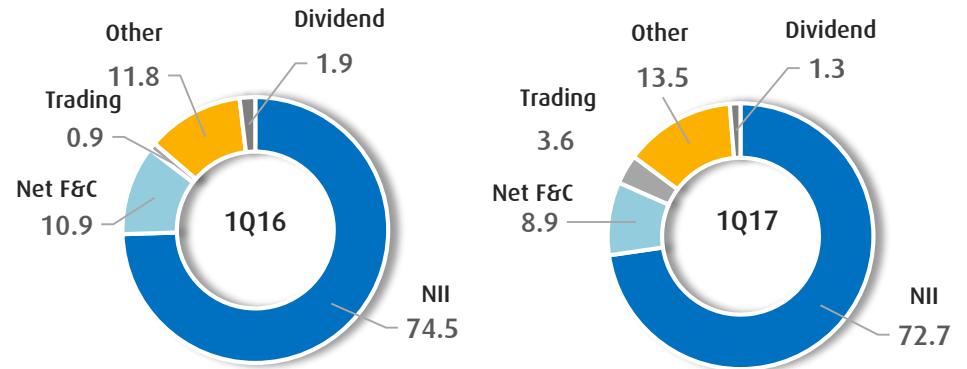
Δ % vs 4Q16	Net Interest Income	Net Fees and Commissions	Dividend Income	Net Trading Income	Other Income	Total Revenue	Operating Expenses	Provisions	Taxes	Net Income
	+22%	+5%	+138,652%	-56%	+190%	+24%	+6%	+3%	+54%	+57%

Revenue breakdown

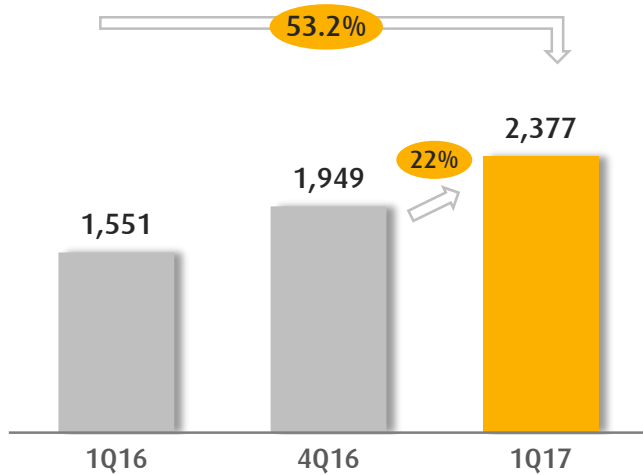
Total Revenues (TL million)



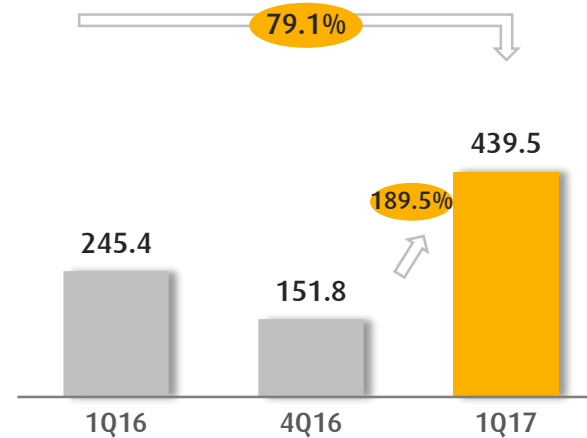
Revenue Breakdown (%)



Net Interest Income (TL million)

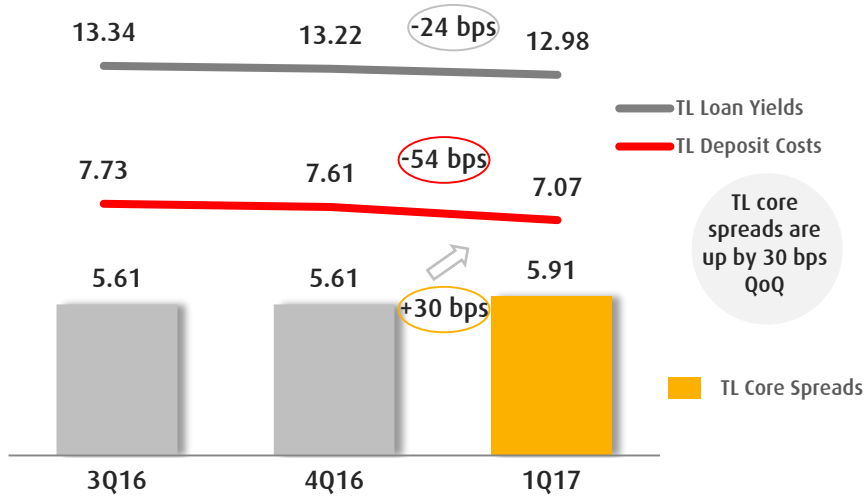


Other Income (TL million)

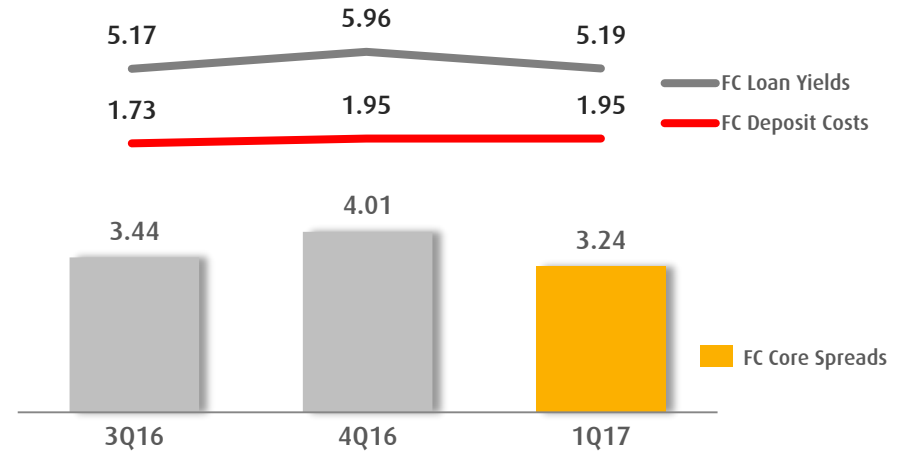


NIM, Spreads and Costs

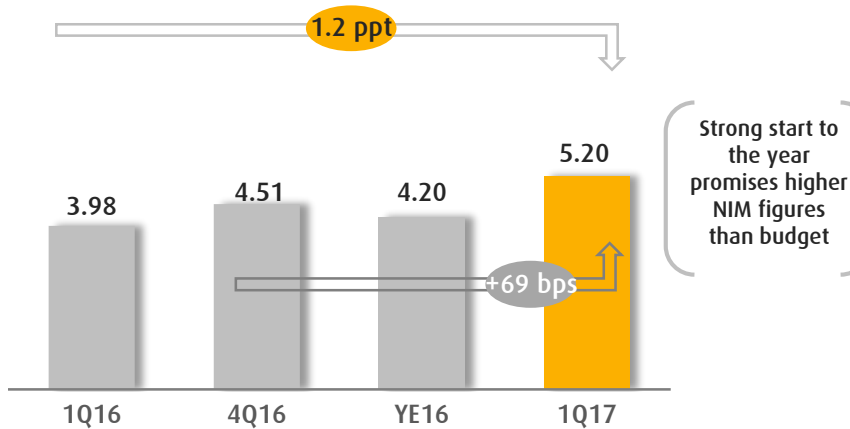
TL Core Spreads (%)



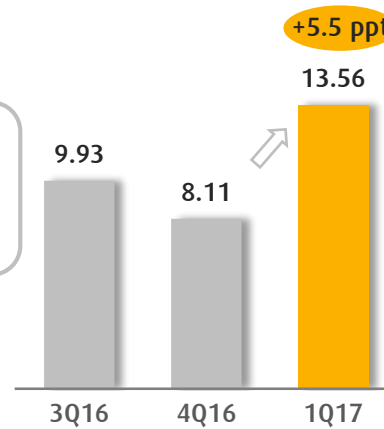
FC Core Spreads (%)



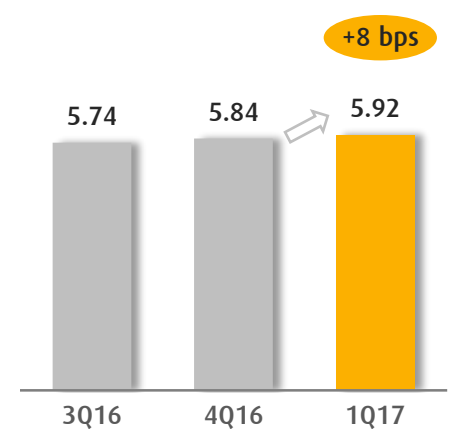
Net Interest Margin (NIM %)



TL Securities

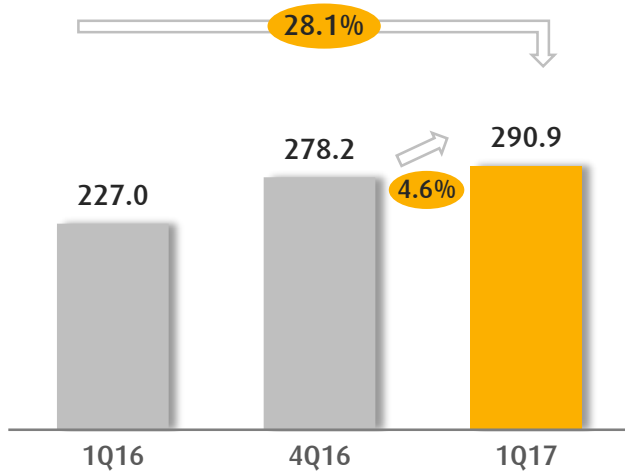


FC Securities*

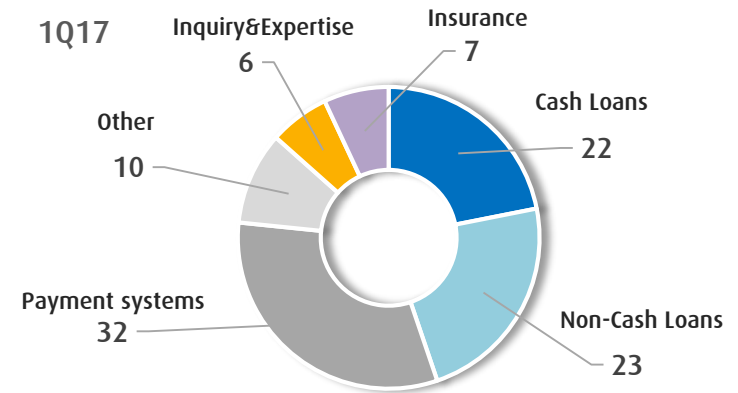


Eye-catching fee growth via further contribution from payment systems

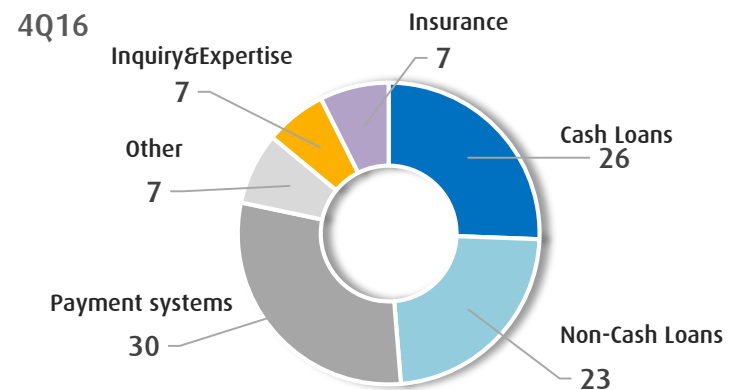
Net Fee & Commission Income (TL million)



Breakdown of Net Fee & Commission Income (%)

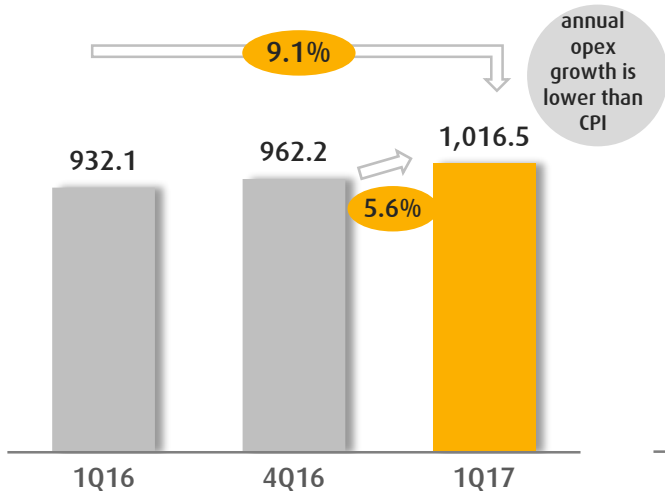


The share of payment systems increased to **32%** in 1Q17 vs 30% in 4Q16

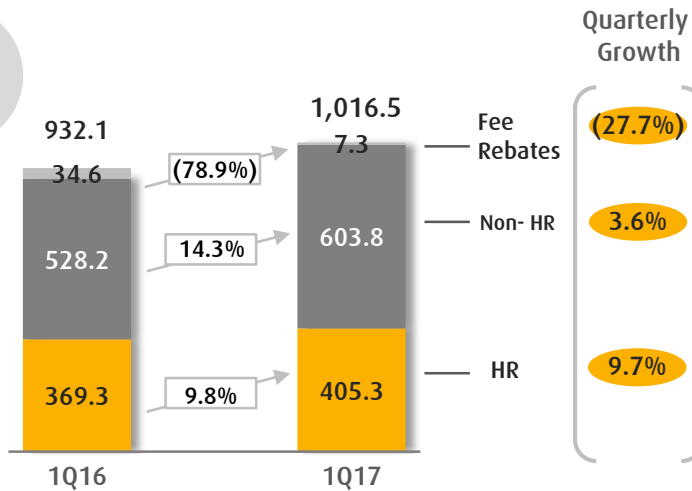


Disciplined cost management on track: All time low C/I Ratio

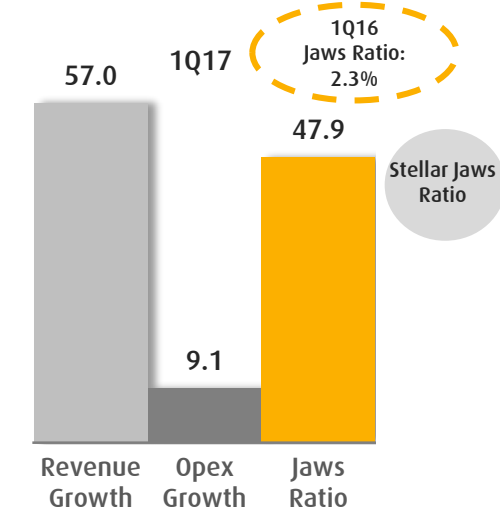
Operating Expenses (TL million)



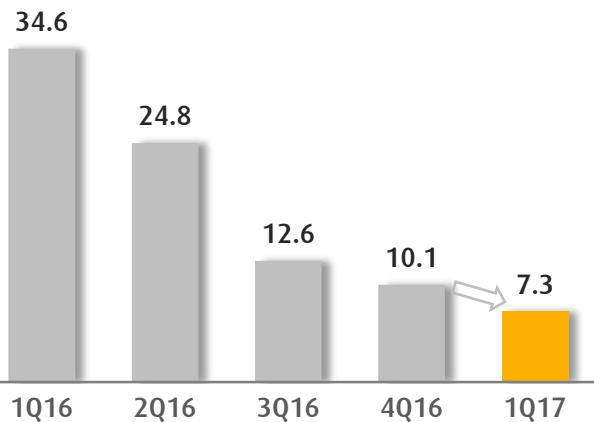
Breakdown of Opex (TL million)



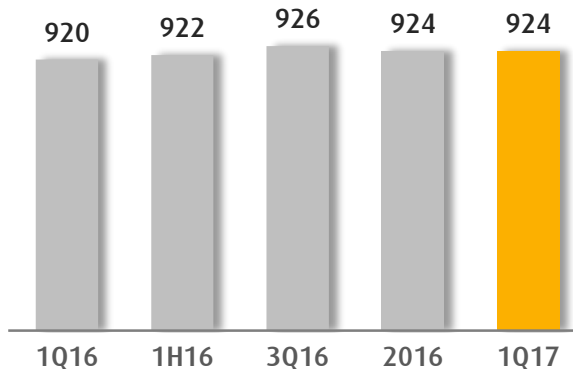
Jaws Ratio (% YoY)



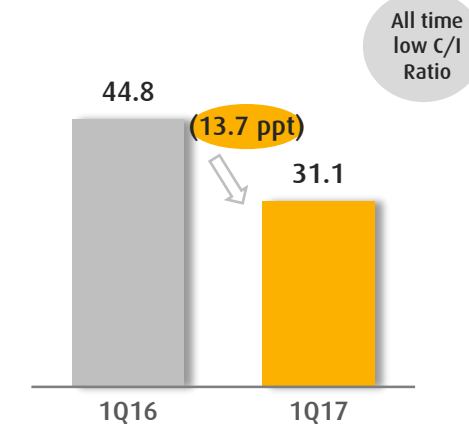
Fee Repayment (Quarterly, TL million)



Branch Number (#)

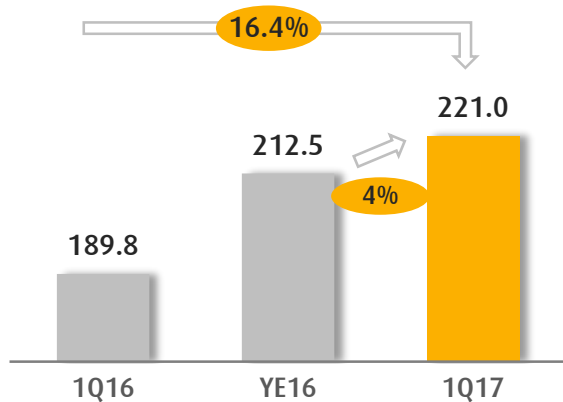


Cost/Income (%)

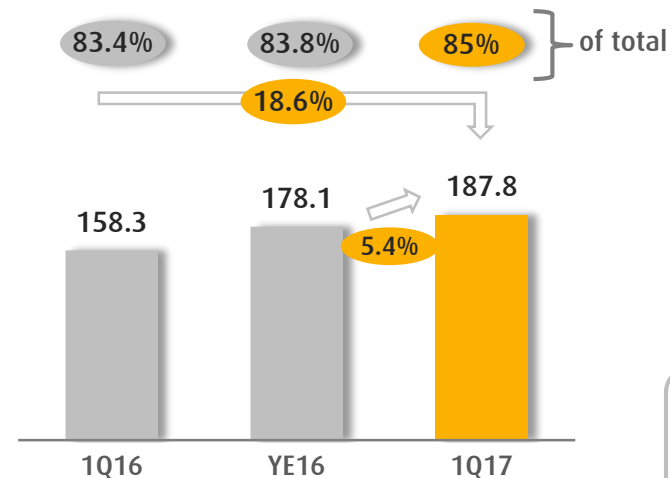


Asset Breakdown

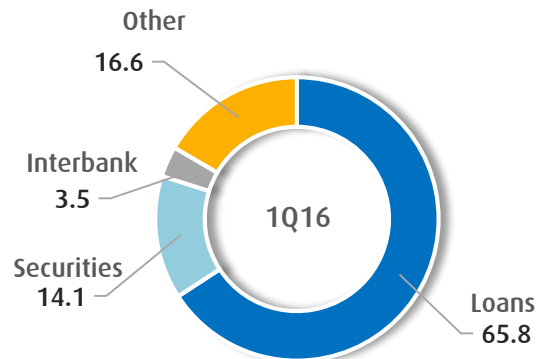
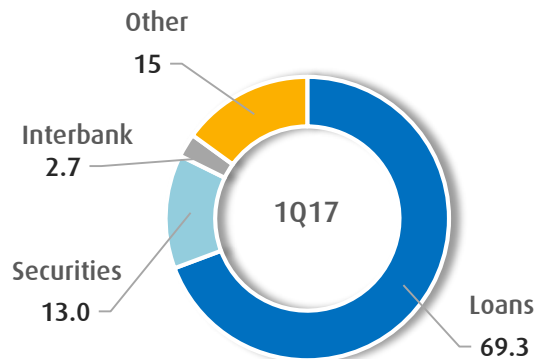
Total Assets (TL billion)



Interest Earning Assets (TL billion)



Breakdown of Assets (%)



Quarterly Growth

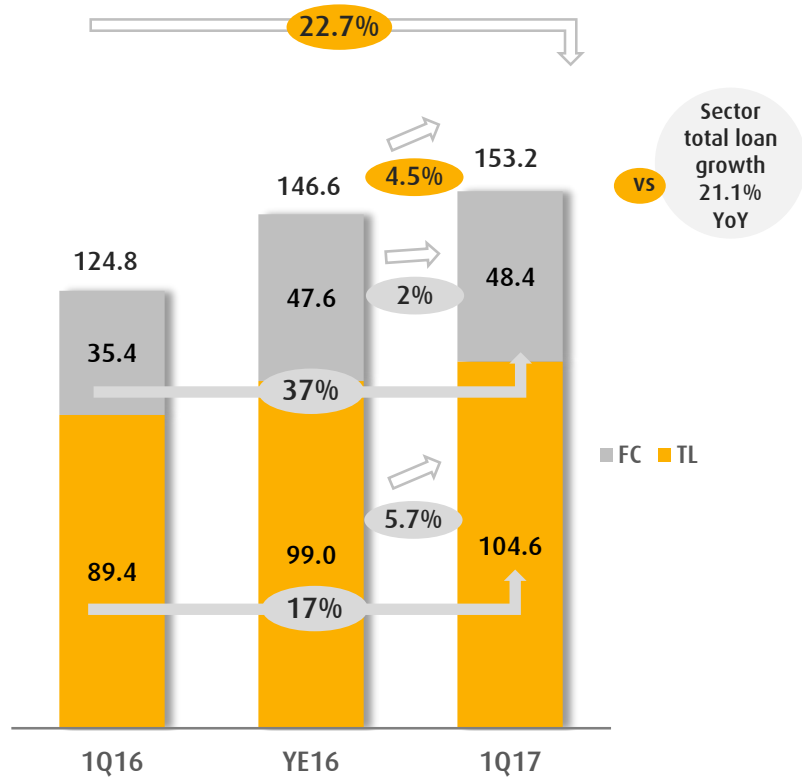
Securities Loans

1Q16	+6%	+2%	Selective lending in key growth segments
2Q16	-3%	+4%	
3Q16	+1%	+6%	Selective lending, yet TL depreciation related growth
4Q16	+5%	+7%	
1Q17	+4%	+4%	Balanced asset growth in lucrative products

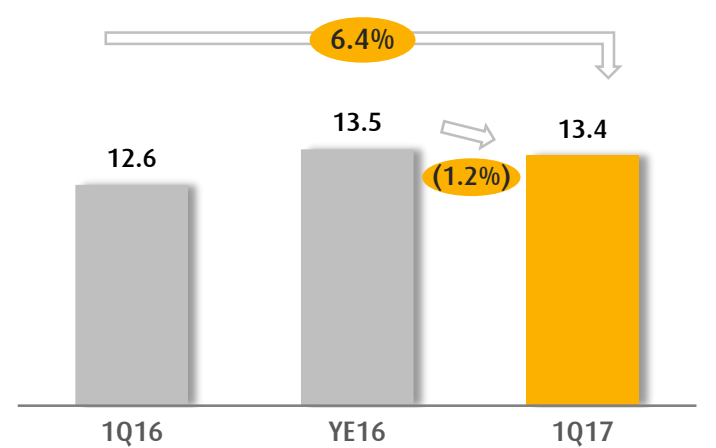
Securities/Assets Ratio went further down to 13% in 1Q17 due to customer driven revenue generation strategy

TL Commercial loans driven quarterly loan growth

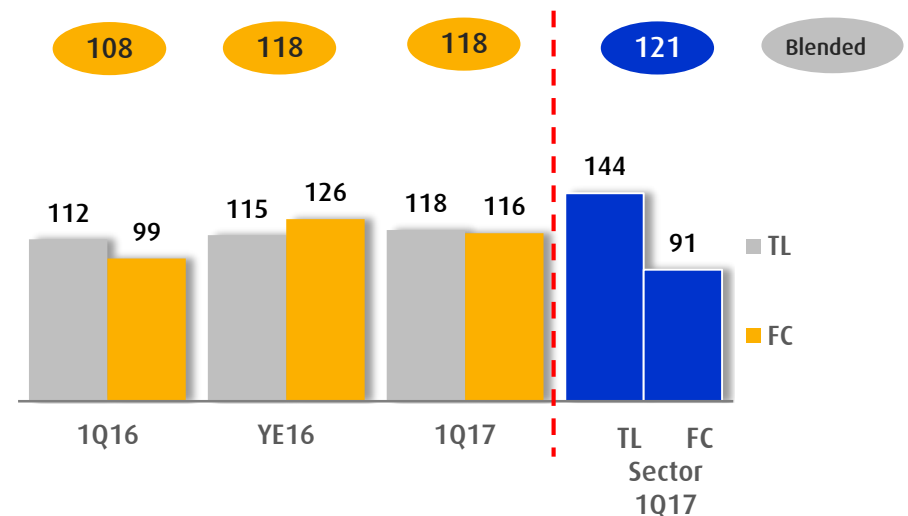
Total Loans (TL billion)



FC Loans (USD billion)



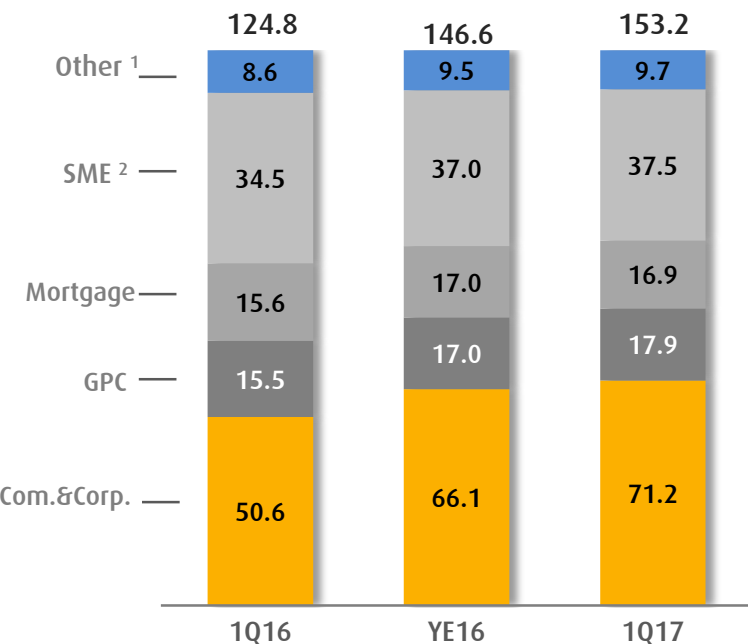
Loan/Deposit (%)



TL (% in total)	71.6%	67.5%	68.3%
FC (% in total)	28.4%	32.5%	31.7%

Well diversified & stable loan breakdown

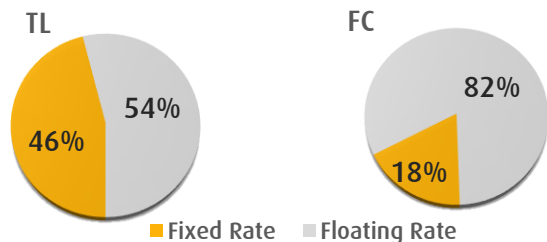
Breakdown of Loans (TL billion)



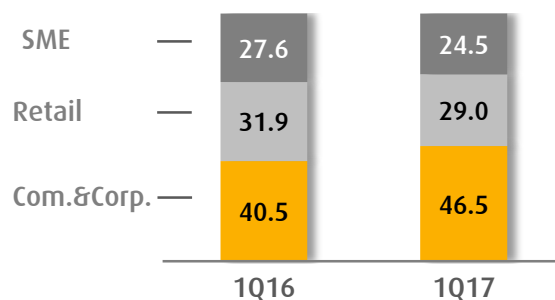
Loans (TL billion)

	VB 1Q17	VB QoQ	VB YoY	Sector QoQ	Sector YoY
Cash & Non-Cash Loans	195.4	4%	24%	5%	22%
Total Loans	153.2	4%	23%	6%	21%
TL	104.6	6%	17%	7%	17%
FC (\$)	13.4	(1%)	6%	(1%)	1%
Retail Loans	41.9	2%	12%	3%	12%
Total Commercial & Corporate Loans³	111.2	5%	27%	6%	24%
SME	37.5	1%	9%	6%	12%

Loans by Interest Structure



Portfolio Breakdown (%)



Breakdown of FC Loans

	Share	QoQ (US\$)	YoY (US\$)
Project Finance	61%	0%	7%
Export Loans	10%	(11%)	(18%)
Working Capital and Other	29%	(1%)	16%

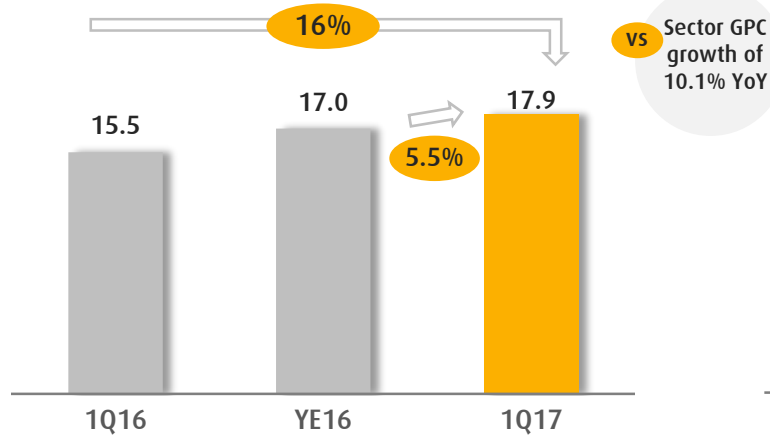
¹ Other includes credit cards, overdraft and auto loans.

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

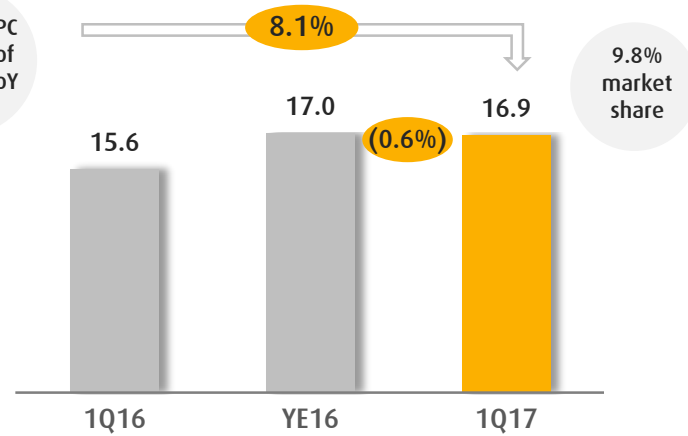
³ It includes SME, corporate credit cards and overdraft.

GPC driven retail loan growth continued

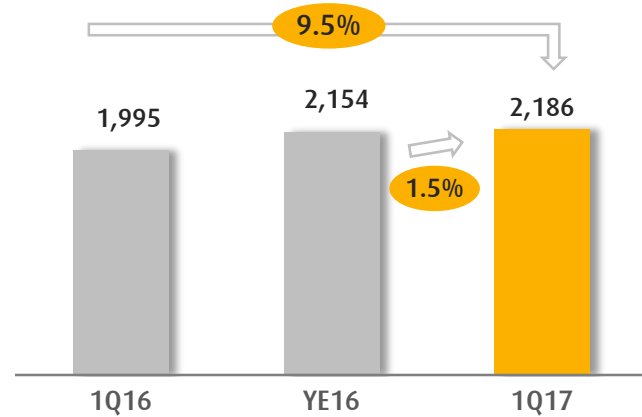
General Purpose Consumer (TL billion)



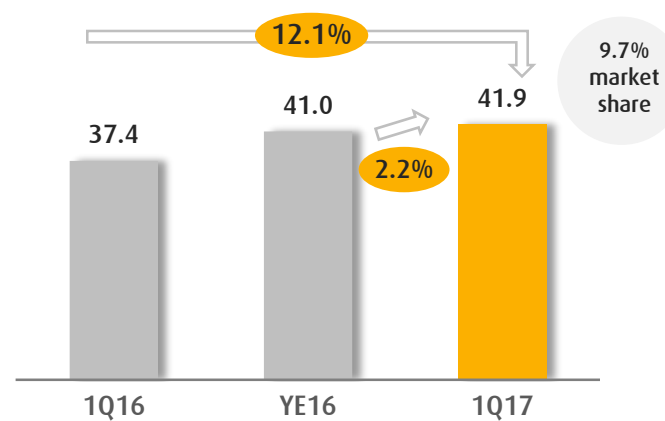
Residential Mortgages (TL billion)



Retail Overdraft (TL million)



Total Retail (TL billion)

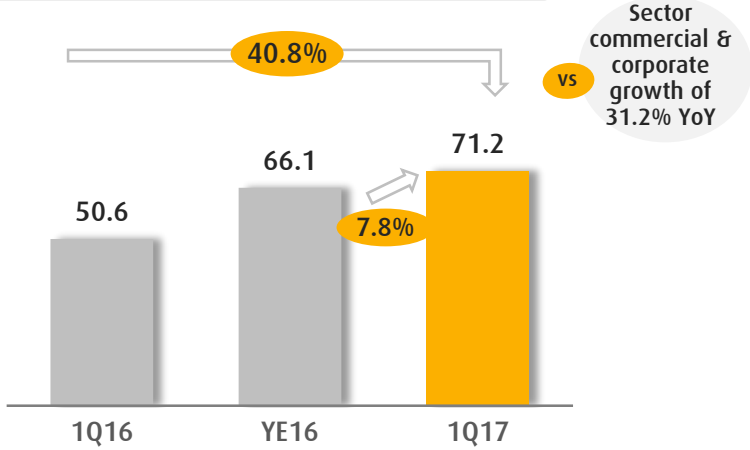


Strong presence in key retail segments thanks to **2.2 million** pay-roll accounts

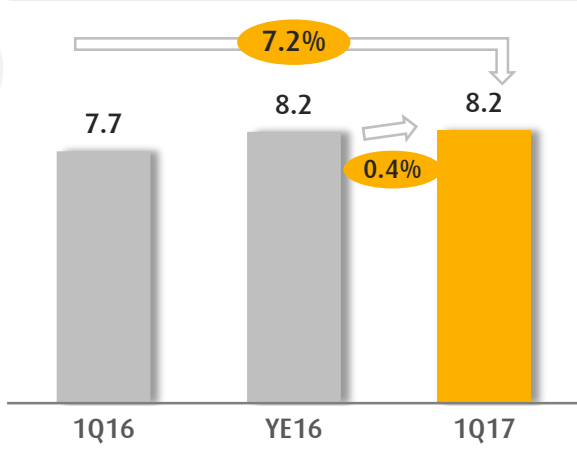
Market share in GPC lending **%10.4** in 1Q17 vs %9.8 in 1Q16

Selective business lending growth in key segments

Commercial&Corporate (TL billion)

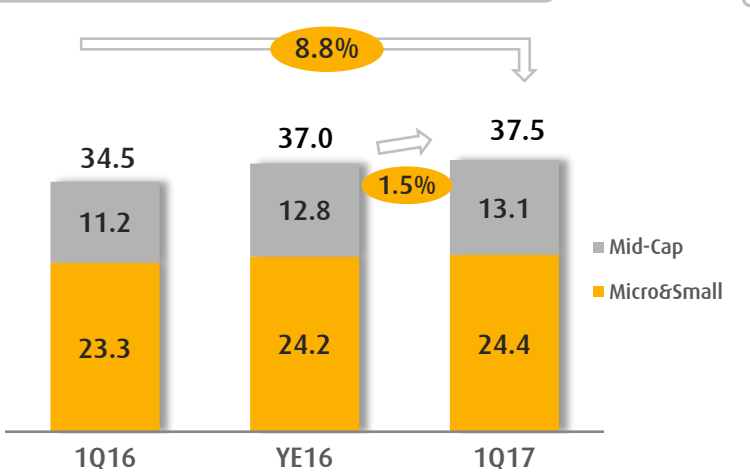


Project Finance Loans (USD billion)

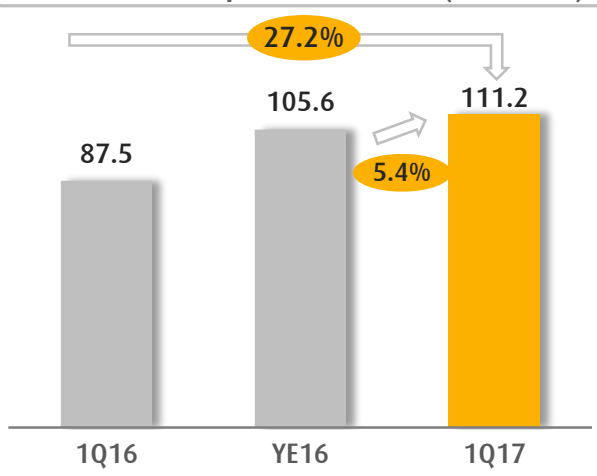


Corporate & Commercial lending is up by **41%** YoY

SME* (TL billion)



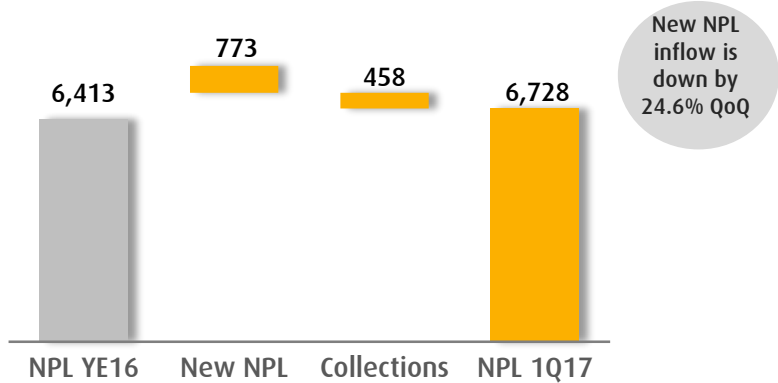
Total Com.&Corporate Loans** (TL billion)



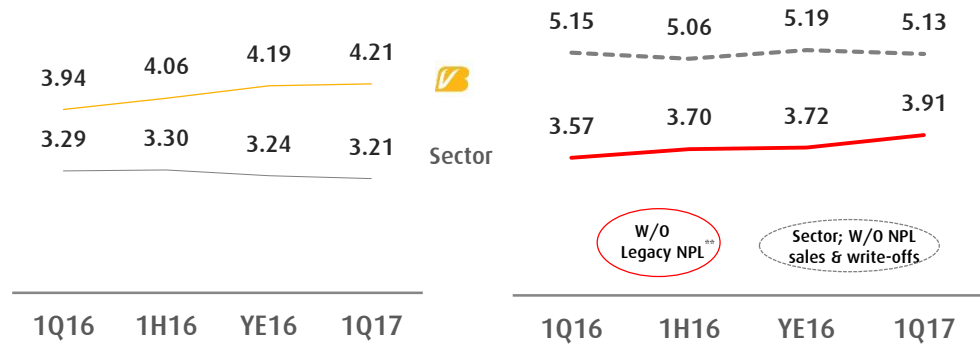
Loans provided via Credit Guarantee Fund in 1Q17; **TL 1.3 billion**

Decelerated new NPL inflow & Lower share of Group II Loans

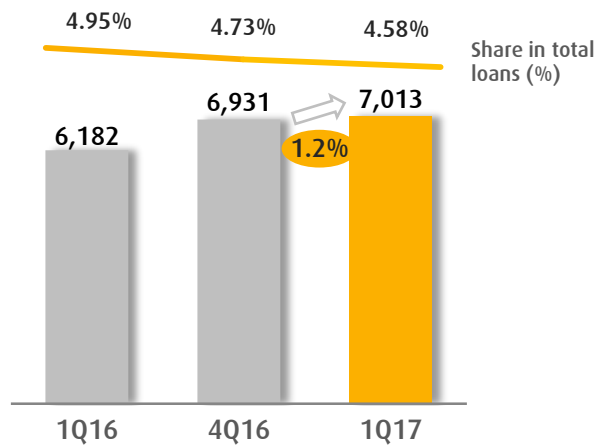
NPL (TL million)*



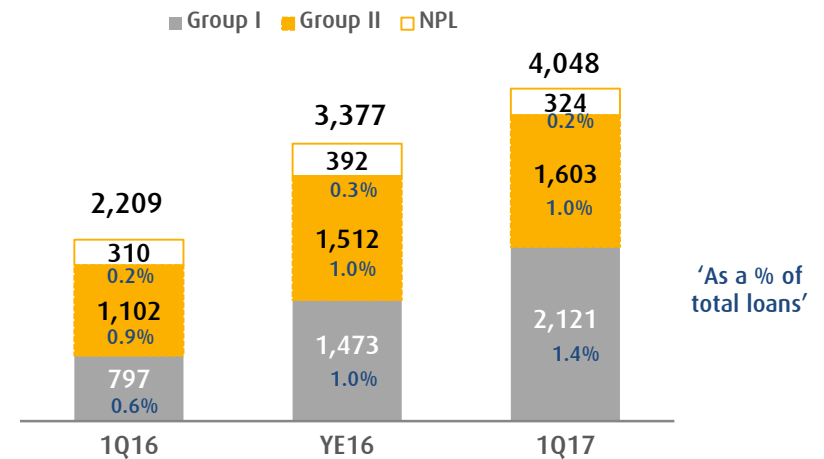
Reported¹ and Comparable NPL Ratios (%)



Group II Loans (TL million)

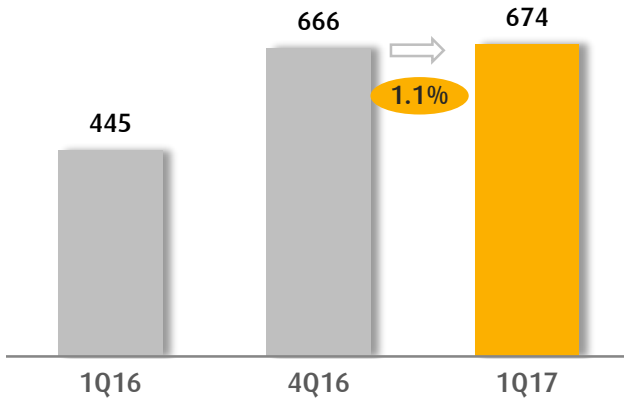


Restructured Loans (TL million)

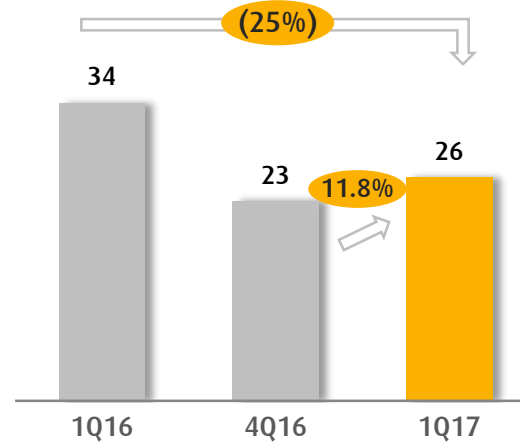


66 bps quarterly improvement in Net CoR despite NPL coverage increase

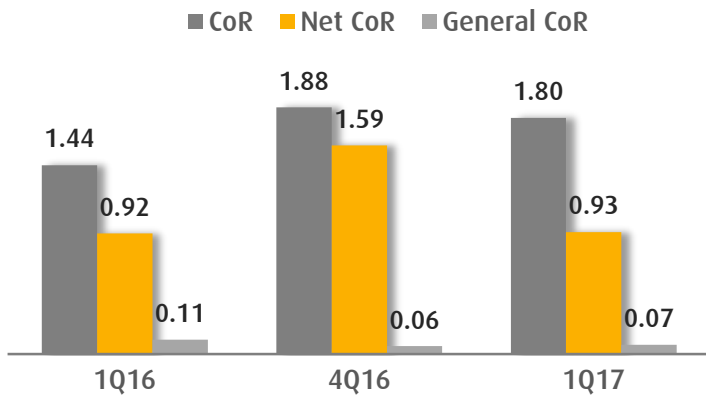
Specific Provisions (TL million)



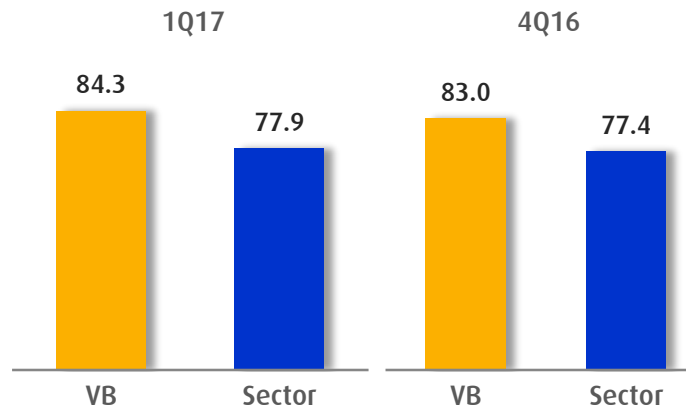
General Provision (TL million)



Specific Cost of Risk (%)



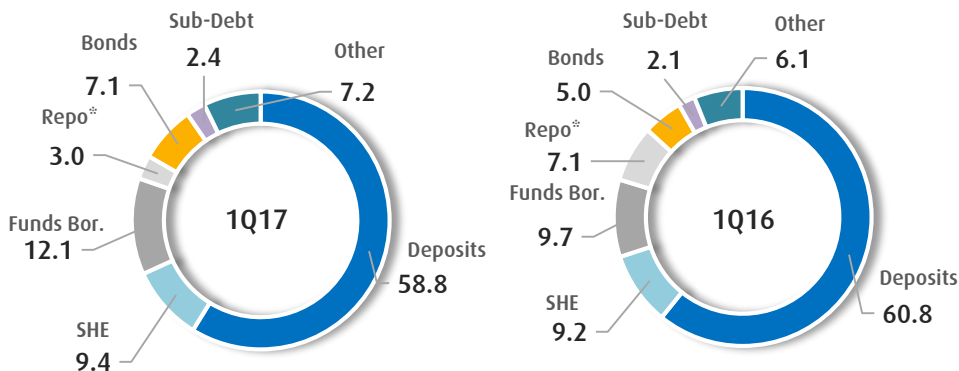
Coverage Ratio (%)



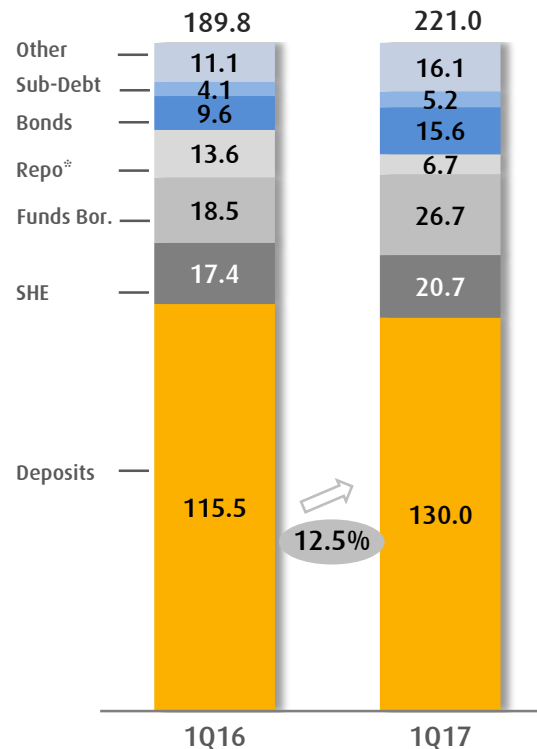
~TL 1.3 billion general provisions held conservatively as a buffer

Customer deposits driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL billion)



3 year bilateral loan obtained from ICBC amounting to **USD 250 million**

Leverage was **9.69x** in 1Q17 vs 9.93x in 1Q16

The share of deposits in total liabilities is solid at **59%** in 1Q17

The share of repo down to **3.0%** in 1Q17 from **4.9%** in YE16

Deposits (TL billion)

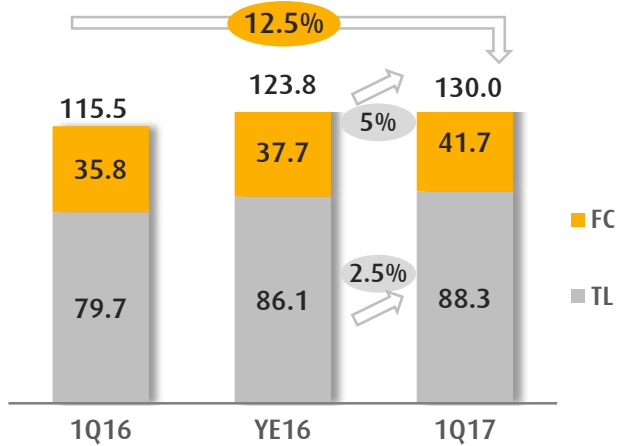
	VB 1Q17	VB QoQ	VB YoY	Sector QoQ	Sector YoY
Total Deposits	130.0	5%	13%	4%	19%
TL	88.3	3%	11%	0%	15%
FC (\$)	11.5	7%	-10%	8%	-3%
Customer **	123.2	4%	13%	N.A.	N.A.
Demand	25.7	5%	20%	8%	28%
Repo*	6.7	-36%	-51%	-30%	-40%
TL	4.8	-44%	-59%	-48%	-58%
FC	1.9	8%	-4%	6%	9%
Borrowings (Funds Borrowed + Securities Issued + Sub-debt)	47.5	8%	48%	4%	22%

*Includes CBRT and market TL & other FC repo transactions

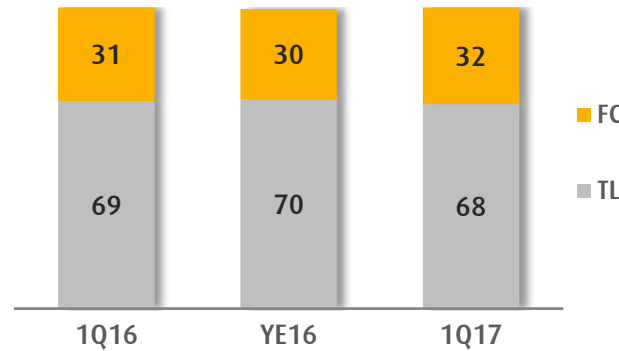
**Excluding bank deposits.

Non-granular deposit base via faster growth on demand & retail deposits

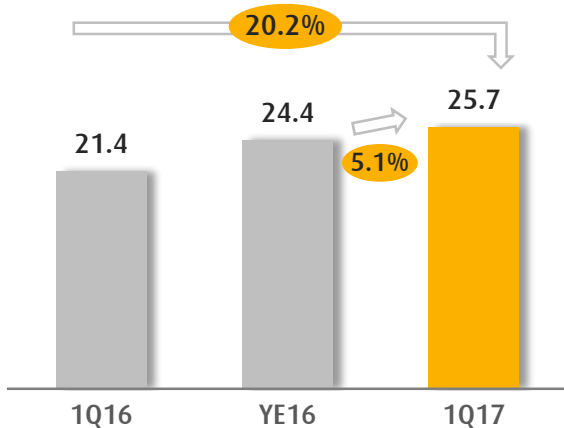
Total Deposits (TL billion)



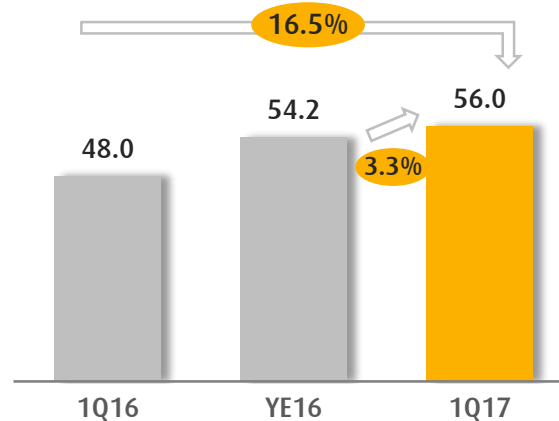
Breakdown of Deposits (%)



Demand Deposits (TL billion)



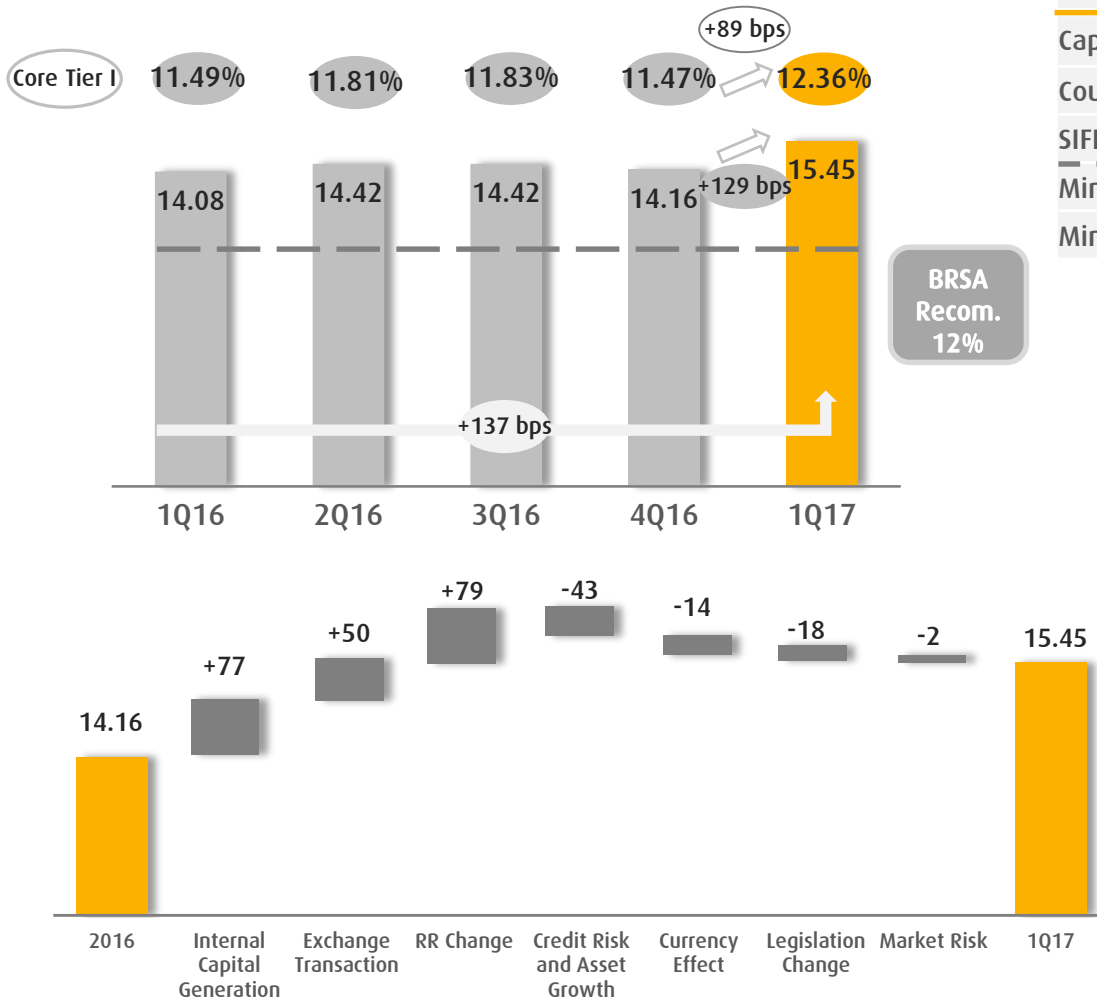
Total Retail Deposits (TL billion)



Share of Demand deposits in total is **19.8%** in 1Q17 vs 18.5% in 1Q16

Effective Capital Management further strengthened solvency ratios

Capital Adequacy Ratio (%)



Buffers (%)	1Q17	2017	2018	2019
Capital Conservation Buffer	0.625	1.25	1.875	2.5
Counter Cyclical Buffer*	-	-	-	-
SIFI Buffer** (Group II)	0.250	0.500	0.750	1.000
Minimum CET I	5.125	5.750	6.375	7.000
Minimum Tier I	6.625	7.250	7.875	8.500

BRSA Recom. 12%

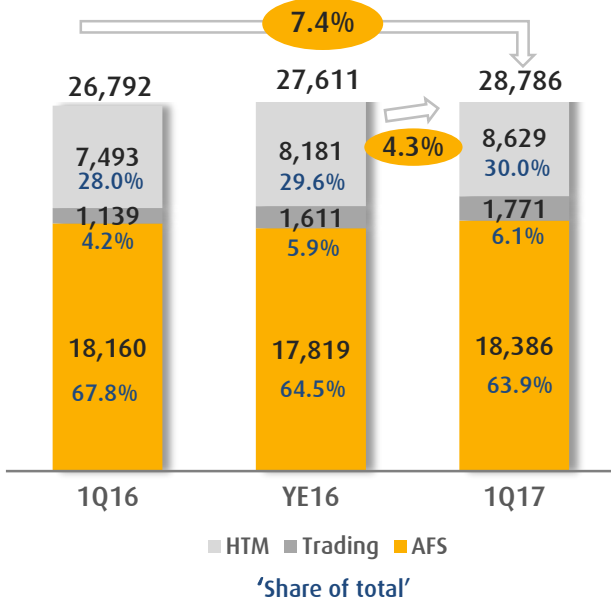
- Exchange amount of USD 228 million from 2022 old style Tier II notes to 2027 NC2022 Basel III compliant Tier II notes added additional **~50 bps** to total CAR in 1Q17
- The effect of 0.1 TL decrease/increase in USD/TL parity on CAR is **~11 bps**
- 22.7%** YoY loan growth vs. **10.3%** YoY RWA growth
- The effect of 1 ppt interest rate increase/decrease on CAR is **~10 bps**

Appendix

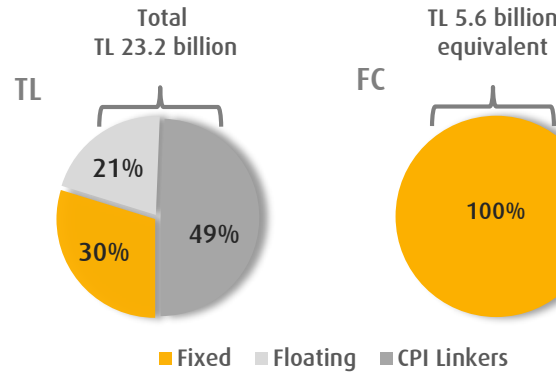
Pg. 21	Securities Portfolio
Pg. 22	Credit Card Loans
Pg. 23	Alternative Distribution Channels
Pg. 24	VakifBank with numbers
Pg. 25	Ratings
Pg. 26	Diversified funding sources via Non-Deposit Funding
Pg. 27	Unconsolidated Key Financial Ratios
Pg. 28	Unconsolidated Balance Sheet
Pg. 29	Unconsolidated Income Statement

Increased share of CPI in TL securities signals higher interest income for 2017

Total Securities (TL million)

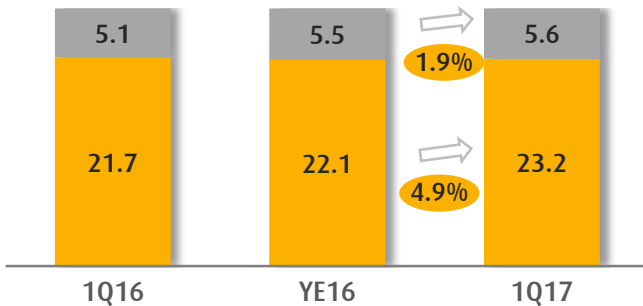


Portfolio Structure

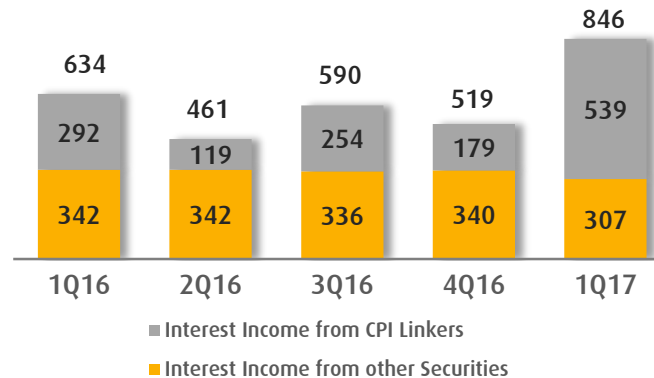


Interest Income from CPI TL
539 million in 1Q17 vs TL 179 million in 4Q16

Security Breakdown (TL billion)

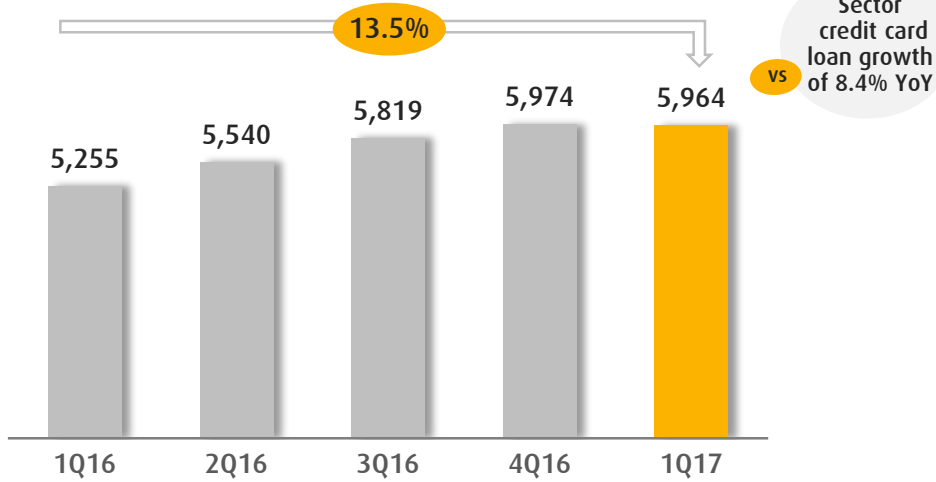


Breakdown of Interest Income from Securities (TL million)

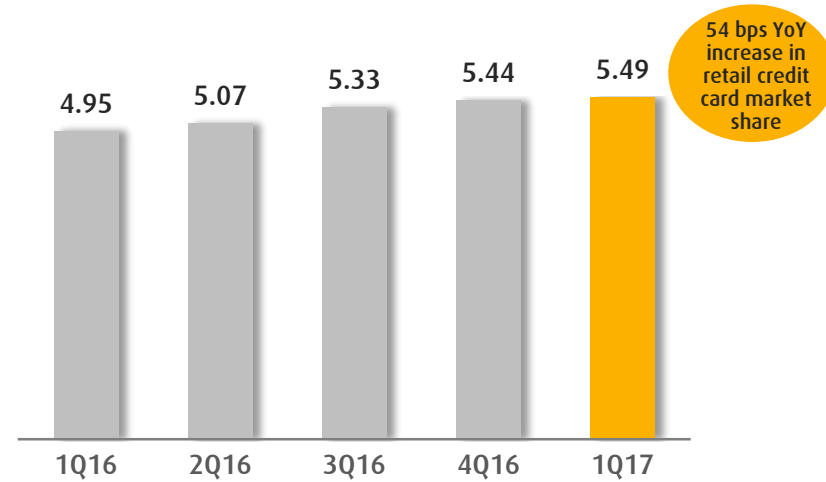


Further increased market share in retail credit card business

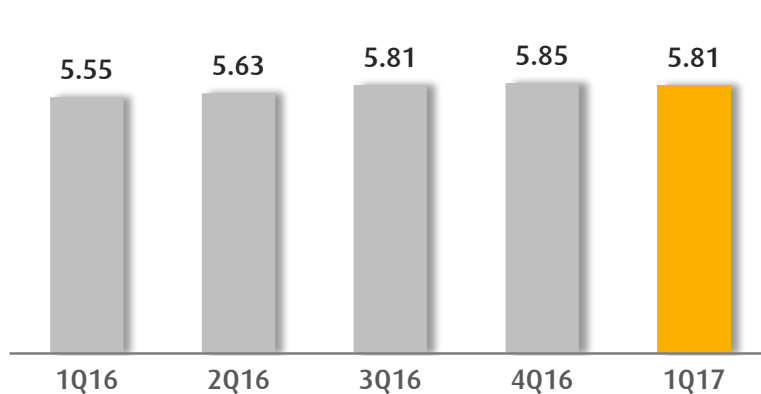
Credit Card Loans (TL million)



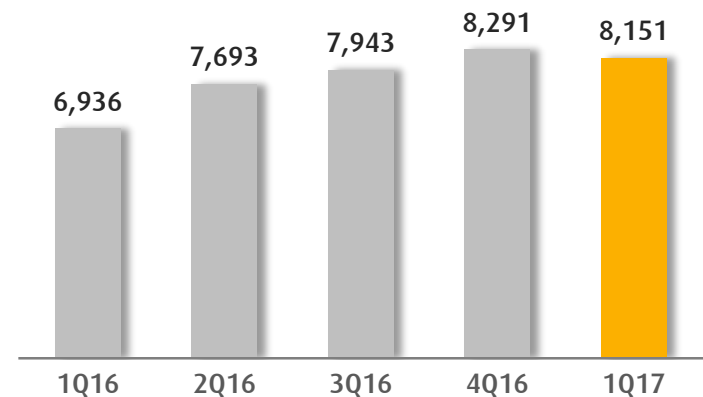
Retail Credit Card Market Share (%)



Market Share* (%)

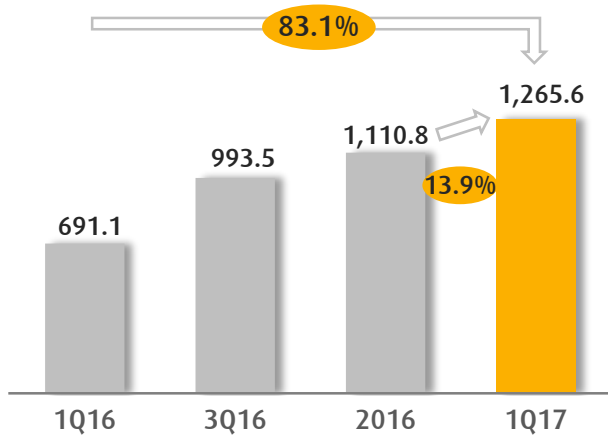


Average Quarterly Issuing Volume (TL million)

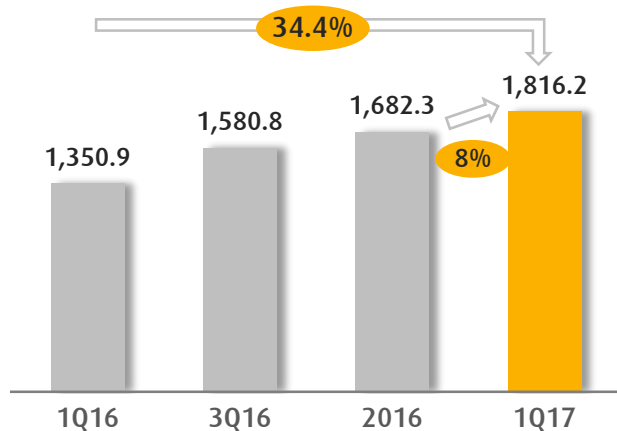


Increased focus on alternative distribution channels

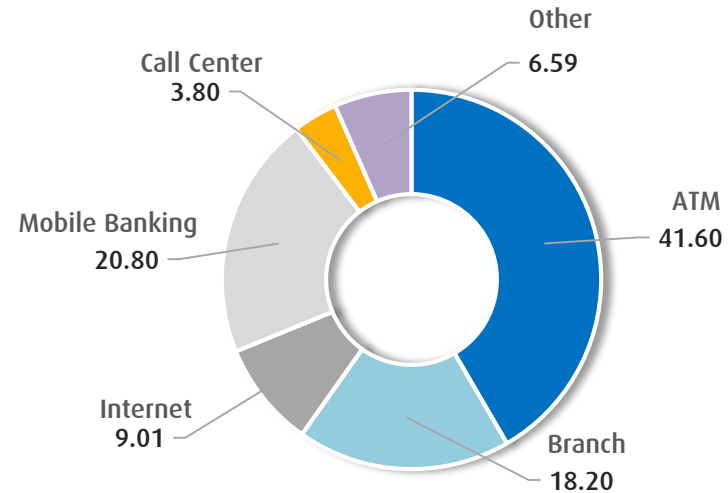
Active Mobile Banking Customers (#thousand)



Active Internet Banking Customers (#thousand)*



Breakdown of Transactions (1Q17)



~82%
of all banking transactions executed via non-branch channels

VakıfBank with numbers

Distribution Channels & Customer (#)	1Q17	Efficiency ('000 TRY)	1Q17
Personnel	15,678	Assets per Employee	14,097
POS Terminals	204,249	Assets per Branch	239,190
Outstanding Credit Cards	3.6 mn	Loans per Employee	9,770
Total Customers	19.0 mn	Loans per Branch	165,766
Total Payroll Customers	2.2 mn	Deposits per Employee	8,291
Active Mutual Fund Customers	1.6 mn	Deposits per Branch	140,676

Distribution
Platforms



924
Branches



3,957
ATMs



1,816K
Active Online
Banking
Customers



24/7
Telephone
Banking



1,266K
Active Mobile
Customers

Ratings

		Fitch Ratings (February 2, 2017)	Moody's (March 24, 2017)	Standard & Poor's (February 1, 2017)
VakifBank	Long term FC IDR FC Counterparty Credit Ratings	BB+	Ba2	BB / B
	Outlook	Stable	Negative	Negative
	BCA (Baseline Credit Assessment) Viability Rating Standalone Credit Profile	bb+	ba2	bb+
Senior Unsecured	Vakif 3.750% due 18 (USD 500 mio) Vakif 5.000% due 18 (USD 600 mio) Vakif 3.500% due 19 (EUR 500 mio) Vakif 5.500% due 21 (USD 500 mio)	BB+	Ba1	N.R.
	Vakif 6.000% due 22 (Basel II compliant / USD 900 mio)	BB	Ba3	N.R.
Subordinated Bonds	Vakif 6.875% due 25 (Basel III compliant / USD 500 mio)	BB	B1	N.R.
	Vakif 8.000% due 27 (Basel III compliant / USD 228 mio)	BB	B1	N.R.
Covered Bond	Vakif 2.375% due 21 (Covered EUR 500 mio)	N.R.	Baa1	N.R.

Diversified funding sources via Non-Deposit Funding

<p>Syndicated Loan</p>	<p>US\$ 2,052 million outstanding <u>April 2017</u> US\$ 967 million equivalent 1 year syndicated loan, all in cost as Libor + 1.45% ve Euribor +1.35% with participation of 30 banks from 15 countries. <u>March 2017</u> US\$ 250 million 3 year bilateral loan with ICBC Dubai. <u>September 2016</u> US\$ 835 million equivalent 1 year syndicated loan, all in cost as Libor + 1.25% ve Euribor +1.15.% with participation of 30 banks from 15 countries.</p>
<p>Sub-debt</p>	<p>US\$ 1,400 million outstanding <u>February 2017</u> 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. <u>January 2015</u> 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. <u>October 2012</u> 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.</p>
<p>Eurobonds</p>	<p>US\$ 2,776 million outstanding <u>October 2016</u> 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. <u>June 2014</u> 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. <u>October 2013</u> US\$ 500 million equivalent senior unsecured notes were issued with a yield of 5,149%. Coupon rate has been set at 5%, maturity of the notes is 5 years. <u>April 2013</u> US\$ 600 million equivalent senior unsecured notes were issued with a yield of 3,876%. Coupon rate has been set at 3.75%, maturity of the notes is 5 years.</p>
<p>DPR Securitizations</p>	<p>US\$ 1,754 million outstanding A new 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>
<p>Private Placements</p>	<p>US\$ 48,5 million outstanding US\$ 4,715 million equivalent private placements were issued since June 2013 under GMTN program.</p>
<p>Covered Bond</p>	<p>EUR 500 million outstanding 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.</p>
<p>IFI Borrowing</p>	<p>US\$ 1,964 million outstanding (US\$ 287 mio under DPR Program and EUR 50 mio under Covered Bond Program)</p> <p>World Bank total funding US\$ 227.8 million</p> <p>EBRD total funding US\$ 528,4 million (US\$ 335 million under DPR Program and EUR 50 million under 2016 Covered Bond Issuance included)</p> <p>EIB total funding US\$ 1.103 million</p> <p>KfW total funding US\$ 320.5 million</p>
<p>TL Bonds</p>	<p>Outstanding TL bonds amounting TL 3.7 billion as of March 31, 2017.</p>

Unconsolidated Key Financial Ratios

	1Q16	1H16	9M16	2016	1Q17
Profitability*					
ROAE	12.1%	12.7%	14.4%	15.0%	24.5%
ROAA	1.1%	1.2%	1.3%	1.4%	2.3%
Cost / Income	44.8%	44.5%	42.0%	40.5%	31.1%
Cost / Assets	2.0%	2.0%	1.9%	1.8%	1.8%
Fee / Cost	24.4%	23.9%	24.5%	25.6%	28.6%
Liquidity					
Loans / Deposits	108.1%	113.3%	114.1%	118.4%	117.8%
<i>TL Loans / Deposits</i>	112.2%	114.2%	110.7%	115.0%	118.5%
Liquidity Coverage Ratio (Total)	108.9%	110.6%	101.0%	102.7%	107.6%
<i>FC Liquidity Coverage Ratio</i>	172.1%	170.1%	159.4%	143.2%	143.7%
Asset Quality					
NPL Ratio	3.9%	4.1%	4.1%	4.2%	4.2%
Coverage Ratio	84.5%	82.1%	82.2%	83.0%	84.3%
Cost of Risk	1.4%	1.3%	1.3%	1.4%	1.8%
Solvency					
CAR	14.08%	14.42%	14.42%	14.16%	15.45%
Tier I Ratio	11.49%	11.81%	11.83%	11.47%	12.36%
Leverage	9.9x	9.7x	9.5x	10.0x	9.7x

Unconsolidated Balance Sheet

(thousand)	1Q16		4Q16		1Q17		TL		USD	
	TL	USD	TL	USD	TL	USD	ΔYoY	ΔQoQ	ΔYoY	ΔQoQ
Assets										
Cash & Balances with Central Bank	23,928,428	8,485,258	24,365,297	6,931,806	23,300,205	6,418,789	(2.6%)	(4.4%)	(24.4%)	(7.4%)
Interbank	6,692,347	2,373,173	3,890,322	1,106,777	5,860,899	1,614,573	(12.4%)	50.7%	(32.0%)	45.9%
Securities	26,791,603	9,500,568	27,610,772	7,855,127	28,785,738	7,929,955	7.4%	4.3%	(16.5%)	1.0%
Loans	124,842,459	44,270,376	146,618,992	41,712,373	153,167,750	42,194,972	22.7%	4.5%	(4.7%)	1.2%
Subsidiaries & Investments	1,904,376	675,311	2,096,602	596,473	2,214,027	609,925	16.3%	5.6%	(9.7%)	2.3%
Property & Equipment	1,401,769	497,081	1,409,875	401,102	1,401,248	386,019	0.0%	(0.6%)	(22.3%)	(3.8%)
Other	4,267,964	1,513,462	6,548,045	1,862,886	6,281,894	1,730,549	47.2%	(4.1%)	14.3%	(7.1%)
Total Assets	189,828,946	67,315,229	212,539,905	60,466,545	221,011,761	60,884,783	16.4%	4.0%	(9.6%)	0.7%
Liabilities & SHE										
Deposits	115,505,568	40,959,421	123,838,377	35,231,402	129,984,895	35,808,511	12.5%	5.0%	(12.6%)	1.6%
Funds Borrowed	18,504,184	6,561,767	24,193,770	6,883,007	26,662,008	7,344,906	44.1%	10.2%	11.9%	6.7%
Other	35,603,044	12,625,193	42,044,955	11,961,580	40,409,976	11,132,225	13.5%	(3.9%)	(11.8%)	(6.9%)
Provisions	2,845,401	1,009,007	3,224,092	917,238	3,278,929	903,286	15.2%	1.7%	(10.5%)	(1.5%)
Shareholders' Equity	17,370,749	6,159,840	19,238,711	5,473,317	20,675,953	5,695,855	19.0%	7.5%	(7.5%)	4.1%
Off-B.S.										
Guarantees	32,703,008	11,596,811	40,448,424	11,507,375	42,275,413	11,646,119	29.3%	4.5%	0.4%	1.2%
Commitments	36,880,150	13,078,067	39,010,834	11,098,388	47,034,745	12,957,230	27.5%	20.6%	(0.9%)	16.7%
Derivatives	61,949,521	21,967,915	67,008,183	19,063,494	65,270,732	17,980,918	5.4%	(2.6%)	(18.1%)	(5.7%)

Unconsolidated Income Statement

(TL-thousand, %)	1Q16	4Q16	1Q17	ΔYoY	ΔQoQ
Net Interest Income	1,550,977	1,948,658	2,376,757	53.2%	22.0%
Net Fee & Com. Income	227,031	278,168	290,876	28.1%	4.6%
Dividend Income	38,257	31	43,013	12.4%	138651.6%
Net Trading Income	19,145	265,288	117,334	512.9%	(55.8%)
Other Income	245,403	151,799	439,500	79.1%	189.5%
Total Revenues	2,080,813	2,643,944	3,267,480	57.0%	23.6%
Operating Expenses	(932,056)	(962,238)	(1,016,455)	9.1%	5.6%
Provisions	(509,147)	(709,478)	(733,435)	44.1%	3.4%
Tax Provisions	(122,947)	(190,161)	(292,838)	138.2%	54.0%
Net Income	516,663	782,067	1,224,752	137.1%	56.6%

A member of BIST Sustainability Index



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