

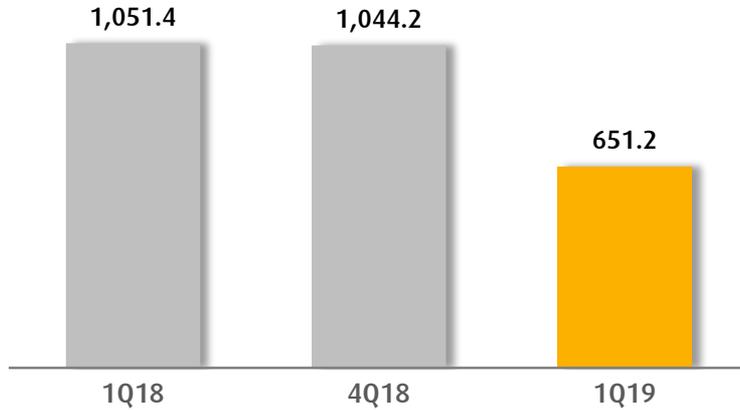
VakıfBank IR App.  
Available at



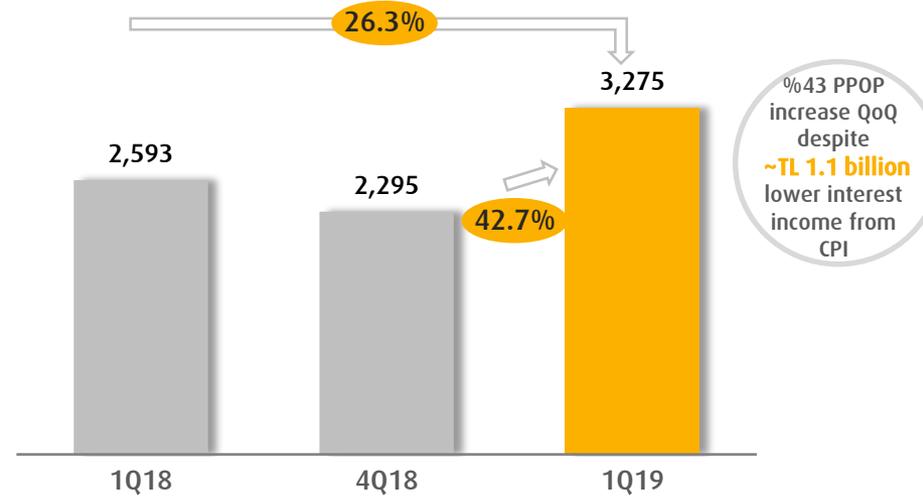
# Earnings Presentation BRSA Bank-Only 1Q 2019 May 10, 2019

# 1Q19 Earnings and Ratios

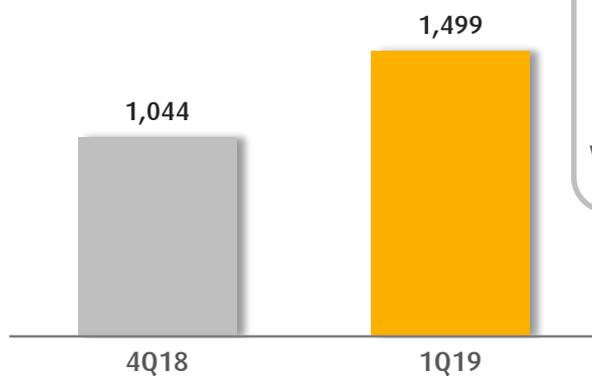
## Net Income (TL million)



## Pre-Provisioning Operating Profit (TL million)



43.6%



Quarterly comparable net income would be **TL 1.5 billion**, which is up by **44% QoQ**

PPOP increase would be **90% QoQ** adjusted with ~TL 1.1 billion lower interest income from CPI

## Coverage Ratios

	4Q18	1Q19
Total NPL Coverage Ratio	100.6%	102.5% (+2 ppt)
Stage II Coverage Ratio	6.6%	7.3% (+70 bps)
Stage III Coverage Ratio	74.3%	73.8% (-50 bps)

Further enhanced provisioning ratio despite already high coverage

# Drivers of Strong Performance & Key Highlights of 1Q19

## Effective NIM management

- 1Q19 NIM came at **3.22%** vs 3.65% in 4Q18 due to seasonality of CPI linkers.
- Adjusted with CPI linkers impact on a quarterly basis, 1Q19 NIM would be **4.71%**.
- Core spreads improvement visible both in TL and FC mainly due to lower cost of funding;  
TL core spreads improved **178 bps** QoQ to **3.16%**.  
FC core spreads improved **174 bps** QoQ to **4.03%**.

## Eye-catching fee growth gained additional momentum with lending growth

- 1Q19 fee growth came strong at **120%** YoY on top of 2018 solid fee performance.
- Fee/Total Revenues exceeded medium term target of **20%** threshold in 1Q19.
- Fee/Opex ratio reached all time high level **63.2%**.

## Conservative approach on staging and further increased provisioning levels

- NPL ratio remained flattish at **4.6%** in 1Q19.
- Total NPL coverage ratio further increased to **102.5%** vs 100.6% in 2018YE.
- In line with the guidance, the share of Stage II loans increased to **10%** in 1Q19 vs 8.6% in 2018YE.
- Yet the coverage of Stage II further increased to **7.3%** from 6.6% in the same term.

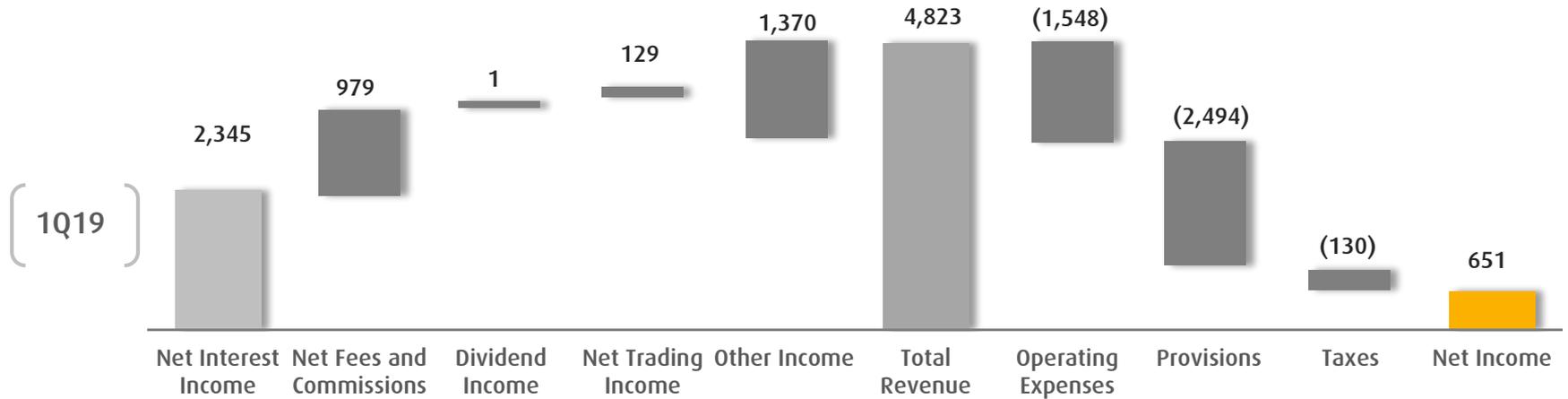
## All time high FC liquidity levels

- FC LCR came all time high at **353.5%** vs required level of 80%.
- Total LCR came at **118.9%** vs required level of 100%.
- FC liquidity (available in short term) reached all time high level at around **USD 6.5 billion\***.
- Short term right way swap usage increased to **USD 3 billion\***.

## Timely executed long term international funding transactions

- **TL 1.5 billion** fresh covered bond issuance in 1Q19 from international markets with 8 years maturity.
- Timely issuance of **USD 600 million** eurobond in 1Q19 with 5 years maturity at 8.125% coupon rate.
- **EUR 700 million** Basel III compatible Additional Tier I issuance under GMTN programme with PNC5 structure and 5.076% coupon rate.
- **USD 1.1 billion** syndication loan obtained from total 38 correspondent banks in April/2019 with **100%** roll-over ratio.

# 1Q19 P&L Details

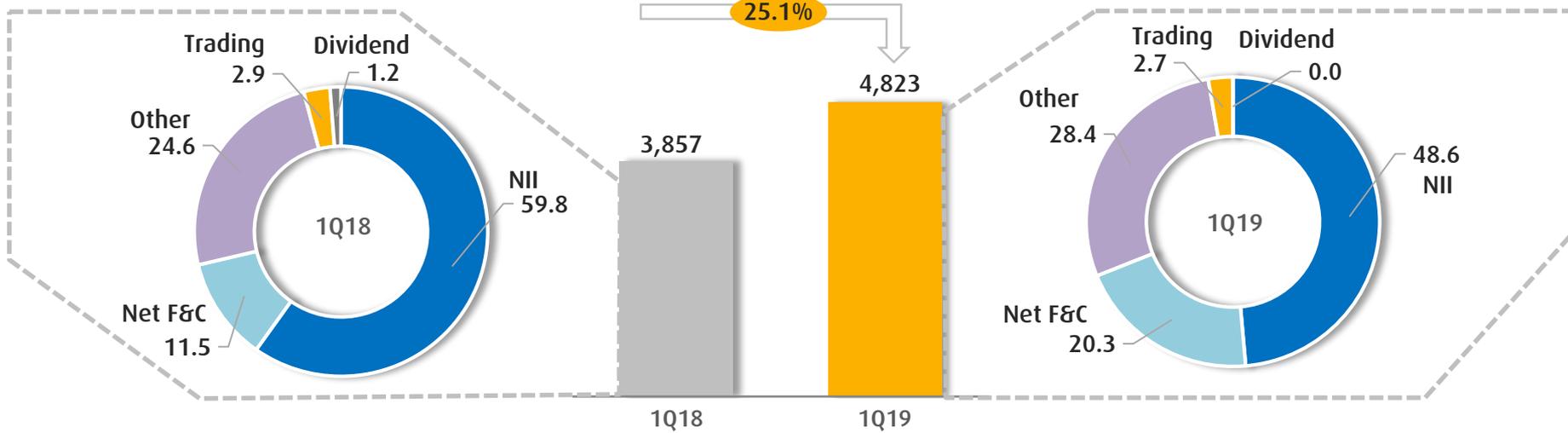


Δ % vs 1Q18	Net Interest Income	Net Fees and Commissions	Dividend Income	Net Trading Income	Other Income	Total Revenue	Operating Expenses	Provisions	Taxes	Net Income
	+2%	+120%	-97%	+14%	+44%	+25%	+23%	+93%	-48%	-38%

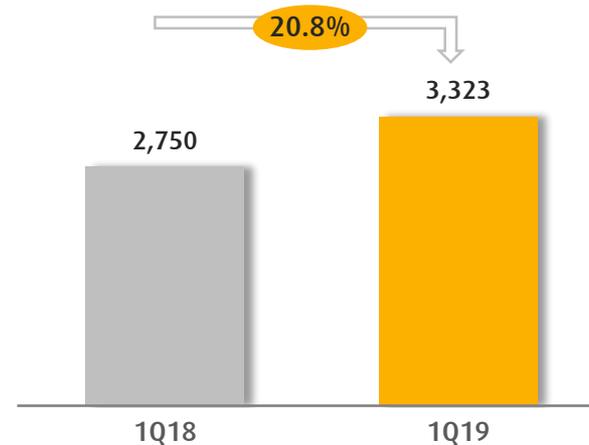
Δ % vs 4Q18	Net Interest Income	Net Fees and Commissions	Dividend Income	Net Trading Income	Other Income	Total Revenue	Operating Expenses	Provisions	Taxes	Net Income
	-9%	+33%	+100%	+99%	+66%	+14%	-19%	+160%	-55%	-38%

# Revenue breakdown

Total Revenues – Revenue Breakdown (TL million)



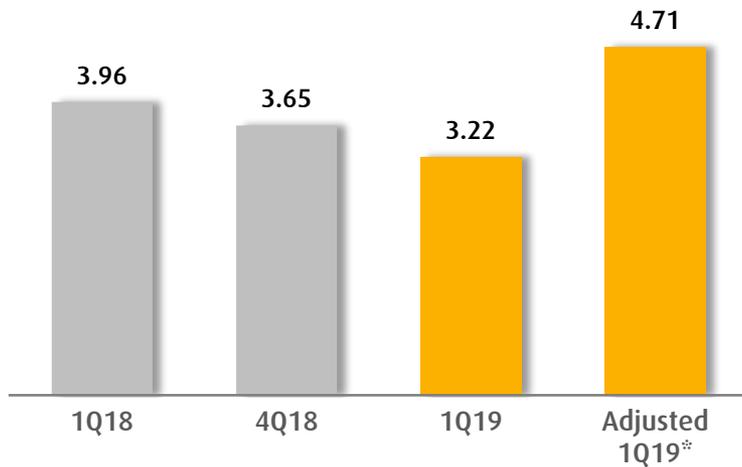
Core Banking Revenues (TL million)\*



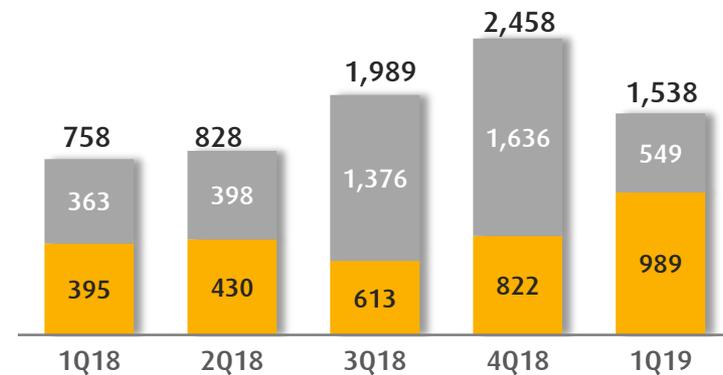
Strong top line growth driven high quality revenue generation continued

# Effective NIM management

Net Interest Margin (NIM %)

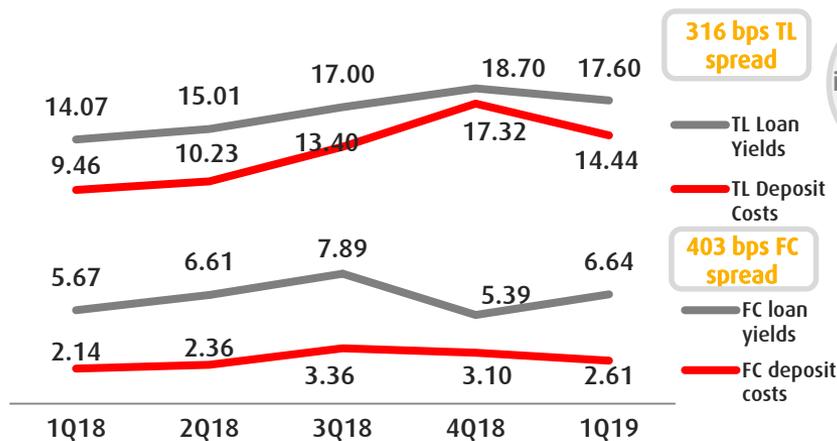


Breakdown of Interest Income from Securities (TL million)



■ Interest income from CPI linkers ■ Interest income from other securities

Core Spreads (%)



316 bps TL spread

178 bps QoQ improvement on TL core spreads

TL&FC core spreads started to improve significantly on a quarterly basis as guided

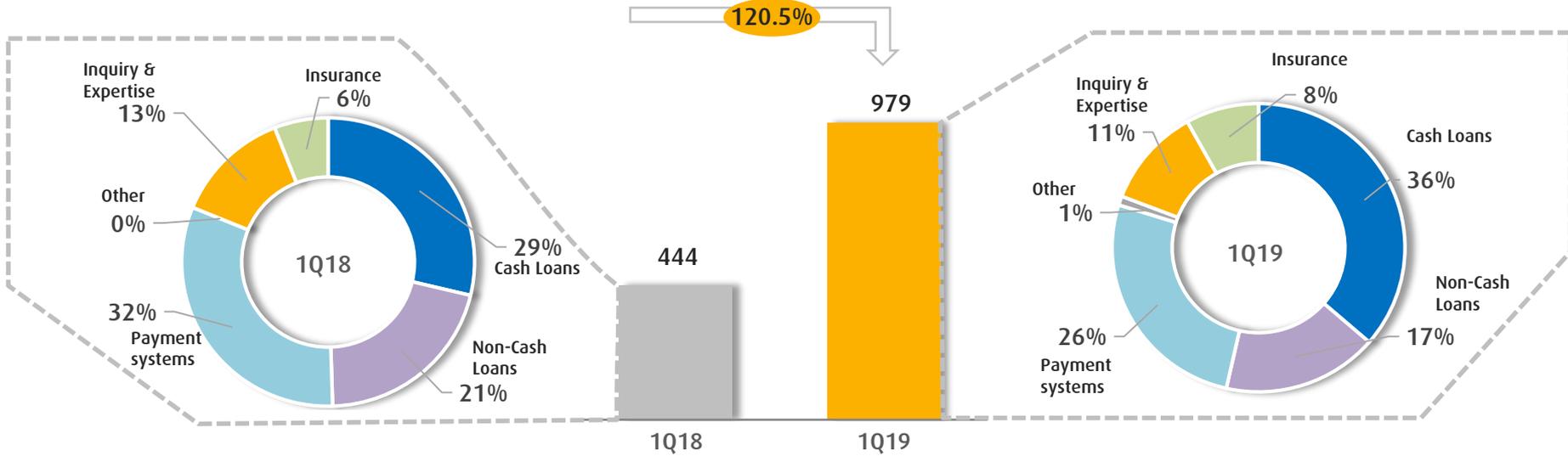
403 bps FC spread

174 bps QoQ improvement on FC core spreads

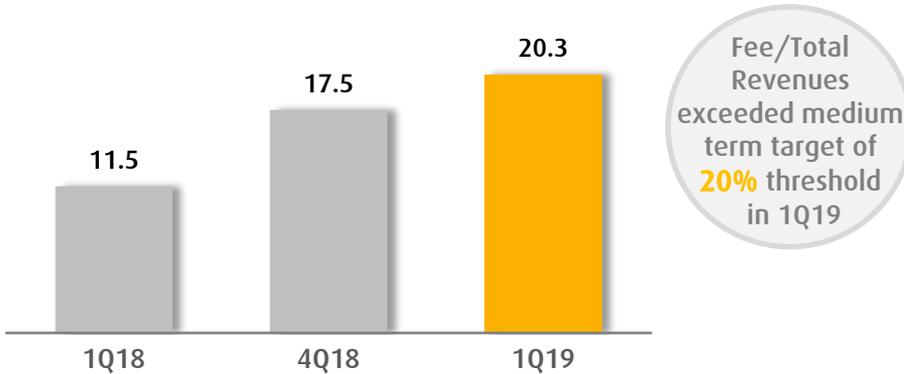
USD 3 billion short term right way FX swap usage\*\*

# Eye-catching fee growth gained additional momentum with lending growth

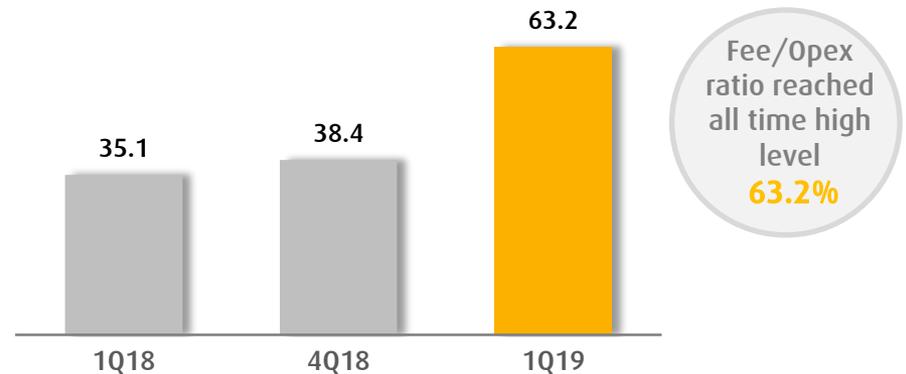
Net Fee & Commission Income (TL million) – Fee Breakdown



Fee/Total Revenue

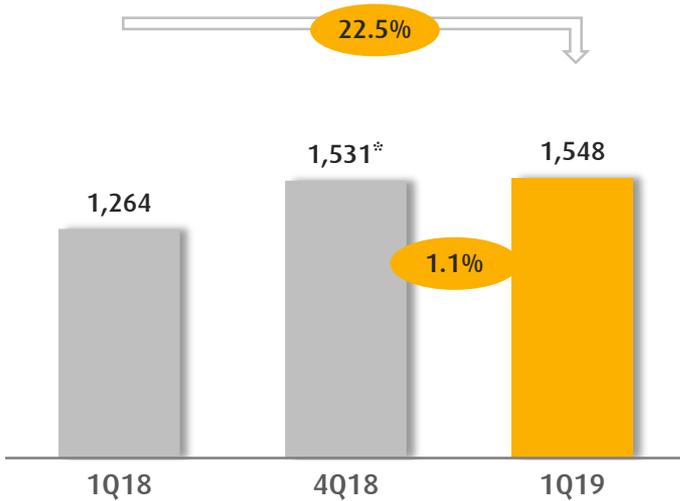


Fee/Operating Expense (%)

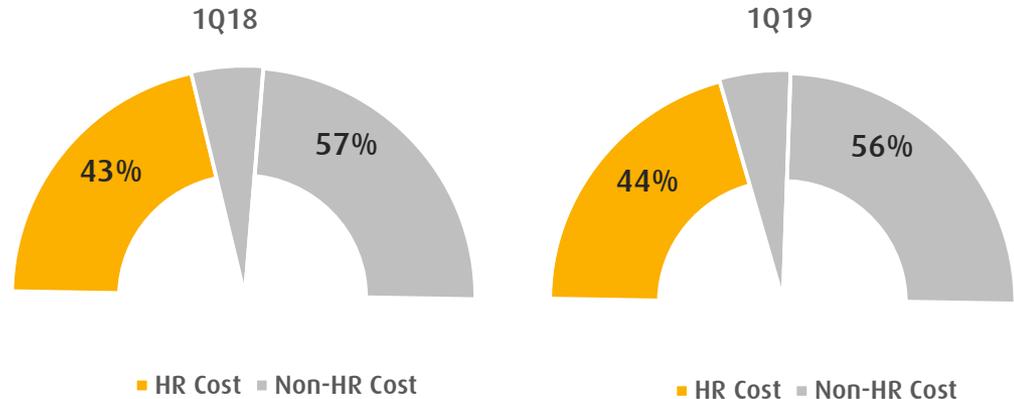


# Further improved C/I ratio despite high inflation driven cost growth

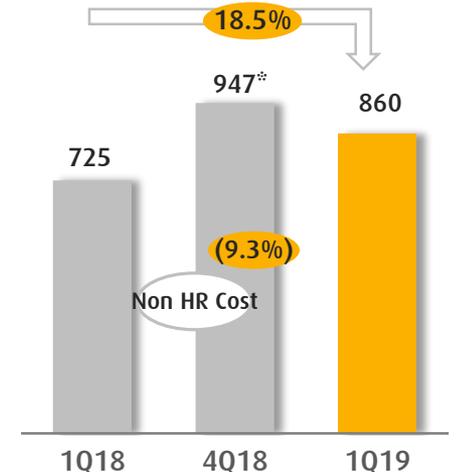
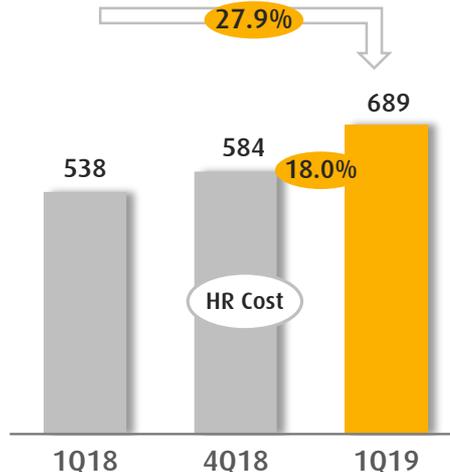
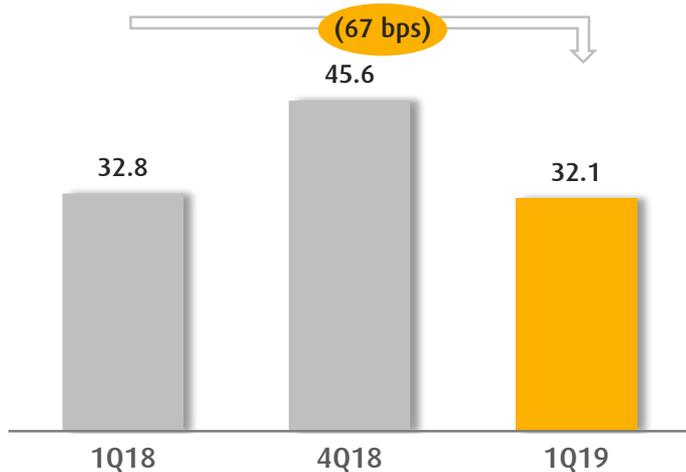
Operating Expenses (TL million)



Breakdown of OPEX

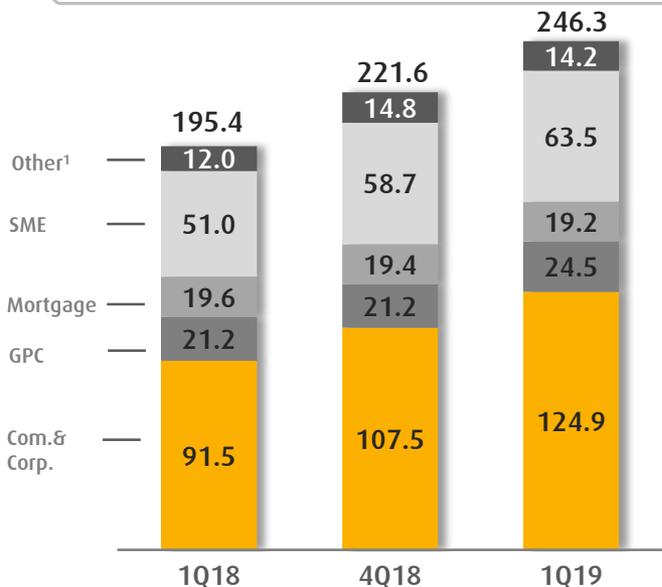


Cost/Income (%)

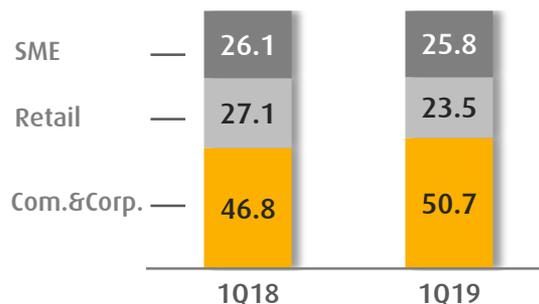


# Well diversified & stable loan breakdown

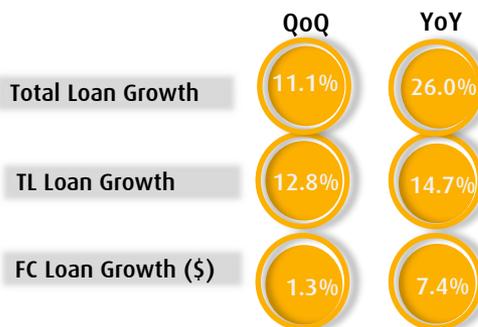
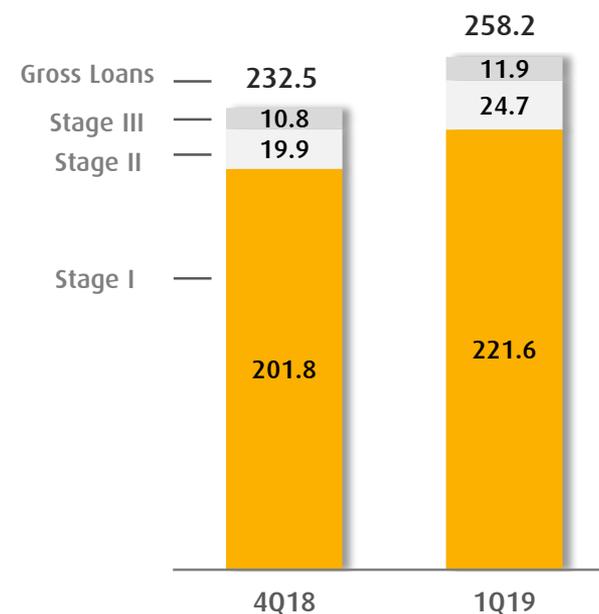
Breakdown of Loans (TL billion)



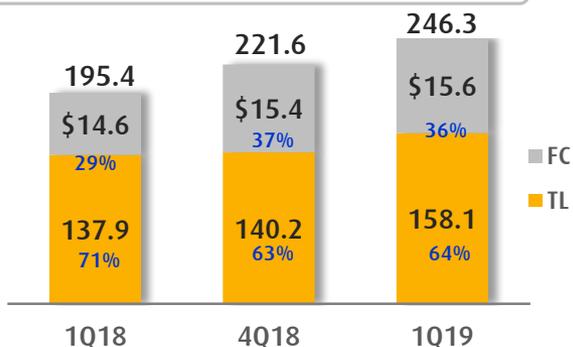
Portfolio Breakdown (%)



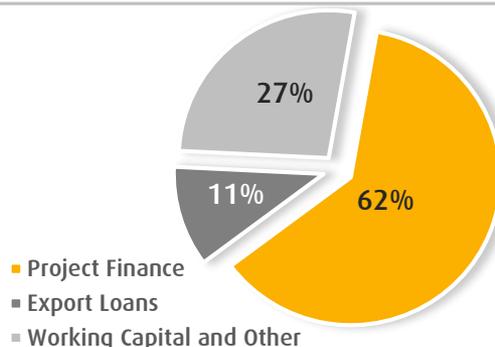
Loan Portfolio Breakdown (TL billion)



Breakdown of Loans (TL billion)



Breakdown of FC Loans

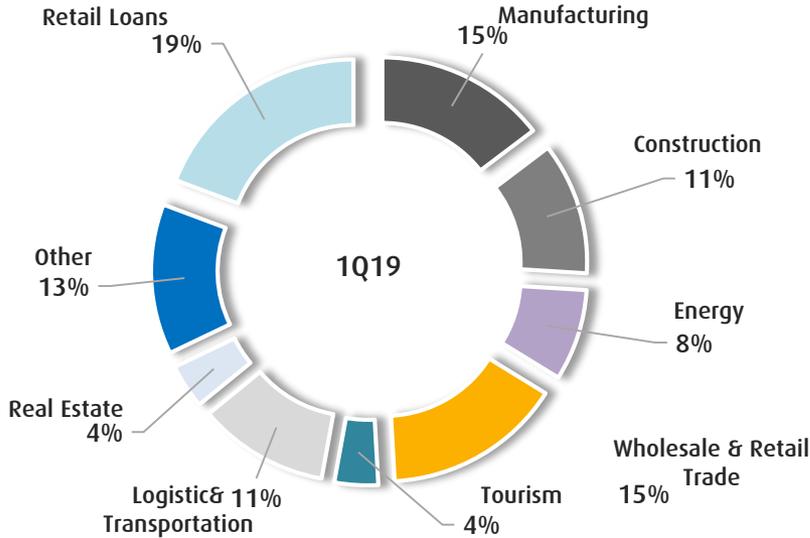


CGF Loans

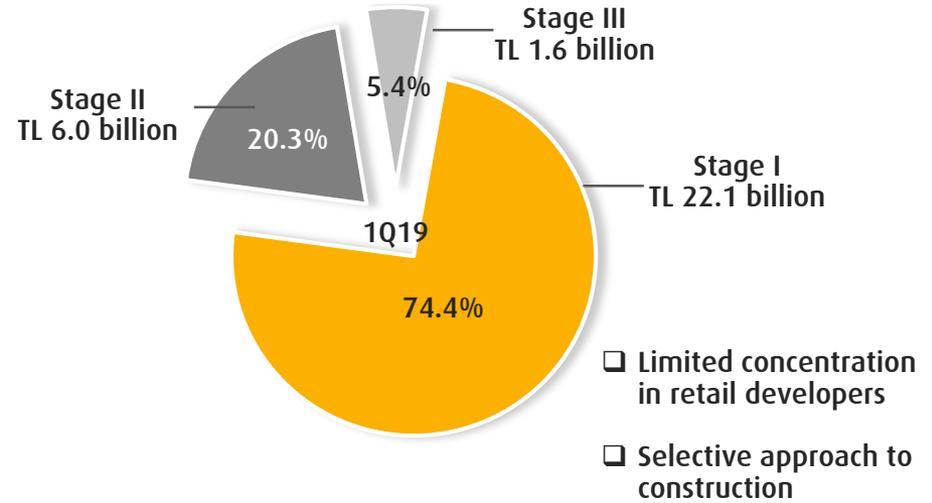
(TL bn)	1Q18	2018	1Q19
Total CGF	24.8	26.6	29.8
Guarantee Limit	22.7	28.0	32.8
Originated Amount	22.7	28.0	32.8
Outstanding Amount After Redemptions	19.7	19.6	23.1

# Breakdown of Loan Portfolio

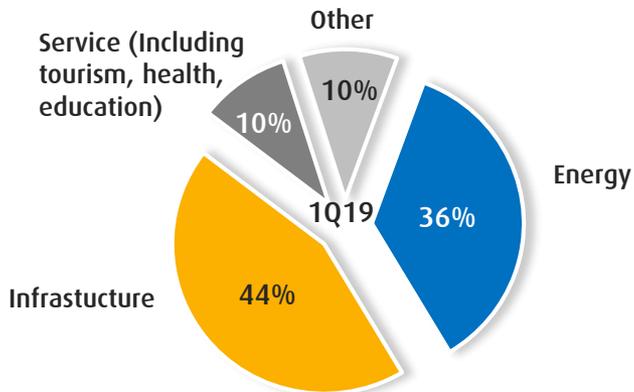
Sector Breakdown of Cash Loans



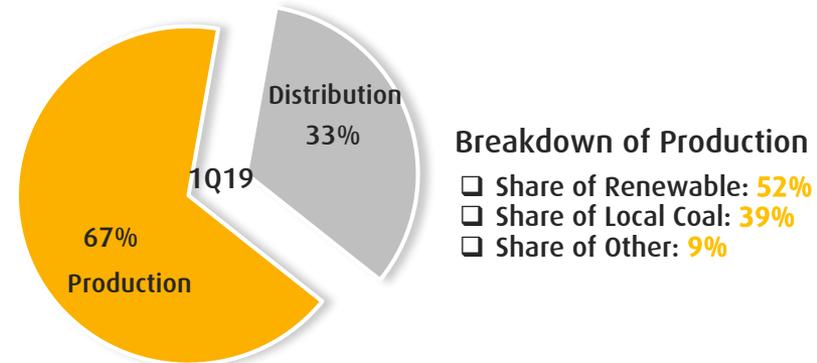
Breakdown of Construction Loans



Breakdown of Project Finance

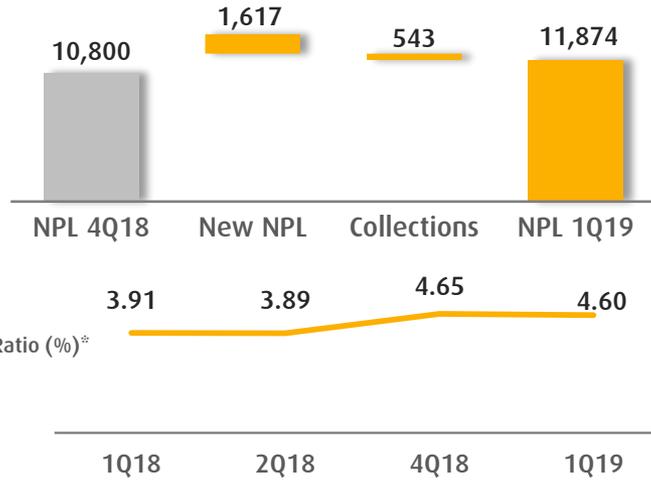


Breakdown of Energy Loans

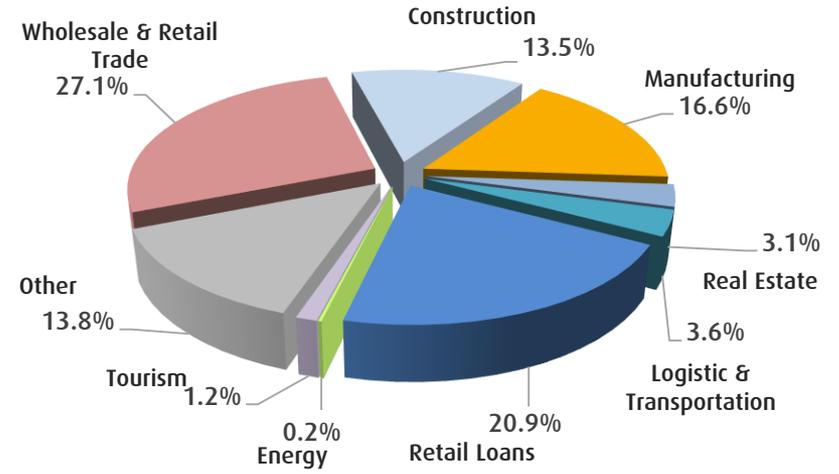


# Relatively weak economic activity reflected in asset quality but nothing unexpected

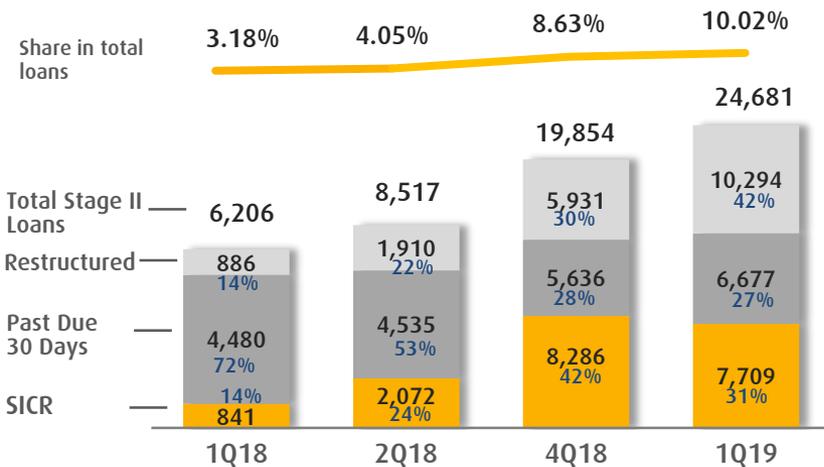
NPL (TL million)\*



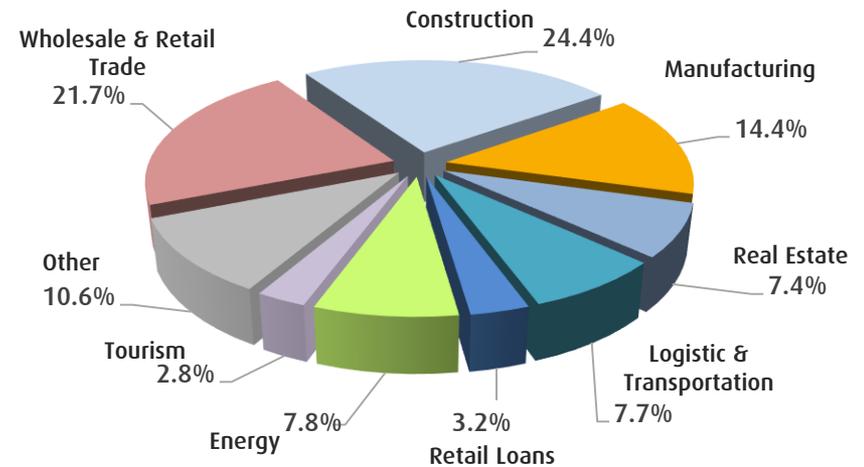
Sector Breakdown of Stage III Loans



Stage II Loans Breakdown (TL million)



Sector Breakdown of Stage II Loans



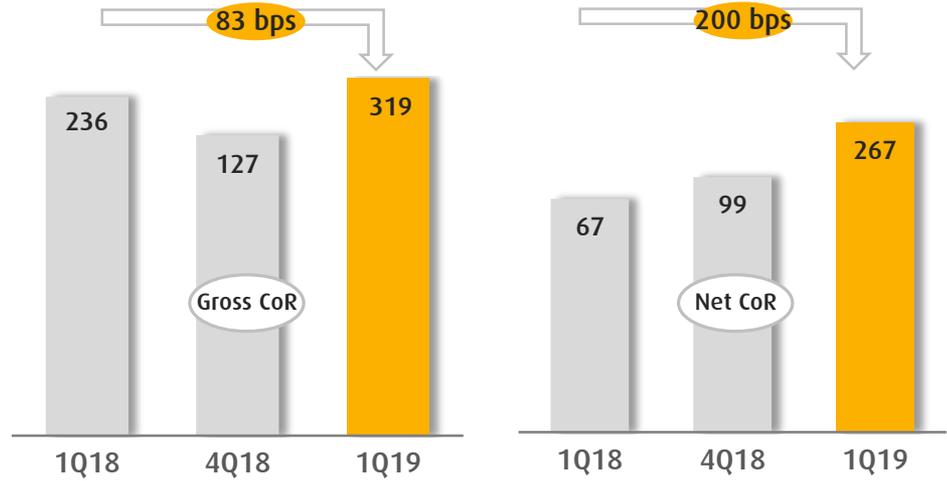
# Conservative approach on staging and further increased provisioning levels

## Net Expected Credit Losses

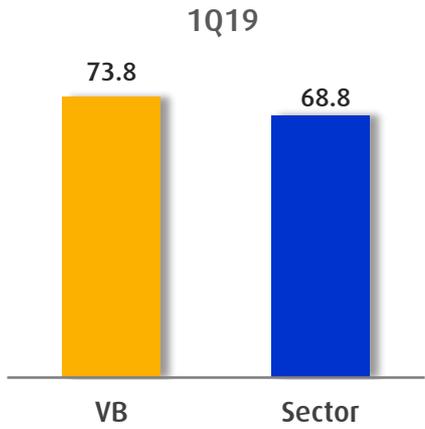
(Thousand TL)	1Q19
<b>Expected Credit Losses</b>	<b>2,461,830</b>
Stage I	598,060
Stage II	816,050
Stage III	1,047,720
<b>Provision Reversals under other income</b>	<b>1,283,973</b>
Stage III	299,388
Net Expected Credit Losses	1,177,857
<b>Net CoR (Stage III)</b>	<b>267 bps</b>

Coverage Ratios	4Q18	1Q19
Stage I	0.8%	0.7%
Stage II	6.6%	7.3%
Stage III	74.3%	73.8%

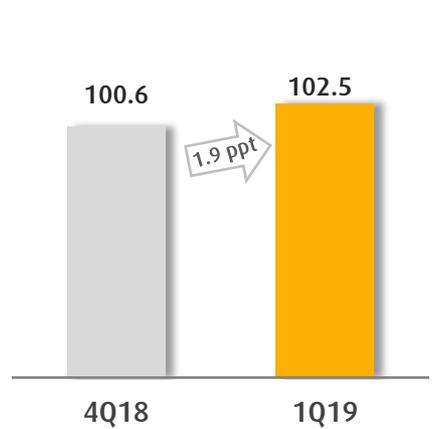
## Cost of Risk Ratios (bps)



## NPL Specific Coverage Ratios (%)

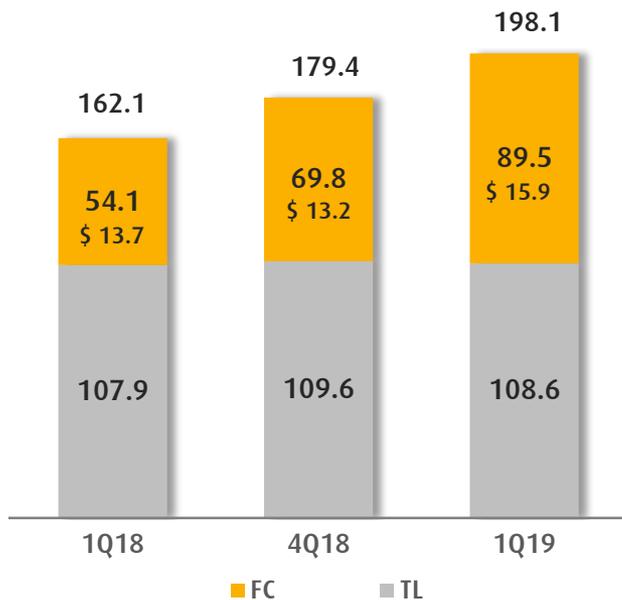


## Total NPL Coverage Ratios (%)

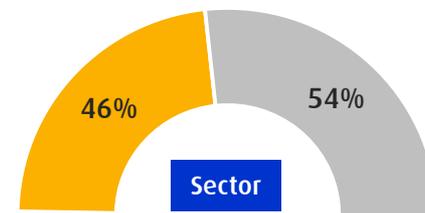
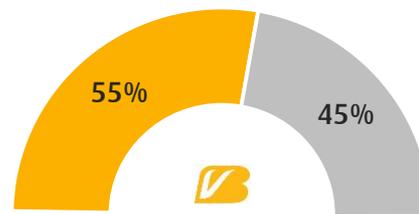


# Customer deposits driven well diversified funding structure

Total Deposits (TL billion)



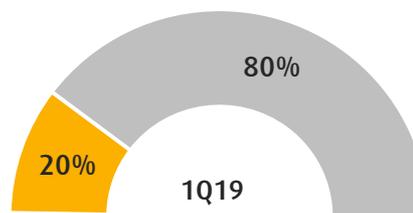
Breakdown of Deposits



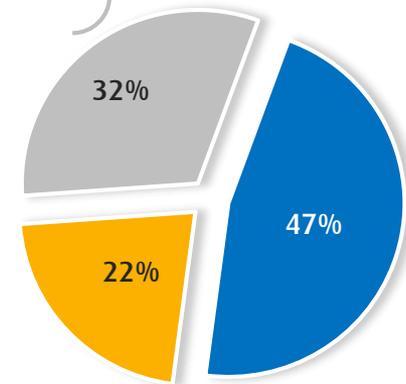
■ TL Deposits ■ FC Deposits

■ TL Deposits ■ FC Deposits

The share of customer deposit is **55%** in total liabilities



■ Demand ■ Term



■ Retail Deposit ■ State Deposit ■ Other

Total Deposits Growth

QoQ 10.4%

YoY 22.3%

TL Deposits Growth

QoQ -0.9%

YoY 0.7%

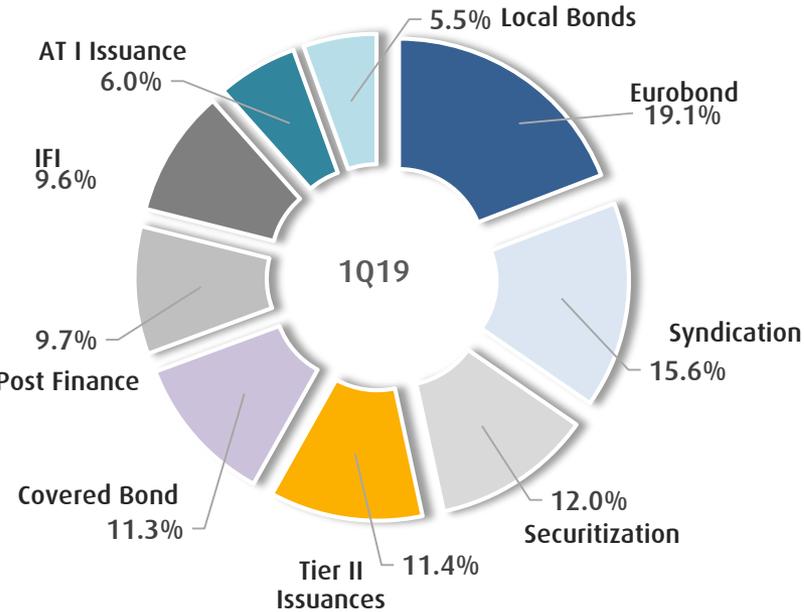
FC Deposits Growth (\$)

QoQ 20%

YoY 15.8%

# Timely executed long term wholesale funding transactions

Breakdown of Wholesale Funding



**~USD 15 billion**  
Total wholesale  
borrowing

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

**TL 1.5 billion** fresh covered bond issuance in 1Q19 from international markets with 8 years maturity.

Timely issuance of **USD 600 million** eurobond in 1Q19 with 5 years maturity at 8.125% coupon rate.

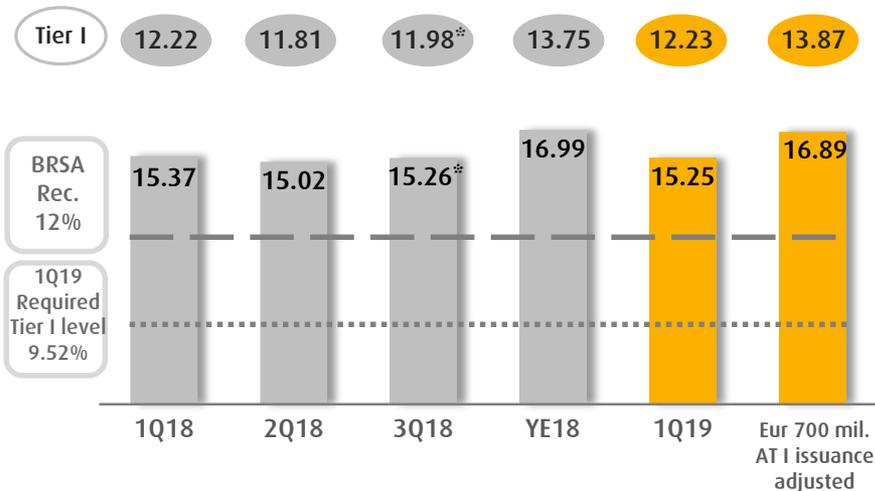
**EUR 700 million** Basel III compatible Additional Tier I issuance under GMTN programme with PNC5 structure and 5.076% coupon rate.

**USD 1.1 billion** syndication loan obtained from total 38 correspondent banks in April 2019 with **100%** roll-over ratio.

FC liquidity (available in short term) reached all time high level at **~USD 6.5 billion\***

# Strong solvency ratios amid challenging macro conditions

## Capital Adequacy Ratio (%)

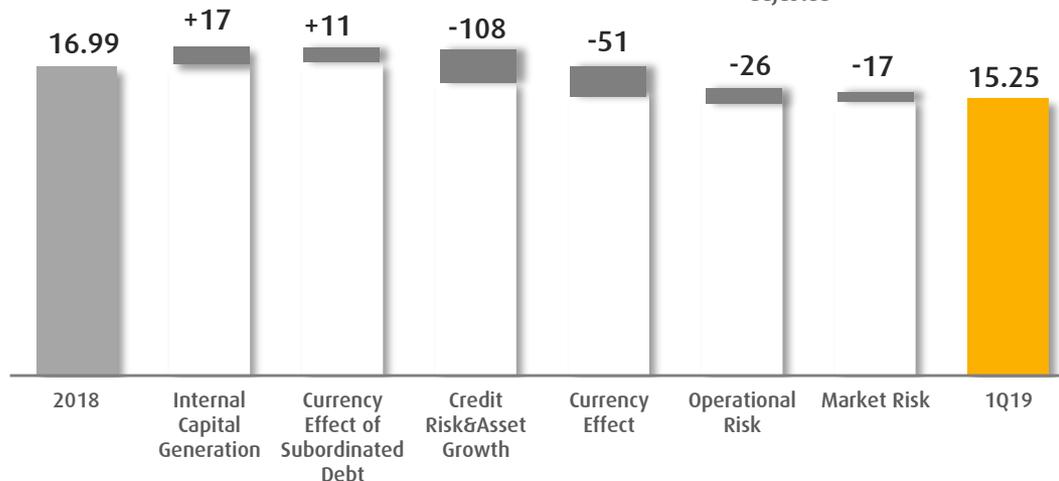


**164 bps**  
positive  
impact on  
solvency  
ratios

Basel III  
compatible  
Additional Tier I  
issuance  
**EUR 700 million**  
in April 2019  
under GMTN  
programme

The effect of  
0.1 TL  
decrease  
/increase in  
USD/TL parity  
on CAR is  
**~7 bps**

The effect of  
1 ppt interest  
rate increase/  
decrease on  
CAR is  
**~3 bps**



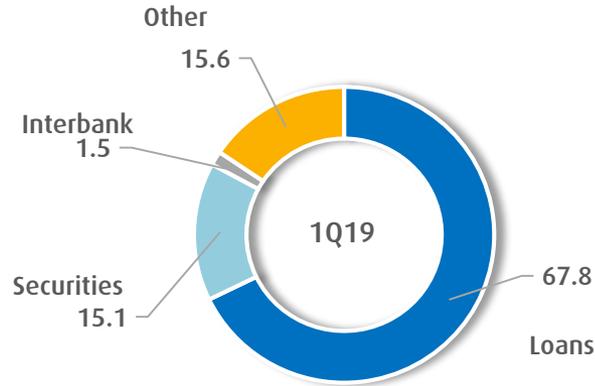
Buffers (%)	2019
Capital Conservation Buffer	2.500
Counter Cyclical Buffer	0,023
SIFI Buffer** (Group I)	1.000
<b>Minimum CET I</b>	<b>8,000</b>
<b>Minimum Tier I</b>	<b>9.523</b>

# Appendix

Pg. 18	Composition of Assets&Liabilities
Pg. 19	Well balanced Securities Portfolio
Pg. 20	Retail Lending Portfolio
Pg. 21	Strong growth in mobile platforms continues
Pg. 22	VakifBank with Numbers
Pg. 23	Diversified Funding Sources via Non-Deposit Funding
Pg. 24	Unconsolidated Key Financial Ratios
Pg. 25	Unconsolidated Balance Sheet
Pg. 26	Unconsolidated Income Statement

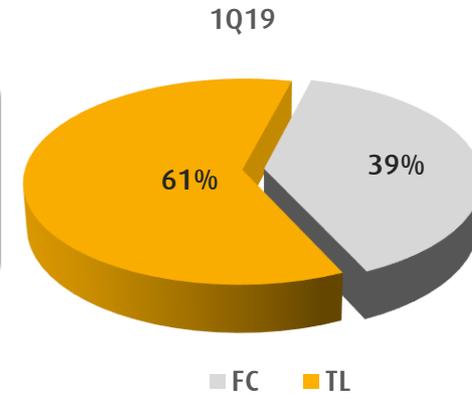
# Composition of Asset & Liabilities

Breakdown of Assets (%)

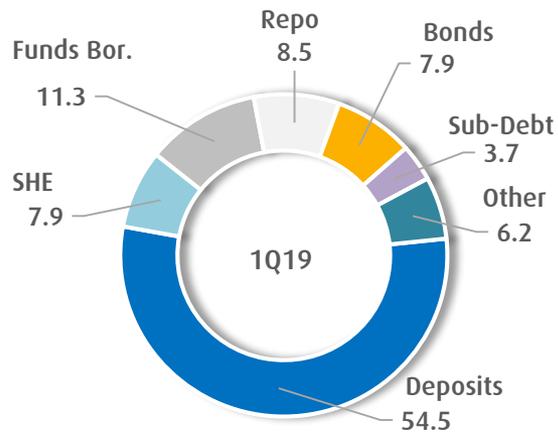


The share of IEA  
**84.4%**  
in total assets

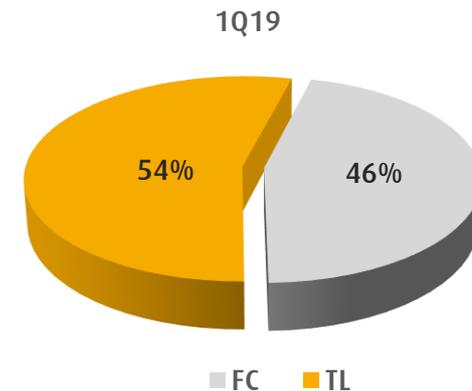
TL/FC Mix in Total Assets



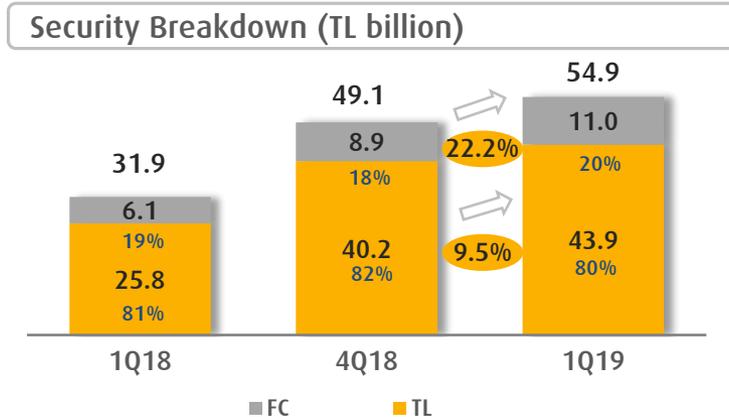
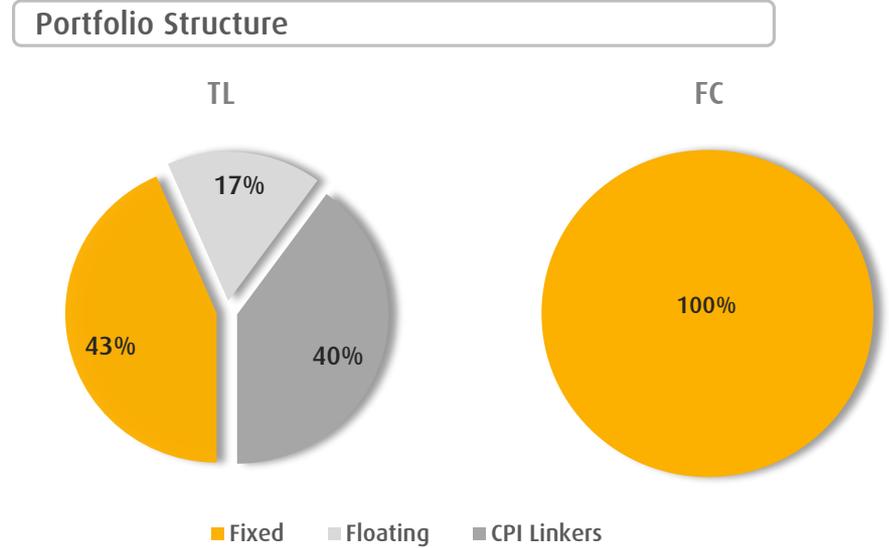
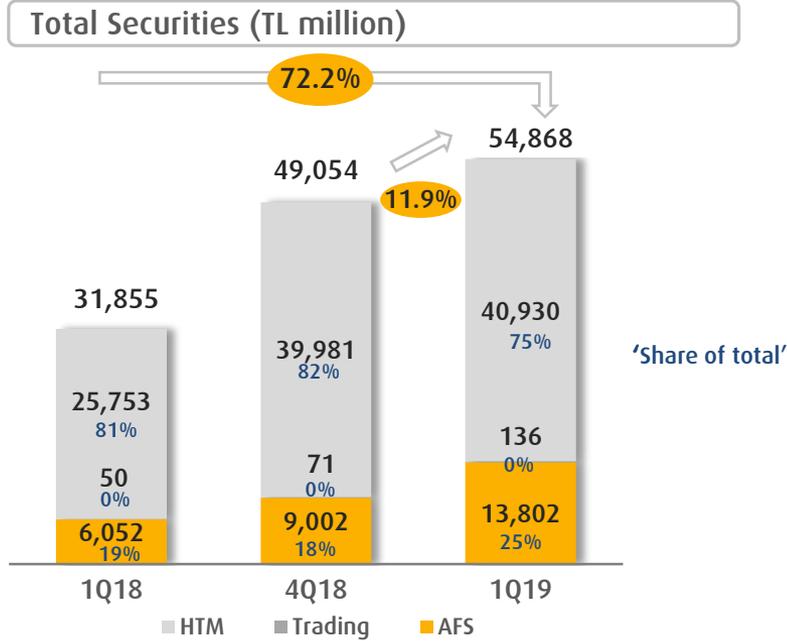
Breakdown of Liabilities (%)



TL/FC Mix in Total Liabilities



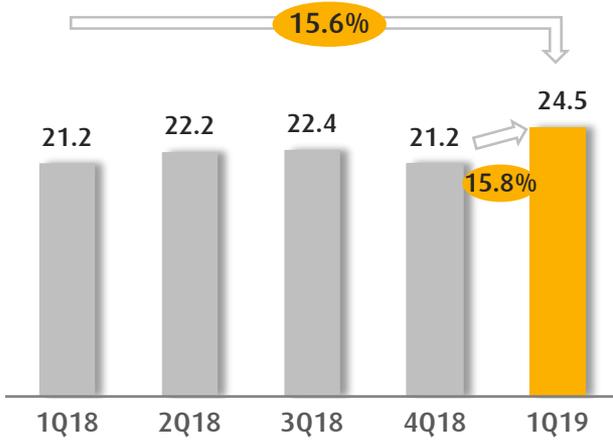
# Well balanced security portfolio



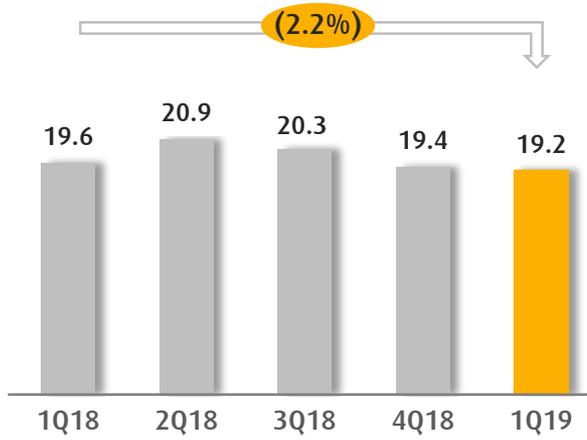
Share of securities in total assets is **15.1%** in 1Q19

# Retail Lending Portfolio

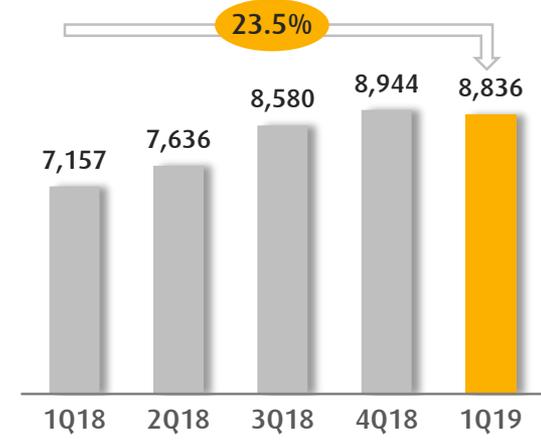
General Purpose Consumer (TL billion)



Residential Mortgages (TL billion)



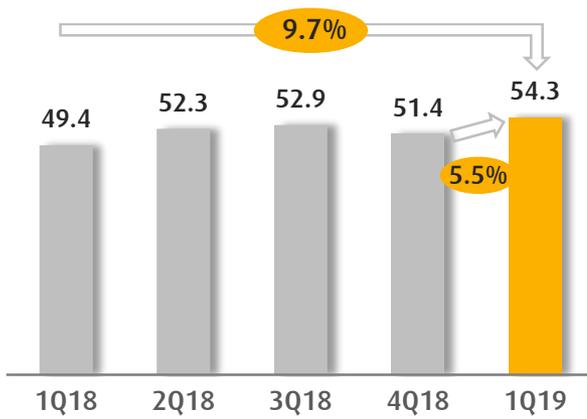
Credit Card Loans (TL million)\*



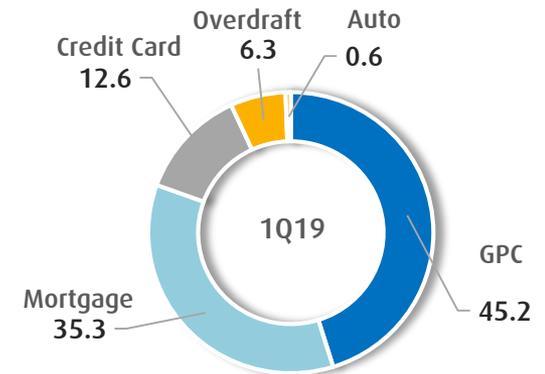
Retail Overdraft (TL million)



Total Retail (TL billion)

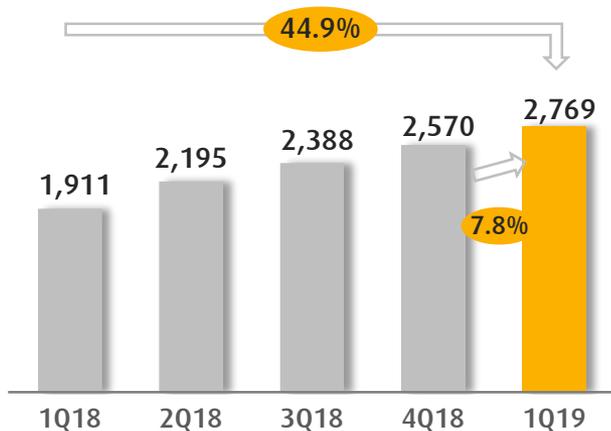


Breakdown of Retail Loans (%)

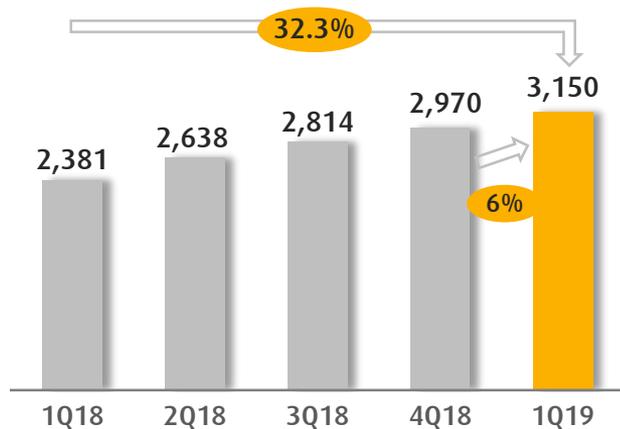


# Strong growth in mobile platforms continues

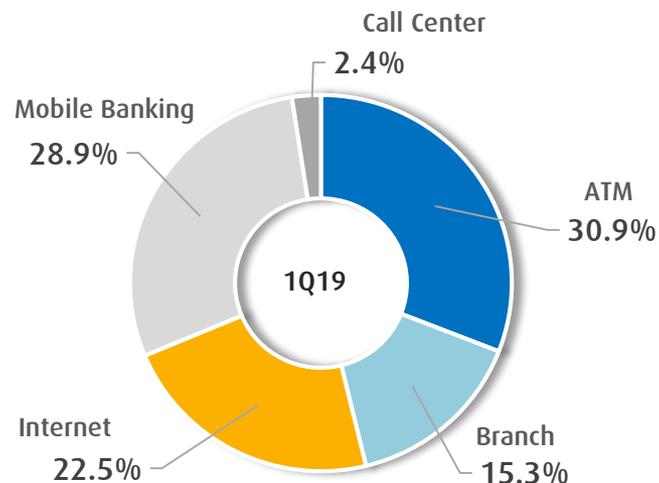
Active Mobile Banking Customers (#thousand)\*



Active Internet Banking Customers (#thousand)\*



Breakdown of Transactions



**~85%**  
of all banking transactions executed via non-branch channels

# VakifBank with numbers

Distribution Channels&Customer (#)	1Q19	Efficiency ('000 TRY)	1Q19
Personnel	16,811	Assets per Employee	21,606
POS Terminals	276,145	Assets per Branch	382,341
Outstanding Credit Cards	4.7 mn	Loans per Employee	14,648
Total Customers	22.2 mn	Loans per Branch	259,213
Total Payroll Customers	2.4 mn	Deposits per Employee	11,785
Active Mutual Fund Customers	1.6 mn	Deposits per Branch	208,552

Distribution  
Platforms



**950**  
Branches



**4,210**  
ATMs



**3,150K**  
Active Online  
Banking  
Customers



**24/7**  
Telephone  
Banking



**2,769K**  
Active Mobile  
Customers

# Diversified funding sources via Non-Deposit Funding

<p><b>Syndicated Loan</b></p>	<p><b>US\$ 2.30 billion outstanding</b>  <b>April 2019</b> US\$ 1.100 million equivalent syndicated loan, all in cost as Libor + 2.50% and Euribor +2.40% with participation of 38 banks from 17 countries.  <b>November 2018</b> US\$ 854 million equivalent syndicated loan with 1 year and 2 year tranches, all in cost as Libor + 2.75% and Euribor +2.65% for 1 year and Libor + 3.50% for two years with participation of 20 banks from 11 countries.  <b>April 2018</b> US\$ 1.291 million equivalent syndicated loan with 1 year and 2 year tranches, all in cost as Libor + 1.30% and Euribor +1.20% for 1 year and Libor + 2.10% for two years with participation of 35 banks from 17 countries.  <b>March 2017</b> US\$ 250 million 3 year bilateral loan with ICBC Dubai.</p>
<p><b>Sub-debt</b></p>	<p><b>US\$ 1.4 billion and TL525 million outstanding Tier II and 5 billion TL Tier I</b>  <b>September 2018</b> TL 5 billion perpetual Tier I notes were issued with a fixed coupon rate.  <b>September 2017</b> TL 525 million subordinated notes (Tier II) were issued with a floating coupon rate set at 5 year sovereign + 3,5. Maturity of the notes are 10 years.  <b>February 2017</b> 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.  <b>January 2015</b> 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.  <b>October 2012</b> US\$ 900 million equivalent subordinated notes (Tier II) were issued with a yield of 6.08%. Coupon rate has been set at 6%, maturity of the notes is 10 years. After Exchange nominal amount is US \$672 million.</p>
<p><b>Eurobonds</b></p>	<p><b>US\$ 2.2 billion outstanding</b>  <b>January 2018</b> US\$ 650 million equivalent senior unsecured notes were issued with a yield of 5.85%. Coupon rate has been set at 5.75%, maturity of the notes is 5 years.  <b>May 2017</b> US\$ 500 million equivalent senior unsecured notes were issued with a yield of 5.650%. Coupon rate has been set at 5.625%, maturity of the notes is 5 years.  <b>October 2016</b> 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.  <b>June 2014</b> EUR 500 million equivalent senior unsecured notes were issued with a yield of 3,650%. Coupon rate has been set at 3.5%, maturity of the notes is 5 years.</p>
<p><b>DPR Securitizations</b></p>	<p><b>US\$ 1.854 million outstanding</b>  <b>October 2018</b> DPR borrowing amounting USD 300 million through treasury financing transaction within DPR securitization program. Total amount of transaction is procured tranche with a maturity of 10 years.  <b>May 2018</b> DPR borrowing in Euro and USD currencies, amounting USD 380 million equivalent in total, through future flow transaction within DPR securitization program. Total amount of transaction is procured in six separate tranches of which has a maturity of 5 years.  <b>October 2016</b> 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><b>Covered Bond</b></p>	<p><b>EUR 500 million and TL 5.06 billion outstanding</b>  <b>January 2019</b> TL 396.3 million Covered Bond notes were issued with the maturity of 8 years.  <b>December 2018</b> TL 1 billion Covered Bond notes were issued with the maturity of 5 years.  <b>February 2018</b> TL 1 billion Covered Bond notes were issued with the maturity of 5 years.  <b>December 2017</b> TL 1.3 billion Covered Bond notes were issued with the maturity of 5 years.  <b>October 2017</b> TL 1.3 billion Covered Bond notes were issued with the maturity of 5.5 years.  <b>May 2016</b> Euro 500 million equivalent Covered Bond notes were issued with a yield of 2.578%. Coupon rate has been set at 2.375%, maturity of the notes is 5 years.</p>
<p><b>IFI Borrowing</b></p>	<p><b>US\$ 1.8 billion outstanding</b>  <b>World Bank</b> outstanding funding US\$ 239.5 million.  <b>EBRD</b> outstanding funding US\$ 248.8 million (US\$ 182 million under DPR Program and EUR 50 million under Covered Bond Program included).  <b>EIB</b> outstanding funding US\$ 803.3 million.  <b>KfW</b> outstanding funding US\$ 269.4 million.  <b>AFD</b> outstanding funding US\$ 89.8 million.</p>
<p><b>TL Bonds</b></p>	<p><b>Outstanding TL bonds amounting TL 4.2 billion</b></p>

## Unconsolidated Key Financial Ratios

	1Q18	1H18	9M18	2018	1Q19
<b>Profitability</b>					
ROAE	17.4%	17.2%	16.6%	16.1%	9.1%
ROAA	1.5%	1.5%	1.3%	1.4%	0.8%
Cost / Income	32.8%	37.0%	33.8%	36.9%	32.1%
Cost / Assets	1.8%	1.7%	1.5%	1.8%	1.7%
Fee / Cost	35.1%	36.5%	39.4%	39.0%	63.2%
<b>Liquidity</b>					
Loans / Deposits	120.6%	123.3%	123.6%	123.5%	124.3%
<i>TL Loans / Deposits</i>	127.8%	127.6%	129.4%	127.9%	145.5%
Liquidity Coverage Ratio (Total)	111.6%	106.7%	115.9%	111.6%	118.9%
<i>FC Liquidity Coverage Ratio</i>	263.3%	240.1%	272.4%	264.0%	353.5%
<b>Asset Quality</b>					
NPL Ratio	3.9%	3.9%	3.9%	4.6%	4.6%
Coverage Ratio	78.1%	77.8%	77.0%	74.3%	73.8%
Cost of Risk	2.4%	1.4%	2.1%	2.2%	3.2%
<b>Solvency</b>					
CAR	15.37%	15.02%	17.23%	16.99%	15.25%
Tier I Ratio	12.22%	11.81%	13.69%	13.75%	12.23%
Leverage	10.3x	10.7x	12.2x	10.7x	11.7x

# Unconsolidated Balance Sheet

	1Q18		YE18		1Q19		TL		USD	
	TL	USD	TL	USD	TL	USD	ΔYoY	ΔQoQ	ΔYoY	ΔQoQ
<b>Assets</b>										
(thousand)										
Cash & Balances with Central Bank	30,855,501	7,804,920	32,254,489	6,108,805	30,451,373	5,399,180	(1.3%)	(5.6%)	(30.8%)	(11.6%)
Interbank	9,796,468	2,478,023	5,018,593	950,491	5,546,267	983,381	(43.4%)	10.5%	(60.3%)	3.5%
Securities	31,854,559	8,057,632	49,054,049	9,290,540	54,867,564	9,728,291	72.2%	11.9%	20.7%	4.7%
<b>Loans</b>	<b>195,400,739</b>	<b>49,426,748</b>	<b>221,606,750</b>	<b>41,970,975</b>	<b>246,252,652</b>	<b>43,661,818</b>	<b>26.0%</b>	<b>11.1%</b>	<b>(11.7%)</b>	<b>4.0%</b>
Subsidiaries & Investments	2,635,377	666,620	3,051,217	577,882	3,004,780	532,762	14.0%	(1.5%)	(20.1%)	(7.8%)
Property & Equipment	1,422,893	359,922	2,567,625	486,293	2,911,934	516,300	104.6%	13.4%	43.4%	6.2%
Other	10,019,207	2,534,365	17,802,918	3,371,765	20,189,521	3,579,702	101.5%	13.4%	41.2%	6.2%
<b>Total Assets</b>	<b>281,984,744</b>	<b>71,328,230</b>	<b>331,355,641</b>	<b>62,756,750</b>	<b>363,224,091</b>	<b>64,401,435</b>	<b>28.8%</b>	<b>9.6%</b>	<b>(9.7%)</b>	<b>2.6%</b>
<b>Liabilities &amp; SHE</b>										
<b>Deposits</b>	<b>162,054,383</b>	<b>40,991,765</b>	<b>179,407,907</b>	<b>33,978,770</b>	<b>198,123,939</b>	<b>35,128,358</b>	<b>22.3%</b>	<b>10.4%</b>	<b>(14.3%)</b>	<b>3.4%</b>
Funds Borrowed	31,136,433	7,875,982	41,349,836	7,831,408	41,012,738	7,271,762	31.7%	(0.8%)	(7.7%)	(7.1%)
Other	61,834,229	15,641,010	79,976,349	15,147,036	93,255,718	16,534,702	50.8%	16.6%	5.7%	9.2%
Provisions	1,960,597	495,934	2,271,359	430,182	2,216,368	392,973	13.0%	(2.4%)	(20.8%)	(8.6%)
<b>Shareholders' Equity</b>	<b>24,999,102</b>	<b>6,323,540</b>	<b>28,350,190</b>	<b>5,369,354</b>	<b>28,615,328</b>	<b>5,073,640</b>	<b>14.5%</b>	<b>0.9%</b>	<b>(19.8%)</b>	<b>(5.5%)</b>
Guarantees	55,211,357	13,965,750	65,165,276	12,341,908	69,305,153	12,288,148	25.5%	6.4%	(12.0%)	(0.4%)
Commitments	52,216,804	13,208,276	63,815,604	12,086,289	76,161,093	13,503,740	45.9%	19.3%	2.2%	11.7%
Derivatives	71,633,682	18,119,788	109,741,971	20,784,464	147,781,873	26,202,460	106.3%	34.7%	44.6%	26.1%
<b>Off-B.S.</b>										

## Unconsolidated Income Statement

(TL-thousand, %)	1Q18	4Q18	1Q19	Δ YoY	Δ QoQ
<b>Net Interest Income</b>	<b>2,306,171</b>	<b>2,590,567</b>	<b>2,344,772</b>	<b>1.7%</b>	<b>-9.5%</b>
<b>Net Fee &amp; Com. Income</b>	<b>443,857</b>	<b>737,871</b>	<b>978,559</b>	<b>120.5%</b>	<b>32.6%</b>
Dividend Income	44,413	40	1,337	(97.0%)	3242.5%
Net Trading Income	112,817	64,800	128,934	14.3%	99.0%
Other Income	949,563	823,530	1,369,707	44.2%	66.3%
<b>Total Revenues</b>	<b>3,856,821</b>	<b>4,216,808</b>	<b>4,823,309</b>	<b>25.1%</b>	<b>14.4%</b>
Operating Expenses	-1,263,597	-1,922,292	-1,548,067	22.5%	(19.5%)
Provisions	-1,293,314	-959,857	-2,493,625	92.8%	159.8%
Tax Provisions	-248,489	-290,456	-130,395	(47.5%)	(55.1%)
<b>Net Income</b>	<b>1,051,421</b>	<b>1,044,203</b>	<b>651,222</b>	<b>(38.1%)</b>	<b>(37.6%)</b>

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