

VakıfBank IR App.
Available at

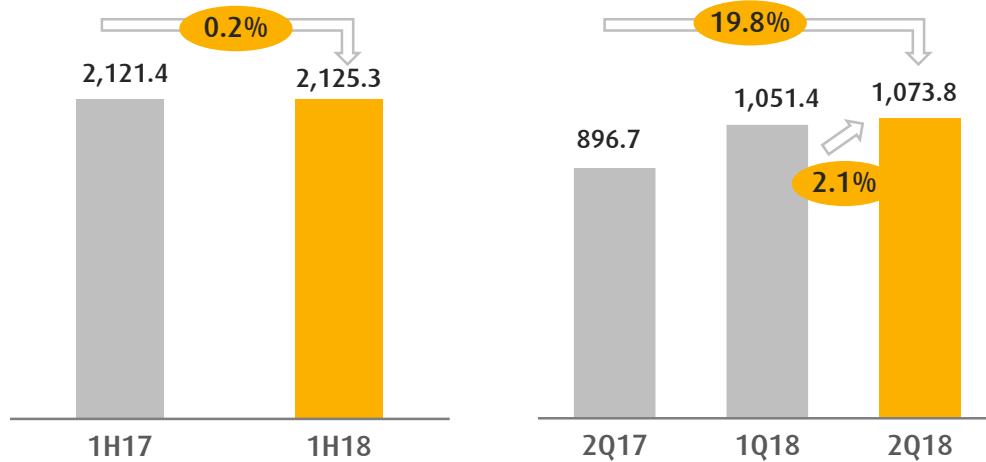


Earnings Presentation BRSA Bank-Only 1H18 August 7, 2018

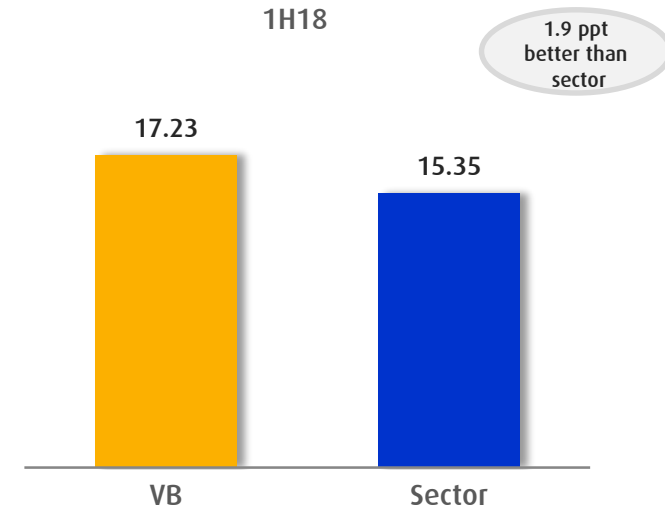


Strong Earnings Performance

Net Income (TL million)



ROAE (%)



NPL Coverage Ratio

QoQ flattish ratio vs sector's 2.4 ppt decrease to <73%

~78%

Total NPL Coverage Ratio

QoQ flattish Total NPL Coverage ratio

~104%

106.7% in 1H18

240.1% in 1H18

123% at the end of July

286% at the end of July

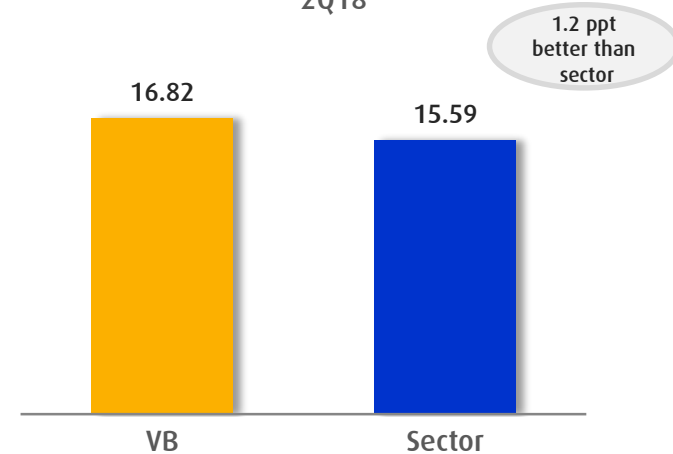
Total LCR

vs. 90% min. BRSA requirement for 2018

FC LCR

vs. 70% min. BRSA requirement for 2018

2Q18



Drivers of Strong Performance & Key Highlights of 1H18

Effective NIM Management

- NIM expanded 21 bps QoQ to **4.15%** from 3.94% in 1Q18.
- TL core spreads are up by **17 bps** QoQ.
- FC core spreads are up by **72 bps** QoQ.
- Strong NIM achieved despite VakifBank's conservative policy* for CPI accruals, substantial CPI accruals will be booked in 2H18, because of CPI increase.

Eye-catching fee performance supported by diversified fee sources

- 1H18 fee growth came strong at **58.5%** YoY.
- Quarterly fee growth materialized at 15.2%, thanks to increased focus on fee generation.

Well-managed solvency ratios despite challenging macro conditions

- Total CAR came at **15.02%** vs required level of 10.64% for 2Q18.
- CET1 came at **11.81%** vs required level of 7.14% for 2Q18.

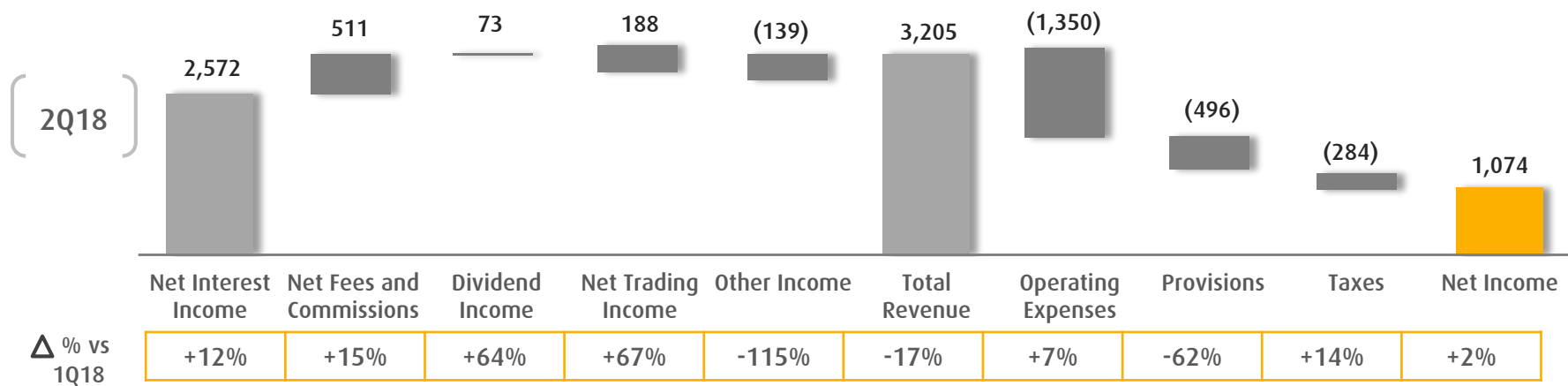
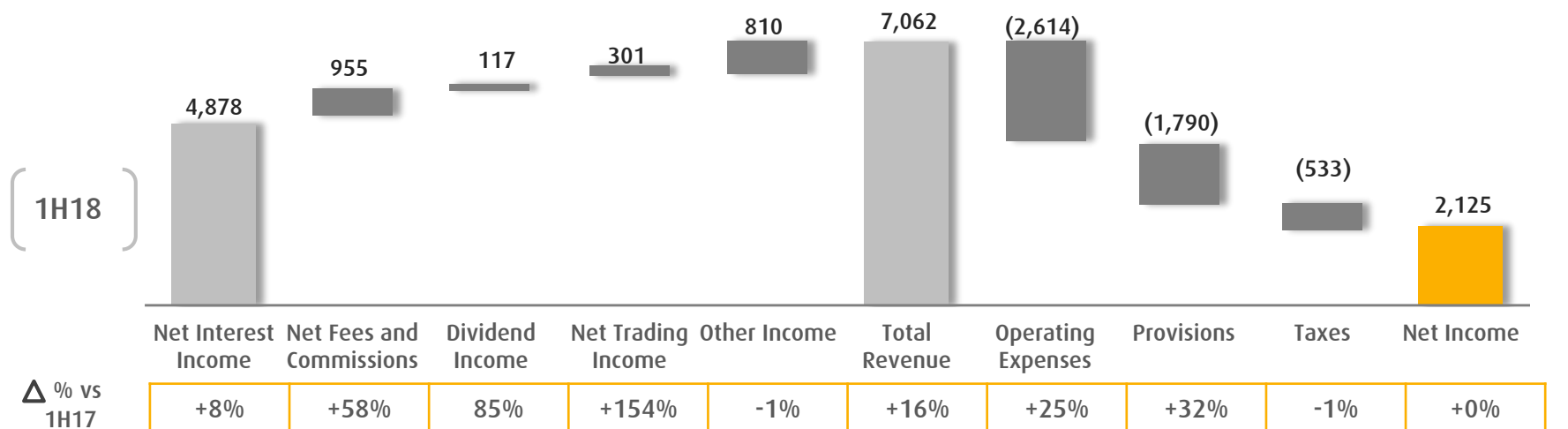
Disciplined and sound liquidity levels maintained

- Total LCR came at **107%** vs required level of 90%. Total LCR of 123% at the end of July is well above 1Q18 level.
- FC LCR came at **240%** vs required level of 70%. FC LCR of 286% at the end of July is well above 1Q18 level.
- TL Loan/Deposit ratio came flattish quarterly at 128% vs sector average of 151%.

Solid asset quality and prudent provisioning levels continued

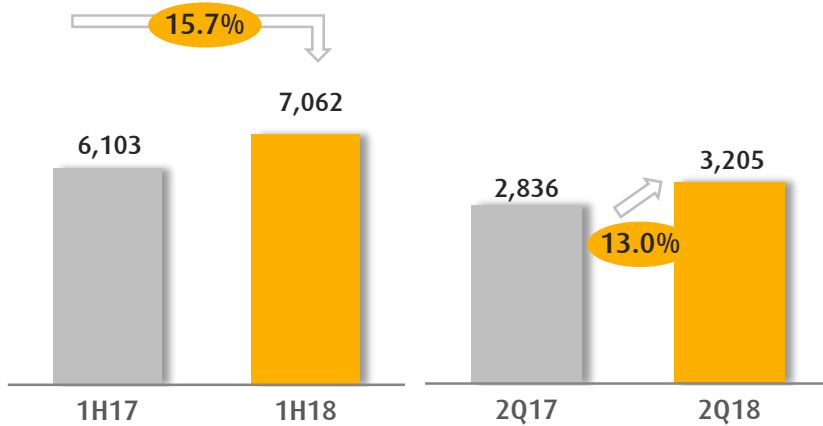
- NPL ratio came at **3.89%** without any asset sale and write-off.
- NPL coverage ratio came flattish quarterly at **78%** vs sector's 2.4 ppt decrease to 72.7%.
- With expected increase in Stage II loans, the share of Stage II Loans are ~4% in 1H18.

1H18 P&L Details

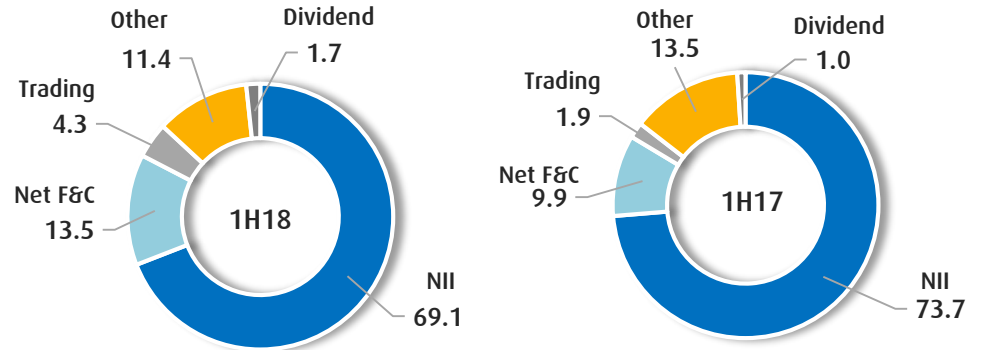


Revenue breakdown

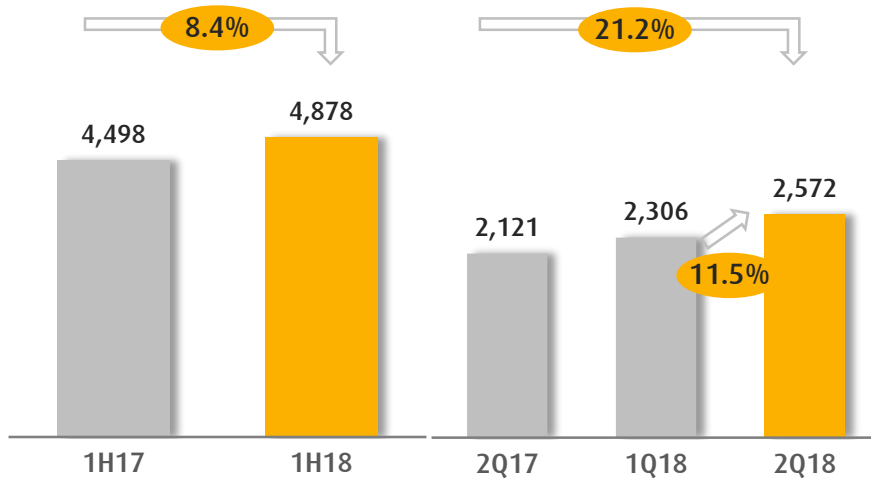
Total Revenues (TL million)



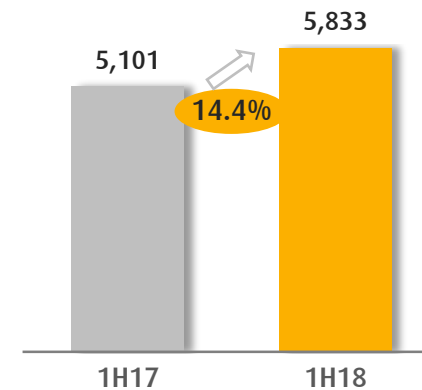
Revenue Breakdown (%)



Net Interest Income (TL million)

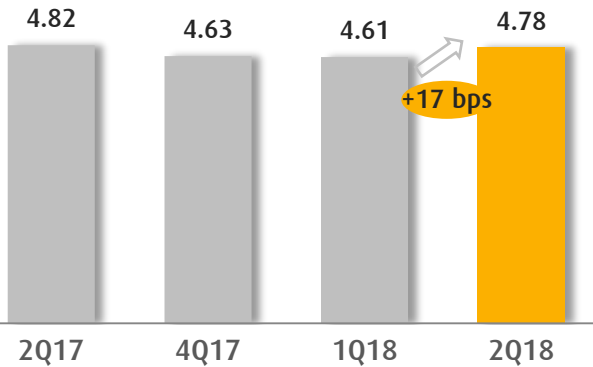


Core Banking Revenues (TL million)*

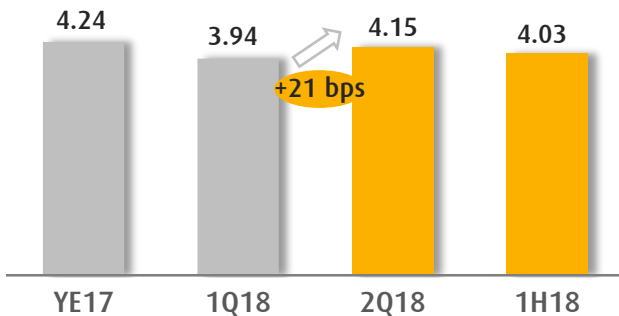


NIM, Spreads and Costs

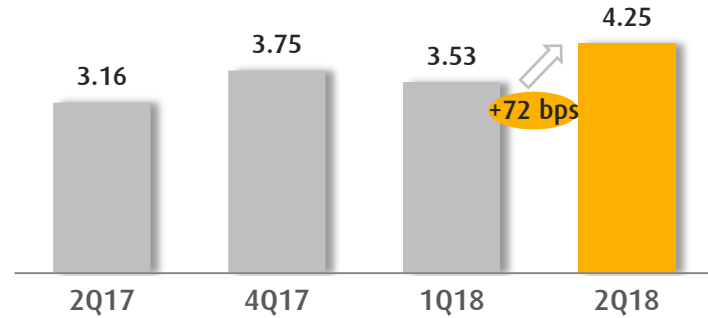
TL Core Spreads (%)



Net Interest Margin (NIM %)



FC Core Spreads (%)



Strong NIM achieved despite VakıfBank's conservative policy* for CPI accruals, substantial CPI accruals will be booked in 2H18, because of CPI increase.

2Q18 CPI amount:
TL 13.6 billion
 2Q18 CPI real yield:
2.37%

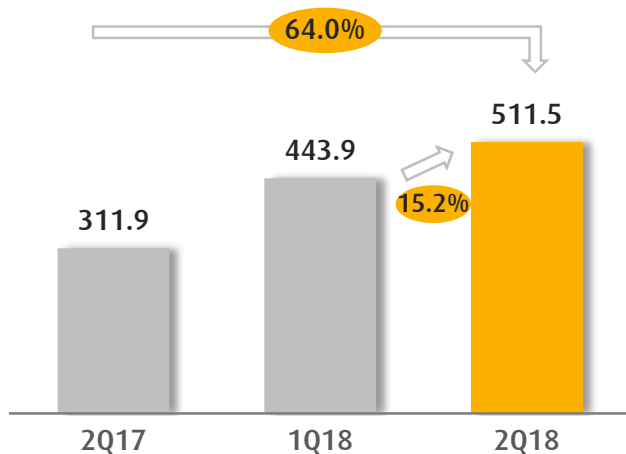
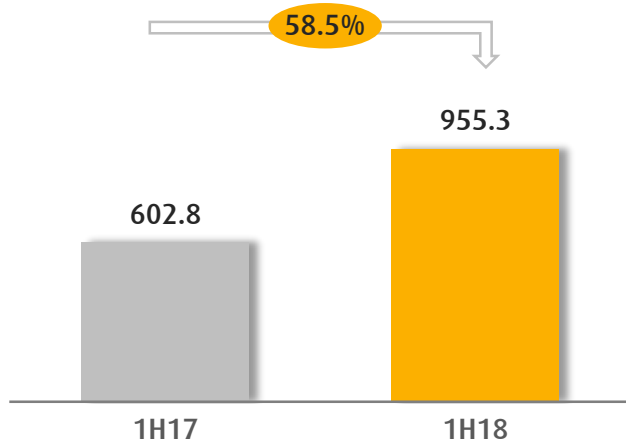
The effect of 1 ppt decrease/increase in CPI on pre-tax income is
 ~**TL 135 million**
 ~ **22 bps** impact on quarterly NIM

CPI estimate used in the valuation
9.05% in 2Q18

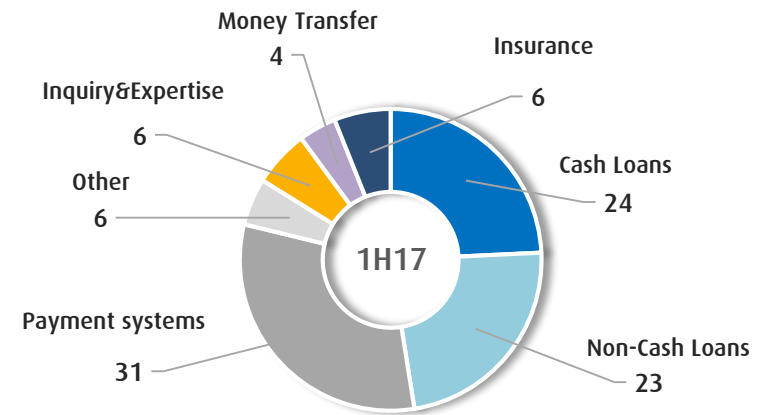
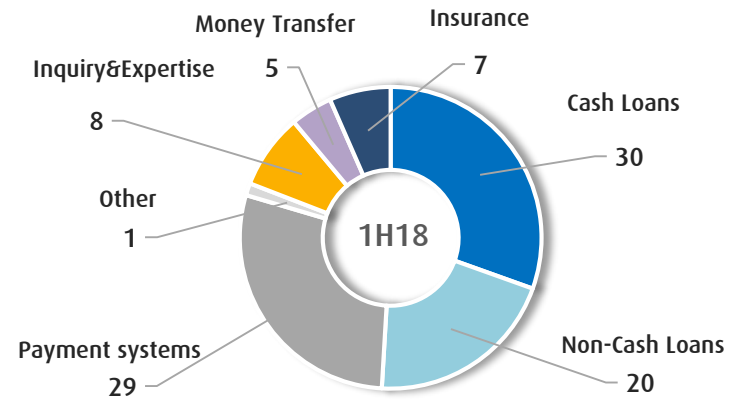
35% CPI Linker's share in total securities

Eye-catching fee growth supported by diversified fee sources

Net Fee&Commission Income (TL million)

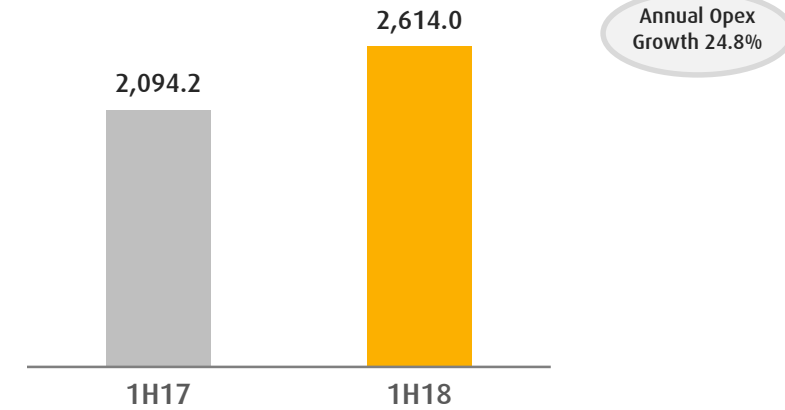


Breakdown of Net Fee&Commission Income (%)

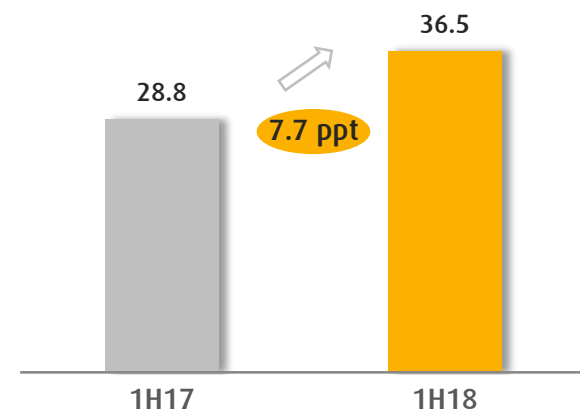


Strong efficiency maintained despite high inflation driven cost growth

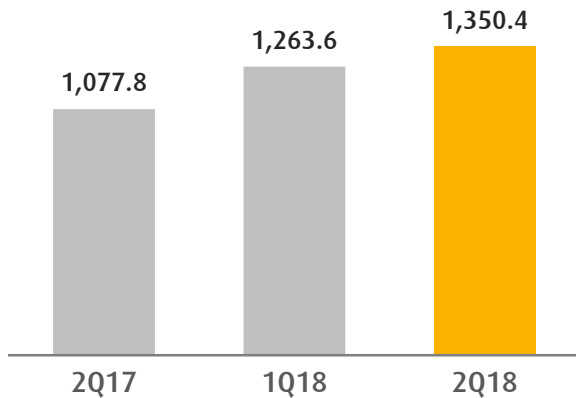
Operating Expenses (TL million)



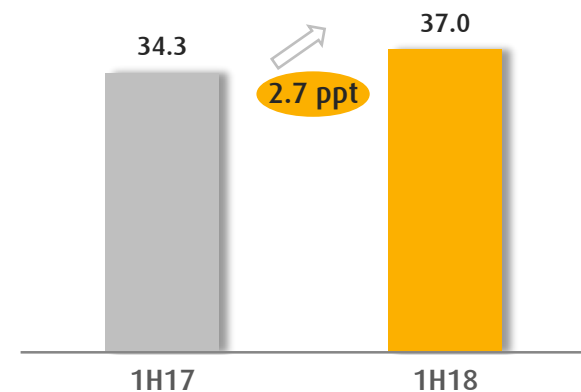
Fee/Opex (%)



Quarterly Opex Growth 6.9%

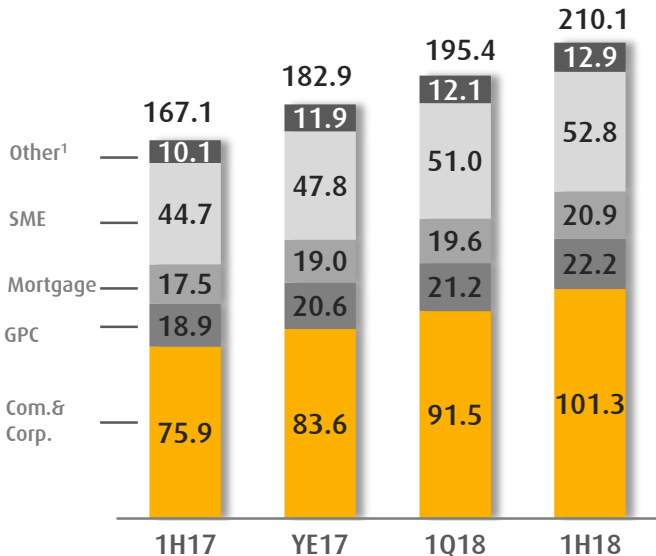


Cost/Income (%)

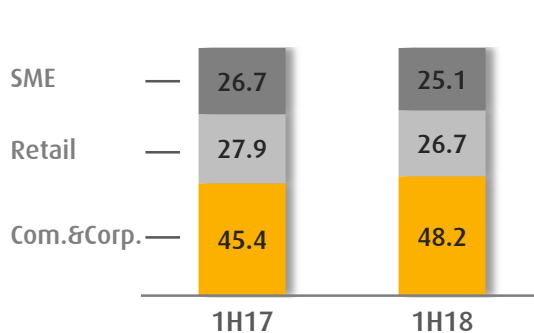


Well diversified & stable loan breakdown

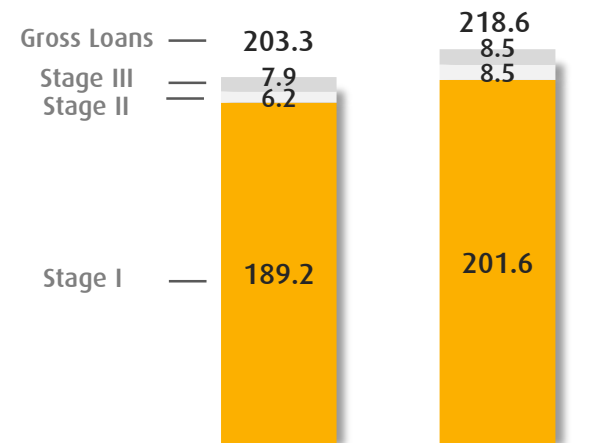
Breakdown of Loans (TL billion)



Portfolio Breakdown (%)



Loan Portfolio Breakdown (TL Billion)



TL Loan Growth

QoQ
4.1%

YtD
10.3%

FC Loan Growth
(in USD)

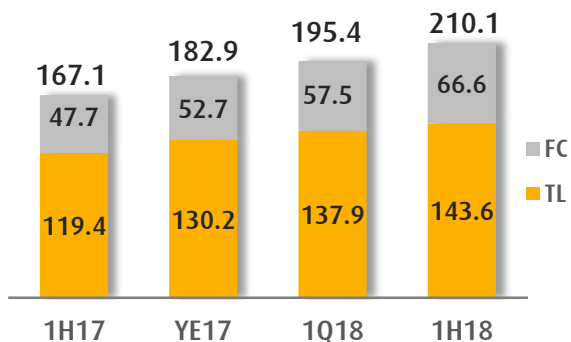
0%

4.3%

Coverage Ratios

	1Q18	2Q18
Stage I	0.8%	0.9%
Stage II	7.5%	5.3%
Stage III	78.1%	77.8%

Breakdown of Loans (TL billion)



Breakdown of FC Loans

	Share	QoQ (US\$)	YoY (US\$)
Project Finance	65%	0%	10%
Export Loans	10%	(5%)	10%
Working Capital and Other	25%	2%	(1%)

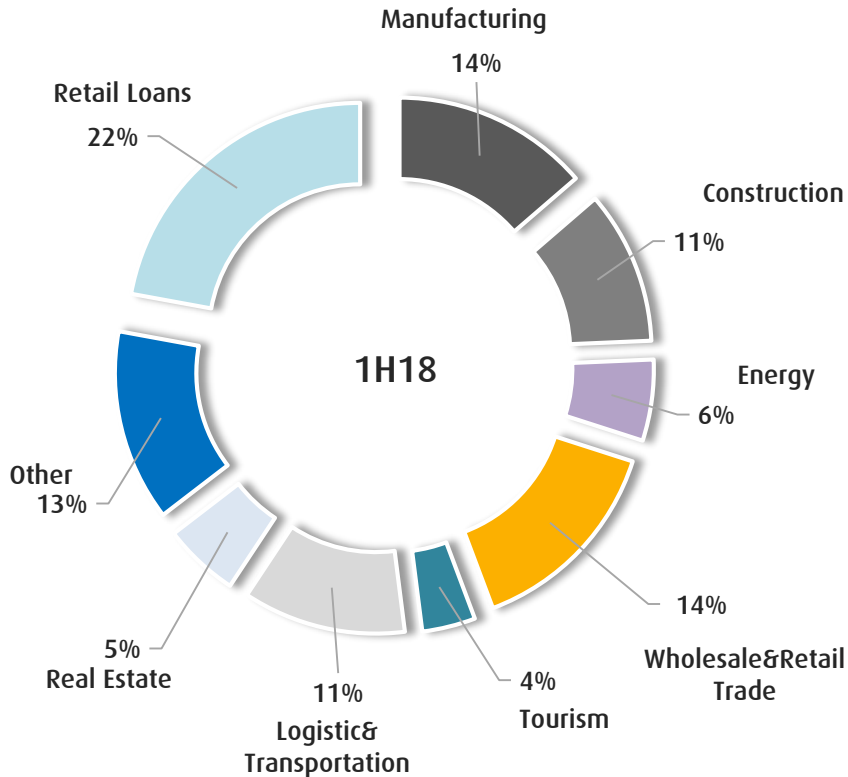
CGF Loans

(TL bn)	2017	1Q18	1H18
Total CGF	21.3	24.8	25.3
Guarantee Limit			
Originated Amount	20.9	22.7	26.6
Outstanding Amount after redemptions	18.6	19.7	21.4

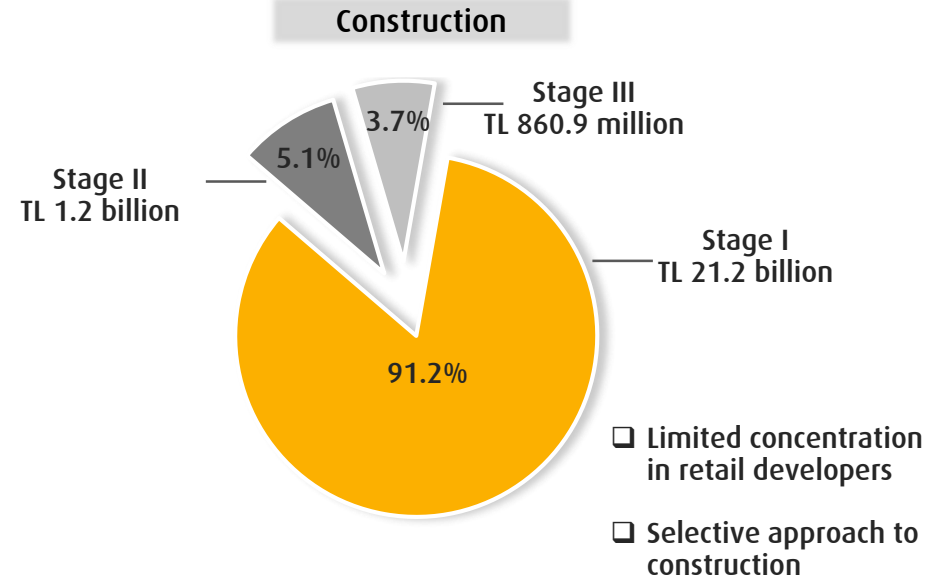
TL 5.2 billion amortisation

Breakdown of Loan Portfolio

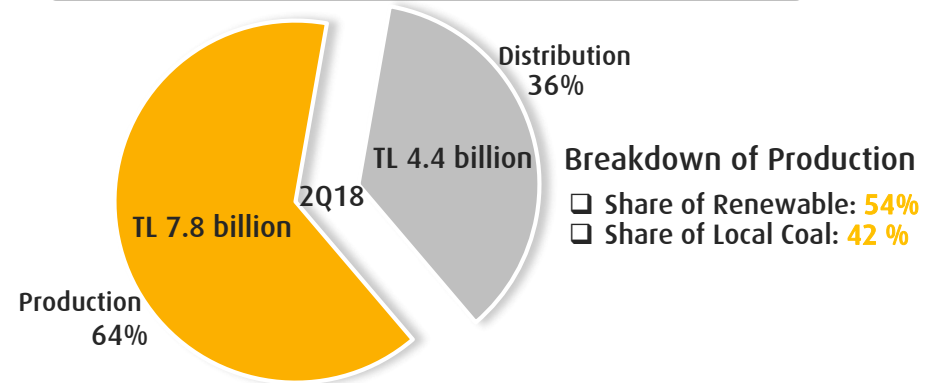
Sector Breakdown of Cash Loans



Breakdown of Construction Loans

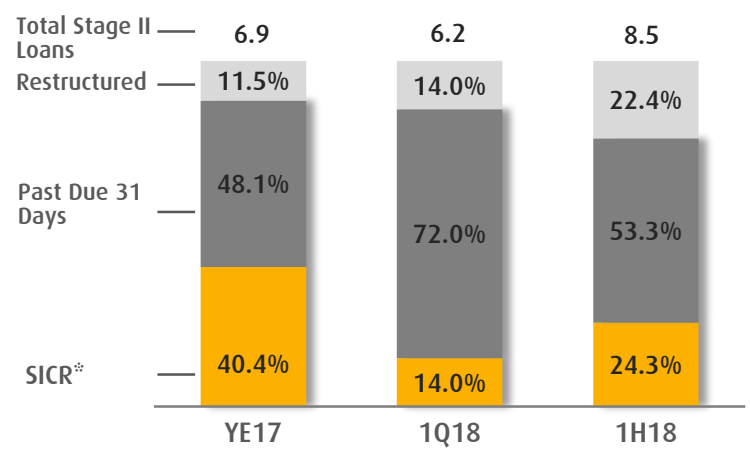


Breakdown of Energy Loans

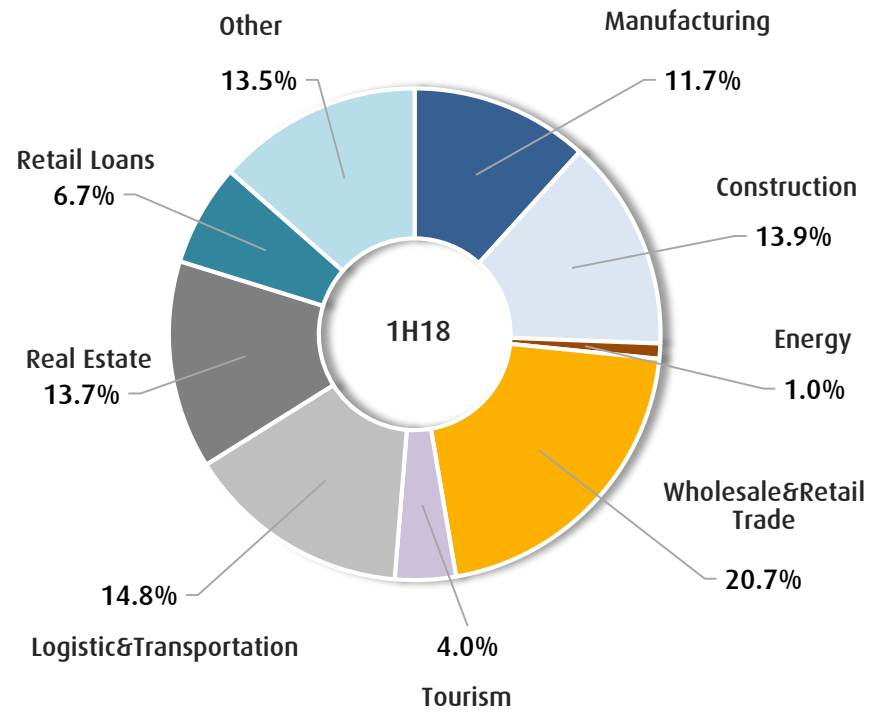


Prudent Definition of IFRS reflected on Stage II Loans

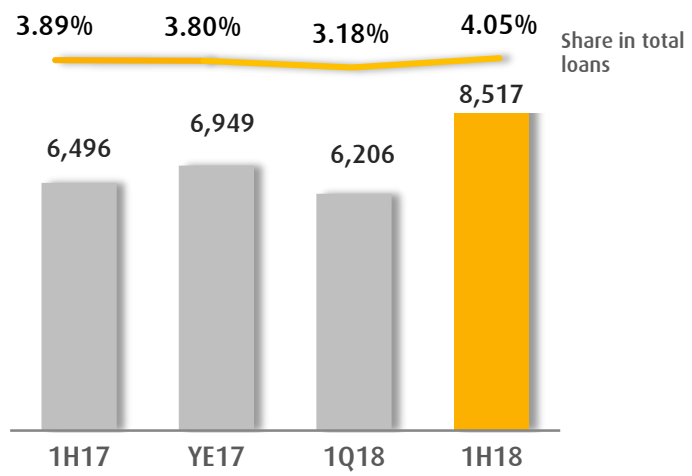
Stage II Loans Breakdown (TL Billion)



Sector Breakdown of Stage II Loans



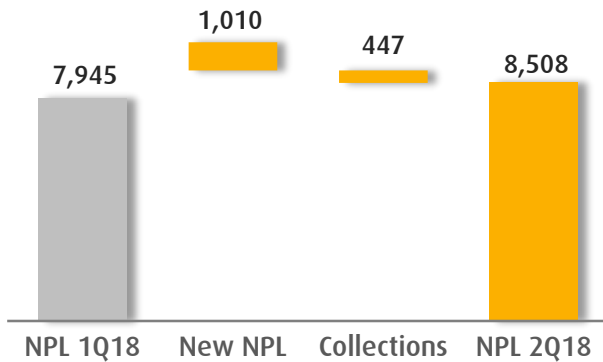
Stage II Loans (TL million)



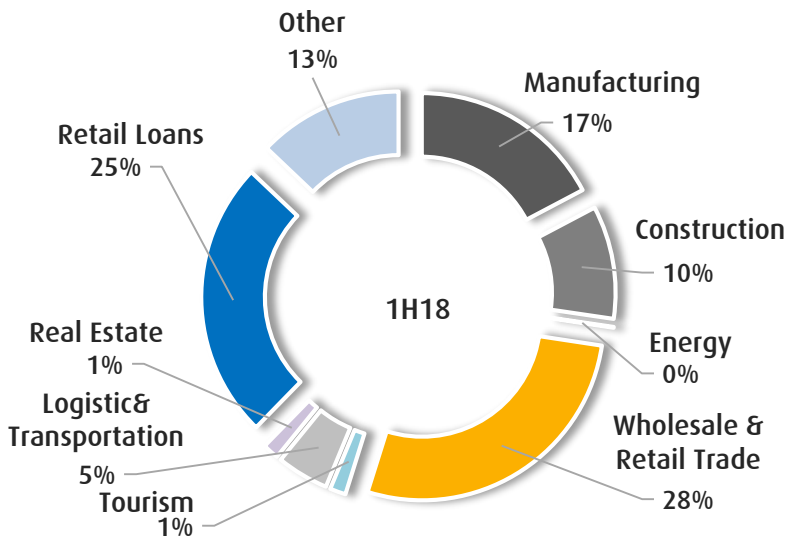
Migration into Stage II loans accelerated as expected, however past due 31 days loans are still not growing.

NPL Details

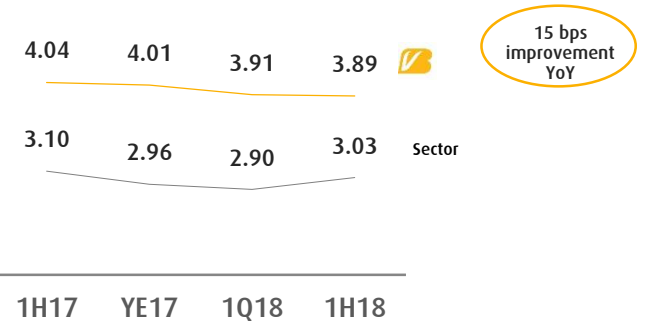
NPL (TL million)*



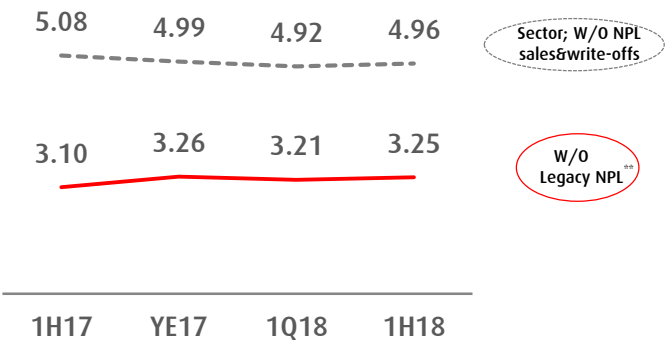
Sector Breakdown of Stage III Loans



Reported and Comparable NPL Ratios (%)



NPL growth still under control despite challenging conditions thanks to prudent origination

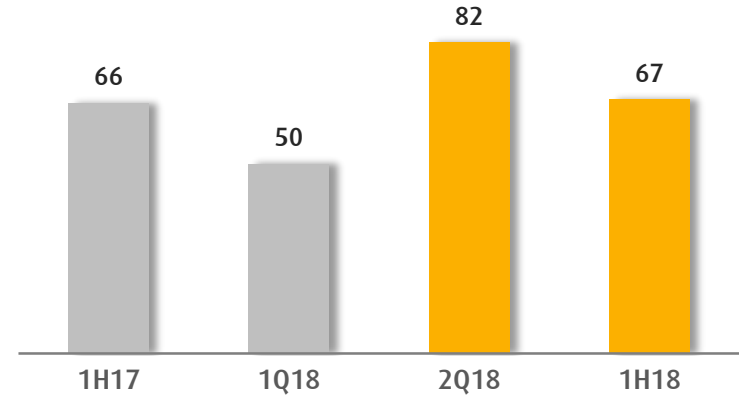


Strong collateralization and NPL collection performance put Net CoR below guidance

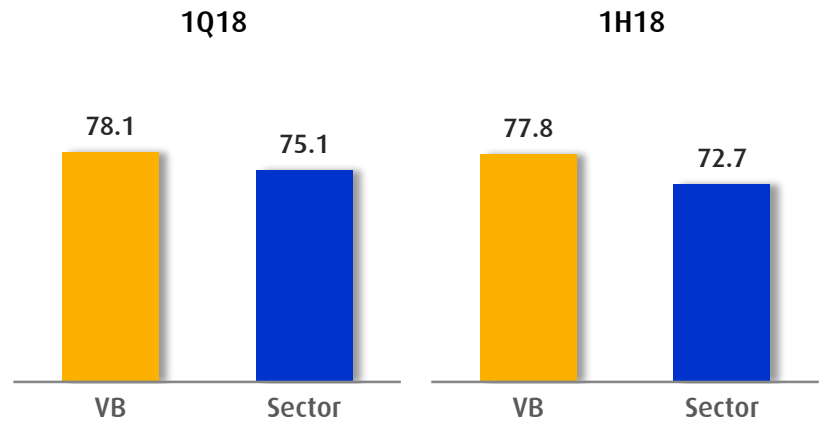
Net Expected Credit Losses

(Thousand TL)	1H18
Expected Credit Losses	1,788,150
Stage III	1,297,556
Provision Reversals under other income	653,907
Stage III	642,202
Net Expected Credit Losses	655,354
Net CoR (Stage III)	67 bps

Net Cost of Risk (bps)

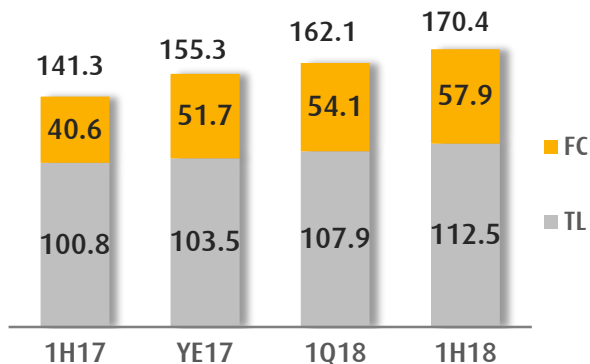


Specific NPL Coverage Ratio (%)



Customer deposits driven well diversified funding structure

Total Deposits (TL billion)



QoQ YoY

TL Deposits Growth

4.3%

11.7%

FC Deposits Growth
(in USD)

7.6%

9.5%

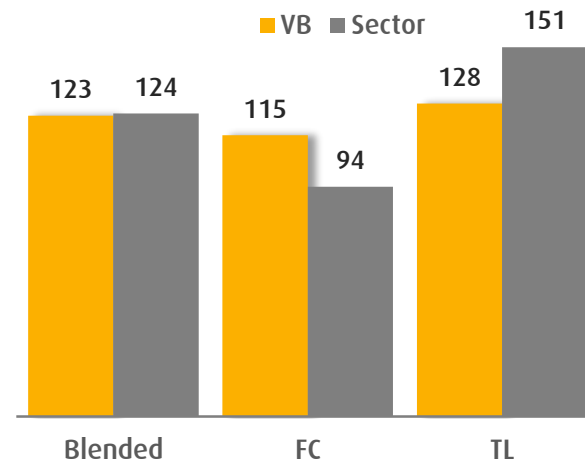
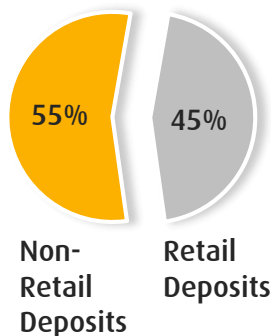
Borrowings

USD 2.5 billion * raised international borrowing in 1H18

April 2018,
USD 1.3 billion,
the largest
amount of
Syndication
Loan

May 2018, new
DPR Transaction
**USD 380
million**, 5 years
maturity

1H18 Loan/Deposit Ratios (%)

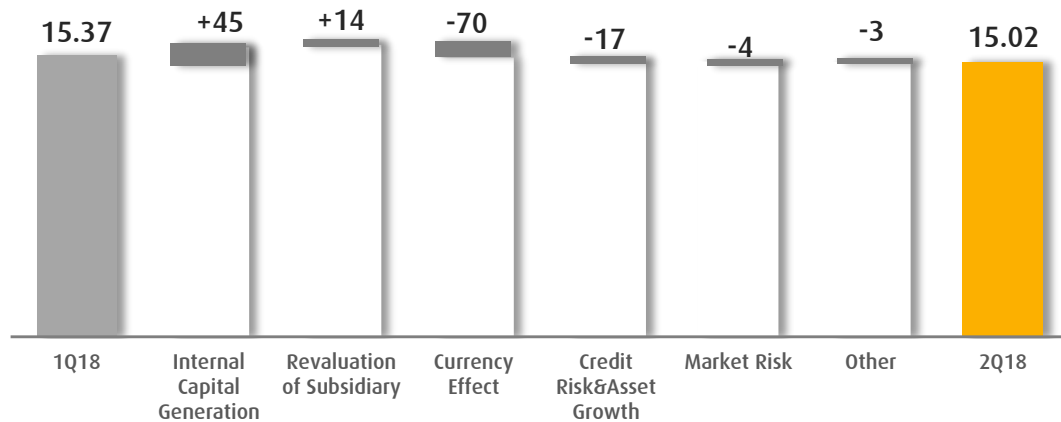
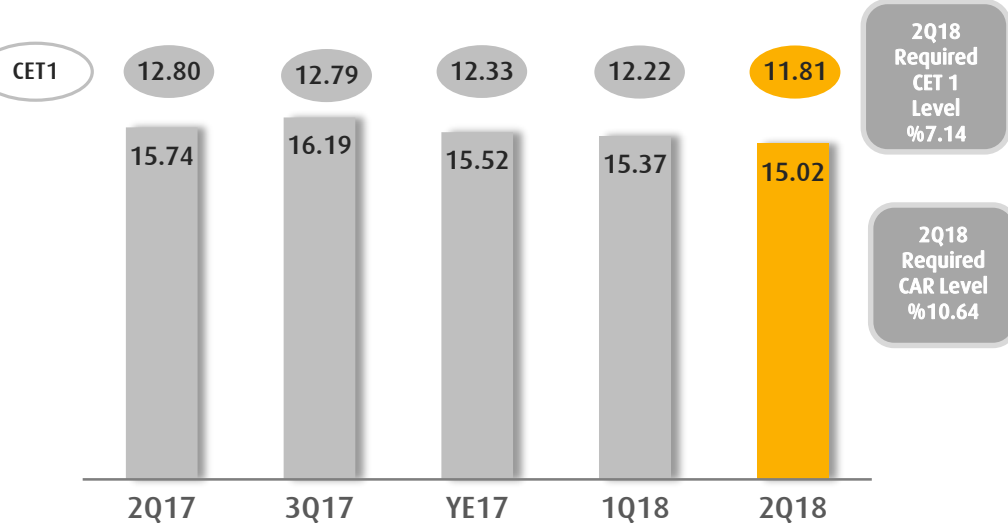


23 ppt
lower TL
LtD Ratio
compared to
sector

	VB 2Q18	VB QoQ	VB YoY	Sector QoQ	Sector YoY
Total Deposits	170	5%	21%	7%	20%
TL	113	4%	12%	2%	14%
FC (\$)	13	-8%	9%	-3%	-1%
Customer **	161	5%	18%	N.A.	N.A.
Demand	32	11%	16%	14%	25%
Repo ***	25	170%	191%	122%	141%
TL	22	210%	233%	249%	291%
FC	3	45%	58%	14%	21%
Borrowings (Funds Borrowed + Securities Issued + Sub-debt)	69	12%	49%	14%	36%

Solid solvency&liquidity ratios maintained despite challenging environment

Capital Adequacy Ratio (%)



Liquidity Ratios

	1Q18	July 18
Total LCR	107%	123%
Min. Req. For 2018	90%	90%
FC LCR	240%	286%
Min. Req. For 2018	70%	70%

The effect of 0.1 TL decrease /increase in USD/TL parity on CAR is ~9 bps

The effect of 1 ppt interest rate increase/ decrease on CAR is ~2 bps

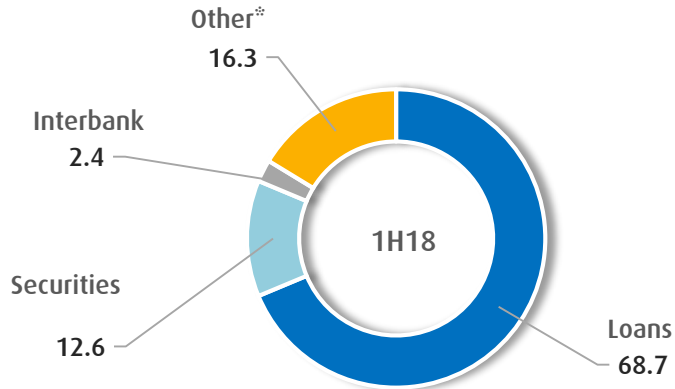
Buffers (%)	2Q18	2018	2019
Capital Conservation Buffer	1.875	1.875	2.500
Counter Cyclical Buffer**	0.015	N.A	N.A
SIFI Buffer* (Group I)	0.750	0.750	1.000
Minimum CET I	7.140	7.125	8.000
Minimum Tier I	8.640	8.625	9.500

Appendix

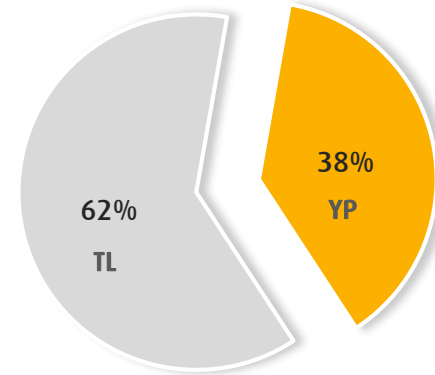
Pg. 17	Composition of Assets&Liabilities
Pg. 18	Well balanced Securities Portfolio
Pg. 19	Retail Lending Portfolio
Pg. 20	Strong growth in mobile platforms continues
Pg. 21	VakifBank with Numbers
Pg. 22	Diversified Funding Sources via Non-Deposit Funding
Pg. 23	Unconsolidated Key Financial Ratios
Pg. 24	Unconsolidated Balance Sheet
Pg. 25	Unconsolidated Income Statement

Composition of Asset&Liabilities

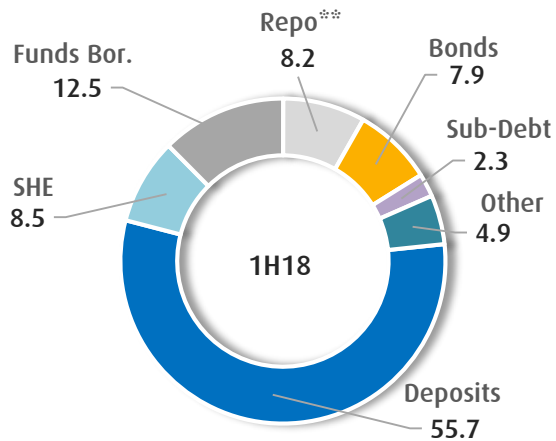
Breakdown of Assets (%)



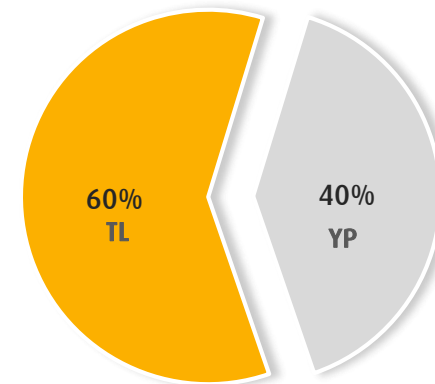
TL/FC Mix in Total Assets



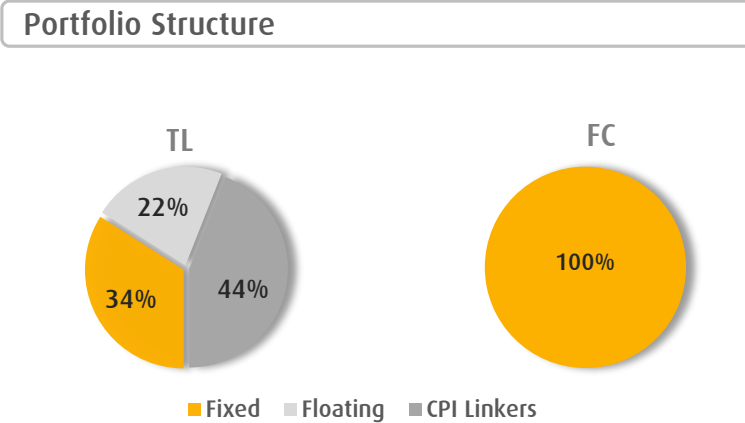
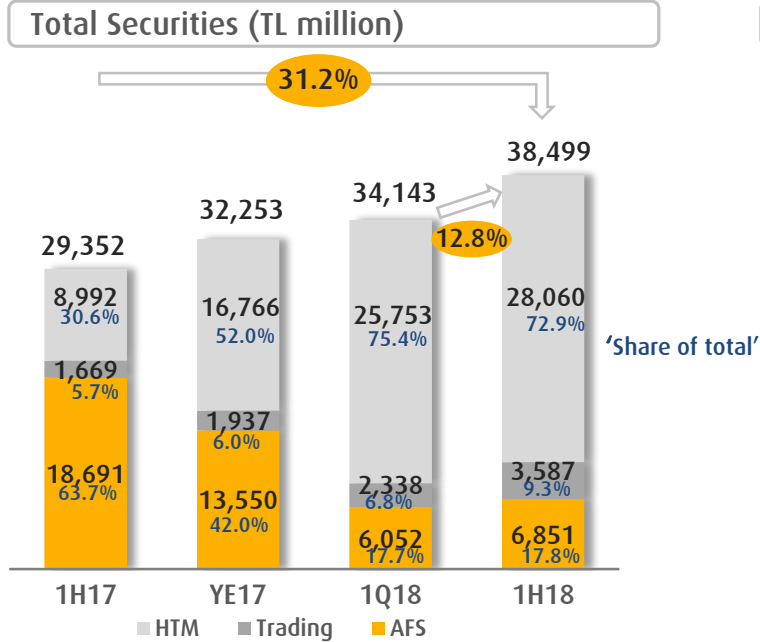
Breakdown of Liabilities (%)



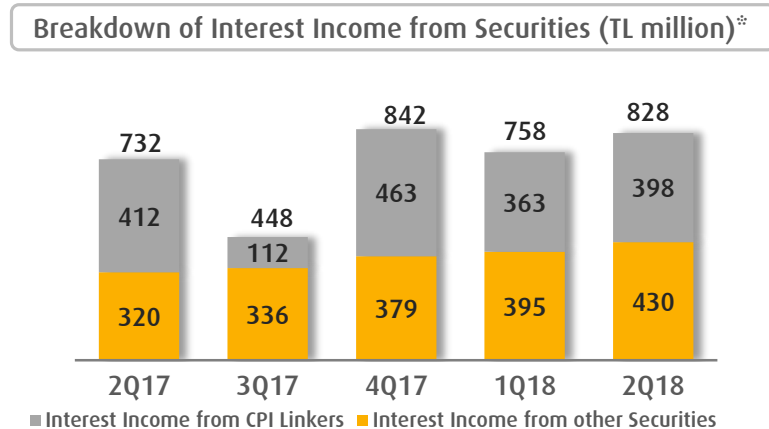
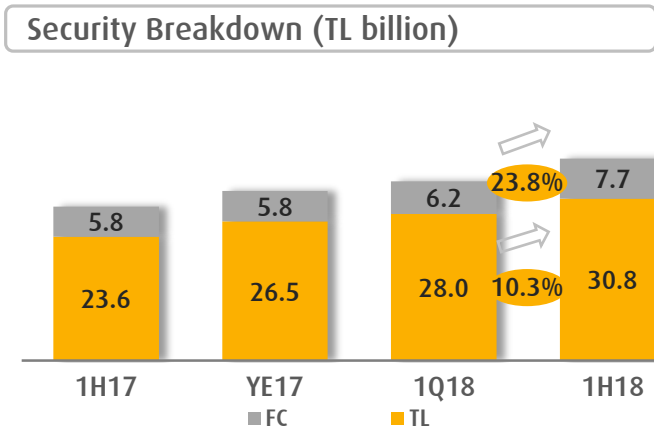
TL/FC Mix in Total Liabilities



Well balanced security portfolio

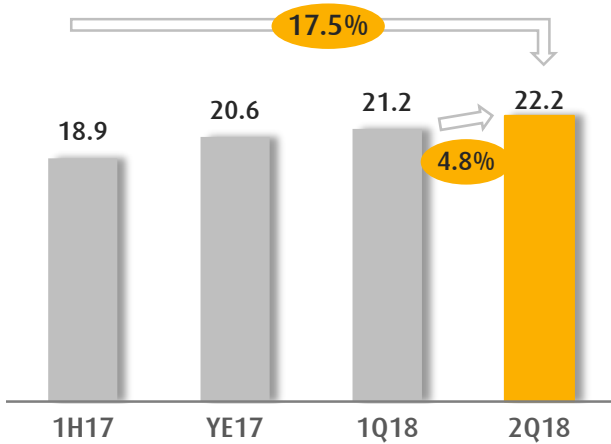


The effect of 1 ppt decrease/increase in CPI on pre-tax income is
 ~TL 135 million
 ~ 22 bps impact on NIM quarterly

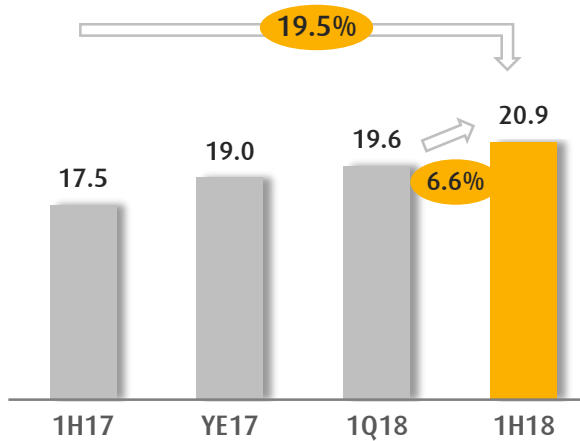


Retail Lending Portfolio

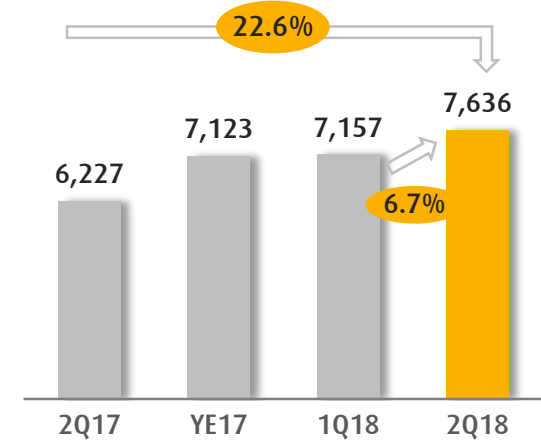
General Purpose Consumer (TL billion)



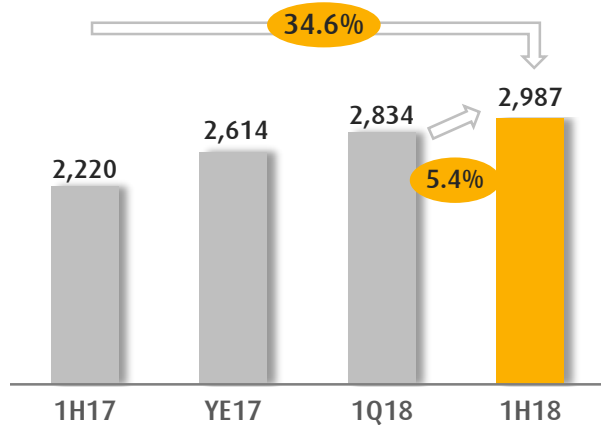
Residential Mortgages (TL billion)



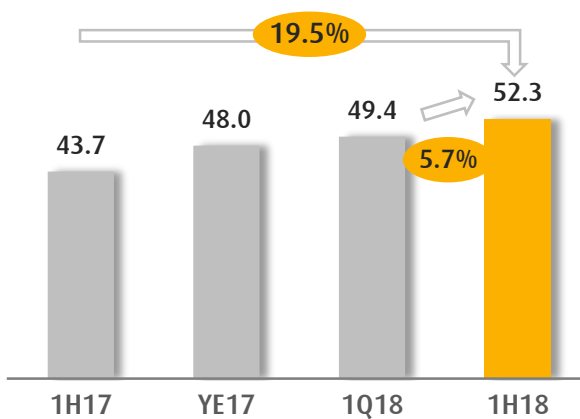
Credit Card Loans (TL million)*



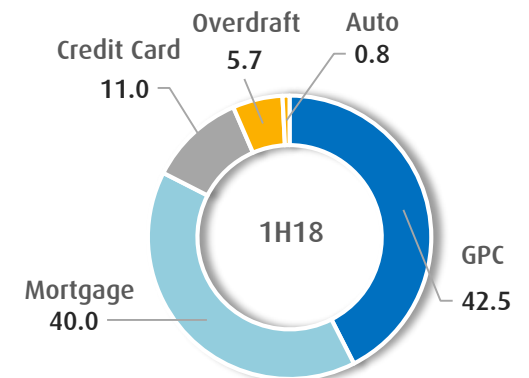
Retail Overdraft (TL million)



Total Retail (TL billion)

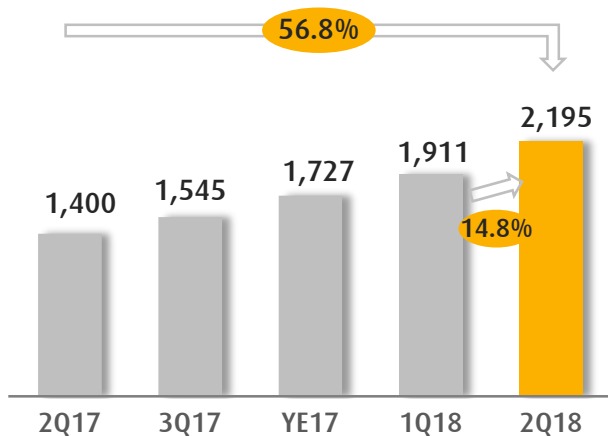


Breakdown of Retail Loans (%)

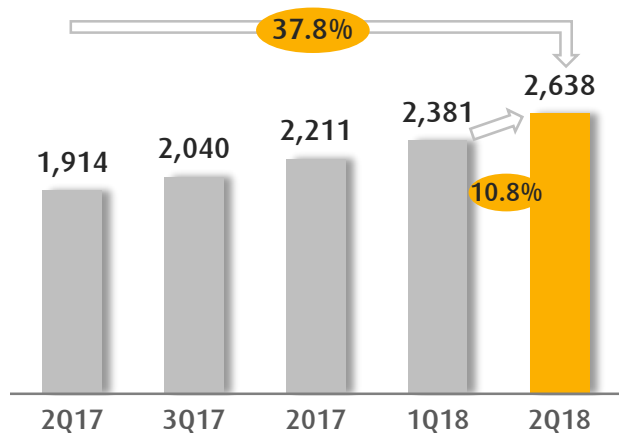


Strong growth in mobile platforms continues

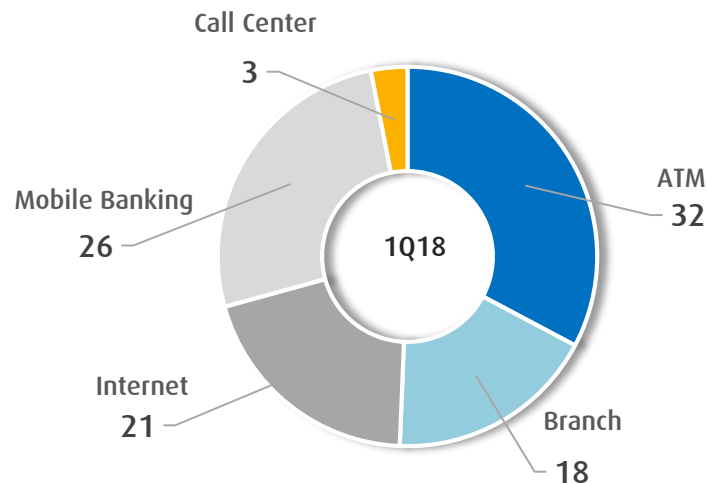
Active Mobile Banking Customers (#thousand)*



Active Internet Banking Customers (#thousand)*



Breakdown of Transactions (%)



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

VakifBank with numbers

Distribution Channels&Customer (#)	1H18	Efficiency ('000 TRY)	1H18
Personnel	16,491	Assets per Employee	18,558
POS Terminals	224,040	Assets per Branch	320,131
Outstanding Credit Cards	4.4 mn	Loans per Employee	12,740
Total Customers	21.1 mn	Loans per Branch	219,771
Total Payroll Customers	2.5 mn	Deposits per Employee	10,334
Active Mutual Fund Customers	1.6 mn	Deposits per Branch	178,260

Distribution
Platforms



956^{**}
Branches



4,103
ATMs



2,638K
Active Online
Banking
Customers



24/7
Telephone
Banking



2,195K
Active Mobile
Customers

Diversified funding sources via Non-Deposit Funding

<p>Syndicated Loan</p>	<p>US\$ 2.4 billion outstanding <u>April 2018</u> US\$ 1.291 billion 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. <u>September 2017</u> US\$ 891 million equivalent 1 year syndicated loan, all in cost as Libor + 1.35% and Euribor +1.25% with participation of 22 banks from 11 countries. <u>March 2017</u> US\$ 250 million 3 year bilateral loan with ICBC Dubai.</p>
<p>Sub-debt</p>	<p>US\$ 1.4 billion and TL525 million outstanding <u>September 2017</u> 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. <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. After Exchange nominal amount is US \$672 million.</p>
<p>Eurobonds</p>	<p>US\$ 3.3 billion outstanding <u>January 2018</u> 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. <u>May 2017</u> 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. <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.</p>
<p>DPR Securitizations</p>	<p>US\$ 1.9 billion outstanding <u>May 2018</u> 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. <u>October 2016</u> 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\$ 37.9 million outstanding US\$ 4,898 million equivalent private placements were issued since June 2013 under GMTN program.</p>
<p>Covered Bond</p>	<p>EUR 500 million and TL 3.7 billion outstanding <u>February 2018</u> TL 1 billion Covered Bond notes were issued with the maturity of 5 years. <u>December 2017</u> TL 1.3 billion Covered Bond notes were issued with the maturity of 5 years. <u>October 2017</u> TL 1.3 billion Covered Bond notes were issued with the maturity of 5.5 years. <u>May 2016</u> 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>IFI Borrowing</p>	<p>US\$ 1.8 billion outstanding World Bank outstanding funding US\$ 245.0 million EBRD outstanding funding US\$ 273.7 million (US\$ 205 million under DPR Program and EUR 50 million under Covered Bond Program included) EIB outstanding funding US\$ 945.6 million KfW outstanding funding US\$ 302.7 million AFD outstanding funding US\$ 93.1 million</p>
<p>TL Bonds</p>	<p>Outstanding TL bonds amounting TL 5.6 billion as of June 30, 2018.</p>

Unconsolidated Key Financial Ratios

	1H17	2017	1Q18	2Q18	1H18
Profitability*					
ROAE	20.8%	17.5%	17.4%	16.8%	17.2%
ROAA	1.9%	1.5%	1.5%	1.5%	1.5%
Cost / Income	34.3%	37.2%	32.8%	42.1%	37.0%
Cost / Assets	1.8%	1.6%	1.8%	1.8%	1.7%
Fee / Cost	28.8%	30.1%	35.1%	37.9%	36.5%
Liquidity					
Loans / Deposits	118.2%	117.8%	120.6%	123.3%	123.3%
<i>TL Loans / Deposits</i>	118.5%	125.8%	127.8%	127.6%	127.6%
Liquidity Coverage Ratio (Total)	91.3%	102.2%	111.6%	106.7%	106.7%
<i>FC Liquidity Coverage Ratio</i>	148.7%	235.4%	263.3%	240.1%	240.1%
Asset Quality					
NPL Ratio	4.0%	4.0%	3.9%	3.9%	3.9%
Coverage Ratio	83.0%	86.4%	78.1%	77.8%	77.8%
Cost of Risk	1.5%	1.3%	2.2%	0.5%	1.3%
Solvency					
CAR	15.74%	15.52%	15.37%	15.02%	15.02%
Tier I Ratio	12.80%	12.33%	12.22%	11.81%	11.81%
Leverage	9.9x	10.6x	10.3x	10.7x	10.7x

Unconsolidated Balance Sheet

Assets

Off-B.S. Liabilities & SHE

(thousand)	1H17		YE17		1Q18		1H18		TL		USD	
	TL	USD	TL	USD	TL	USD	TL	USD	ΔYoY	Δ QoQ	ΔYoY	Δ QoQ
Cash & Balances with Central Bank	26,244,627	7,477,102	28,644,824	7,577,996	30,855,501	7,804,920	35,533,591	7,765,887	35.4%	15.2%	3.9%	(0.5%)
Interbank	3,397,616	967,982	13,539,930	3,581,992	9,796,468	2,478,023	7,431,301	1,624,115	118.7%	(24.1%)	67.8%	(34.5%)
Securities	29,352,096	8,362,421	32,252,573	8,532,427	34,142,795	8,636,443	38,498,619	8,413,895	31.2%	12.8%	0.6%	(2.6%)
Loans	167,128,135	47,614,853	182,932,228	48,394,769	195,400,739	49,426,748	210,101,417	45,917,785	25.7%	7.5%	(3.6%)	(7.1%)
Subsidiaries & Investments	2,367,394	674,471	2,563,016	678,047	2,635,377	666,620	2,841,047	620,912	20.0%	7.8%	(7.9%)	(6.9%)
Property & Equipment	1,384,550	394,459	1,417,263	374,937	1,422,893	359,922	1,472,897	321,902	6.4%	3.5%	(18.4%)	(10.6%)
Other	6,748,843	1,922,747	9,221,876	2,439,650	7,730,971	1,955,554	10,166,568	2,221,909	50.6%	31.5%	15.6%	13.6%
Total Assets	236,623,261	67,414,034	270,571,710	71,579,817	281,984,744	71,328,230	306,045,440	66,886,406	29.3%	8.5%	(0.8%)	(6.2%)
Deposits	141,341,099	40,268,119	155,277,122	41,078,604	162,054,383	40,991,765	170,416,614	37,244,649	20.6%	5.2%	(7.5%)	(9.1%)
Funds Borrowed	26,135,036	7,445,879	28,307,621	7,488,789	31,136,433	7,875,982	38,171,150	8,342,327	46.1%	22.6%	12.0%	5.9%
Other	46,497,289	13,247,091	62,202,160	16,455,598	61,834,229	15,641,010	69,237,066	15,131,800	48.9%	12.0%	14.2%	(3.3%)
Provisions	1,034,711	294,789	1,526,989	403,965	1,960,597	495,934	2,133,221	466,217	106.2%	8.8%	58.2%	(6.0%)
Shareholders' Equity	21,615,126	6,158,156	23,257,818	6,152,862	24,999,102	6,323,540	26,087,389	5,701,414	20.7%	4.4%	(7.4%)	(9.8%)
Guarantees	42,480,875	12,102,813	50,767,584	13,430,578	55,211,357	13,965,750	60,188,610	13,154,255	41.7%	9.0%	8.7%	(5.8%)
Commitments	46,461,933	13,237,018	48,326,032	12,784,665	52,216,804	13,208,276	60,621,008	13,248,756	30.5%	16.1%	0.1%	0.3%
Derivatives	59,747,348	17,022,036	60,733,519	16,067,069	71,633,682	18,119,788	91,135,081	19,917,624	52.5%	27.2%	17.0%	9.9%

Unconsolidated Income Statement

(TL-thousand, %)	1H17	1Q18	2Q18	1H18	Δ YoY	Δ QoQ
Net Interest Income	4,498,140	2,306,171	2,571,782	4,877,953	8.4%	11.5%
Net Fee & Com. Income	602,788	443,857	511,491	955,348	58.5%	15.2%
Dividend Income	63,565	44,413	73,034	117,447	84.8%	64.4%
Net Trading Income	118,629	112,817	188,142	300,959	153.7%	66.8%
Other Income	820,302	949,563	-139,345	810,218	(1.2%)	(114.7%)
Total Revenues	6,103,424	3,856,821	3,205,104	7,061,925	15.7%	(16.9%)
Operating Expenses	-2,094,222	-1,263,597	-1,350,387	-2,613,984	24.8%	6.9%
Provisions	-1,351,938	-1,293,314	-496,458	-1,789,772	32.4%	(61.6%)
Tax Provisions	-535,854	-248,489	-284,419	-532,908	(0.5%)	14.5%
Net Income	2,121,410	1,051,421	1,073,840	2,125,261	0.2%	2.1%

A member of BIST Sustainability Index



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