

Earnings Presentation

BRSA Bank-Only 1Q 2014

May 7, 2014



1Q 2014 Macro Highlights

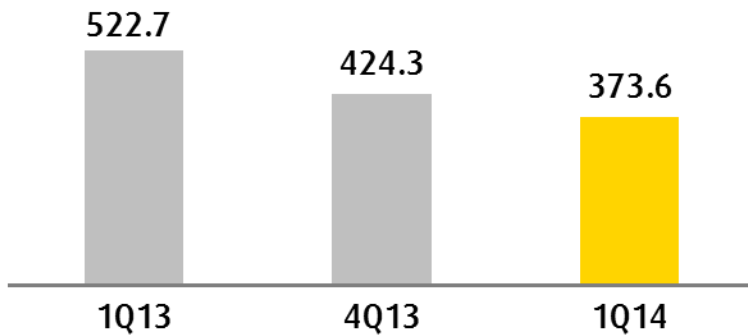
- ❏ FED continued to reduce its total asset purchase another 20 bio USD in 1Q14 to 55 bio USD.
- ❏ No rate hike expected from FED in the short term.
- ❏ UST 10Y moving in the corridor of 2.6-2.8% since February 2014.
- ❏ ECB preferred monitoring inflation and the broad-based weakness of the economy before introducing additional monetary stimulus.
- ❏ Turkish GDP growth for 2013 came at 4.0% with a higher than expected 4.4% growth performance in the last quarter of the year. Domestic consumption was the main driver of growth.
- ❏ Benchmark bond rates declined more than 100 bps during post local elections era.
- ❏ CPI increased 1.1% on a monthly basis in March and came at 8.4% YoY, higher than February figure of 7.4% due to the hike on unprocessed food prices.
- ❏ Turkey's annual C/A deficit decreased to 62.2 bio USD in February 2014 due to the rise in the exports and fall in the gold imports.
- ❏ CBRT held its policy rates unchanged at the last MPC meeting in April. Marginal Repo funding cost decreased from 12% to 10%. CBRT made a technical cut in its late liquidity window lending rate, decreasing it to 13.5% from 15%.
- ❏ Volatility in currency lost momentum following CBRT's interest rate hike decision in late January.
- ❏ In line with expectations, Central Government Budget ran a deficit of 1.5 bio TL. Turkey's fiscal dynamics continued to be strong.
- ❏ Unemployment rate materialized at 10.1% in January 2014.

1Q 2014 VakifBank Highlights

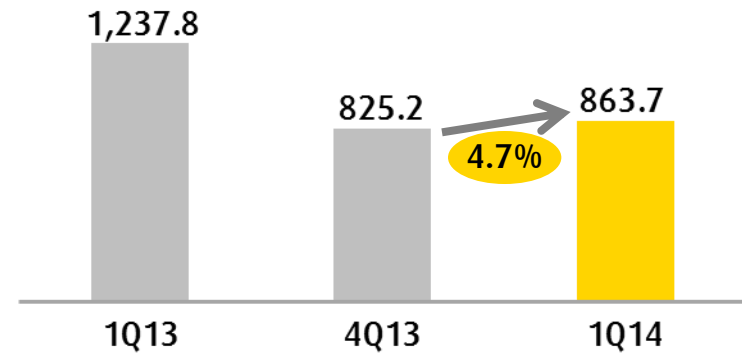
- Quarterly net income came at 373.6 mio TL.
- ROAE at 11.8% and ROAA at 1.1%.
- Total loans are up by 3.3% QoQ, backed by strong growth in corporate and commercial loans.
- Quarterly loan growth came all from TL side; TL loan growth is up by 4.5% QoQ, reaching to 67.7 bio TL.
- Total deposits are up by 2% QoQ, mainly driven by demand and retail deposits growth.
- Quarterly and annual demand deposit growth are 10.2% and 39.5% respectively. The share of demand deposits increased to 18.1% in total deposits, which is up by 1.6 pps in annual terms.
- FX deposits are up by 12.3% QoQ and 20% YoY in real terms.
- Asset quality is intact; NPL ratio is flattish at 3.95%, despite challenging outlook.
- Above sector NPL coverage maintained at 92.3%; second highest in the peer group as of 1Q14¹.
- Specific CoR is in line with the budget at 123 bps. Net CoR came better than budget at 51 bps thanks to strong collections.
- Quarterly NIM contraction materialized at 45 bps to 3.75%, as expected and guided.
- Unlike to sector trend, net trading income is at positive territory with 72.3 mio TL thanks to trading activities and FX exchange gains.
- 65 mio TL dividend income booked in 1Q14, which is up by 40% YoY, thanks to improving outlook of subsidiaries.
- Other Income is up by 21.3% QoQ and reached to 224 mio TL, thanks to 158.8 mio TL NPL collections.
- Total provision costs are down by 30% YoY to 407.8 mio TL on a comparable basis².
- Loan/ Deposit ratio is comfortable at 107.5%
- Solvency ratios are well above required and recommended levels; Basel III CAR is up by 29 bps QoQ and reached to 14%; Core Tier I ratio is up by 73 bps QoQ and reached to 11.33%.

1Q 2014 Earnings and Ratios

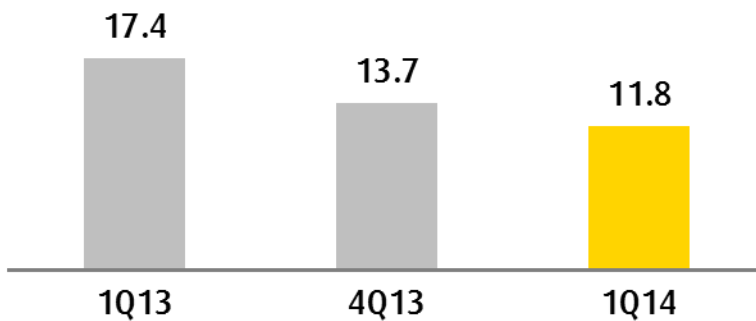
Quarterly Net Income (Mio TL)



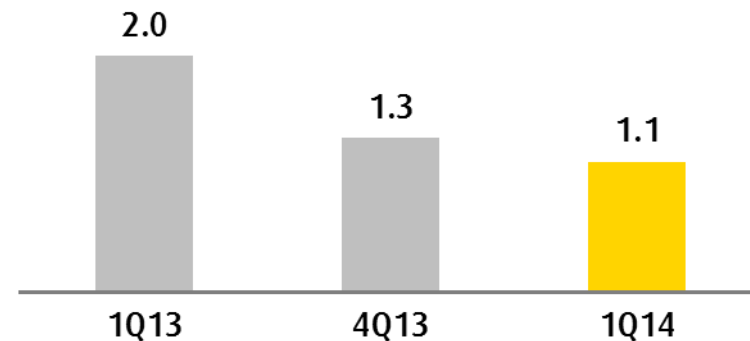
Operating Profit (Mio TL)



ROAE (%)

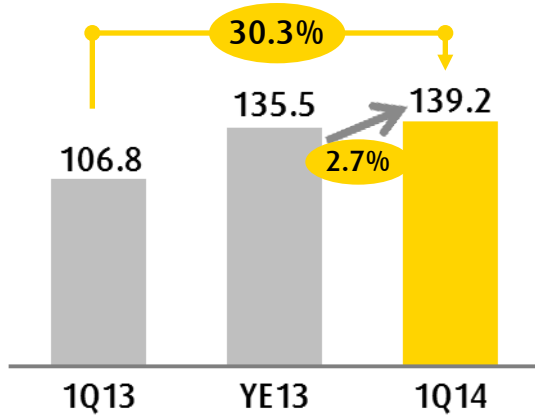


ROAA (%)

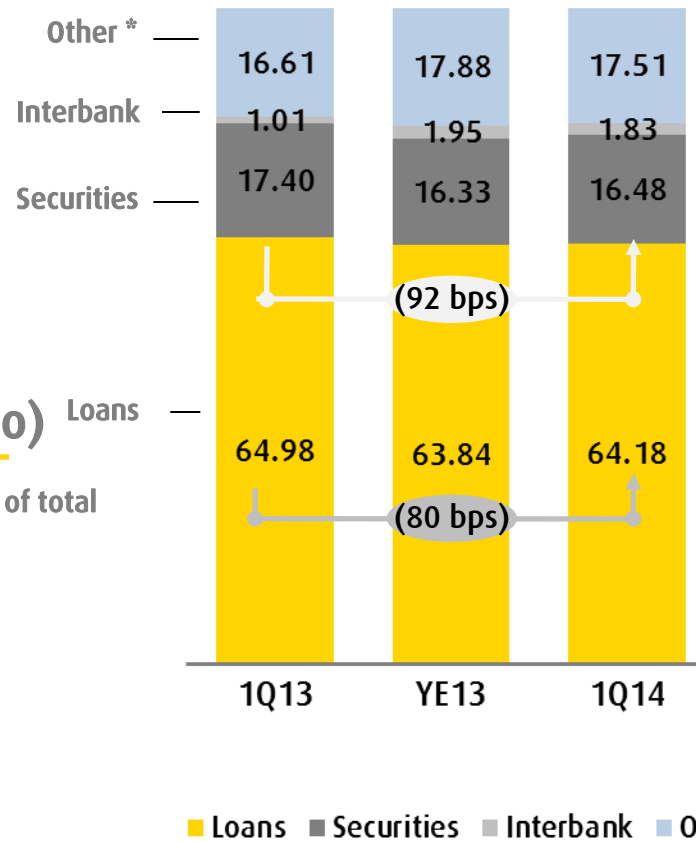


Well managed asset mix

Total Assets (TL bio)



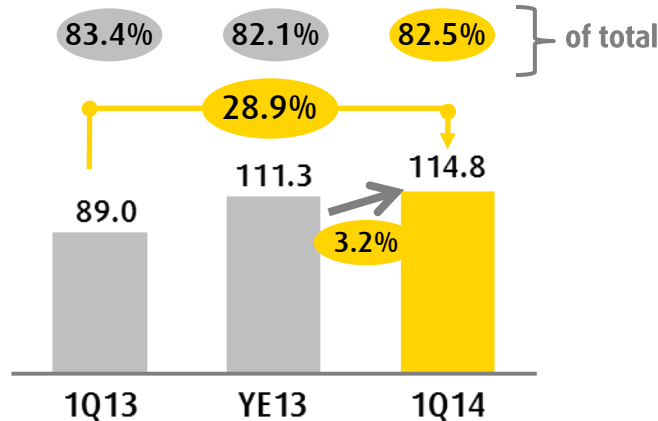
Breakdown of Assets (%)



The share of loans in total assets

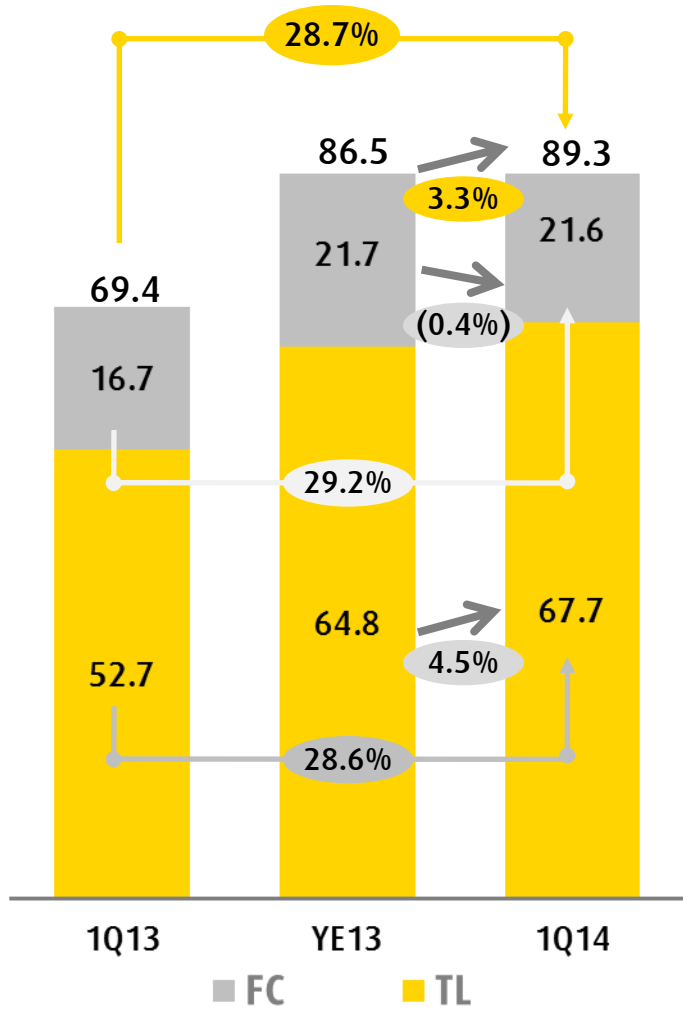
64.2%

Interest Earning Assets (TL bio) Loans

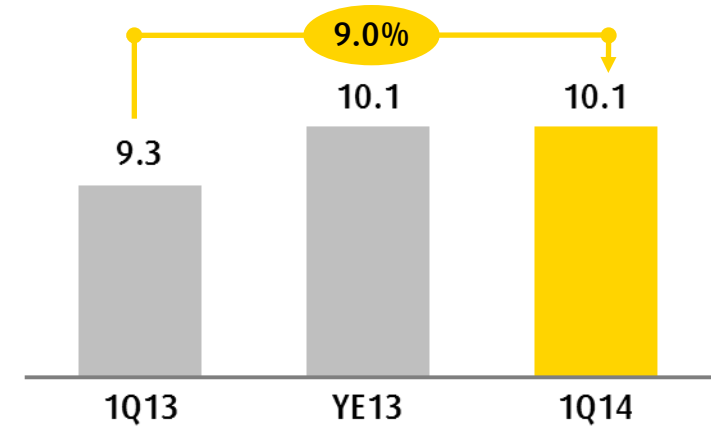


TL heavy loan growth

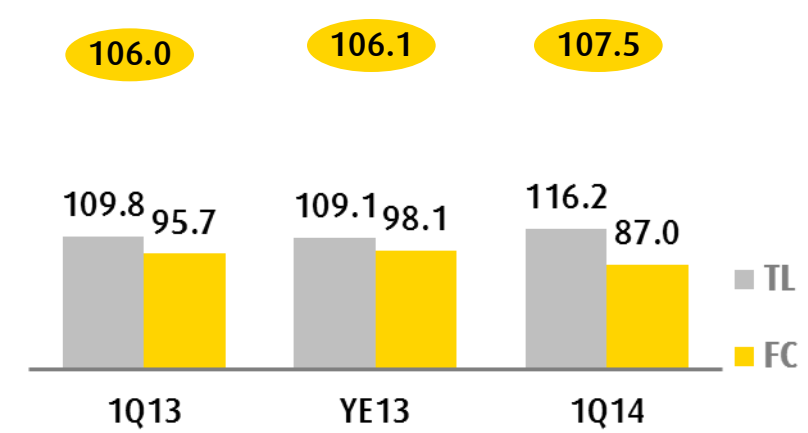
Total Loans (TL bio)



FC Loans (USD bio)



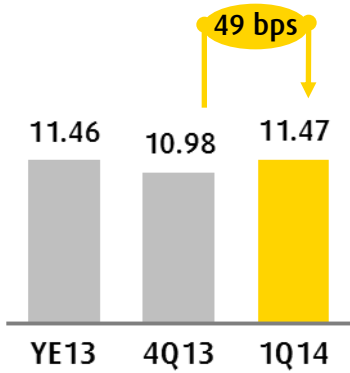
Loan/Deposit (%)



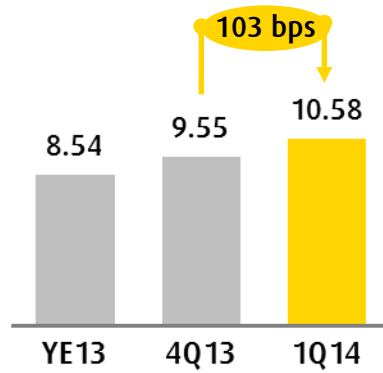
NIM, Spreads and Costs

Yields (%)

TL Loans

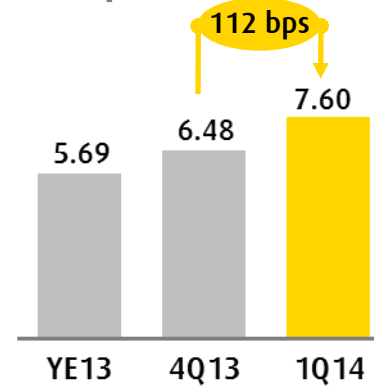


TL Securities

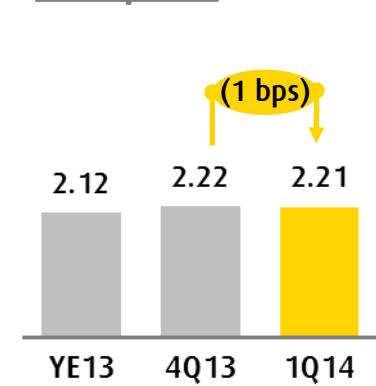


Cost of Deposits (%)

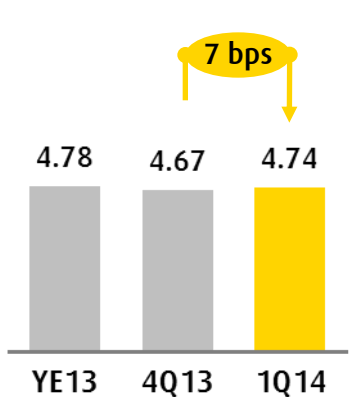
TL Deposits



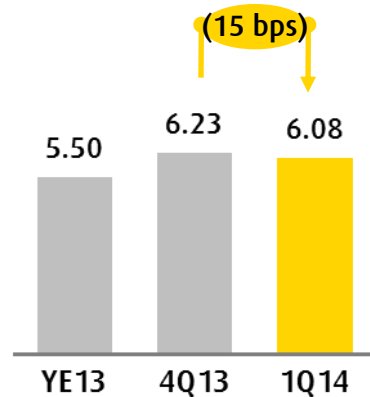
FC Deposits



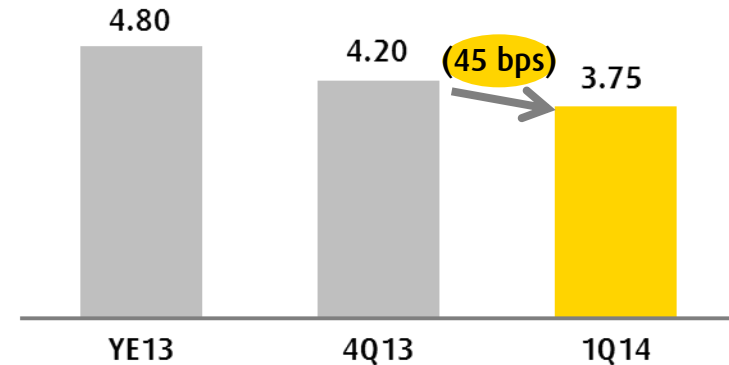
FC Loans



FC Securities*

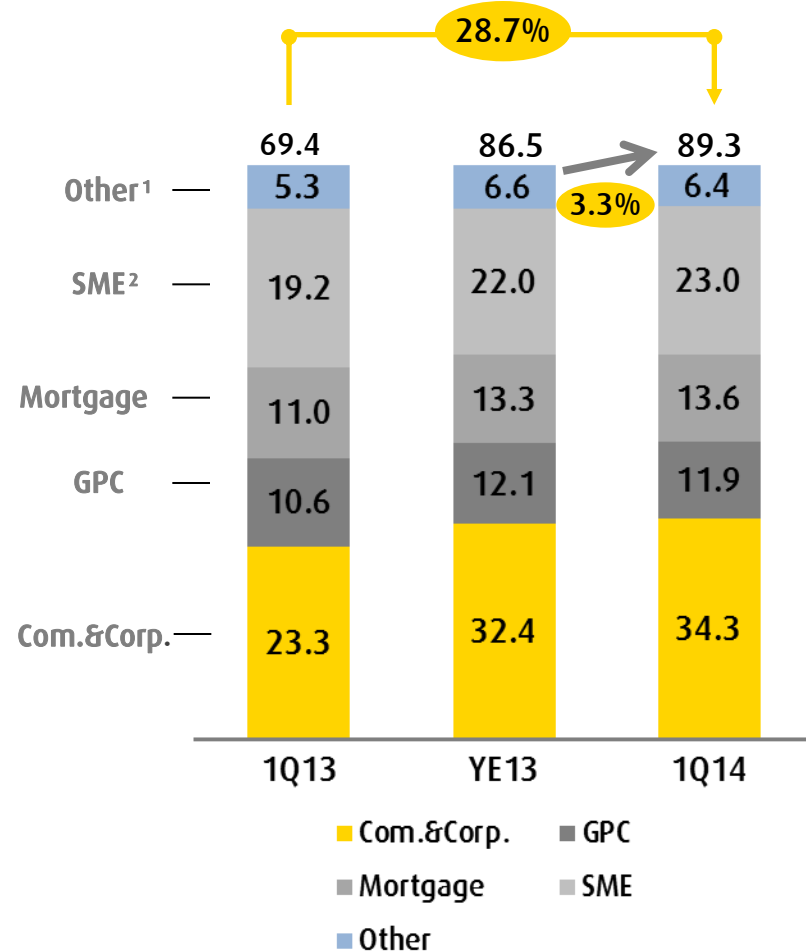


Net Interest Margin (NIM %)

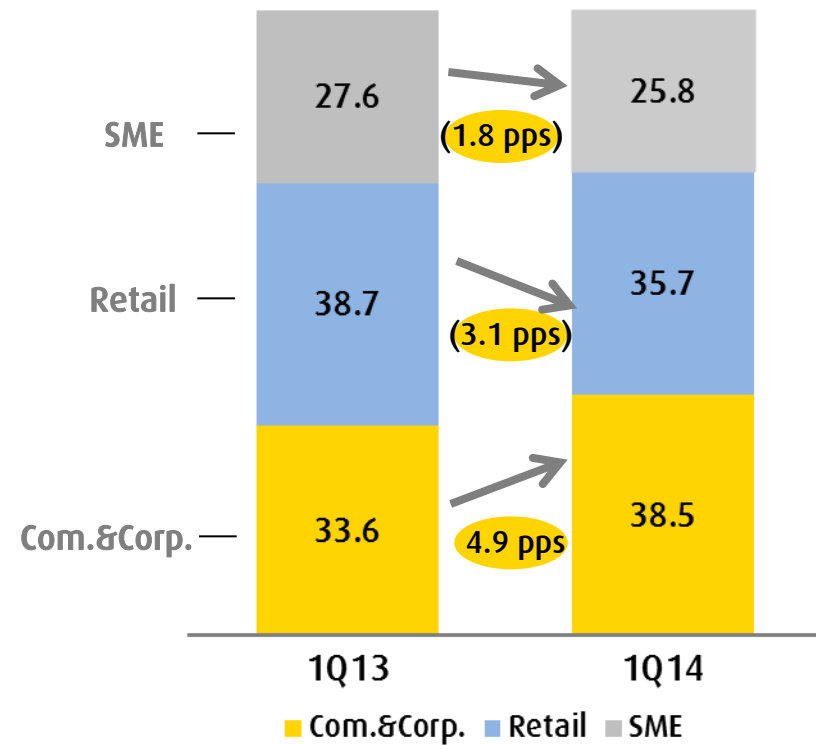


Well diversified loan breakdown

Breakdown of Loans (TL bio)



Portfolio Shift (%)³



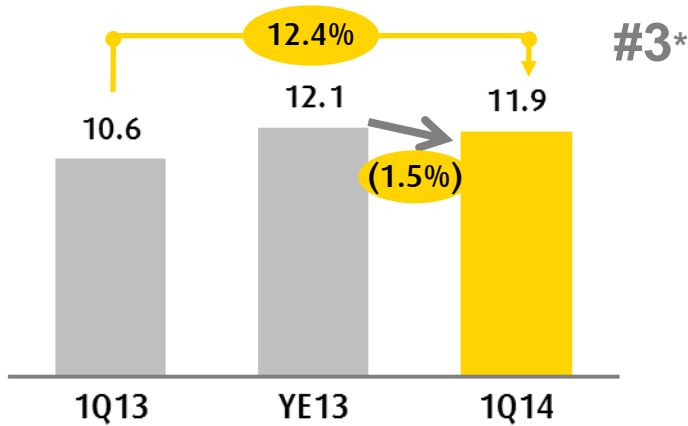
¹ Other includes credit cards, overdraft and auto loans.

² SME book is reclassified in line with new formal SME definition of government, annual turnover up to 40 Mio TL companies are classified under SME.

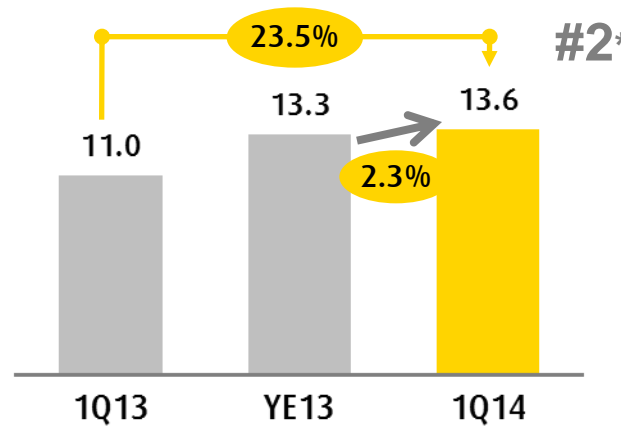
³ Segment reclassification is reflected to the numbers.

Regulatory effects & slowdown in consumption decreased quality retail demand

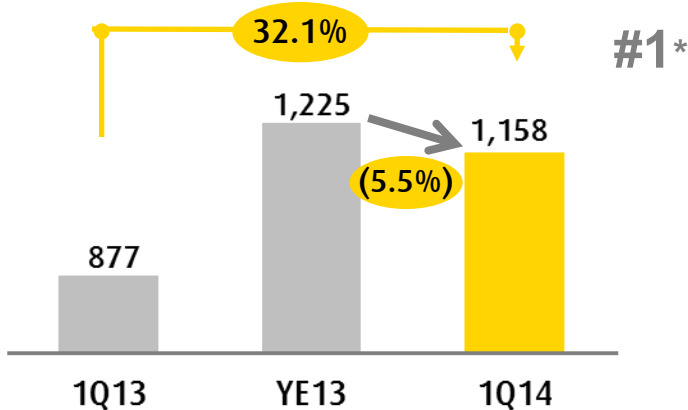
General Purpose Consumer (TL bio) #3*



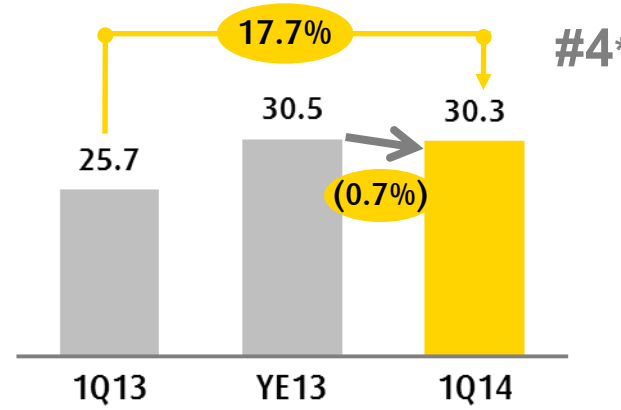
Residential Mortgages** (TL bio) #2*



Retail Overdraft (TL mio) #1*



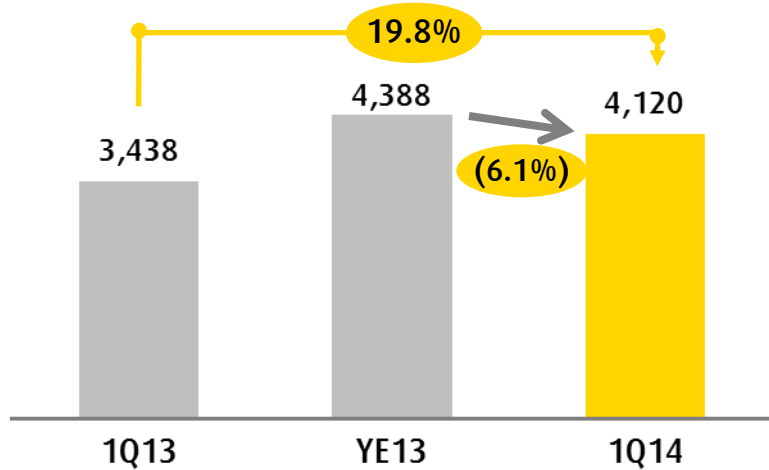
Total Retail (TL bio) #4*



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

Business Credit Card Market Share gaining ground

Credit Card Loans (TL mio)



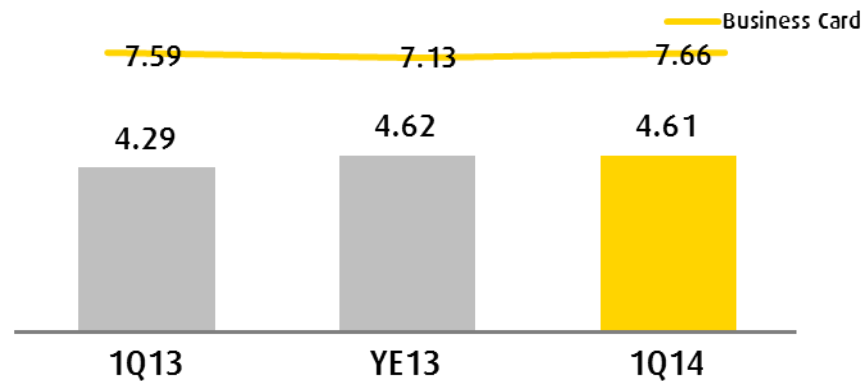
Credit Card Loans growth YoY;

19.8%

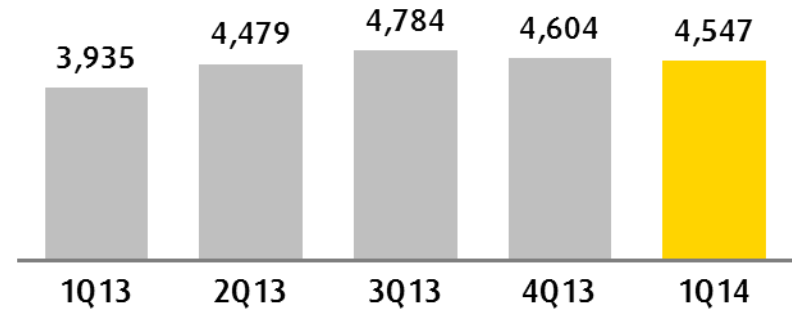
Sector growth YoY;

10.4%

Market share* (%)

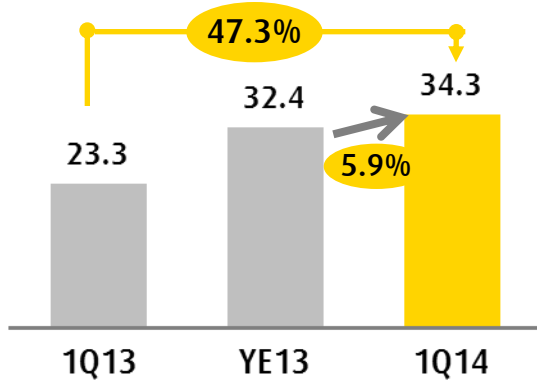


Average Quarterly Issuing Volume (TL mio)

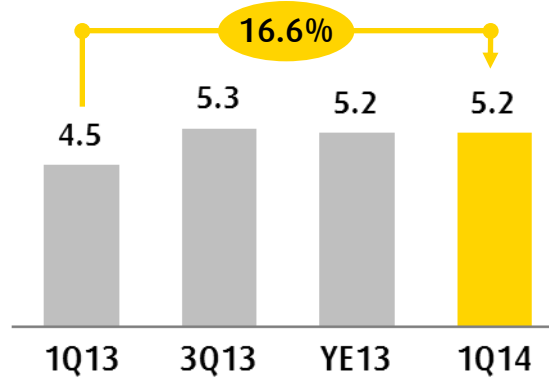


Corporate and commercial lending growth is gaining momentum

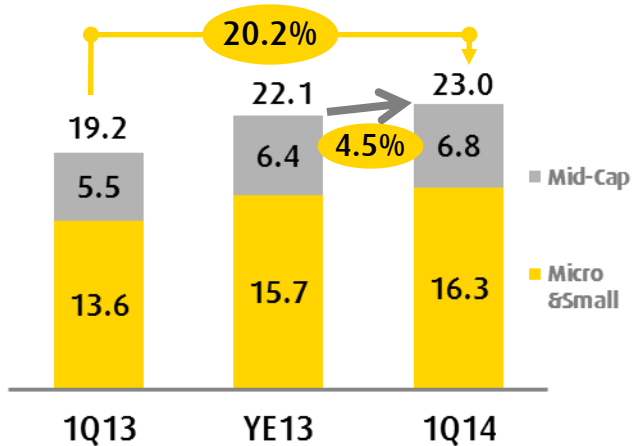
Commercial&Corporate (TL bio)



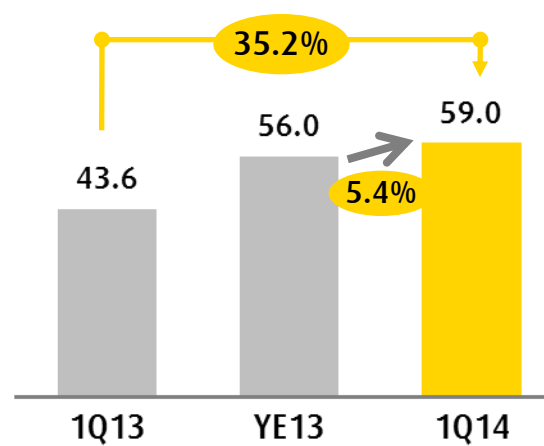
Project Finance Loans (USD bio)



SME*(TL bio)



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

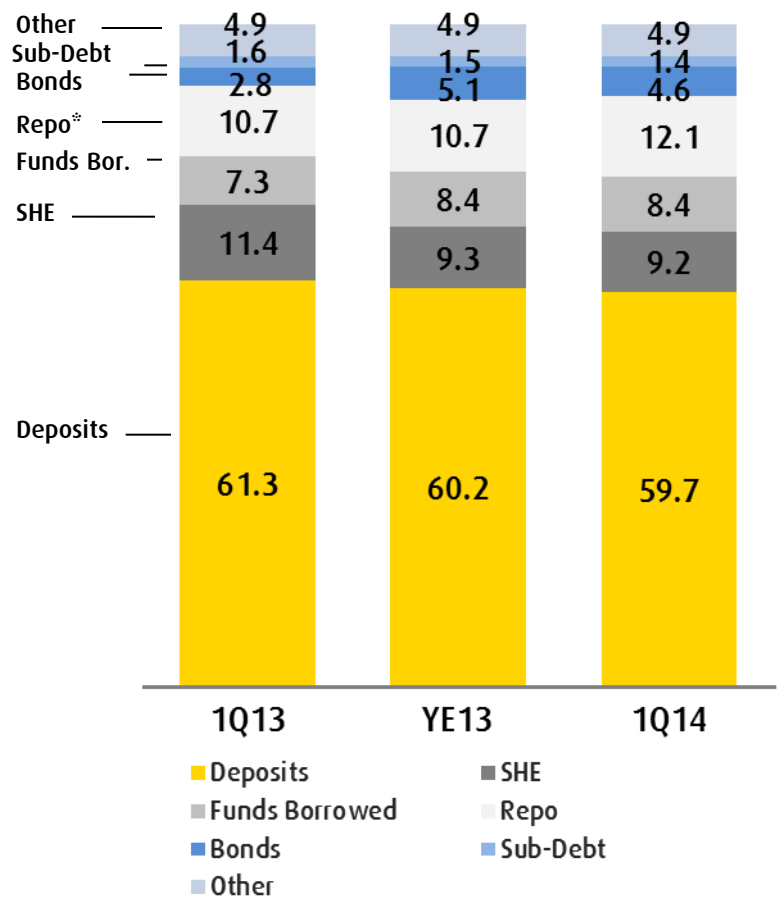


Corporate & Commercial Loan growth YoY

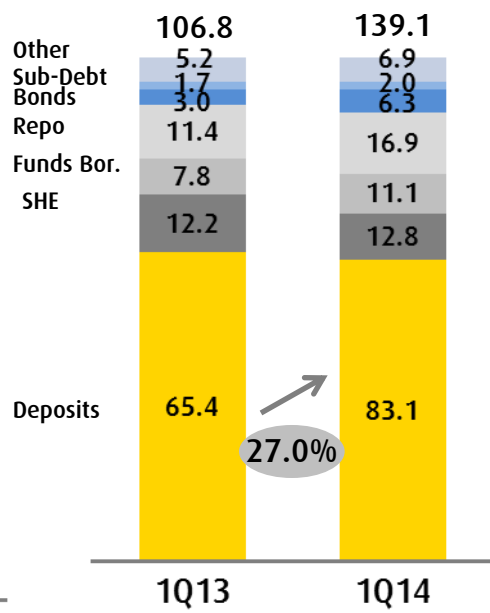
47.3%

Customer deposits remain the main funding tool

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bio)



Wholesale Borrowing

Funds Borrowed+Bonds Issued +Sub-debt / Liabilities

14.4%

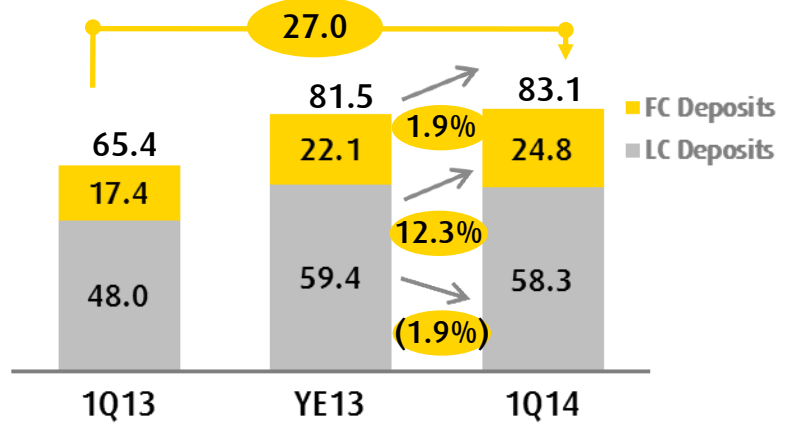
Deposits Heavy Funding Structure

Total Deposits / Liabilities

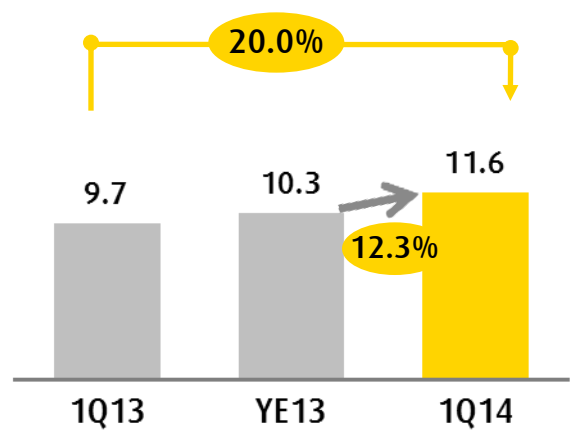
60%

Robust deposit growth in demand, retail and FC deposits

Total Deposits (TL bio)



FC Deposits (USD bio)



Demand Deposit growth YoY;

39.5%

Share of Demand Deposits in total;

18.1%

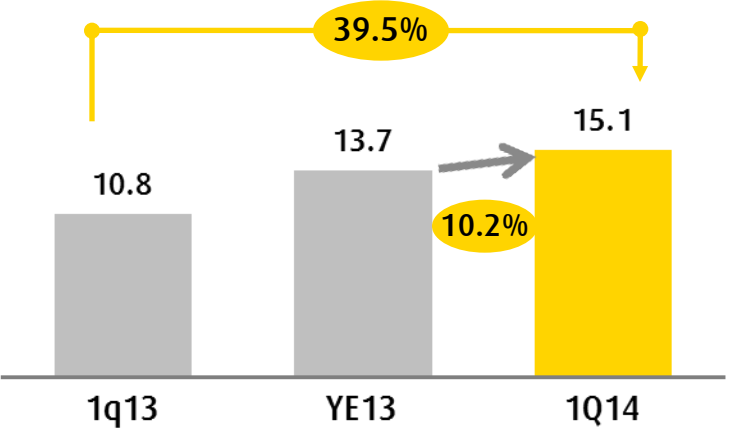
in 1Q2014

vs

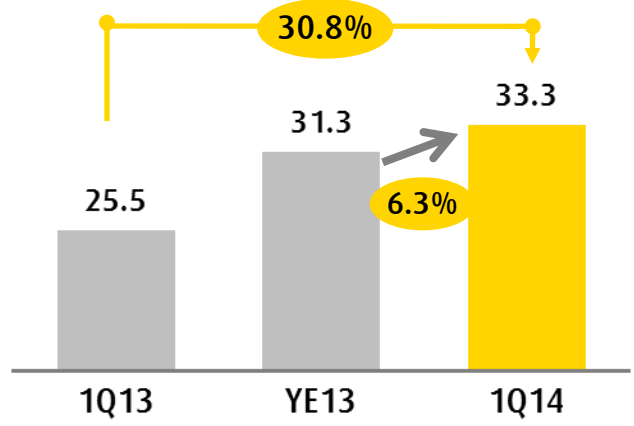
16.5%

in 1Q2013

Demand Deposits (TL bio)

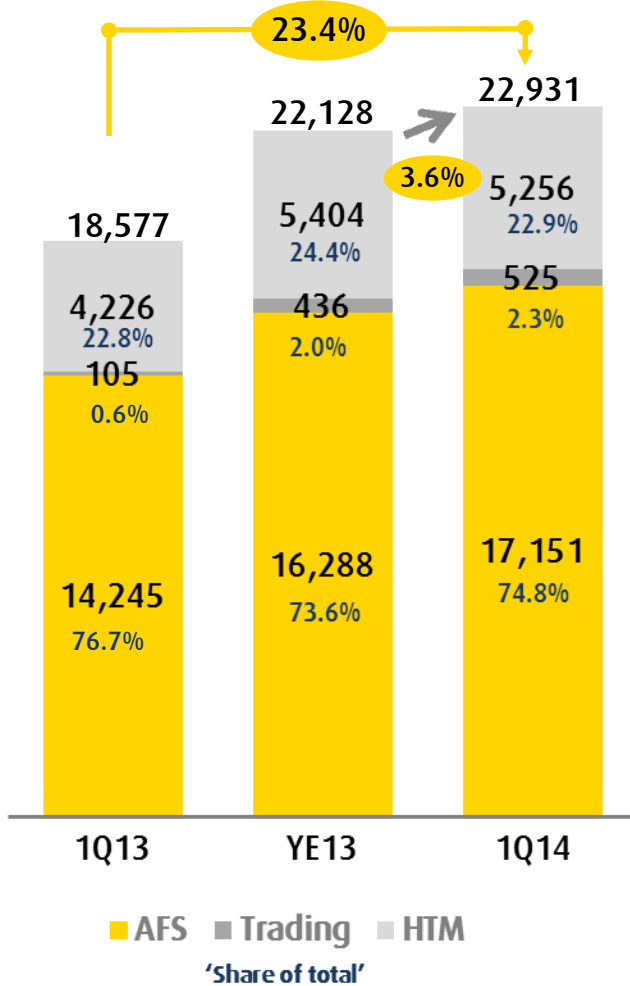


Total Retail Deposits (TL bio)

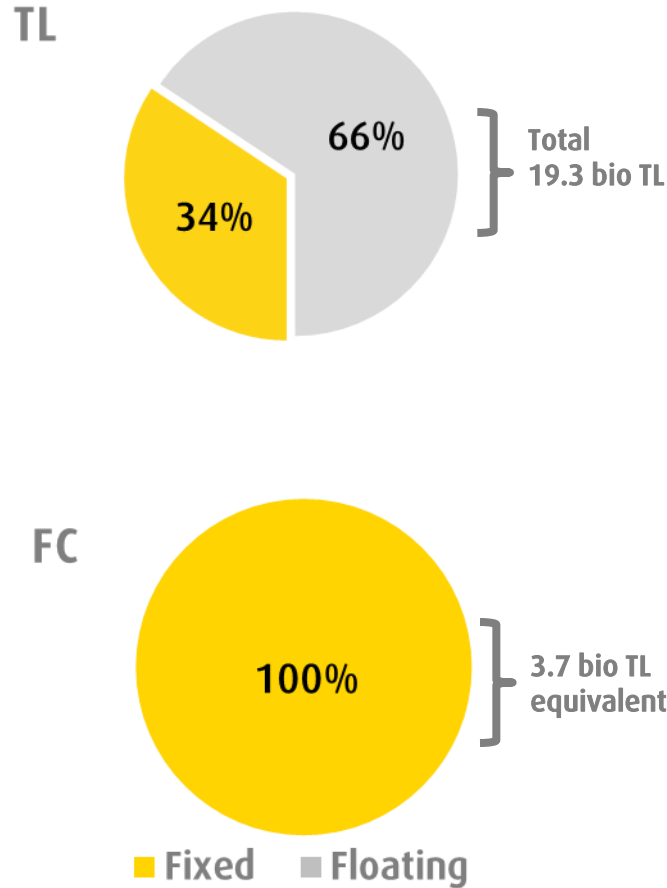


Timely reshaped securities portfolio in favour of CPI linkers

Total Securities (TL mio)



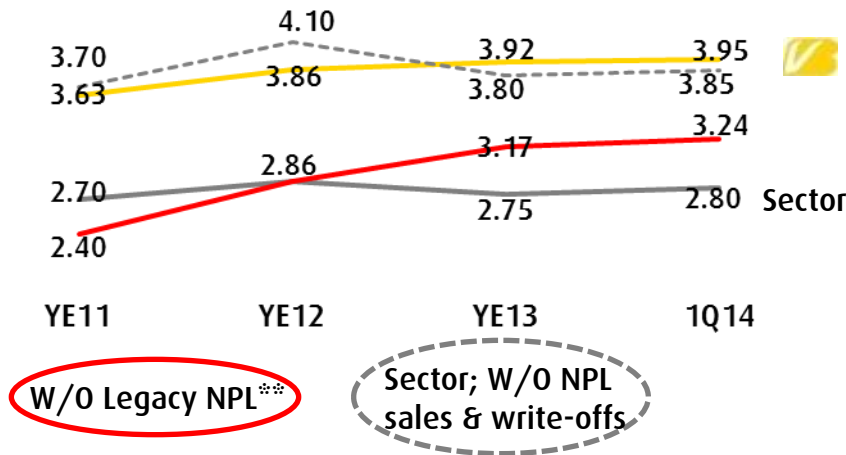
Portfolio Structure



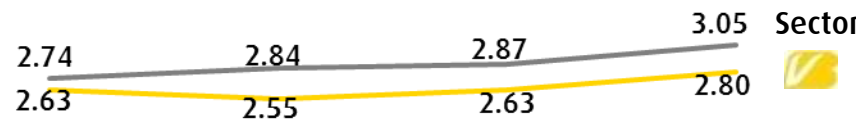
CPI Linkers' share in TL Securities increased from **16.8%** in 1Q13 to **34.3%** in 1Q14

NPL Ratios

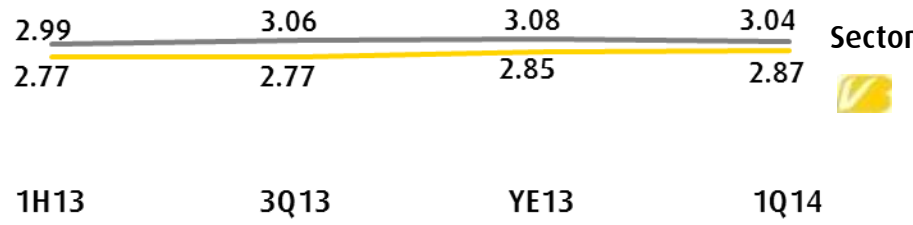
Overall NPL Ratio* (%)



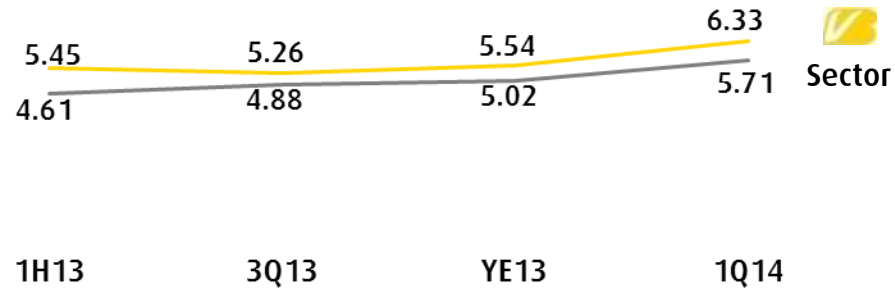
Total Retail NPL (%)



Commercial Installment Loans NPL (%)

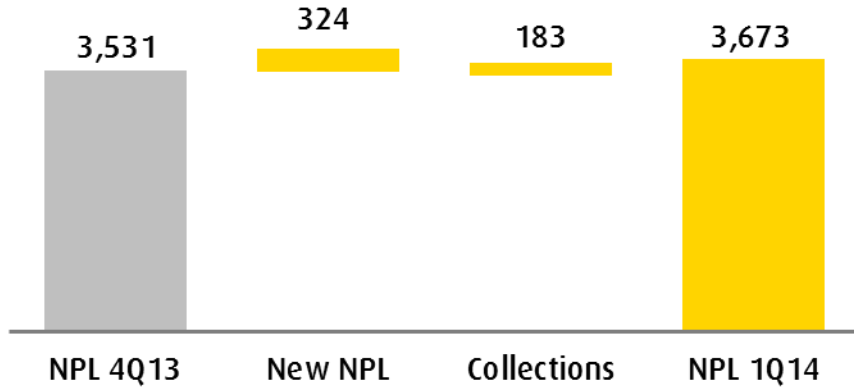


Credit Cards NPL (%)

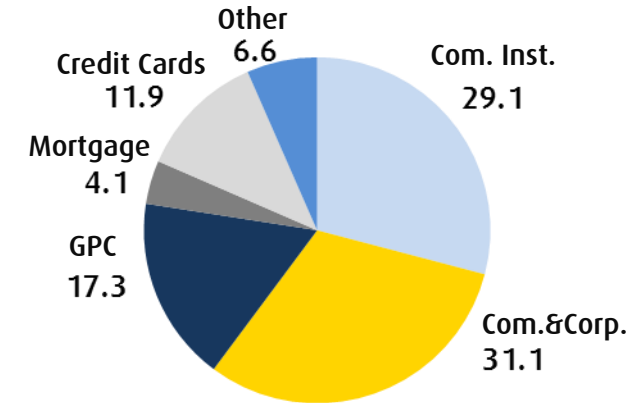


Asset quality

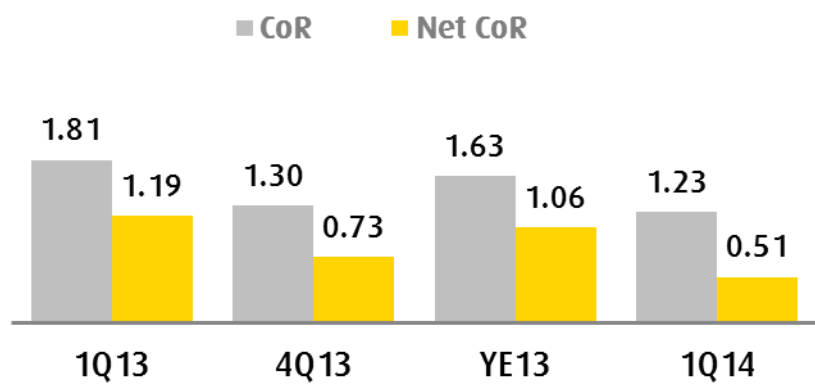
NPL (mio TL)*



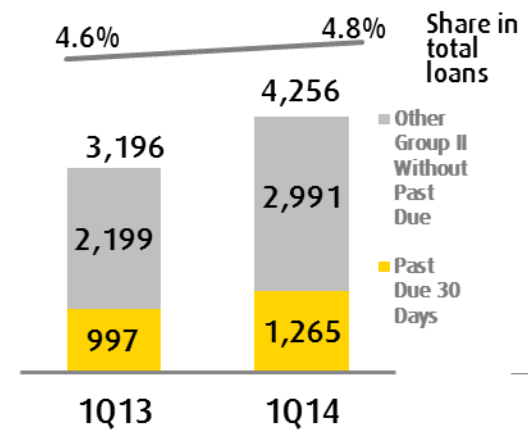
Breakdown of New NPL Inflow (%)



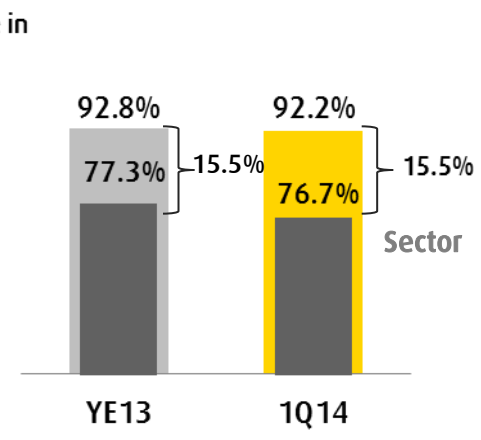
Specific Cost of Risk (%)



Group II Loans (mio TL)



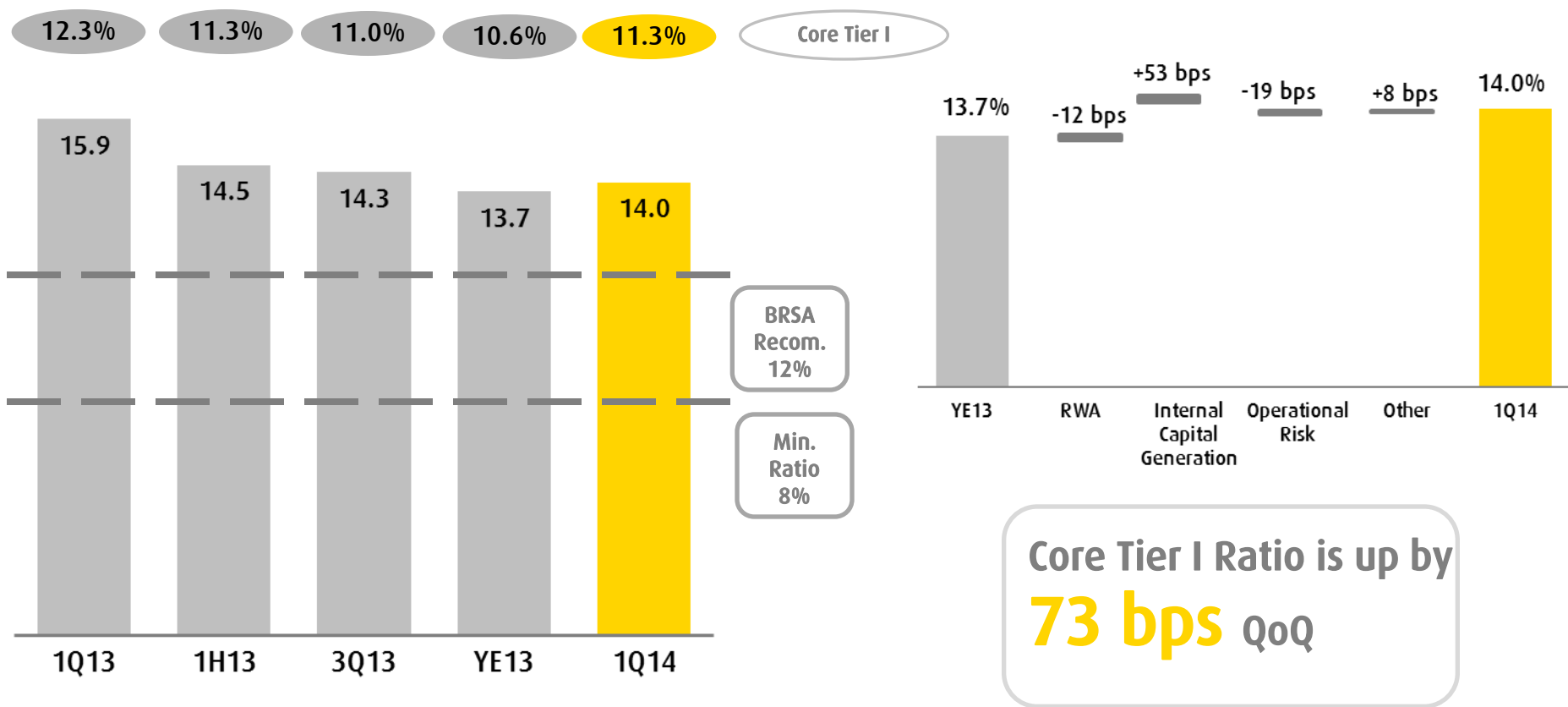
Coverage Ratio (%)



* Accumulated NPL, no write off & no asset sale.
 ** According to monthly BRSA data.

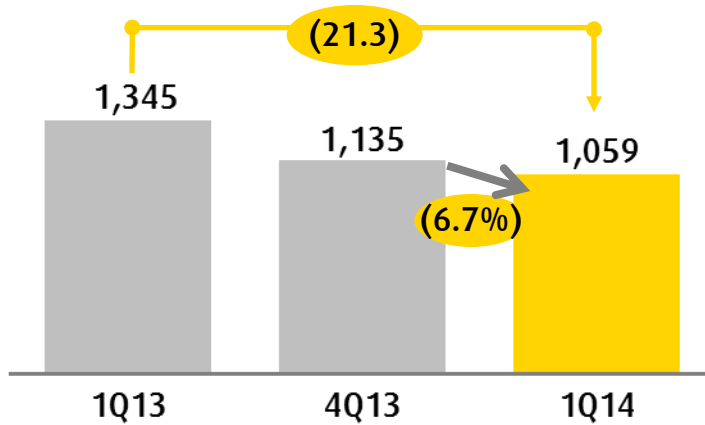
Solvency ratios

Capital Adequacy Ratio (%)

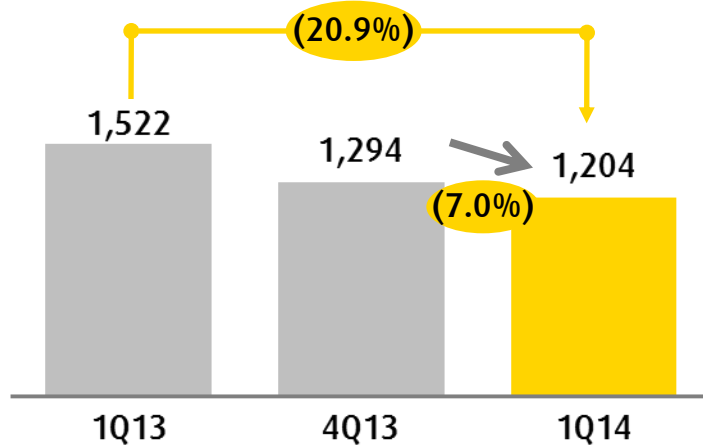


High quality earnings breakdown

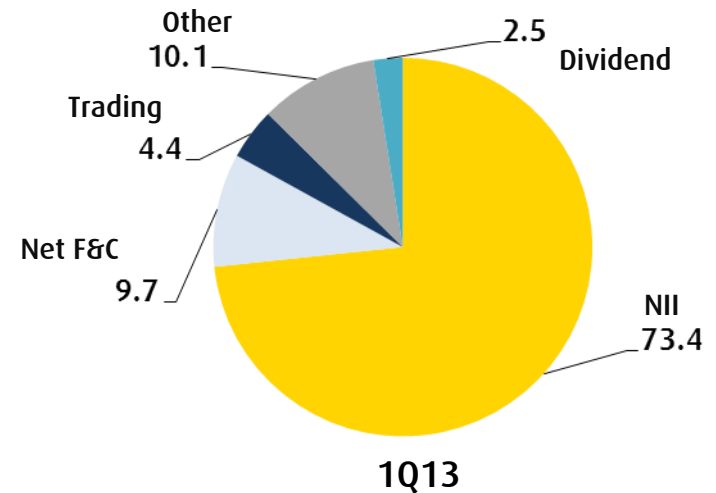
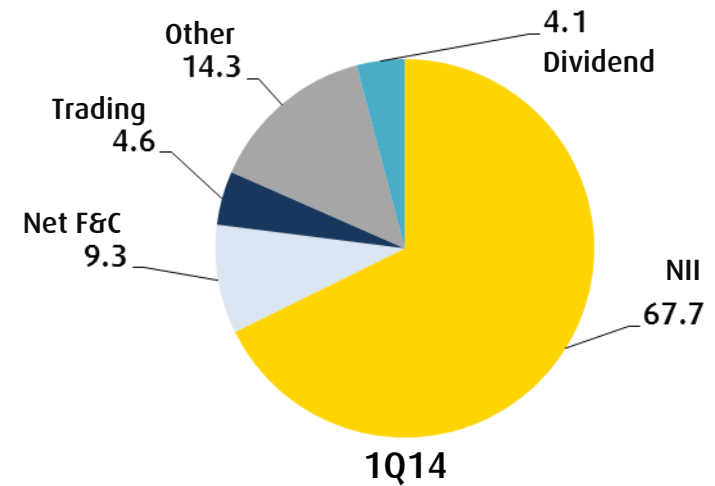
Net Interest Income (TL mio)



Core Banking Revenues* (TL mio)

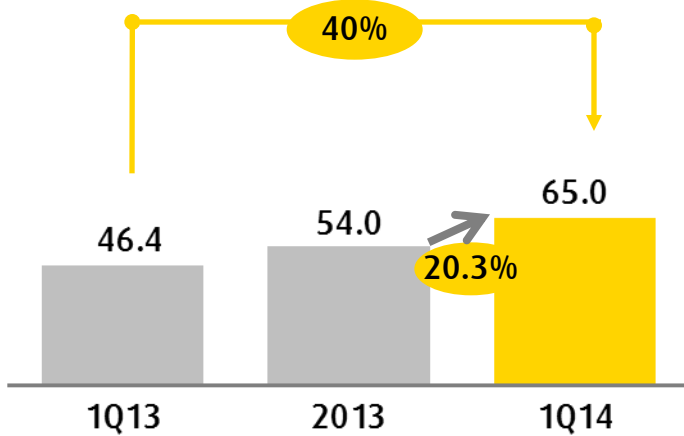


Breakdown of Total Revenues (%)

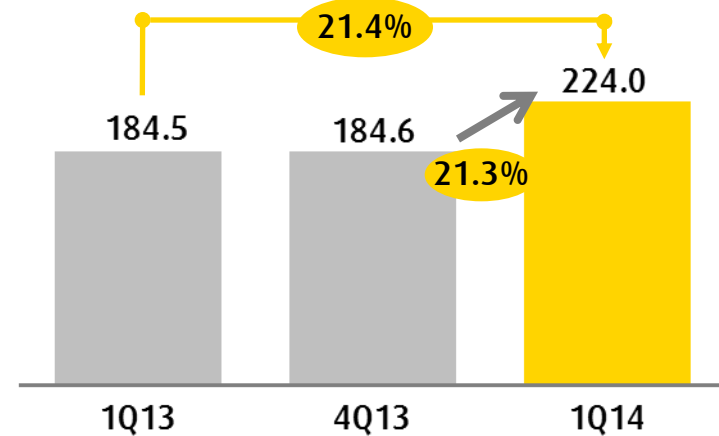


Revenue Items

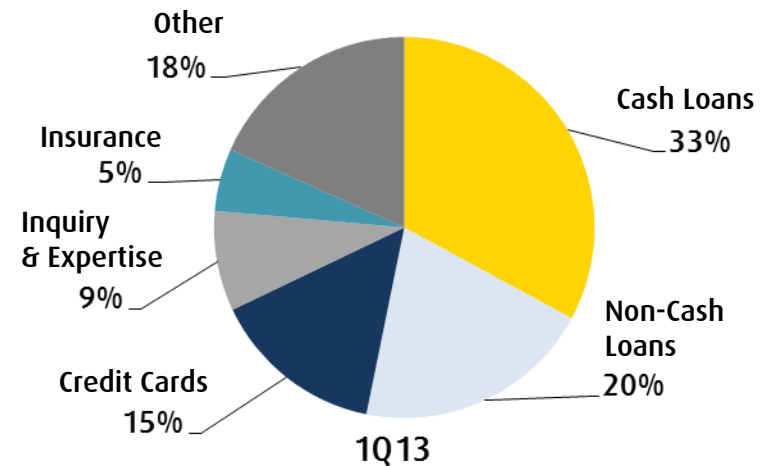
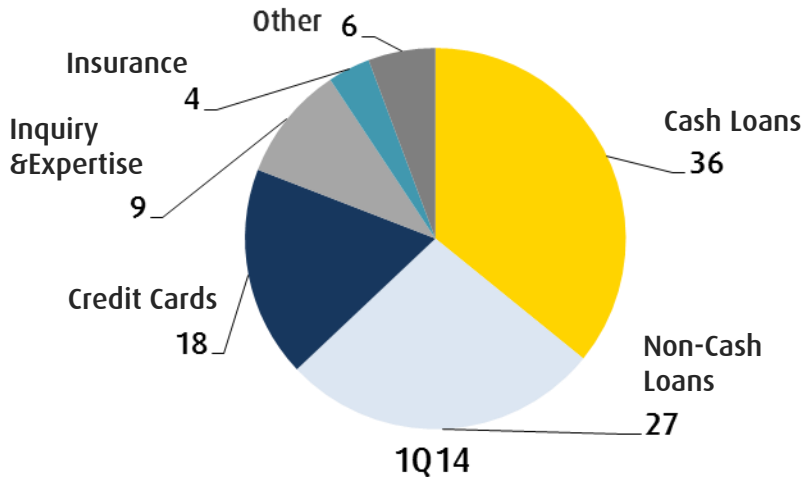
Dividend Income (TL mio)



Other Income (TL mio)

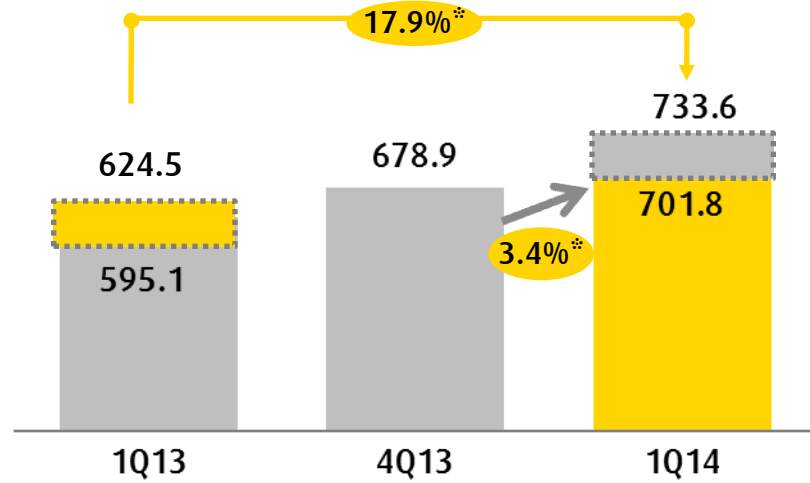


Breakdown of Net Fee & Com. Income (%)

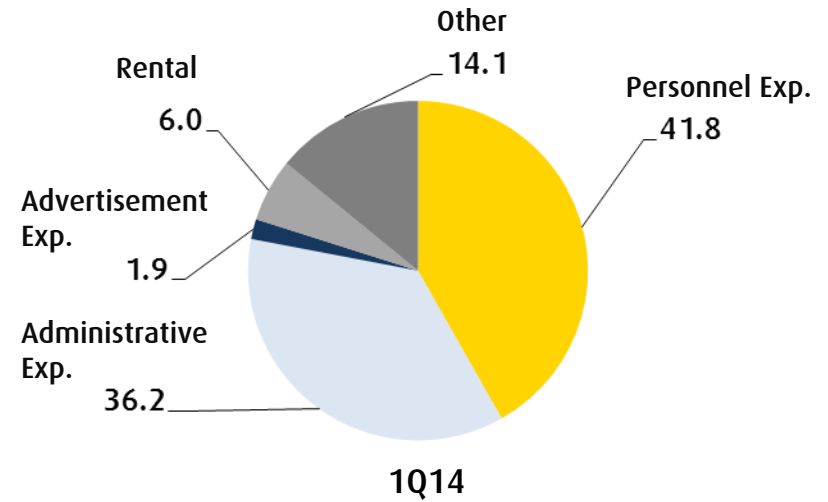


Opex

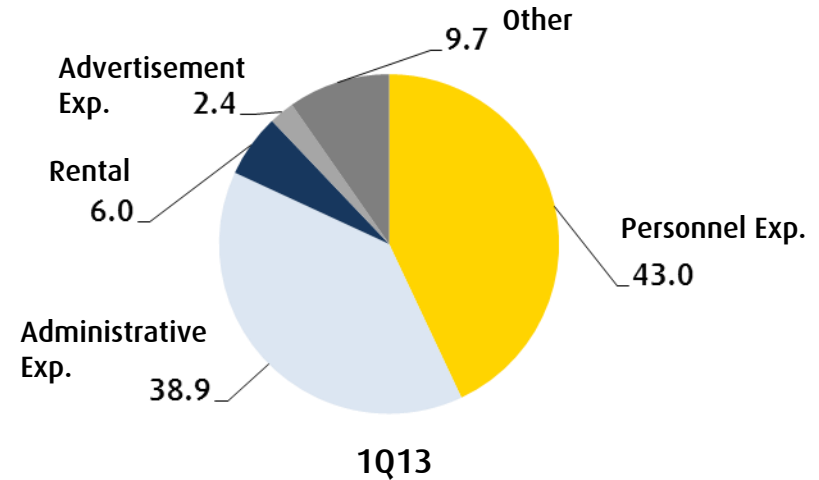
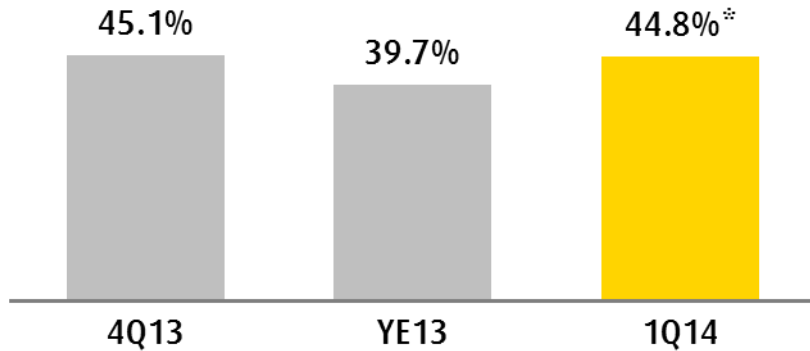
Operating Expenses* (TL mio)



Breakdown of Operating Expenses (%)



Cost/Income (%)



VakifBank with numbers

Distribution Channels & Customer Base (#)	1Q14
Branches	869*
ATMs	2,970
Personnel	14,869
POS Terminals	137,948
Outstanding Credit Cards	3.0 mn
Total Customers	15.9 mn
Total Payroll Customers	2.3 mn
Internet Banking Customers	2.6 mn
Active Mutual Fund Customers	1.5 mn

Efficiency ('000 TRY)	1Q14
Assets per Employee	9,337
Assets per Branch	160,130*
Loans per Employee	5,992
Loans per Branch	102,771*
Deposits per Employee	5,577
Deposits per Branch	95,649*

Balance Sheet

	(TL-mio, %)	1Q2013	YE2013	1Q2014	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	13,551	18,968	19,802	46.1%	4.4%
	Interbank	1,074	2,639	2,552	137.5%	(3.3%)
	Securities	18,577	22,128	22,931	23.4%	3.6%
	Loans	69,388	86,496	89,308	28.7%	3.3%
	Subsidiaries & Investments	1,306	1,611	1,518	16.2%	(5.8%)
	Property & Equipment	1,184	659	670	(43.4%)	1.7%
	Other	1,708	2,995	2,371	38.8%	(20.9%)
	Total Assets	106,788	135,496	139,153	30.3%	2.7%
Liabilities & SHE	Deposits	65,447	81,533	83,119	27.0%	2.0%
	Funds Borrowed	7,801	11,405	11,138	42.8%	(2.3%)
	Other	14,996	19,069	21,783	45.3%	14.2%
	Provisions	1,675	2,014	1,968	17.5%	(2.3%)
	Shareholders' Equity	12,179	12,616	12,799	5.1%	1.5%
Off-B.S	Guarantees	18,110	23,341	24,225	33.8%	3.8%
	Commitments	54,641	71,602	21,276	(61.1%)	(70.3%)
	Derivatives	17,166	26,318	35,122	104.6%	33.5%

Income Statement

(TRY-Thousand, %)	1Q2013	4Q2013	1Q2014	Δ{1Q13 1Q14}	Δ{4Q13 1Q14}
Net Interest Income	1,345,095	1,135,300	1,059,148	(21.3%)	(6.7%)
Net Fee & Com. Income	177,111	158,922	145,105	(18.1%)	(8.7%)
Dividend Income	46,395	40	64,956	40.0%	200.0%
Net Trading Income	79,778	25,203	72,326	(9.3%)	187.0%
Other Income	184,500	184,617	224,003	21.4%	21.3%
Total Revenues	1,832,879	1,504,082	1,565,538	(14.6%)	4.1%
Operating Expense	(624,522)	(678,872)	(733,642)	17.9%*	3.4%*
Provisions	(552,891)	(353,894)	(375,944)	(30.0%)*	15.2%*
Tax Provisions	(132,784)	(46,984)	(82,338)	(38.0%)	75.3%
Net Income	522,682	424,332	373,614	(28.5%)	(12.0%)

Diversified funding source via Non-Deposit Funding

Syndicated Loan

September, 2013

- Secured US\$ 166 million and 471 million 1 year syndicated loan, all-in cost as Libor +0.75% and Euribor + 0.75%, respectively
- 107% roll-over ratio 27 banks from 17 countries participated.

April, 2014

- Secured US\$ 270.5 million and 525 million 1 year syndicated loan, all-in cost as Libor +0.90% and Euribor + 0.90%, respectively
- 102% roll-over ratio 35 banks from 16 countries participated.

Eurobond & Private Placements

Eurobond/April 2013

- US\$ 600 million Eurobond with 5 year maturity
- Priced with a fixed coupon of 3.75%, 193 investors participated, geographic allocation: EU 35%, USA 34%, UK 18%, Asia/ME 13%

Eurobond/October, 2013

- US\$ 500 million Eurobond with 5 year maturity
- Priced with a fixed coupon of 5%, 242 investors participated, geographic allocation: EU 14%, USA 33%, UK 27%, Swiss 12%, Asia/ME 14%

Private Placements

- US\$ 1.277 million equivalent private placements were issued since June 2013 under GMTN program

IFI Borrowing

- World Bank US\$ 67 million SME Financing Energy Efficient loan was signed in May, 2013 up to 30 years. US\$ 15 million has been disbursed in January, 2014.

- EBRD:US\$ 80 million Tur-SEFF II was signed in May, 2013 and the amount of US\$ 55 million has been disbursed in May, 2013.

- EIB:25 million EUR GAGF project loan has been disbursed in December 2013. The extension amount for the facility 50 million EUR was signed in December, 2013.

Municipal Loan, US\$ 100 million, was signed in December, 2013 and USD 67.865.000 has been disbursed in February 2014.

Tur-SEFF II extension; US\$ 50 million was signed in July, 2013 and US\$ 25 million has been disbursed in December, 2013.

- KfW:100 million EUR MSME loan was disbursed in November, 2013 and has been fully allocated in January 2014.

Local Currency Bond

- Issued on January 2013 and terminated on January 2014 with a 364 days maturity, TL 150 million bond at a cost of 7.50%.
- Issued on May 2013 and terminates on May 2014 with a 364 days maturity, TL 65.6 million bond at a cost of 5.11%.
- Issued on July 2013 and terminates on May 2014 with a 315 days maturity, TL 54 million bond at a cost of 8.24%.
- Issued on September 2013 and terminated on February 2014 with a 175 days maturity, TL 671.8 million bond at a cost of 9.48%.
- Issued on September 2013 and terminated on February 2014 with a 175 days maturity, TL 190 million bond at a cost of 9.48%.
- Issued on September 2013 and terminates on August 2014 with a 350 days maturity, TL 38.2 million bond at a cost of 10.37%.
- Issued on November 2013 and terminated on May 2014 with a 175 days maturity, TL 712.2 million bond at a cost of 8.17%.
- Issued on December 2013 and terminates on June 2014 with a 168 days maturity, TL 671.3 million bond at a cost of 8.84%.
- Issued on January 2014 and terminates on June 2014 with a 154 days maturity, TL 450 million bond at a cost of 9.32%.
- Issued on February 2014 and terminates on August 2014 with a 175 days maturity, TL 581.2 million bond at a cost of 11.04%.
- Issued on May 2014 and terminates on October 2014 with a 175 days maturity, TL 565.2 million bond at a cost of 9.89%.
- Issued on May 2014 and terminates on April 2015 with a 350 days maturity, TL 12.5 million bond at a cost of 10.27%.



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