

Earnings Presentation

BRSA Bank-Only 1Q 2015

May 7, 2015

VakıfBank IR App.
Available at



1Q 2015 Macro Highlights

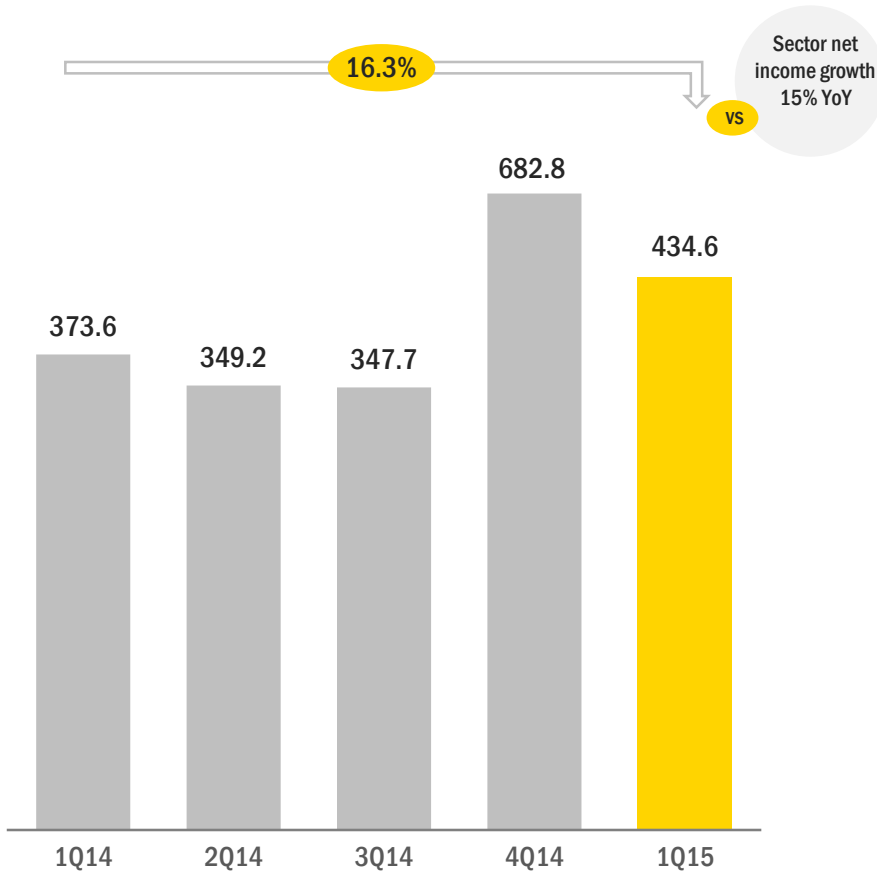
-  FED removed the word "patient" from its forward guidance on its March FOMC meeting and did not change its policy rates. FED revised its expectations for the unemployment rate, GDP growth and inflation. With the last statement, market perception for the first rate hike is extended from June to September 2015.
-  10Y UST rates moved in the corridor of 1.7% to 2.2% levels in 1Q15, hovering around 2.2% as of early May.
-  At its January meeting, ECB announced the asset purchase program, amounting EUR 60 billion per month, for the period between March 2015 and September 2016. Thanks to that, during the month of March, EU bond yields went down to record low levels.
-  Greece and consumer prices were the main problems of Eurozone during 1Q15. Consumer prices in Eurozone continued to decline and came at -0.1% YoY in March, way below ECB's target of 2%.
-  EUR/USD parity came from 1.21 to 1.05 area in 1Q15; EUR started to recover since the second half of April and hover around 1.12 as of early May.
-  The Swiss National Bank has unexpectedly removed the 1.20 EUR/CHF floor. Following this surprise policy change, CHF gained ground against both USD and EUR and appreciated 15% in a day.
-  China's annual economic growth came in at 7% in 1Q15, which is the lowest figure since 1Q09.
-  Turkish GDP growth came in at 2.9% in 2014, in line with the revised market expectations. Net export contribution to GDP came at 1.9%.
-  Monthly CPI materialized at 1.19% in March 2015, while annual CPI reached 7.6% in the same period because of currency depreciation and above than expected food prices.
-  12 month rolling C/A deficit decreased to USD 42.8 billion in February 2015 thanks to the decline in gold trade and foreign trade deficit. Falling oil prices are expected to create further positive impact on C/A deficit going forward.
-  CBRT cut the policy rate by total 75 bps to 7.5% in 1Q15. Upper band of the interest rate corridor were cut by 50 bps to 10.75% (1 week repo) in the same term. On the other hand, effective cost of CBRT funding remained high during 1Q15 due to tight monetary policy.
-  Unemployment rate came at 11.3% in January 2015.

1Q 2015 VakifBank Highlights

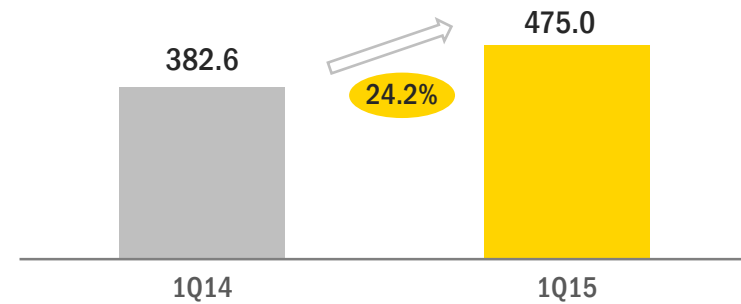
- ▮ Quarterly bank-only net income is 434.6 TL mn, which is up by 16.3% YoY.
- ▮ Quarterly ROAE came slightly higher than sector average at 11.7%.
- ▮ Similar to 2014, market share increase in all key areas continued in 1Q15;
 - Total loans are up by 7.8% QoQ vs sector average growth of 6.7% QoQ,
 - Total deposits are up by 8.6% QoQ vs sector average growth of 6% QoQ,
 - TL deposits are up by 7.2% QoQ vs sector average growth of 1.3% QoQ.
- ▮ Quarterly asset growth materialized at 6.4%; the share of loans peaked at 66.8%.
- ▮ TL loans are up by 5% QoQ, driven by high yielding SME and General Purpose Consumer loans.
- ▮ FC loans are up by 3.2% QoQ in USD terms, backed by project finance lending.
- ▮ NPL ratio improved another 10 bps QoQ and came down to 3.57%.
- ▮ Quarterly Net CoR is inside the budget at 29 bps thanks to ongoing strong collection performance.
- ▮ Solid deposit franchise further strengthened thanks to distribution network increase; demand deposits and retail deposits are up by 7.1% and 7.5% QoQ respectively.
- ▮ TL LTD ratio went down 2.4 ppt QoQ to 114% vs sector average at 138%.
- ▮ NII is up by 17.1% YoY. Quarterly NIM contraction of 60 bps is in line with expectations of which;
 - 25 bps negative impact of CPI Linkers,
 - 35 bps core spread tightening, mainly resulting from back-loaded loan growth.
- ▮ Net Fee and Commission Income is up by 57.6% YoY and 19.7% QoQ; thanks to loan growth and better contribution from payment systems.
- ▮ Annual opex growth is 16.6% YoY due to elevated fee reimbursements. Excluding fee reimbursements, comparable annual opex growth is 11.1%, which is in line with the operating budget.*
- ▮ First time ever Basel III compatible Tier II sub-debt issuance from Turkey, with an amount of USD 500 mn, 10NC5 structure and 6.875% coupon rate, was completed in February 2015. Tier II ratio reached 14.2%, the only bank to improve CAR ratio quarterly.

1Q 2015 Earnings and Ratios

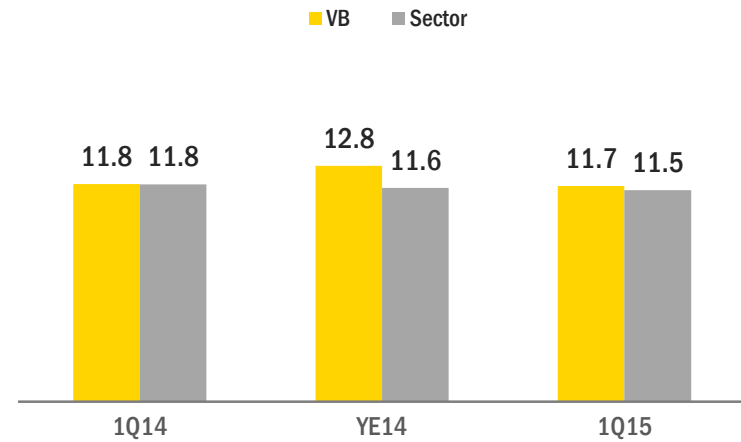
Quarterly Reported Net Income (TL mn)



Quarterly Comparable Net Income* (TL mn)

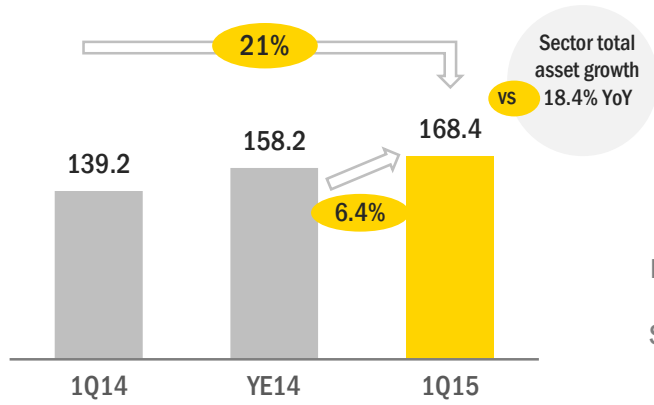


ROAE (%)

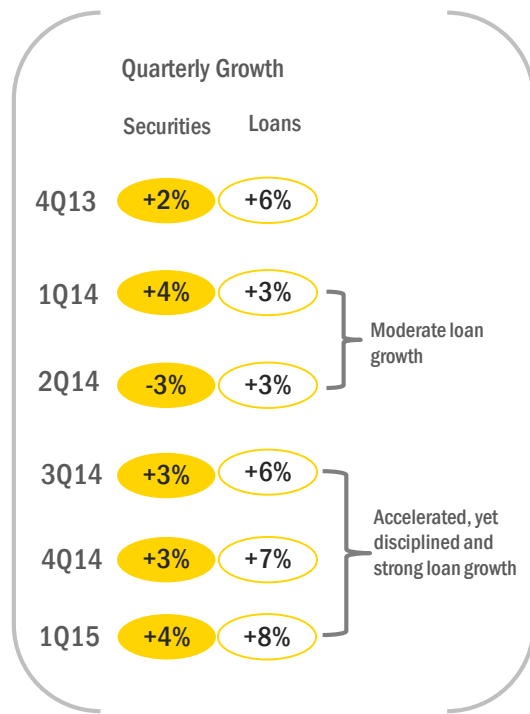
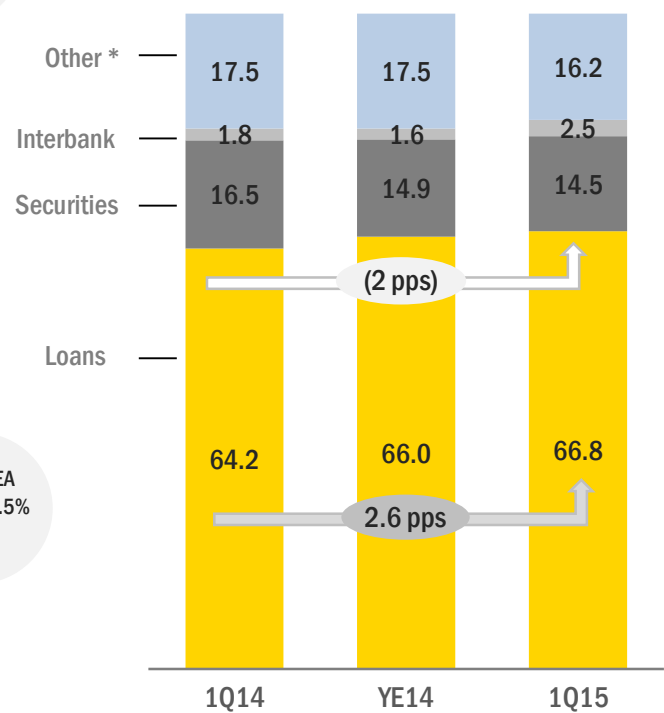


Well managed asset mix, share of loans peaked at 67%

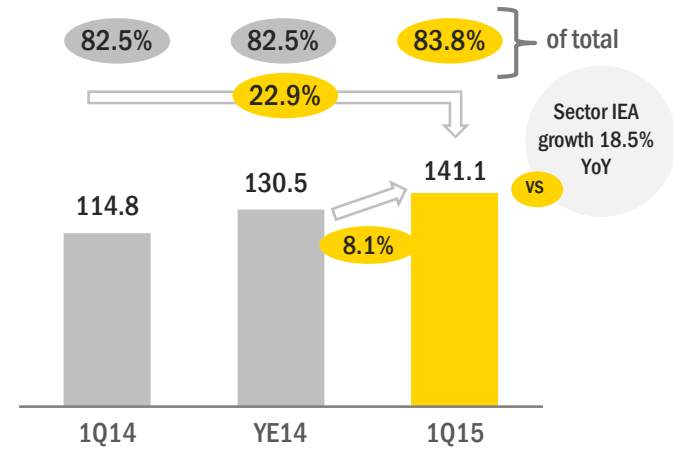
Total Assets (TL bn)



Breakdown of Assets (%)

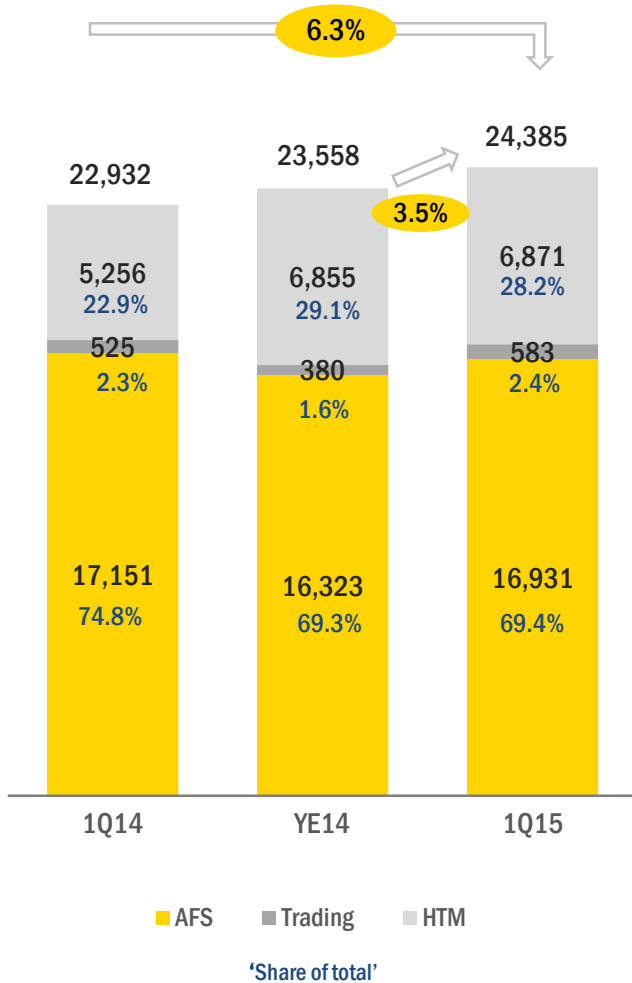


Interest Earning Assets (TL bn)

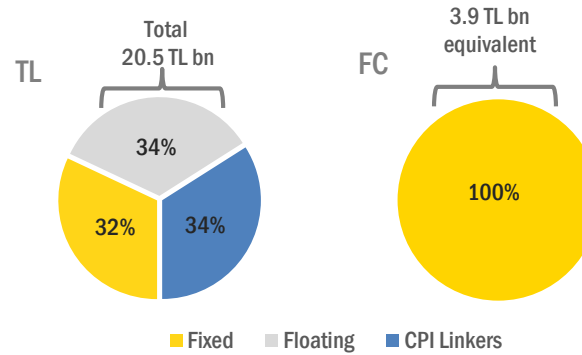


Effective management of security portfolio

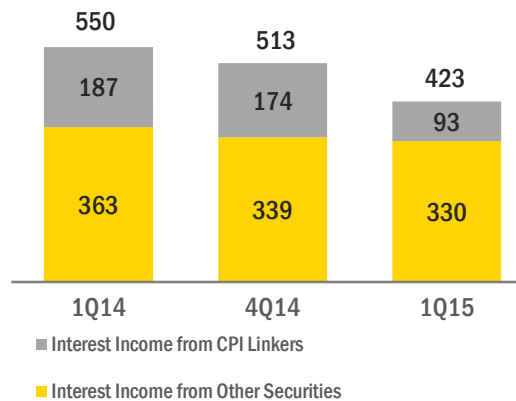
Total Securities (TL mn)



Portfolio Structure



Breakdown of Interest Income from Securities



Share of securities in total assets decreased to

14.5%

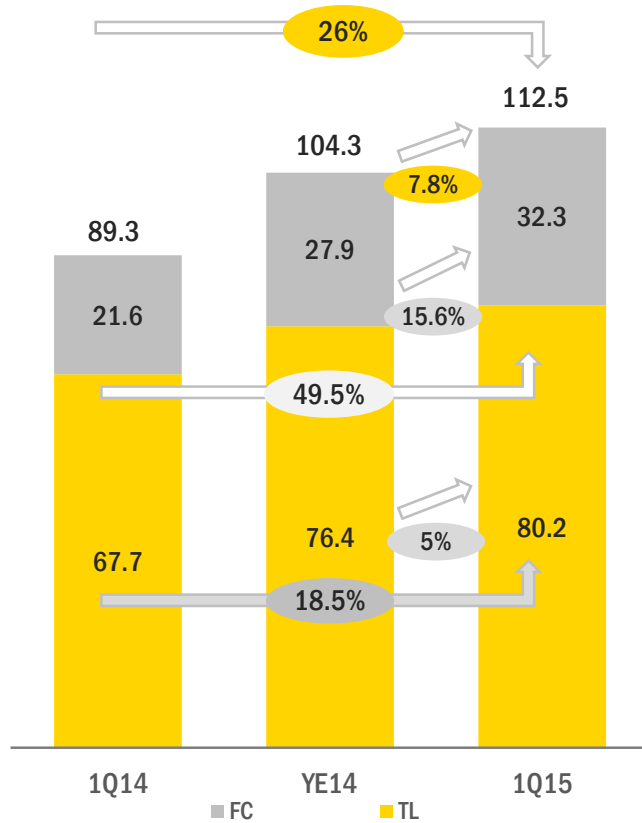
VS

16.5%

in 1Q14

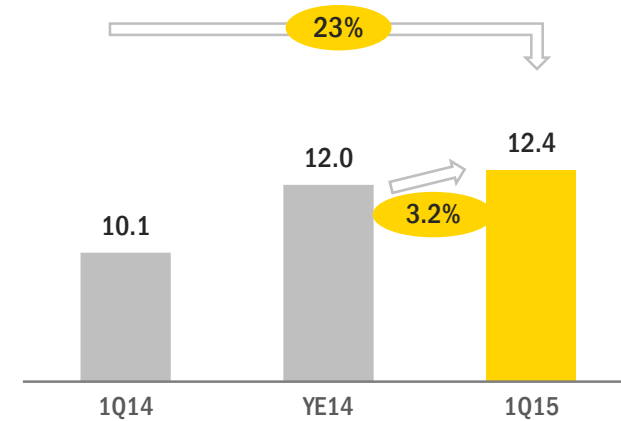
Accelerated yet disciplined loan growth in target segments

Total Loans (TL bn)

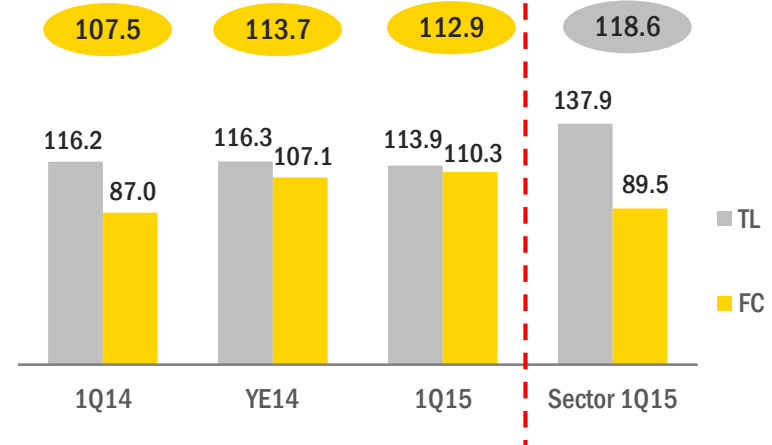


TL (% in total)	75.8%	73.3%	71.3%
FC (% in total)	24.2%	26.7%	28.7%

FC Loans (USD bn)

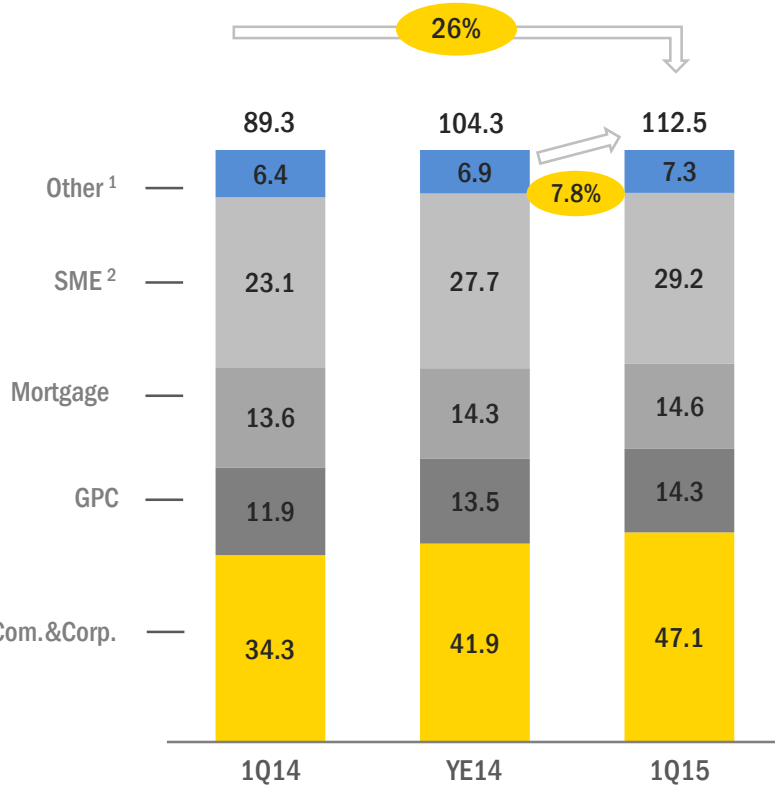


Loan/Deposit (%)

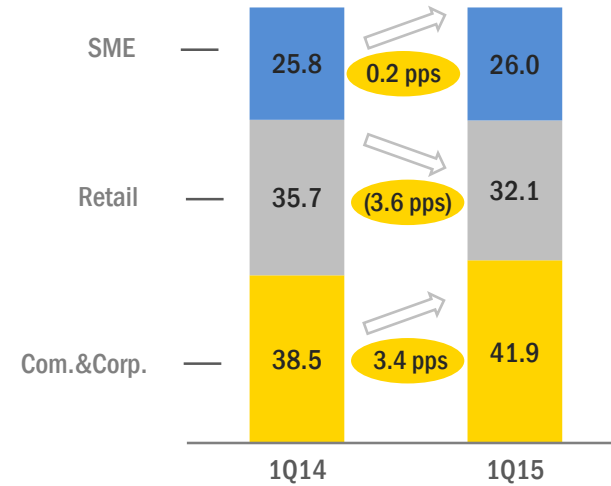


Well diversified loan breakdown

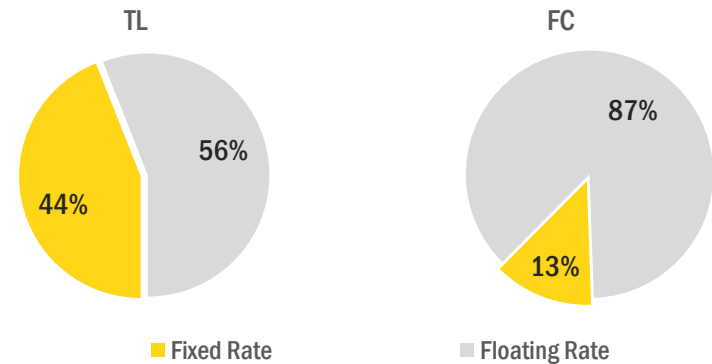
Breakdown of Loans (TL bn)



Portfolio Shift (%)



Loans by Interest Structure

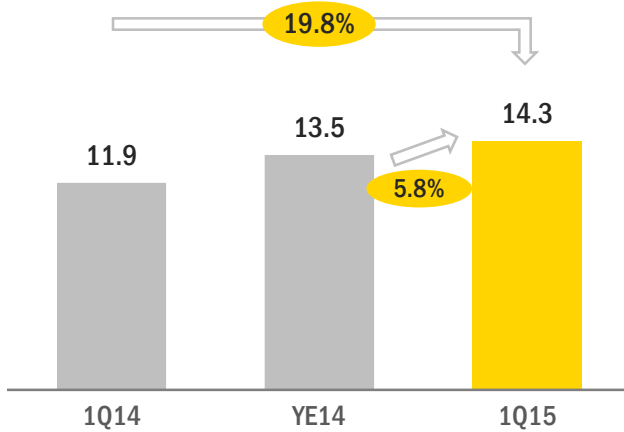


¹ Other includes credit cards, overdraft and auto loans.

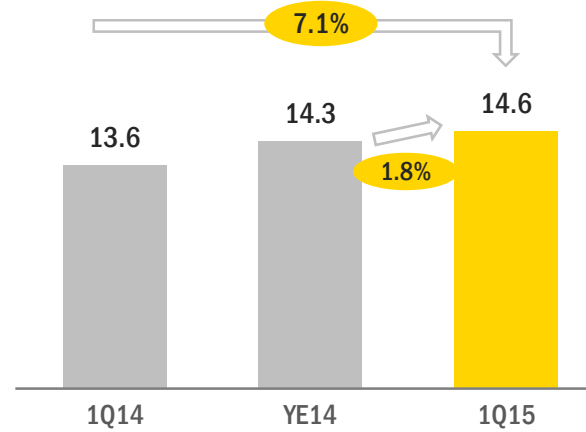
² According to official definition of the government, annual turnover up to 40 mn TL companies are classified under SME.

Ongoing focus on higher margin products in retail

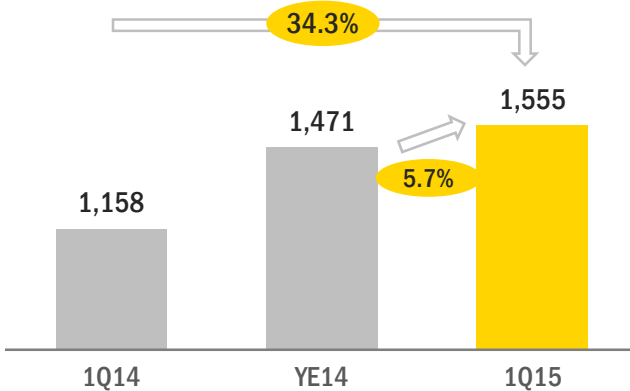
General Purpose Consumer (TL bn)



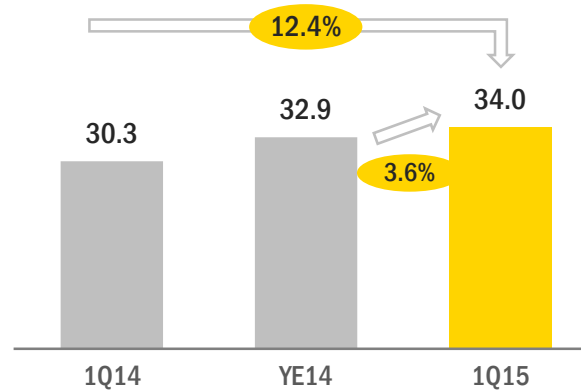
Residential Mortgages (TL bn)*



Retail Overdraft (TL mn)



Total Retail (TL bn)



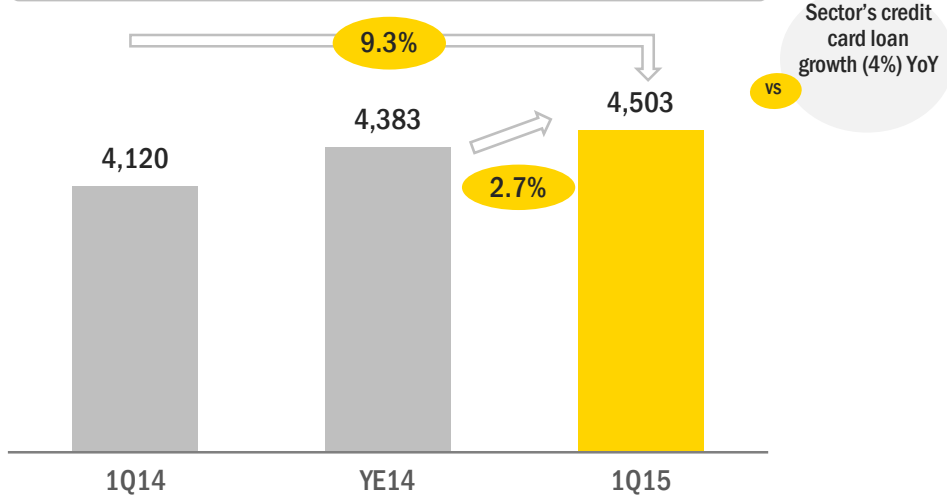
Strong presence in key retail segments thanks to **2.3 million** pay-roll accounts

Market share gain in lucrative products

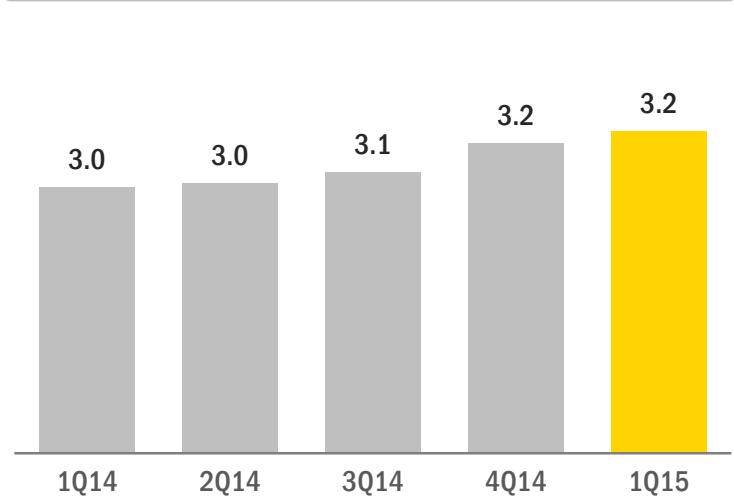
GPC loan growth **5.8%** QoQ outperforming sector average of 3%

Sustainable and profitable growth in Credit Cards

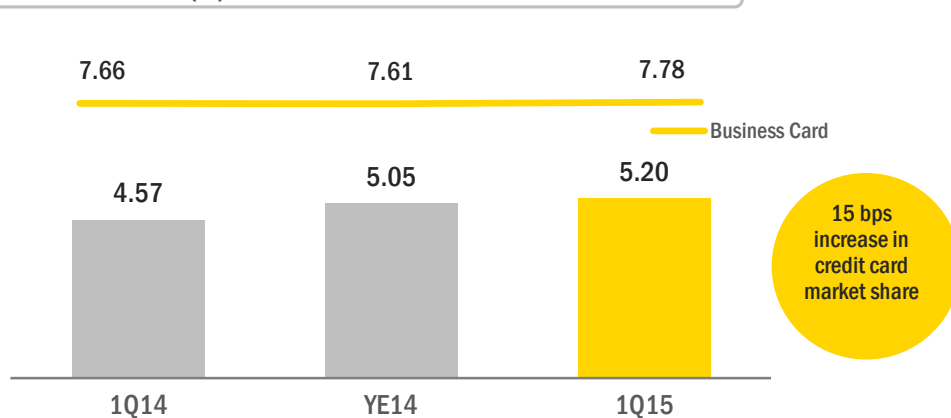
Credit Card Loans (TL mn)



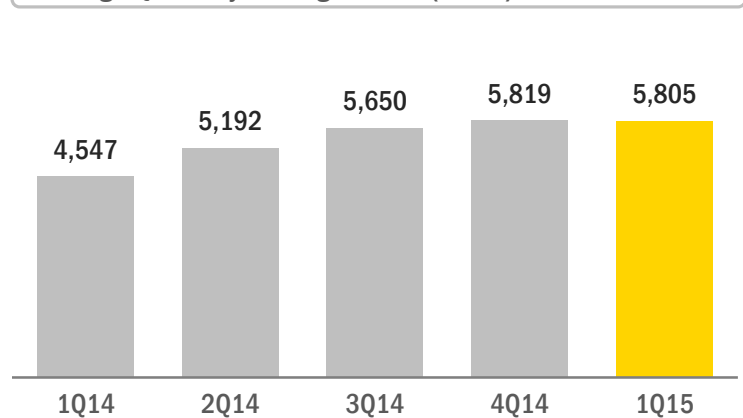
Outstanding Credit Cards (mn #)



Market Share* (%)

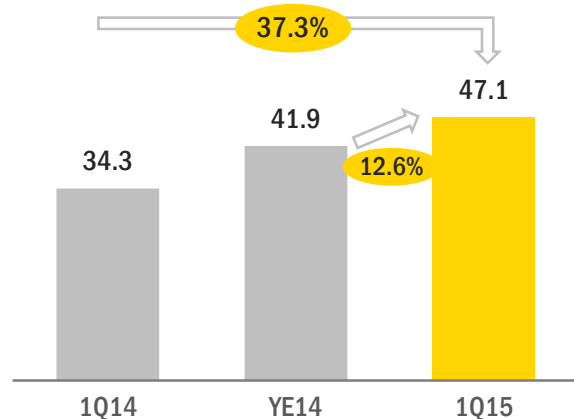


Average Quarterly Issuing Volume (TL mn)

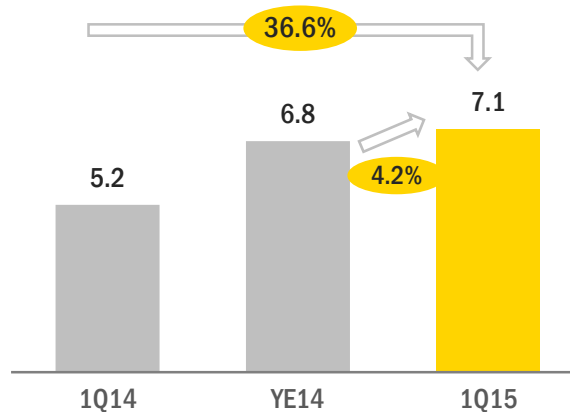


Strong loan growth in high quality business segments and blue-chip project finance

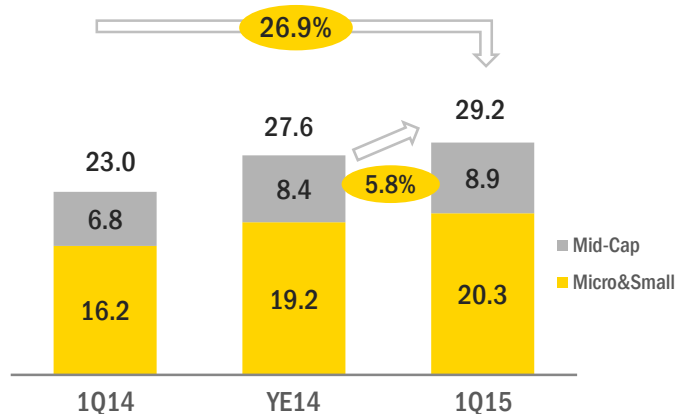
Commercial&Corporate (TL bn)



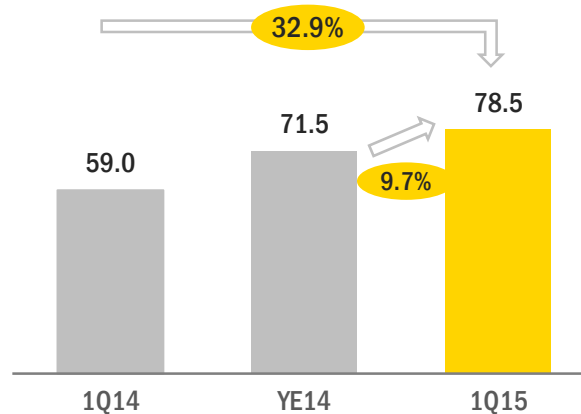
Project Finance Loans (USD bn)



SME* (TL bn)



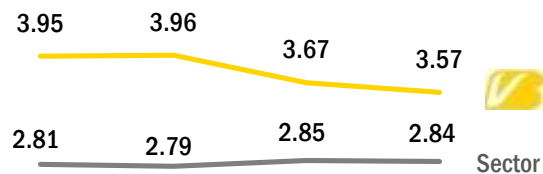
Total Com.&Corporate Loans** (TL bn)



Share of commercial & corporate loans increased to **41.9%** in 1Q15 from **38.5%** in 1Q14

Asset quality improvement on track

Reported NPL Ratio (%)*



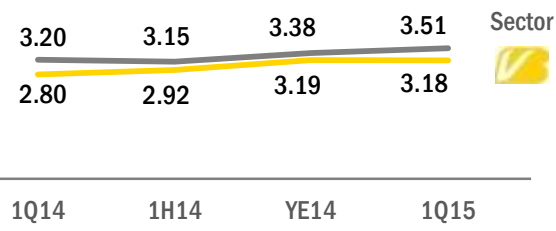
Comparable NPL Ratio (%)



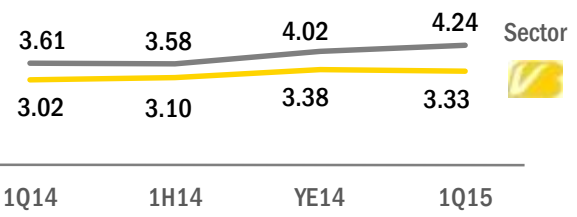
Mortgages NPL Ratio (%)



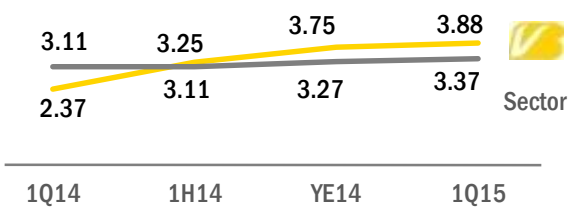
Total Retail NPL Ratio (%)



GPC NPL Ratio (%)

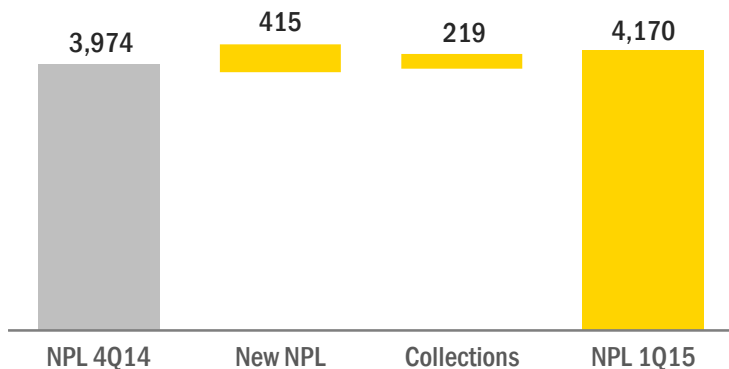


SME NPL Ratio (%)

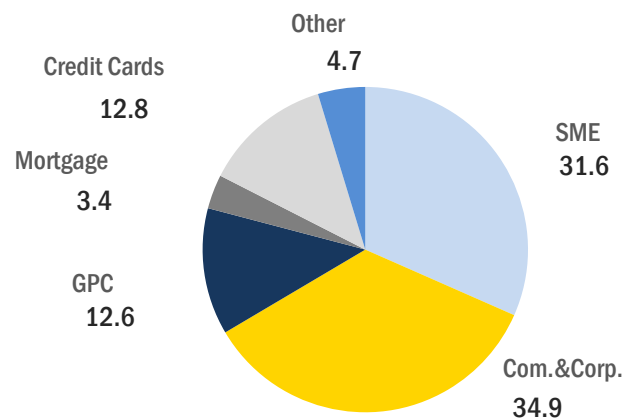


CoR numbers inside the budget thanks to strong NPL collections

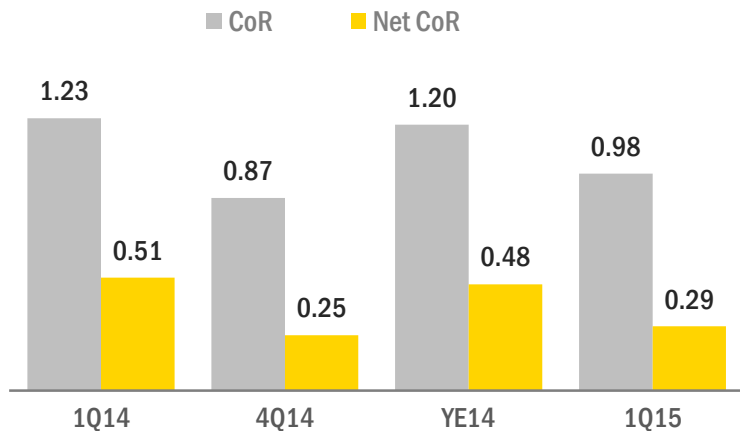
NPL (TL mn)*



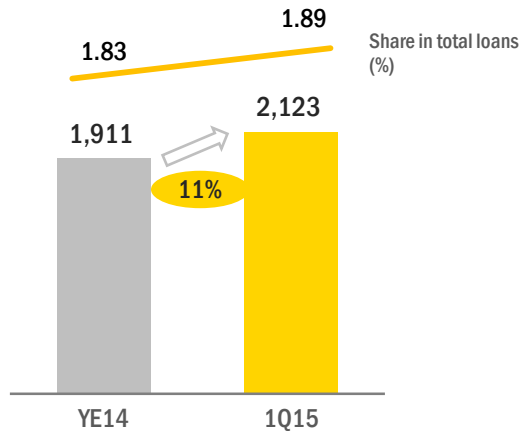
Breakdown of New NPL Inflow (%)



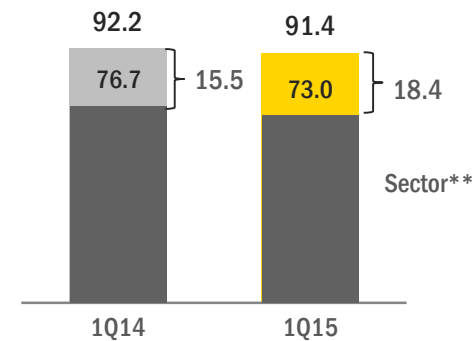
Specific Cost of Risk (%)



Past Due 30 Days (TL mn)

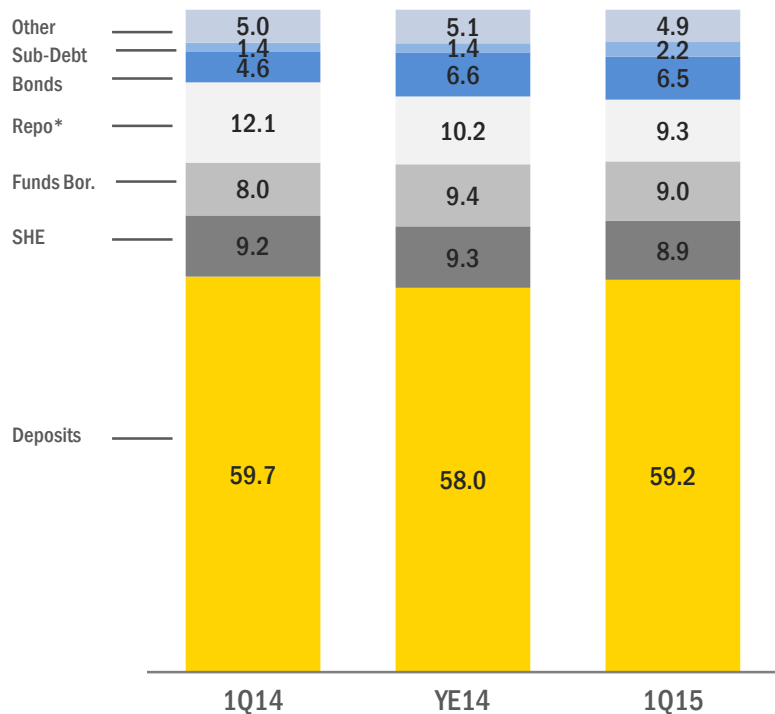


Coverage Ratio (%)

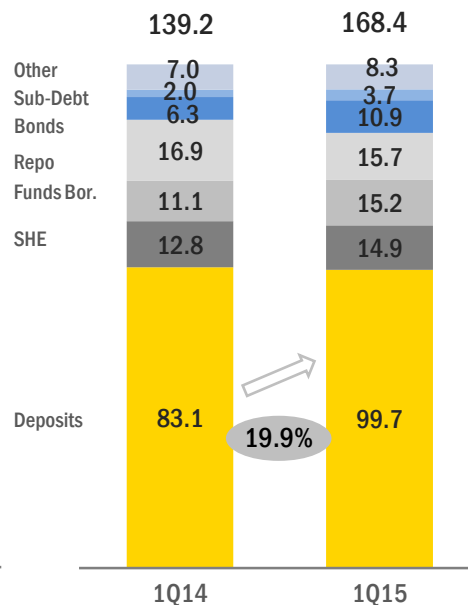


Customer deposit driven well diversified funding structure

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bn)



New Tier II issuance
US\$ 500 million with 10NC5

First time ever Basel III
Compliant Tier II Transaction in
Turkey
in February

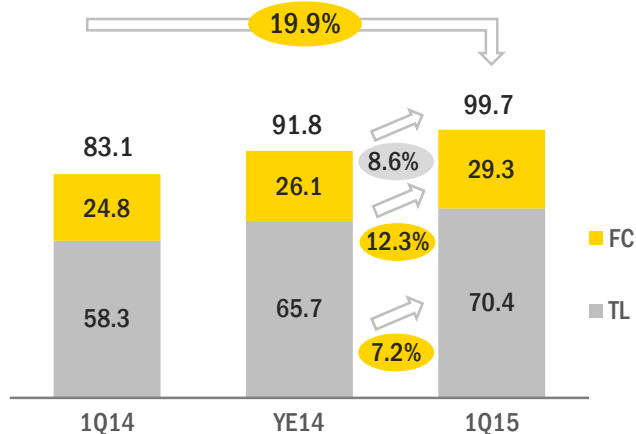
Syndication US\$ 204
million and EUR 763
million, equivalent of US\$
1.1 billion in April

Private placement outstanding
balance worth of US\$ 1.0 billion

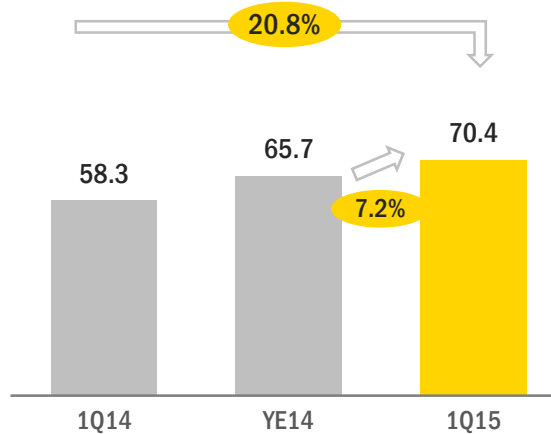
Outstanding DCM volume
amounting US\$ 5.6 billion
equivalent**

Solid growth on TL deposits

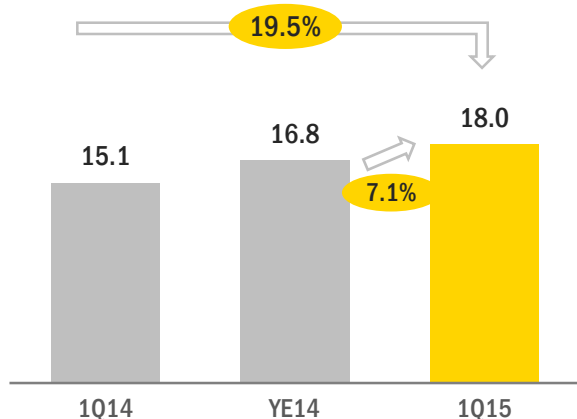
Total Deposits (TL bn)



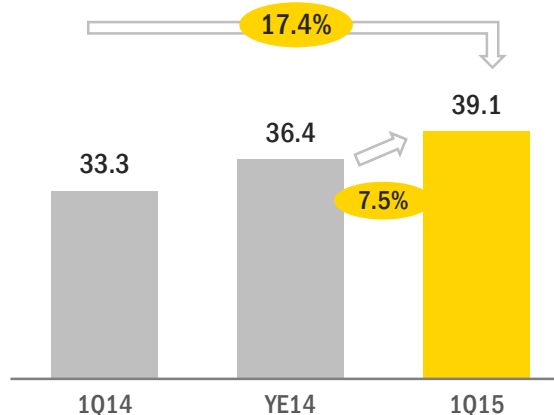
TL Deposits (TL bn)



Demand Deposits (TL bn)



Total Retail Deposits (TL bn)

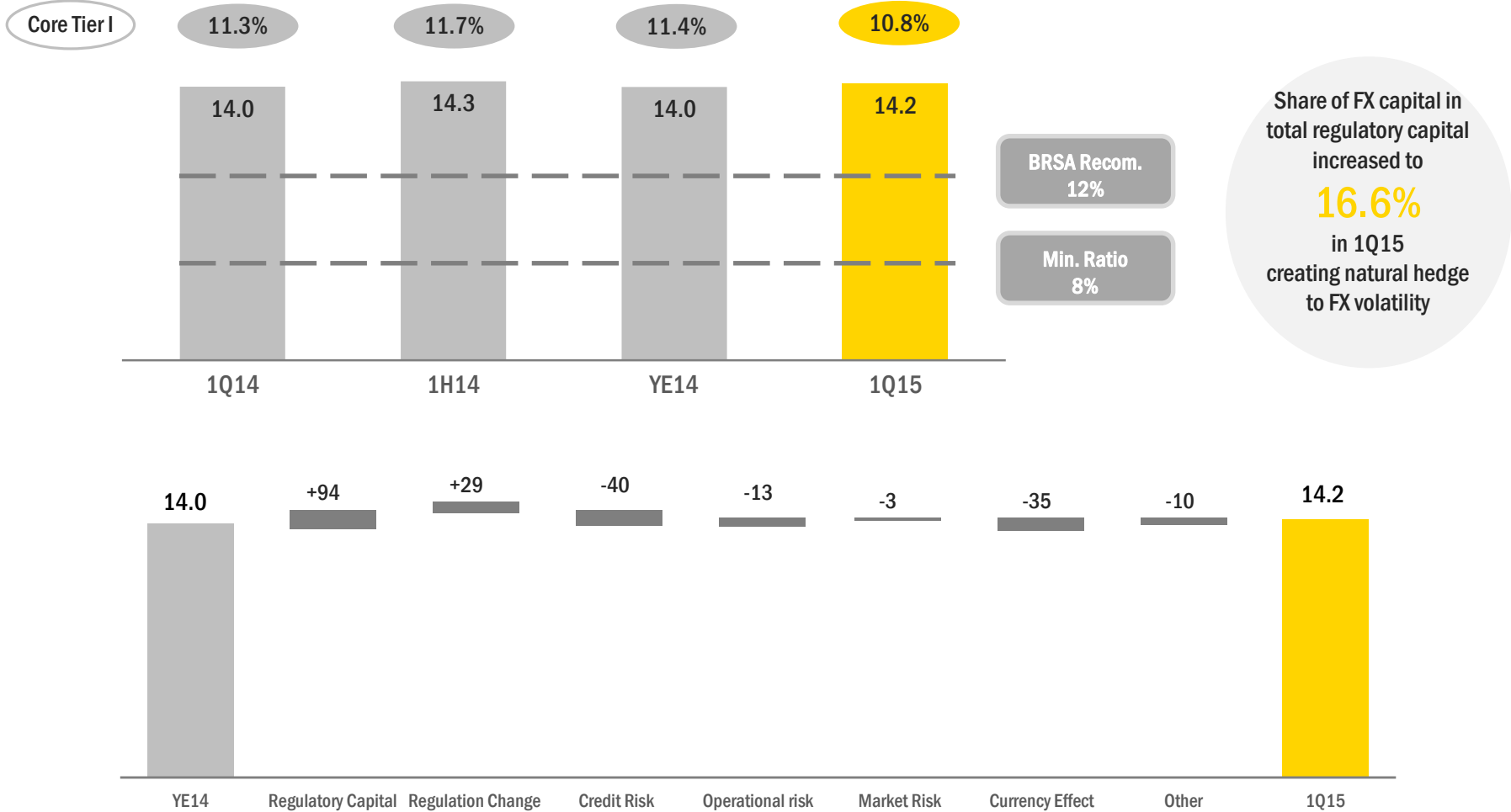


Solid quarterly TL deposit growth of **7.2%** vs sector average of 1.3%

Strong market share in TL deposits **10.5%** in 1Q15

Strong solvency ratios maintained thanks to timely issuance of LT2

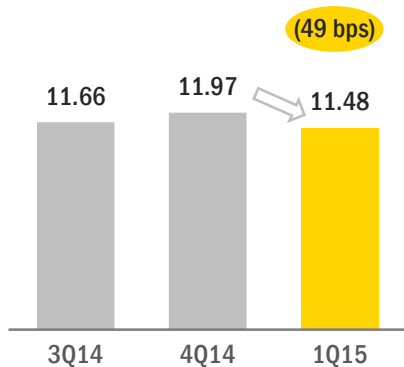
Capital Adequacy Ratio (%)



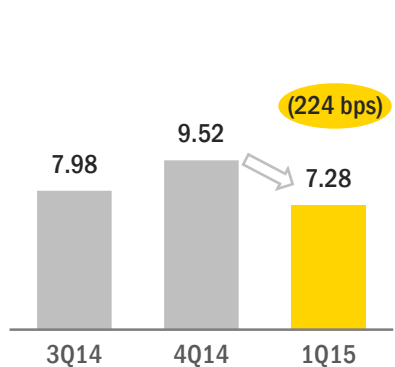
NIM, Spreads and Costs

Yields (%)

TL Loans

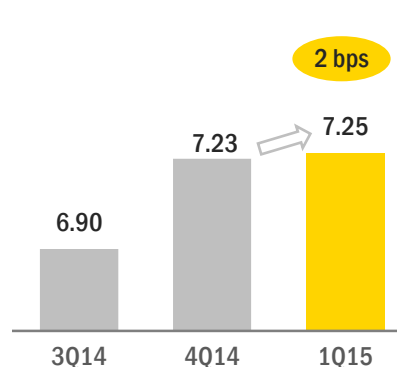


TL Securities

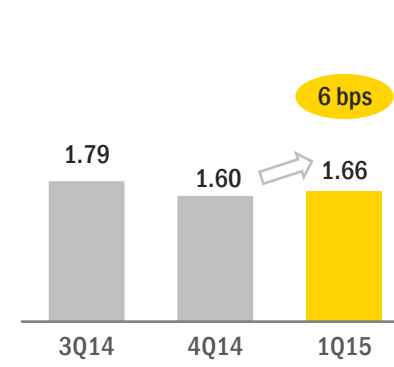


Cost of Deposits (%)

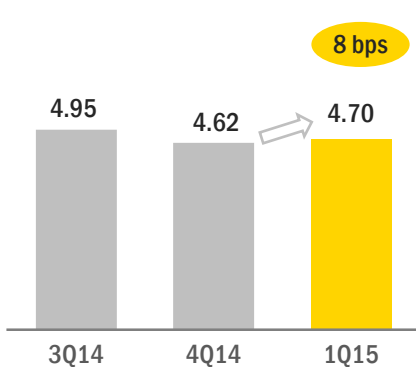
TL Deposits



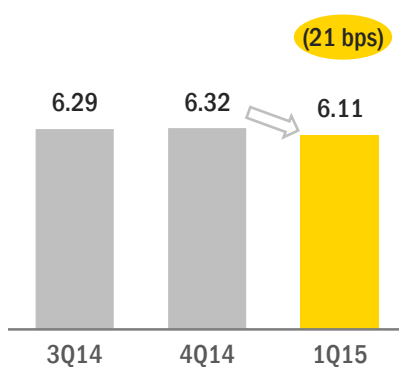
FC Deposits



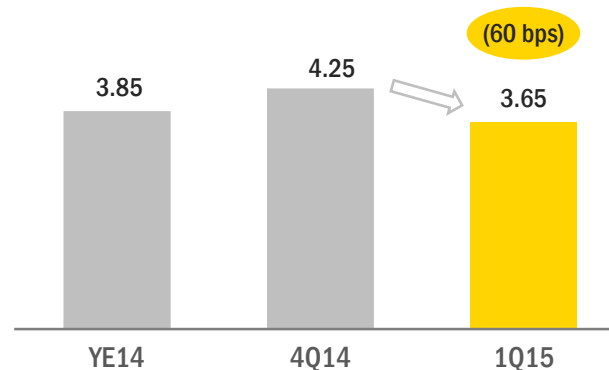
FC Loans



FC Securities*



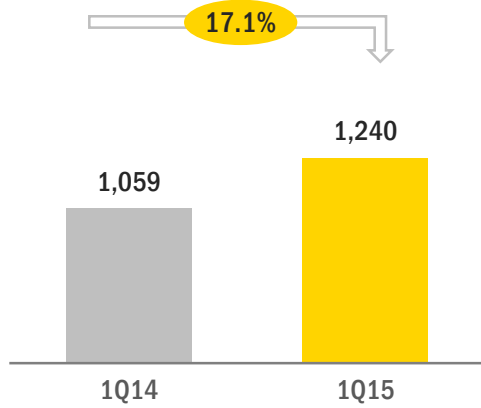
Net Interest Margin (NIM %)



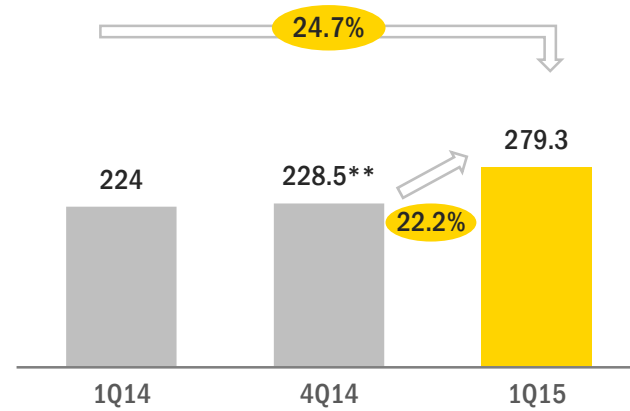
Impact of CPI Linkers on NIM is -25 bps

Earnings breakdown

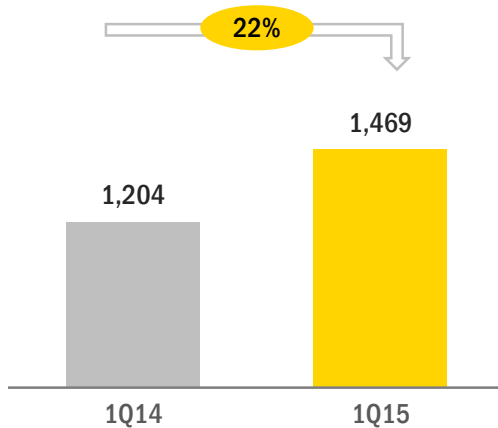
Net Interest Income (TL mn)



Other Income (TL mn)

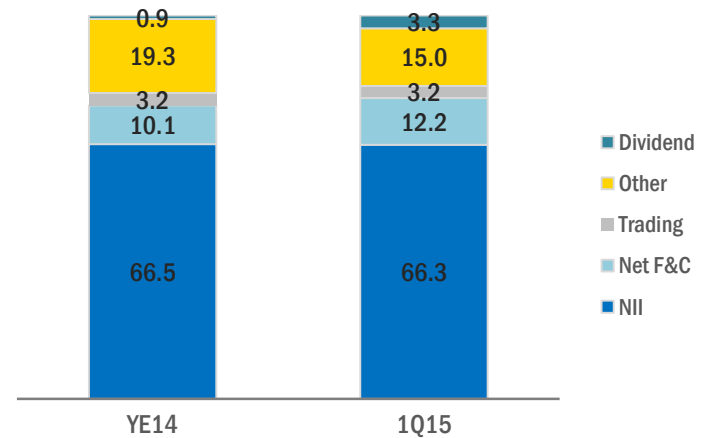


Core Banking Revenues* (TL mn)



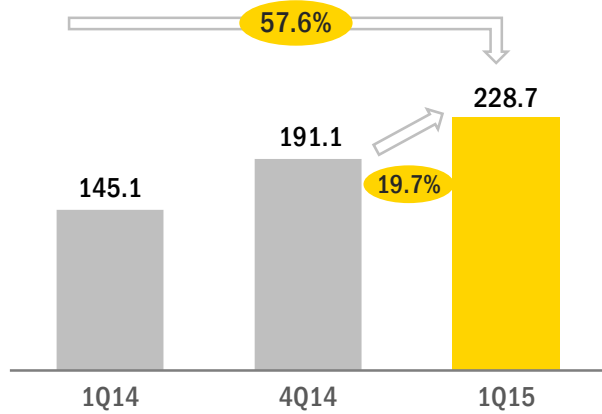
Core Banking Revenues growth of **22%** vs sector average growth of 16.1%

Breakdown of Total Revenues (%)

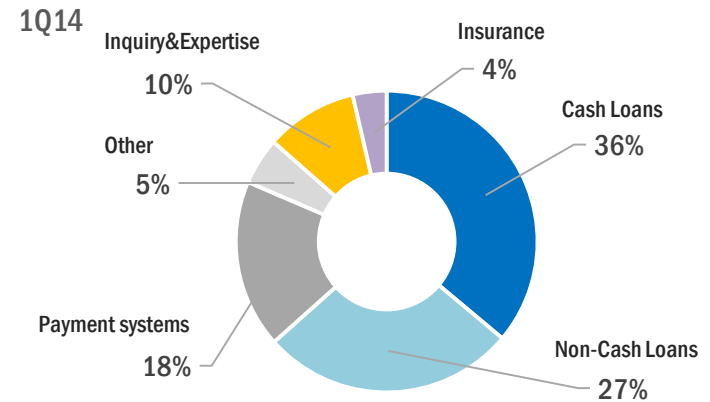
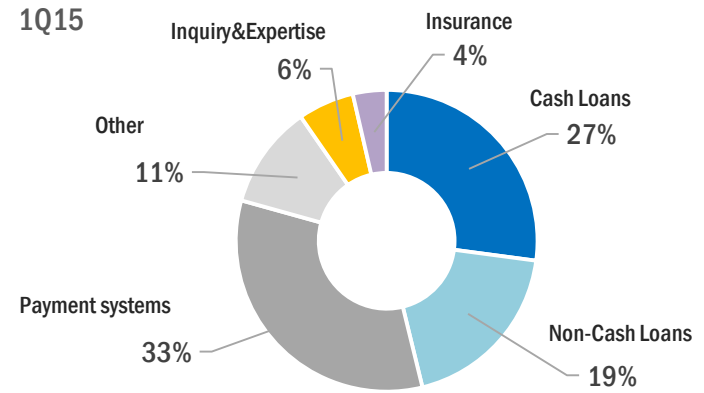


Solid fee growth fuelled by loan growth and payment systems promise better than budget figures

Net Fee and Commission Income (TL mn)



Breakdown of Net Fee and Commission Income (%)



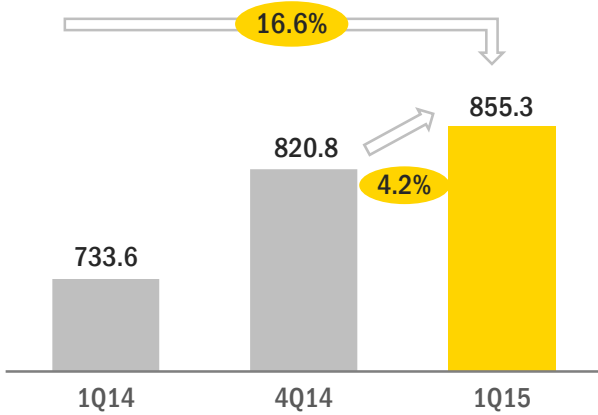
Share of fees in total revenues increased to **12.2%** in 1Q15 vs 9.3% in 1Q14

Contribution of payment systems related fees increased to **32.9%** in 1Q15 vs 17.9% in 1Q14

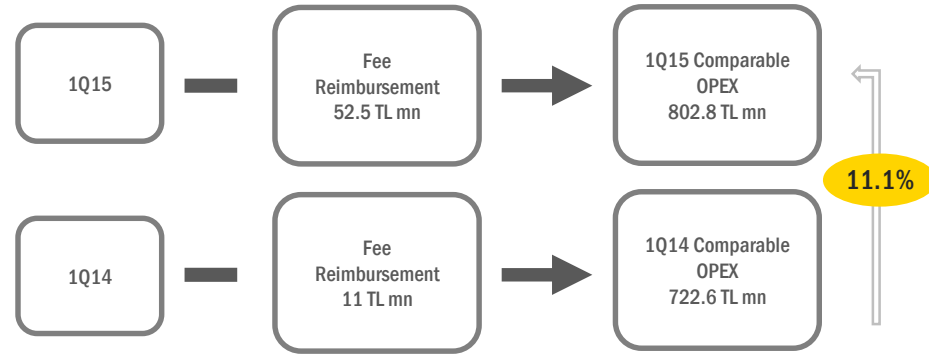
Fee / Opex ratio increased to **26.7%** in 1Q15 vs 19.8% in 1Q14

Comparable opex growth is in line with the operating budget

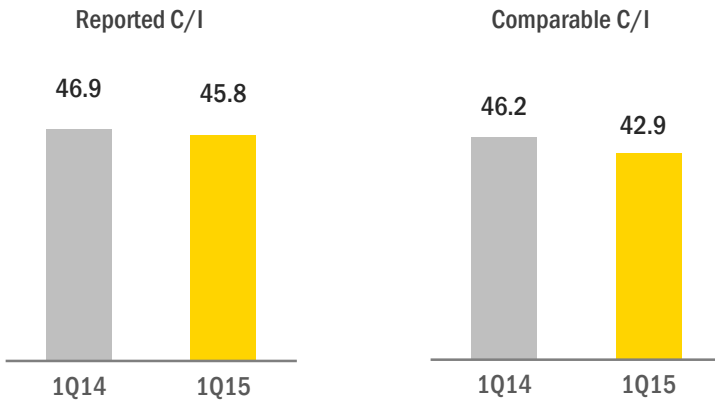
Operating Expenses (TL mn)



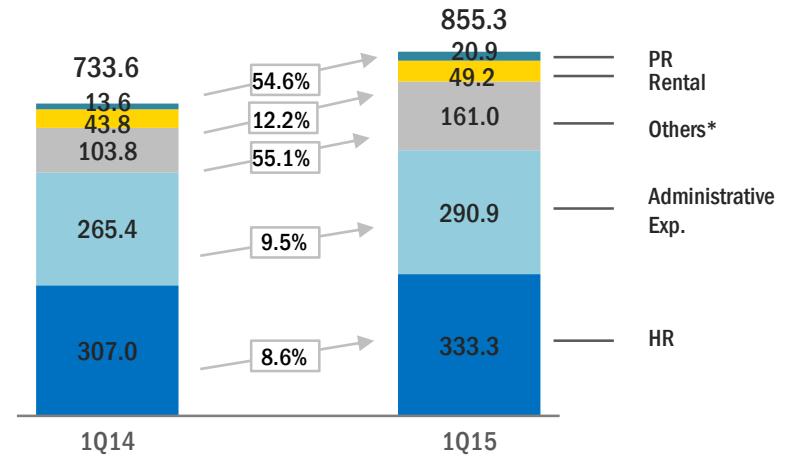
Comparable Opex



Cost/Income (%)



Breakdown of Opex (TL mn)



VakifBank with numbers

Distribution Channels & Customer (#)	1Q2015	Efficiency ('000 TRY)	1Q2015
Branches	902	Assets per Employee	11,192
ATMs	3,289	Assets per Branch	187,069
Personnel	15,044	Loans per Employee	7,478
POS Terminals	161,993	Loans per Branch	124,987
Outstanding Credit Cards	3.2 mn	Deposits per Employee	6,625
Total Customers	17.0 mn	Deposits per Branch	110,734
Total Payroll Customers	2.3 mn		
Internet Banking Customers	3.0 mn		
Active Mutual Fund Customers	1.6 mn		

9 new branch openings in 1Q 2015

Balance Sheet

	(TL-mio, %)	1Q2014	YE2014	1Q2015	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	19,802	21,885	21,179	7.0%	(3.2%)
	Interbank	2,552	2,571	4,198	64.5%	63.3%
	Securities	22,931	23,558	24,385	6.3%	3.5%
	Loans	89,308	104,343	112,489	26.0%	7.8%
	Subsidiaries & Investments	1,518	1,737	1,705	12.4%	(1.8%)
	Property & Equipment	670	709	704	5.0%	(0.7%)
	Other	2,372	3,415	3,702	56.1%	8.4%
	Total Assets	139,153	158,218	168,362	21.0%	6.4%
Off-B.S. Liabilities & SHE	Deposits	83,119	91,757	99,660	19.9%	8.6%
	Funds Borrowed	11,138	14,927	15,168	36.2%	1.6%
	Other	30,129	34,325	36,144	20.0%	5.3%
	Provisions	1,968	2,437	2,471	25.6%	1.4%
	Shareholders' Equity	12,799	14,772	14,919	16.6%	1.0%
	Guarantees	24,225	28,634	29,938	23.6%	4.6%
	Commitments	21,276	26,621	26,336	23.8%	(1.1%)
	Derivatives	35,122	36,207	39,735	13.1%	9.7%

Income Statement

(TRY-Thousand, %)	1Q2014	4Q2014	1Q2015	YoY Growth	QoQ Growth
Net Interest Income	1,059,148	1,346,154	1,240,163	17.1%	(7.9%)
Net Fee & Com. Income	145,105	191,100	228,679	57.6%	19.7%
Dividend Income	64,956	322	62,130	(4.4%)	19195.0%
Net Trading Income	72,326	37,408	59,378	(17.9%)	58.7%
Other Income	224,003	534,513	279,257	24.7%	(47.8%)
Total Revenues	1,565,538	2,109,497	1,869,607	19.4%	(11.4%)
Operating Expenses	(733,642)	(820,772)	(855,312)	16.6%	4.2%
Provisions	(375,944)	(448,809)	(449,394)	19.5%	0.1%
Tax Provisions	(82,338)	(157,126)	(130,274)	58.2%	(17.1%)
Net Income	373,614	682,790	434,627	16.3%	(36.4%)

Diversified funding source via Non-Deposit Funding

Sub-debt

January 2015

- US\$ 500 million equivalent subordinated notes (Tier II) were issued with a yield of 6.95%. Coupon rate has been set at 6.875%, maturity of the notes is 10 years.

DPR Securitization

December 2014

- Obtained a new foreign borrowing in Euro and USD currencies, amounting US\$ 928.6 million equivalent through future flow transaction, US\$ 500 million of which has a maturity of 5 years and US\$ 428.6 million of which has a maturity of 7 years.

Private Placements

Private Placements*

- US\$ 3,411 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 : EUR 25 million GAGF project loan has been disbursed in December 2013 and has been fully allocated in August 2014.
The extension amount for the facility EUR 50 million was signed in December, 2013 and the amount of EUR 25 million was disbursed in December 2014.
Municipal Loan, US\$ 100 million, was signed in December, 2013 and US\$ 67,865 million has been disbursed in February 2014.
Tur-SEFF II; US\$ 50 million was signed in July, 2013 and US\$ 25 million has been disbursed in December, 2013.
SME II Loan II for Midcaps and SMEs was signed in November 2014, the full amount was disbursed as US\$ 123,920 thousand in December.
- KfW : EUR 100 million MSME loan was disbursed in November, 2013 and has been fully allocated in January 2014.

Local Currency Bond

- Issued in May 2014 and terminated in April 2015 with a 350 days maturity, TL 12.5 million bond at a cost of 10.3%.
- Issued in June 2014 and terminates in May 2015 with a 357 days maturity, TL 36.4 million bond at a cost of 9.3%.
- Issued in August 2014 and terminated in February 2015 with a 175 days maturity, TL 688.8 million bond at a cost of 9.3%.
- Issued in August 2014 and terminates in August 2015 with a 350 days maturity, TL 44.9 million bond at a cost of 9.9%.
- Issued in September 2014 and terminated in March 2015 with a 175 days maturity, TL 377.9 million bond at a cost of 9.4%.
- Issued in October 2014 and terminated in April 2015 with a 175 days maturity, TL 752.4 million bond at a cost of 9.3%.
- Issued in October 2014 and terminates in August 2015 with a 287 days maturity, TL 94.6 million bond at a cost of 9.6%.
- Issued in November 2014 and terminated in March 2015 with a 112 days maturity, TL 416.6 million bond at a cost of 8.7%.
- Issued in November 2014 and terminates in May 2015 with a 175 days maturity, TL 245.1 million bond at a cost of 8.7%.
- Issued in November 2014 and terminates in August 2015 with a 259 days maturity, TL 27.6 million bond at a cost of 8.8%.
- Issued in December 2014 and terminated in March 2015 with a 91 days maturity, TL 210.7 million bond at a cost of 8.6%.
- Issued in December 2014 and terminates in May 2015 with a 154 days maturity, TL 165.9 million bond at a cost of 8.6%.
- Issued in December 2014 and terminates in August 2015 with a 238 days maturity, TL 14.6 million bond at a cost of 8.7%.
- Issued in January 2015 and terminates on May 2015 with a 119 days maturity, TL 136.9 million bond at a cost of 8.2%.
- Issued in February 2015 and terminates on August 2015 with a 175 days maturity, TL 472.5 million bond at a cost of 9.2%.
- Issued in February 2015 and terminates on October 2015 with a 238 days maturity, TL 2.8 million bond at a cost of 9.2%.
- Issued in March 2015 and terminates on June 2015 with a 84 days maturity, TL 592.6 million bond at a cost of 9.5%.
- Issued in March 2015 and terminates on September 2015 with a 175 days maturity, TL 226.8 million bond at a cost of 9.5%.
- Issued in April 2015 and terminates on August 2015 with a 112 days maturity, TL 430.4 million bond at a cost of 9.8%.
- Issued in April 2015 and terminates on October 2015 with a 175 days maturity, TL 185.4 million bond at a cost of 9.8%.



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