

Earnings Presentation

BRSA Bank-Only 3Q 2014

November 6, 2014

VakıfBank IR App.
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VakıfBank

3Q 2014 Macro Highlights

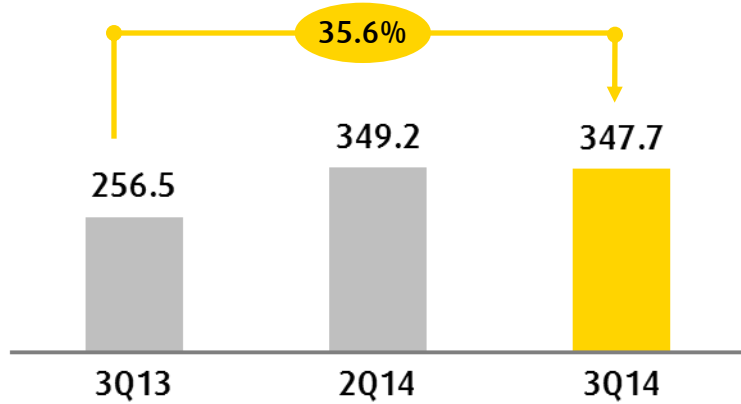
- Differentiation in policy directions of the leading central banks was the main theme in 3Q14.
- FED looked confident on improvement of the US economy. Expectations regarding the timing of the first rate hike caused market volatility. First rate hike is expected from the FED in the 2H 2015.
- Negative economic outlook in the Eurozone continued. ECB pulled the policy rate to 0.5% in September and introduced the details of the new ABS and covered bond purchase operations.
- Markets questioned the expectations for the future path of the Fed funds rate and concerned that Fed might be quicker in rate hikes.
- USD trade weighted index appreciated 7.7% in 3Q14 and EUR/USD fell to 1.25 from 1.36 levels.
- Subdued economic prospects for EM resulted in downward revision in growth expectations.
- The disorder in Iraq became the major geopolitical risk factor. Increasing tensions between Ukraine and Russia eased off somewhat through the end of 3Q14.
- Turkish GDP growth came in at 2.1% in 2Q14. Positive contribution of net exports to GDP growth continued. YoY contraction in investment growth restrained the 2Q GDP performance. Domestic demand, primarily household consumption slowed down. 2Q GDP data denoted that CBT rate cuts in May-July period were pertinent.
- CPI rose to 8.96% YoY in October from 8.86% in September. CPI is expected to rise above 9% by November 2014 due to the adjustments in electricity and gas prices.
- The current account (C/A) deficit came in at USD 2.8 billion in August. C/A outlook for YE 2014 remained positive thanks to the decrease of 35% Ytd accumulated basis compare to same period of 2013. 12 month rolling C/A deficit increased from USD 48.5 billion to USD 48.9 billion, as a result of the fall in gold trade and foreign trade deficit in the first eight months of 2014. Besides, decreasing oil & gas prices and increasing net tourism revenues has positively contributed to the C/A deficit. CAD outlook remains positive.
- Following the rate cut on its 1-week repo rate and the O/N borrowing rate by 50 bps to 8.25% and 7.50% respectively in the July MPC meeting, CBT cut O/N lending rate by 75 bps to 11.25% while preserving one week repo rate at 8.25% in the August meeting. In the last MPC meeting on September, all the key policy rates remained unchange.

3Q 2014 VakifBank Highlights

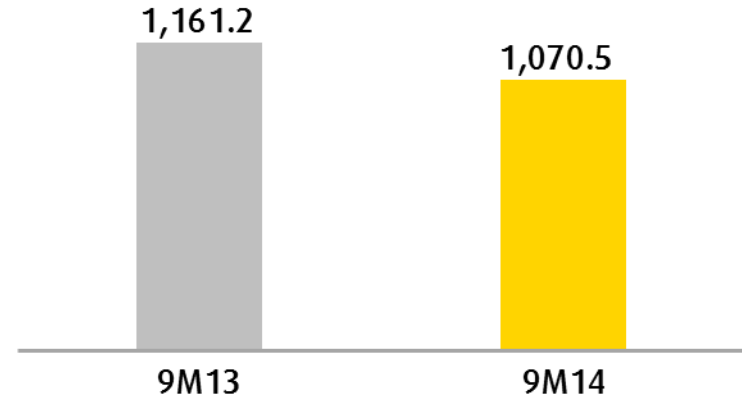
- Quarterly bank-only net income is 347.7 mio TL, which is up by 35.6% YoY and flattish QoQ. 9M14 bank-only net income realized at 1,070.5 mio TL.
- Quarterly loan growth is 6.4%, which is above the sector average level.
- Ytd loan growth is 12.6%, which is inline with the budget and guidance.
- FX loans are up by 14.7% QoQ in TL terms and 6.9% in USD terms driven by project finance lending.
- TL loans are up by 3.8% QoQ, in line with the sector, mainly driven by SME and Commercial loans.
- Quarterly deposit growth also came strong at 6%; which brought Ytd deposit growth to 9.4% level. FX deposits are up by 15.4% QoQ in TL terms and 7.5% in USD terms.
- Loan to Deposit ratio remained flattish at 109% level, lower than peers' average.
- TL and FX loan to deposit spreads are up by 73 bps and 71 bps QoQ respectively; hence, quarterly NIM expanded 40 bps to 4.04% despite negative contribution from CPI linkers.
- Net Interest Income is up by 14.7% QoQ thanks to volume growth and core spread improvement driven margin expansion.
- Net Fee and Commission Income is up by 17.7% QoQ thanks to better volume growth, despite negative seasonality.
- Asset quality improvement remained intact; contrary to the sector, NPL ratio improved 10 bps to 3.86% thanks to lower NPL inflow.
- NPL coverage ratio further increased 1 ppt to 94% despite negative trend in the peer group, which remains the highest ratio among them.
- Opex growth is inside the budget; down by 3.7% QoQ and up by 12.1% YoY; comparable opex is up by 8.6% YoY, less than inflation, excluding 71.3 mio TL fee repayment to retail customers Ytd.
- Despite to the faster volume growth, general provisioning cost is down by 19% QoQ unlike the sector trend due to the lack of regulatory change impact which was reflected in 2Q14.

3Q 2014 Earnings and Ratios

Quarterly Net Income (Mio TL)



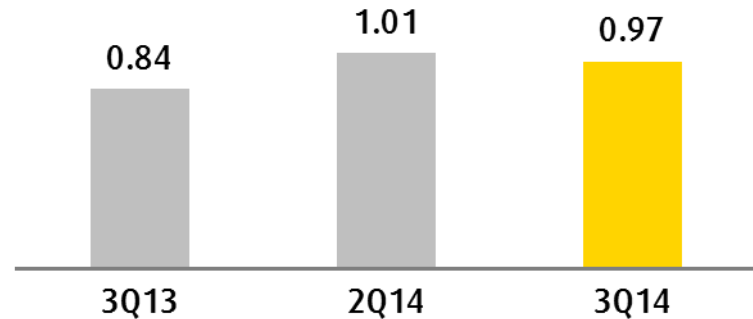
Annual Net Income (Mio TL)



ROAE (%)

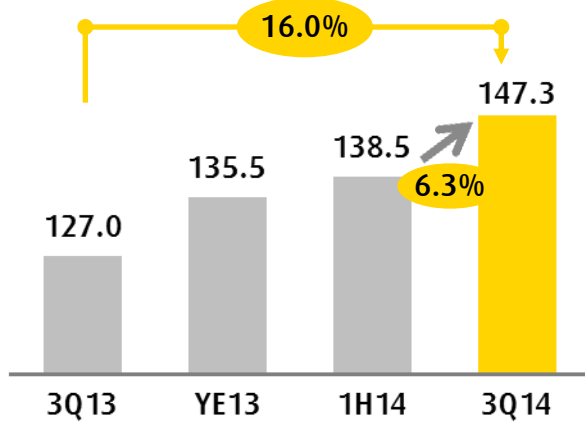


ROAA (%)

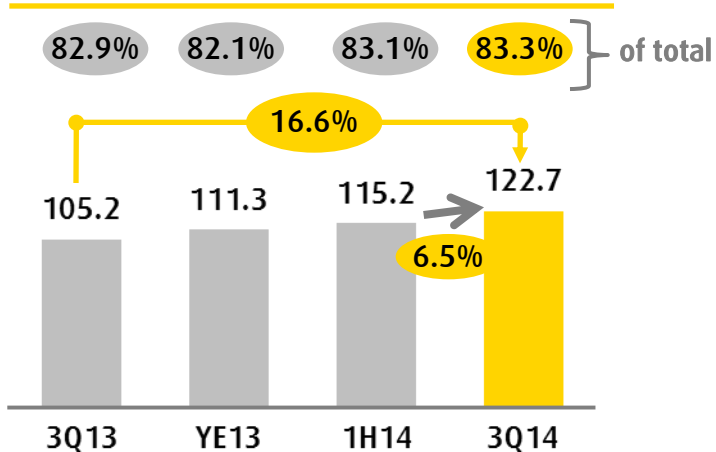


Asset breakdown

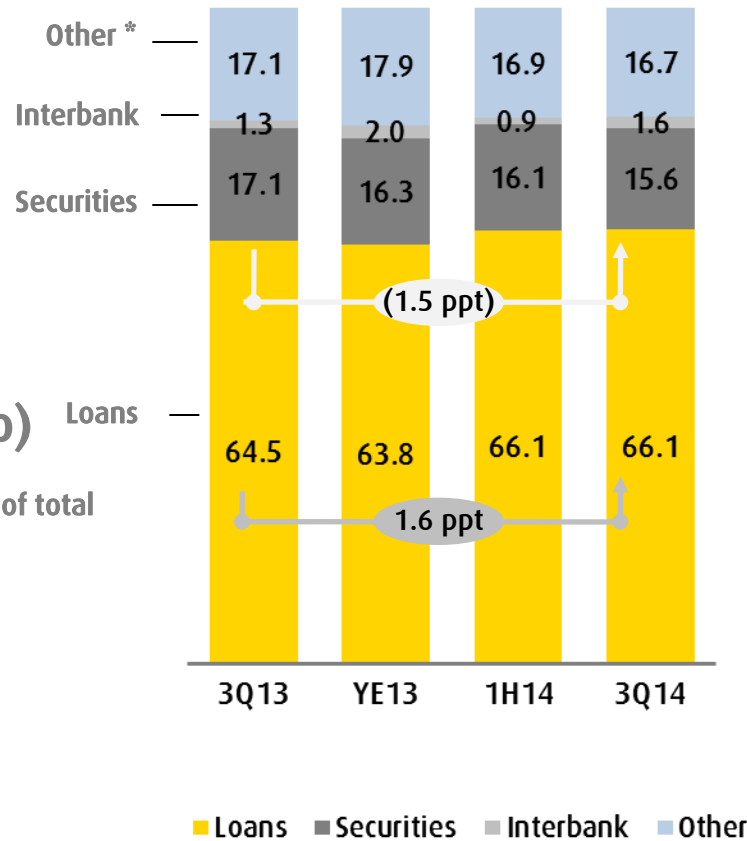
Total Assets (TL bio)



Interest Earning Assets (TL bio)



Breakdown of Assets (%)

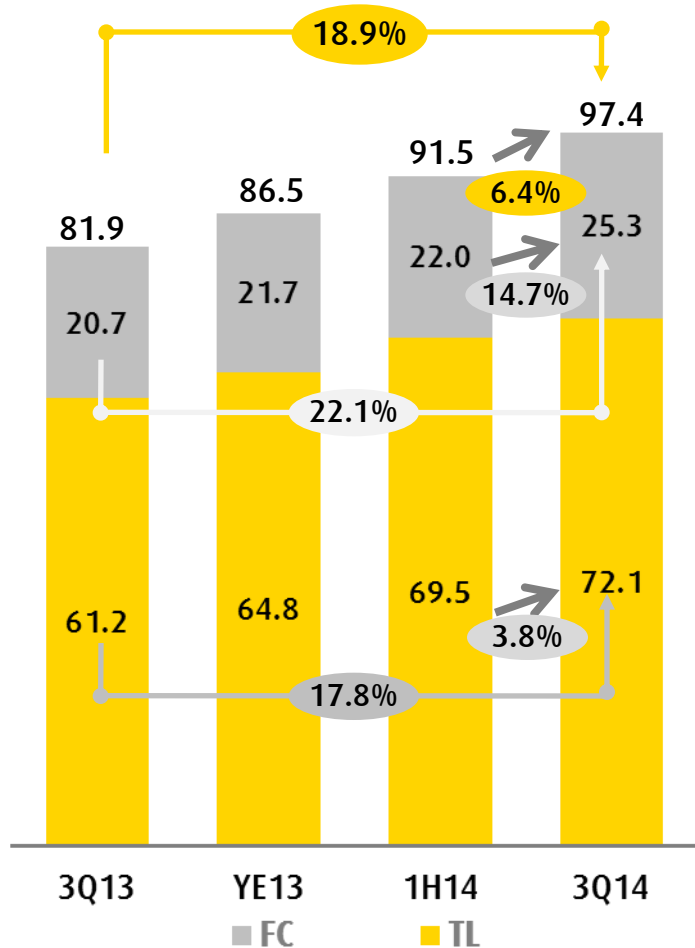


The share of loans in total assets

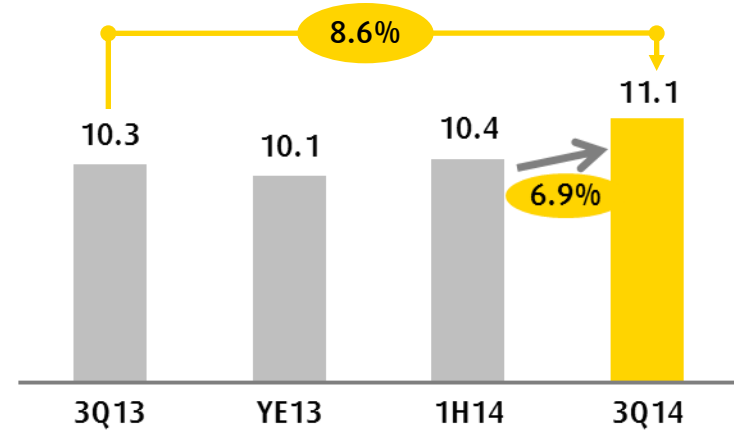
66%

Flattish TL and FX LtD Ratios

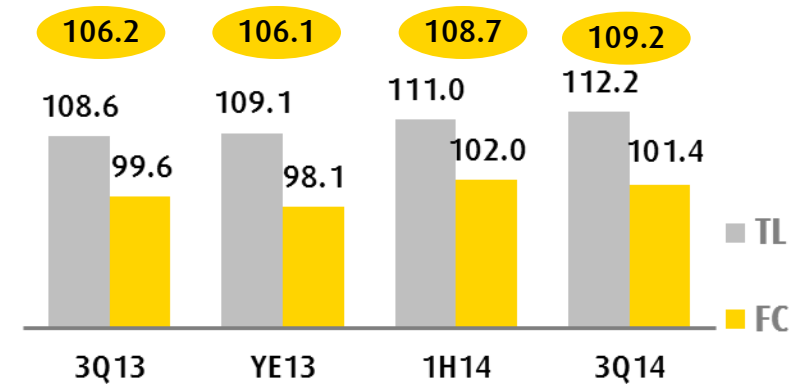
Total Loans (TL bio)



FC Loans (USD bio)

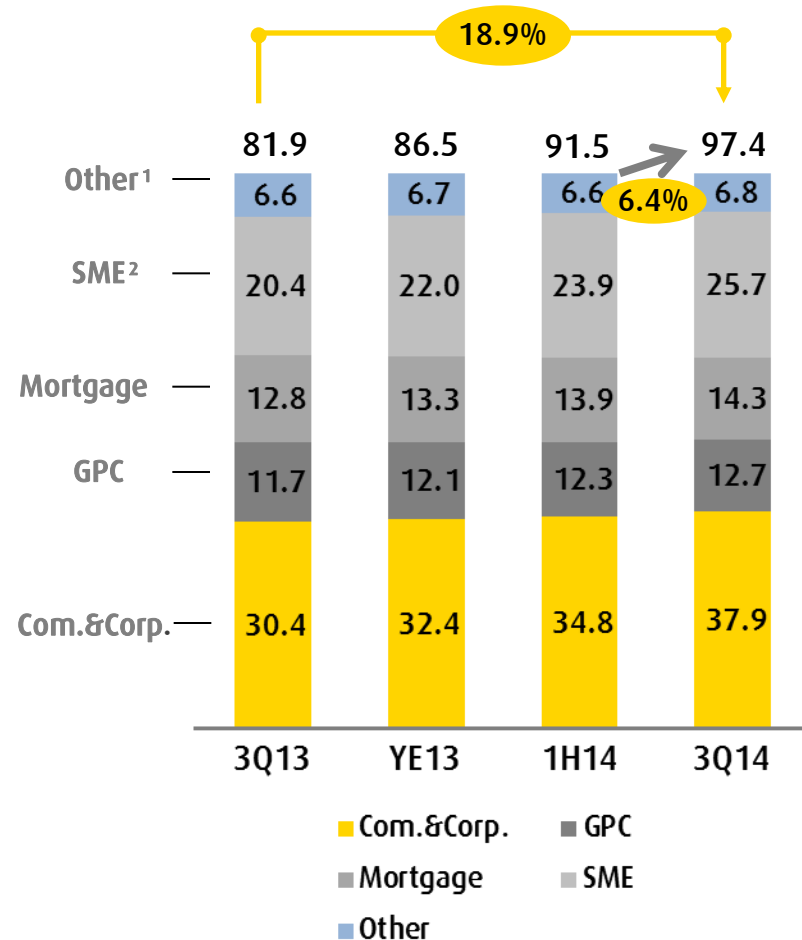


Loan/Deposit (%)

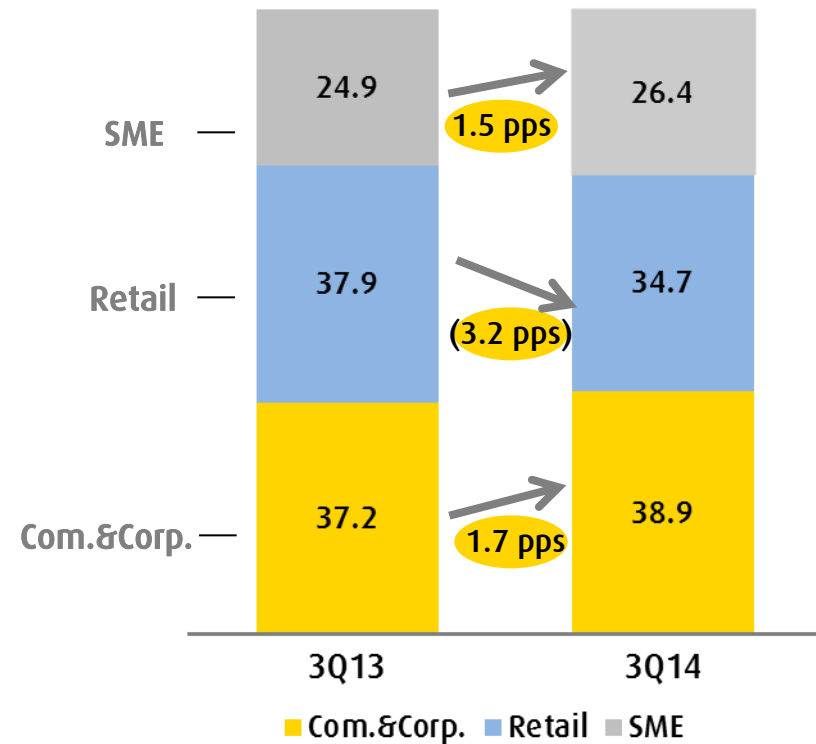


Well diversified loan breakdown

Breakdown of Loans (TL bio)



Portfolio Shift (%)³



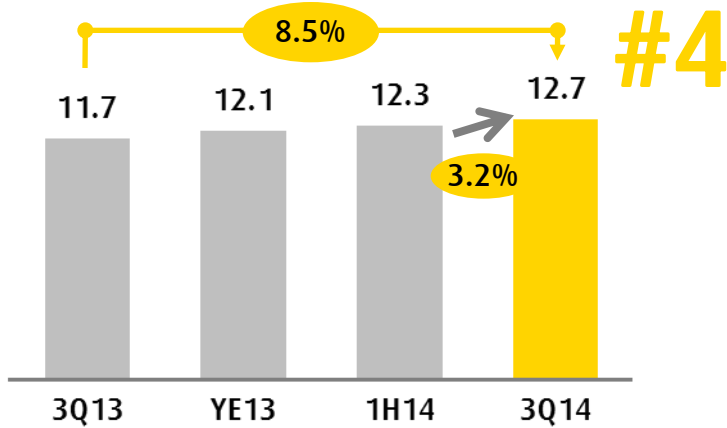
¹ Other includes credit cards, overdraft and auto loans.

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.

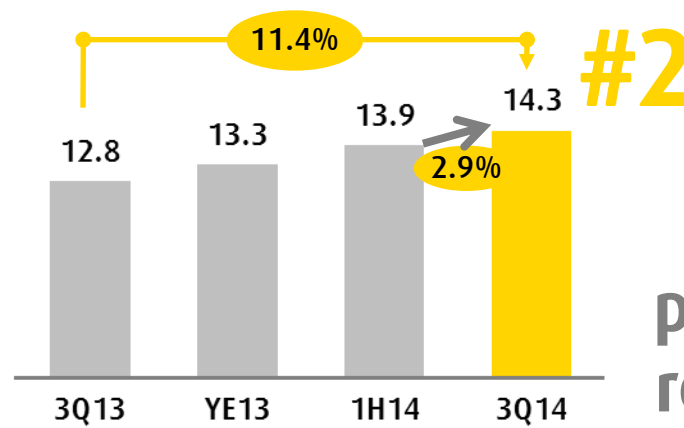
³ Segment reclassification is reflected to the numbers.

Retail loan growth slightly above sector average

General Purpose Consumer (TL bio)



Residential Mortgages* (TL bio)

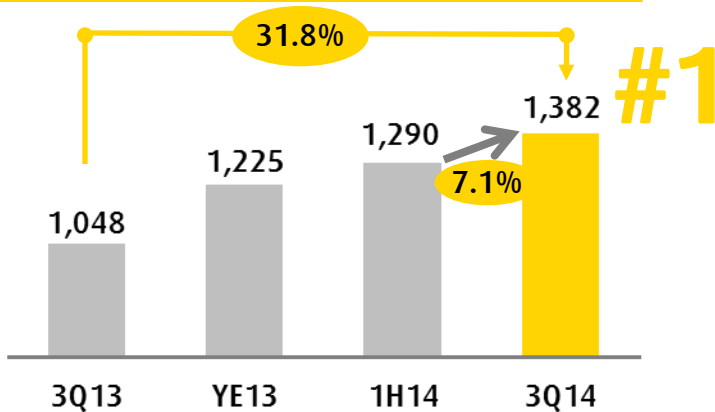


Ranking in peer group

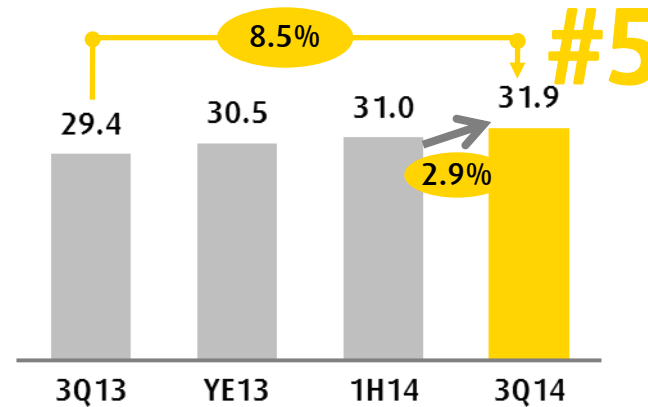
Strong presence in key retail segments thanks to

2.3 million pay-roll accounts

Retail Overdraft (TL mio)

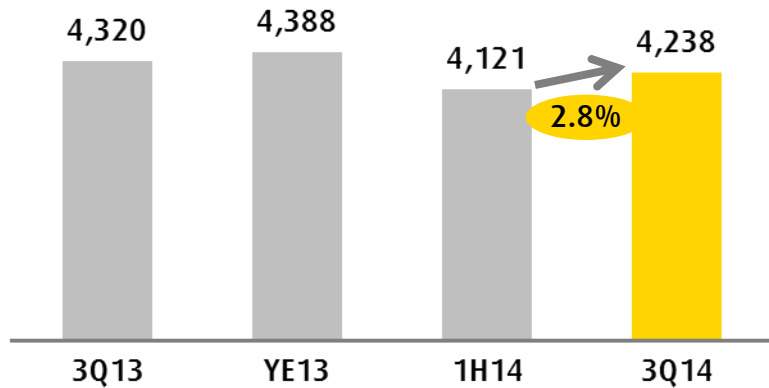


Total Retail (TL bio)

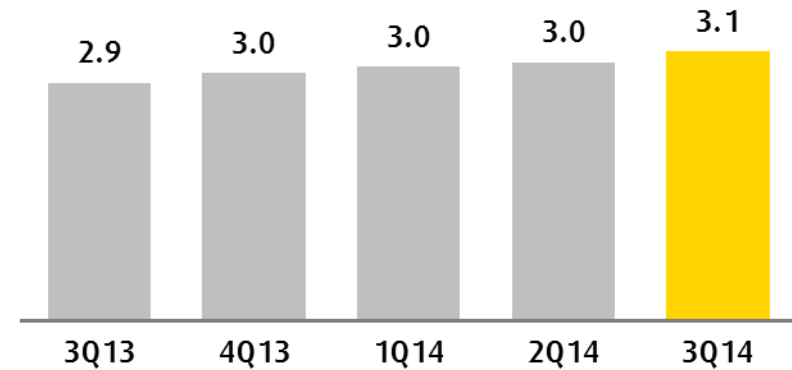


Sustainable growth on issuing volume

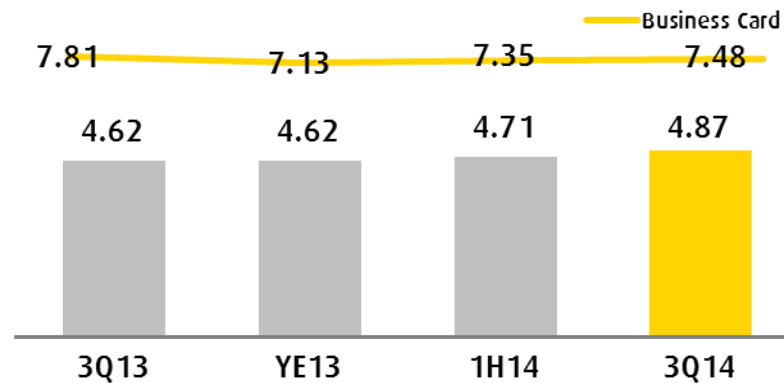
Credit Card Loans (TL mio)



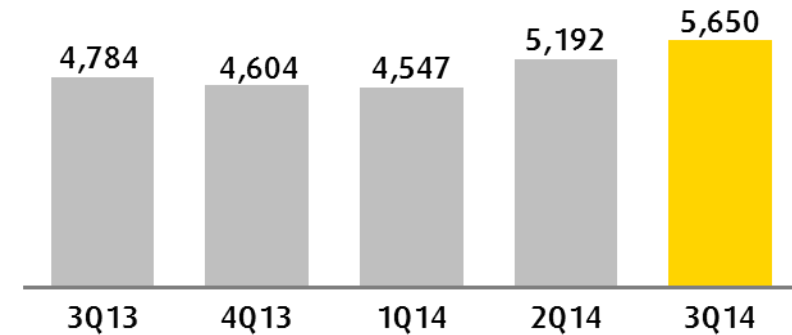
Outstanding Credit Cards (mio #)



Market share* (%)

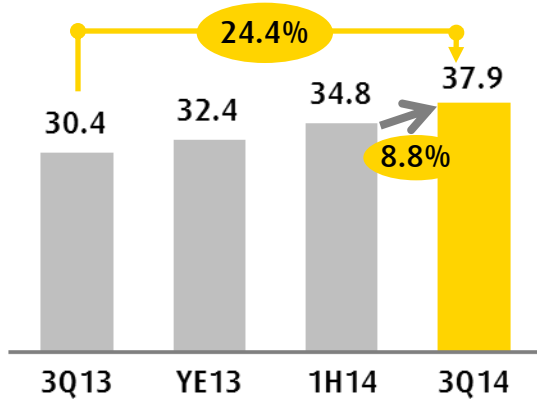


Average Quarterly Issuing Volume (TL mio)

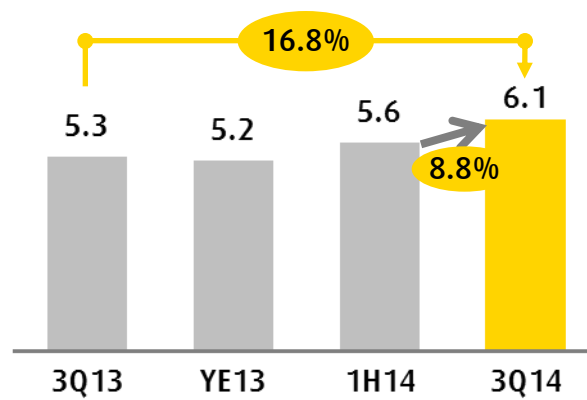


Well balanced lending growth among profitable products

Commercial&Corporate (TL bio)



Project Finance Loans (USD bio)



Project Finance Loan growth

8.8%

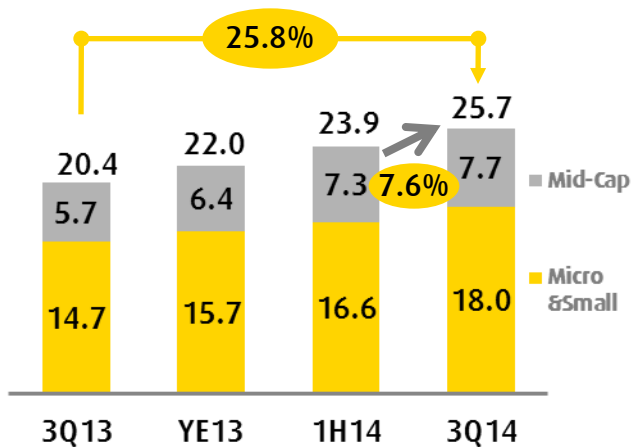
QoQ

and

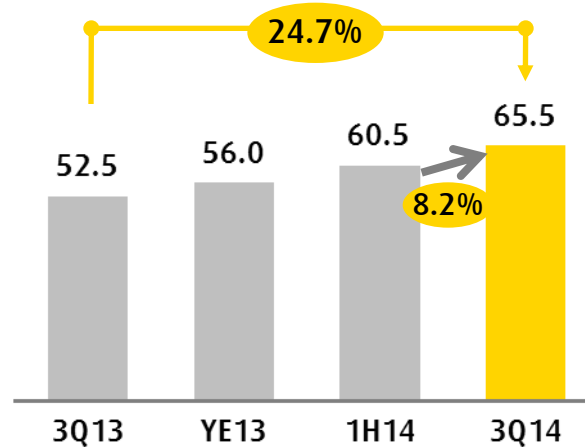
16.8%

YoY
in USD
terms

SME*(TL bio)



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

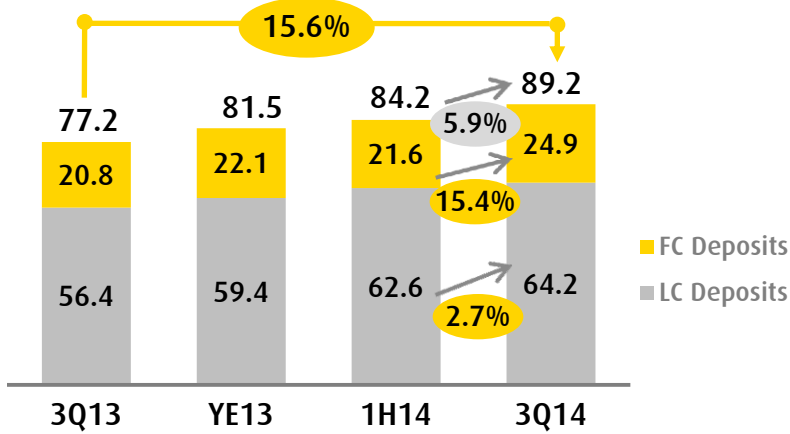


*According to VakifBank MIS data. Micro & Small SME: annual turnover < 8 Mio TL, Mid-Cap SME: annual turnover between 8 to 40 Mio TL

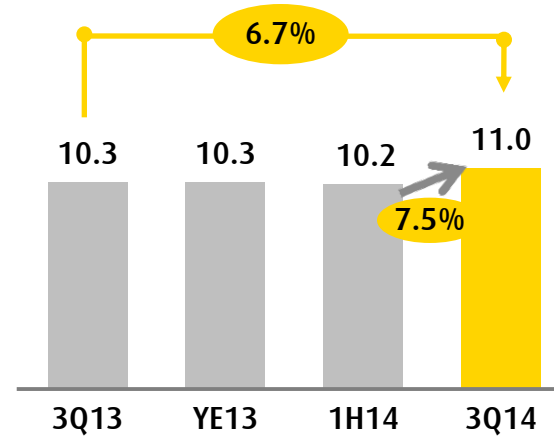
**Includes corporate loans, SME loans, overdraft & credit card loans.

Solid deposit growth

Total Deposits (TL bio)



FC Deposits (USD bio)

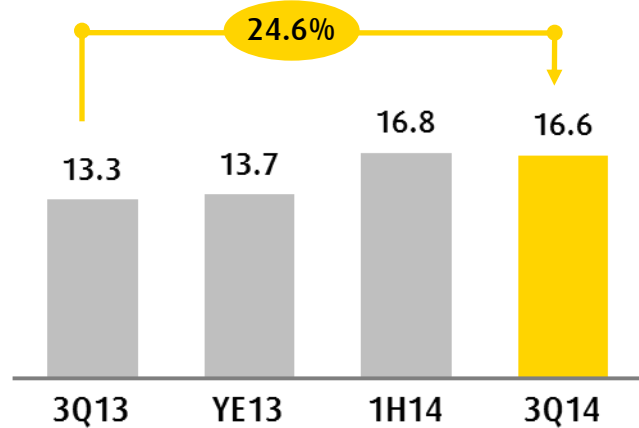


Outperforming sector average;

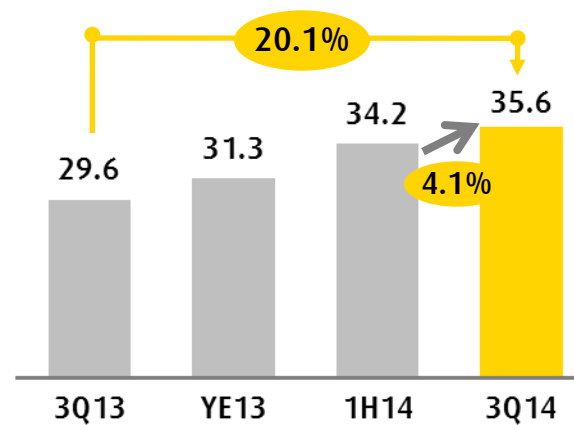
Demand Deposit growth YoY;

24.6%

Demand Deposits (TL bio)



Total Retail Deposits (TL bio)

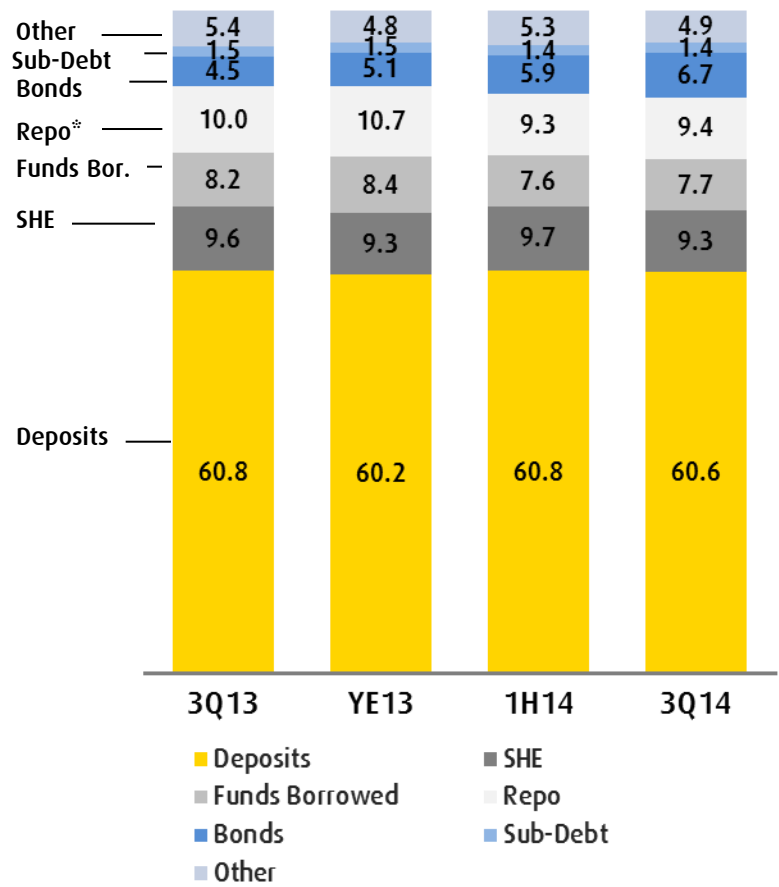


Retail Deposit growth YoY;

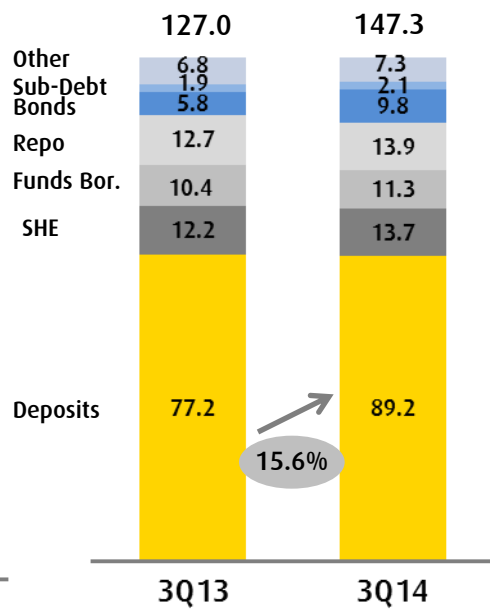
20.1%

Customer deposits remain the main funding tool

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bio)



1 #1 in private placement flow worth of **USD 2.5 bio** through 101 transactions since June 2013

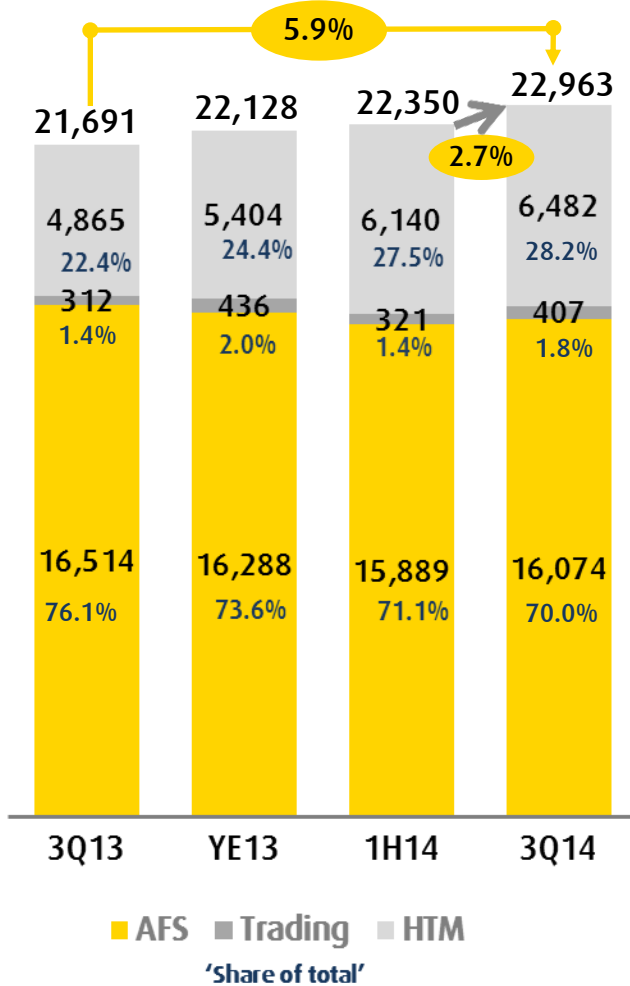
2 #2 in private placement outstanding balance worth of **USD 1.2 bio**

3 Outstanding DCM volume amounting **USD 5.7 bio** equivalent**

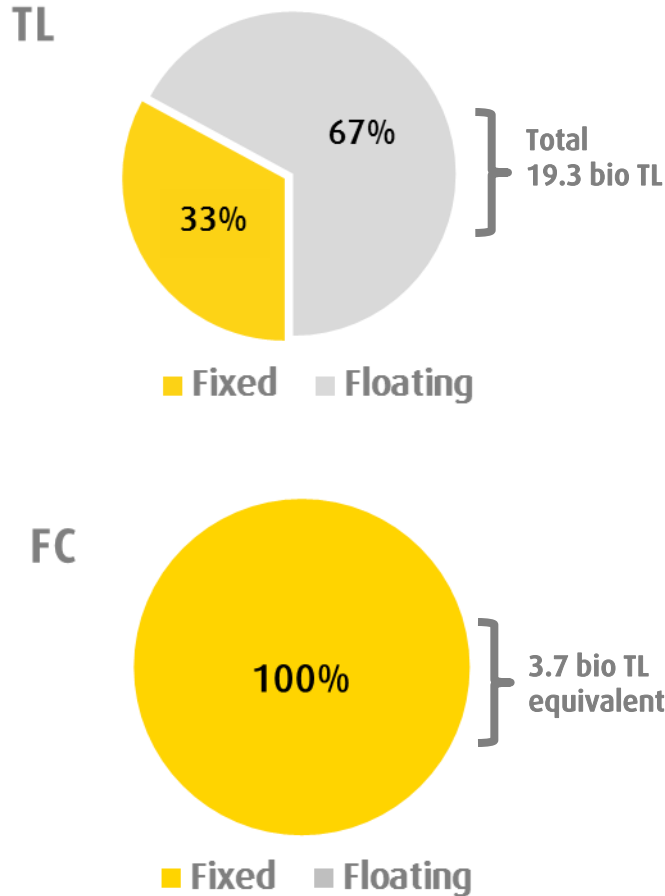
*Includes CBRT and market TL & other FC repo transactions.
 **Including outstanding TL bonds amounting TL 2.9 billion as of November 6, 2014.

Stable composition of Securities

Total Securities (TL mio)



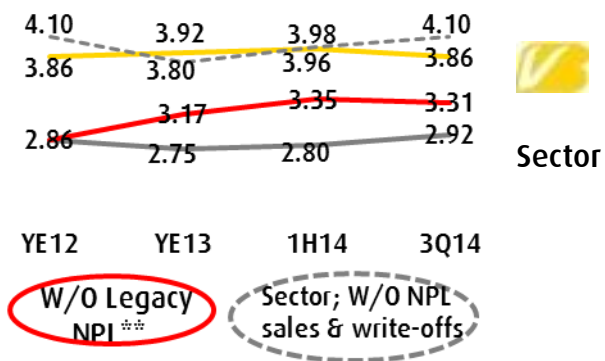
Portfolio Structure



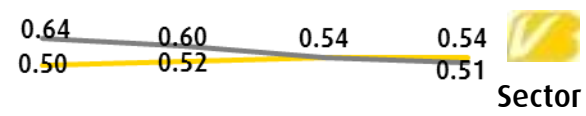
CPI Linkers' share in TL Securities increased to **38.3%** in 3Q14 from **28.3%** in 3Q13

Asset quality improvement remained intact

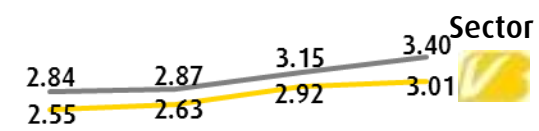
Overall NPL Ratio* (%)



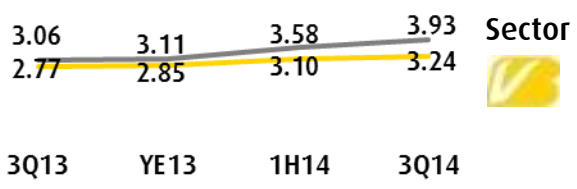
Mortgages NPL (%)



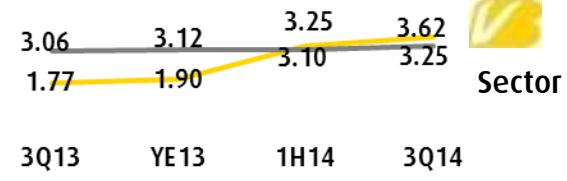
Total Retail NPL (%)



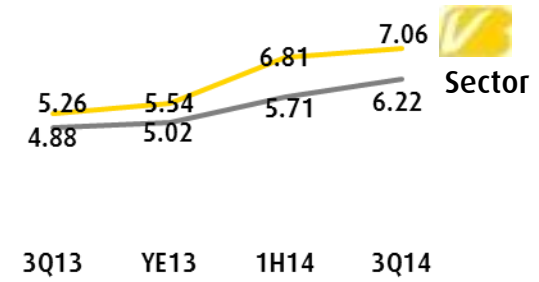
General Purpose Consumer NPL (%)



SME NPL (%)

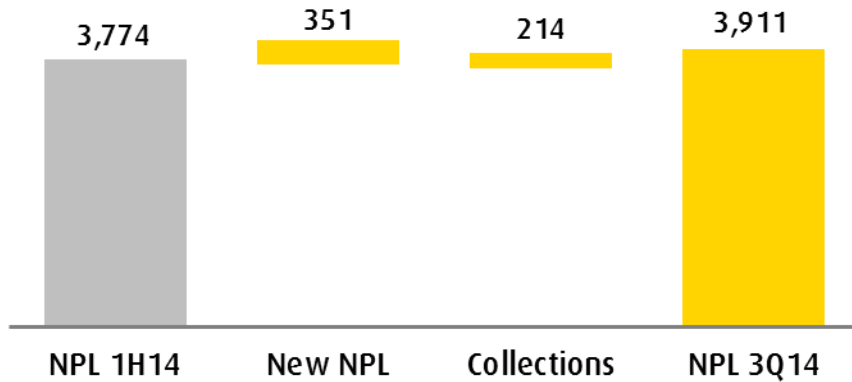


Credit Cards NPL (%)

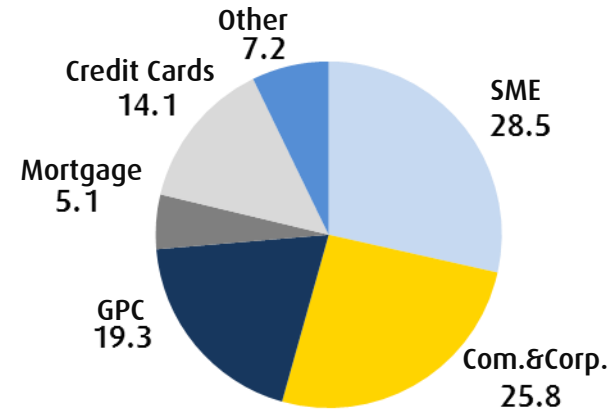


Promising asset quality with well above sector average coverage ratio

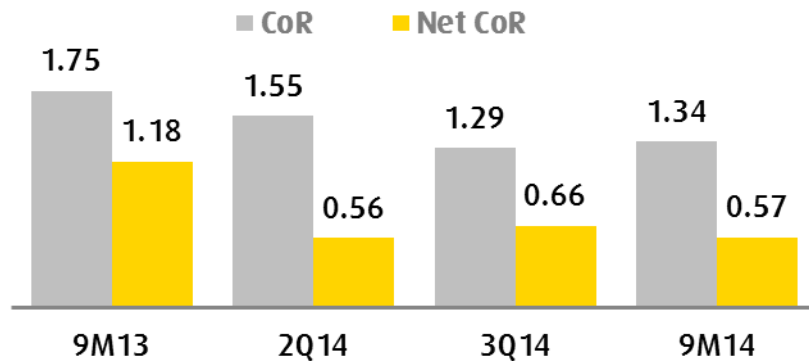
NPL (mio TL)*



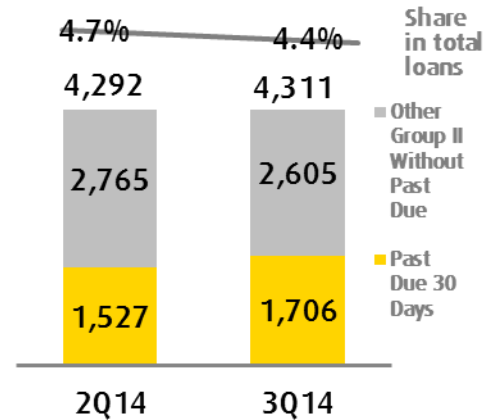
Breakdown of New NPL Inflow (%)



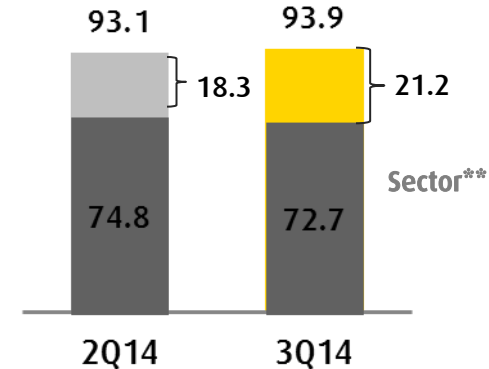
Specific Cost of Risk (%)



Group II Loans (mio TL)

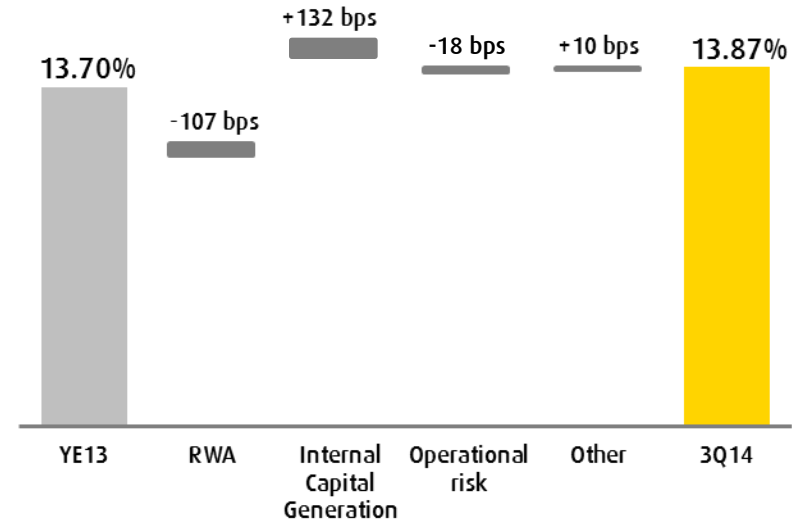
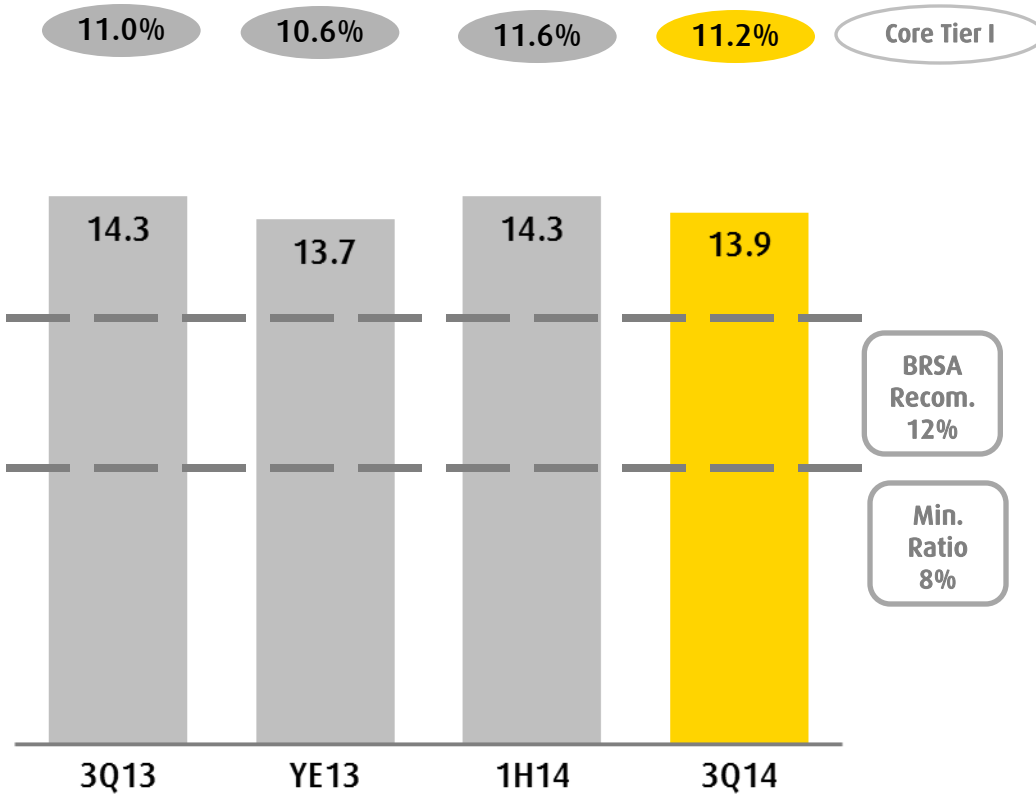


Coverage Ratio (%)



Solvency ratios

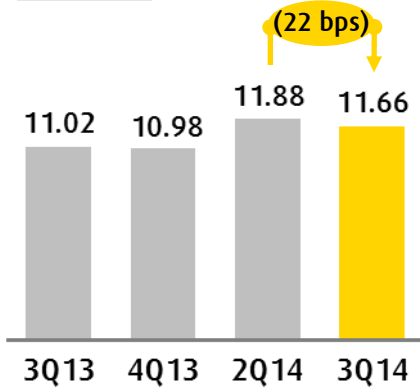
Capital Adequacy Ratio (%)



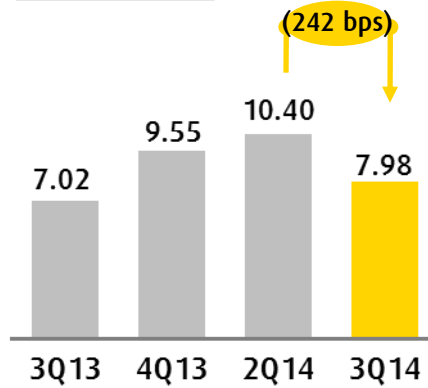
NIM, Spreads and Costs

Yields (%)

TL Loans

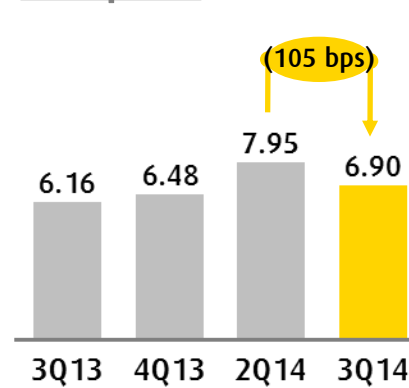


TL Securities

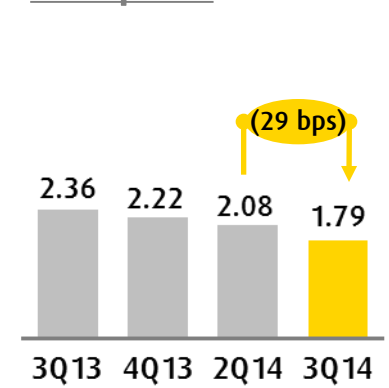


Cost of Deposits (%)

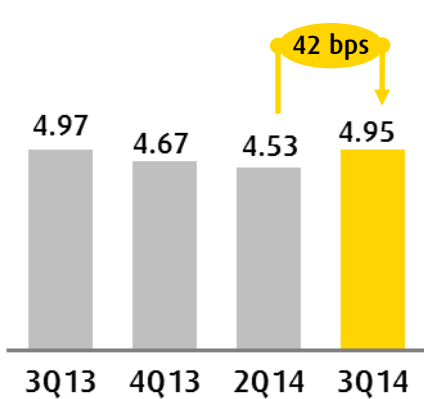
TL Deposits



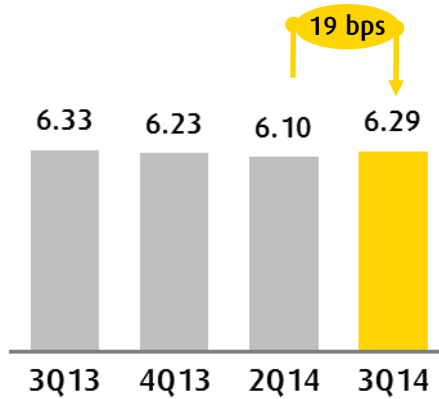
FC Deposits



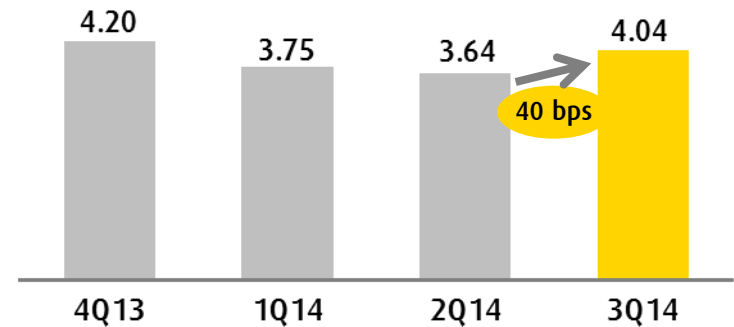
FC Loans



FC Securities*

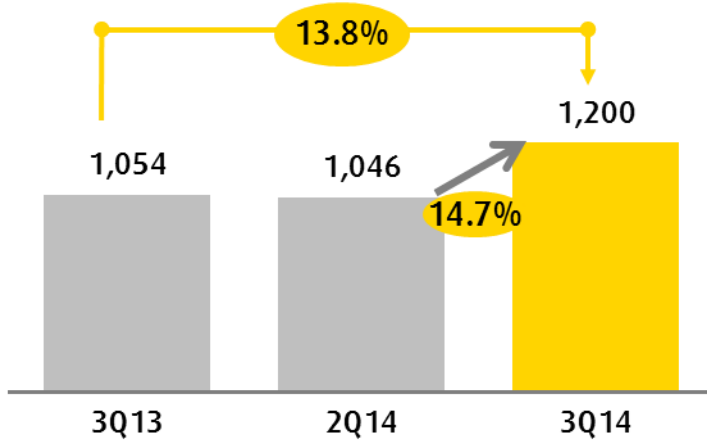


Net Interest Margin (NIM %)

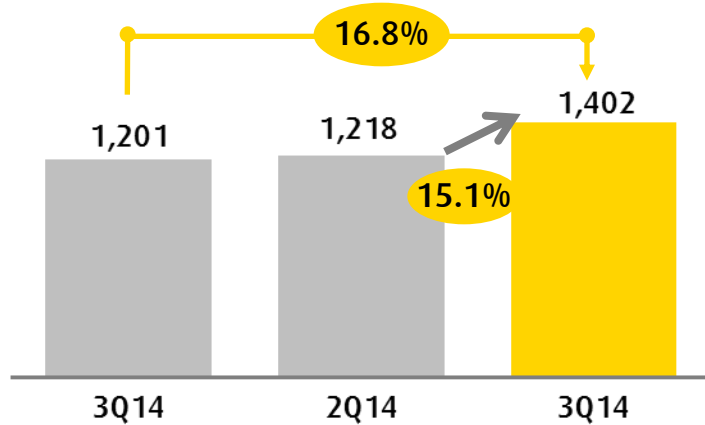


Earnings breakdown

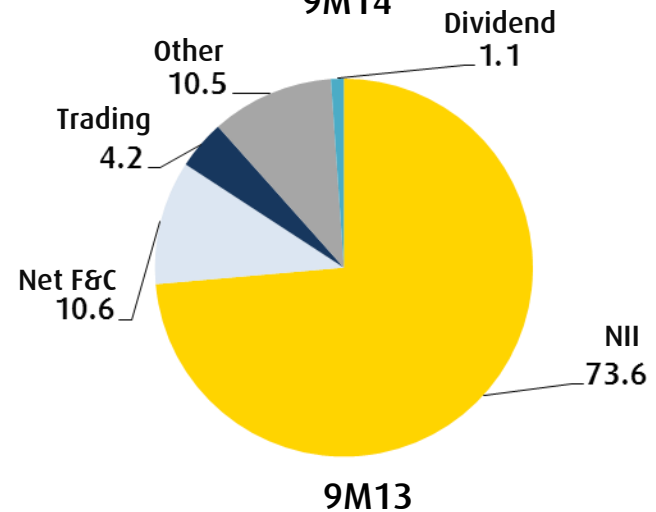
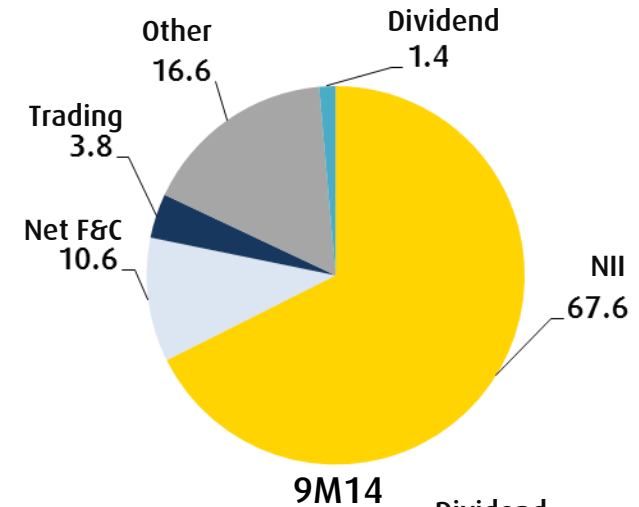
Net Interest Income (TL mio)



Core Banking Revenues* (TL mio)

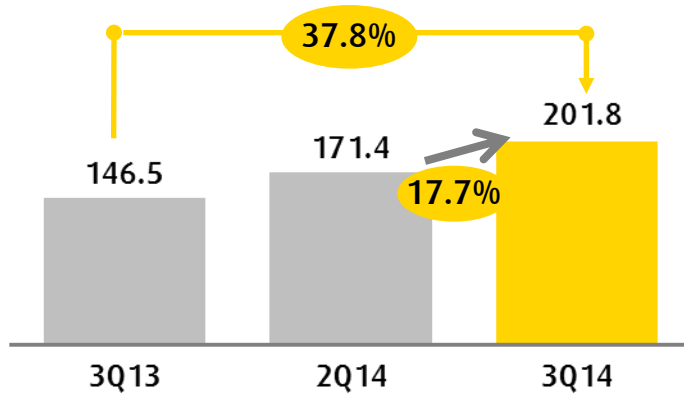


Breakdown of Total Revenues (%)

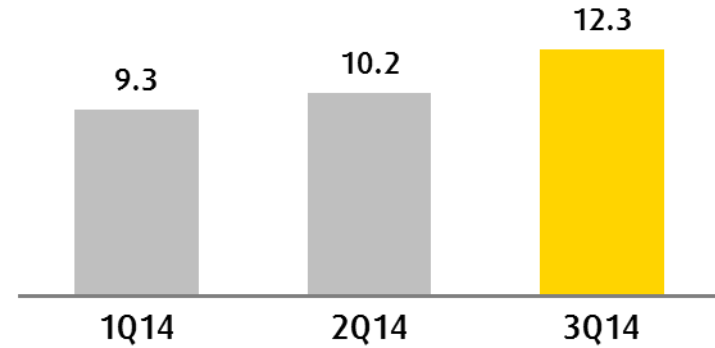


Revenue Items

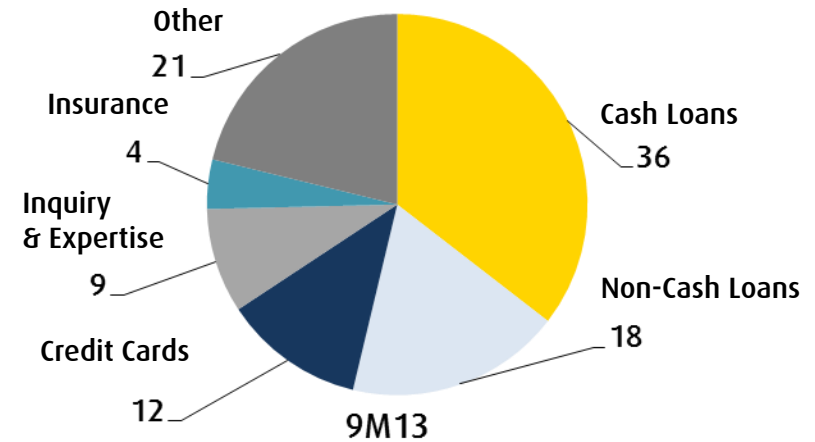
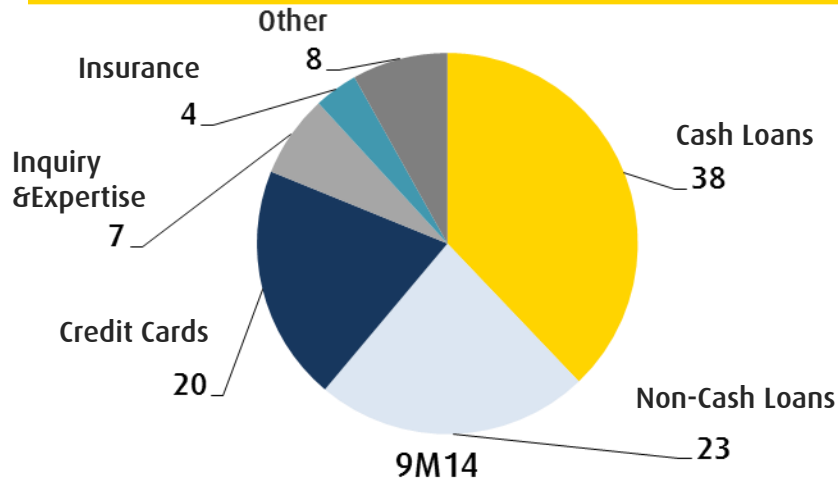
Net Fee and Commission Income (TL mio)



F&C Income/Total Revenues (%)

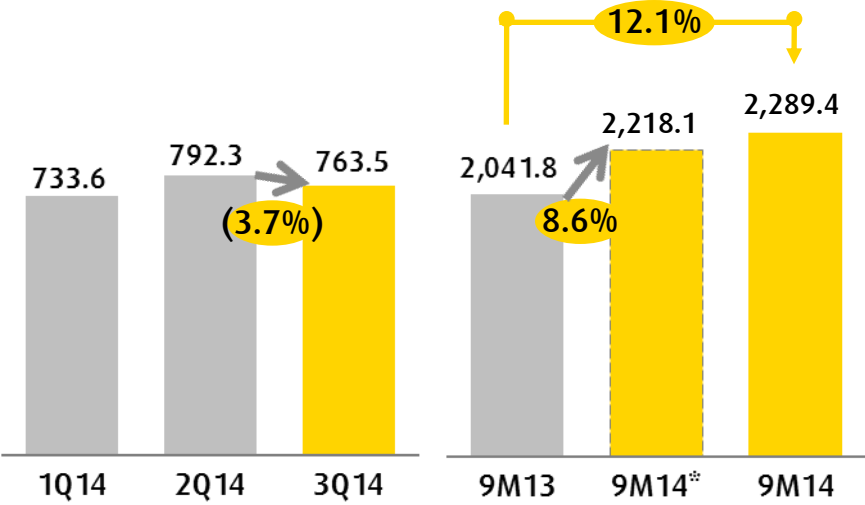


Breakdown of Net Fee & Com. Income (%)

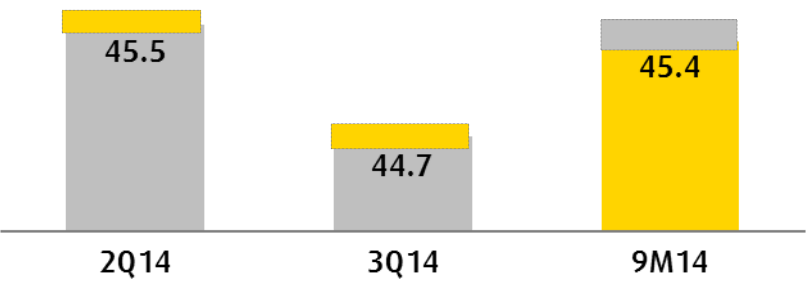


Opex

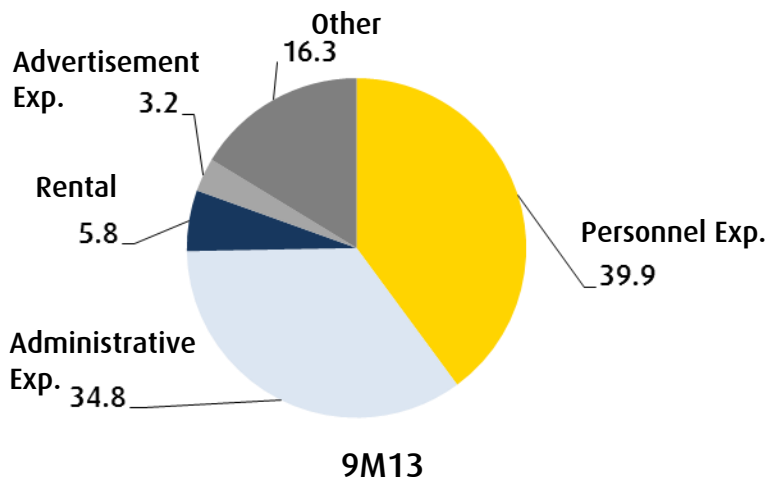
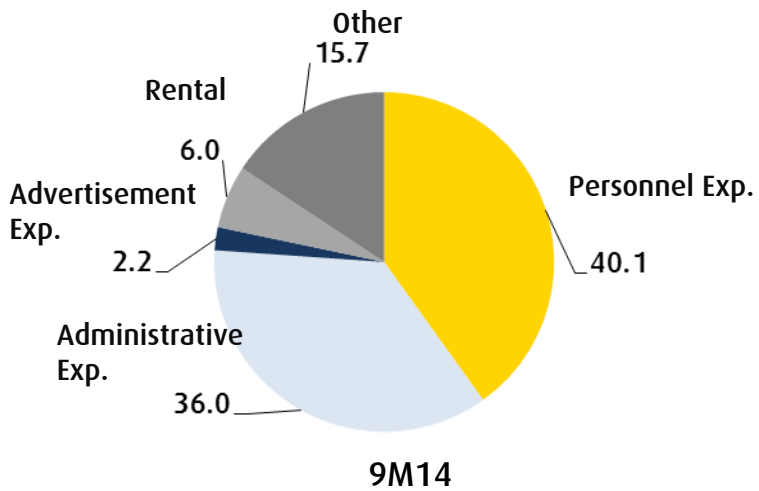
Operating Expenses (TL mio)



Cost/Income *(%)



Breakdown of Operating Expenses (%)



VakifBank with numbers

Distribution Channels & Customer Base (#)	3Q14
Branches	882*
ATMs	3,127
Personnel	14,743
POS Terminals	146,646
Outstanding Credit Cards	3.1 mn
Total Customers	16.5 mn
Total Payroll Customers	2.3 mn
Internet Banking Customers	2.7 mn
Active Mutual Fund Customers	1.5 mn

Efficiency ('000 TRY)	3Q14
Assets per Employee	9,989
Assets per Branch	166,968
Loans per Employee	6,606
Loans per Branch	110,428
Deposits per Employee	6,050
Deposits per Branch	101,131

23 new branch openings Ytd*

Balance Sheet

	(TL-mio, %)	3Q2013	2Q2014	3Q2014	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	17,104	18,638	19,431	13.6%	4.3%
	Interbank	1,582	1,286	2,354	48.9%	83.1%
	Securities	21,691	22,350	22,963	5.9%	2.7%
	Loans	81,927	91,541	97,398	18.9%	6.4%
	Subsidiaries & Investments	1,443	1,538	1,532	6.2%	(0.4%)
	Property & Equipment	1,188	669	688	(42.1%)	2.9%
	Other	2,029	2,517	2,900	42.9%	15.2%
	Total Assets	126,964	138,539	147,266	16.0%	6.3%
Liabilities & SHE	Deposits	77,173	84,206	89,197	15.6%	5.9%
	Funds Borrowed	10,423	10,573	11,303	8.4%	6.9%
	Other	25,224	28,234	30,941	22.7%	9.6%
	Provisions	1,926	2,030	2,143	11.2%	5.5%
	Shareholders' Equity	12,218	13,496	13,682	12.0%	1.4%
Off-B.S.	Guarantees	21,807	24,694	27,275	25.1%	10.5%
	Commitments	63,084	21,797	22,704	(64.0%)	4.2%
	Derivatives	19,509	27,234	34,524	77.0%	26.8%

Income Statement

(TRY-Thousand, %)	9M2013	2Q2014	3Q2014	9M2014	YoY Growth	QoQ Growth
Net Interest Income	3,654,317	1,046,293	1,199,883	3,305,324	(9.6%)	14.7%
Net Fee & Com. Income	527,589	171,362	201,767	518,234	(1.8%)	17.7%
Dividend Income	53,961	652	358	65,966	22.2%	(45.1%)
Net Trading Income	206,454	80,096	33,289	185,711	(10.0%)	(58.4%)
Other Income	523,703	386,669	200,349	811,021	54.9%	(48.2%)
Total Revenues	4,966,024	1,685,072	1,635,646	4,886,256	(1.6%)	(2.9%)
Operating Expense	(2,041,839)	(792,339)	(763,457)	(2,289,438)	12.1%	(3.6%)
Provisions	(1,412,587)	(430,810)	(416,304)	(1,223,058)	(13.4%)	(3.4%)
Tax Provisions	(350,391)	(112,730)	(108,209)	(303,277)	(13.4%)	(4.0%)
Net Income	1,161,207	349,193	347,676	1,070,483	(7.8%)	(0.4%)

Diversified funding source via Non-Deposit Funding

Syndicated Loan

September, 2014

- Secured US\$ 168.5 million and 528,75 million 1 year syndicated loan, all-in cost as Libor +0.90% and Euribor + 0.90%, respectively
- 110% roll-over ratio 26 banks from 16 countries participated.

Eurobond & Private Placements

Eurobond/June 2014

- EUR 500 million Eurobond with 5 year maturity
- Priced with a fixed coupon of 3.5% and yield of 3.65%, 316 investors participated, geographic allocation: EU 40%, UK 45%, Swiss 8%, Other 7%

Private Placements

- US\$ 2,528 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 May 2014 and terminates on October 2014 with a 175 days maturity, TL 565.2 million bond at a cost of 9.9%.
- Issued on May 2014 and terminates on April 2015 with a 350 days maturity, TL 12.5 million bond at a cost of 10.3%.
- Issued on June 2014 and terminates on November 2014 with a 168 days maturity, TL 561.2 million bond at a cost of 9.1%.
- Issued on June 2014 and terminates on May 2015 with a 357 days maturity, TL 36.4 million bond at a cost of 9.3%.
- Issued on June 2014 and terminates on December 2014 with a 175 days maturity, TL 156.6 million bond at a cost of 8.9%.
- Issued on August 2014 and terminates on February 2015 with a 175 days maturity, TL 688.8 million bond at a cost of 9.3%.
- Issued on September 2014 and terminates on December 2014 with a 84 days maturity, TL 148.3 million bond at a cost of 8.7%.
- Issued on September 2014 and terminates on March 2015 with a 175 days maturity, TL 377.9 million bond at a cost of 9.4%.




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