

Earnings Presentation

BRSA Bank-Only 3Q 2016

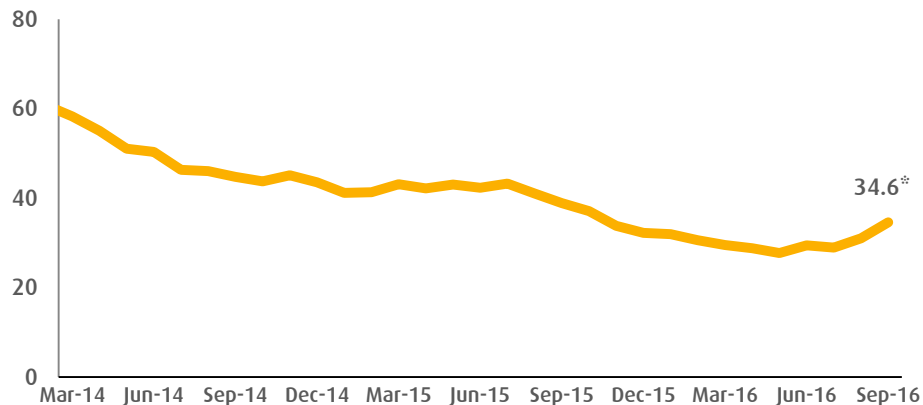
November 9, 2016

VakıfBank IR App.
Available at

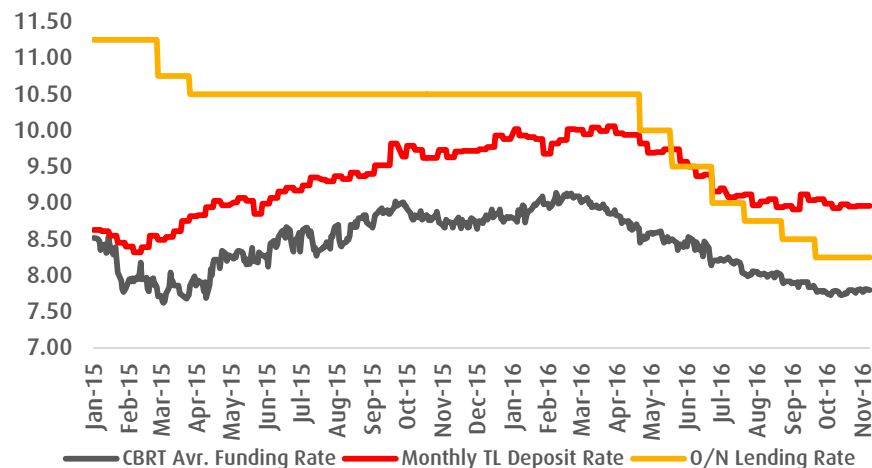


3Q16 Macro Highlights

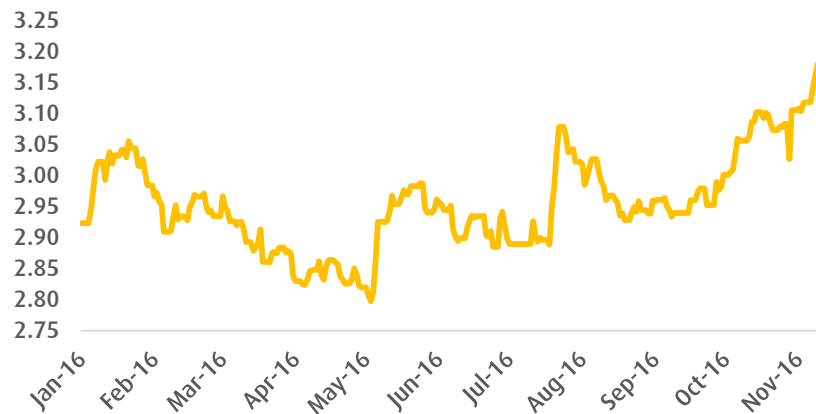
Current Account Deficit (12m, bn USD)



Monetary Policy



USD/TL



Banking Sector

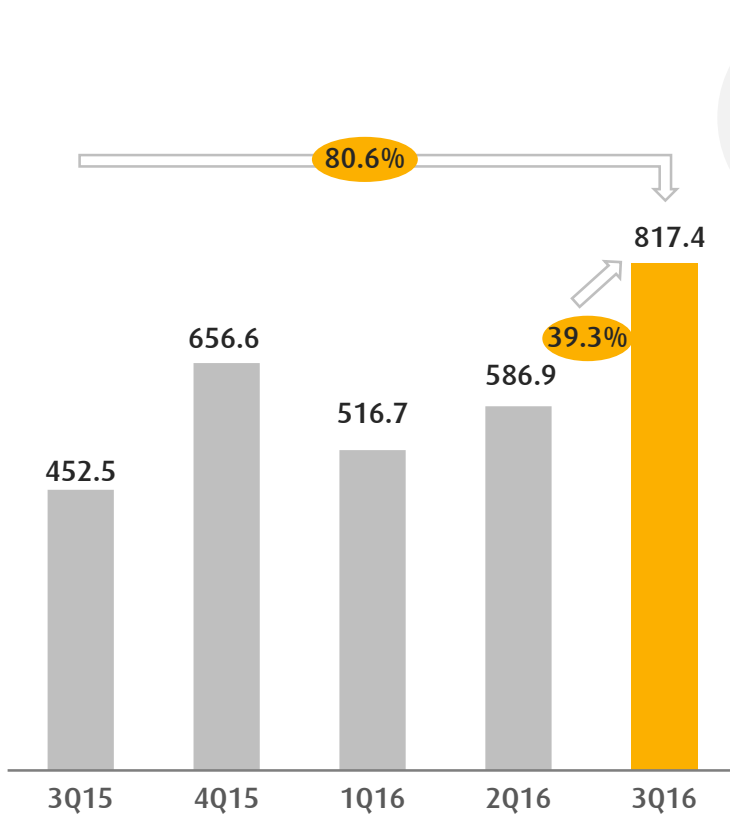
(%)	3Q15	4Q15	2Q16	3Q16
Loan Growth (QoQ)	6.0	0.2	3.9	2.5
TL	2.4	1.7	3.9	1.1
FC	14.2	(3.0)	3.9	5.6
Deposit Growth (QoQ)	8.7	(1.9)	2.9	2.2
TL	6.6	1.7	5.2	6.6
FC	11.5	(6.3)	0.0	(4.0)
NPL Ratio	2.9	3.1	3.3	3.3

3Q16 VakifBank Highlights

- ✔ Quarterly bank-only net income is TL 817.4 million, which is up by 80.6% YoY and 39.3% QoQ.
- ✔ 9M16 bank-only net income is TL 1,921 million, which is up by 50.8% YoY.
- ✔ Better profitability ratios maintained;
 - Quarterly ROAE came at 17.8% vs sector average of 13.9%.
 - Quarterly ROAA came at 1.67% vs sector average of 1.60%.
 - 9M16 ROAE materialized at 14.4% vs sector average of 14.0%.
 - 9M16 ROAA materialized at 1.35% vs 9M15 ROAA of 0.98%.
- ✔ Quarterly lending growth is up by 5.9%, which brought Ytd growth to 11.4%.
- ✔ TL and FX lending* are up by 4.9% and 4.3% QoQ respectively.
- ✔ Quarterly lending growth was driven by mainly non-retail segments; high quality Corporate and Commercial lending was the main area of growth.
- ✔ Total deposits are up by 5.1% QoQ, which brought Ytd deposit growth to 9.2% vs sector average of 7.7%
- ✔ Quarterly TL deposit growth came at 8.1%, higher than TL lending growth.
- ✔ TL LTD ratio came down to 110.7% vs sector average of 133%
- ✔ Quarterly NIM is up by 80 bps and reached to 4.69%;
 - TL core spreads are up by 78 bps QoQ,
 - FX core spreads are up by 22 bps QoQ,
 - Security yields are up by 205 bps on the back of better CPI linkers support.
- ✔ 9M16 NIM is 4.17% vs 2015 average of 3.86%.
- ✔ NPL ratio is flattish at 4.06% QoQ. New NPL inflows decreased 7.3% QoQ to TL 700 million with strong collections of TL 379 million.
- ✔ Fee and commission income is up by 8.0% QoQ and 4.3% YoY on a cumulative basis.
- ✔ Quarterly opex is down by 0.8% as fee rebates continued to go down.
- ✔ 9M16 opex is up by 7.2% YoY, which brought C/I ratio down to 42.0% vs 9M15 C/I of 48.5%.
- ✔ Strong solvency ratios maintained;
 - Total CAR ratio is flattish at 14.42%
 - Tier I ratio came slightly up at 11.83%

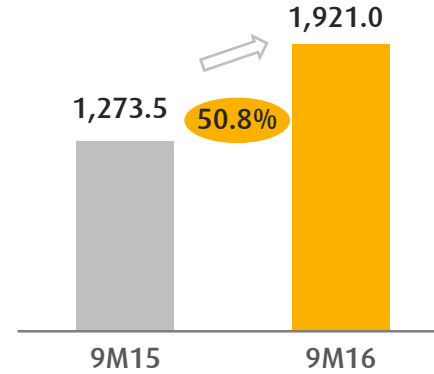
3Q16 Earnings and Ratios

Quarterly Net Income (TL million)

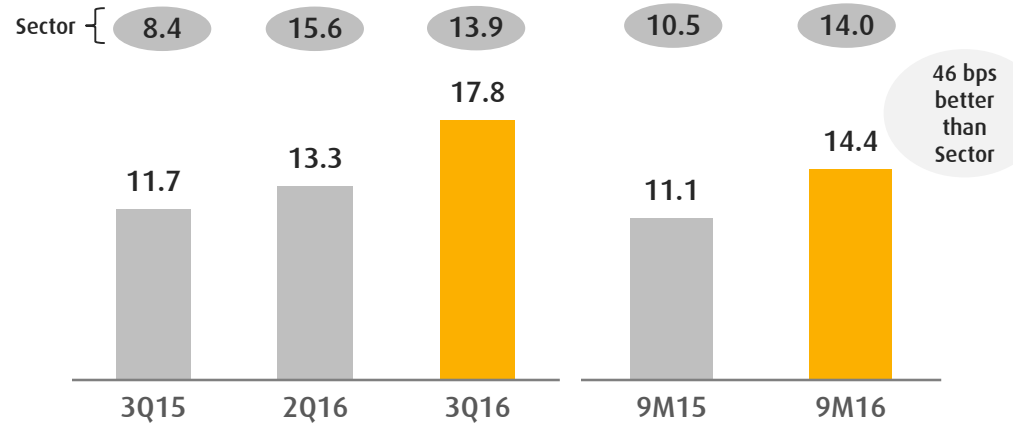


Only Tier I Bank that increased its net profit QoQ

Net Income (TL million)

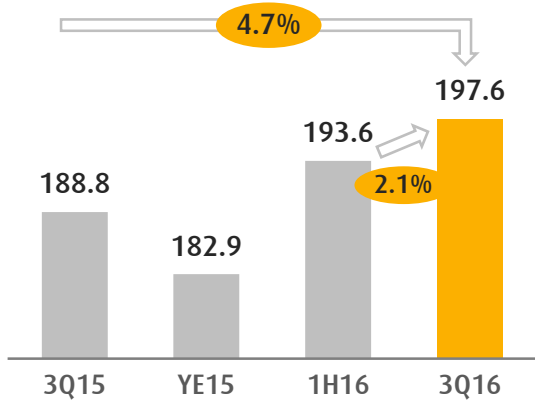


ROAE (%)

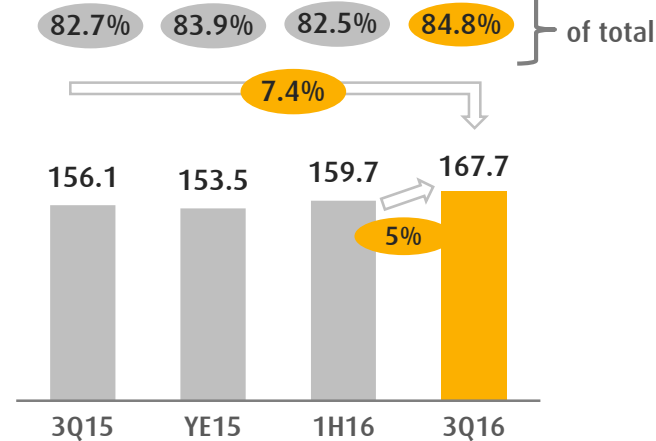


Asset Breakdown

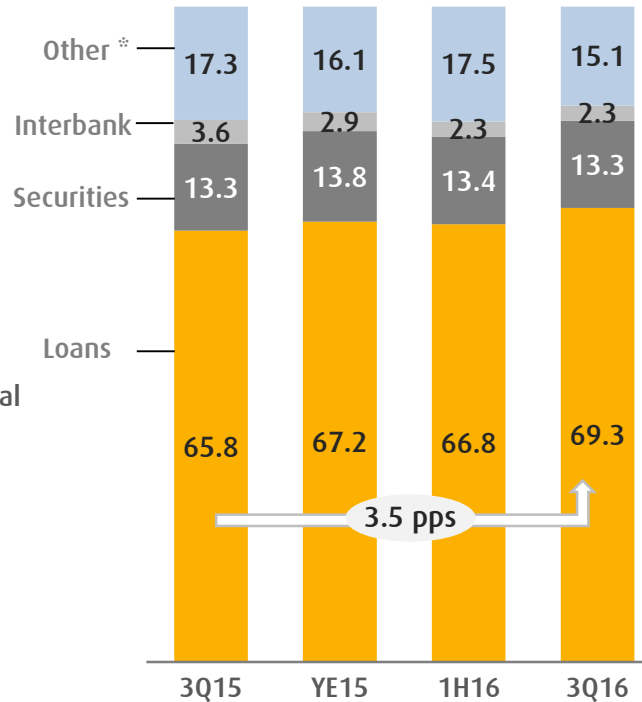
Total Assets (TL billion)



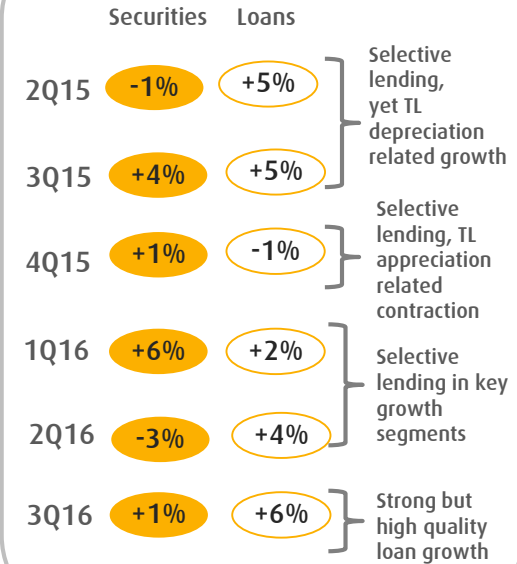
Interest Earning Assets (TL billion)



Breakdown of Assets (%)



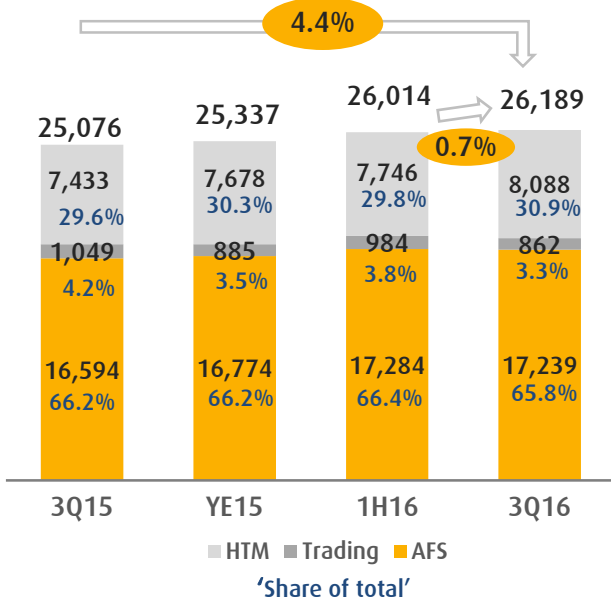
Quarterly Growth



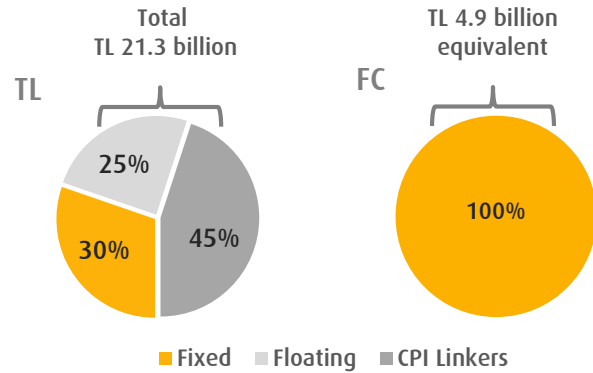
Highest share of loans in total assets among peer group

Effective management of security portfolio

Total Securities (TL million)

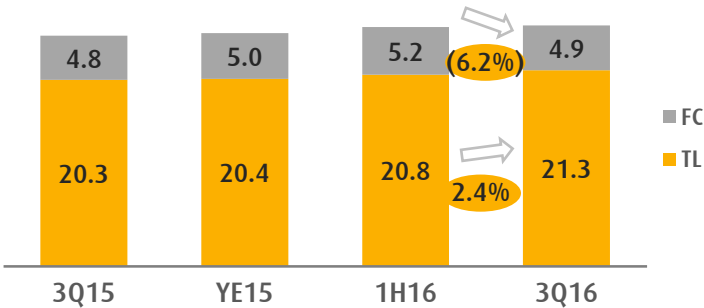


Portfolio Structure

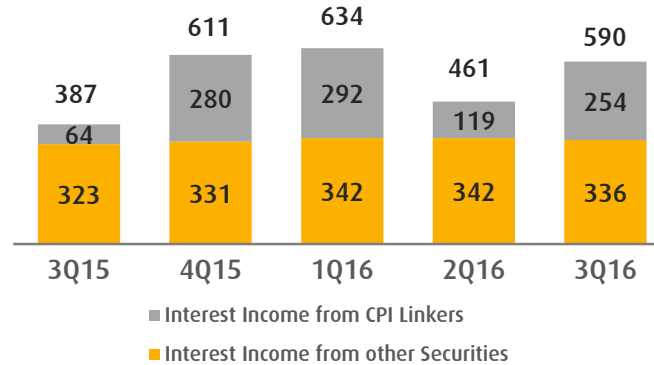


Share of securities in total assets decreased to **13.3%** in 3Q16

Security Breakdown (TL billion)

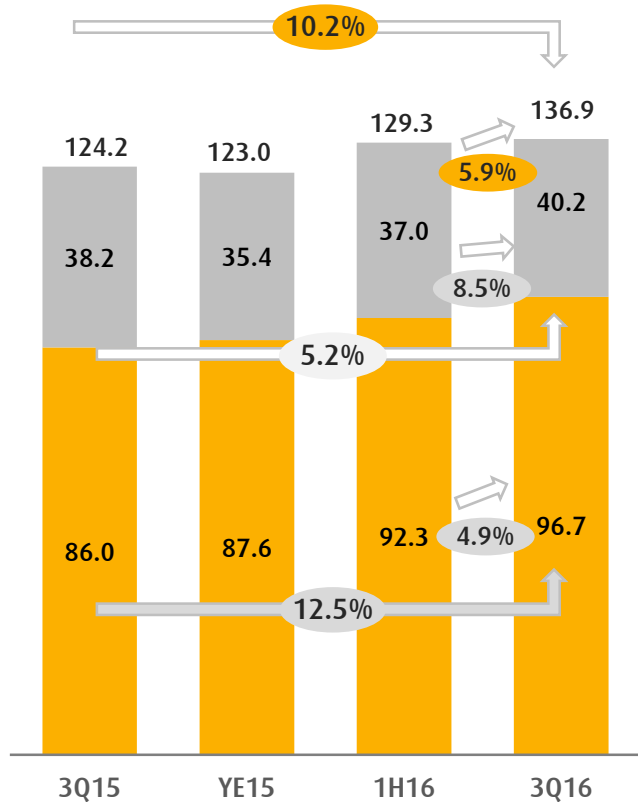


Breakdown of Interest Income from Securities (TL million)



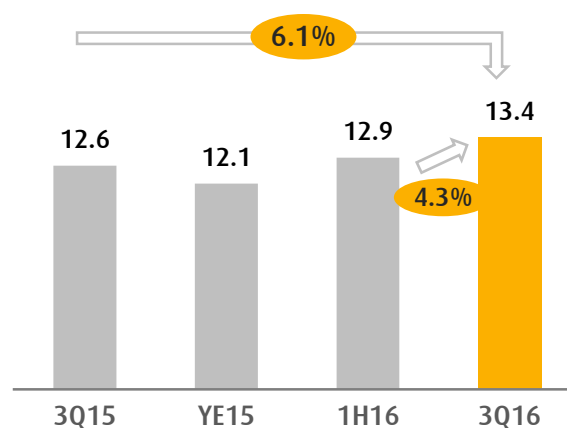
Selective and profitability focus loan growth in target segments

Total Loans (TL billion)

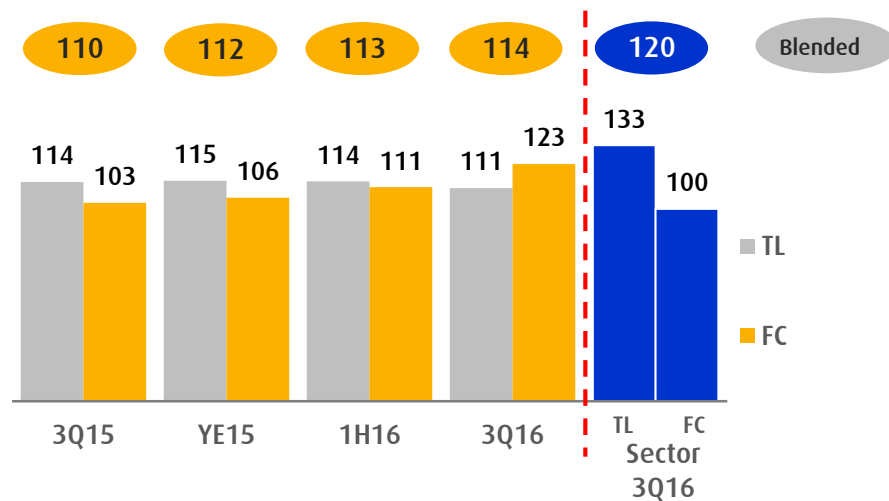


vs Sector total loan growth 8.6% YoY

FC Loans (USD billion)



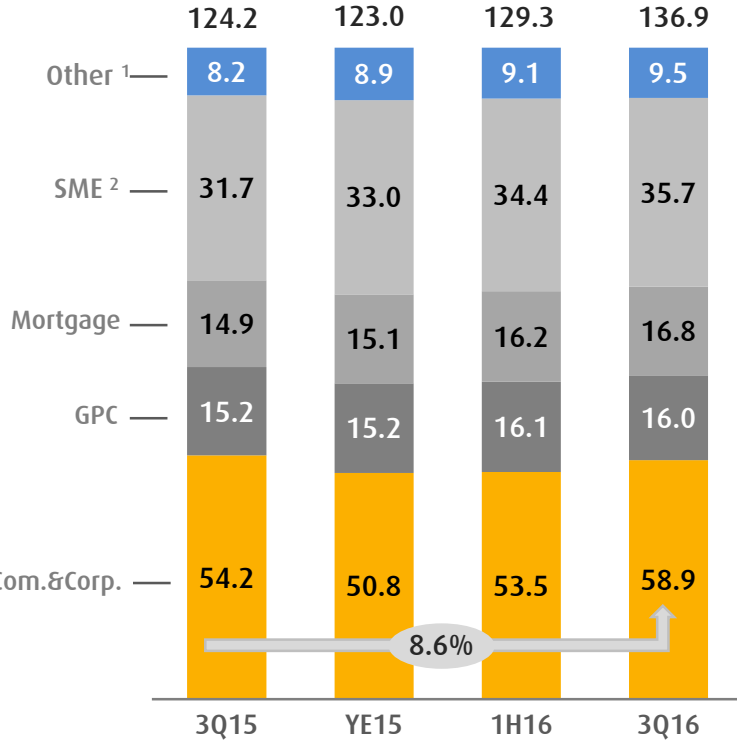
Loan/Deposit (%)



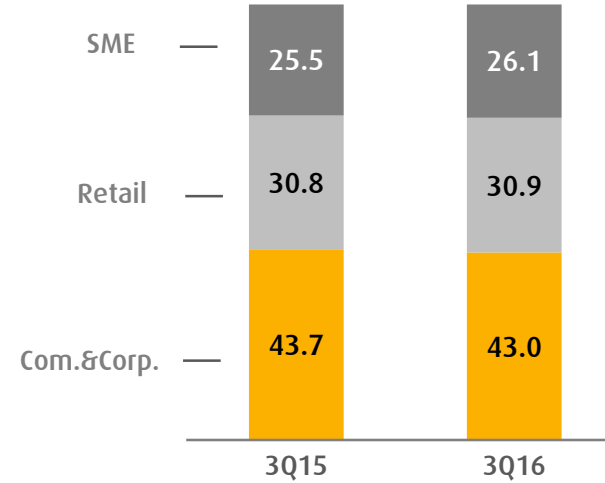
TL (% in total)	69.3%	71.3%	71.3%	70.7%
FC (% in total)	30.7%	28.7%	28.7%	29.3%

Well diversified & stable loan breakdown

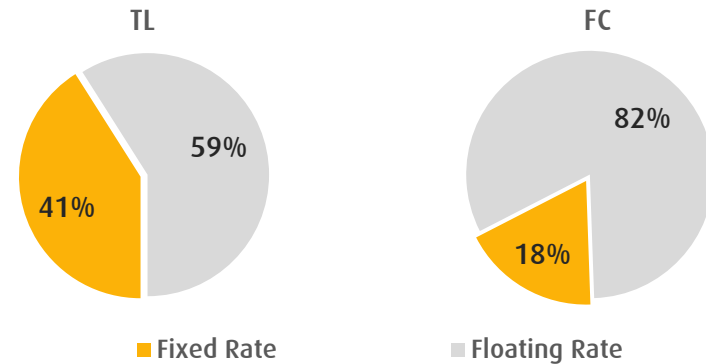
Breakdown of Loans (TL billion)



Portfolio Breakdown (%)



Loans by Interest Structure

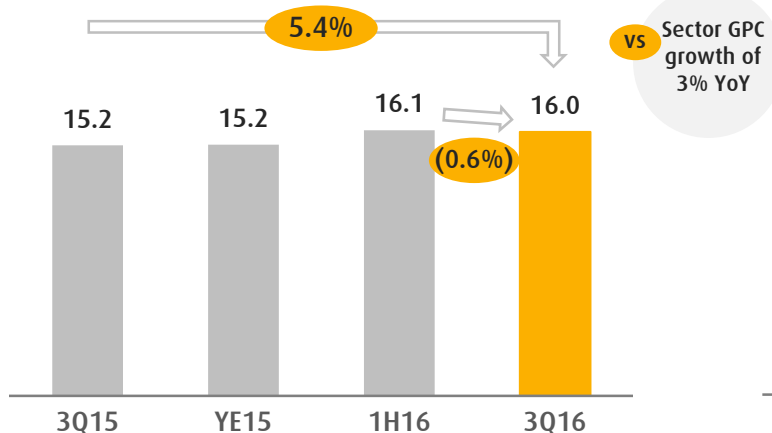


¹ Other includes credit cards, overdraft and auto loans.

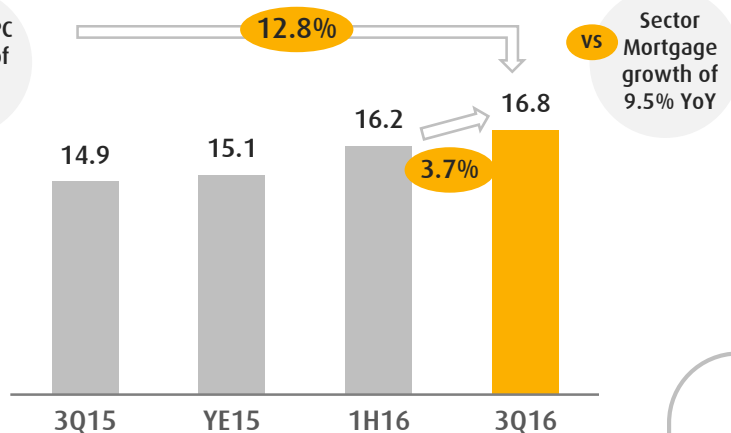
² According to official definition of the government, annual turnover up to TL 40 million companies are classified under SME.

Market share gaining on retail lending continued

General Purpose Consumer (TL billion)

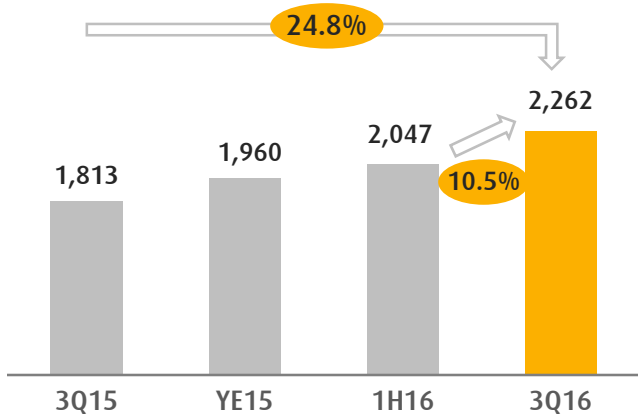


Residential Mortgages (TL billion)*

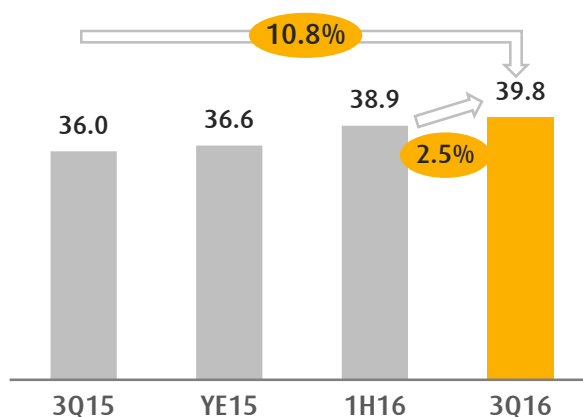


Strong presence in key retail segments thanks to **2.3 million** pay-roll accounts

Retail Overdraft (TL million)



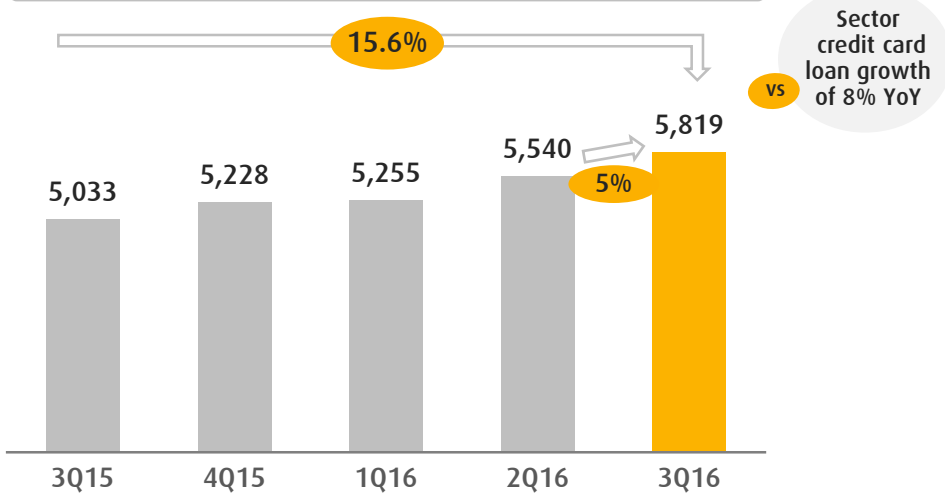
Total Retail (TL billion)



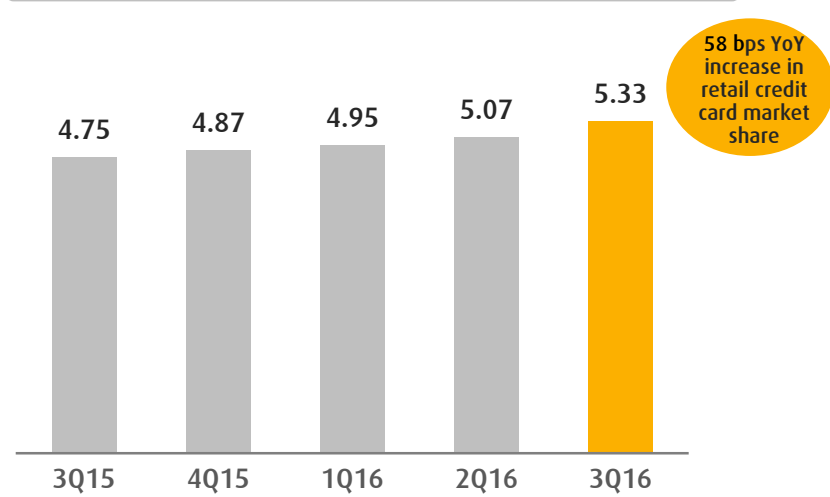
Total retail loan growth **10.8%** YoY outperforming sector average of 5.9%

Consistently growing complementary credit card business

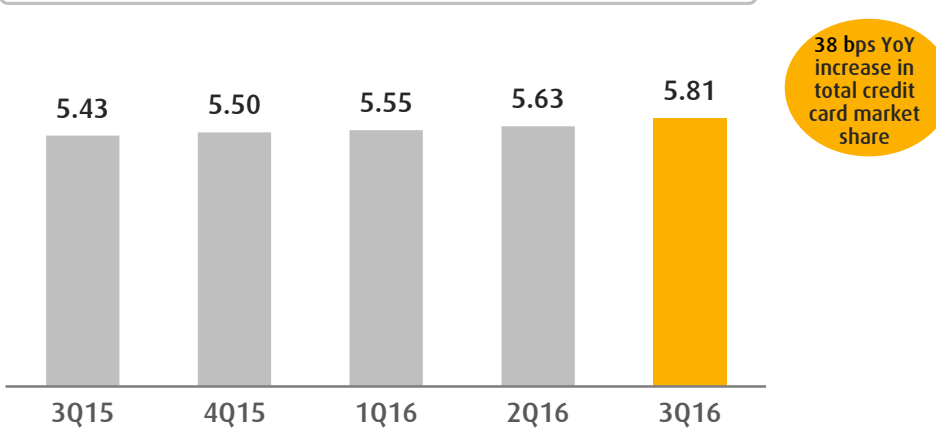
Credit Card Loans (TL million)



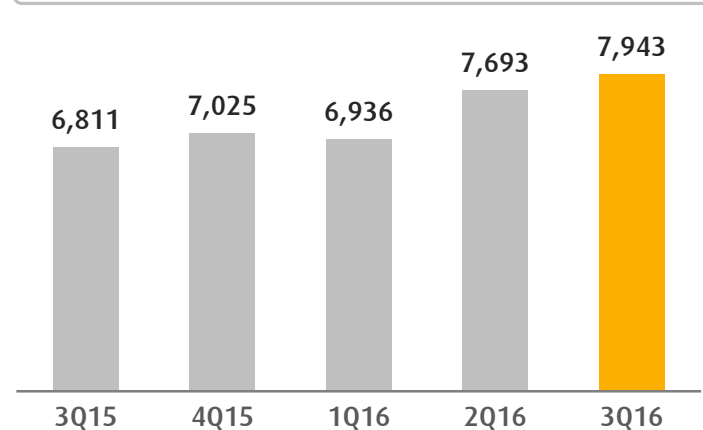
Retail Credit Card Market Share (%)



Market Share* (%)

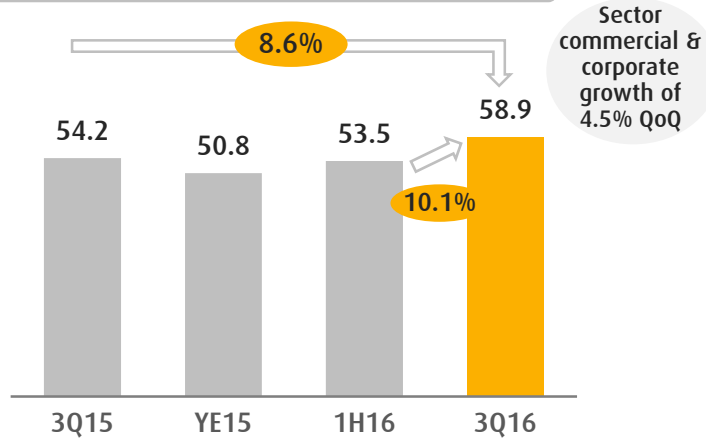


Average Quarterly Issuing Volume (TL million)

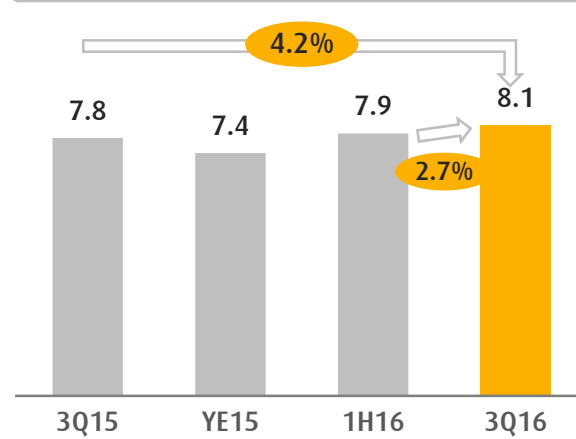


Selective business lending growth mostly towards high quality corporate sector

Commercial&Corporate (TL billion)

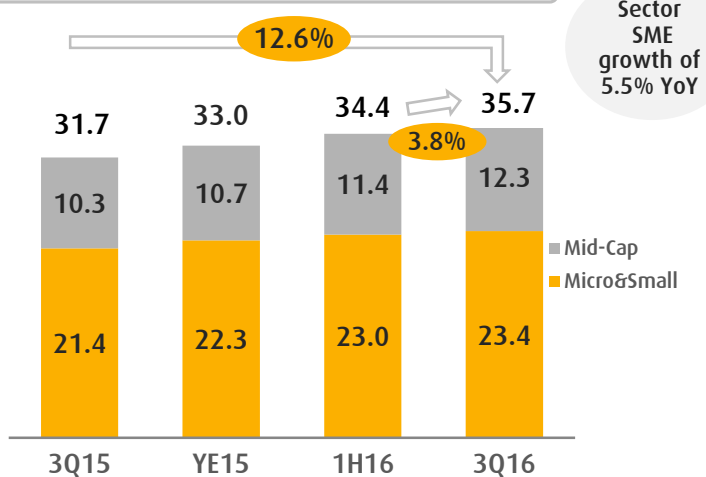


Project Finance Loans (USD billion)

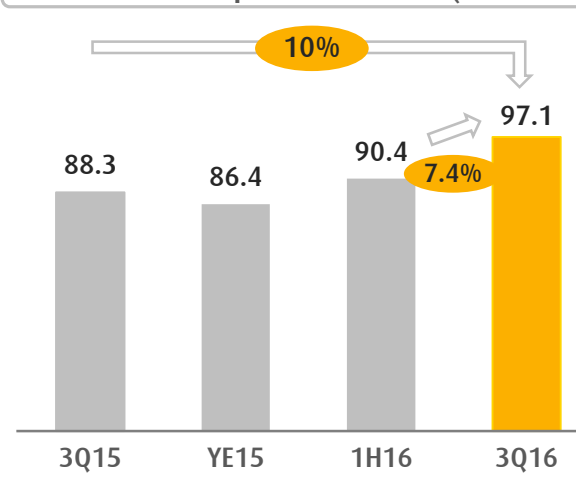


Corporate & Commercial lending is up by **8.6%** YoY

SME* (TL billion)



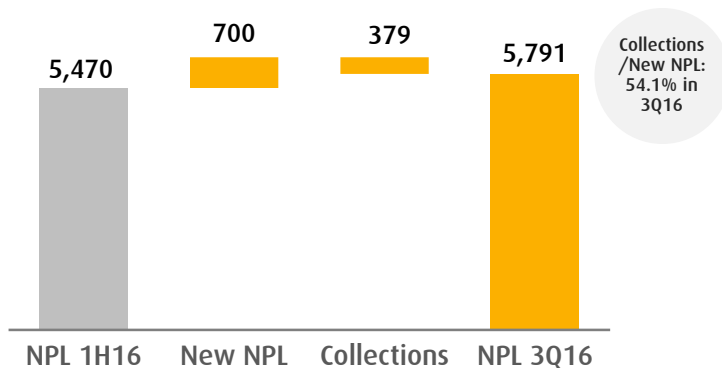
Total Com.&Corporate Loans** (TL billion)



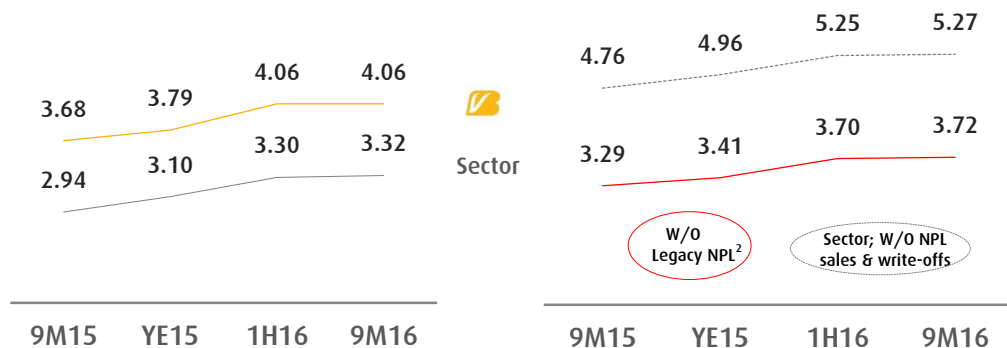
The share of Mid-cap in SME lending increased to **34.5%** in 3Q16 from **32.5%** in 3Q15

Asset quality

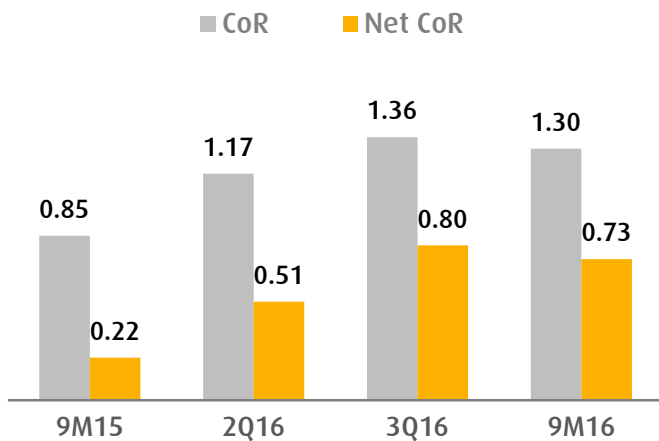
NPL (TL million)¹



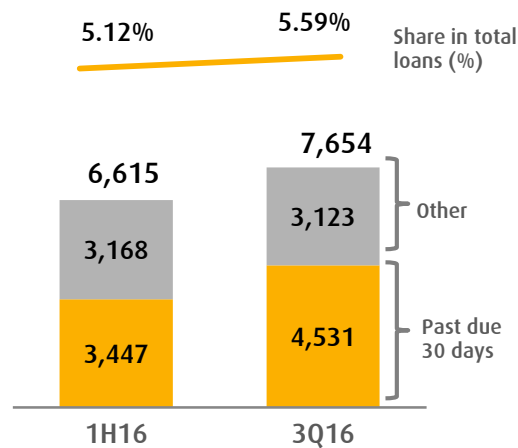
Reported¹ and Comparable NPL Ratios (%)



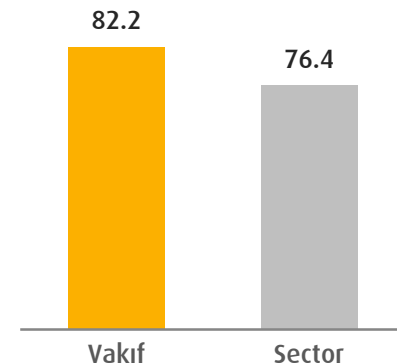
Specific Cost of Risk (%)



Group II Loans (TL million)

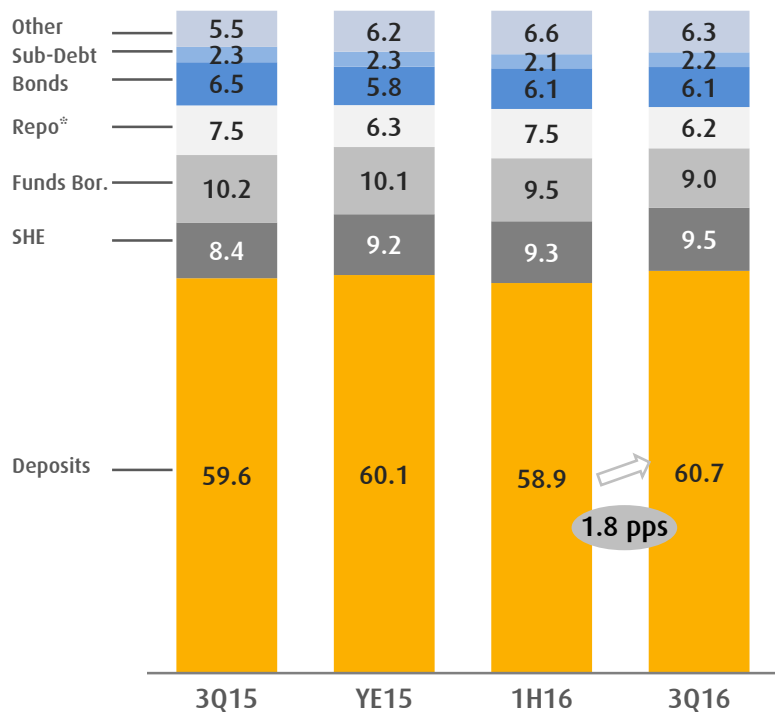


Coverage Ratio (%)



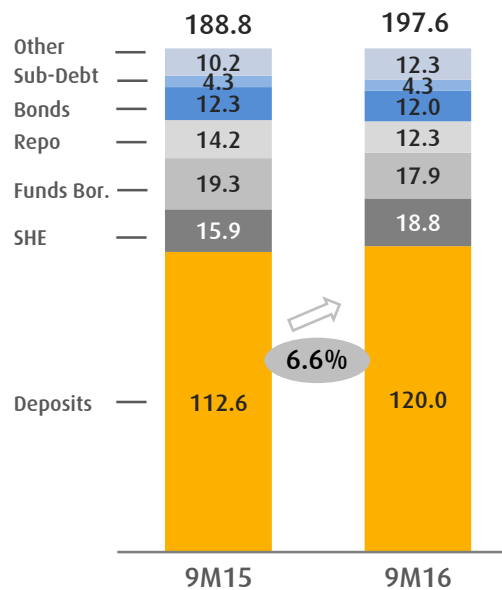
Customer deposits driven well diversified funding structure

Breakdown of Liabilities (%)



1.8 pps

Breakdown of Liabilities (TL billion)



6.6%

A new DPR borrowing obtained, amounting **USD 890 million** equivalent, **USD 354.4 million** with 5 years maturity, **USD 535.7 million** with 7 years maturity

Ytd international borrowing reached **~ USD 4.5 billion** equivalent

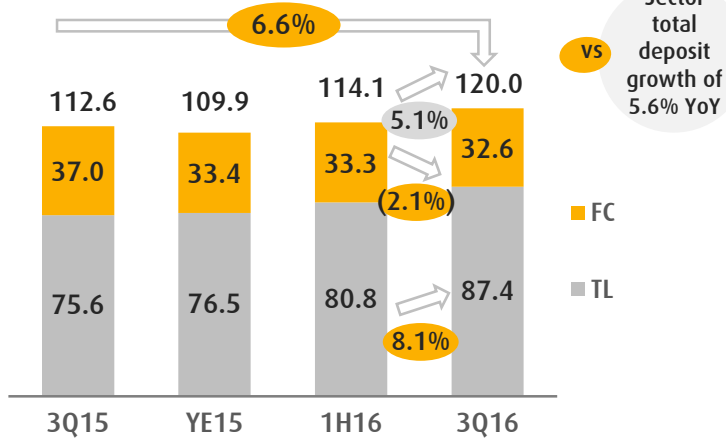
In October 2016, a new Eurobond was issued amounting **USD 500 million** with 5 years maturity

The share of deposits in total liabilities is solid at **61%** in 9M16

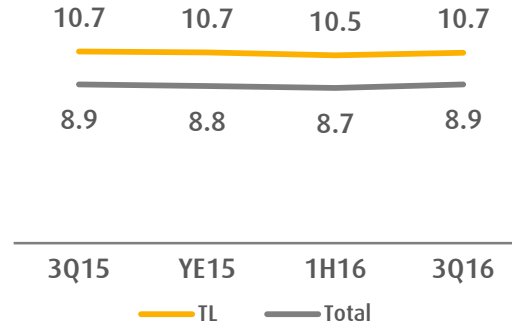
More focus on reliable customer deposits; The share of repo down to **6.2%** in 9M16 from **7.5%** in 9M15

TL deposit growth driven market share gaining

Total Deposits (TL billion)

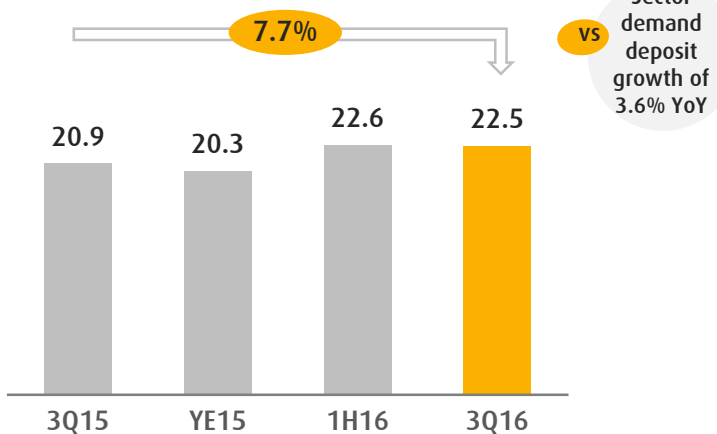


Deposit Market Shares (%)

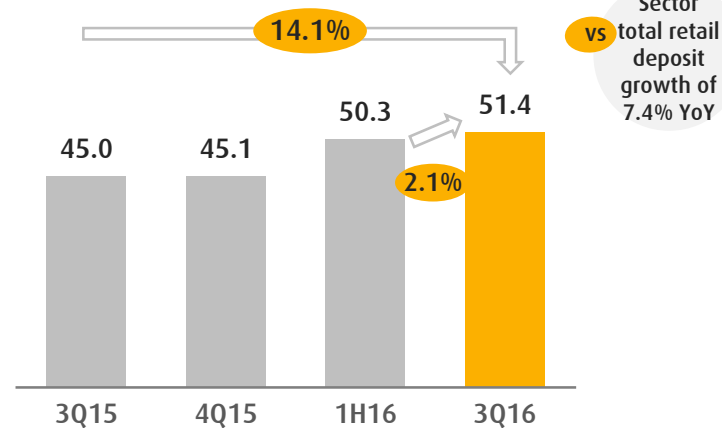


Demand deposits growth of **7.7%** YoY vs sector average of 3.6%

Demand Deposits (TL billion)



Total Retail Deposits (TL billion)



Reliable retail deposit growth of **14.1%** YoY vs sector average of 7.4%

Strong solvency ratios maintained

Capital Adequacy Ratio (%)

Core Tier I

10.46%

11.26%

11.49%

11.81%

11.83%

13.72

14.52

14.08

14.42

14.42

Highest quarterly Tier I ratio under Basel III

BRSA Recom. 12%

Min. Ratio 8%

10.23% YoY loan growth vs. 4.47% YoY RWA growth

The effect of 1 ppt interest rate increase/decrease on CAR is ~10 bps

The effect of 0.1 TL decrease/increase in USD/TL parity on CAR is ~20 bps

3Q15

YE15

1Q16

2Q16

3Q16

14.42

+52

+4

-31

-18

-5

-1

14.42

1H16

Internal Capital Generation

Other

Credit Risk

Currency Effect

Repo Increase

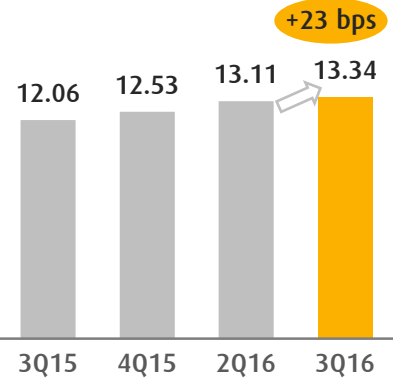
Market Risk

9M16

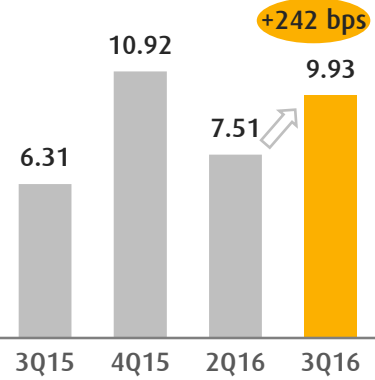
NIM, Spreads and Costs

Yields (%)

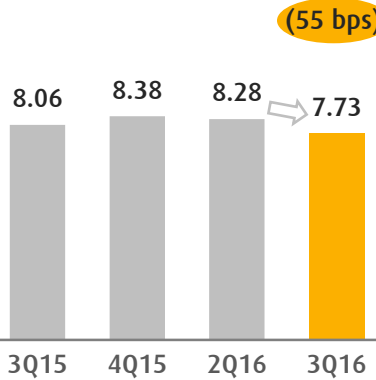
TL Loans



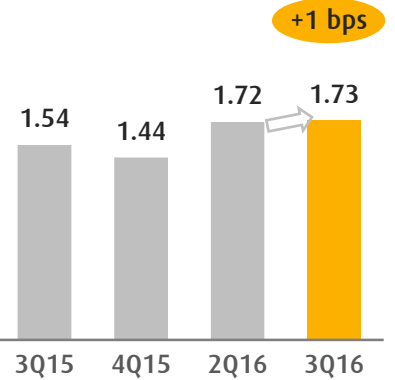
TL Securities



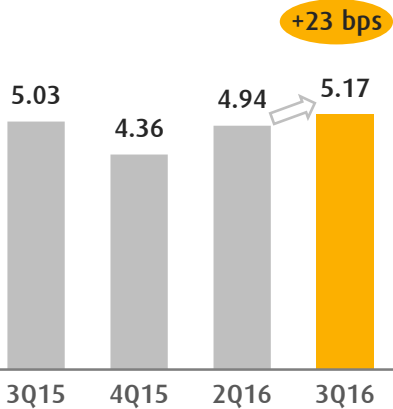
TL Deposits



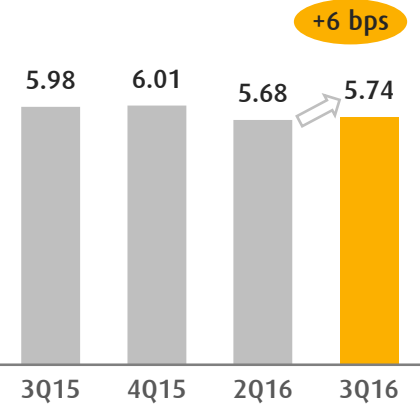
FC Deposits



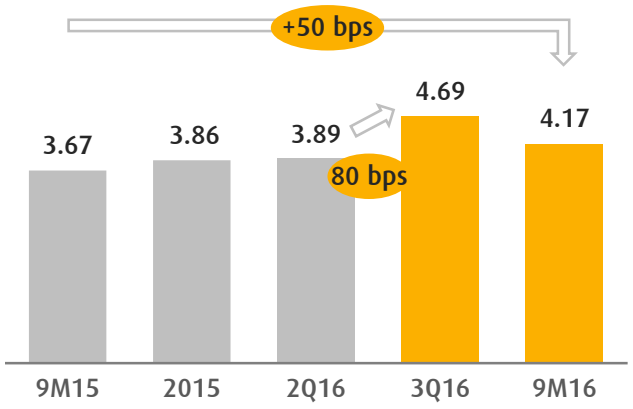
FC Loans



FC Securities*

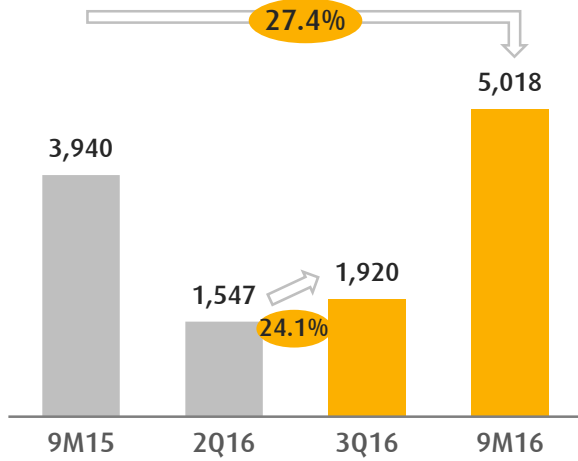


Net Interest Margin (NIM %)

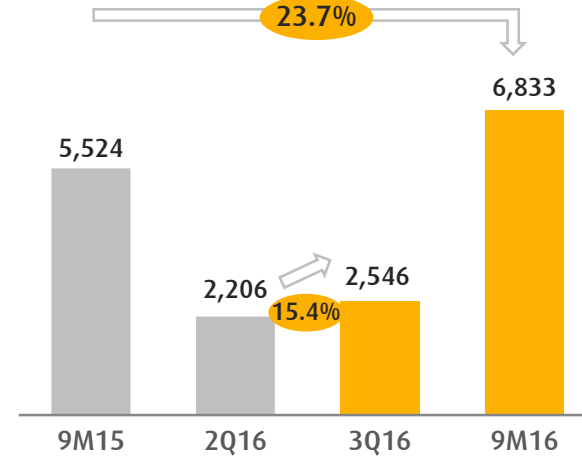


Revenue breakdown

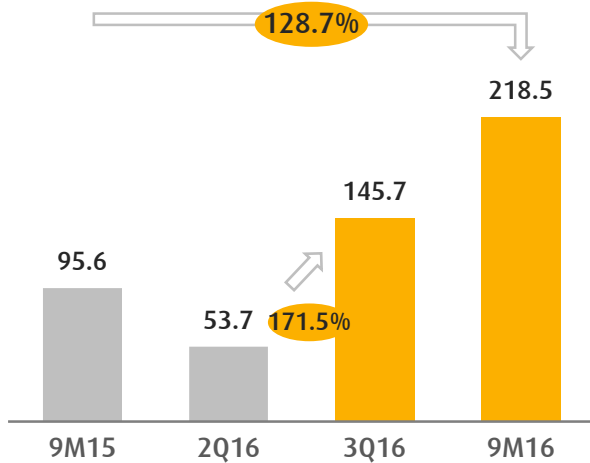
Net Interest Income (TL million)



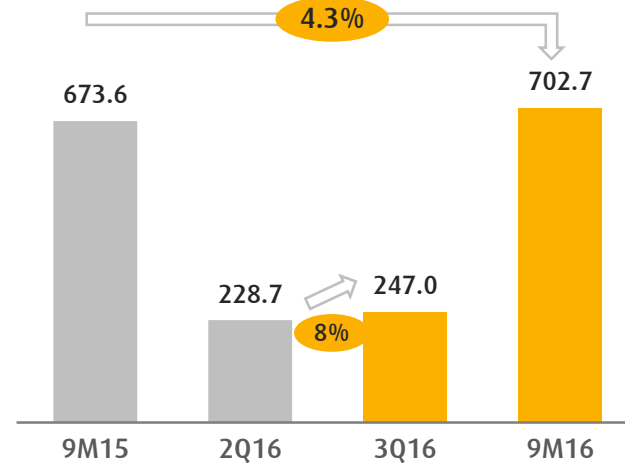
Total Revenues (TL million)



Trading Income (TL million)

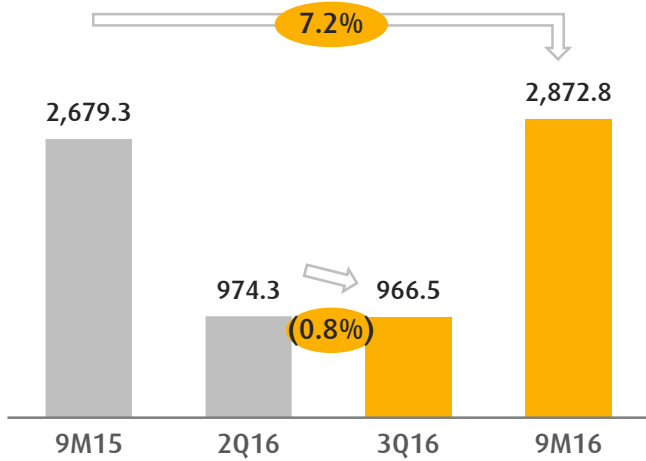


Net Fee & Commission Income (TL million)

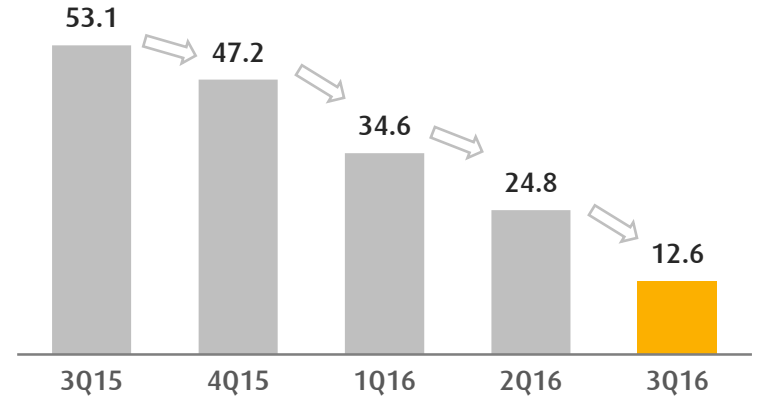


Opex growth is inside operational budget

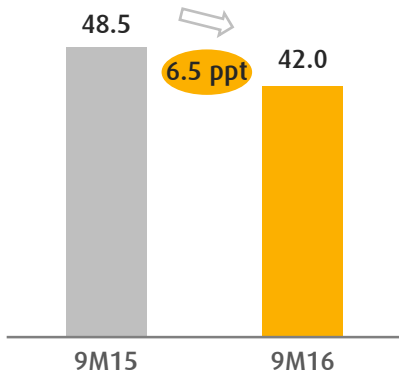
Operating Expenses (TL million)



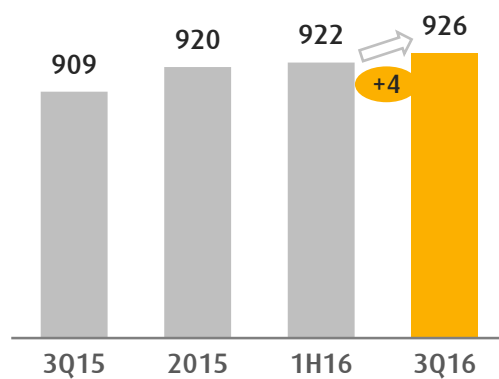
Fee Repayment (Quarterly, TL million)



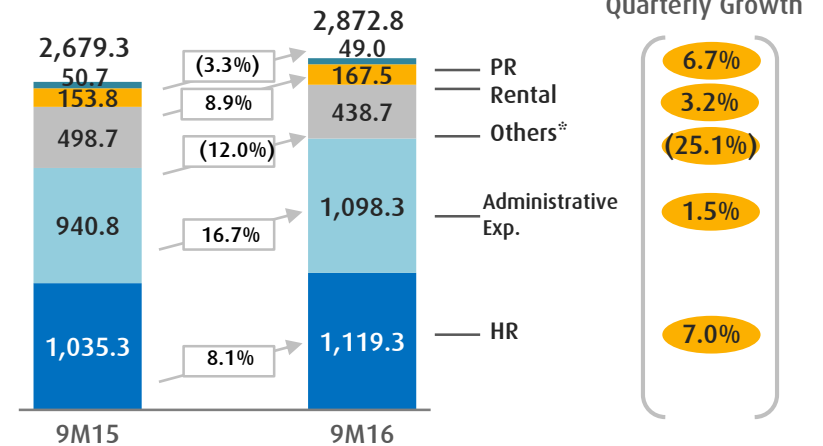
Cost/Income (%)



Branch Number (#)

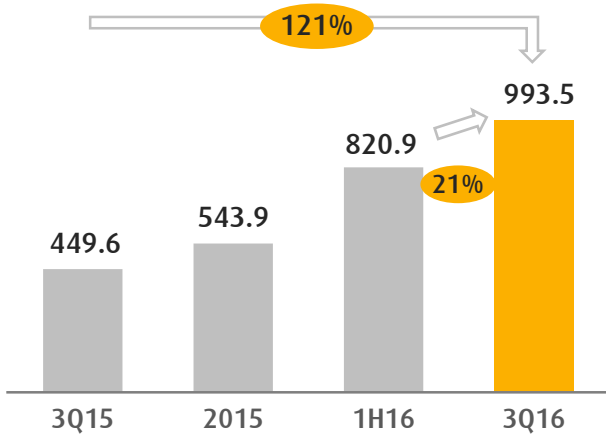


Breakdown of Opex (TL million)

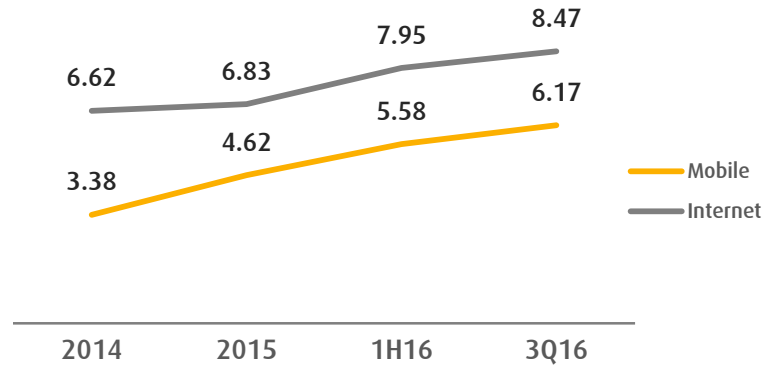


Increased focus on alternative distribution channels

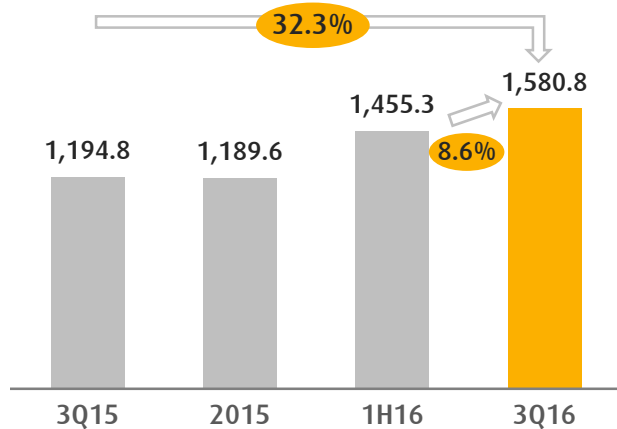
Active Mobile Banking Customers (#thousand)



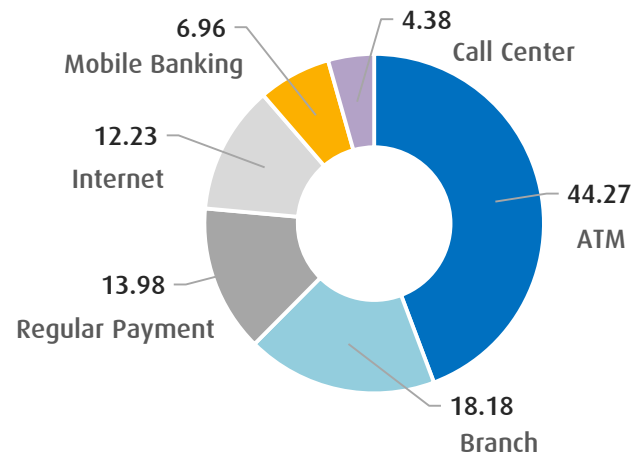
Market Share in Mobile Banking & Internet Banking(%)



Active Internet Banking Customers (#thousand)*



Breakdown of Transactions



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

VakifBank with numbers

<u>Distribution Channels & Customer (#)</u>	<u>3Q16</u>	<u>Efficiency ('000 TRY)</u>	<u>3Q16</u>
Branches	926	Assets per Employee	12,743
ATMs	3,895	Assets per Branch	213,404
Personnel	15,508	Loans per Employee	8,830
POS Terminals	197,175	Loans per Branch	147,879
Outstanding Credit Cards	3.3 mn	Deposits per Employee	7,737
Total Customers	18.5 mn	Deposits per Branch	129,575
Total Payroll Customers	2.3 mn		
Active Mutual Fund Customers	1.6 mn		

Balance Sheet

	(TL-thousand, %)	3Q15	2Q16	3Q16	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	25,127,031	25,798,855	21,636,174	(13.89%)	(16.14%)
	Interbank	6,842,566	4,363,598	4,529,924	(33.80%)	3.81%
	Securities	25,075,820	26,013,616	26,188,522	4.44%	0.67%
	Loans	124,225,996	129,299,936	136,936,007	10.23%	5.91%
	Subsidiaries & Investments	1,858,943	1,865,285	1,949,247	4.86%	4.50%
	Property & Equipment	1,331,722	1,403,510	1,414,537	6.22%	0.79%
	Other	4,358,185	4,895,643	4,957,408	13.75%	1.26%
	Total Assets	188,820,263	193,640,443	197,611,819	4.66%	2.05%
Off-B.S. Liabilities & SHE	Deposits	112,578,326	114,133,617	119,986,347	6.58%	5.13%
	Funds Borrowed	19,274,714	18,419,719	17,859,586	(7.34%)	(3.04%)
	Other	38,259,981	40,040,556	37,827,802	(1.13%)	(5.53%)
	Provisions	2,830,212	3,018,607	3,155,242	11.48%	4.53%
	Shareholders' Equity	15,877,030	18,027,944	18,782,842	18.30%	4.19%
	Guarantees	35,189,591	33,595,911	35,455,887	0.76%	5.54%
	Commitments	27,834,964	38,418,747	34,687,553	24.62%	(9.71%)
	Derivatives	53,886,873	70,435,045	63,215,659	17.31%	(10.25%)

Income Statement

(TL-thousand, %)	9M15	2Q16	3Q16	9M16	YoY Growth	QoQ Growth
Net Interest Income	3,939,587	1,547,215	1,919,791	5,017,983	27.4%	24.1%
Net Fee & Com. Income	673,575	228,729	246,955	702,715	4.3%	8.0%
Dividend Income	62,130	44,465	9,000	91,722	47.6%	(79.8%)
Net Trading Income	95,568	53,674	145,706	218,525	128.7%	171.5%
Other Income	753,507	332,269	224,560	802,232	6.5%	(32.4%)
Total Revenues	5,524,367	2,206,352	2,546,012	6,833,177	23.7%	15.4%
Operating Expenses	(2,679,324)	(974,270)	(966,519)	(2,872,845)	7.2%	(0.8%)
Provisions	(1,191,393)	(480,882)	(547,007)	(1,537,036)	29.0%	13.8%
Tax Provisions	(380,171)	(164,276)	(215,098)	(502,321)	32.1%	30.9%
Net Income	1,273,479	586,924	817,388	1,920,975	50.8%	39.3%

Diversified funding source via Non-Deposit Funding

Syndicated Loan

September 2016

•US\$ 835 million equivalent 1 year syndicated loan, all in cost as Libor + 1.10% ve Euribor +1.00.% with participation of 30 banks from 15 countries.

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.

Eurobond

October 2016

•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.

DPR Securitization

DPR Securitization*

A new 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. Outstanding balance of DPR Securitization is US\$ 1,997 million equivalent

Private Placements

Private Placements*

•US\$ 4,692 million equivalent private placements were issued since June 2013 under GMTN program. Outstanding balance of private placements is US\$ 176 million equivalent.

Covered Bond

Covered Bond

•EUR 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.

IFI Borrowing

•World Bank : US\$ 200 million SME loan was signed in 2010 up to 29.5 years. It has been fully allocated in March 2015.

US\$ 67 million SME Energy Efficiency loan was signed in May 2013 up to 30 years. US\$ 15 million was disbursed in January 2014. The second tranche of the facility was disbursed in April 2016 with the amount of US\$ 12.6 million.

•EBRD : Under DPR Program, US\$ 30 million to implement the Women in Business Program and US\$ 95 million to finance SMEs operating in the Turkish agricultural sector.

Under Covered Bond issuance, EBRD invested EUR 50 million to implement Women in Business Program and to finance SMEs operating in the Turkish agricultural sector. USD 110 million to finance TurSEFF Project under DPR securitization programme in October 2016.

•EIB : The GAGF II facility EUR 50 million was signed in December 2011 and the first tranche of EUR 25 million was disbursed in December 2014. The second tranche of EUR 25 million has been disbursed in October 2015. An additional fund of EUR 25 million was allocated by EIB to Vakifbank in December 2015 as an amendment to the loan agreement which was signed on December 2011. EUR 25 million GAGF extension loan has been disbursed in May 2016.

Additional loan for SMEs, EUR 100 million was signed in December 2013 and US\$ 67.9 million was disbursed in February 2014 as the first tranche. The second tranche of US\$ 54.8 million has been disbursed in March 2016.

Tur-SEFF II Co-financing Facility; EUR 50 million was signed in July 2013 and first tranche EUR 25 million was disbursed in December 2013, second tranche was disbursed in December 2015. SME Loan II for Mid-Caps and SMEs B EUR 100 million was signed in May 2015 and first tranche EUR 50 million was disbursed in December 2015. The second tranche was disbursed as TL 167,8 million in June 2016.

Additional Loan for SMEs-B EUR 100 million was signed in May 2016 and the first tranche was disbursed as TL 167.1 million in October 2016.

•KfW : EUR 100 million MSME loan was disbursed in November 2013 and was fully allocated in January 2014.

EUR 200 million MSME II loan was signed in June 2015 and the full amount of EUR 200 million was disbursed in July 2015.

TL Bonds

•Outstanding TL bonds amounting TL 3.4 billion as of November 9, 2016.

A member of BIST Sustainability Index



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