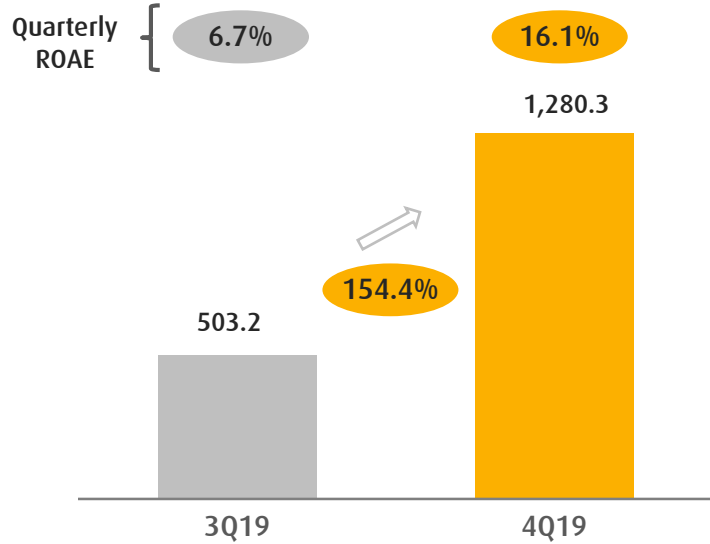




Earnings Presentation  
BRSA Bank-Only YE 2019  
February 14, 2020

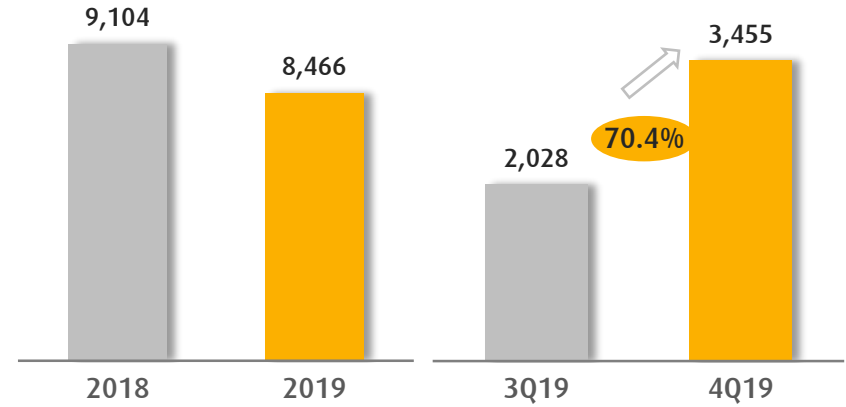
# 4Q19 Earnings and Ratios

Net Income (TL million)



TL 852 million free provisions in the balance sheet

Pre-Provisioning Operating Profit (TL million)\*\*



The highest coverage ratio among peer group

Total NPL Coverage Ratio

90.4%

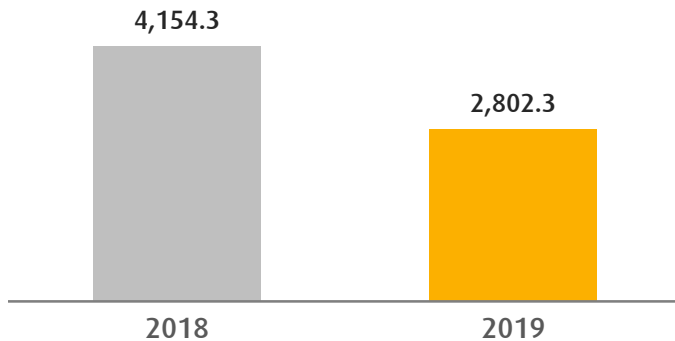
Stage III Coverage Ratio

70.4%

Sector Stage III Coverage Ratio

65.2%

5.2 ppt higher than sector



## Key Highlights of 4Q19

### Solid NIM expansion

- The highest quarterly NIM during the year: 4Q19 NIM materialized at **5.38%** vs. 4.08% in 3Q19, up by **131 bps** QoQ thanks to core spread increase;
  - TL core spreads were up by **266 bps** QoQ,
  - FC core spreads were up by **77 bps** QoQ.
- 2019 NIM reached **4.14%**.
- Swap adjusted NIM materialized at **4.41%** in 4Q19 vs. 2.87% in 3Q19, widening **154 bps** QoQ. Annual swap adjusted NIM realized at **3.10%**.

### Eye-catching fee performance with a well-diversified base

- 2019 fee growth came at **73.5% YoY**, by far highest growth in the peer group.
- All time high annual Fee/Total Revenue ratio realized almost **22%** level in 2019.
- All time best annual Fee/Opex ratio came at **60%**.

### Strong deposit growth above sector average

- Total deposits are up by **40.2% YoY** vs 26.1% sector average.
- TL deposits are up by **31.0% YoY** vs 20.8% sector average.
- FX deposits in USD terms are up by **37.1% YoY** vs 16.6% sector average.

### Maintained sound liquidity levels and better LtD ratios

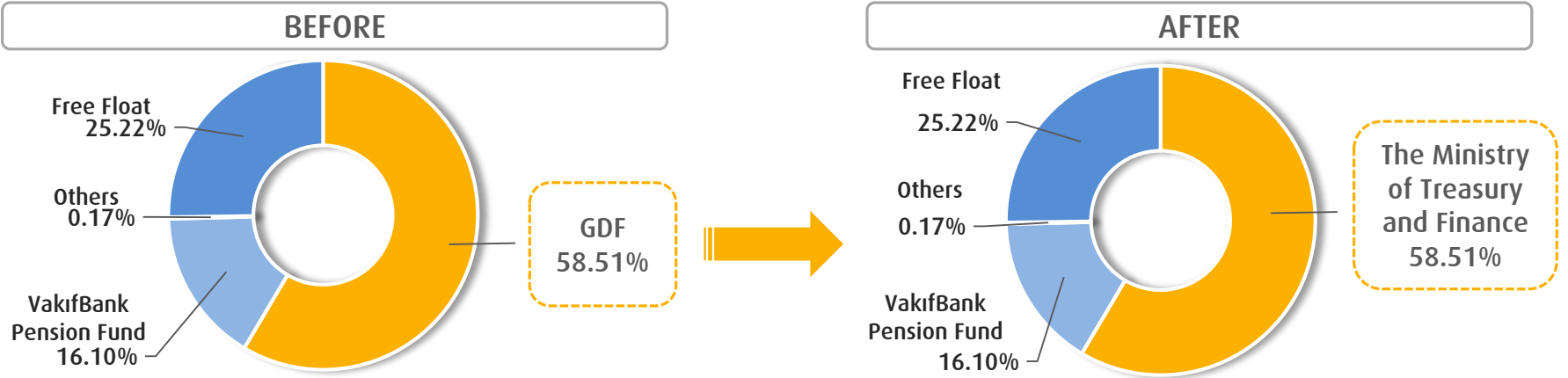
- Total LCR came at **134%** vs. minimum threshold of 100%.
- FC LCR reached **413%** vs. minimum threshold of 80%.
- Total LtD ratio further decreased to **109%** in 4Q19 vs 113% in 3Q19.
- TL LtD ratio further improved to **129%** in 4Q19 vs 130% in 3Q19.

### Ongoing pioneer and active role through international funding & capital market transactions

- VakifBank's first ever TLREF indexed Tier II notes issuance out of Turkey with an amount of **TL 725 million**.
- Being the first bank in Turkey to complete the DPR securitization transaction amounting **USD 417 million** after Fitch downgraded the ratings of the Turkish banks' DPR Securitization program to below investment grade level.
- Project loan-backed finance amounting **USD 300 million** in total with two separate transactions as a new funding source for the Bank.

# Ownership Structure Change

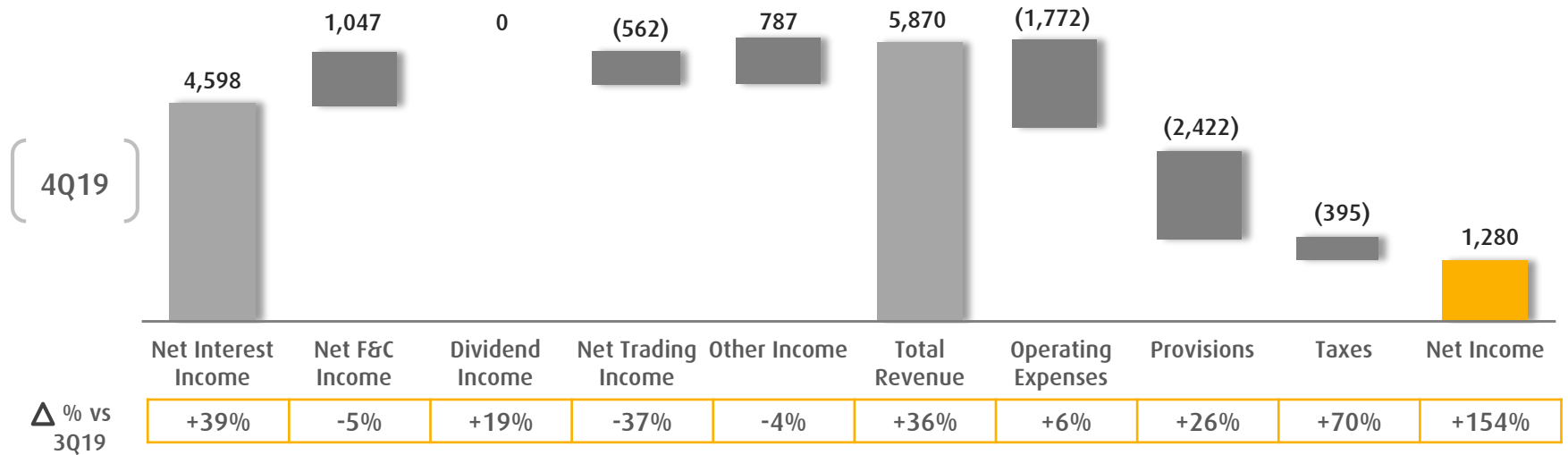
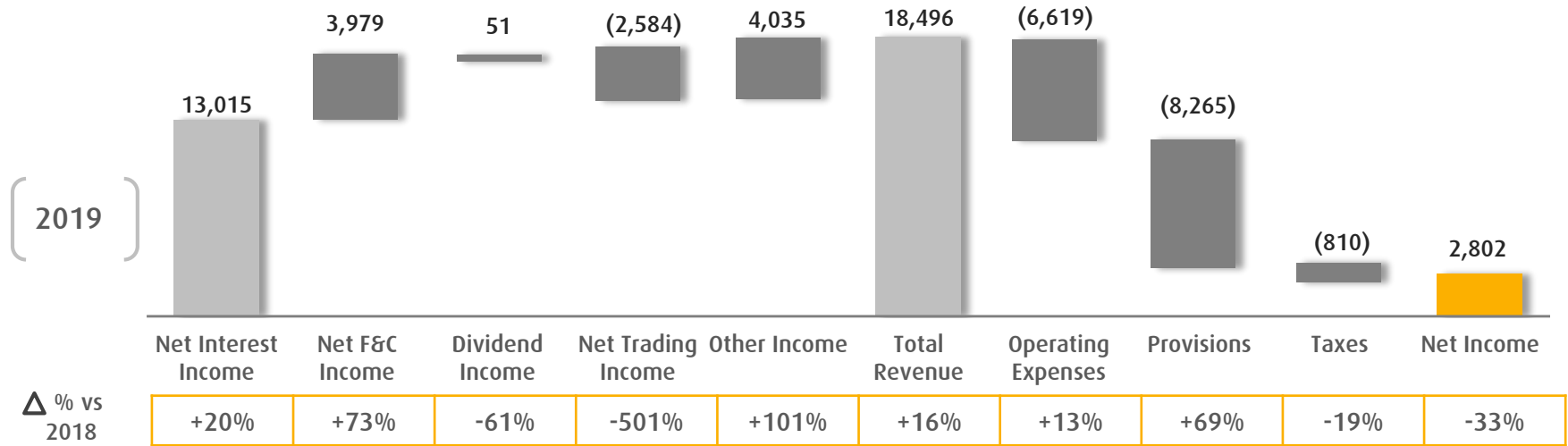
As of December 2019, the shares of Group A and B (58.51%) has been transferred to the Ministry of Treasury and Finance



Through the share transfer process, it has been aimed for the General Directorate of Foundations to have a certain and constant source of income to fulfill its principal activities more efficiently and additionally strengthen the capital structure of the Bank.

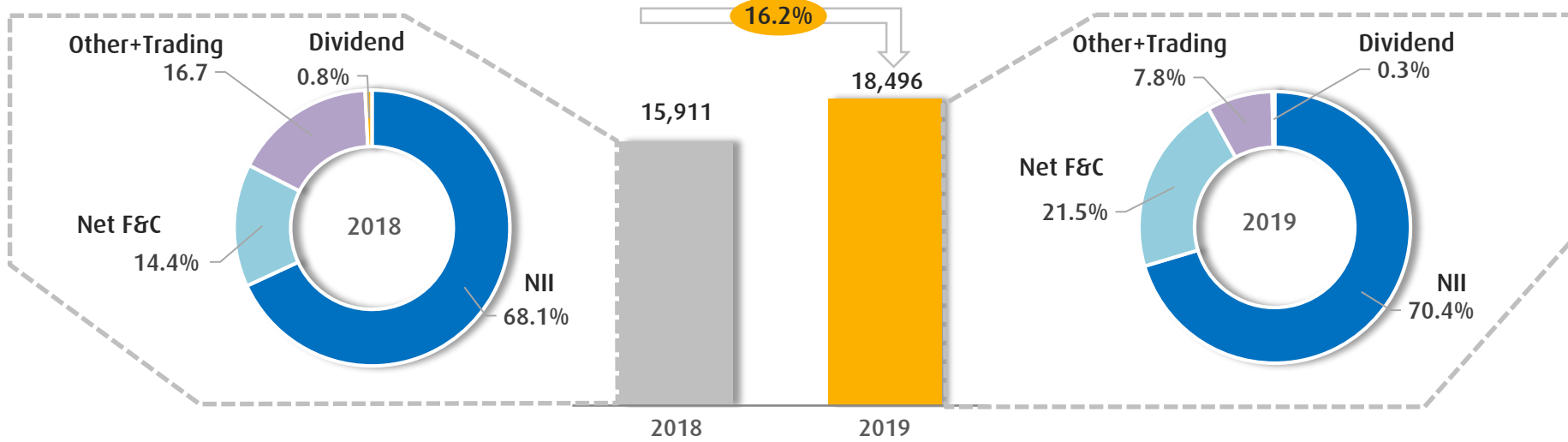
Pre-share transfer		Post-share transfer	
✓ State bank status	→	✓ <u>State bank status</u>	} remain unchanged
✓ Business model	→	✓ <u>Business model</u>	
✓ Strategy	→	✓ <u>Strategy</u>	
✓ Efficiency-oriented performance	→	✓ <u>Efficiency-oriented performance</u>	
✓ Primary targets	→	✓ <u>Primary targets</u>	

# 4Q19 P&L Details

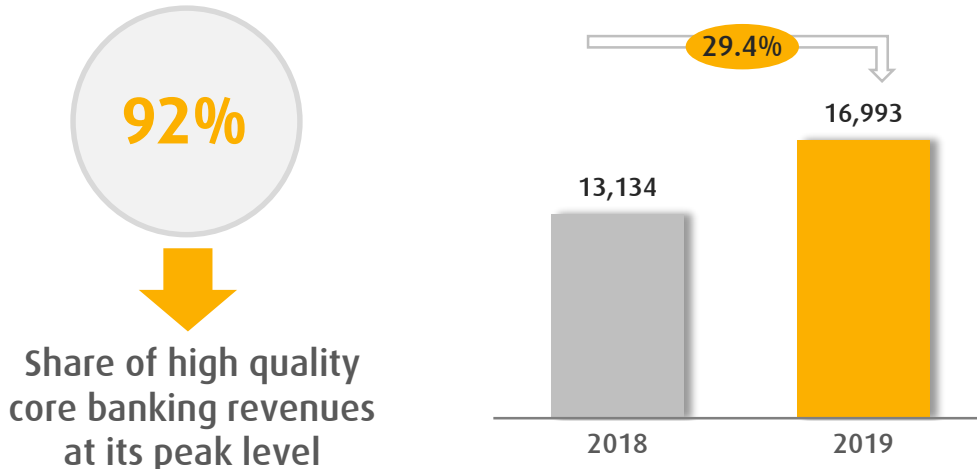


# High quality revenue breakdown

Total Revenues – Revenue Breakdown (TL million)



Core Banking Revenues (TL million)\*

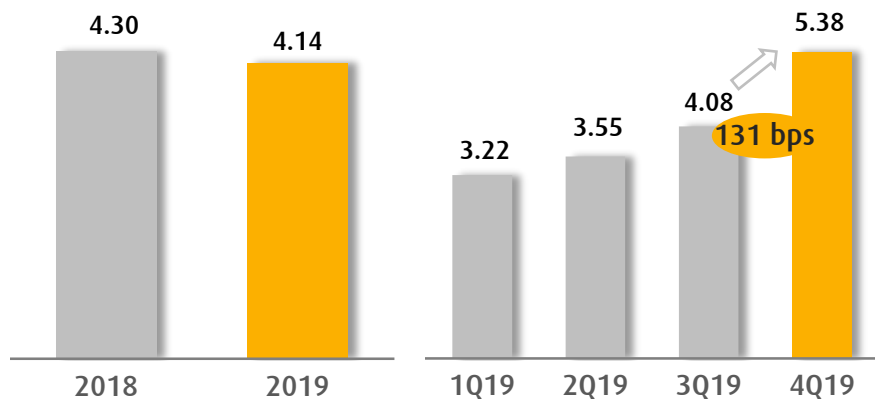


Free provisions

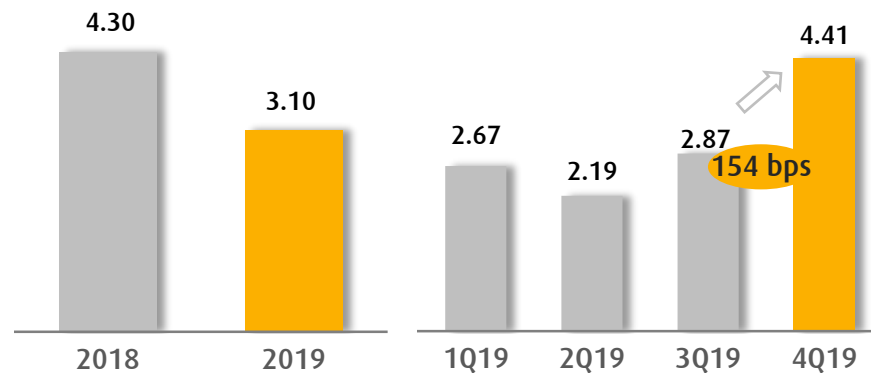
	1Q19	2Q19	3Q19	4Q19
Outstanding amount	TL 1,030 million	TL 917 million	TL 852 million	TL 852 million
Free provision releases	TL 113 million	-	TL 65 million	-

# Solid NIM expansion promising better profitability

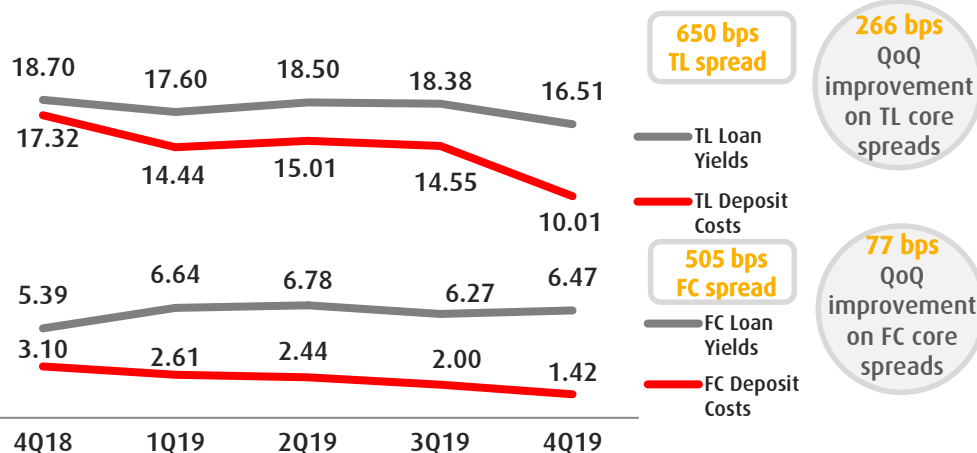
Net Interest Margin (NIM %)



Swap Adjusted Net Interest Margin (%)



Core Spreads (%)

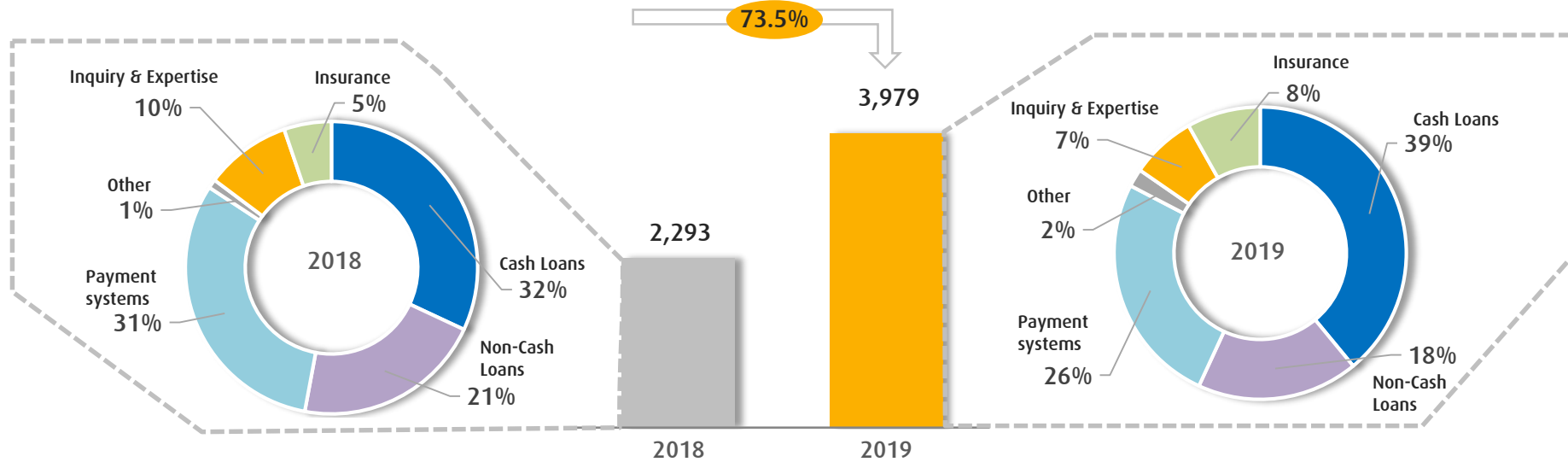


Cost of Funding

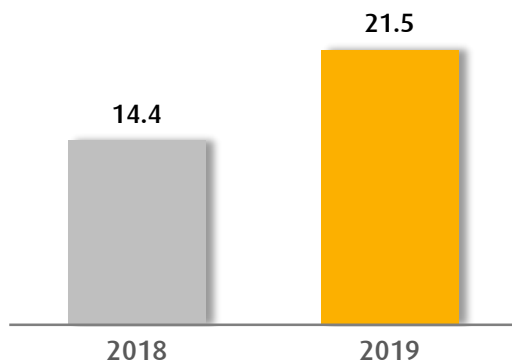
	1Q19	2Q19	3Q19	4Q19
Total money market funding *	TL 46.2 billion	TL 45.3 billion	TL 42.3 billion	TL 42.6 billion
Cost of Funding	25.08%	24.02%	16.38%	11.25%
Swap Cost	TL 402 million	TL 1,061 million	TL 976 million	TL 832 million
Average Swap Usage	TL 9.7 billion	TL 20.9 billion	TL 23.3 billion	TL 22.4 billion

# Eye-catching fee performance with a well diversified base

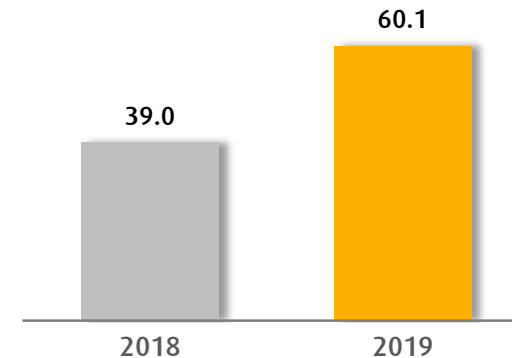
Net Fee & Commission Income (TL million) – Fee Breakdown



Fee/Total Revenue (%)



Fee/Operating Expense (%)

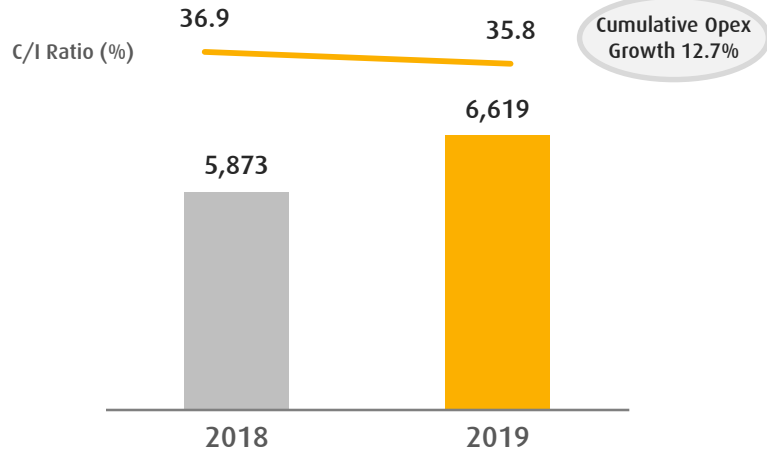


All time best fee ratios

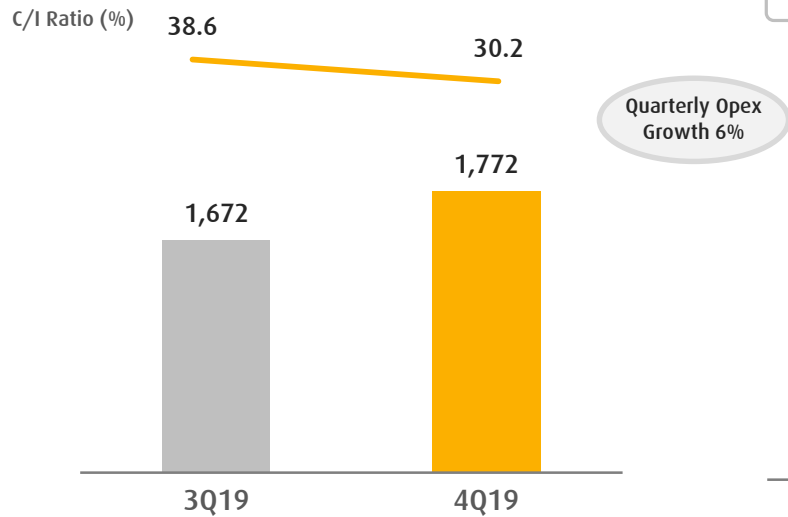
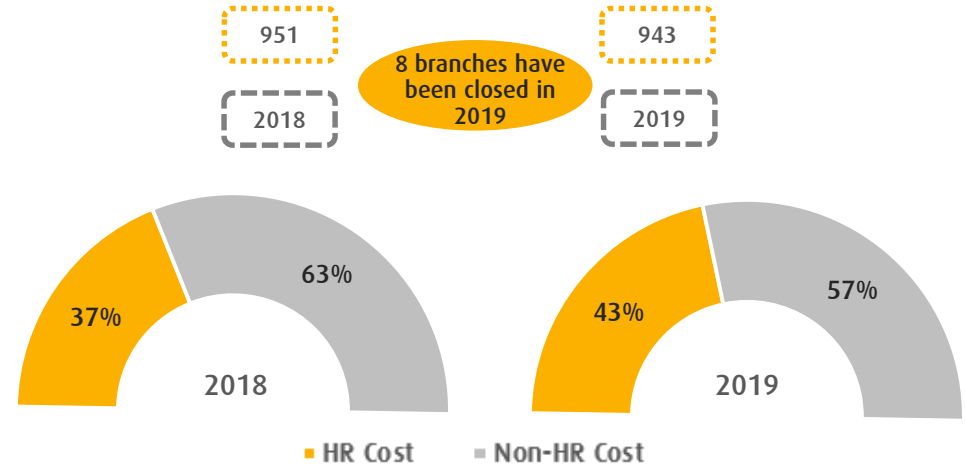


# Effective Cost Management

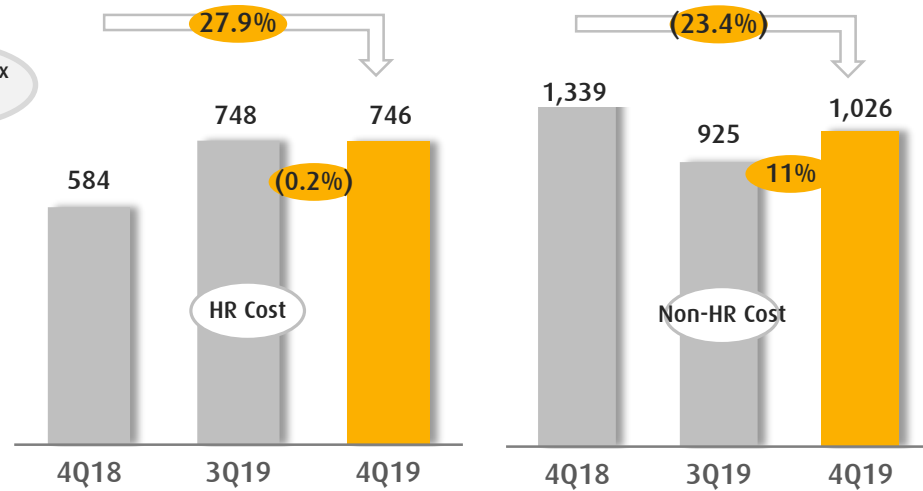
Operating Expenses (TL million)



Breakdown of OPEX

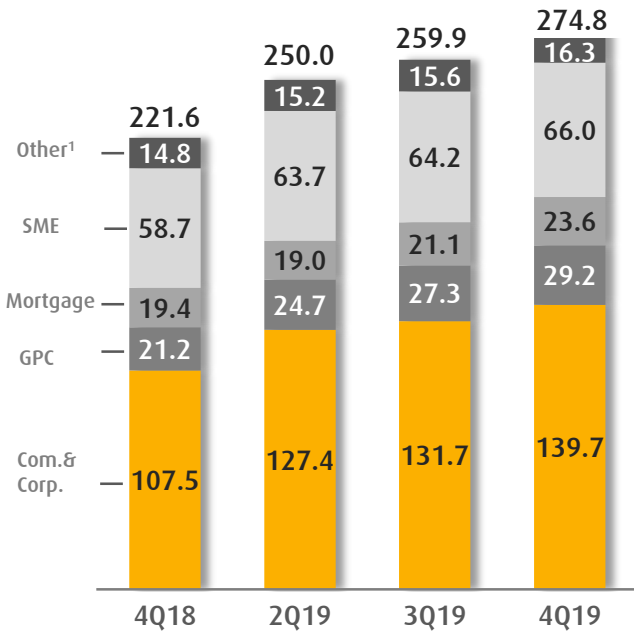


Quarterly OPEX Breakdown (TL million)

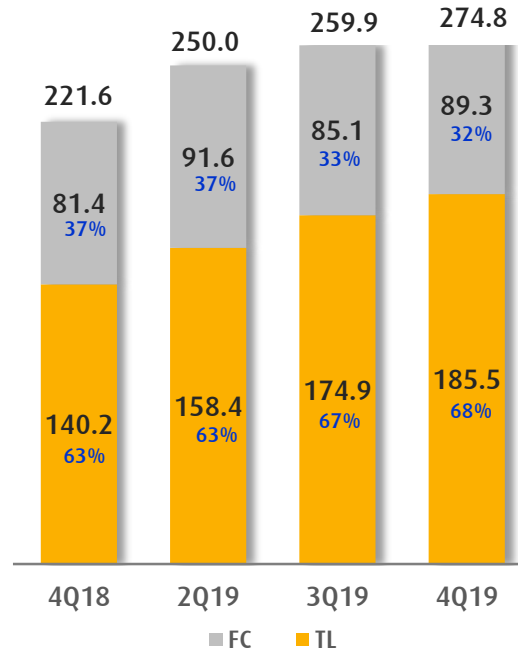


# Well diversified & stable loan breakdown

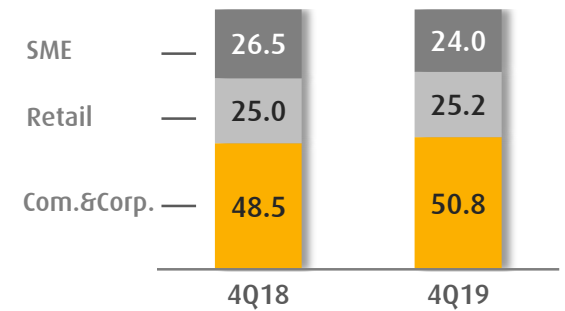
Segment Breakdown of Loans (TL billion)



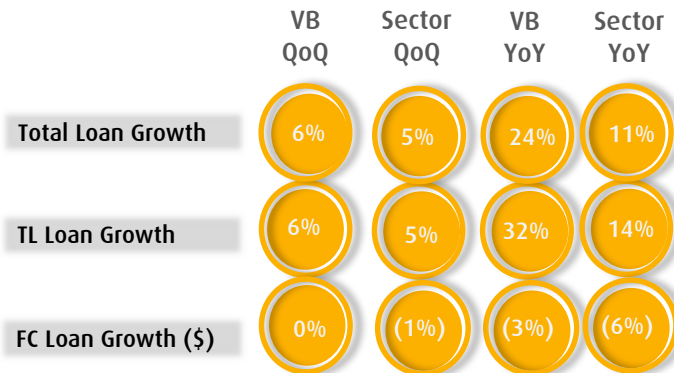
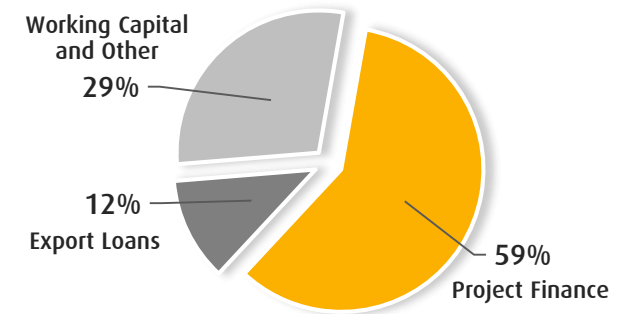
Currency Breakdown of Loans (TL billion)



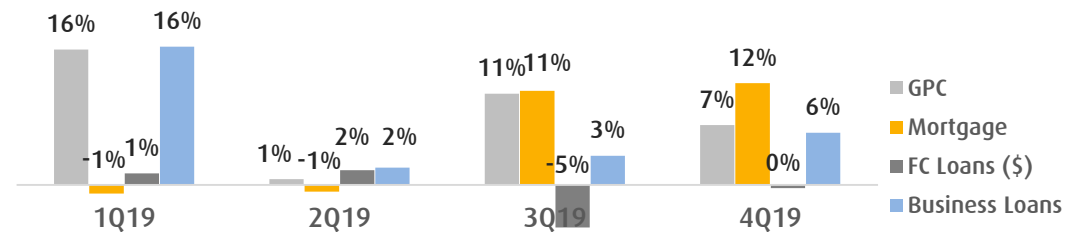
Portfolio Breakdown (%)



Breakdown of FC Loans

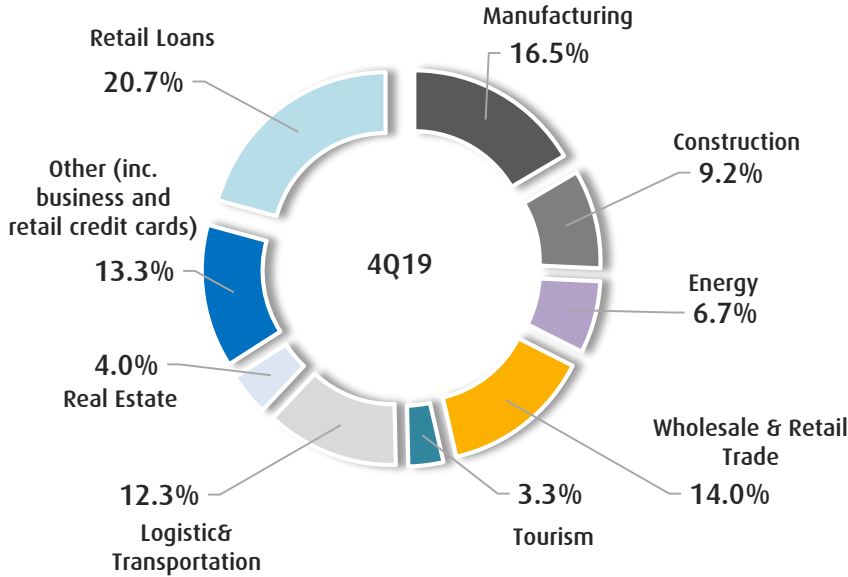


Quarterly Loan Growth

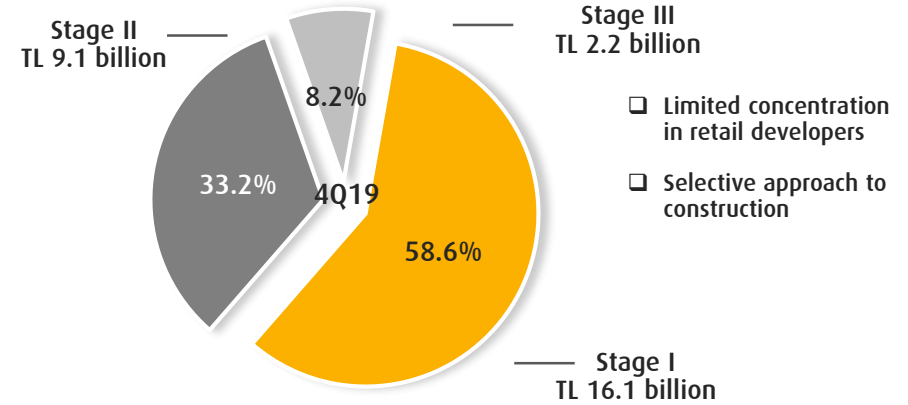


# Breakdown of Loan Portfolio

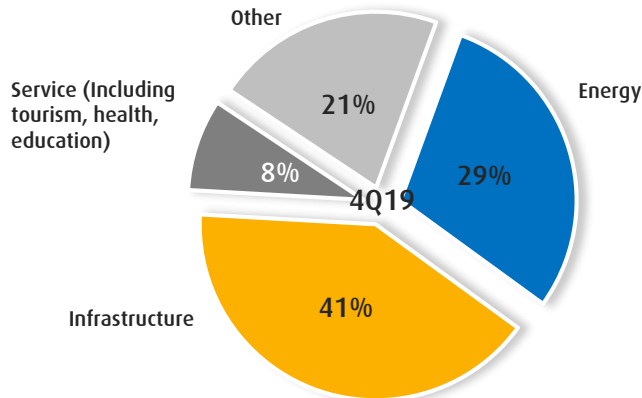
## Sector Breakdown of Cash Loans



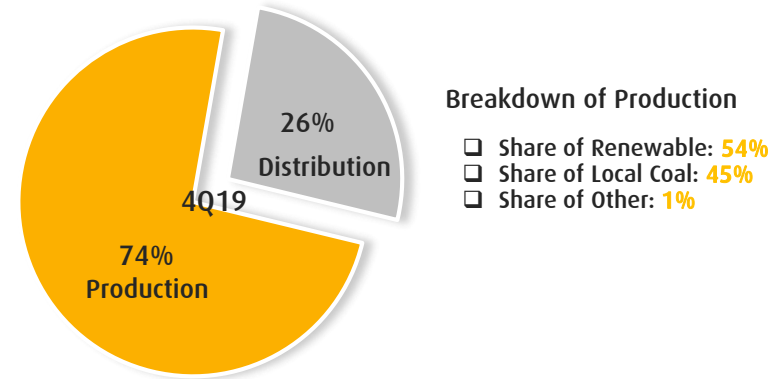
## Breakdown of Construction Loans



## Breakdown of Project Finance

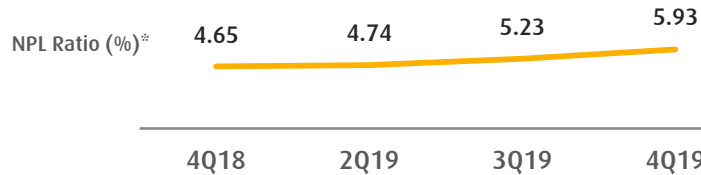
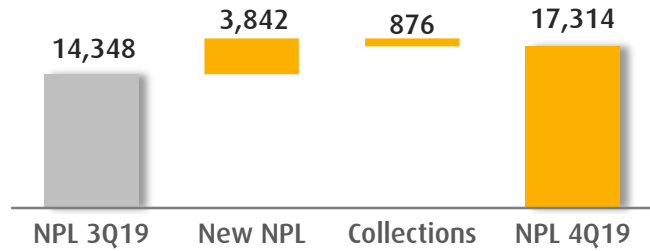


## Breakdown of Energy Loans

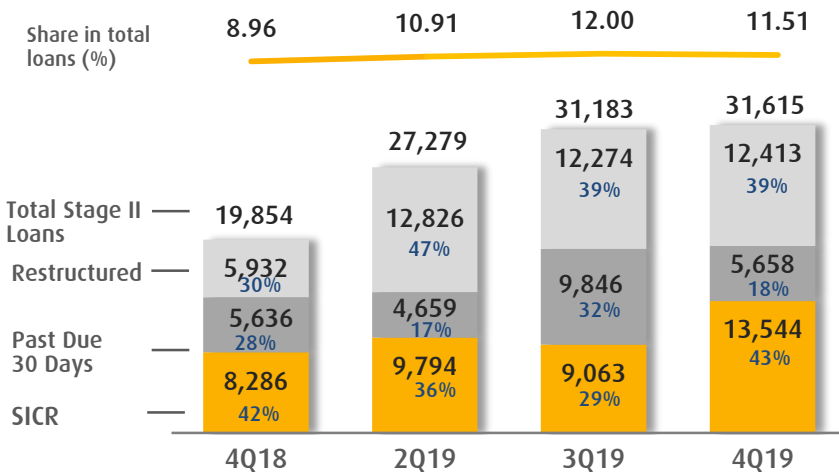


# Solid B/S position on the back of NPL recognition period

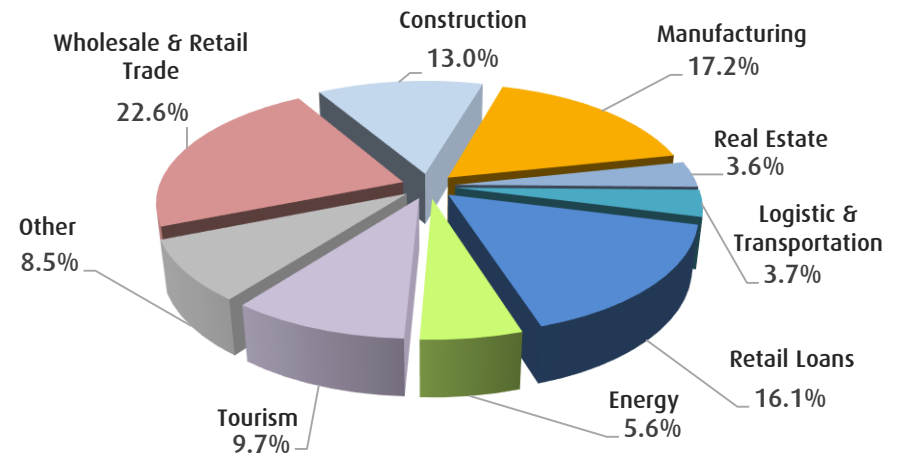
## NPL (TL million)\*



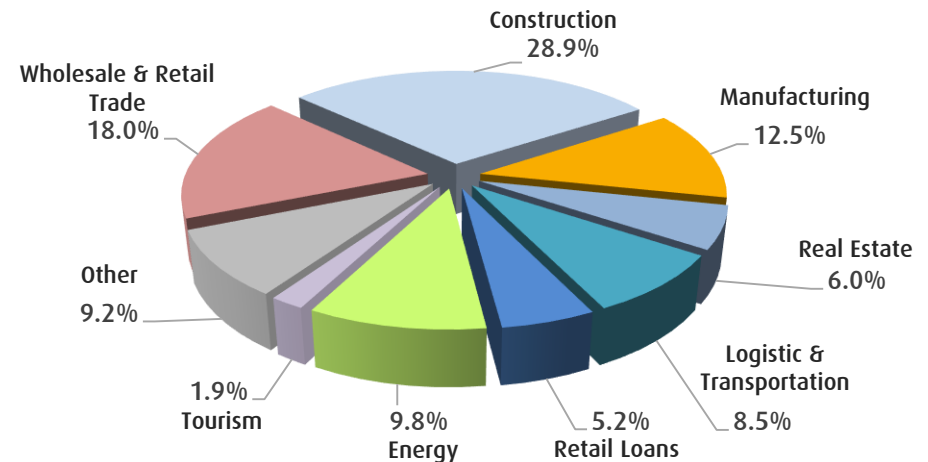
## Stage II Loans Breakdown (TL million)



## Sector Breakdown of Stage III Loans



## Sector Breakdown of Stage II Loans

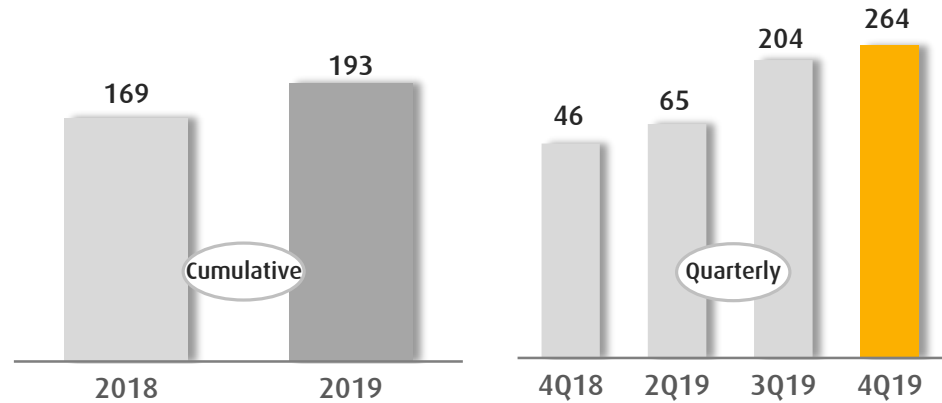


## Strong position with the highest coverage ratio among peer group

### Net Expected Credit Losses

(Thousand TL)	2019
<b>Expected Credit Losses</b>	<b>8,212,337</b>
Stage I	1,287,414
Stage II	1,713,451
Stage III	5,211,472
<b>Provision Reversals under other income</b>	<b>3,411,404</b>
Stage I	1,077,659
Stage II	1,316,296
Stage III	1,017,449
<b>Net Expected Credit Losses</b>	<b>4,800,933</b>
<b>Net CoR</b>	<b>193 bps</b>

### Net Cost of Risk (bps)



### Coverage Ratios (%)

	3Q19	4Q19
Stage I	0.6	0.7
Stage II	7.3	5.9
Stage III	70.7	70.4
<b>Total</b>	<b>96.8</b>	<b>90.4</b>

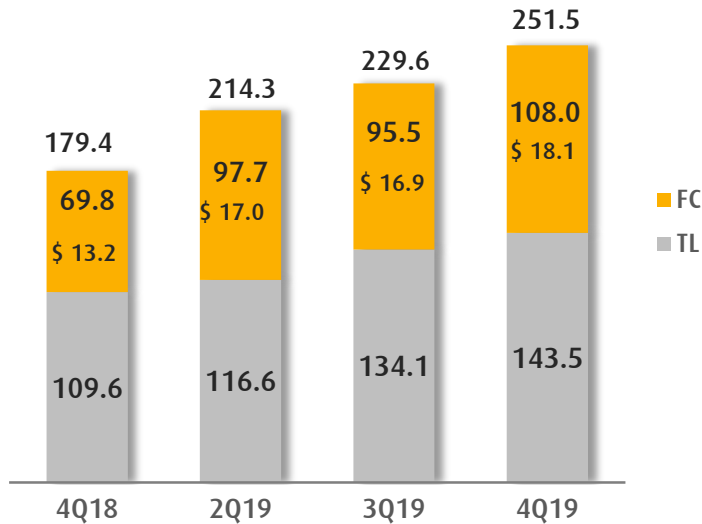
Sector Stage III Coverage Ratio

**65.2%**

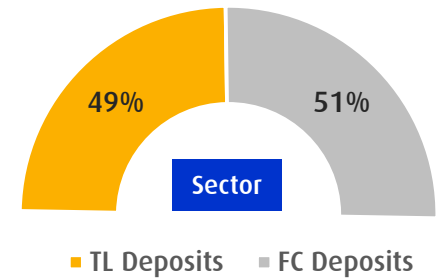
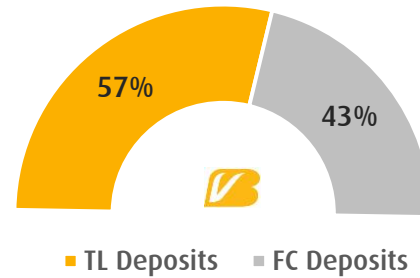
Total coverage ratio remained solid at **90%**

# Strong deposit growth above sector average

Total Deposits (TL billion)



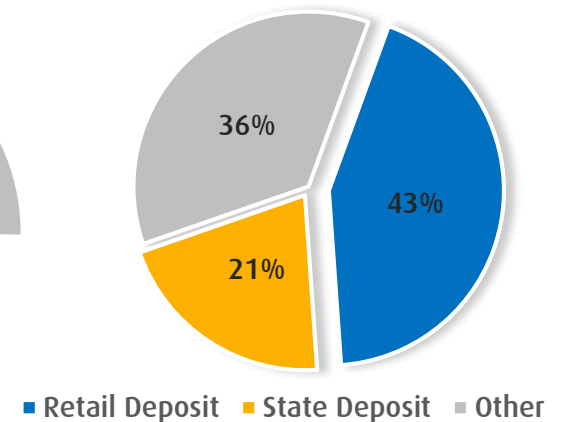
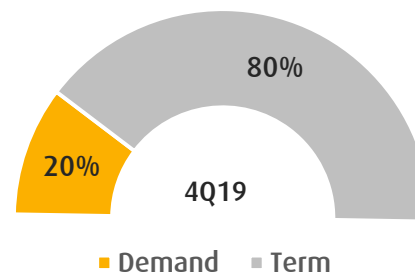
Breakdown of Deposits



The share of customer deposit is **60%** in total liabilities

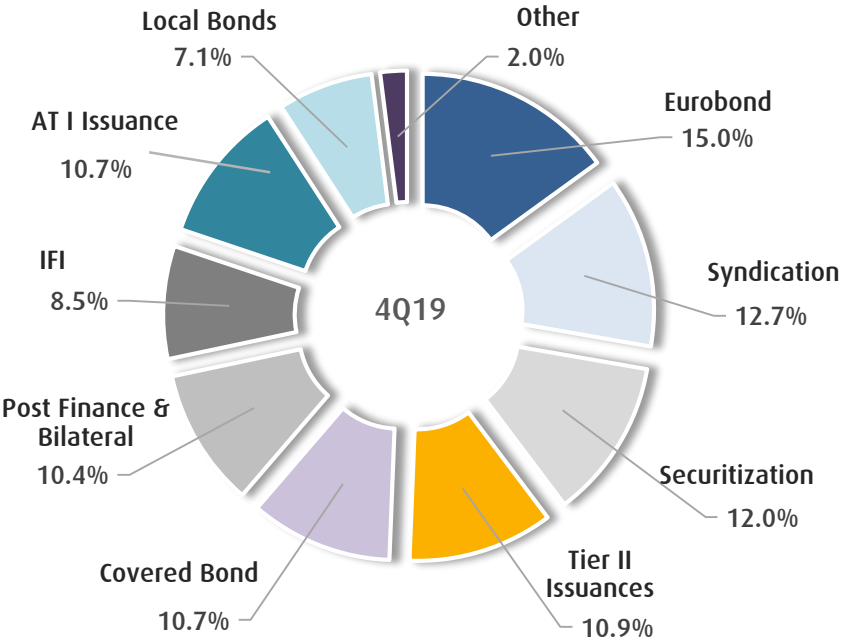
Demand deposits increased **40%** YoY

	VB QoQ	Sector QoQ	VB YoY	Sector YoY
Total Deposits Growth	9.5%	8.7%	40.2%	26.1%
TL Deposits Growth	7.1%	11.1%	31.0%	20.8%
FC Deposits Growth (\$)	7.2%	0.9%	37.1%	16.6%



# Pioneer bank of Turkey in international debt capital markets

Breakdown of Wholesale Funding



In January 2020, VakıfBank issued a new Eurobond with an amount of **USD 750 million**, the largest amount ever with a maturity of 5 years

In February 2020, VakıfBank used the call option for the first ever Basel III-compliant Tier II notes out of Turkey, amounting **USD 500 million** with 10 years maturity

**~USD 15 billion**  
Total wholesale borrowing\*

Share of total wholesale borrowing in total liabilities  
**~21%**

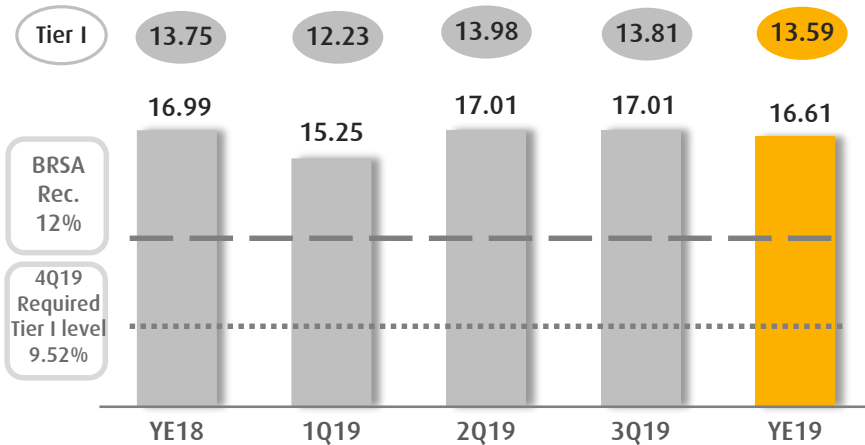
External Debt

Long-Term  
\$9.2 billion

Short-Term  
\$4.1 billion

# Comfortable solvency ratios with strong buffers

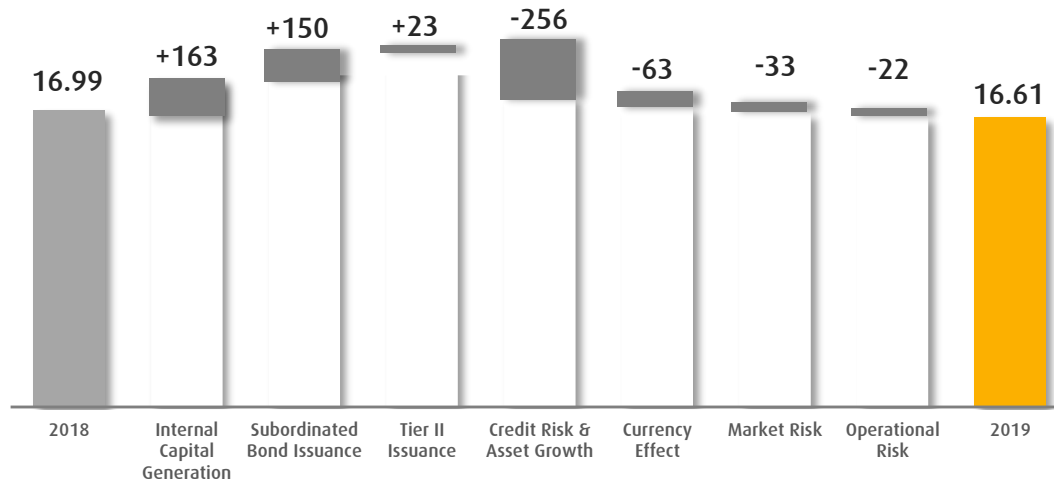
Capital Adequacy Ratio (%)



**TL 852 million**  
free provision

The effect of  
TL 0.1 decrease  
/increase in  
USD/TL parity  
on CAR is  
**~7 bps**

The effect of  
1 ppt interest rate  
increase/ decrease  
on CAR is  
**~5 bps**



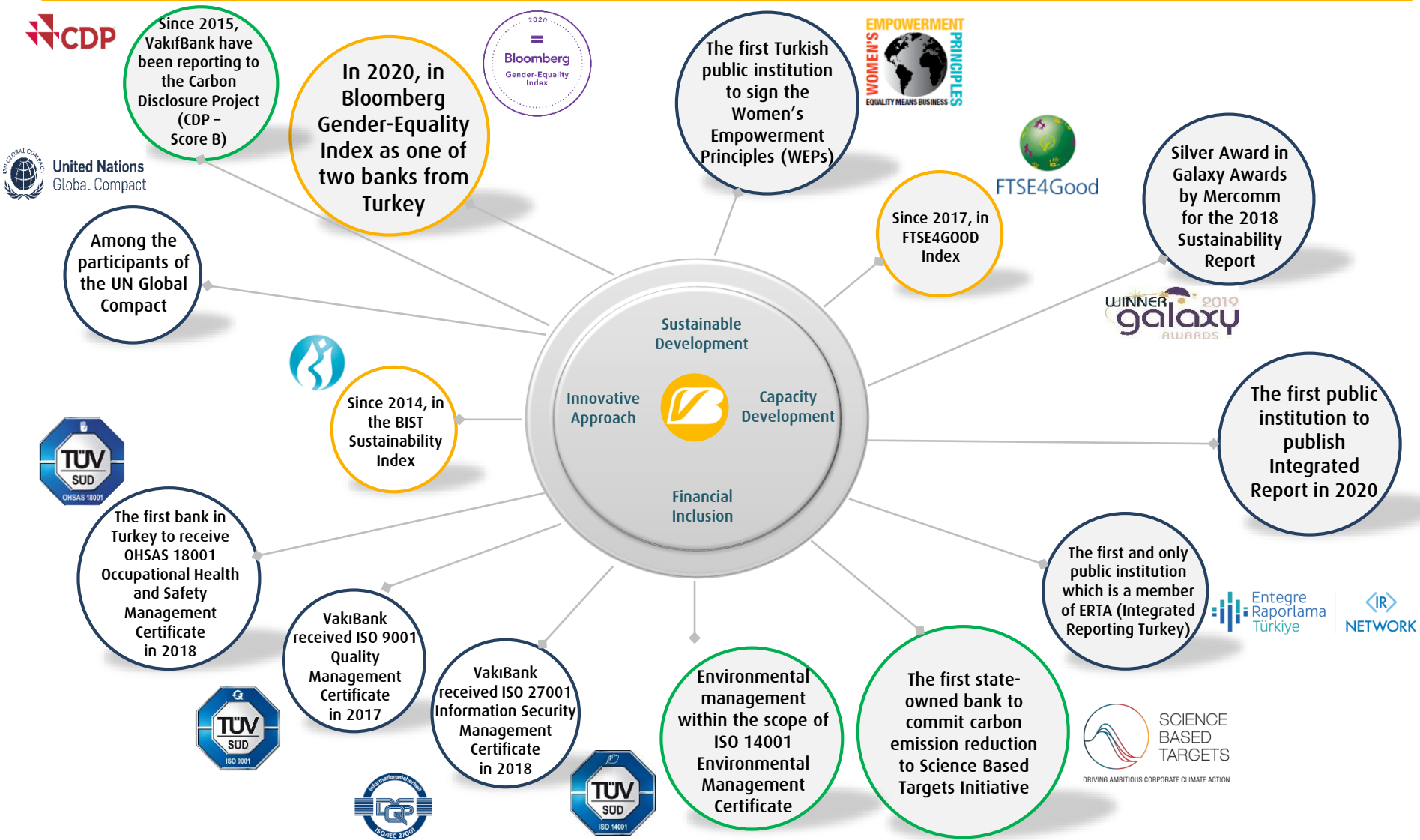
Buffers (%)	2019	2020
Capital Conservation Buffer	2.500	2.500
Counter Cyclical Buffer	0.021	0.050
SIFI Buffer* (Group I)	1.000	1.000
<b>Minimum CET I</b>	<b>8.021</b>	<b>8.050</b>
<b>Minimum Tier I</b>	<b>9.521</b>	<b>9.550</b>



## Appendix

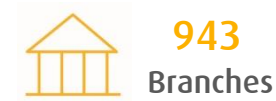
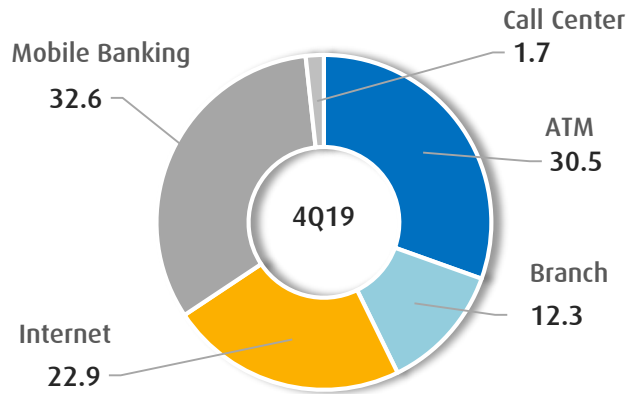
Pg. 18	Further strengthened sustainable banking approach in the global platforms
Pg. 19	Adding more value through digitalization
Pg. 20	Composition of Assets&Liabilities
Pg. 21	Well balanced Securities Portfolio
Pg. 22	Retail Lending Portfolio
Pg. 23	Diversified Funding Sources via Non-Deposit Funding
Pg. 24	Unconsolidated Key Financial Ratios
Pg. 25	Unconsolidated Balance Sheet
Pg. 26	Unconsolidated Income Statement

# Further strengthened sustainable banking approach in the global platforms

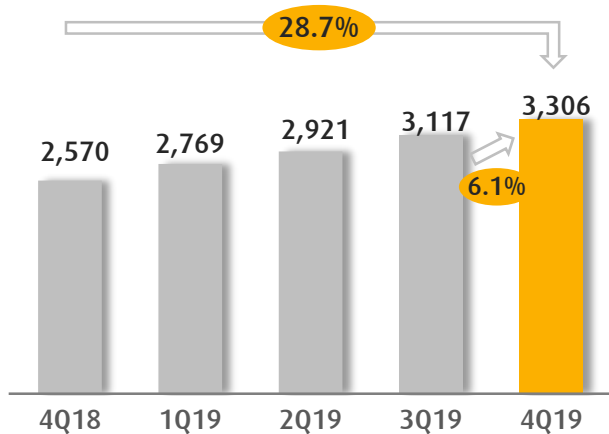


# Adding more value through digitalization

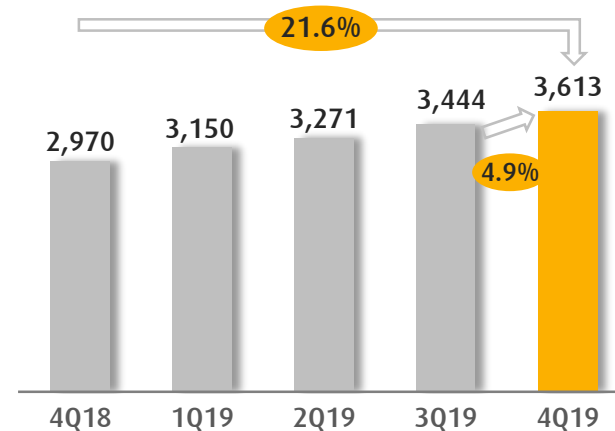
**~88%**  
of all banking transactions executed via non-branch channels



Active Mobile Banking Customers (#thousand)\*

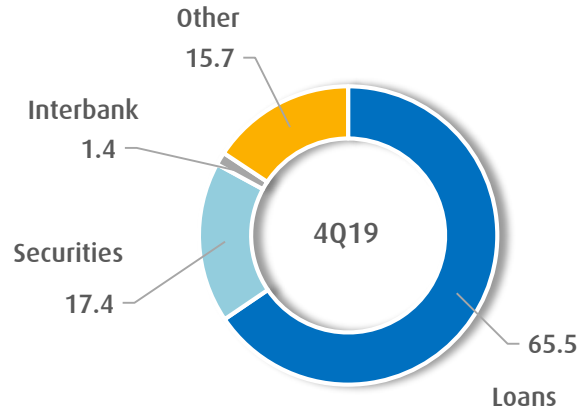


Active Internet Banking Customers (#thousand)\*



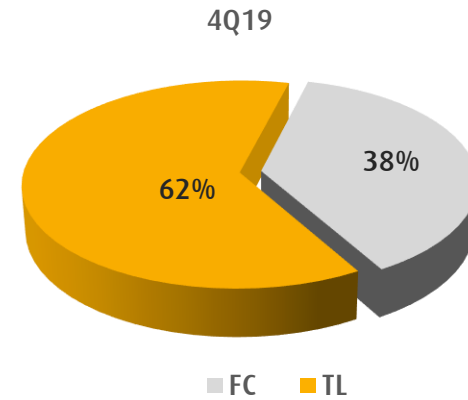
# Composition of Asset & Liabilities

Breakdown of Assets (%)

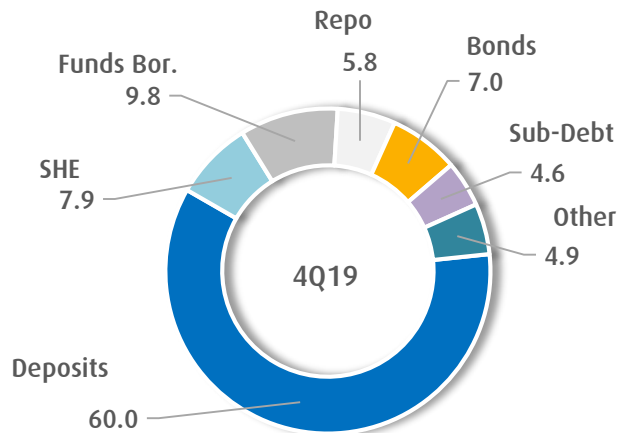


The share of IEA  
**84.3%**  
in total assets

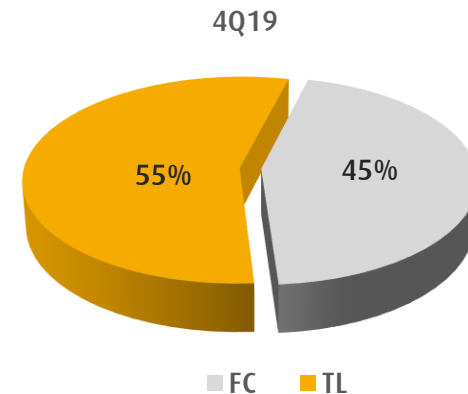
TL/FC Mix in Total Assets



Breakdown of Liabilities (%)

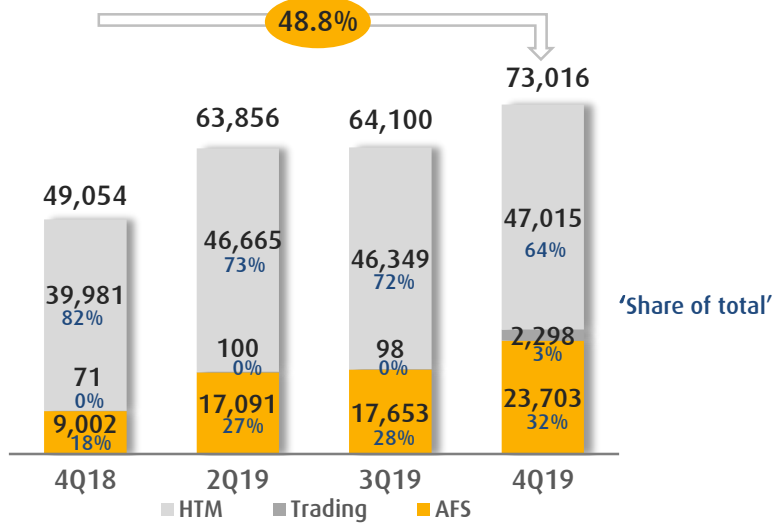


TL/FC Mix in Total Liabilities



# Well balanced security portfolio

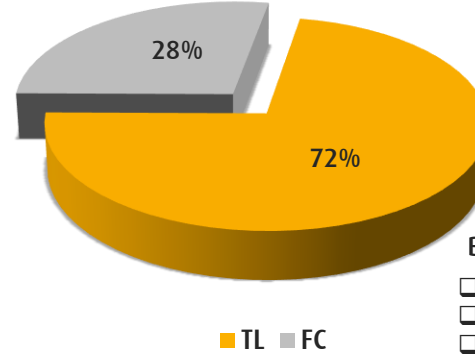
Total Securities (TL million)



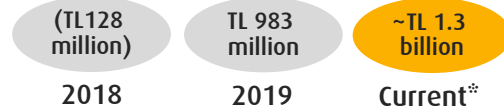
Portfolio Structure

Breakdown of FC Securities

Share of Fixed: 100%



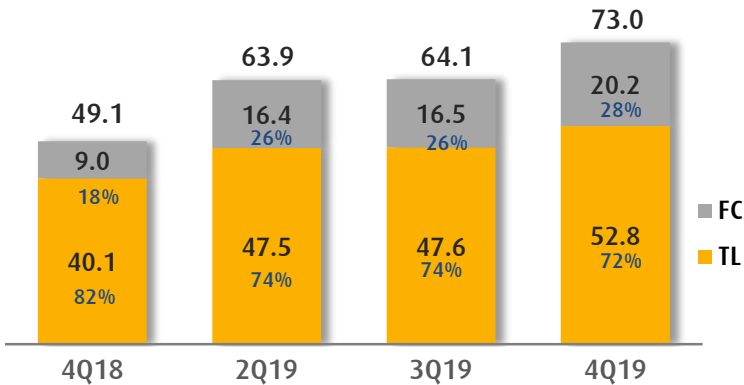
MtM gains under AFS portfolio



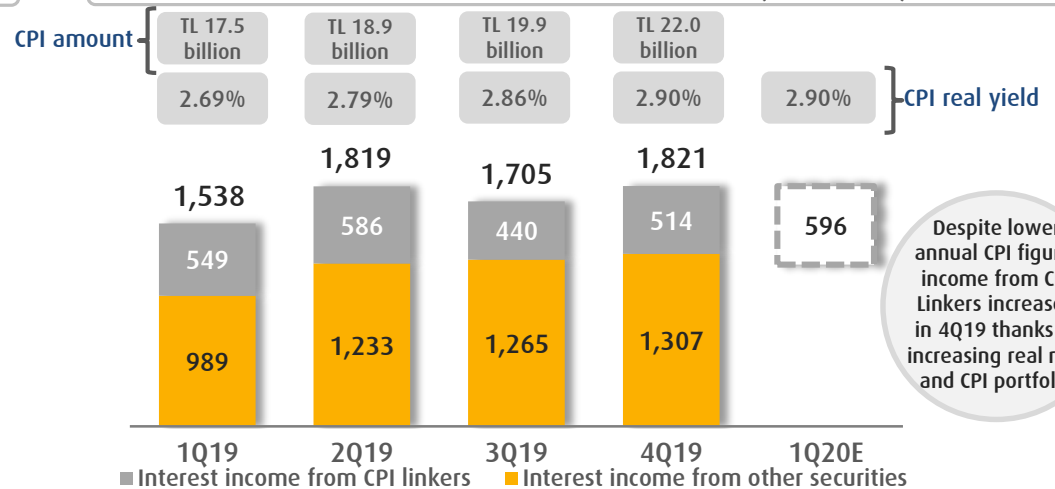
Breakdown of TL Securities

Share of Fixed: 40%  
Share of Floating: 18%  
Share of CPI Linkers: 42%

Security Breakdown (TL billion)



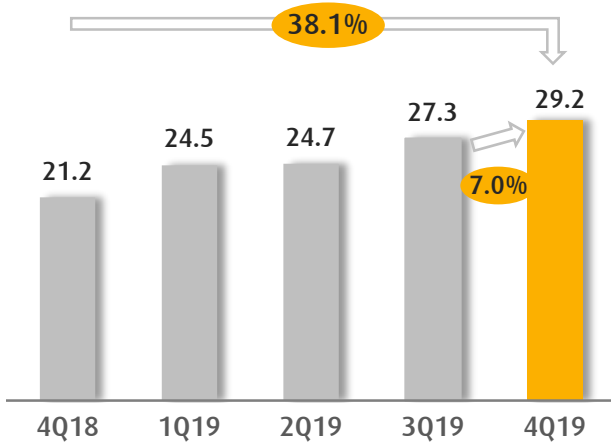
Breakdown of Interest Income from Securities (TL million)



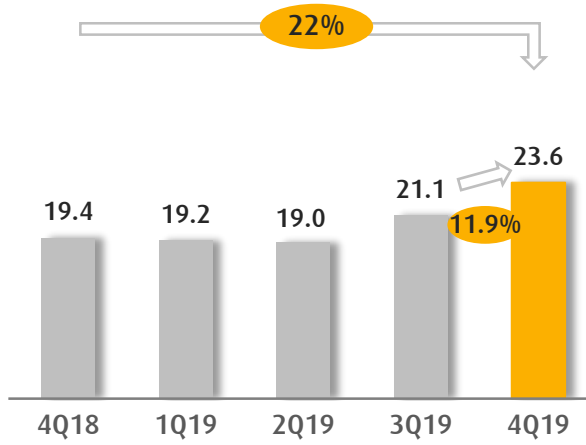
Despite lower annual CPI figure, income from CPI Linkers increased in 4Q19 thanks to increasing real rate and CPI portfolio

# Retail Lending Portfolio

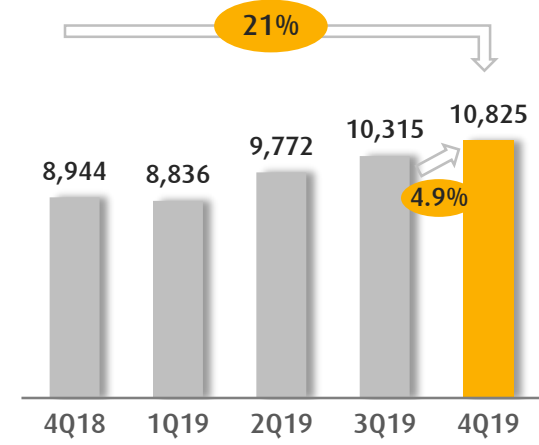
General Purpose Consumer (TL billion)



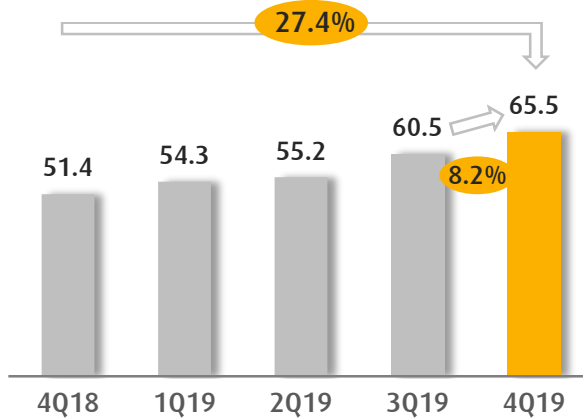
Residential Mortgages (TL billion)



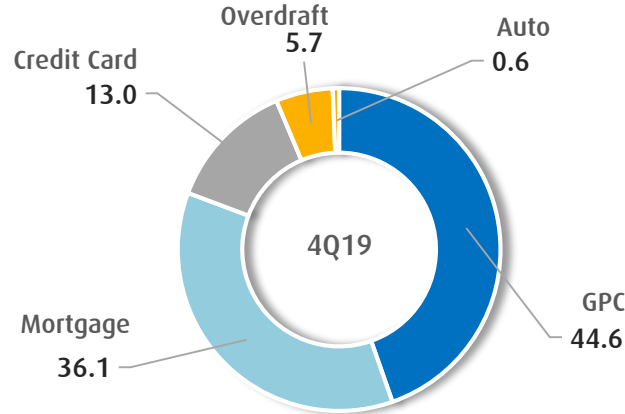
Credit Card Loans (TL million)\*



Total Retail (TL billion)



Breakdown of Retail Loans (%)



Total Customers 23.1 million

Total Payroll Customers 2.4 million

# Diversified funding sources via non-deposit funding

## Syndication

USD 2.3 billion outstanding

- **Nov'19:** USD 580 million equivalent syndicated loan, Libor +2.25%, Euribor +2.10% for 1 year, 28 banks from 17 countries
- **Sep'19:** USD 140 million bilateral loan from the Export Import Bank of China, 1 year maturity
- **Apr'19:** USD 1.1 billion equivalent syndicated loan, Libor +2.50%, Euribor +2.40% for 1 year, 38 banks from 17 countries
- **Nov'18:** USD 130 million equivalent syndicated loan, Libor +3.50% for two years, 20 banks from 11 countries
- **Apr'18:** USD 100 million equivalent syndicated loan, Libor +2.10% for two years, 35 banks from 17 countries
- **Mar'17:** USD 250 million bilateral loan with ICBC Dubai, 3 years maturity

## Subordinated Bonds

USD 1.4 billion, TL 1.250 million outstanding Tier II and TL 5 billion & EUR 700 million Tier I

- **Sep'19:** TL 725 million TLREF indexed Tier II notes, 10 years maturity, call option at the end of 5th year
- **Apr'19:** Euro 700 million Tier I notes, fixed coupon rate
- **Sep'18:** TL 5 billion, PNC5 Tier I notes, fixed coupon rate
- **Sep'17:** TL 525 million Tier II notes, floating coupon rate set at 5 year sovereign +3.5%, 10 years maturity
- **Feb'17:** USD 228 million equivalent of 2012 Tier II notes was exchanged, 8% coupon rate, 10 years maturity
- **Oct'12:** USD 672 million equivalent Tier II notes (after exchange), 6% coupon rate, 10 years maturity

## IFI Borrowing

USD 1.4 billion outstanding

- **World Bank:** outstanding funding USD 234.5 million.
- **EBRD:** outstanding funding USD 170.1 million (USD 114 million under DPR Program and EUR 50 million under Covered Bond Program included).
- **EIB:** outstanding funding USD 713.7 million.
- **KFW:** outstanding funding USD 224.3 million.
- **AFD:** outstanding funding USD 89.7 million.

## Eurobonds

USD 3 billion outstanding

- **Feb'20:** USD 750 million, 5.25% coupon rate, 5 years maturity
- **Mar'19:** USD 600 million, 8.125% coupon rate, 5 years maturity
- **Jan'18:** USD 650 million, 5.75% coupon rate, 5 years maturity
- **May'17:** USD 500 million, 5.625% coupon rate, 5 years maturity
- **Oct'16:** USD 500 million, 5.5% coupon rate, 5 years maturity

## DPR Securitizations

USD 1.79 million outstanding

- **Oct'19:** USD 417 million, 7 years maturity
- **Oct'18:** USD 300 million, 10 years maturity
- **May'18:** USD 380 million equivalent (USD and Euro), 5 years maturity, six tranches
- **Oct'16:** USD 890 million equivalent (USD and Euro), USD 354.4 million has 5 years maturity, USD 535.7 million has 7 years maturity, seven tranches

## Covered Bond

EUR 500 million and TL 6.2 billion outstanding

- **Feb'19:** TL 1.118,2 million, 8 years maturity
- **Jan'19:** TL 396.3 million, 8 years maturity
- **Dec'18:** TL 1 billion, 5 years maturity
- **Feb'18:** TL 1 billion, 5 years maturity
- **Dec'17:** TL 1.3 billion, 5 years maturity
- **Oct'17:** TL 1.3 billion, 5.5 years maturity
- **May'16:** Euro 500 million, 2.375% coupon rate, 5 years maturity

## Local Bonds

TL 6.4 billion outstanding

## Unconsolidated Key Financial Ratios

	2018	4Q18	3Q19	4Q19	2019
<b>Profitability</b>					
ROAE	16.1%	15.2%	6.7%	16.1%	9.1%
ROAA	1.4%	1.2%	0.5%	1.3%	0.7%
Cost / Income	36.9%	45.6%	38.6%	30.2%	35.8%
Cost / Assets	1.8%	2.3%	1.7%	1.7%	1.6%
Fee / Cost	39.0%	38.4%	65.6%	59.1%	60.1%
<b>Liquidity</b>					
Loans / Deposits	123.5%	123.5%	113.2%	109.2%	109.2%
<i>TL Loans / Deposits</i>	127.9%	127.9%	130.4%	129.2%	129.2%
Liquidity Coverage Ratio (Total)*	111.6%	111.6%	133.6%	130.2%	130.2%
<i>FC Liquidity Coverage Ratio *</i>	264.0%	264.0%	507.9%	510.4%	510.4%
<b>Asset Quality</b>					
NPL Ratio	4.6%	4.6%	5.2%	5.9%	5.9%
Coverage Ratio	74.3%	74.3%	70.7%	70.4%	70.4%
Net Cost of Risk	1.7%	0.5%	2.0%	2.6%	1.9%
<b>Solvency</b>					
CAR	16.99%	16.99%	17.01%	16.61%	16.61%
Tier I Ratio	13.75%	13.75%	13.81%	13.59%	13.59%
Leverage	10.7x	10.7x	11.7x	11.7x	11.7x



# Unconsolidated Balance Sheet

	YE18		3Q19		YE19		TL		USD	
	TL	USD	TL	USD	TL	USD	Δ YoY	Δ QoQ	Δ YoY	Δ QoQ
<b>Assets</b>										
(thousand)										
Cash & Balances with Central Bank	32,254,489	6,108,805	30,946,802	5,479,143	36,495,220	6,128,500	13.1%	17.9%	0.3%	11.9%
Interbank	5,018,593	950,491	5,512,458	975,983	5,861,343	984,273	16.8%	6.3%	3.6%	0.8%
Securities	49,054,049	9,290,540	64,099,732	11,348,882	73,016,285	12,261,341	48.8%	13.9%	32.0%	8.0%
<b>Loans</b>	<b>221,606,750</b>	<b>41,970,975</b>	<b>259,943,528</b>	<b>46,023,099</b>	<b>274,776,822</b>	<b>46,142,204</b>	<b>24.0%</b>	<b>5.7%</b>	<b>9.9%</b>	<b>0.3%</b>
Subsidiaries & Investments	3,051,217	577,882	3,370,288	596,711	2,801,276	470,407	(8.2%)	(16.9%)	(18.6%)	(21.2%)
Property & Equipment	2,567,625	486,293	2,852,223	504,987	3,018,660	506,912	17.6%	5.8%	4.2%	0.4%
Other	17,802,918	3,371,765	20,120,026	3,562,258	23,455,947	3,938,866	31.8%	16.6%	16.8%	10.6%
<b>Total Assets</b>	<b>331,355,641</b>	<b>62,756,750</b>	<b>386,845,057</b>	<b>68,491,063</b>	<b>419,425,553</b>	<b>70,432,503</b>	<b>26.6%</b>	<b>8.4%</b>	<b>12.2%</b>	<b>2.8%</b>
<b>Liabilities &amp; SHE</b>										
<b>Deposits</b>	<b>179,407,907</b>	<b>33,978,770</b>	<b>229,647,310</b>	<b>40,659,143</b>	<b>251,530,899</b>	<b>42,238,606</b>	<b>40.2%</b>	<b>9.5%</b>	<b>24.3%</b>	<b>3.9%</b>
Funds Borrowed	41,349,836	7,831,408	38,247,805	6,771,788	41,078,550	6,898,161	(0.7%)	7.4%	(11.9%)	1.9%
Other	79,976,349	15,147,036	86,349,979	15,288,296	91,580,027	15,378,678	14.5%	6.1%	1.5%	0.6%
Provisions	2,271,359	430,182	2,084,478	369,058	2,209,804	371,084	(2.7%)	6.0%	(13.7%)	0.5%
<b>Shareholders' Equity</b>	<b>28,350,190</b>	<b>5,369,354</b>	<b>30,515,485</b>	<b>5,402,778</b>	<b>33,026,273</b>	<b>5,545,974</b>	<b>16.5%</b>	<b>8.2%</b>	<b>3.3%</b>	<b>2.7%</b>
Guarantees	65,165,276	12,341,908	70,209,942	12,430,697	77,336,042	12,986,741	18.7%	10.1%	5.2%	4.5%
Commitments	63,815,604	12,086,289	78,249,584	13,854,118	82,372,881	13,832,558	29.1%	5.3%	14.4%	(0.2%)
Derivatives	109,741,971	20,784,464	175,492,068	31,070,937	174,863,843	29,364,205	59.3%	(0.4%)	41.3%	(5.5%)

## Unconsolidated Income Statement

(TL-thousand, %)	2018	3Q19	4Q19	2019	Δ YoY	Δ QoQ
<b>Net Interest Income</b>	<b>10,840,687</b>	<b>3,301,982</b>	<b>4,597,974</b>	<b>13,014,712</b>	<b>20.1%</b>	<b>39.2%</b>
<b>Net Fee &amp; Com. Income</b>	<b>2,293,210</b>	<b>1,097,237</b>	<b>1,047,406</b>	<b>3,978,688</b>	<b>73.5%</b>	<b>(4.5%)</b>
Dividend Income	129,624	113	135	50,939	(60.7%)	19.5%
Net Trading Income	643,635	-886,812	-561,886	-2,583,694	(501.4%)	(36.6%)
Other Income	2,003,613	817,720	786,611	4,035,254	101.4%	(3.8%)
<b>Total Revenues</b>	<b>15,910,769</b>	<b>4,330,240</b>	<b>5,870,240</b>	<b>18,495,899</b>	<b>16.2%</b>	<b>35.6%</b>
Operating Expenses	-5,873,337	-1,672,252	-1,772,222	-6,618,617	12.7%	6.0%
Provisions	-4,883,505	-1,922,074	-2,422,262	-8,264,699	69.2%	26.0%
Tax Provisions	-999,605	-232,712	-395,458	-810,292	(18.9%)	69.9%
<b>Net Income</b>	<b>4,154,322</b>	<b>503,202</b>	<b>1,280,298</b>	<b>2,802,291</b>	<b>(32.5%)</b>	<b>154.4%</b>

For Earnings  
Presentations:



For VakıfBank IR  
Application:



A member of BIST Sustainability Index



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Investor Relations  
Saray Mahallesi Dr. Adnan Buyukdeniz Cad. A1 Blok  
No: 7a Umraniye/Istanbul  
(Akyaka Park Mall)  
E-mail: [investorrelations@vakifbank.com.tr](mailto:investorrelations@vakifbank.com.tr)  
Tel (90-216) 724 2685  
Fax (90-216) 724 3941  
[www.vakifbank.com.tr](http://www.vakifbank.com.tr)



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