

Earnings Presentation

BRSA Bank-Only 1H 2014

August 11, 2014

VakıfBank IR App.



1H 2014 Macro Highlights

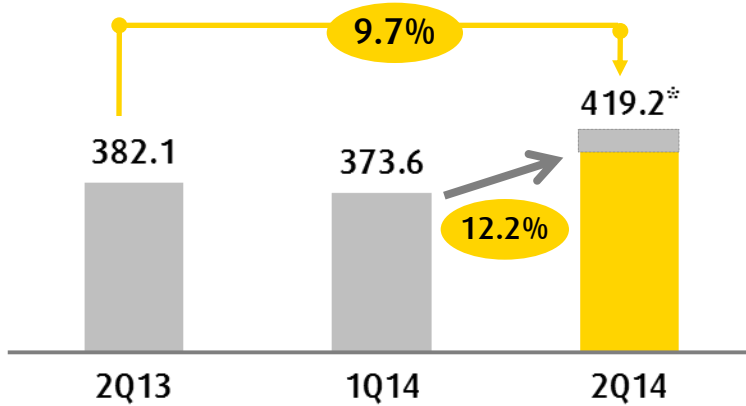
- US 1Q GDP data disappointed the markets, but couldn't wipe out confidence. On the other hand, unemployment rate fell to 6.1% -lowest level since Sept 2008- which wasn't enough to convince FED to change policy discourse in 2Q14.
- FED is expected to end asset purchases in 4Q14. The timing of the first rate hike is still unclear.
- UST 10Y yield decreased to 2.4% in May but closed 2Q14 2.6% level.
- Brent crude oil price jumped 115 USD in June as tension in Iraq escalated.
- ECB moved into a much looser monetary policy stance, cutting policy rate 10 bps to 0.15% in June and emphasized the slow pace of growth and low inflationary pressures. ECB didn't introduce QE yet but committed to support economy via enlarged set of policy tools.
- Turkish GDP growth came in at 4.3% stronger than market expectation. Weak domestic consumption contribution to GDP offset by exports; which was up by 11.4% YoY. 1Q 2014 GDP growth composition seems to differentiate compared to 2013.
- Unemployment rate decreased to 9.0% in April.
- CPI increased 0.31% on a monthly basis in June and came at 9.16% YoY, higher than market expectations, due to the food prices standing above the seasonal average. Also, core CPI fell to 9.7% YoY in June, from 9.8% in May. CPI did not come down as expected in July and it increased 0.45% on a monthly basis to 9.32%.
- C/A deficit came at 3.4 bio USD falling %54.9 YoY and 12 month rolling C/A deficit declined to 52.6 bio USD in May. The decrease in imports as a result of the fall in gold imports and weaker domestic demand were the factors of the improvement in the C/A deficit.
- CBRT cut the policy rate 50 bps in May and 75 bps in June. Hence, the policy rate fell to 8.25% by the end of 2Q14. However, CBRT left the O/N deposit and lending rates unchanged at 8% and 12% respectively. So, the upper and lower bands of the interest rate corridor remained untouched in 2Q14 providing further flexibility for the CBRT.
- Benchmark bond yields continued to decrease during 2Q 2014 and came at around 8% level.
- Budget deficit came at 3.4 bio TL as of June and budget deficit/GDP ratio materialized at 1.4%.

1H 2014 VakifBank Highlights

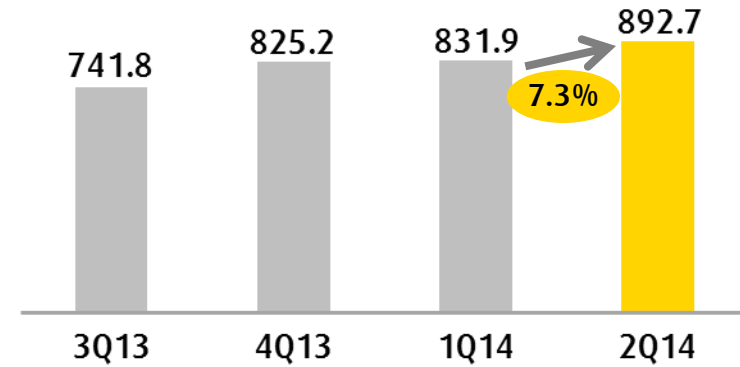
- 1H14 reported net income is 722.8 mio TL; quarterly reported net income came at 349.2 mio TL.
- Excluding 70 mio TL preloaded general provisioning cost*, comparable quarterly net income would be 419.2 mio TL, which is up by 9.7% YoY and 12.2% QoQ.
- Total loans are up by 2.5% QoQ, backed by SME, GPC and overdraft loan growth.
- After a contraction on retail loans in 1Q 2014, GPC and overdraft loans are up by 3.5% and 11.4% QoQ, respectively.
- Loan/Assets ratio climbed to all time record level at 66%.
- Quarterly deposit growth was moderate at 1.3%, mainly driven by demand and retail deposits growth.
- 500 mio EUR eurobond issuance, first of its kind non-sovereign eurobond from Turkey, was completed successfully with more than 10 times oversubscription.
- Securities issued increased 30% QoQ and doubled itself YoY thanks to local bonds, private placements and bond issuances via GMTN programme.
- Quarterly nominal NPL growth is limited at 2.7%, which is one of the best among peer group on comparable basis thanks to collection improvement**.
- NPL ratio is flattish at 3.96% and NPL coverage ratio further increased 1 ppt to 93%, which is the highest among peer group as of 1H14 .
- Other income is up by 73% QoQ thanks to strong NPL collections and disposal of real estate portfolio.
- Net CoR came better than budget at 56 bps.
- Net Fee and Commission Income is up by 18% QoQ and reached to 171.4 mio TL, supported by retail loan growth.
- Net trading income came strong at 80.1 mio TL thanks to trading activities.
- Total provision costs are up by 14.6% QoQ because of both NPL coverage increase and general provision increase.
- CAR is up by 28 bps QoQ and reached to 14.30%; Core Tier I ratio is up by 31 bps QoQ and reached to 11.6%. MtM gains from securities increased more than 480 mio TL QoQ.

1H 2014 Earnings and Ratios

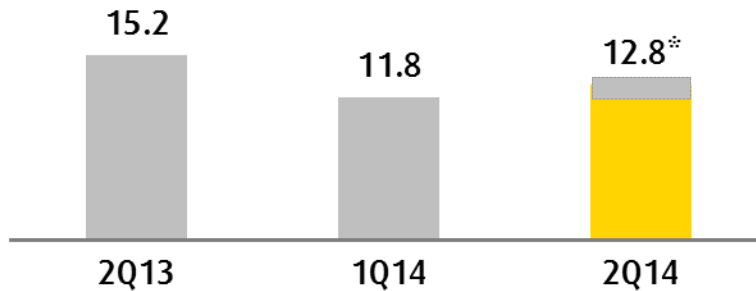
Net Income (Mio TL)



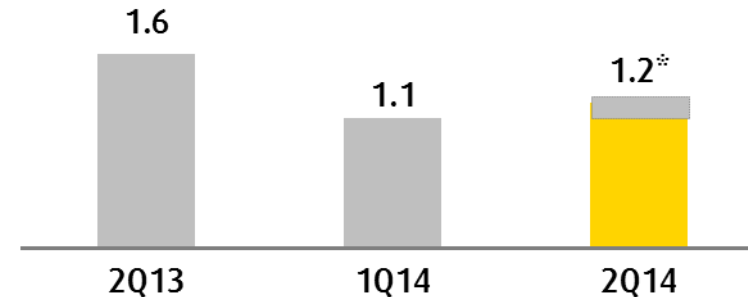
Operating Profit (Mio TL)



ROAE (%)

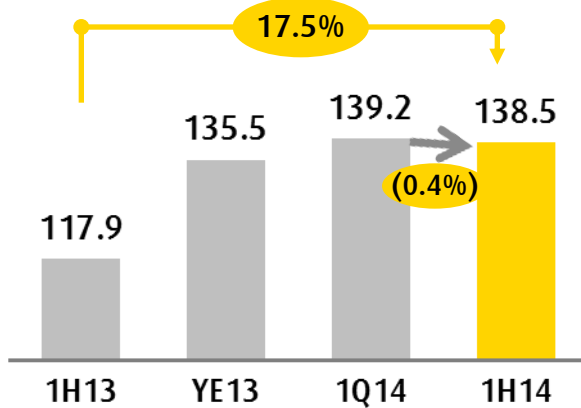


ROAA (%)

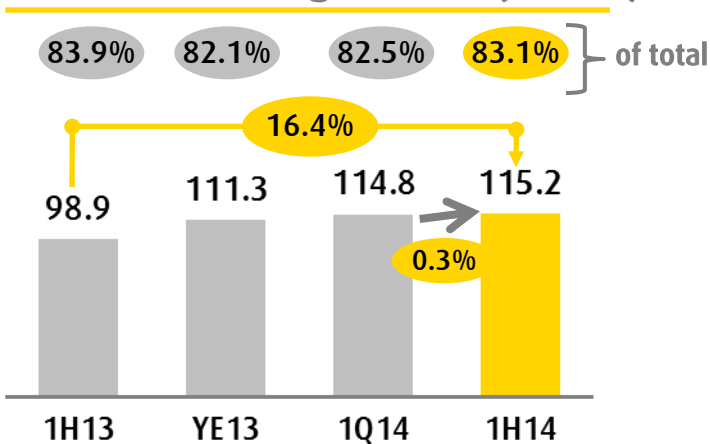


Loans/Assets reached to all time record level

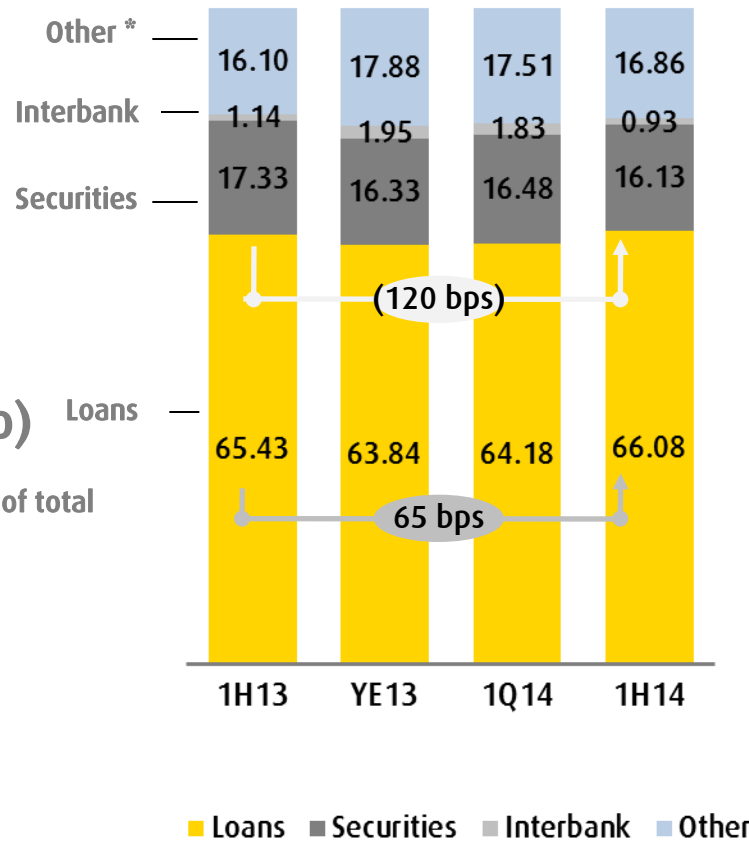
Total Assets (TL bio)



Interest Earning Assets (TL bio)



Breakdown of Assets (%)

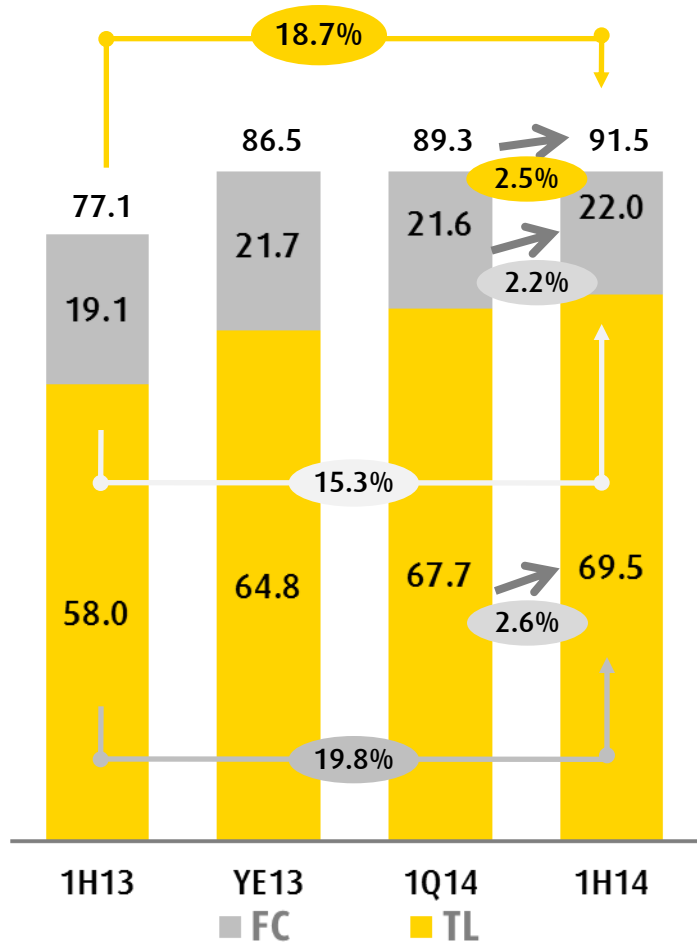


The share of
loans in total
assets

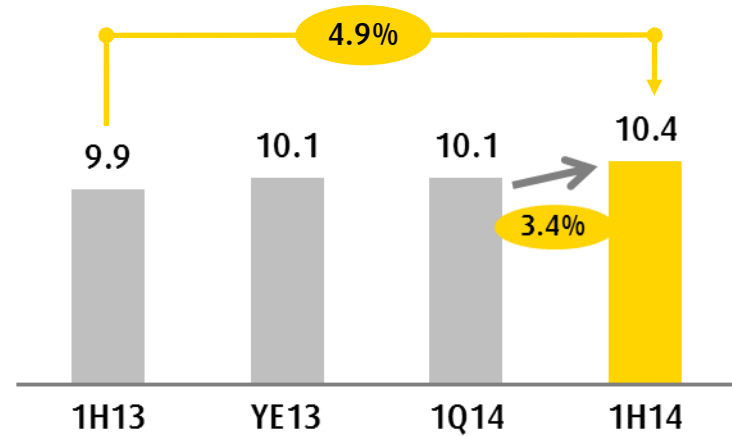
66.1%

Loan growth & breakdown

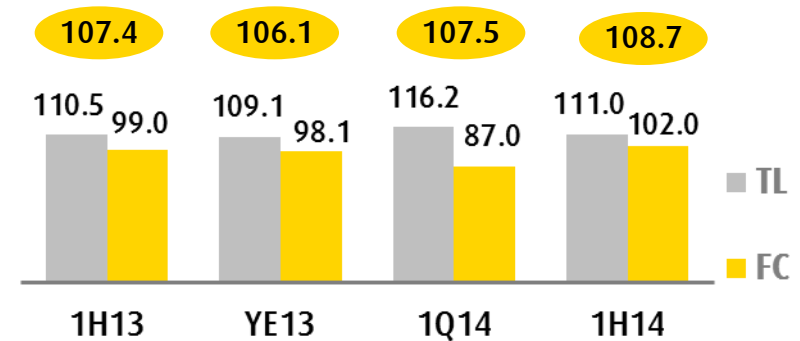
Total Loans (TL bio)



FC Loans (USD bio)

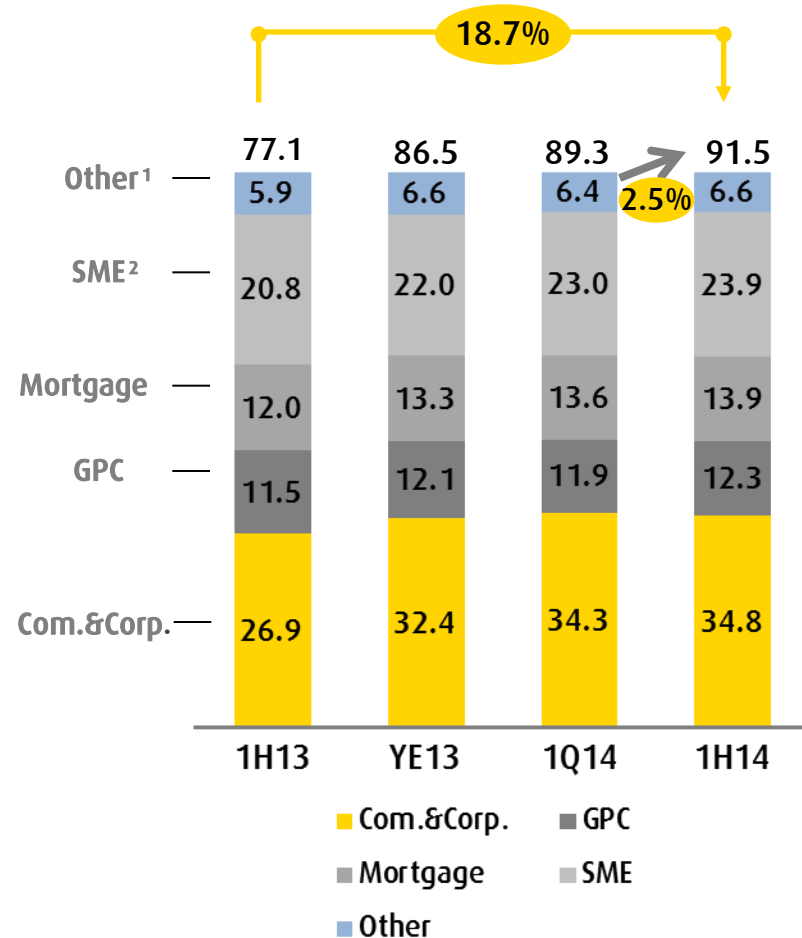


Loan/Deposit (%)

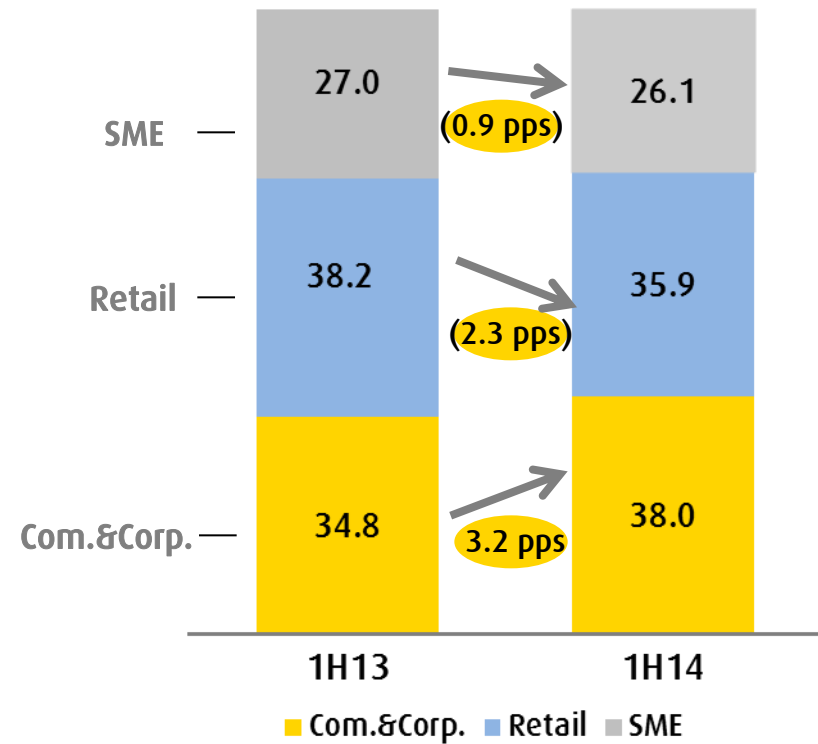


Well diversified loan breakdown

Breakdown of Loans (TL bio)

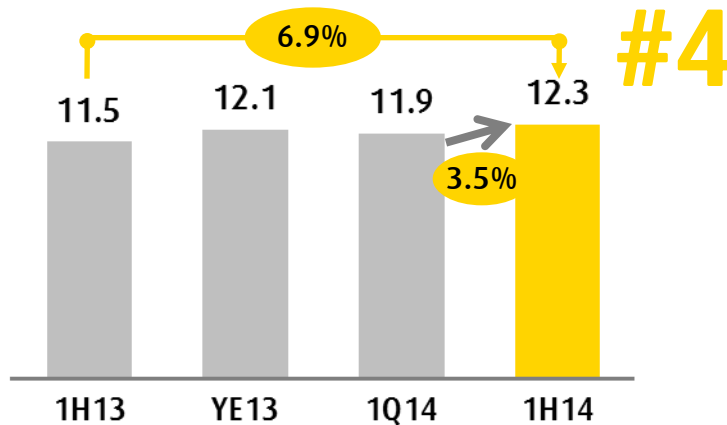


Portfolio Shift (%)³

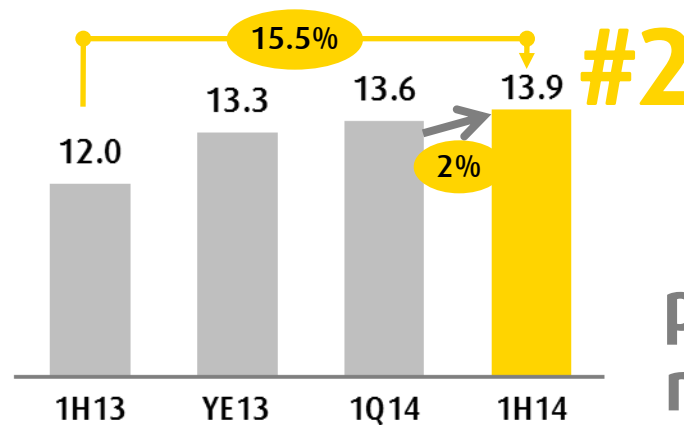


Retail products are building momentum due to increased consumer confidence

General Purpose Consumer (TL bio)



Residential Mortgages* (TL bio)

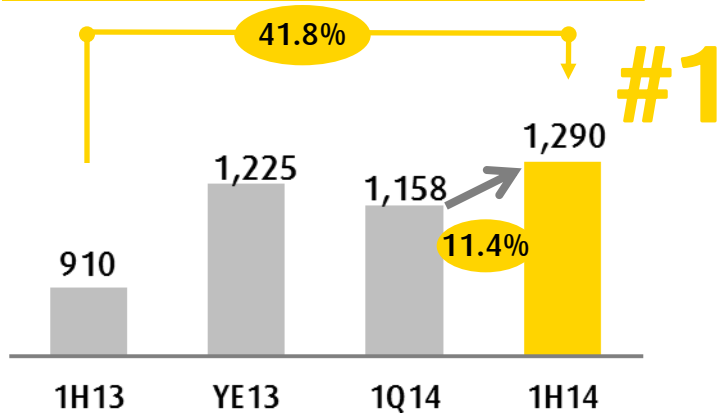


Ranking in peer group

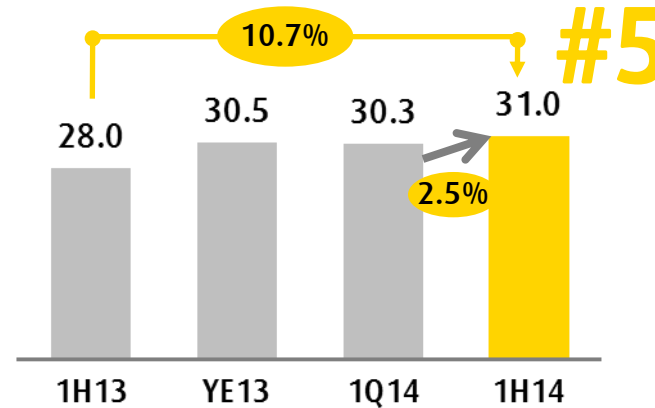
Strong presence in key retail segments thanks to

2.3 million pay-roll accounts

Retail Overdraft (TL mio)

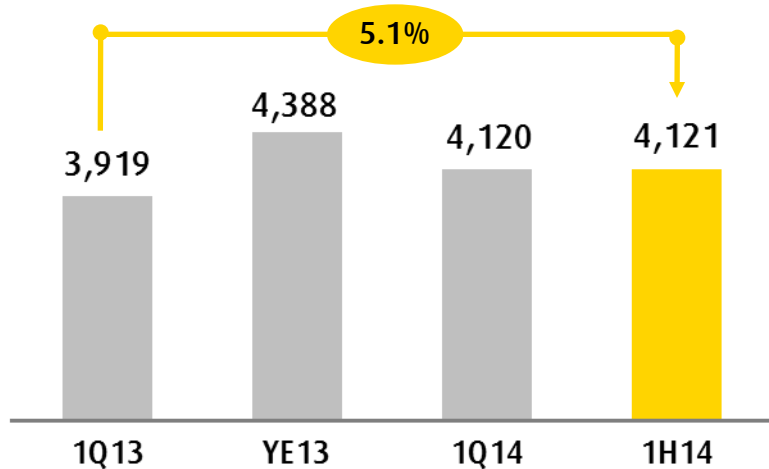


Total Retail (TL bio)



Modest growth in credit cards

Credit Card Loans (TL mio)



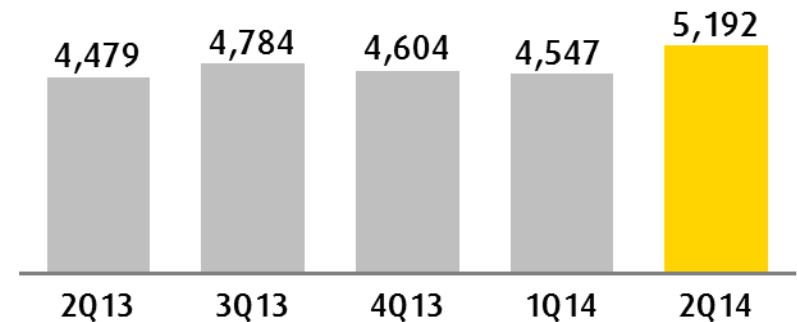
Credit Card Loans growth YoY;

5.1%

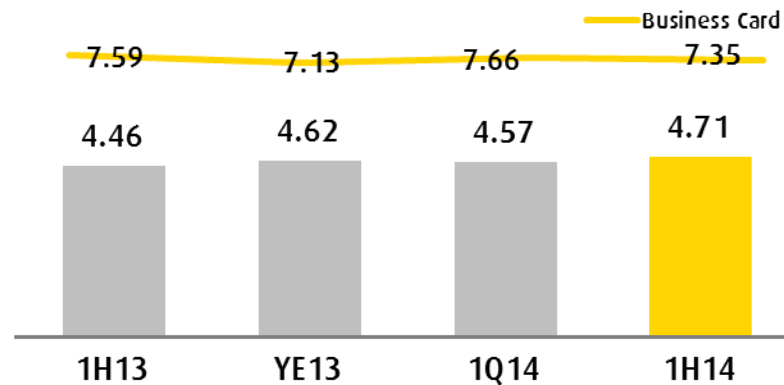
Sector growth YoY*;

(0.5%)

Average Quarterly Issuing Volume (TL mio)

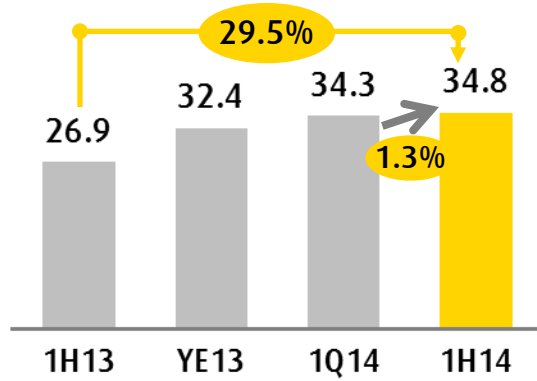


Market share* (%)

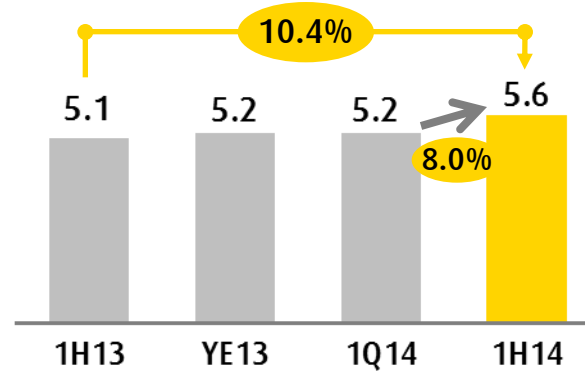


Project finance lending growth is on track with the budget

Commercial&Corporate (TL bio)



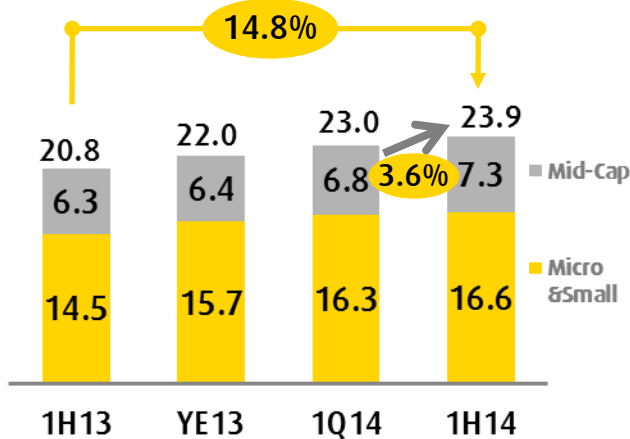
Project Finance Loans (USD bio)



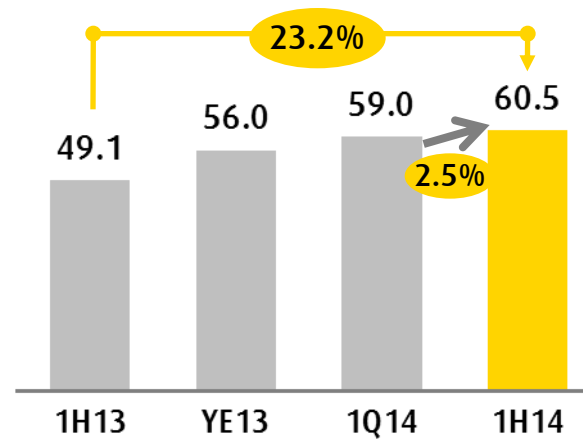
**Mid-Cap SME
Loan
growth**

**7.5%
QoQ**

SME*(TL bio)

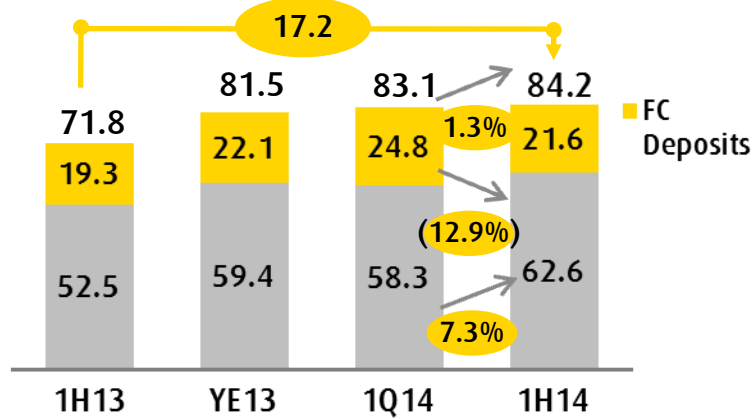


Total Com.&Corporate Loans**(TL bio)

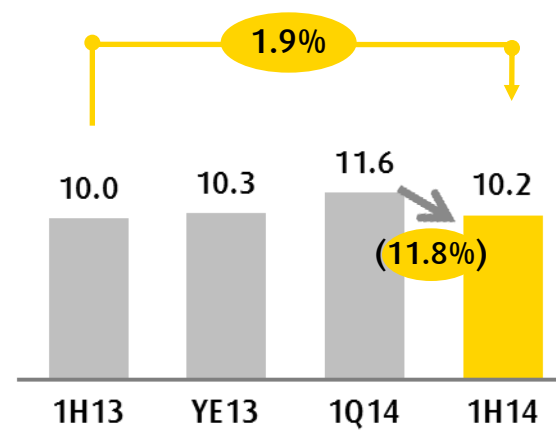


TL heavy deposit growth is backed by demand deposit

Total Deposits (TL bio)



FC Deposits (USD bio)



Demand Deposit
growth
YoY;

37%

Share of Demand
Deposits in total;

20%

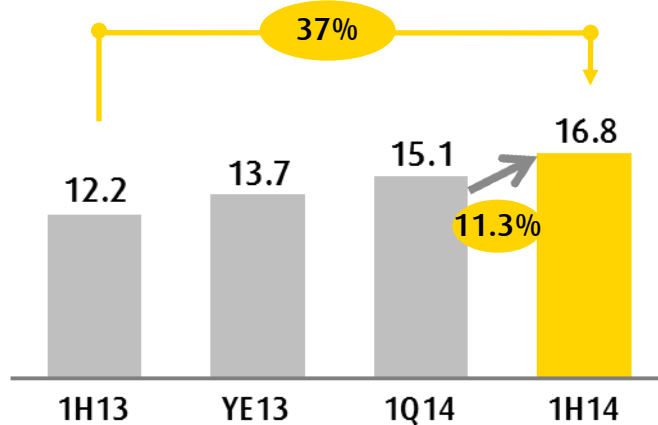
in 1H2014

vs

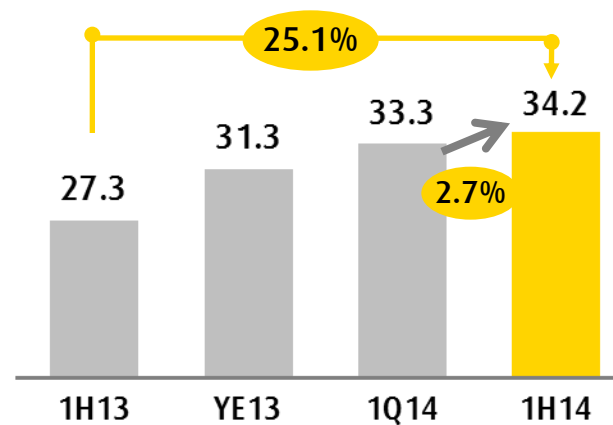
17%

in 1H2013

Demand Deposits (TL bio)

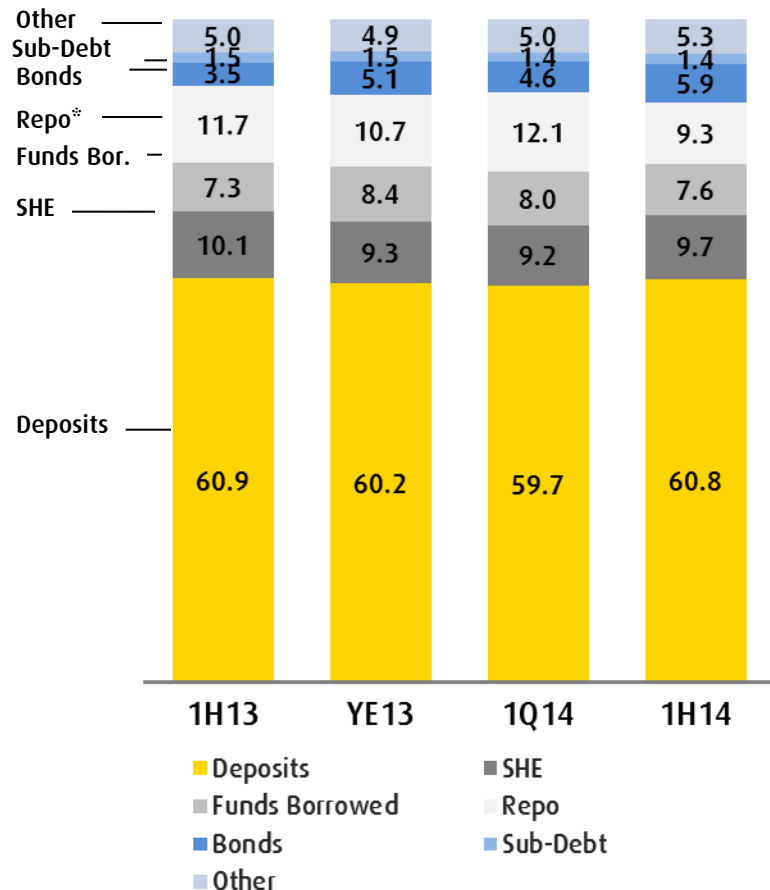


Total Retail Deposits (TL bio)

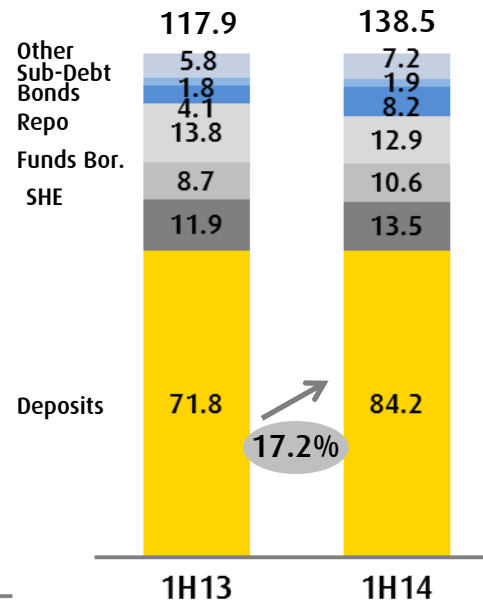


Customer deposits remain the main funding tool

Breakdown of Liabilities (%)



Breakdown of Liabilities (TL bio)



Wholesale Borrowing

Funds Borrowed+Bonds Issued+
Sub-debt / Liabilities

15%

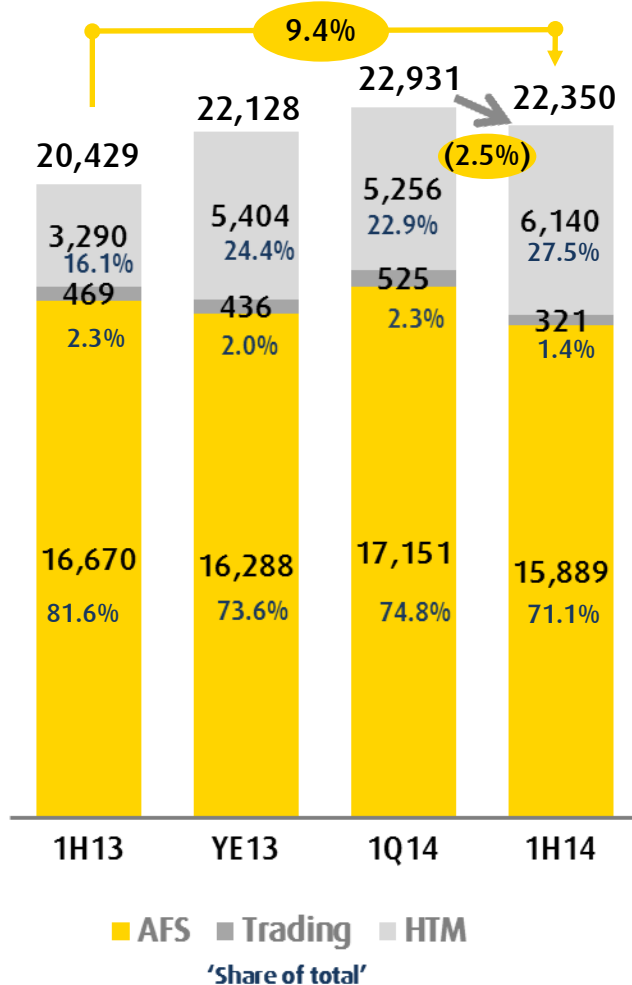
Deposits Heavy Funding
Structure

Total Deposits / Liabilities

61%

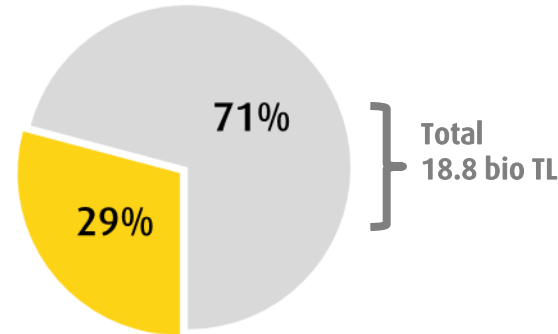
Timely reshaped securities portfolio in favour of CPI linkers

Total Securities (TL mio)

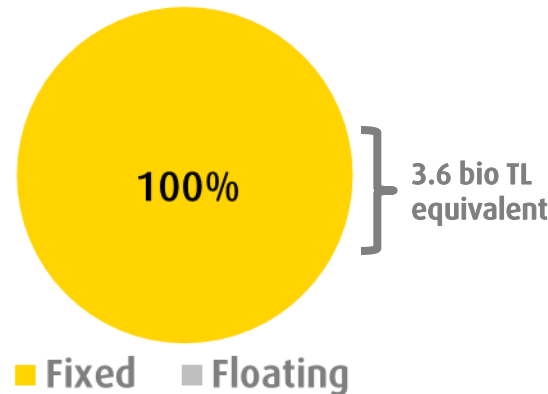


Portfolio Structure

TL



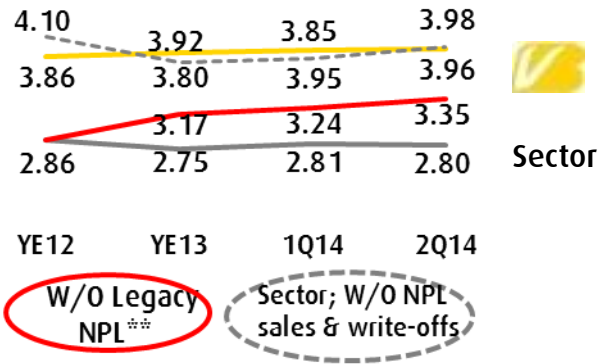
FC



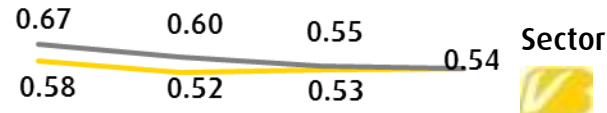
CPI Linkers' share in TL Securities increased to **38.5%** in 1H14 from **26.1%** in 1H13

NPL ratios

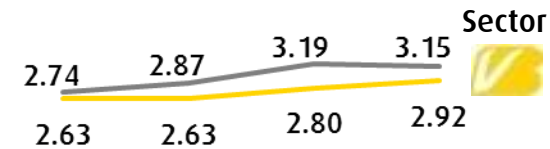
Overall NPL Ratio* (%)



Mortgages NPL (%)



Total Retail NPL (%)



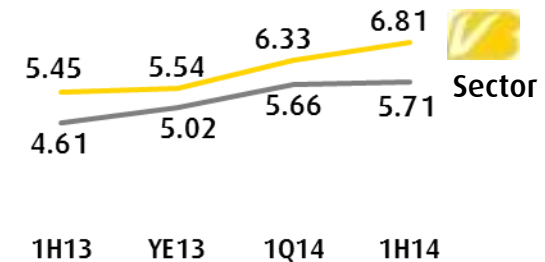
General Purpose Consumer NPL (%)



SME NPL (%)

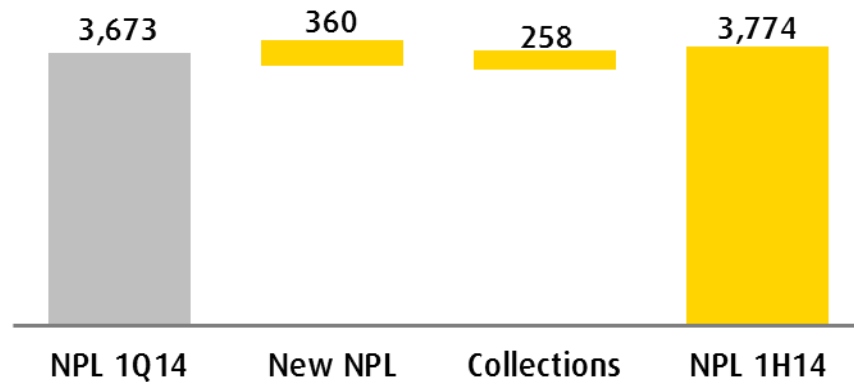


Credit Cards NPL (%)

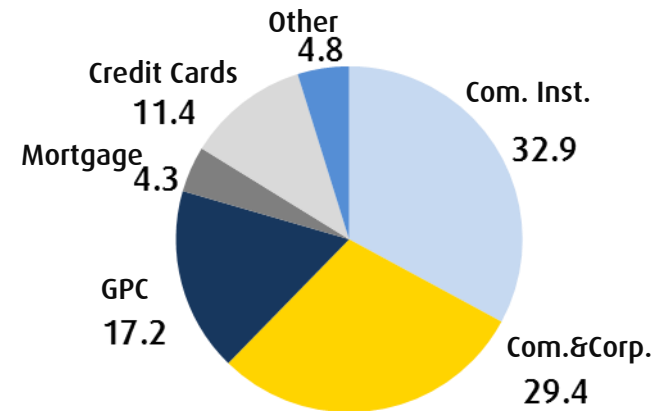


Net CoR is better than the budget due to collection improvement

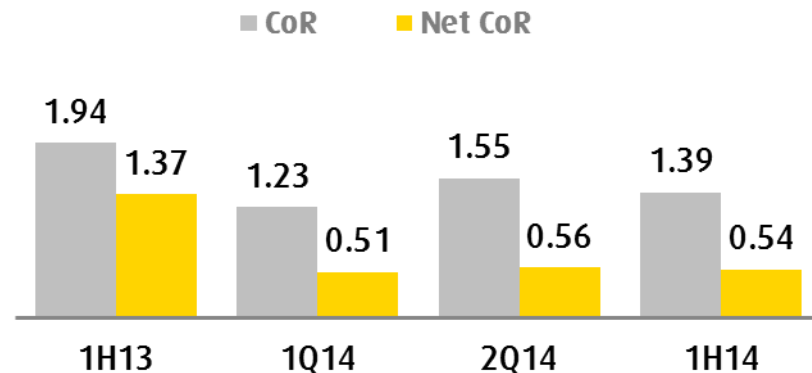
NPL (mio TL)*



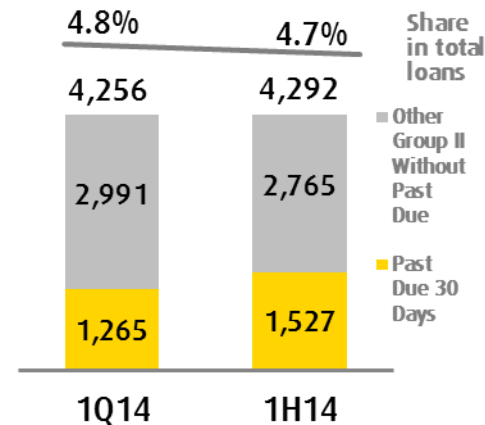
Breakdown of New NPL Inflow (%)



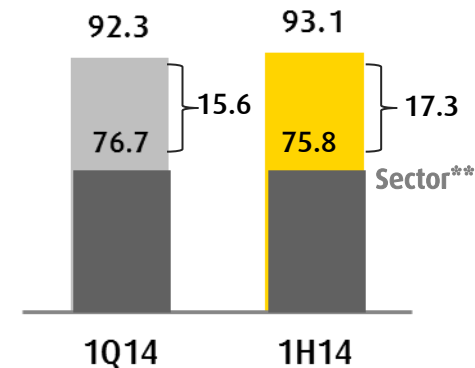
Specific Cost of Risk (%)



Group II Loans (mio TL)

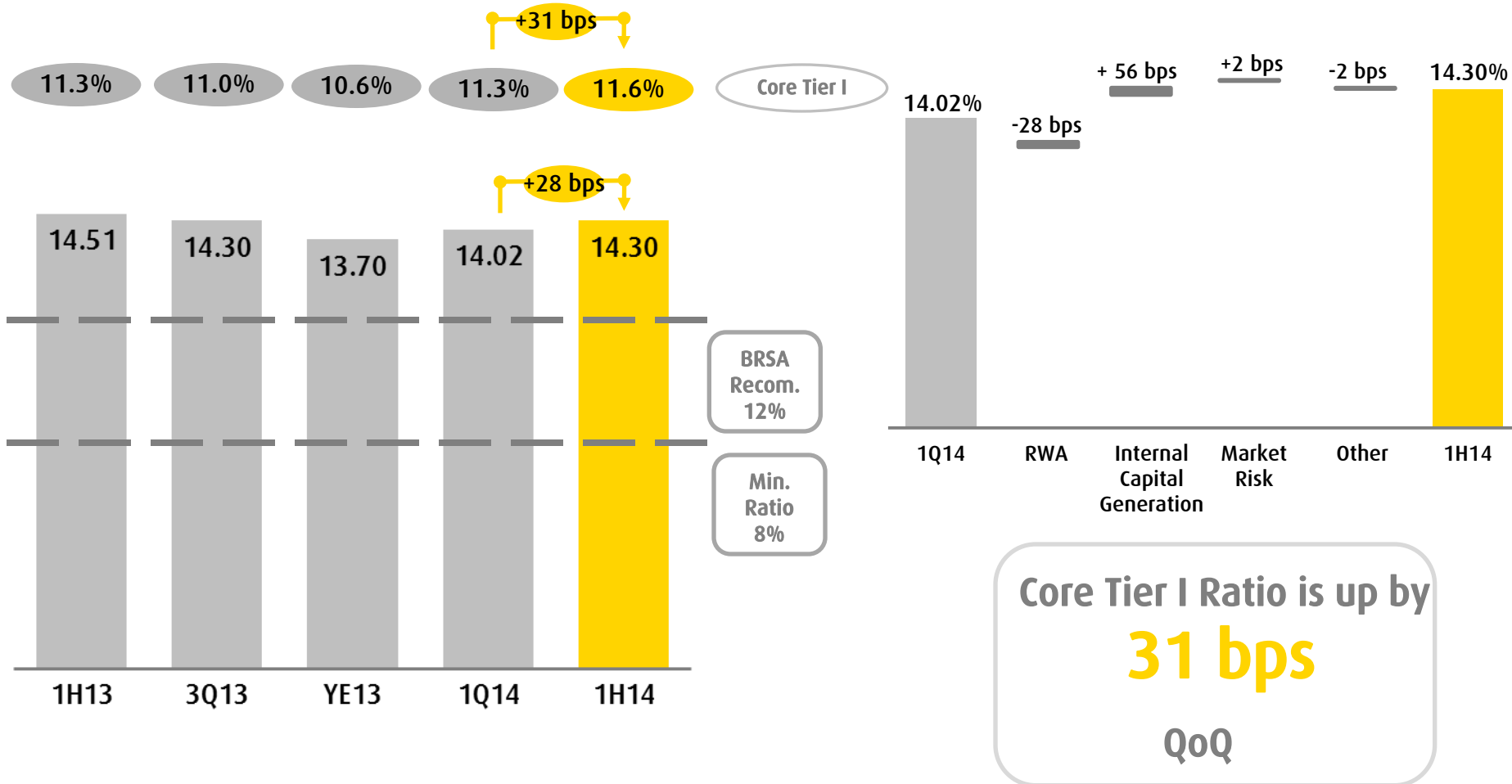


Coverage Ratio (%)



Solvency ratios

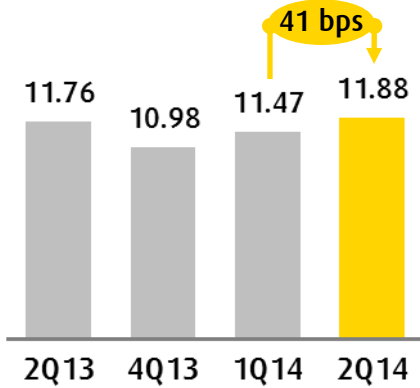
Capital Adequacy Ratio (%)



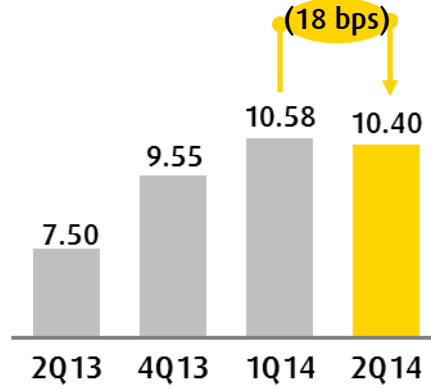
NIM, Spreads and Costs

Yields (%)

TL Loans

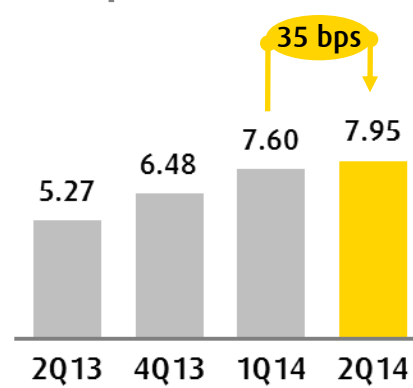


TL Securities

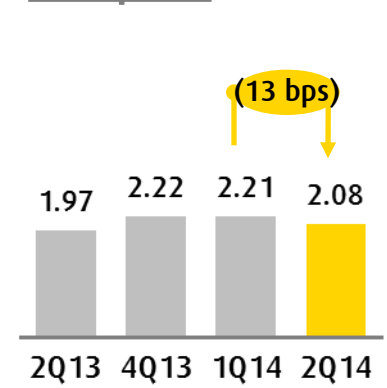


Cost of Deposits (%)

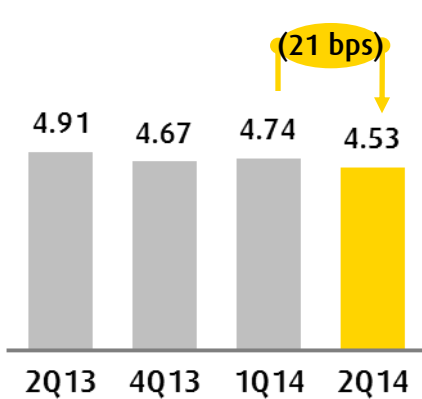
TL Deposits



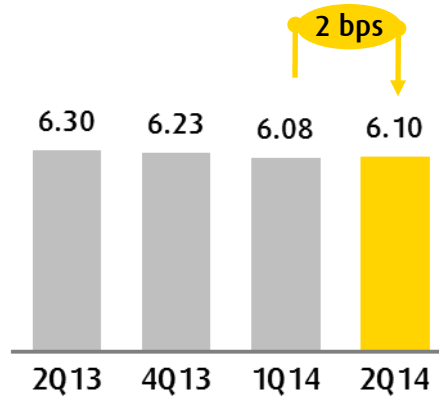
FC Deposits



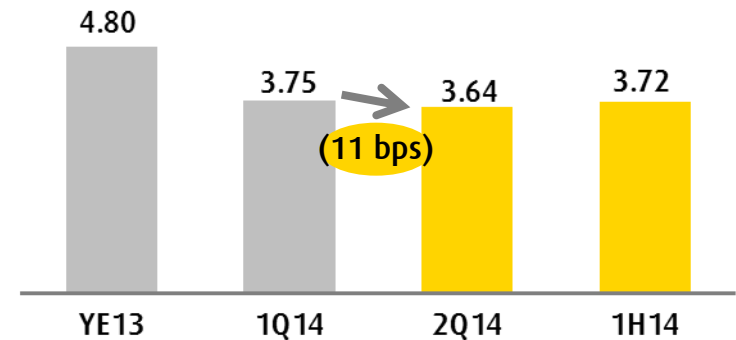
FC Loans



FC Securities*

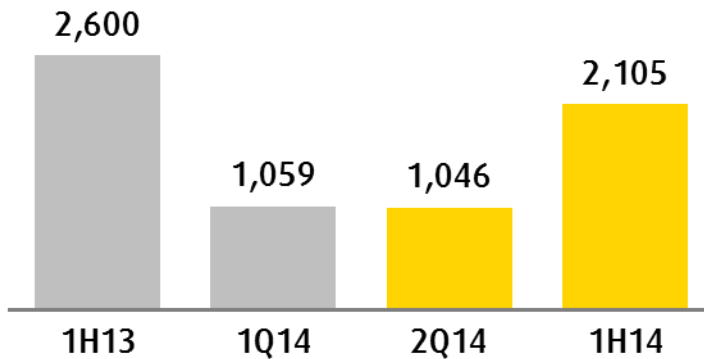


Net Interest Margin (NIM %)

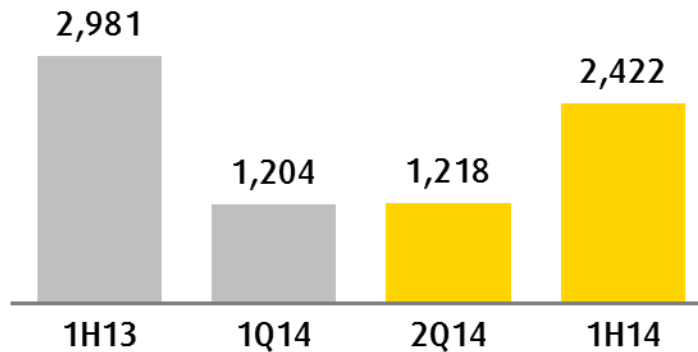


Earnings breakdown

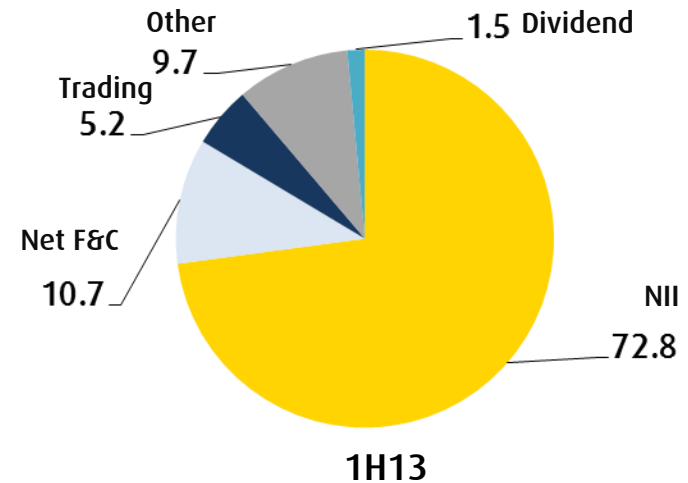
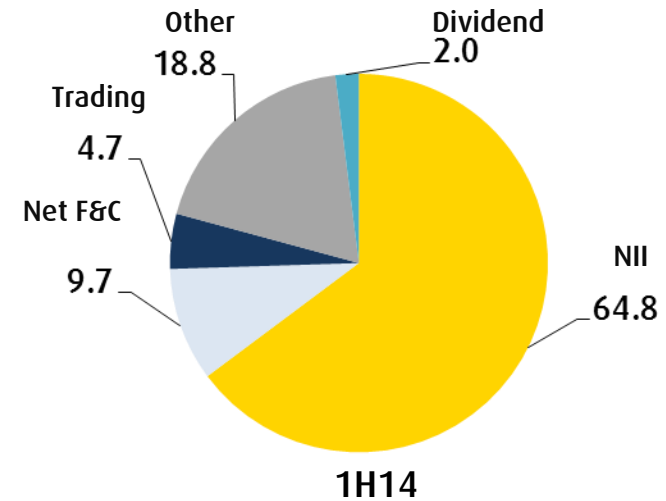
Net Interest Income (TL mio)



Core Banking Revenues* (TL mio)

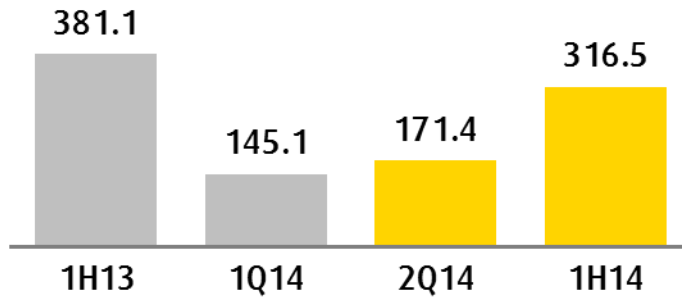


Breakdown of Total Revenues (%)

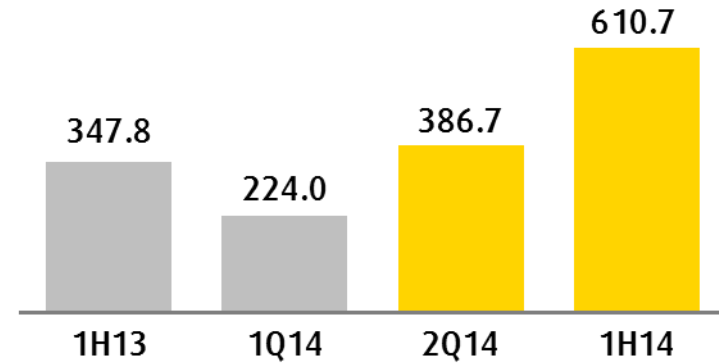


Revenue Items

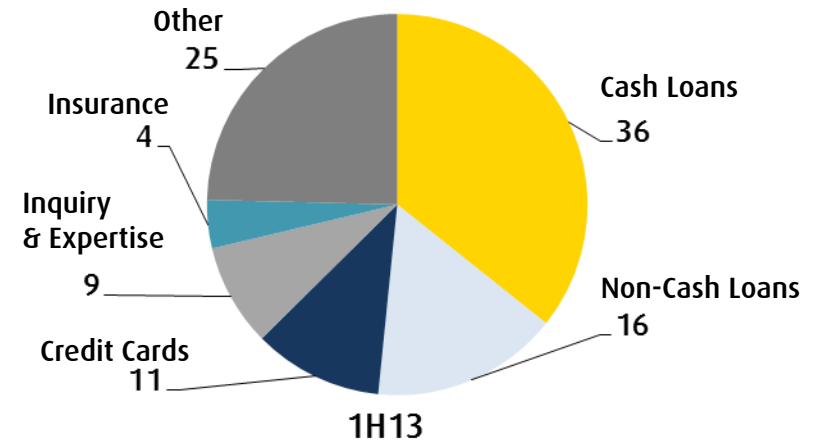
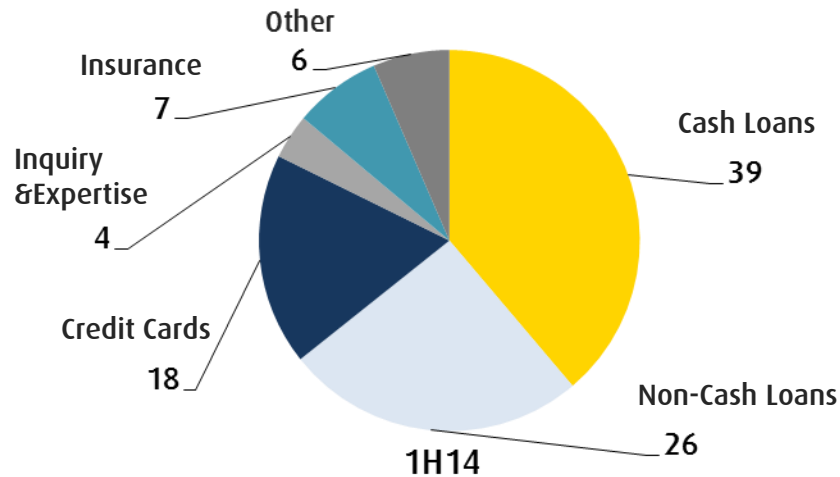
Net Fee and Commission Income (TL mio)



Other Income (TL mio)

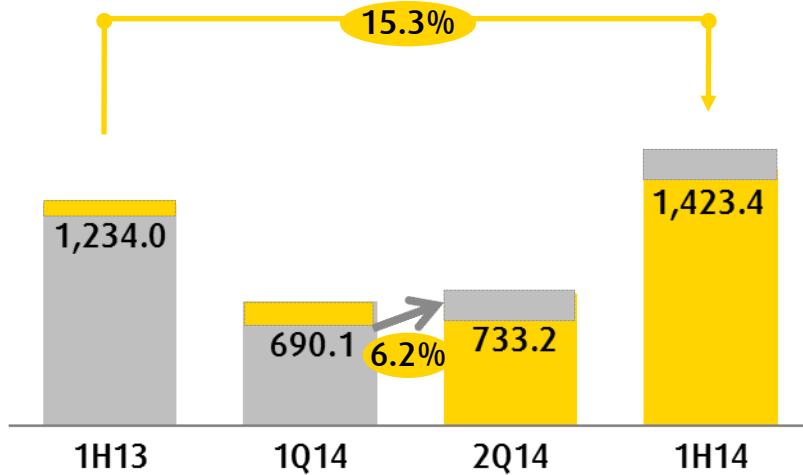


Breakdown of Net Fee & Com. Income (%)

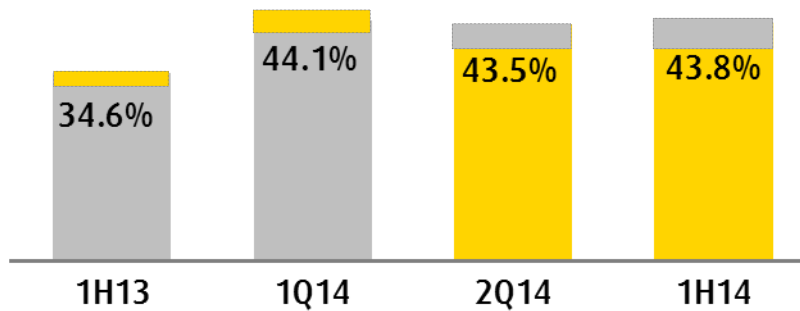


Opex

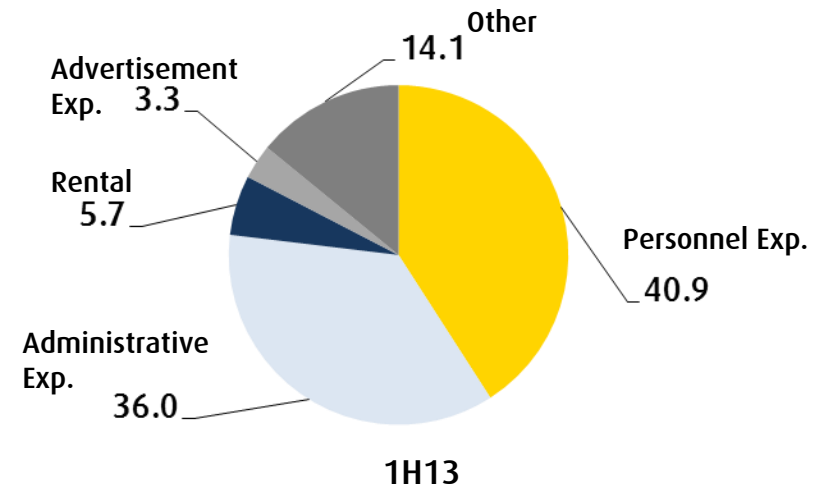
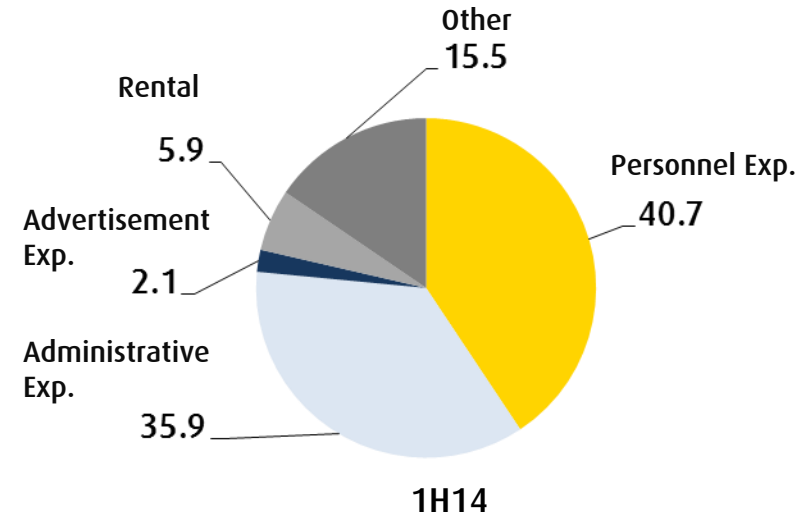
Operating Expenses* (TL mio)



Cost/Income *



Breakdown of Operating Expenses (%)



VakifBank with numbers

Distribution Channels & Customer Base (#)	1H14
Branches	877*
ATMs	3,024
Personnel	14,891
POS Terminals	145,468
Outstanding Credit Cards	3.0 mn
Total Customers	16.1 mn
Total Payroll Customers	2.3 mn
Internet Banking Customers	2.7 mn
Active Mutual Fund Customers	1.5 mn

Efficiency ('000 TRY)	1H14
Assets per Employee	9,304
Assets per Branch	157,969*
Loans per Employee	6,147
Loans per Branch	104,380*
Deposits per Employee	5,655
Deposits per Branch	96,016*

Balance Sheet

	(TL-mio, %)	1H2013	1Q2014	1H2014	YoY Growth	QoQ Growth
Assets	Cash & Balances with Central Bank	14,480	19,802	18,638	28.7%	(5.9%)
	Interbank	1,346	2,552	1,286	(4.5%)	(49.6%)
	Securities	20,429	22,931	22,350	9.4%	(2.5%)
	Loans	77,138	89,308	91,541	18.7%	2.5%
	Subsidiaries & Investments	1,331	1,518	1,538	15.5%	1.3%
	Property & Equipment	1,155	670	669	(42.1%)	(0.3%)
	Other	2,008	2,371	2,517	25.4%	6.2%
	Total Assets	117,887	139,153	138,539	17.5%	(0.4%)
Liabilities & SHE	Deposits	71,835	83,119	84,206	17.2%	1.3%
	Funds Borrowed	8,662	11,138	10,573	22.1%	(5.1%)
	Other	23,588	30,129	28,234	19.7%	(6.3%)
	Provisions	1,867	1,968	2,030	8.7%	3.2%
	Shareholders' Equity	11,935	12,799	13,496	13.1%	5.5%
	Guarantees	20,803	24,225	24,694	18.7%	1.9%
	Commitments	59,666	21,276	21,797	(63.5%)	2.5%
Off-B.S	Derivatives	17,468	35,122	27,234	55.9%	(22.5%)

Income Statement

(TRY-Thousand, %)	1H2013	1Q2014	2Q2014	1H2014	Δ{1H13 1H14}	Δ{1Q14 2Q14}
Net Interest Income	2,600,255	1,059,148	1,046,293	2,105,441	(19.0%)	(1.2%)
Net Fee & Com. Income	381,123	145,105	171,362	316,467	(17.0%)	18.1%
Dividend Income	53,961	64,956	652	65,608	21.6%	99.0%
Net Trading Income	186,847	72,326	80,096	152,422	(18.4%)	10.7%
Other Income	347,783	224,003	386,669	610,672	75.6%	72.6%
Total Revenues	3,569,969	1,565,538	1,685,072	3,250,610	(8.9%)	7.6%
Operating Expense	(1,296,783)	(733,642)	(792,339)	(1,525,981)	17.7%	8.0%
Provisions	(1,118,204)	(375,944)	(430,810)	(806,754)	(27.9%)	14.6%
Tax Provisions	(250,241)	(82,338)	(112,730)	(195,068)	(22.1%)	36.9%
Net Income	904,741	373,614	349,193	722,807	(20.1%)	(6.5%)

Diversified funding source via Non-Deposit Funding

Syndicated Loan

April, 2014

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

Eurobond & Private Placements

Eurobond/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\$ 1,874 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 September 2013 and terminates on August 2014 with a 350 days maturity, TL 38.2 million bond at a cost of 10.4%.
- Issued on February 2014 and terminates on August 2014 with a 175 days maturity, TL 581.2 million bond at a cost of 11%.
- 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 September 2014 with a 91 days maturity, TL 300.6 million bond at a cost of 8.7%.
- 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%.



Investor Relations

Çamlık Cad. Çayır Çimen Sok. No:2 Kat:6
34330 1. Levent-İstanbul / Turkey

E-mail: investor.relations@vakifbank.com.tr

Tel (90-212) 316 7390

Fax (90-212) 316 7126

www.vakifbank.com.tr

Disclaimer Notice: This report has been prepared by Vakifbank, Investor Relations Department and is provided for information purposes only. Although the information on which the report is based has been obtained from sources which we believe to be reliable, no representation or warranty is made by Vakifbank for the accuracy or completeness of the information contained herein. Information contained herein is subject to change without notice. Vakifbank accepts no liability whatsoever for any direct or consequential loss of any kind arising out of the use this document or any part of its content.