Yapı Kredi
1H17 Investor Presentation

1 August 2017

YapıKredi

Yapı Kredi: A leading financial services group

Ratings Moody's: Ba2 / Fitch: BBB- / S&P: BB

At highest level among Turkish banks, based on Fitch[1]

Assets	286.5 bln TL
Loans	185.8 bln TL
Shareholders' Equity	28.5 bln TL
Deposits+ TL Bonds[2]	168.6 bln TL
Active Customers[3]	13.1 mln
Employees[4]	19,391
Branches	908
Share of ADCs[5]	90%
Net Income	1,893 mln TL
RoATE[6]	14.7%
Bank CAR	14.8%
Total NPL Coverage[7]	113%

Total 23.0 mln

4th largest private bank and **deep rooted franchise** (established in 1944)

Among top 10 most valuable brands[8] in Turkey

Integrated network with widespread branch coverage and **strong presence in digital**

Young and **qualified workforce** serving a **wide customer base**

Core-banking focused balance sheet (highest loans/assets; lowest securities/assets among peers)

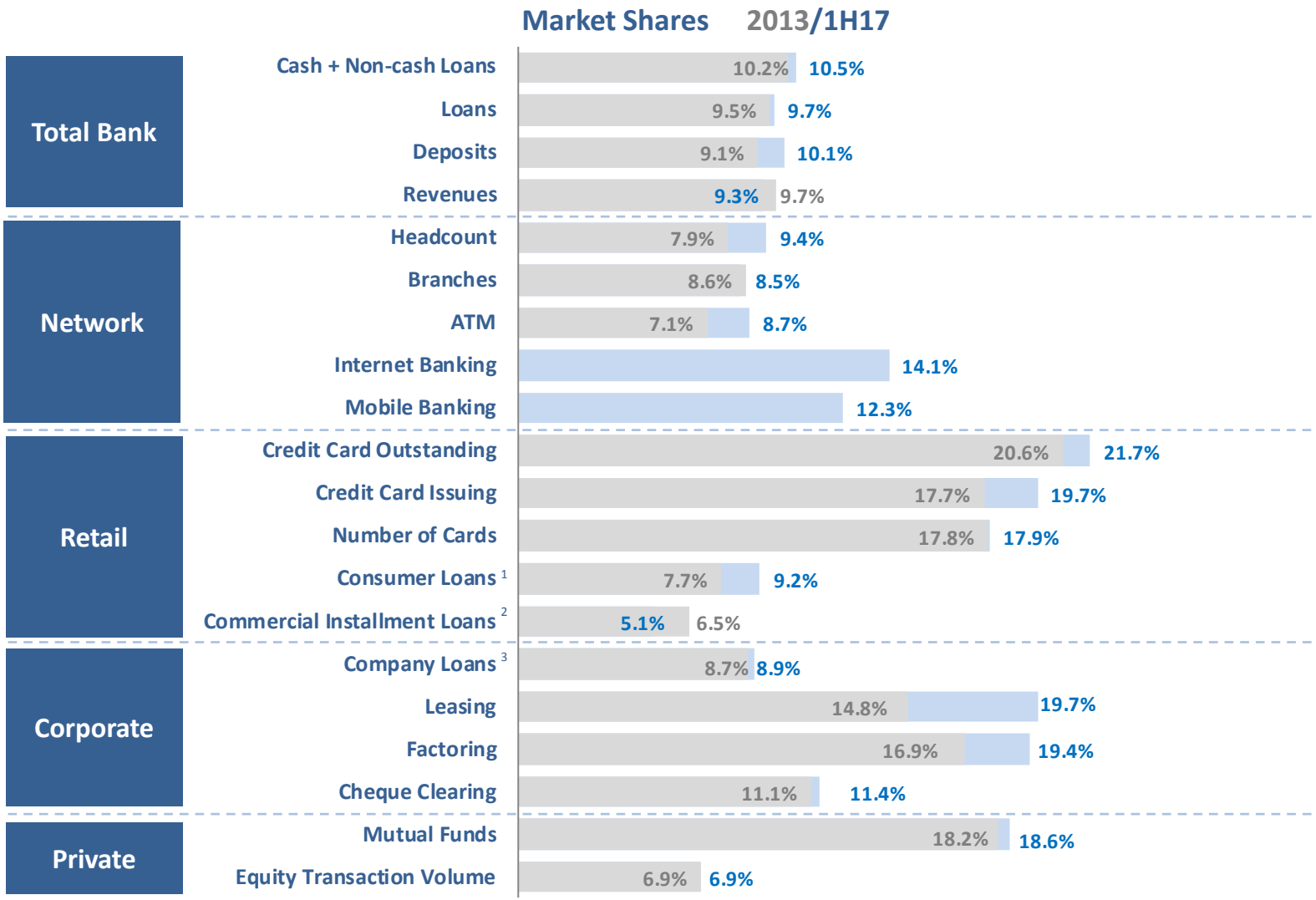
Conservative risk profile and **prudent provisioning policy**

Resilient capital base and **funding capability**

Note: Loans indicate performing loans.
(1) On 2 Feb'17, Fitch changed YKB's Long-Term Foreign Currency and Long-Term Local Currency ratings at "BBB-"
(2) Deposits: TL 164.2 bln, TL Bonds: TL 4.4 bln
(3) Indicates customers with at least one product usage in the last 1.5 years
(4) Group data. Bank-only: 18,406
(5) Share of alternative delivery channels (ADCs) in total comparable transactions, includes other non-branch, COPS and auto-pay transactions
(6) RoATE indicates return on average tangible equity (excl goodwill)
(7) Total NPL Coverage indicates (Specific+ Generic Provisions)/NPLs
(8) Brand Finance Turkey 100 report 2016 ranks Yapı Kredi as number 9

YapıKredi

Leading positions in value generating services and products



Note: All market shares as of 1H17 unless stated otherwise. Internet Banking, Mobile Banking, Leasing, Factoring and equity transaction volume market shares as of 1Q17. Market share and rankings based on: Interbank Card Center (for credit card acquiring and number of cardholders), Turkish Leasing Association (for leasing), Turkish Factoring Association (for factoring), Central Bank Cheque Clearing System (for cheque clearing) Rasyonet (for mutual funds), Borsa Istanbul (for equity transaction volume). If not specified, data based on BRSA bank-only data for YKB and BRSA weekly sector data excluding participation banks for banking sector as of 30 Jun'17

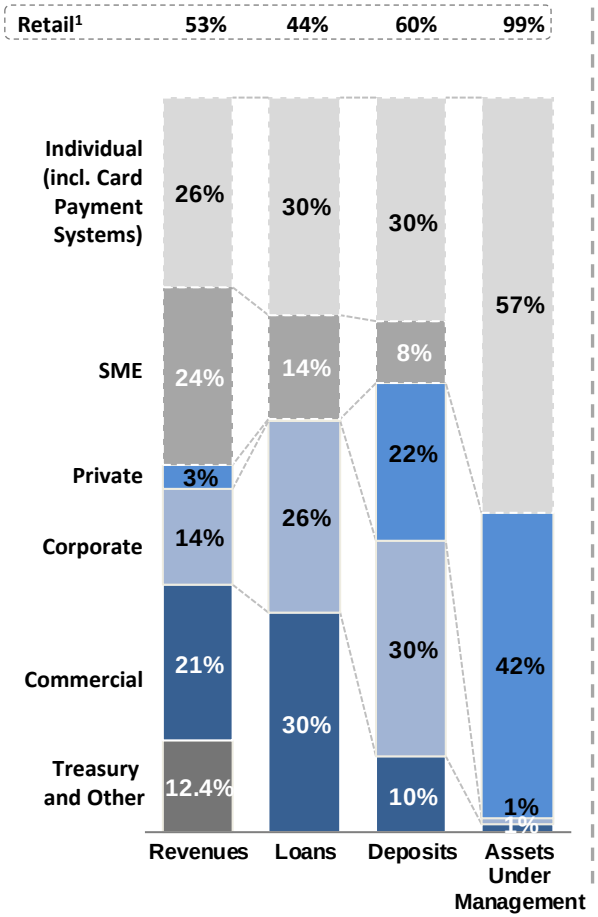
(1) Including mortgages, general purpose and auto loans
(2) Proxy for SME loans
(3) Cash loans excluding credit cards and consumer loans

YapıKredi

Well-diversified business mix on the back of a customer-oriented and divisionalised service model

Revenues and Volumes by Business Unit

(1H17)



YapıKredi

Retail Banking

- **Card Payment Systems**
  - 10.8 mln cards[2]
  - ~538k POS
  - 462k merchants
- **Individual & SME**
  - 828 branches
  - 3.6k RMs
  - 4,255 ATMs

Private Banking and Wealth Management

- 22 branches
- 167 RMs

Subsidiaries:

YapıKredi Yatırım

YapıKredi Asset Management

Corporate and Commercial Banking

- **Corporate**
  - 3 branches
  - 68 RMs
- **Commercial**
  - 48 branches
  - 504 RMs
  - Further segmented as mid/large companies
- **International / Multinationals**
  - 1 branch
  - ~1,150 customers

Subsidiaries:

YapıKredi Faktoring

YapıKredi Leasing

International Operations

	YapıKredi Nederland	YapıKredi Moscow	YapıKredi Azerbaijan	YapıKredi Malta
Total Assets	US$ 2.4 bln	US$ 141 mln	US$ 317 mln	US$ 172 mln

Source: Approximate numbers based on MIS reporting for company information. Asset size data of international operations based on 1H17 BRSA financials
Branch numbers exclude 3 mobile, 1 free-zone, 1 abroad, 1 custody branches
(1) Includes individual, SME and private
(2) Including 2.4 mln virtual cards

YapıKredi

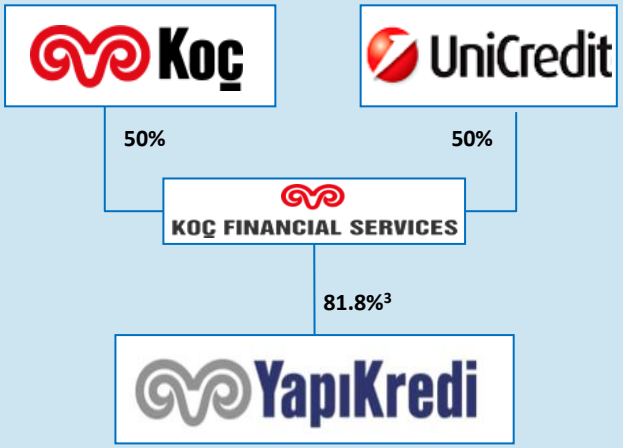
Strong and committed shareholders

Stable, long-term focused shareholding structure supporting YKB's balanced growth and sustainable performance

- **Established in 1926, largest conglomerate in Turkey** and **ranks among the world's top 500 companies**[1]
- **Long-standing leadership in core sectors** (automotive, finance, energy, consumer durables, food, retailing, tourism)
- **4 out of top 5 industrial enterprises in Turkey are part of the Koç Group**[2]
- **Best proxy to the Turkish market** (total sales/GDP: 6.3%, total exports/Turkey's exports: 9.5%)
- **Share of intragroup lending in total capital at 14.4% as of 1Q17** (max regulatory limit 20%)

Total Assets (EUR bln)	23.9
Revenues (EUR mln)	5,666
Net Income (EUR mln)	286

Ratings Moody's: Baa3 / S&P: BBB-



YKB considered a key long-term strategic asset by both shareholders

- **Systemically important Italian financial institution in Europe** with **roots dating back to 1473**
- **Full service group** engaged in a wide range of banking and related activities
- **Extensive international presence** with **strong roots in 14 countries,** international network spanning 18 countries
- **Market leader in Central and Eastern Europe** leveraging on the region's structural strengths
- **€2.5 bln funding to YKB as of 1H17** (o/w 63% for YKB subsidiaries)

Total Assets (EUR bln)	827
Revenues (EUR mln)	9,937
Net Income (EUR mln)	1,321

Ratings Moody's: Baa1 / Fitch: BBB / S&P: BBB-

Note: All information and figures regarding UniCredit based on publicly available 1H17 data unless otherwise stated. All information and figures regarding UniCredit based on publicly available 1Q17 data unless otherwise stated.
(1) Fortune Global 500 – 2016 report, ranking based on an average annual growth rate of 11% in consolidated profit in US$ terms between 2005-2016
(2) Istanbul Chamber of Commerce ranking (2015 report), ranking based on production-based sales
(3) Remaining 18.2% listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange

Continuation of profitability improvement...

1.9 bln TL *Net Income*	*+41% y/y*[1]	**Above private banks' growth**
14.7% *ROATE*[2]	*+257 bps y/y*	**Ongoing strong performance in ROATE**
41% *Cost/Income Ratio*	*-217 bps y/y*[1]	**Cost increase 3ppt below inflation**
1.10% CoR	*-26 bps y/y*	**Active asset quality management**
11.2% *CET 1 Ratio*[3]	*+61 bps ytd*	**Internal capital generation on track**

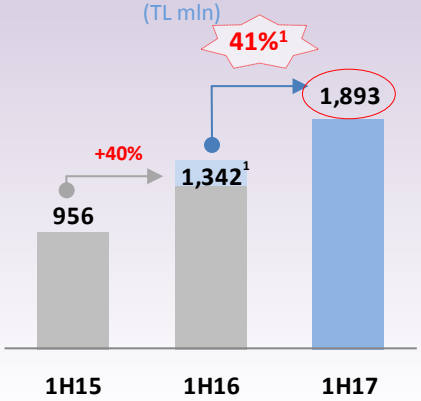
Notes:
(1) 2016 figures exclude the Visa sale gain [Impact of Visa sale gain: TL 235 mln (net impact: TL 210 mln)]
(2) ROATE indicates return on average tangible equity (excl. goodwill of TL 979 mln)
(3) Based on BRSA bank-only financials

YapıKredi

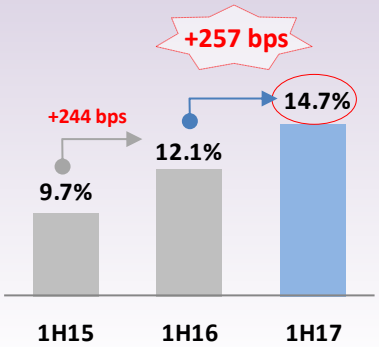
...on the back of sustainable performance

Profitability Acceleration

Net Income
(TL mln)

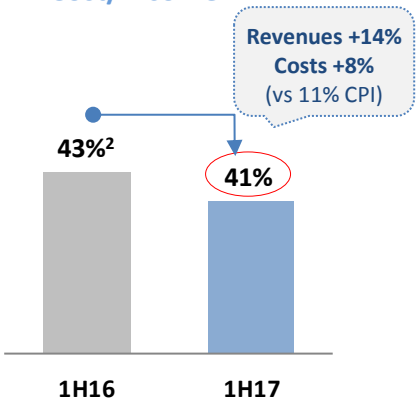


ROATE

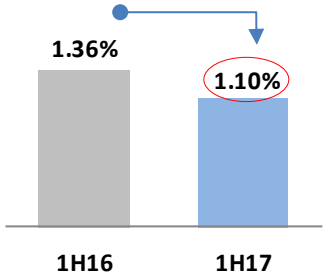


Strong Operational Performance

Cost/Income[1]

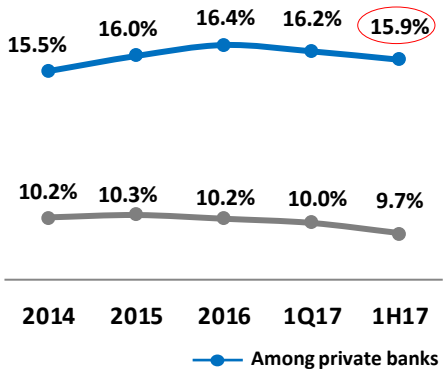


CoR

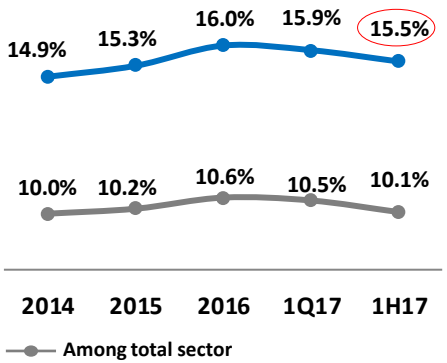


Balanced Scale Management

Loan Market Share



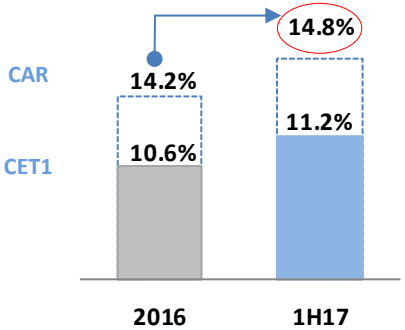
Deposit Market Share



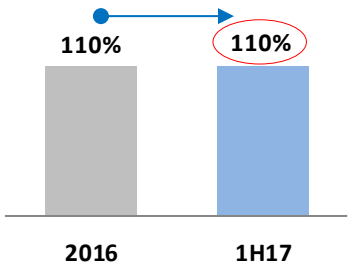
Among private banks — Among total sector

Solid Fundamentals

Capital Ratios



LDR



Notes:
Market shares based on BRSA bank-only weekly data. 1H17 as of 30 Jun'17
CAR= Capital Adequacy Ratio; CET1= Common Equity Tier-1; LDR= Loans / (Deposits + TL Bonds); CoR= Total Specific + Generic Cost of Risk net of collections. CAR and CET1 based on BRSA bank-only financials
ROATE indicates Return on Average Tangible Equity (excl. goodwill of TL 979 mln)
(1) 2016 figures exclude the Visa sale gain [Impact of Visa sale gain: TL 235 mln (net impact: TL 210 mln)]
(2) 2016 other income and provision figures are restated due to the revision on accounting treatment of collections

YapıKredi

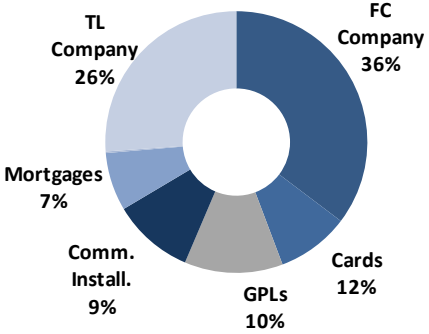
Optimized volume growth supporting the profitability

Lending (TL bln)

Loans +5% ytd driven by TL company lending

	YKB			Private Banks[1]	
	1H17	y/y	ytd	y/y	ytd
Cash + Non-Cash Loans	**260.7**	**17%**	**6%**	**19%**	**8%**
Total Loans[2]	**185.8**	**15%**	**5%**	**18%**	**9%**
TL	116.3	13%	10%	20%	14%
FC ($)	19.8	-2%	-1%	-5%	1%
Consumer Loans	**32.4**	**7%**	**4%**	**8%**	**4%**
Credit Cards	**22.6**	**9%**	**1%**	**7%**	**3%**
Companies[3]	130.8	19%	6%	22%	10%

Total Loans Breakdown



Conservative approach sustained
Credit Guarantee Fund lending increased to ~ TL 10 bln by June 2017

Market share in CGF lending in line with market share in SME loans

Funding (TL bln)

Deposits +5% ytd driven by **FX deposits changing the overall mix**

	YKB			Private Banks[1]	
	1H17	y/y	ytd	y/y	ytd
Total Deposits	**164.2**	**19%**	**5%**	**18%**	**7%**
TL	81.1	14%	-4%	12%	1%
FC ($)	23.7	3%	15%	2%	14%
Customer Deposits[4]	**157.4**	**18%**	**6%**	**18%**	**7%**
TL	78.8	15%	0%	11%	1%
FC ($)	22.4	1%	12%	4%	15%
Demand Deposits[4]	**29.7**	**32%**	**12%**	**31%**	**13%**
TL Bonds	**4.4**	**14%**	**10%**	**-3%**	**4%**
Repos	**4.9**	**-44%**	**-23%**	**-29%**	**-20%**
Borrowings	**62.3**	**25%**	**8%**	**20%**	**6%**

o/w individual[5]	y/y	ytd
	27%	19%

Diversified funding mix towards longer term funding sources

Eurobond issuances in 2Q
USD 500 mln
TL 500 mln

Notes:
(1) Private banks based on BRSA weekly data as of 30 Jun'17. TL Bonds and Borrowings for private banks based on BRSA monthly data as of Jun'17
(2) Loans indicate performing loans
(3) Total loans excluding consumer loans and credit cards and including commercial instalment loans
(4) Excluding bank deposits
(5) Based on MIS data

YapıKredi

Core revenues and asset quality drive the profit improvement

P&L

Effective performance in all lines leading to
TL 892 mln quarterly net income (+40% y/y excl. Visa income in 2Q16)

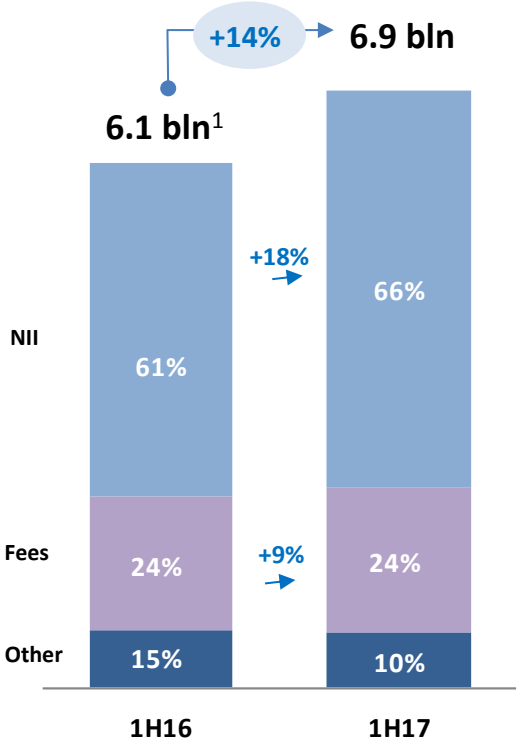
	Quarterly					Cumulative		
TL mln	2Q16[1]	1Q17	2Q17	q/q	y/y	1H16[1]	1H17	y/y
Total Revenues (excl. Visa)	3,000	3,529	3,363	-5%	12%	6,063	6,892	14%
Core Revenues[2]	2,689	3,100	3,147	2%	17%	5,393	6,247	16%
Other Revenues (excl. Visa)	311	430	215	-50%	-31%	670	645	-4%
Other income (excl. Visa)	257	362	314	-13%	22%	564	676	20%
Trading	52	66	-107	-	-	100	-41	-
o/w Swap costs	*-34*	*-34*	*-226*	-	-	*-96*	*-261*	-
Operating Costs	1,324	1,370	1,422	4%	7%	2,587	2,791	8%
Operating Income (excl. Visa)	**1,676**	**2,160**	**1,941**	**-10%**	**16%**	**3,476**	**4,100**	**18%**
Provisions	844	895	820	-8%	-3%	1,732	1,714	-1%
Net Income (excl. Visa)	**638**	**1,001**	**892**	**-11%**	**40%**	**1,342**	**1,893**	**41%**
ROATE[3]	**11.3%**	**15.8%**	**13.4%**	-237bps	204bps	**12.1%**	**14.7%**	257bps
ROAA	**1.1%**	**1.4%**	**1.3%**	-19bps	20bps	**1.1%**	**1.4%**	23bps

Notes:
(1) 2016 figures exclude the Visa sale gain [Impact of Visa sale gain: TL 235 mln (net impact: TL 210 mln)]. 2016 other income and provision figures are restated due to the revision on accounting treatment of collections
(2) Core revenues = Net Interest Income + Fees
(3) ROATE indicates return on average tangible equity (excl. goodwill of TL 979 mln)

YapıKredi

Sustainable revenue growth through double digit NII increase

Revenue Breakdown (TL)

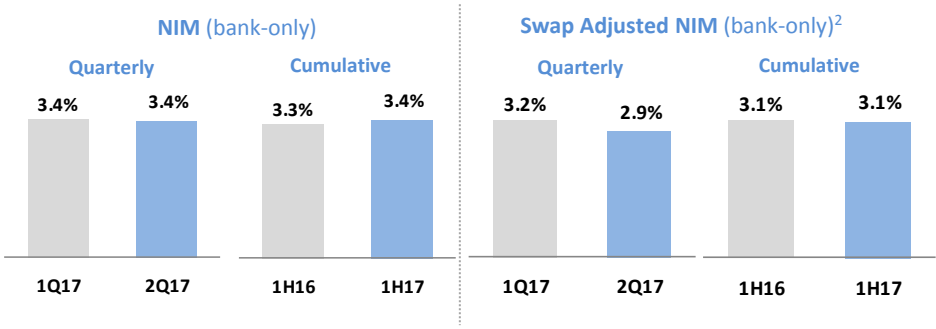


Stable NIM q/q; swap adjusted NIM -29 bps q/q due to increasing swap costs

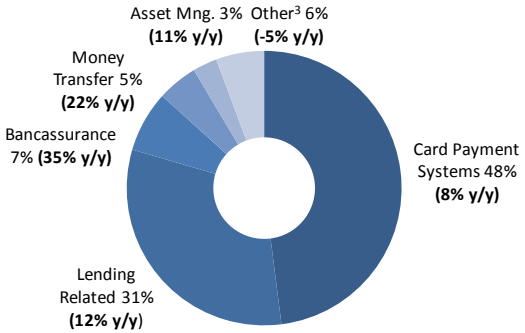
9% y/y fee growth mainly driven by lending related fees (+12% y/y) and bankassurance (+35% y/y)

Positive trend in collections driving other income; trading line negative due to increasing swap costs

Revenues



Fees Received Composition



Other Income Breakdown

mln TL	2Q16	1Q17	2Q17	1H16	1H17
Other Income	**492**	**362**	**314**	**799**	**676**
Collections[4]	208	262	247	417	509
NPL Sale	0	28	45	0	72
Visa Sale Gain[5]	235	0	0	235	0
Trading & FX (net)	**52**	**66**	**-107**	**100**	**-41**
Swap Costs	-34	-34	-226	-96	-261

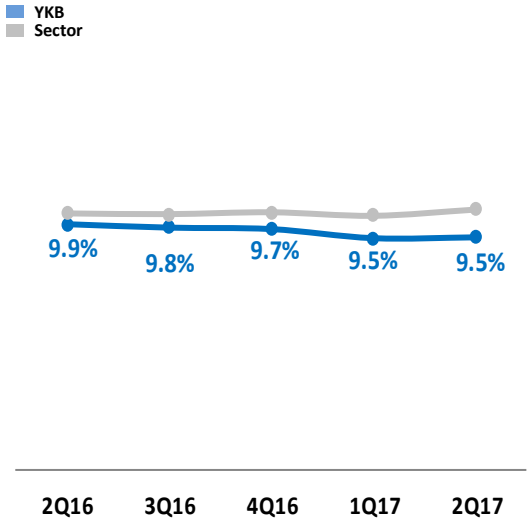
Notes:
(1) 2016 figures exclude the Visa sale gain,
(2) Swap Adjusted NIM calculation based on bank-only swap costs. Please refer to page 19 for bank-only swap costs
(3) Other includes account maintenance, equity trading, campaigns and product bundles etc.,
(4) 2016 collections figures are restated due to the revision on accounting treatment of collections,
(5) Net income from Visa in 2Q16: TL 210 mln

YapıKredi

Decline in loan-deposit spread due to increase in TL funding costs

Loan Yields
(Quarterly)

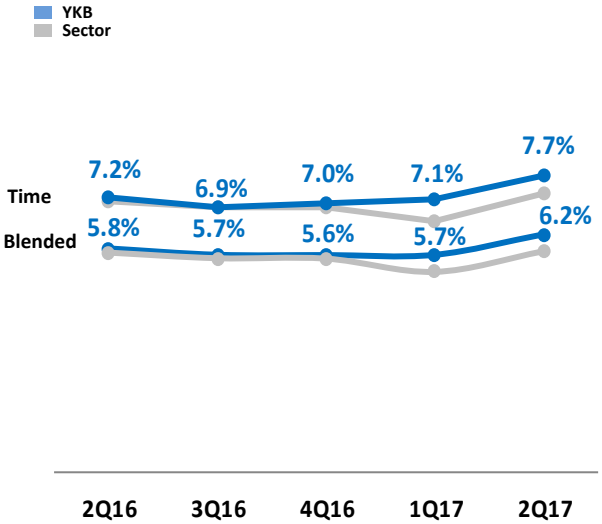
Loan yields maintained with ongoing efforts on loan repricing despite remix in composition



	2Q16	3Q16	4Q16	1Q17	2Q17
TL	12.3%	12.2%	11.9%	11.9%	11.9%
FC	5.3%	5.4%	6.1%	5.6%	5.3%

Deposit Costs
(Quarterly)

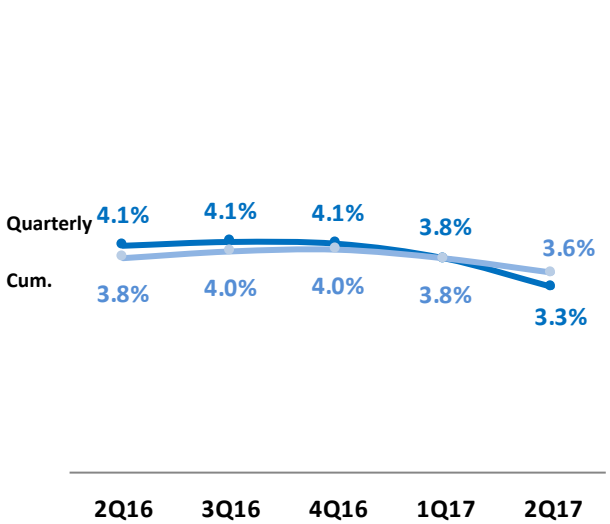
Increase in deposit costs driven mainly by hike in TL deposit costs



	2Q16	3Q16	4Q16	1Q17	2Q17
TL	9.4%	8.9%	8.6%	8.9%	9.9%
FC	1.6%	1.6%	1.9%	2.1%	2.3%

Loan-Deposit Spread
(Quarterly)

Loan-Deposit spread came down 50bps q/q due to surge in TL funding costs



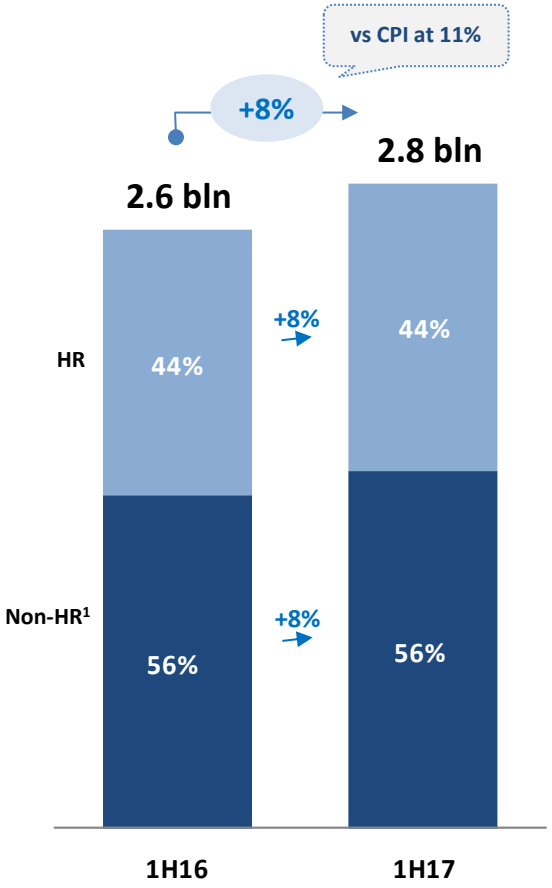
Notes:
All information based on BRSA bank-only financials; Sector based on BRSA monthly data

YapıKredi

Disciplined cost performance sustained

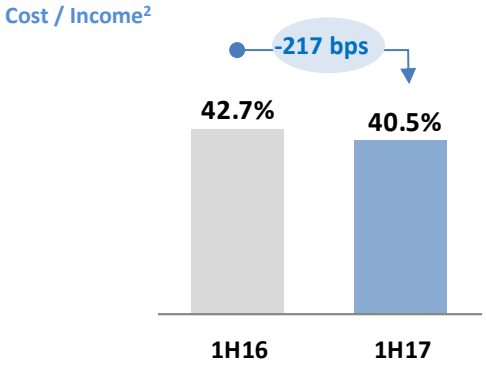
Cost Breakdown (TL)

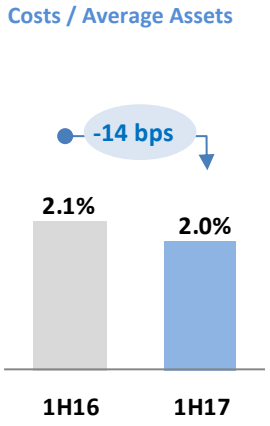
Below inflation cost performance showing results of effective optimisation efforts

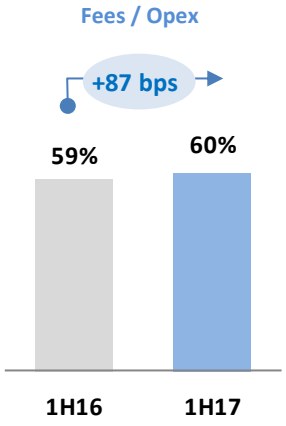


Cost KPIs

Cost / Income down to 40.5% together with improvement in all cost KPIs







Notes:
(1) Non-HR costs include advertising, rent, SDIF premium, taxes, depreciation, branch tax, pension fund provisions and loyalty points on Worldcard
(2) 1H16 figures exclude the Visa sale gain [Impact of Visa sale gain: TL 235 mln (net impact: TL 210 mln)]. 1H16 other income and provision figures are restated due to the revision on accounting treatment of collections

YapıKredi

Digital transformation on track on the back of increasing digital customers

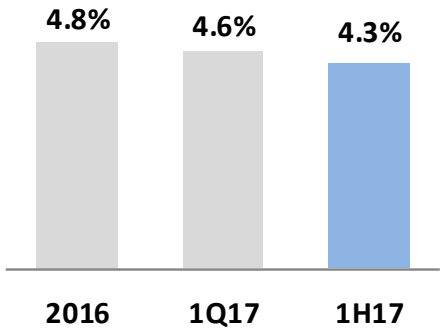
Higher market share in digital vs physical network	▪ **12.3%**[1] **digital customer market share** vs 9% market share in physical network
Digital and mobile banking customers increased significantly	▪ **3.8mln customers** (2x vs 2014) with **45% digital customer penetration**
Contribution of digital transformation in sales and processes	▪ **34% y/y increase in products sold via digital channels** ▪ **40% share in total transactions** (+25% y/y)
External recognition of digital performance	▪ **Most Innovative Digital Consumer Bank** in Europe ▪ **Best Digital Consumer Bank** in Turkey ▪ **Best Corporate Web Site** in Europe ▪ **Best Bill Paying Web Site**

Notes:
(1) Digital market share is as of 1Q17. Due to the change in the calculation methodology, 1Q17 data is not comparable with the previous periods

Focus on asset quality paying off – Conservative and proactive approach intact

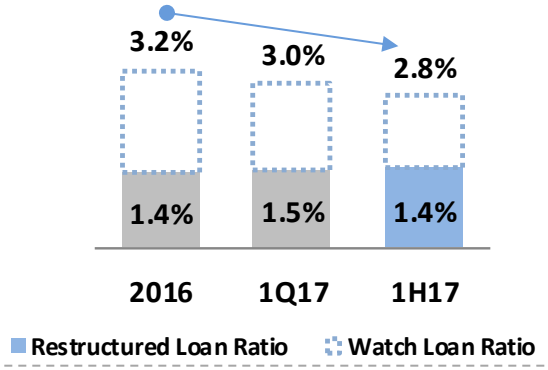
NPL Ratio

Improvement in NPL ratio through slowdown in NPL inflows as well as positive impact of NPL sales[1]



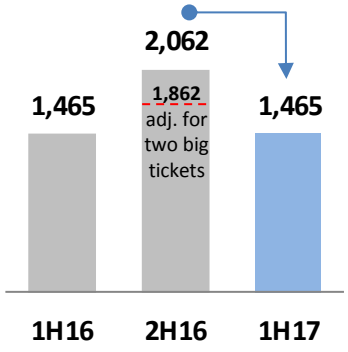
Watch + Restructured Loans

Decline in watch portfolio with conservative approach on restructuring maintained

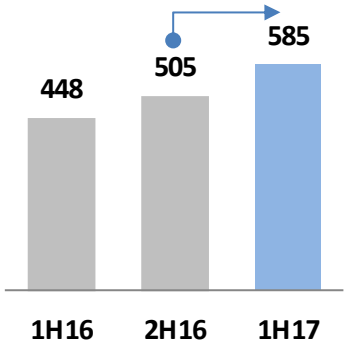


Decreasing trend in net new NPL formation vs 2016 continued, with slight increase q/q due to seasonality in the first quarter

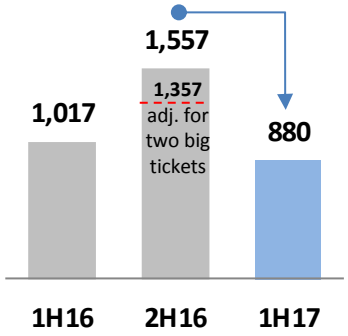
NPL Inflows (TL mln)



Collections (TL mln)



Net NPL inflows (TL mln)



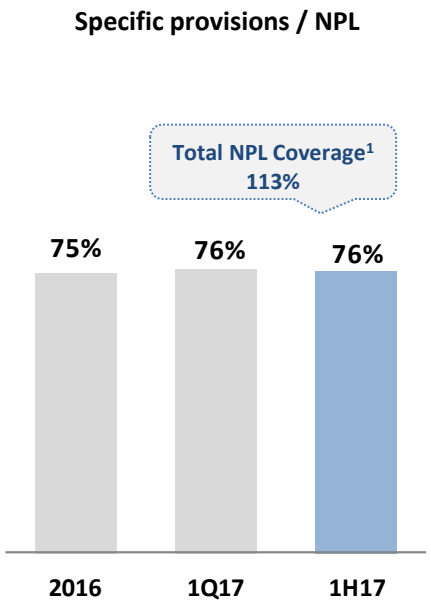
Notes:
(1) Three NPL sales with principal amounts of TL 493 mln in 1Q17 and TL 308 mln and TL 518 mln in 2Q17

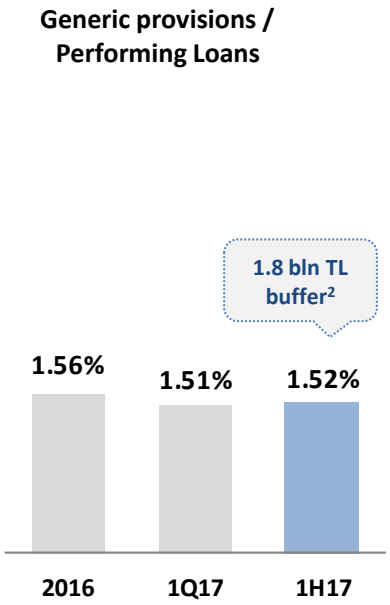
YapıKredi

Stable coverage levels despite TL 1.3bln of NPL sale

NPL Coverage

Total coverage ratio at 113%;
NPL sale impact on specific coverage -250 bps q/q in 2Q17 (-410 bps ytd in 1H17)

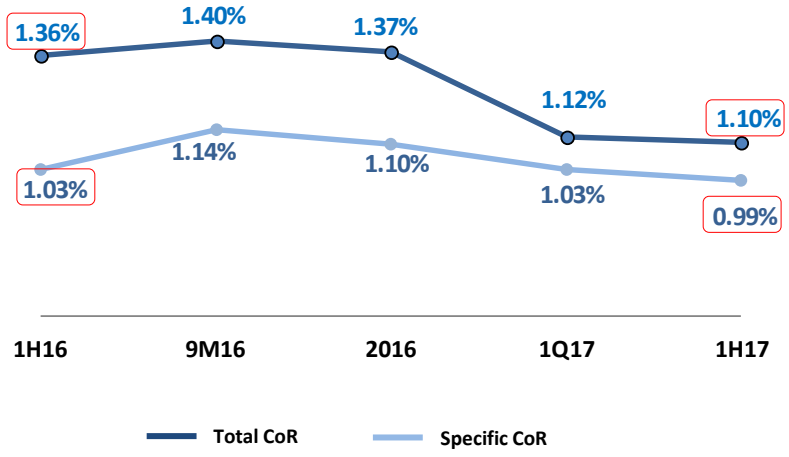




Additional **150 mln TL** Provisions for possible risks

Cost of Risk[3] (Cumulative, net of collections)

Total cost of risk -26 bps y/y supported by improving collections

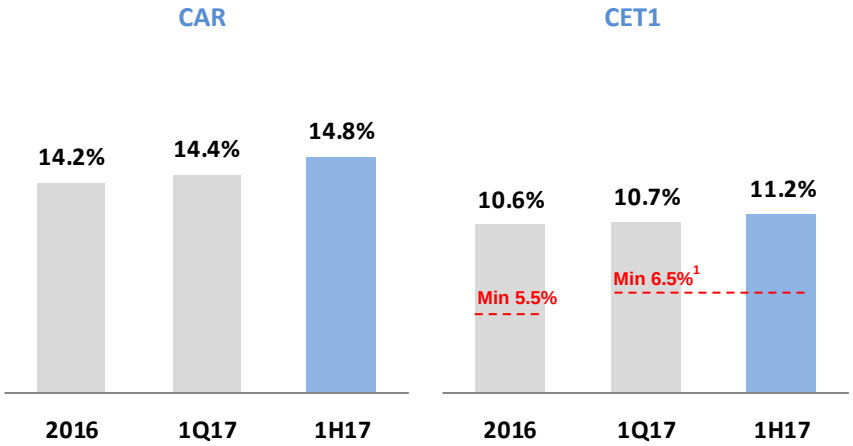


Notes:
(1) Total NPL coverage = (Specific + Generic Provisions)/NPLs
(2) Currently, YKB is continuing to provision for existing and new consumer loans and cards as before and maintaining its buffer on generic provisions, following the change in the general provisioning policy
(3) Cost of Risk = (Total Loan Loss Provisions- Collections)/Total Gross Loans

YapıKredi

Improving capital ratios with ongoing internal capital generation

Capital Ratios (Bank)



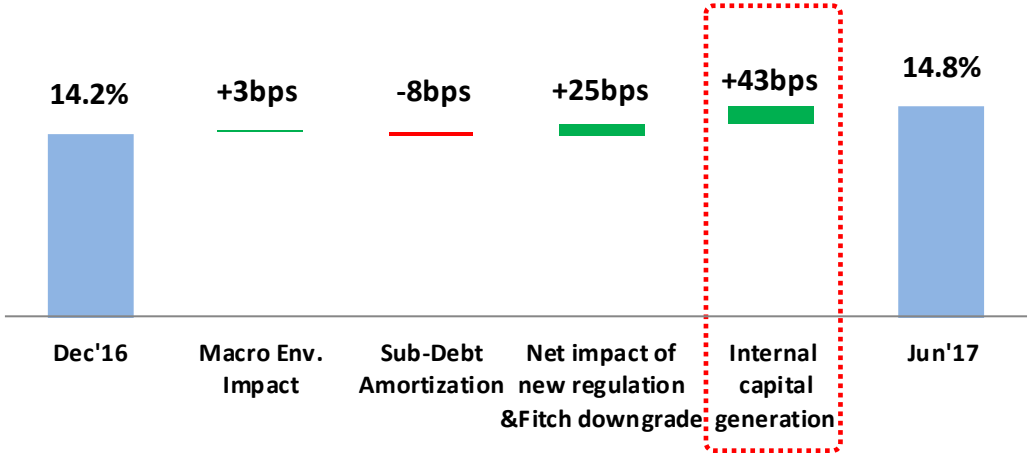
Consolidated

13.2%	13.4%	13.7%	9.7%	9.9%	10.3%

	1H17	Δ ytd
ROATE	14.7%	+ 184 bps
RWA	TL 254 bln	3%

Internal Capital Generation continues to support **Capital Ratios**

CAR Evolution



Notes:
(1) CET 1 minimum level of 6.5% is based on consolidated requirements (Bank Only: 5.76%)
2017 Basel 3 related capitalisation buffers include capital conservation buffer of 1.25%, countercyclical buffer (bank-specific) of 0.009%, SIFI buffer of 0.75% (Group 2)
Bank T1 Ratio at 11.1% as of 1H17. CET1 higher than T1 ratio in BRSA financials as all deduction items (including goodwill) are subject to deduction from Core Tier 1 through phase-in (2015:40%, 2016: 60%, 2017: 80%, 2018: 100%)
ROATE based on reported financials

YapıKredi

Confirming 2017 Guidance

	1H17 (y/y)	2017B	
Volume Growth			
Loans	15%	10 - 12%	✓
Deposits	19%	10 - 12%	
Revenues and Costs			
NIM	Flattish	Flattish	
Fees	9%	10%	✓
Costs	3pp below CPI	2-3pp below CPI	
Cost/Income	41%	42%	
Asset Quality			
NPL ratio (ytd)	-46 bps	Flattish	✓
Specific CoR (ytd)	-11 bps	Stable	
Fundamentals			
LDR	Stable	Stable	✓
CAR	14.8%	>13%	
Net profit[1]	22%	Mid/High-teens	✓

Notes:
All figures based on BRSA consolidated financials excpet NIM and CAR
(1) Based on reported net profit

YapıKredi

Closing remarks

Continuation of strong performance with ROATE at 14.7%, despite the uptick in funding costs

All three phases of the strategy paying off:

- **Revenue growth:** consistently strong performance with around 15% y/y growth in total revenues for the last 10 quarters
- **Cost elimination:** under control and below inflation since end-2015
- **Asset quality improvement:** positive trend maintained in 2Q17 ensuring the first signs

2017 full year guidance confirmed

YapıKredi

Annex

A more supportive macro environment shed by hike in funding costs

Macro Environment

Stabilization of volatile macro environment in the second quarter with improvement in inflation, consumer confidence and exchange rate

	4Q16	1Q17	2Q17
GDP Growth (y/y)	3.5%	5.0%	-
CPI Inflation (y/y)	8.5%	11.3%	**10.9%**
Consumer Confidence Index	68.8	66.8	**71.4**
CAD/GDP[1]	-3.8%	-3.9%	**-4.4%**
Budget Deficit/GDP	-1.1%	-1.7%	**-2.0%**
Unemployment Rate	12.7%	11.7%	-
USD/TL (eop)	3.54	3.65	**3.51**
Benchmark Bond Rate (eop)	10.7%	11.3%	**11.1%**

Banking Sector

Banking sector remaining resilient despite increasing TL funding costs.
Ongoing growth, with state banks overweighing private banks

	2Q16	4Q16	1Q17	2Q17
Loan Growth (ytd)	**4%**	**8%**	**6%**	**11%**
Private	*3%*	*7%*	*6%*	*9%*
State	*5%*	*9%*	*7%*	*15%*
Deposit Growth (ytd)	**3%**	**8%**	**5%**	**9%**
Private	*3%*	*8%*	*5%*	*7%*
State	*3%*	*8%*	*5%*	*13%*
NPL Ratio	**3.1%**	**3.2%**	**3.1%**	**3.0%**
CAR	**15.3%**	**15.1%**	**15.5%**	**16.4%**
ROATE	**14.9%**	**14.3%**	**17.7%**	**16.8%**

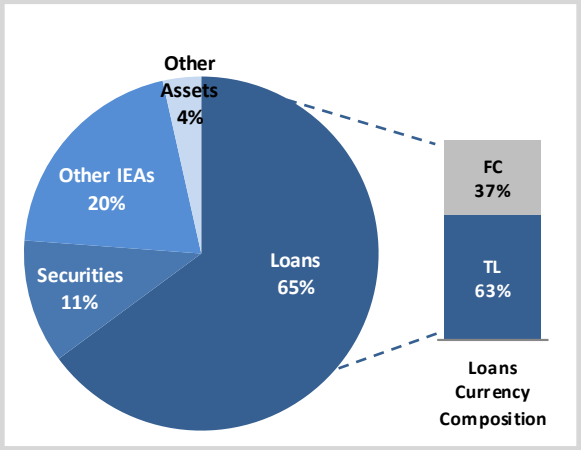
Notes:
All macro data as of June'17 unless otherwise stated
Banking sector volumes based on BRSA weekly data
(1) CAD indicates Current Account Deficit as of May'17

YapıKredi

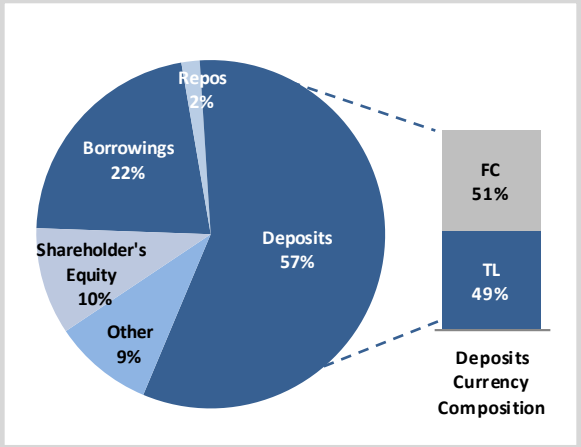
Consolidated Balance Sheet

TL bln	1Q15	1H15	9M15	YE15	1Q16	1H16	9M16	2016	1Q17	1H17	q/q	y/y
Total Assets	**215.5**	**223.8**	**247.8**	**235.3**	**237.9**	**245.8**	**248.1**	**271.1**	**281.4**	**286.5**	**2%**	**17%**
Loans	**135.5**	**142.8**	**153.7**	**152.5**	**154.6**	**161.3**	**161.6**	**176.5**	**183.7**	**185.8**	**1%**	**15%**
TL Loans	89.3	93.8	97.1	97.7	99.0	102.5	101.3	105.9	112.5	116.3	3%	13%
FC Loans ($)	17.7	18.2	18.6	18.8	19.6	20.3	20.1	20.1	19.6	19.8	1%	-2%
Securities[1]	**27.5**	**28.6**	**29.4**	**30.0**	**28.5**	**28.7**	**26.5**	**30.0**	**32.6**	**32.4**	**-1%**	**13%**
TL Securities	20.1	20.9	19.9	20.4	18.9	19.2	17.8	19.7	22.0	22.3	1%	16%
FC Securities ($)	2.8	2.8	3.1	3.3	3.4	3.3	2.9	2.9	2.9	2.9	-1%	-12%
Deposits	**119.7**	**126.1**	**136.3**	**130.0**	**136.6**	**137.7**	**138.6**	**157.1**	**163.5**	**164.2**	**0%**	**19%**
TL Deposits	64.5	62.7	65.4	67.2	70.4	71.3	75.3	84.2	81.3	81.1	0%	14%
FC Deposits ($)	21.2	23.5	23.3	21.6	23.3	22.9	21.1	20.7	22.6	23.7	5%	3%
Borrowings	**46.7**	**45.8**	**52.8**	**48.7**	**49.7**	**49.9**	**51.1**	**57.7**	**61.0**	**62.3**	**2%**	**25%**
TL Borrowings	5.6	5.5	4.9	5.5	5.3	4.8	5.0	5.4	5.1	6.1	20%	26%
FC Borrowings ($)	15.7	15.0	15.7	14.9	15.7	15.6	15.4	14.9	15.4	16.0	4%	3%
Shareholders' Equity	**21.0**	**22.1**	**22.0**	**23.1**	**23.7**	**24.3**	**25.0**	**26.1**	**27.7**	**28.5**	**3%**	**17%**
Assets Under Management	**13.0**	**13.4**	**13.6**	**13.8**	**14.4**	**14.8**	**15.4**	**16.1**	**17.4**	**18.5**	**7%**	**25%**
Loans/Assets	63%	64%	62%	65%	65%	66%	65%	65%	65%	65%		
Securities/Assets	13%	13%	12%	13%	12%	12%	11%	11%	11%	11%		
Borrowings/Liabilities	22%	20%	21%	21%	21%	20%	21%	21%	22%	22%		
Loans/(Deposits+TL Bonds)	110%	110%	110%	114%	110%	114%	113%	110%	110%	110%		
CAR - cons	14.3%	13.0%	12.1%	12.9%	13.5%	13.6%	13.9%	13.2%	13.4%	13.7%		
Common Equity Tier-I - cons	10.6%	10.1%	9.2%	10.0%	10.2%	10.3%	10.6%	9.7%	9.9%	10.3%		
Leverage Ratio	9.2x	9.1x	10.3x	9.2x	9.0x	9.1x	8.9x	9.4x	9.2x	9.1x		

Assets



Liabilities



(1) Securities excluding derivatives
Note: Loans indicate performing loans
Other interest earning assets (IEAs) include cash and balances with the Central Bank of Turkey, banks and other financial institutions, money markets, factoring receivables, financial lease receivables
Other assets include investments in associates, subsidiaries, joint ventures, hedging derivative financial assets, property and equipment, intangible assets, tax assets, assets held for resale and related to discontinued operations (net) and other
Borrowings: include funds borrowed, marketable securities issued (net), subordinated loans
Other liabilities: include retirement benefit obligations, insurance technical reserves, other provisions, hedging derivatives, deferred and current tax liability and other

YapıKredi

Consolidated Income Statement

TL million	1Q16	2Q16 [1]	3Q16	4Q16	1Q17	2Q17	q/q	y/y	1H16 [1]	1H17	y/y
Total Revenues	**3,063**	**3,000**	**3,189**	**3,156**	**3,529**	**3,363**	**-5%**	**12%**	**6,063**	**6,892**	**14%**
Core Revenues	**2,704**	**2,689**	**2,922**	**2,878**	**3,100**	**3,147**	**2%**	**17%**	**5,393**	**6,247**	**16%**
Net Interest Income	**1,952**	**1,911**	**2,217**	**2,141**	**2,251**	**2,321**	**3%**	**21%**	**3,863**	**4,572**	**18%**
o/w CPI-linkers	*313*	*137*	*287*	*212*	*325*	*338*	*4%*	*146%*	*450*	*663*	*47%*
Fees & Commissions	**752**	**778**	**706**	**737**	**849**	**826**	**-3%**	**6%**	**1,530**	**1,675**	**9%**
Other Revenues	**359**	**311**	**266**	**277**	**430**	**215**	***-50%***	***-31%***	**670**	**645**	***-4%***
Other income [2]	307	257	216	240	362	314	-13%	22%	564	676	20%
o/w collections [2]	*209*	*208*	*159*	*178*	*234*	*202*	*-14%*	*-3%*	*417*	*437*	*5%*
o/w pension fund reversal	*0*	*0*	*0*	*6*	*0*	*0*	-	-	*0*	*0*	-
o/w NPL sale	*0*	*0*	*0*	*0*	*28*	*45*	-	-	*0*	*72*	-
o/w others	*98*	*49*	*58*	*57*	*101*	*68*	*-32%*	*39%*	*148*	*169*	*14%*
Trading	48	52	51	37	66	-107	-	-	100	-41	-
o/w swap costs	*-62*	*-34*	*-27*	*39*	*-34*	*-226*	-	-	*-96*	*-261*	*170%*
Dividend	3	3	0	0	2	8	-	-	6	10	*70%*
Operating Costs	**1,264**	**1,324**	**1,352**	**1,375**	**1,370**	**1,422**	**4%**	**7%**	**2,587**	**2,791**	**8%**
o/w fee rebates	*35*	*22*	*9*	*15*	*10*	*9*	*-14%*	*-59%*	*57*	*19*	*-66%*
Operating Income	**1,799**	**1,676**	**1,836**	**1,780**	**2,160**	**1,941**	**-10%**	**16%**	**3,476**	**4,100**	**18%**
Provisions	**888**	**844**	**808**	**1,034**	**895**	**820**	**-8%**	**-3%**	**1,732**	**1,714**	**-1%**
Specific Provisions [2]	672	623	748	764	756	717	-5%	15%	1,295	1,473	14%
Generic Provisions	120	158	46	171	45	62	40%	-60%	278	107	-61%
Other Provisions	96	63	14	99	94	40	-57%	-36%	159	134	-16%
Pre-tax Income	**911**	**832**	**1,028**	**746**	**1,265**	**1,121**	**-11%**	**35%**	**1,743**	**2,386**	**37%**
Tax	207	194	218	176	263	229	-13%	18%	401	493	23%
Net Income	**704**	**638**	**811**	**570**	**1,001**	**892**	**-11%**	**40%**	**1,342**	**1,893**	**41%**
Visa Income	0	210	0	0	0	0	-	-	210	0	-
Reported Net Income	**704**	**848**	**811**	**570**	**1,001**	**892**	**-11%**	**5%**	**1,552**	**1,893**	**22%**
ROTE [1]	**12.8%**	**11.3%**	**13.9%**	**9.4%**	**15.8%**	**13.4%**			**9.7%**	**14.7%**	

Notes:
(1) 2016 figures excludes the Visa sale gain [Impact of Visa sale gain: 235 mln TL (net impact: 210 mln TL)].
(2) 2016 other income and provisions figures are restated due to the revision on accounting treatment of collections

YapıKredi

Bank-Only Income Statement

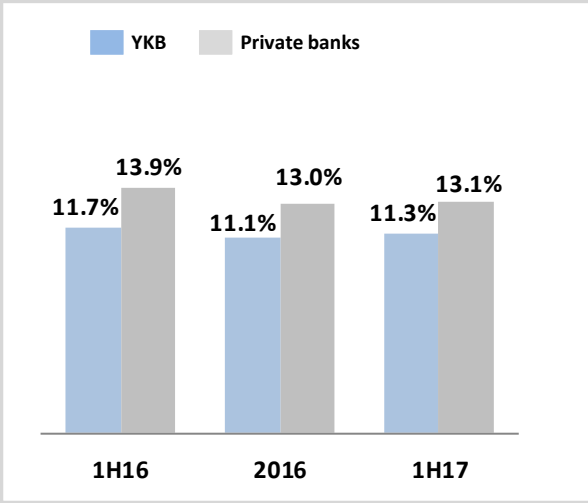
TL million	1Q16	2Q16 [1]	3Q16	4Q16	1Q17	2Q17	q/q	y/y	1H16 [1]	1H17	y/y
Total Revenues	**2,950**	**2,893**	**3,083**	**3,023**	**3,401**	**3,231**	**-5%**	**12%**	**5,843**	**6,632**	**14%**
Net Interest Income	**1,821**	**1,772**	**2,065**	**1,976**	**2,141**	**2,174**	**2%**	**23%**	**3,594**	**4,315**	**20%**
o/w CPI-linkers	*313*	*137*	*287*	*212*	*325*	*338*	*4%*	*146%*	*450*	*663*	*47%*
Fees & Commissions	**716**	**744**	**671**	**695**	**807**	**784**	**-3%**	**5%**	**1,460**	**1,591**	**9%**
Other Revenues	**413**	**377**	**347**	**352**	**453**	**273**	**-40%**	**-27%**	**790**	**726**	**-8%**
Other income [1]	398	349	317	348	473	432	-9%	24%	747	906	21%
o/w collections [1]	*209*	*208*	*159*	*178*	*234*	*202*	*-14%*	*-3%*	*417*	*437*	*5%*
o/w pension fund reversal	*0*	*0*	*0*	*6*	*0*	*0*	-	-	*0*	*0*	-
o/w NPL sale	*0*	*0*	*0*	*0*	*28*	*45*	*63%*	-	*0*	*72*	-
o/w profit/(loss) of associates& jv.s accounted for using equity method	*108*	*113*	*128*	*128*	*146*	*140*	*-4%*	*24%*	*221*	*286*	*30%*
o/w others	*81*	*28*	*31*	*36*	*65*	*45*	*-31%*	*62%*	*109*	*111*	*1%*
Trading	15	28	30	4	-22	-159	-	-	42	-182	-
o/w swap costs	*-94*	*-52*	*-33*	*35*	*-114*	*-276*	-	-	*-146*	*-390*	-
Dividend	0	0	0	0	2	0	-	-	0	2	-
Operating Costs	**1,199**	**1,258**	**1,310**	**1,309**	**1,295**	**1,346**	**4%**	**7%**	**2,457**	**2,642**	**8%**
o/w fee rebates	*35*	*22*	*9*	*15*	*10*	*9*	*-14%*	*-59%*	*57*	*19*	*-66%*
Operating Income	**1,751**	**1,635**	**1,773**	**1,714**	**2,106**	**1,884**	**-11%**	**15%**	**3,386**	**3,990**	**18%**
Provisions	**863**	**828**	**776**	**995**	**876**	**792**	**-10%**	**-4%**	**1,691**	**1,668**	**-1%**
Specific Provisions [1]	654	610	723	725	745	687	-8%	13%	1,264	1,432	13%
Generic Provisions	115	155	40	174	43	61	40%	-61%	270	104	-61%
Other Provisions	94	63	13	97	88	45	-49%	-29%	157	132	-16%
Pre-tax Income	**887**	**807**	**997**	**719**	**1,230**	**1,092**	**-11%**	**35%**	**1,694**	**2,322**	**37%**
Tax	183	169	186	149	229	200	-13%	18%	352	429	22%
Net Income	**704**	**638**	**811**	**570**	**1,001**	**892**	**-11%**	**40%**	**1,342**	**1,893**	**41%**
Visa Income	0	210	0	0	0	0	-	-	210	0	-
Reported Net Income	**704**	**848**	**811**	**570**	**1,001**	**892**	**-11%**	**5%**	**1,552**	**1,893**	**22%**
ROTE [1]	**12.8%**	**11.3%**	**13.9%**	**9.4%**	**15.8%**	**13.4%**			**15.0%**	**14.7%**	

YapıKredi

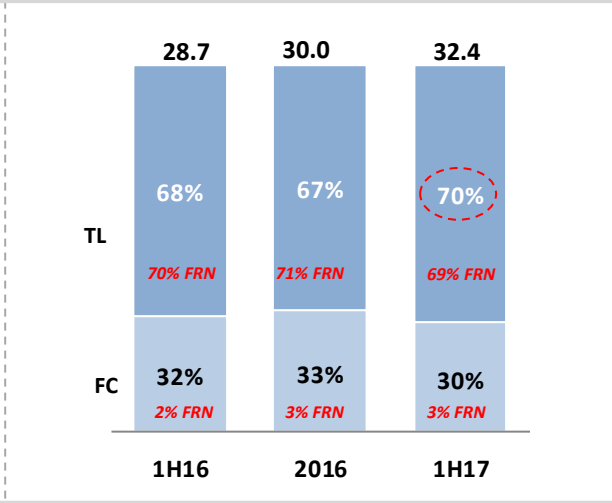
Notes:
(1) 2016 figures excludes the Visa sale gain [Impact of Visa sale gain: TL 235 mln (net impact: TL 210 mln)]. 2016 other income and provision figures are restated due to the revision on accounting treatment of collections

Securities

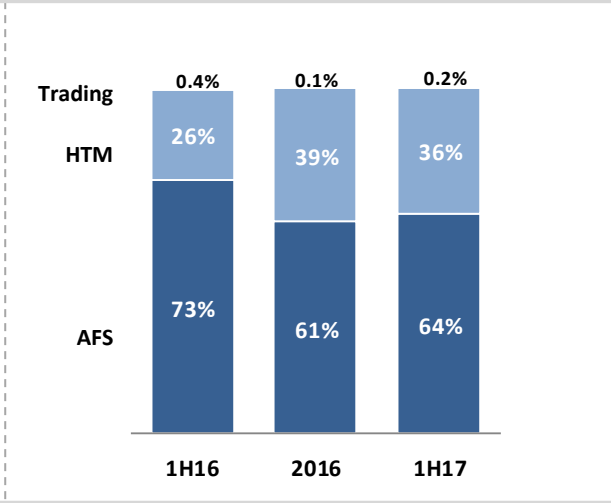
Securities[1]/Assets



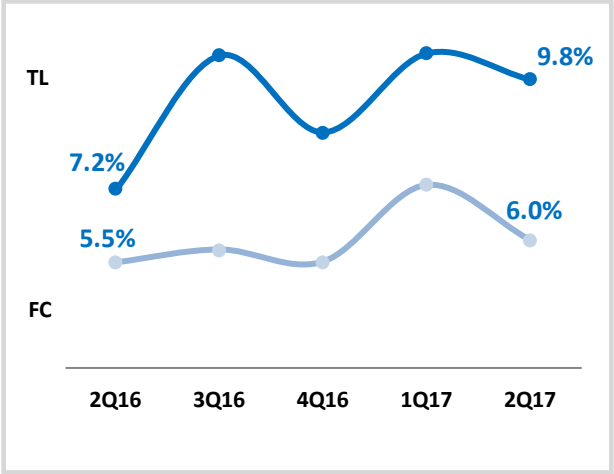
Composition by Currency (TL bln)



Composition by Type[1]



Security Yields



- **Securities / assets at 11.3%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume at 10.5 bln TL (+10% ytd) with gain of TL 663 mln in 1H17 (2Q17: TL 338 mln; 1Q17: TL 325 mln)

  Inflation estimate for the revaluation CPI linkers: 8.8%
- **M-t-m unrealised gain at TL 5 mln as of 1H17 (**TL -463 mln in 2016)

Notes: Private banks data based on BRSA monthly data dated Mar'17; YKB data is based on Mar'17 consolidated BRSA financials
AFS: Available for Sale; HTM: Held to Maturity; FRN: Floating Rate Notes; CPI: Consumer price index inflation
Securities yields based on bank-only financials and exclude effect of reclassification between interest income and other provisions related to amortization of issuer premium on securities (as per BRSA)
(1) Excluding derivatives classified under trading securities

YapıKredi

Borrowings: 21% of total liabilities

International	**Syndications**	**~ US$ 2.5 bln outstanding** ▪ **May'17:** US$ 306 mln & € 956.5 mln, all-in cost at Libor+ 1.45% and Euribor+ 1.35% for the 367 day tranche and Libor+ 2.20 % and Euribor+ 2.10 % for the 2 year and 1 day tranche, respectively. 48 banks from 19 countries 2Q17 ▪ **Oct'16:** US$ 233.5 mln and € 817.3 mln, Libor+1.10% /Euribor+ 1.00% p.a. all-in cost, 367 days. Participation of 33 banks from 14 countries
International	**Securitisations**	**~ US$ 1.85 bln outstanding (all unwrapped)** ▪ **Sep'11:** € 75 mln, 12 years (outstanding: ~€ 47 mn) ▪ **Jul'13:** US$ 355 mln and €115 mln, 5-13 years (outstanding: ~US$ 192 mn and € 38 mn) ▪ **Oct'14:** US$ 550 mln, 20 years (outstanding: ~US$ 550 mln) ▪ **Mar'15:** US$ 100 mln, 5 years and US$ 316 mln, 10 years (outstanding: US$ 416 mln) ▪ **Jul'15:** US$ 575 mln, 5-12 years (outstanding: US$ 575 mln)
International	**Subordinated Loans**	**~US$ 2.6 bln outstanding** ▪ **Dec'12**: US$ 1.0 bln market transaction, 10 years, 5.5% (coupon rate) ▪ **Jan'13:** US$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant ▪ **Dec'13**: US$ 470 mln, 10NC5, 6.55% – Basel III Compliant (midswap+4.88% after the first 5 years) ▪ **Mar'16:** US$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)
International	**Foreign Currency Bonds / Bills**	**US$ 2.7 bln Eurobonds** ▪ **Jan'13:** US$ 500 mln, 4.00% (coupon rate), 7 years ▪ **Dec'13**: US$ 500 mln, 5.25% (coupon rate), 5 years ▪ **Oct'14:** US$ 550 mln, 5.125% (coupon rate), 5 years ▪ **Feb'17:** US$ 600 mln, 5.75% (coupon rate), 5 years ▪ **Jun'17:** US$ 500 mln, 5.85% (coupon rate), 7 years 2Q17
International	**Covered Bond**	**TL 458 mln first tranche (outstanding ~ TL 285,9 mn)** ▪ **Nov'12:** SME-backed with maturity between 3-5 years; highest Moody's rating (A3) for Turkish bonds
International	**Multilateral Loans**	**~US$ 383 mln outstanding** ▪ **EIB Loan - 2008/2012:** US$ 102.4 mln and € 250 mln and TL 187 mln, 5-15 years (outstanding: ~US$ 95.8 mln, € 128.9 mln and TL 37.6 mln) ▪ **EBRD Loan - 2011/2013:** US$ 55 mln 5 years (outstanding: ~US$ 21.2 mn) ▪ **CEB Loan - 2011/2014:** US$ 39 mln and € 70 mln (outstanding: ~US$ 33.9 mln and € 64 mln)
Domestic	**Local Currency Bonds / Bills**	**TL 1.3 bln total** ▪ **Feb'17:** TL 401.5 mln, 5 months maturity ▪ **Mar'17:** TL 213.6 mln, 5 months maturity ▪ **Apr'17 :** TL 160 mln , 3 months maturity 2Q17 ▪ **May '17** : TL 120,3 mln, 3 months maturity 2Q17 ▪ **June'17 :** TL 385 mln, 4 months maturity 2Q17

Koç

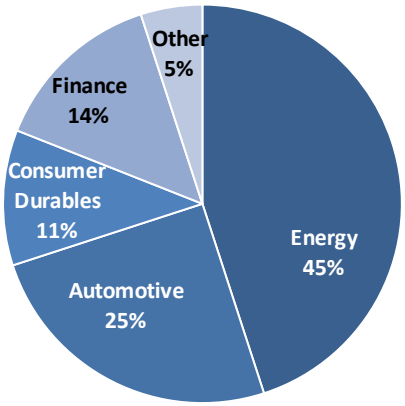
Financial Highlights
(in EUR, 1Q17)

Total Assets (bln)	23.9
Revenues (mln)	5,666
Net Income (mln)	286

Number of Employees	96,396
Market Capitalisation (bln)	10.9

- Established in 1926, Turkey's largest industrial and services group in terms of turnover and exports
- 419th largest company in the world[1]
- Leading positions with strong competitive advantages in energy, automotive, consumer durables, finance, food, retailing and tourism sectors

Revenue Composition (1Q17)



Market Positions[2]

- **Sole petroleum** refiner in Turkey
- **#1** in **LPG distribution** (29% market share)
- **#2** in **petroleum products distribution** (18% market share)
- **#1** in **total automotive** (22% market share)
- **#3** in **passenger cars** (13% market share)
- **#1** in **commercial vehicles** (52% market share)
- **#1** in **white goods** (50% market share)
  (refrigerators, washing machines, ovens, air conditioners)
- **#4** in **total banking assets** among private banks
- **#1** in **leasing**; **#1** in **factoring** and **#2 mutual funds**

Source: Koç Group investor relations website, presentations and publicly available financials
Market shares as of YE16. Market capitalisation as of 11 May'17, calculated as share price * paid-in capital. Free float: 22.35%. EUR/TL:3.902
(1) According to Fortune Global 500 as of 2016
(2) As of full year 2016

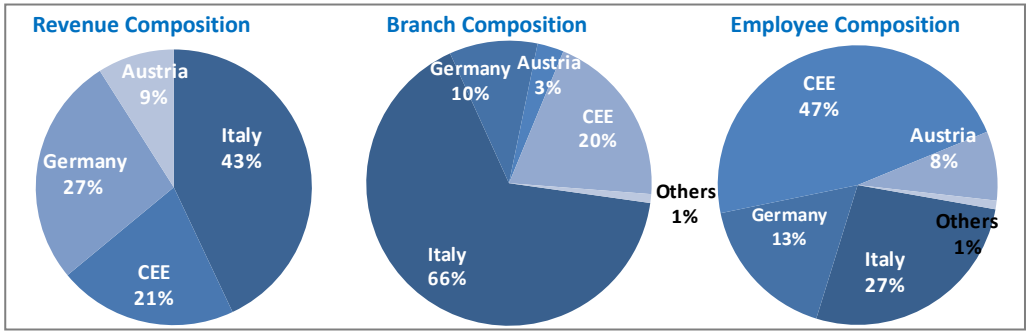
YapıKredi

UniCredit

Financial Highlights
(in EUR, 1H17)

Total Assets (bln)	827
Loans (bln)	450
Deposits and Debt Securities Issued (bln)	674
Revenues (mln)	9,937
Net Income (mln)	1,321
CET1 - Fully Loaded	12.93%
Capital Adequacy Ratio	17.25%
Market Capitalisation (bln)	37.0 [1]

- Roots dating back to 1473. Created through the merger of 9 of Italy's largest banks and the subsequent combination with the German HVB Group and the Italian Capitalia Group
- A major international financial institution based in Italy with banking operations in 14 countries
  - international network spanning **18 countries**
  - **Market leader** in Central and Eastern Europe leveraging on the region's structural strengths



Source: Unicredit Group investor relations website, presentations and publicly available financials
(1) Market capitalisation as of 2 Aug'17, calculated as share price * paid-in capital. Free float : ~%80
(2) Revenue, Branch, Employee composition figures as of 1Q17

YapıKredi

Turkey: A large and dynamic country with solid growth potential and resilient fundamentals

Turkey

- **Europe's 8th largest economy and a member of G20**
- **Young, dynamic, large** and **growing population**
- **Sovereign ratings** of Ba1/BB/BB+ by Moody's/ S&P/Fitch

	TR 2015	EU 2015
Population (mln)	79	508
Median Age	30	43
Population Growth (CAGR 2000-2015)	1.4%	0.4%
GDP (€ bln)	646	14,625
World Ranking	*18*	-
Per Capita GDP (€)	8,199	28,767
World Ranking	*65*	-

Macro

- **Converging economy** with growth potential
- **Focus on achieving balanced growth** driven by **both consumption** and **net exports**
- **Strong fiscal discipline with low public debt/GDP**
- **Stable CAD/GDP**

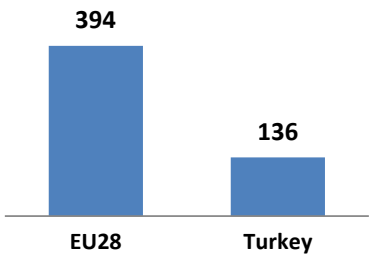
	2014	2015	2016	1Q17	2Q17
GDP Growth	5.2%	6.1%	2.9%	5.0%	-
Inflation (eop)	8.2%	8.8%	8.5%	11.3%	10.9%
Benchmark Rate (eop)	8.0%	10.9%	10.7%	11.3%	11.2%
Unemployment	9.9%	10.3%	12.1%	11.7%	10.5%[1]
Policy Rate	8.3%	7.5%	8.0%	8.0%	8.0%
CAD/GDP	4.7%	3.7%	3.8%	3.9%	4.4%[2]
o/w energy	5.3%	3.9%	2.8%	3.1%	3.3%[2]
Public Debt/GDP	30%	29%	29%	30%	30%
Private Debt/GDP	90%	96%	103%	106%	-
Budget deficit/GDP	-1.1%	-1.0%	-1.1%	-1.7%	-2.0%

Source: Turkstat, Eurostat (for population, median age, population growth, GDP, per capita GDP, unemployment), IMF (for world ranking), CBRT (inflation), Bloomberg (benchmark), Turkstat and CBRT (for CAD/GDP), Treasury and Turkstat (public debt/GDP), CBRT, BRSA, Treasury and Turkstat (private debt/GDP)
Notes: EU indicates EU27 countries (source: population and macro data based on Turkish Statistical Institute)
Based on Turkish Statistical Institute and IMF World Economic Outlook
2Q17 forecasted GDP figure is used to calculate CAD/GDP, Public Debt/GDP and Budget Defcit/GDP
(1) As of Apr'17 (2) As of May'17

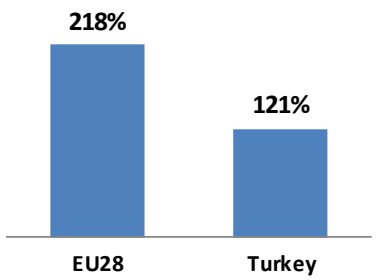
YapıKredi

Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

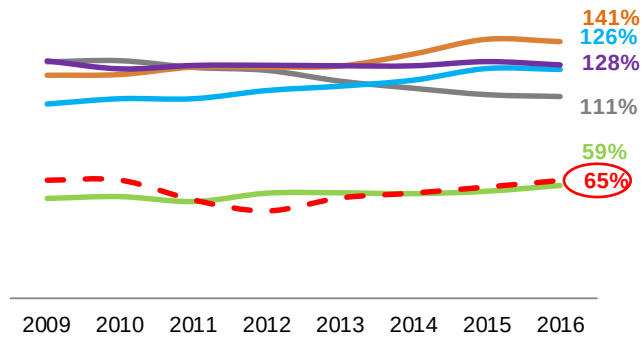
Branches Per Million Inhabitants (2016)



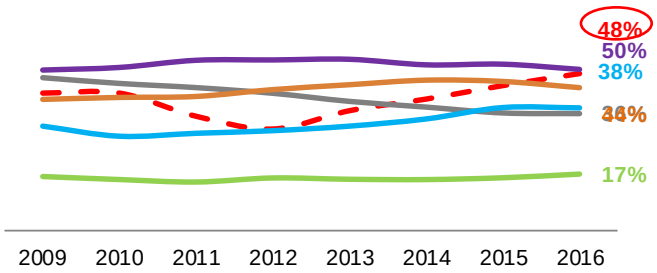
(Loans+Deposits)/GDP (2016)



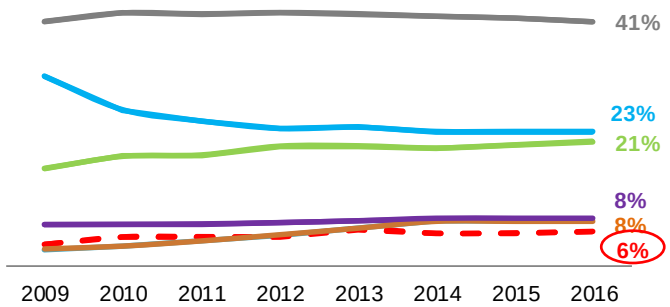
Total Loans[1]/GDP



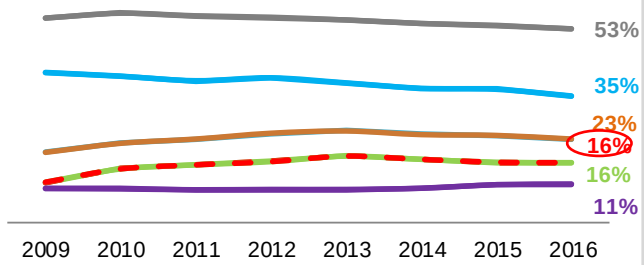
Corporate Loans/GDP



Mortgages/GDP



Loans to Households[2]/GDP



Turkey — EU-27 — S.Africa — India — Poland — Brazil

Source: European Central Bank, BRSA, CBRT, Turkstat, ML database for India, Brazil, S.Africa
Note: Loan data on graphs for all countries based on 2016 actual figures
(1) Excluding lending to credit institutions
(2) Including housing loans, consumer lending and other household lending (including CC, excluding SMEs)

YapıKredi

Healthy banking sector, resilient against external shocks and supporting economic growth

Banking Sector

- **Well regulated** (BRSA est. in 2001)
- **Best practices in technology:** payment systems and well-qualified workforce
- **Healthy profitability**
- **Sound asset quality, liquidity** and **capitalisation**

Developments

- **Regulatory pressure** related to:
  - **fees** (account maintenance fees)
  - **costs** (fee rebates)
  - **capital** (potential alignment to IRB)
  - **provisioning** (IFRS9 as of 2018)

Challenges

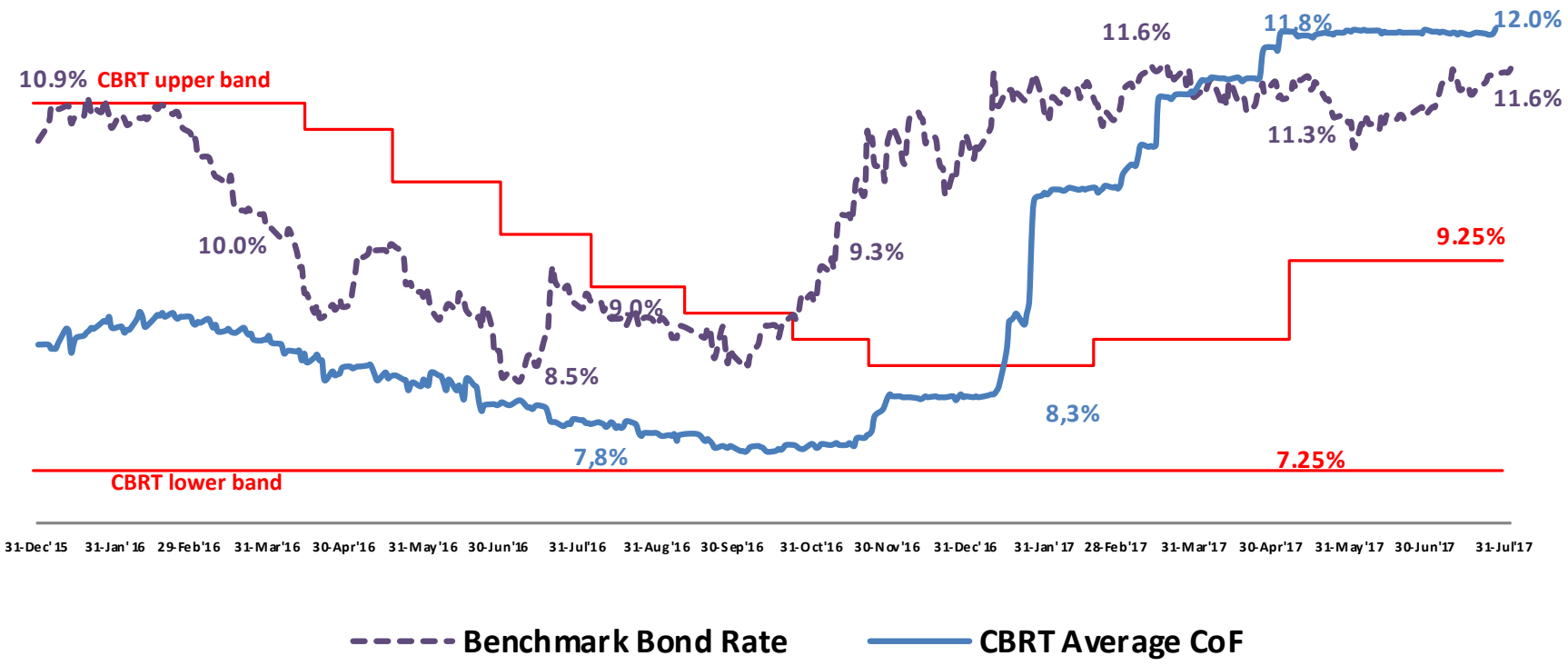
- **Interest rate and currency volatility**
- **Pricing competition and maturity of funding sources**
- **Asset quality**

	Banking Sector						
	2012	2013	2014	2015	2016	1Q17	2Q17
Banks #	46	48	48	48	47	47	46
Branches #	10,234	11,023	11,223	11,193	10,985	10,754	10,724
Loan Growth	15%	33%	18%	21%	17%	6%	5%
Deposit Growth	11%	24%	10%	19%	17%	5%	4%
Loans/GDP [1]	48%	55%	58%	61%	65%	66%	67%
Deposits/GDP [1]	49%	53%	51%	53%	56%	57%	58%
Loans/Assets	58%	61%	62%	64%	64%	65%	65%
Deposits/Assets	59%	58%	56%	56%	56%	56%	56%
NIM	4.2%	3.8%	3.6%	3.6%	3.8%	4.0%	4.0%
NPL Ratio	2.8%	2.6%	2.8%	2.9%	3.2%	3.1%	3.0%
Specific Coverage	75%	77%	75%	76%	78%	79%	79%
CAR [2]	17.3%	14.6%	15.7%	15.0%	15.1%	15.5%	16.4%
Tier 1 Ratio	14.2%	12.2%	13.1%	12.5%	12.6%	13.0%	13.6%
ROAE	15.8%	13.3%	12.8%	11.5%	14.3%	17.7%	16.8%
ROAA	1.7%	1.4%	1.3%	1.1%	1.4%	1.9%	1.7%

Source: Turkish Banks Association for bank and branch numbers, BRSA for banking sector data (including BS, P&L, KPIs), Turkstat for GDP data
Notes:
Minimum total CAR at 8% (threshold for opening branches minimum 12% CAR), T1 at 6%, core T1 at 4.5%
(1) 12 month rolling GDP used
(2) Based on BRSA monthly financials; indicating deposit banks

YapıKredi

CBRT rates



Notes:
Benchmark Bond Rate: Yield of the most traded 2-year government bond
CBRT Average CoF (cost of funding): Weighted average cost of outstanding funding of the CBRT via open market operations including O/N repo, one-week repo and one-month repo

YapıKredi

Credit Ratings

	Long-Term Foreign Currency		Long-Term Local Currency	
	Rating	Outlook	Rating	Outlook
Moody's				
Yapı Kredi	**Ba2**	**Negative**	**Ba1**	**Negative**
Garanti	Ba2	Negative	Ba1	Negative
Akbank	Ba2	Negative	Ba1	Negative
Işbank	Ba2	Negative	Ba1	Negative
Halkbank	Ba2	Negative	Ba1	Negative
Vakıfbank	Ba2	Negative	Ba1	Negative
S&P				
Yapı Kredi	**BB**	**Negative**	**BB**	**Negative**
Garanti	BB	Negative	BB	Negative
Akbank	Not rated	-	Not rated	-
Işbank	BB	Negative	BB	Negative
Fitch				
Yapı Kredi	**BBB-**	**Stable**	**BBB-**	**Stable**
Garanti	BBB-	Stable	BBB-	Stable
Akbank	BB+	Stable	BB+	Stable
Işbank	BB+	Stable	BB+	Stable

YKB is still rated at investment grade by Fitch, despite Fitch's downgrade of the sovereign to non-investment grade

* Ratings valid since Sep'16 (Moody's), Feb'17 (Fitch), Jul'16 (S&P)
Note: Ratings and outlook changes presented in the table are based on actions made in 2016
YKB's investment grade ratings

YapıKredi