Yapı Kredi
1H18 Investor Presentation

September 2018

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1H18 Results

Yapı Kredi: A leading financial services group

Key Figures – 1H18

Ratings	Moody's: B1 / Fitch: BB / S&P: B+

Total Assets	365.1 bln TL
Loans[1]	222.2 bln TL
Net Income	2,471 mln TL
RoATE[2]	16.4%
Number of Branches	866
Employees[3]	19,198

Market Share – 1H18

		Market Share[4]
Total Bank	Cash & Non-cash Loans	10.3%
	Deposits	9.8%
Business Units	Corporate Loans[5]	9.1%
	Consumer Loans[6]	8.7%
	Credit Card Outstanding	21.1%
Subsidiaries	Leasing[7]	20.4%
	Factoring[8]	16.4%
	Wealth Management[9]	17.5%

Notes:
1. Loans indicate performing loans, 2. RoATE indicates return on average, tangible equity (excl. intangible assets) and adjusted for 4.1 bln capital raise, 3. Group data. Bank-only: 18,297, 4. Market shares are 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 29 Jun'18, 5. Cash loans excluding credit cards and consumer loans, 6. Including mortgages, GPL and auto loans, 7. Refers to leasing receivables, 8. Refers to factoring turnover, 9. Refers to Mutual Funds;

Well-diversified commercial business mix and customer-oriented service model

Corporate and Commercial Banking

Corporate *Turnover >USD 100 mln*	Commercial *Turnover USD 10-100 mln*	International/ Multinational
3 Branches	46 Branches	1 Branch

Retail Banking

Individual Banking	SME Banking[1] *Turnover <USD 10 mln*	Private Banking *Total PFA > TL 500K*	Credit Cards
788 Branches		22 Branches	

Subsidiaries

YapıKredi Faktoring

YapıKredi Leasing

YapıKredi Yatırım

YapıKredi Asset Management

YapıKredi Nederland

YapıKredi Azerbaijan

YapıKredi Malta

Notes:
Financial figures are as of June'18. Branch numbers are as of Mar'18. Total # of branches is 866 of which 6 are free zone, abroad and custody branches
1. Including micro+ small + large size enterprises

Stable, long-term focused majority shareholders supporting Yapı Kredi's growth

Koç — 50% — KOÇ FINANCIAL SERVICES — 50% — UniCredit

KOÇ FINANCIAL SERVICES — 81.9%[1] — YapıKredi

Koç

Largest business group in Turkey with combined revenue equal to 7% of Turkey's GDP

	1H18
Total Assets (EUR bln)	22.3
Revenues (EUR mln)	11,712
Net Income (EUR mln)	518

Ratings

Moody's: Ba2 / S&P: BB+

UniCredit

Simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets

	1H18
Total Assets (EUR bln)	824
Revenues (EUR mln)	10,061
Net Income (EUR mln)	2,136

Ratings

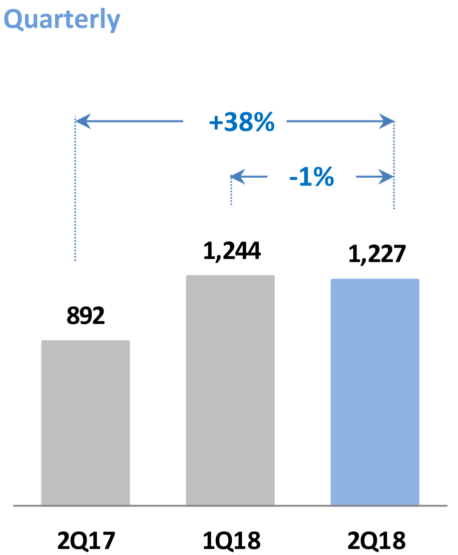
Moody's: Baa1 / Fitch: BBB / S&P: BBB

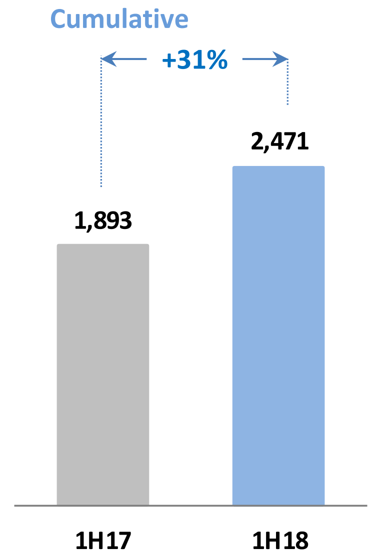
Strong and committed majority shareholders bringing stability, strength and depth to corporate governance

Notes:
All information and figures regarding UniCredit and Koç Holding are based on publicly available 1H18 data, unless otherwise stated
1. Remaining 18.1% listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange

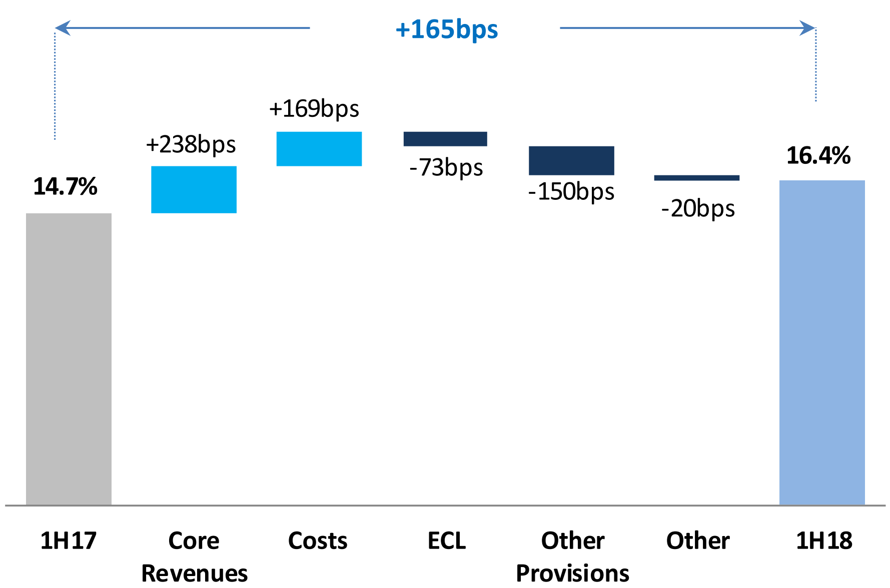
Continuous improvement in profitability with strong balance sheet fundamentals

Net Profit (TL mln)

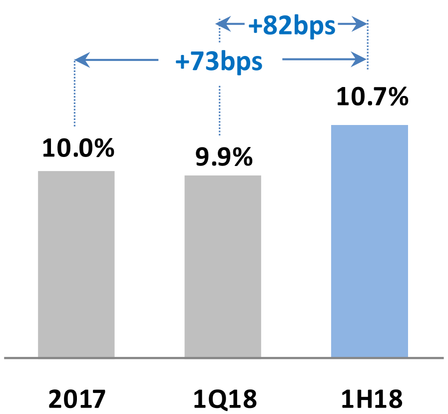




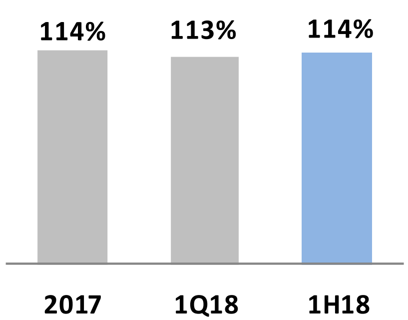
Evolution of RoTE[1]



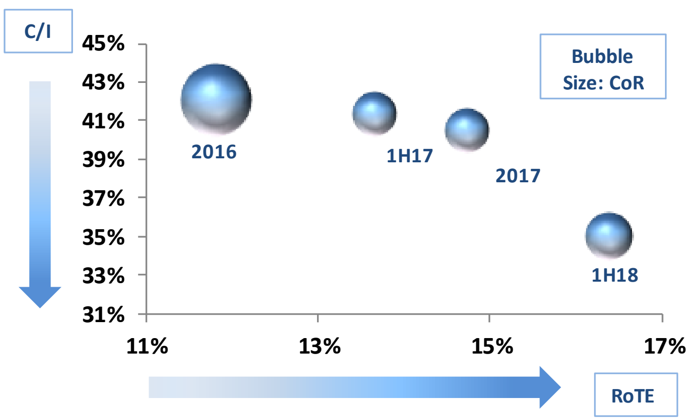
CET1 Ratio



LDR[2]



Improving trend in C/I & CoR supporting RoTE



Notes:
Other Provisions for Risks and Charges are at 288 mln TL gross as of 1H18
1. RoTE calculation excludes TL 4.1billion of rights issue which was realized as of 29 June 2018
2. LDR = Performing Loans / (Deposits + TL Bills sold to individuals)

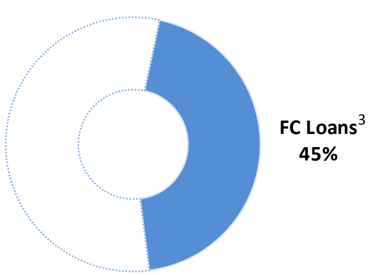
Shift in loan mix towards smaller tickets

Loan growth (TL bln)

	YKB				Private Banks[1]		
	1H18	y/y	ytd	q/q	y/y	ytd	q/q
Total Loans[2]	**222.2**	**20%**	**11%**	**8%**	**17%**	**9%**	**6%**
TL[3]	123.0	11%	2%	4%	12%	5%	3%
FC ($)[3]	21.7	2%	3%	-1%	-4%	-3%	-4%

TL bln	2017	1Q18	1H18
CGF Utilisation	12.8	14.9	19.5
CGF Stock	9.5	10.5	13.4
Market Share	**5.8%**	**6.1%**	**7.1%**

FC Loans



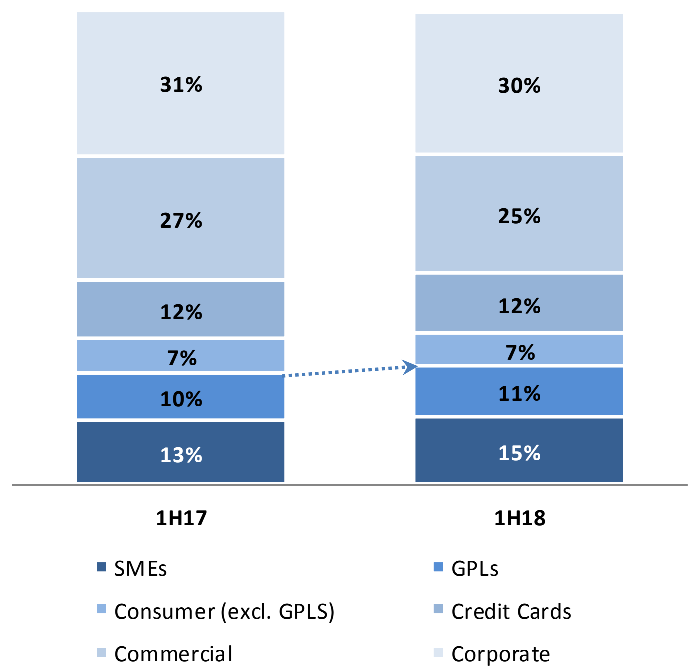
~35% of Project Finance loans are backed by government guarantee

FC Lending Breakdown

	Share	y/y
Project Finance	59%	0%
LT Investments	30%	23%
ST Loans	5%	-22%
Financial institutions	6%	-28%

Loan Mix (FX adjusted)[4]

Portion of SME and GPL lending is increasing in FX adjusted terms



Notes:
1. Private banks based on BRSA weekly data as of 29 June 18
2. Loans indicate performing loans excluding factoring and leasing receivables
3. TL and FC loans are adjusted for the FX indexed loans
4. Based on MIS data

Diversification towards lower cost funding sources

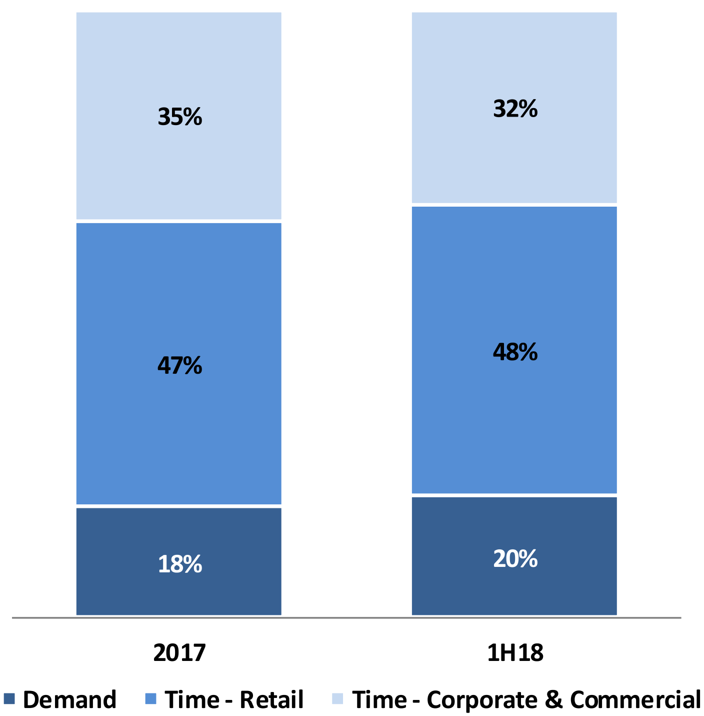
Deposit growth (TL bln)

	YKB				Private Banks[1]		
	1H18	y/y	ytd	q/q	y/y	ytd	q/q
Total Deposits	**192.8**	**17%**	**11%**	**7%**	**16%**	**10%**	**6%**
TL	80.1	-1%	5%	-6%	10%	4%	0%
FC ($)	24.7	4%	-4%	3%	-7%	-4%	-3%
Customer Deposits	**180.1**	**14%**	**10%**	**8%**	**17%**	**10%**	**6%**
TL	76.7	-2%	5%	-6%	11%	4%	0%
FC ($)	22.7	0%	0%	5%	-6%	-4%	-2%
Demand Deposits	**36.6**	**22%**	**15%**	**12%**	**23%**	**14%**	**12%**

Ongoing diversification in the funding mix

- 500 mln USD Eurobond in March 2018
- 111% roll-over ratio in syndication in May 2018
- 215 mln USD Securitization in 1H18
- 639 mln TL Covered in February and May 2018

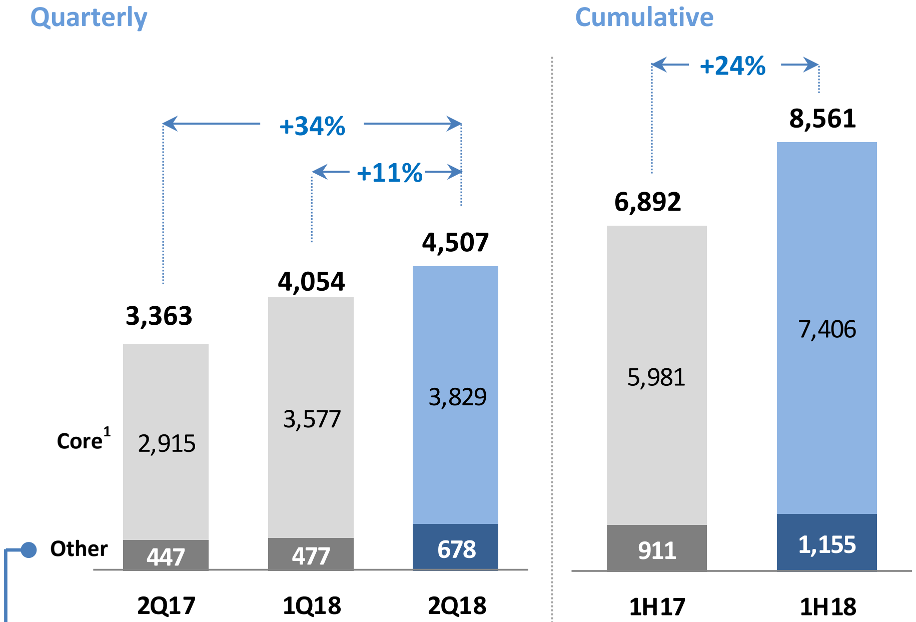
Deposit Breakdown (FX adjusted)[2]



Notes:
1. Private banks based on BRSA weekly data as of 29 Junr'18
2. Based on MIS data

Strong revenue growth via core revenue increase leading to improvement in revenue margin

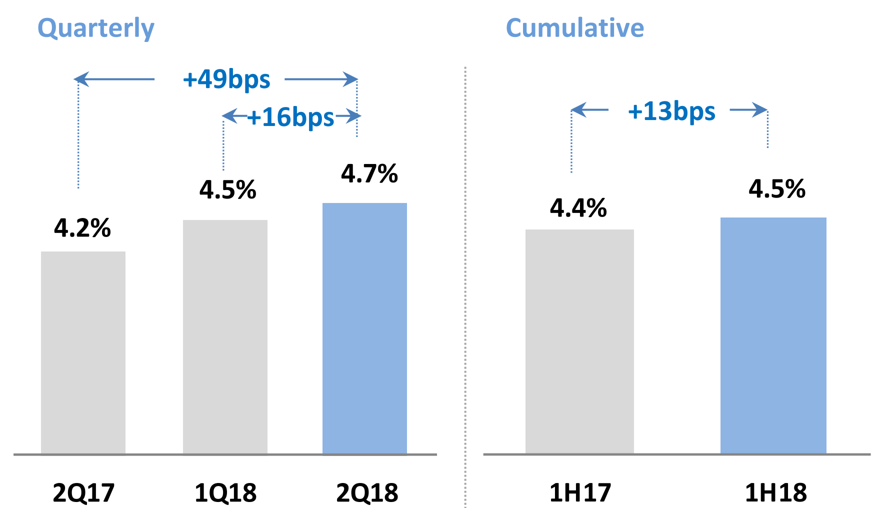
Revenues (TL mln)



mln TL	2Q17	1Q18	2Q18	1H17	1H18
Other Revenues	**447**	**477**	**678**	**911**	**1,155**
Other Income	**323**	**466**	**403**	**686**	**869**
Collections	247	330	363	509	693
Income From Subs	19	28	25	47	53
Dividend Income	8	4	8	10	12
Trading & FX (net)	**125**	**11**	**275**	**225**	**286**

Revenue Margin[2]

Revenue Margin improved +13bps y/y with
24% increase both in swap adjusted NII and Fees

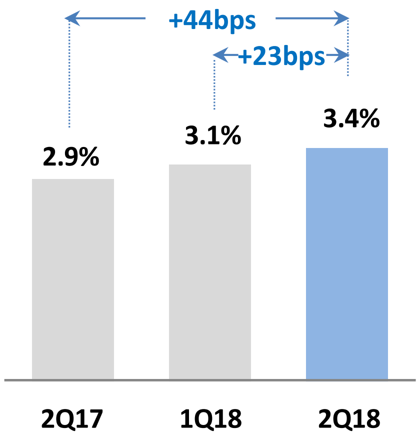


Notes:
1. Core Revenues = NII + swap costs + Net fee income
2. Revenue margin= Core Revenues / average IEAs; Based on bank-only financials

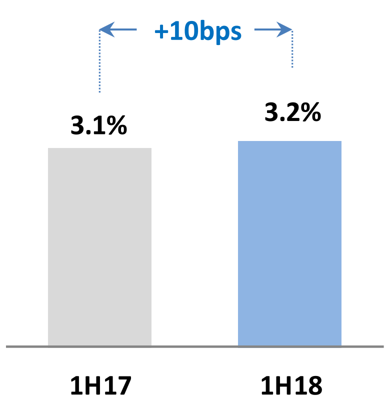
23bps q/q increase in NIM through wider core spreads

Swap Adjusted NIM

Quarterly

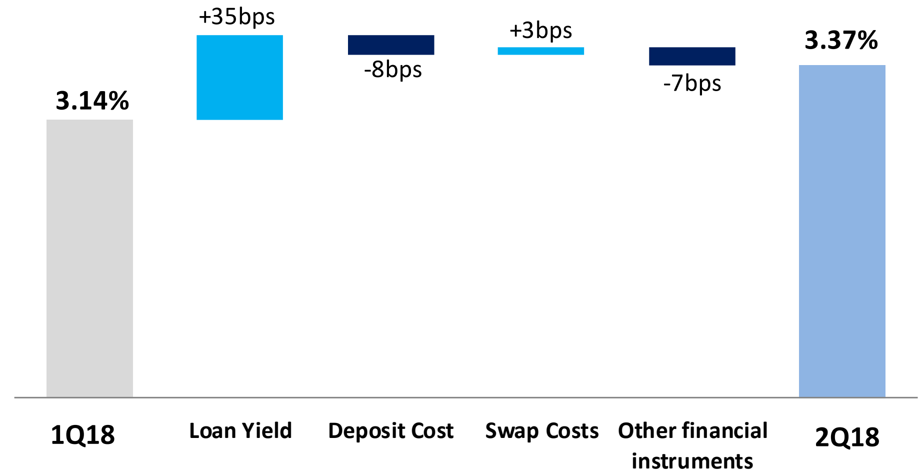


Cumulative

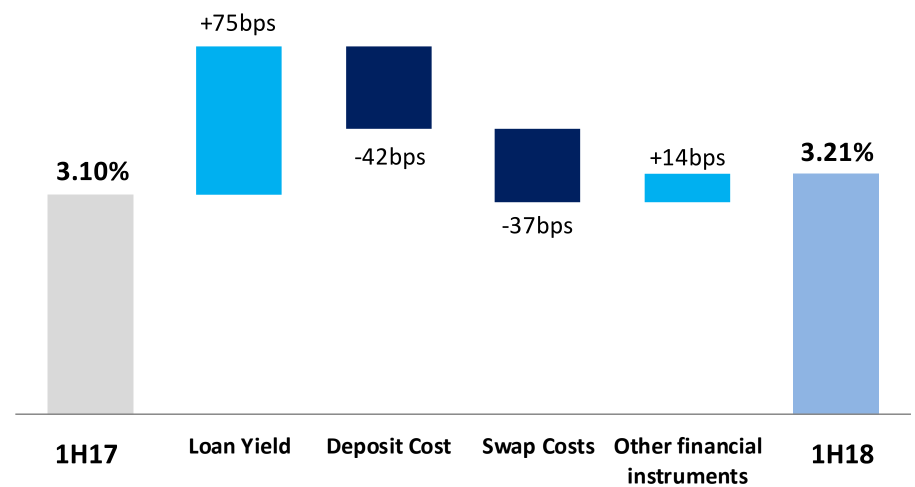


NIM waterfall

Quarterly



Cumulative

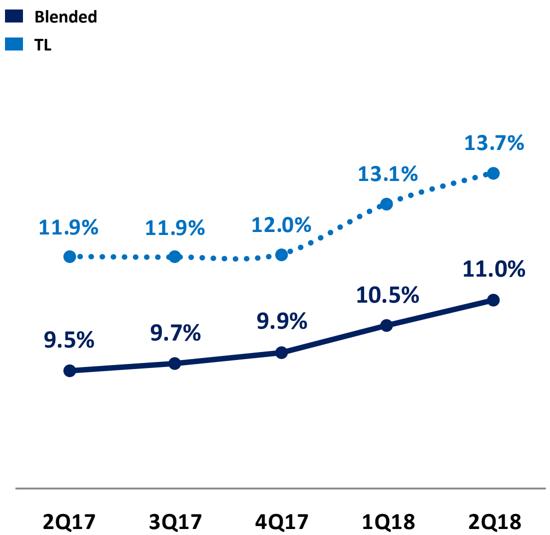


Notes:
Based on Bank-Only financials

Increase in Loan-Deposit spread thanks to ongoing loan repricing

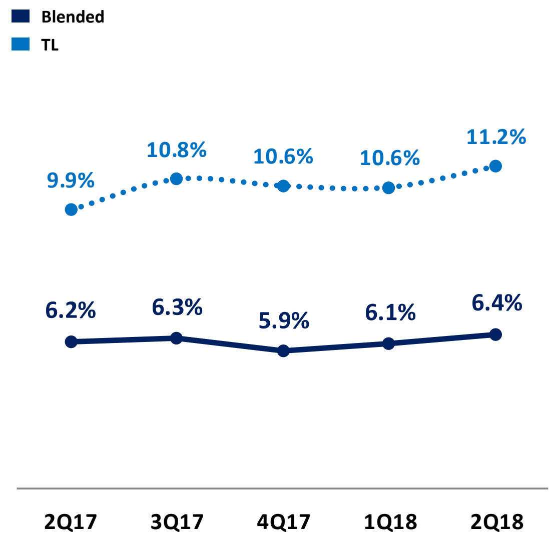
Loan Yields[1]
(Quarterly)

Another 55 bps increase in blended loan yield while loan repricing efforts sustains



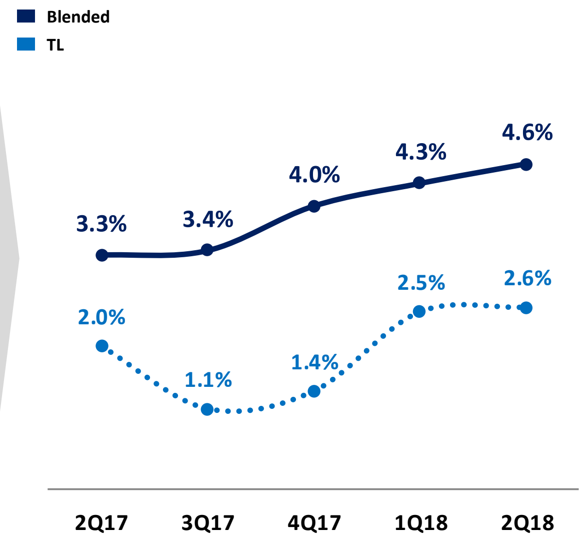
Deposit Costs
(Quarterly)

Increase in blended cost of deposits (+27 bps) due to upward trend in the rates



Loan-Deposit Spread
(Quarterly)

Loan-Deposit spread improved +28 bps through loan repricing



Change q/q based on daily averages[2]

	3Q17	4Q17	1Q18	2Q18
TL	19bps	25bps	65bps	44bps
FC	27bps	30bps	5bps	65bps

	3Q17	4Q17	1Q18	2Q18
TL	43bps	-32bps	31bps	25bps
FC	2bps	3bps	-2bps	4bps

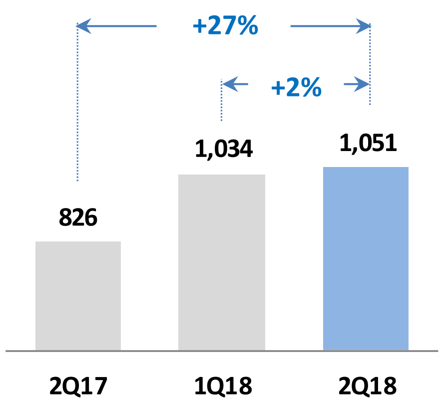
	3Q17	4Q17	1Q18	2Q18
TL	-24bps	57bps	34bps	19bps
FC	25bps	28bps	7bps	61bps

Notes:
Based on Bank-Only financials
1. Performing Loan yields
2. Based on MIS data

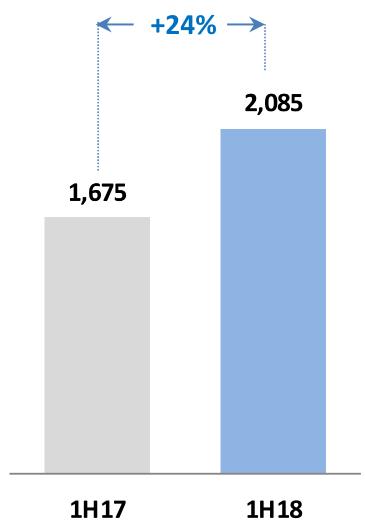
Fee increase at 24% y/y thanks to core business fee generation

Net Fee income (TL mln)

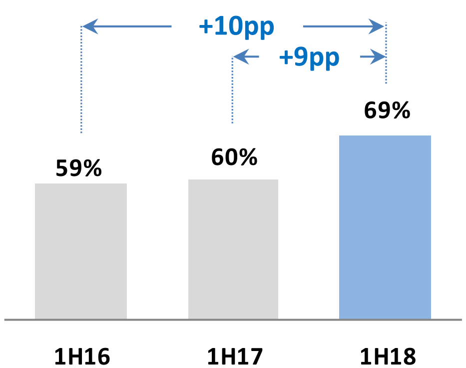
Quarterly



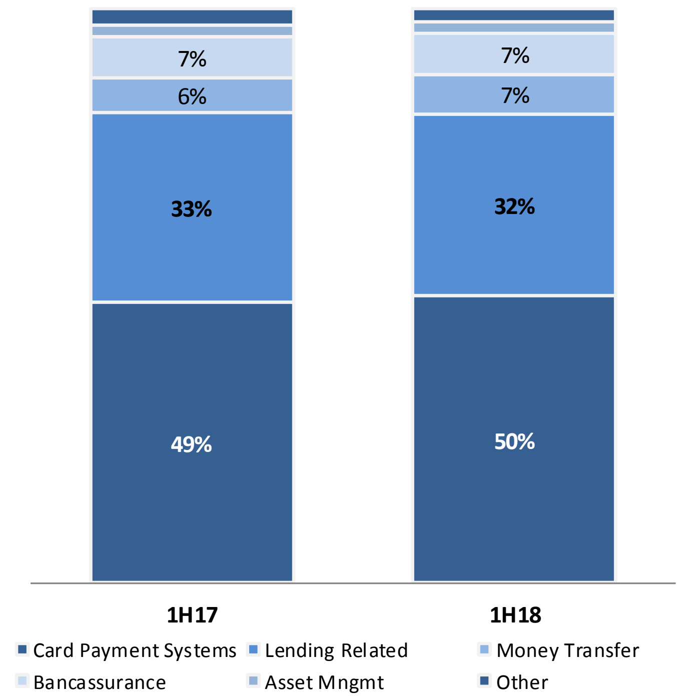
Cumulative



Fees / Opex



Fees Received Composition



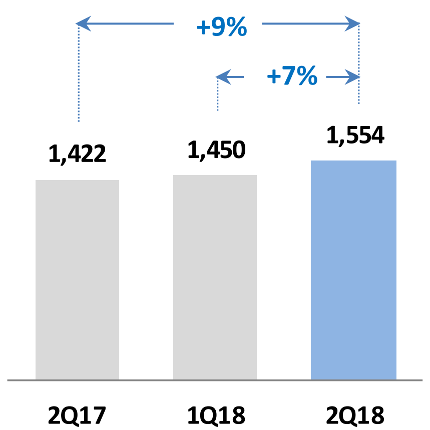
Diversification efforts on the top of ongoing support from Card payment systems:

- *Money Transfer: +47% y/y*
- *Bancassurance: 23% y/y*
- *Card Payment systems: +28% y/y*

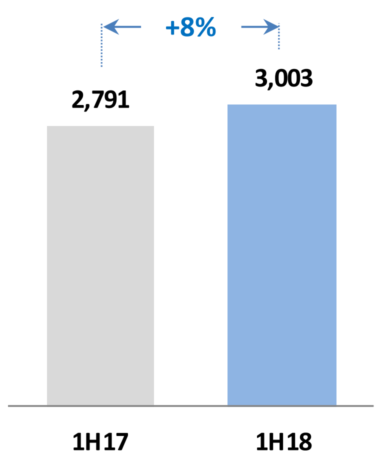
Cost discipline on track with y/y increase well below inflation

Costs (TL mln)

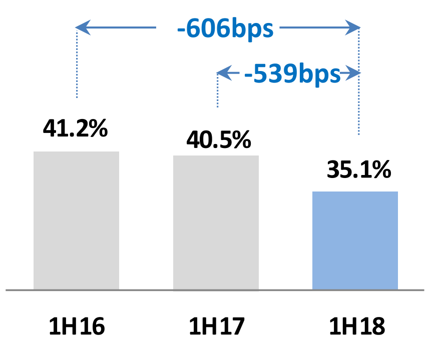
Quarterly



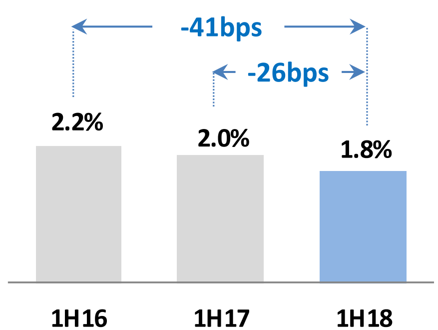
Cumulative



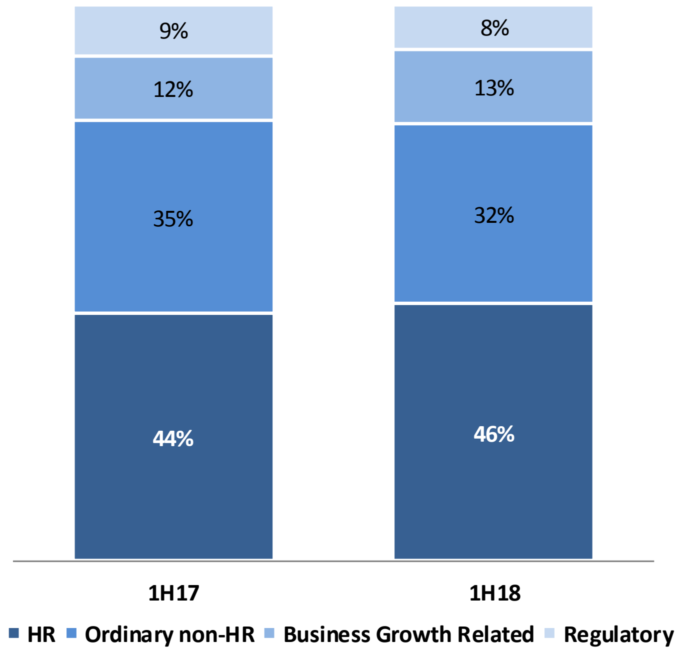
Cost / Income



Costs / Average Assets[1]



Cost Breakdown[2]



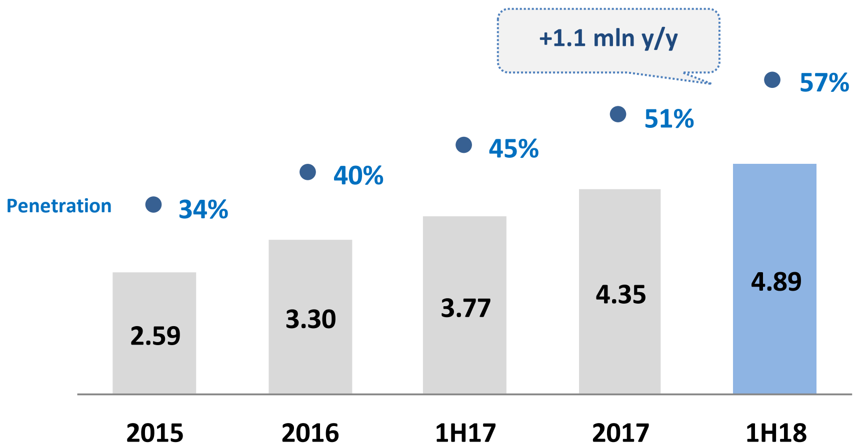
Ordinary non-HR cost share is coming down; HR cost increase due to variable compensation

- *HR costs: +12% y/y (# of FTE[3]: -2%)*
- *Ordinary non-HR costs: Stable y/y*
- *Business growth related costs[4]: +23% y/y*

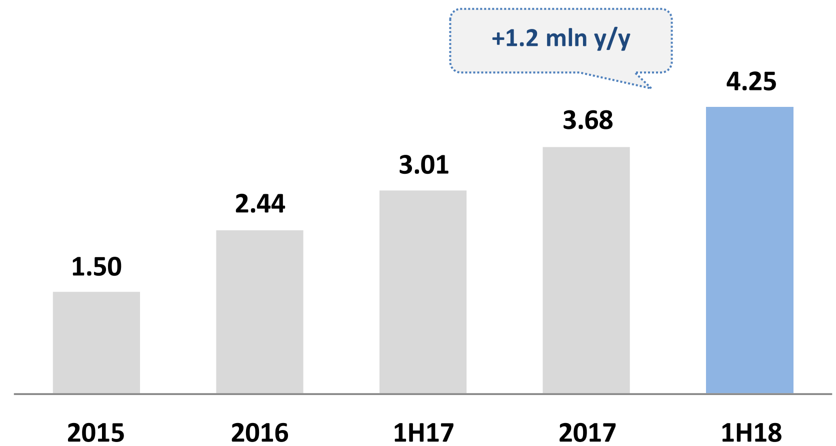
Notes:
1. 1H17 and 1H16 assets are recasted for the IFRS 9 adoption (reclassification of general provisions)
2. Based on MIS data
3. FTE: Full Time Equivalent
4. Includes Advertisement, Payroll Charity, World Points

Digital transformation fully on track

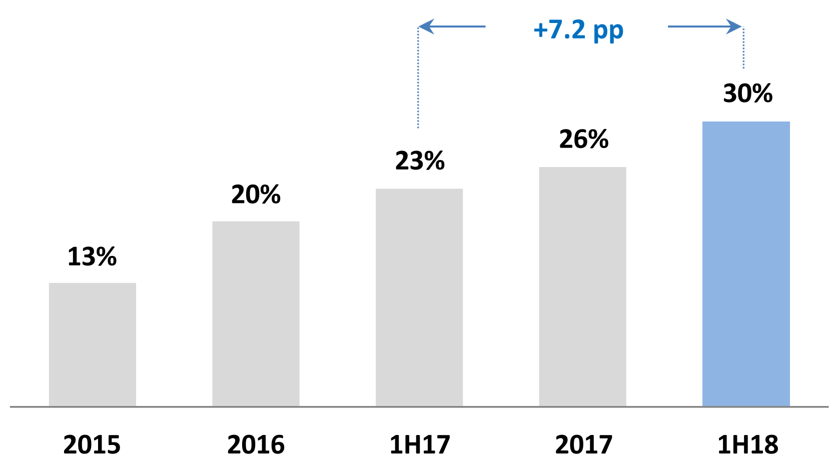
Number of Digital Costomers (mln)



Number of Mobile Banking Costomers (mln)



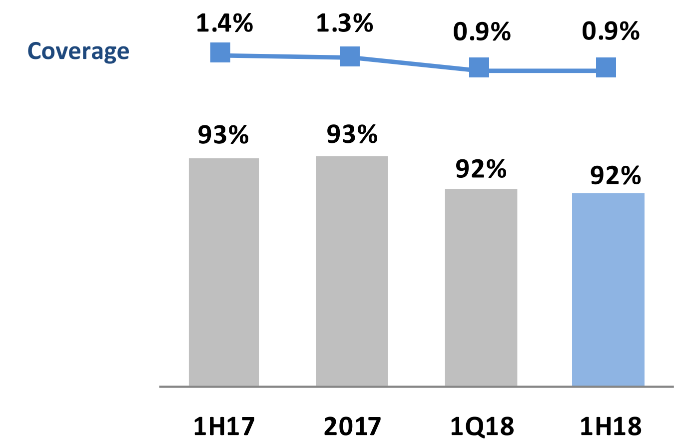
Share of digital in main products[2] sold



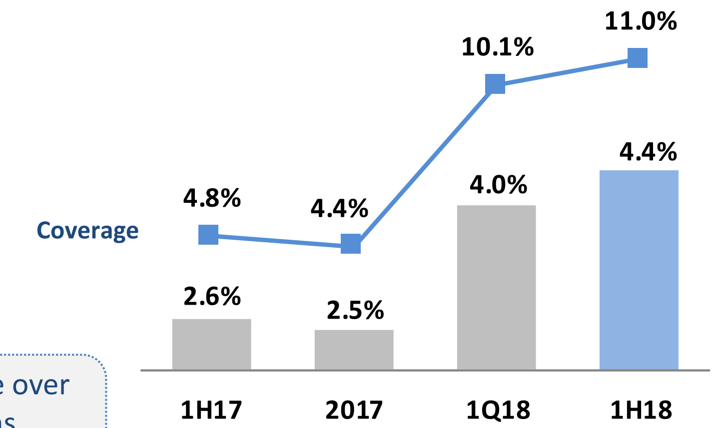
Notes:
1. Main Products; GPL, CC, Time Deposit, and Flexible Account

Strong Stage I coverage enabling comfort-zone for further Stage 2 worsening; increase in NPL inflows through a couple of big tickets

Stage I loans to Gross Loans

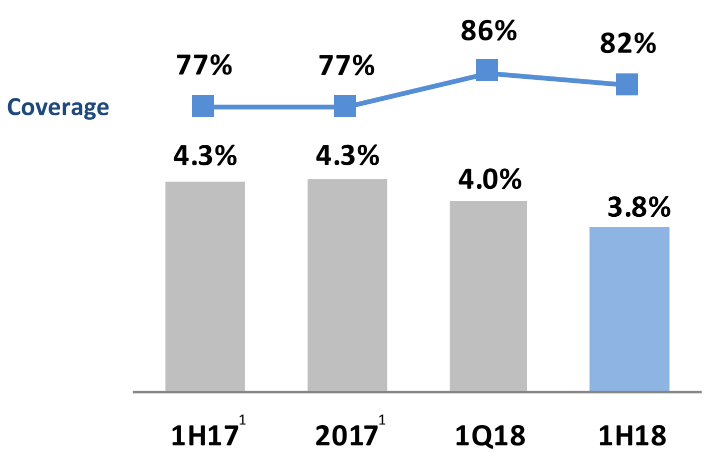


Stage II loans to Gross Loans

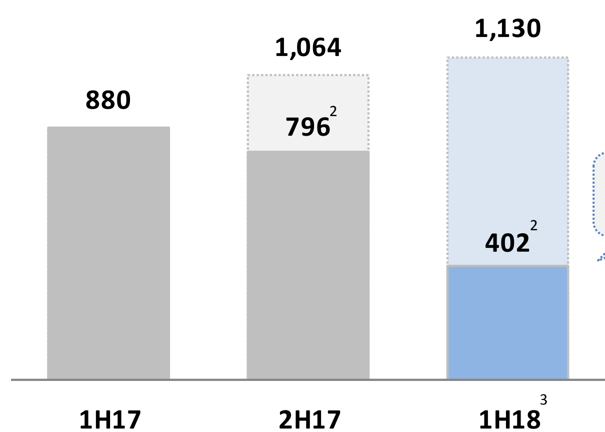


Solid coverage over gross loans
4.6%[4]

NPL & Coverage Ratio



Net NPL inflows (TL mln)



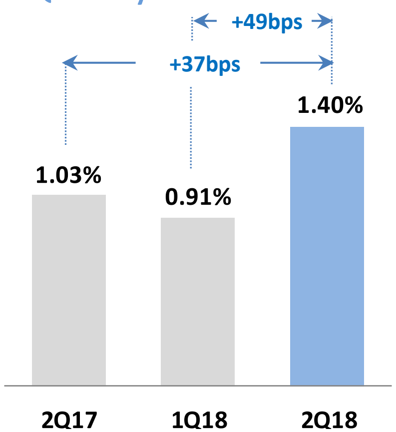
-54% y/y in 1H18

Notes:
TL 1.6 bln NPL sales in 1H18 (628 mln in 1Q18; 1 bln in 2Q18)
1. For homogenous comparison Factoring and Leasing included
2. Adjusted for big ticket NPLs
3. For homogenous calculation 1H18 exclude interest accruals
4. Based on Bank-only; consolidated coverage (including Leasing and Factoring) at 4.4%

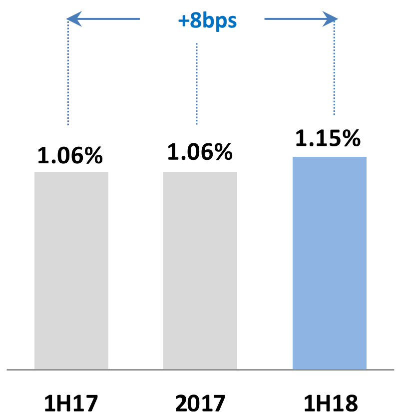
CoR increase due to FX impact and macro scenario change

Total Cost of Risk[1] (net of collections)

Quarterly

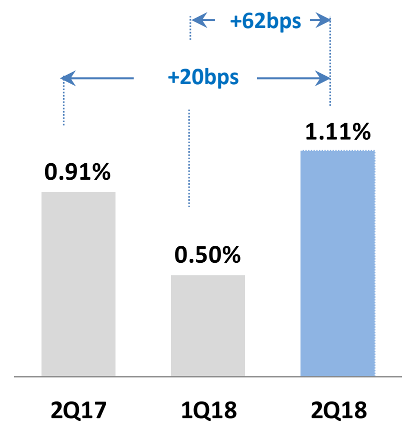


Cumulative

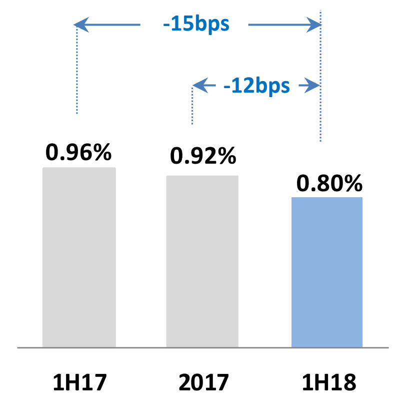


Specific Cost of Risk (net of collections)

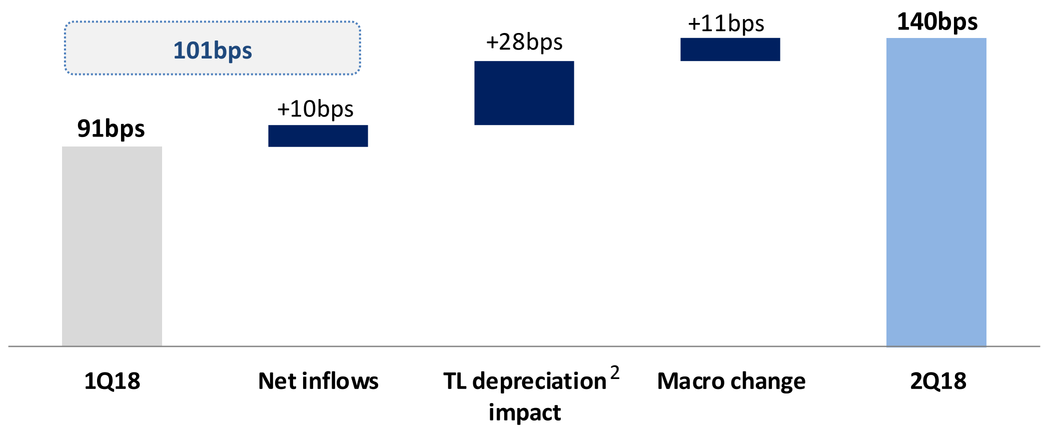
Quarterly



Cumulative



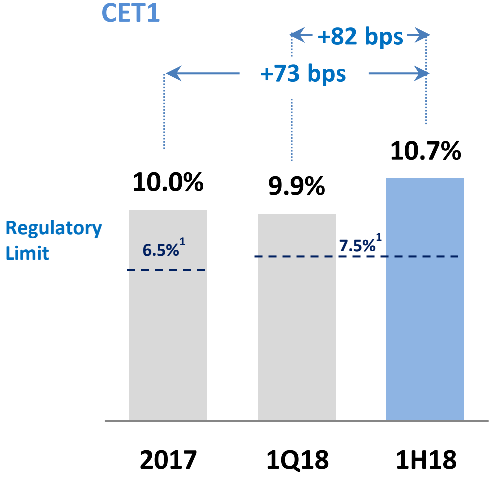
Cost of Risk evolution (quarterly)

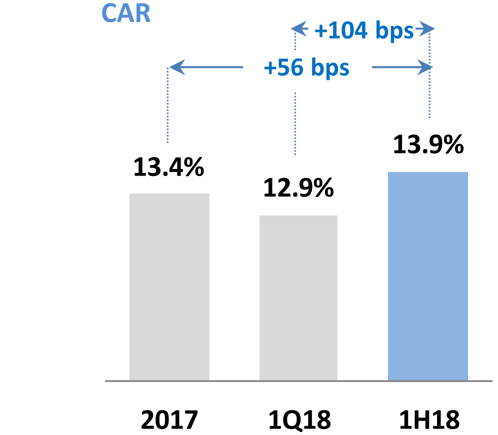


Notes:
1. Cost of Risk = (Total Loan Loss Provisions- Collections)/Total Gross Loans
2. TL depreciation impact represents the impact of increase in stage 1 and stage 2 expected credit loss due to increase in TL equivalent of FX denominated loans

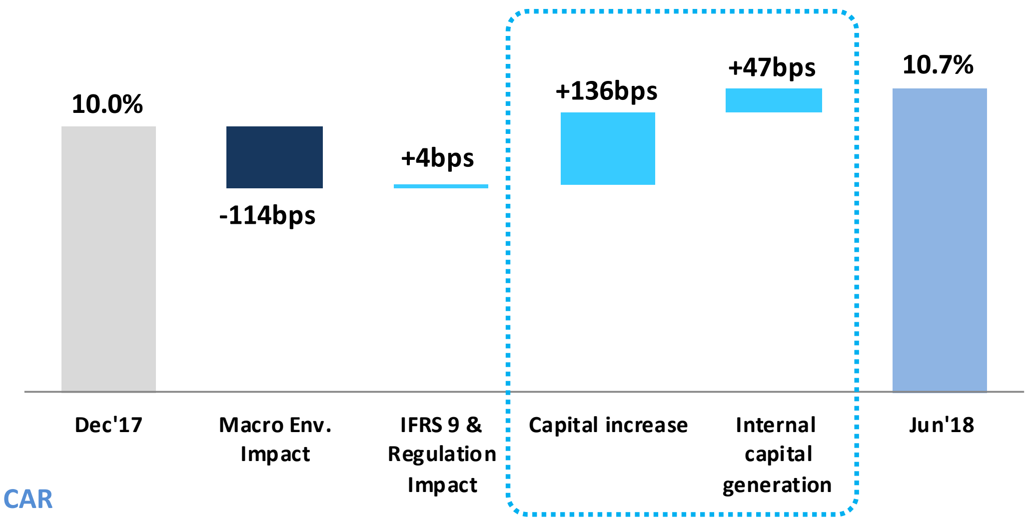
Weathered the volatility through capital injection and internal capital generation

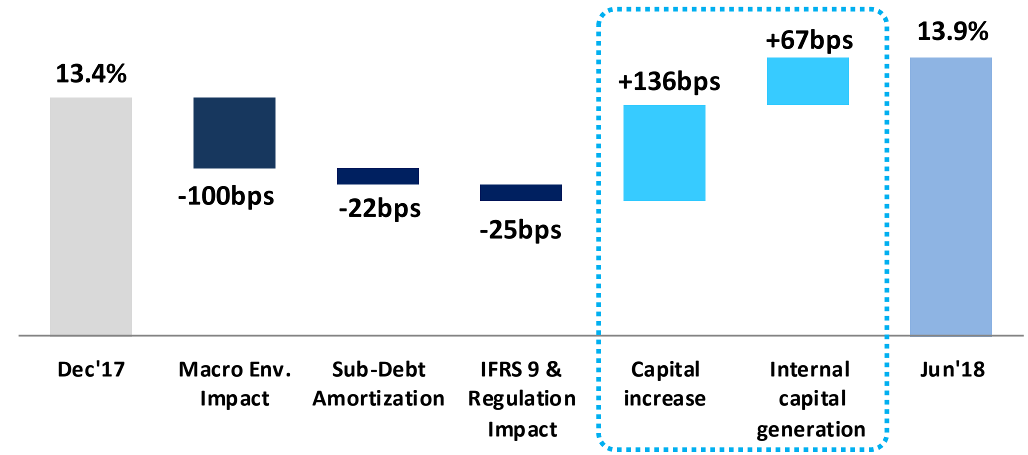
Capital Ratios





Capital Evolution





Notes:
1. CET 1 minimum level of 6.5% and 7.5% is based on consolidated requirements

2018 Basel 3 related capitalisation buffers include capital conservation buffer of 1.875%, countercyclical buffer (bank-specific) of 0.025%, SIFI buffer of 1.125% (Group 2)

T1 Ratio at 10.7% as of 1H18

Deterioration in macro environment creates a risk to CoR and CAR guidance, with a potential upside risk to Fees

Volumes	Loans	12-14%	CONFIRMED
	Deposits	12-14%	CONFIRMED
Revenues	NIM	Flattish	CONFIRMED
	Fees	Low-teens	UPSIDE POTENTIAL
Costs	Costs	Below CPI	CONFIRMED
	Cost/Income	< 40%	CONFIRMED
Asset Quality	NPL Ratio	~-10 bps	CONFIRMED
	CoR	Slight improvement	DOWNSIDE RISK
Fundamentals	LDR	110%-115%	CONFIRMED
	CAR	> 15%	DOWNSIDE RISK
Profitability	Net Profit	High-teens	CONFIRMED
	RoTE	Improvement	CONFIRMED

Notes:
Based on bank-only financials

Robust performance in all fundamentals towards 2020 targets

2020 Targets

		1H18	2020E
Strengthen and optimise capital position	CET 1 Ratio	321bps over threshold	200bps over threshold
Sustainable revenues by rebalancing business mix	Revenue Margin[1]	**4.5%** *(+13 bps y/y)*	≥ 4.7%
Well managed cost structure with efficiency gains	Cost / Income	**34.4%** *(-545 bps y/y)*	≤ 36%
Asset quality optimisation	Total Cost of Risk	**1.24%** *(+12 bps y/y)*	~1.0%
A set of strong results heading to improvement in profitability	RoATE	**16.3%[2]** *(+164 bps y/y)*	*≥ 17%*
	RoAA	**1.6%** *(+8 bps y/y)*	*≥ 1.7%*

Notes:
Based on bank-only financials except for capital ratios
1. Calculated as (NII + Swap Costs + Fees) / Interest Earning Assets
2. Adjusted for the capital injection

YapıKredi

Yapı Kredi 2020

Yapı Kredi 2020

A **customer centric** commercial bank driven by **cutting edge technology** and **committed workforce,** delivering **responsible growth**

Best-in-class profitability, backed by a **strong balance sheet,** resulting in **enhanced** and **sustainable shareholder returns**

Strategic pillars supporting Yapı Kredi 2020

1 Strengthen and optimise capital position	▪ **Increase capital by approx. US$ 1.5 bln** - US$ 1 bln rights issue finalised in June 2018; planning approx. US$ 0.5 bln AT1 issuance[1] ▪ **Maintain a minimum CET1 buffer of 200 bps against regulatory requirements[2]** ▪ **Return to dividend payment in 2020[3]** (based on 2019 results)
2 Sustainable revenue generation by rebalancing business mix	▪ **Focus on smaller tickets** both in lending and asset gathering ▪ **Increase house-bank customer penetration** ▪ **Boost number of transactions** to improve fee generation ▪ Continue to acquire **new customers**
3 Well managed cost structure with efficiency gains	▪ **Accelerate digital banking to enhance customer experience** ▪ **Achieve both operational and service-channel excellence**
4 Asset quality optimisation	▪ **Maintain current prudent risk appetite** ▪ **Tailor-made underwriting** approach for **companies** and **automated, model driven underwriting** for **individuals** with **centralised risk monitoring** ▪ **Enhance collection** process and pro-actively **manage NPL stock**

Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Subject to regulatory approvals and market conditions, 2. Please refer to Annex for regulatory limits, 3. Subject to Shareholders and regulatory approvals and pay-out ratio is assumed as 20%

Yapı Kredi 2020 - Targets

		2020E	Delta vs. 2017
1 Strengthen and optimise capital position	CET 1 Ratio	min. 200 bps buffer against regulatory requirements	-
2 Sustainable revenues by rebalancing business mix	Revenue Margin[1]	≥ 4.7%	+30 bps
3 Well managed cost structure with efficiency gains	Cost / Income	≤ 36%	-600 bps
4 Asset quality optimisation	Total Cost of Risk	~1.0%	-30 bps[2]
BEST-IN-CLASS PROFITABILITY	*RoATE*	≥ 17%	+340 bps
	RoAA	≥ 1.7%	+40 bps

Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Calculated as (NII + Swap Costs + Fees) / Avg. Interest Earning Assets, 2. 2017 figure adjusted for time value assumption

Details on Strategic Pillars

Strengthen and optimise capital position

Key Objectives

- **Keeping a minimum 200bps buffer vs. CET 1 regulatory limit**[1]
- **Stronger capital position to be able to absorb potential risks** driven by changes to the operating environment
- **Lower cost of funding** from international markets
- **Return to dividend** payment in 2020[2]

Key Initiatives

- **Strengthened CET1 ratio via US$ 1 bln rights issue**
  - Expected to have more than 300bps buffer vs. regulatory limits by 2020
- **Optimise capital structure via AT1 issuance**
  - Hedging value against future FX volatility from US$ AT1 issuance
- Further capital strengthening from enhanced **organic capital generation** and RWA optimisation[3]

Expected Results

	2017 Actual	2020E	Buffer vs. Reg. Limit
CET 1 Ratio	**10.0%**	**≥ 11.5%**	**≥ 300 bps**
Requirement	*6.5%*	*8.5%*	*targeted buffer of 200bps*
Tier 1 Ratio	**9.9%**	**≥ 12.0%**	**≥ 200 bps**
Requirement	*8.0%*	*10.0%*	
Capital Adequacy Ratio	**13.4%**	**≥ 14.0%**	**≥ 200 bps**
Requirement	*12.0%*	*12.0%*	

Potential upside from implementation of **A-IRB methodology** (not included in 2020 expectations)

Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Please refer to Annex for regulatory limits, 2. Subject to Shareholders and regulatory approvals and pay-out ratio is assumed as 20%, 3. RWA optimisation from remix of loan book, collateralisation of the existing portfolio, etc.

1 Key features of Yapı Kredi capital strengthening plan

	Equity Offering	AT1 Offering
Size	✓ Finalised by end-June 2018 **US$ 1.0 bln**	**Approximately US$ 0.5 bln**
Structure	▪ Rights Issue at **nominal value** ▪ Domestic Offering	▪ Expected to be offered in **144a/Reg S US$ format** ▪ Structure will be available after the regulatory approval
Indicative Timing	▪ **Finalised on 29 June 2018**	▪ **27 April:** filing to BRSA / CMB done ▪ Completion depending on regulatory approvals and market conditions

Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Expected impact on CET 1, Tier 1 and CAR, 2. Expected impact on Tier 1 and CAR based on size of AT1 Offering of US$ 0.5 bln (depending on regulatory approval and market conditions)

2 Sustainable revenue generation through rebalancing of business mix and enhanced service model

Key Objectives

A

Rebalance business mix with a **risk adjusted return approach** towards **smaller tickets** and **higher value** generating segments and products for **both lending and deposit gathering**

B

Increase **Transactional Banking** activities to further strengthen fee generation capacity, increasing focus on:

- **existing house-bank customer** penetration
- **acquiring new customers**

+

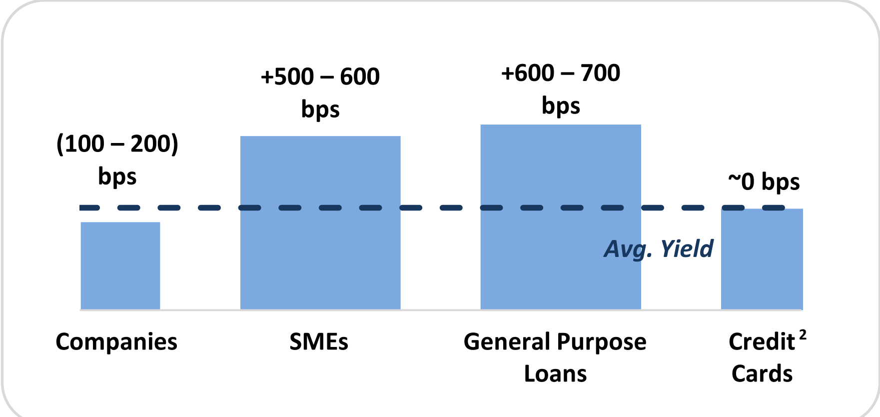
- **New Servicing Model:**
  - **Fully Centralised** for mass individual and micro enterprises, leveraging on deployed digital efficiency **to increase profitability via lower cost to serve**
  - **Dedicated Relationship Management** for affluent and private individuals, medium and large enterprises, **to increase profitability via improved loyalty**

Rebalance loan mix towards smaller ticket and higher value generating loans

Key Objective

Rebalance loan mix using a risk adjusted return approach

Delta vs. Average Risk-Adjusted Yield by Segments (2017)[1]

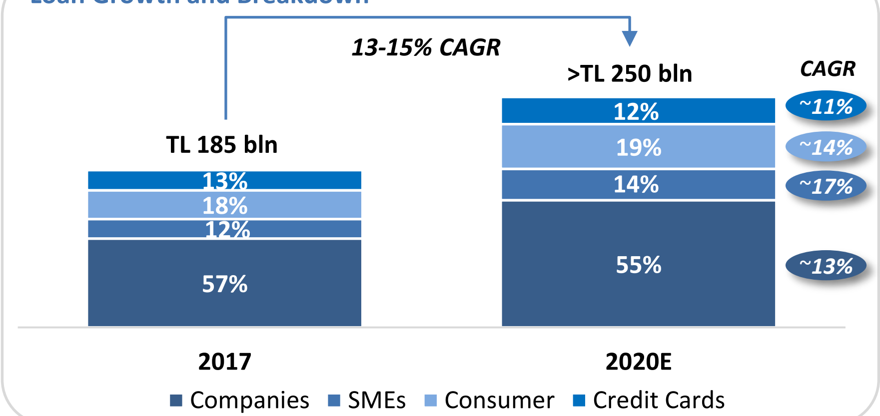


Key Initiatives

- **Loan mix will be rebalanced towards SME segment,** despite remaining below natural market share
- **General Purpose Loans to balance** Credit Card risk profile
- **Lower RWA density in** Corporate and Commercial loan portfolio by decreasing concentration on big tickets and leveraging governmental incentives

Expected Results

Loan Growth and Breakdown



Notes:
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1. Based on performing loans including TL and FX, risk figures are calculated as life-time risk, 2. Calculated over outstanding balances and excludes fee generation from card business

Shift deposit mix towards lower cost, smaller ticket, individual and demand deposits

2 A

Key Objective

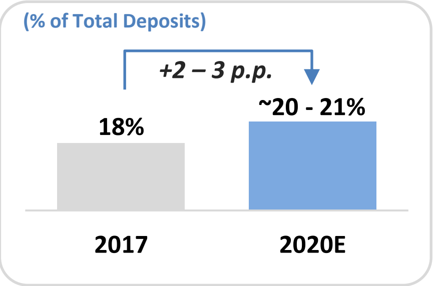
Increase the share of individual and demand deposits within total deposits

Key Initiatives

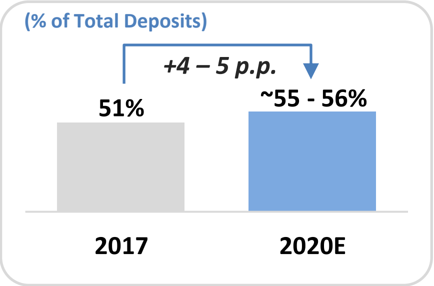
- **Increase salary and house-bank customers** (for both individual and SME) who bring 2 times and 4 times higher demand deposit volume than average non house-bank customers, respectively
- **Refocus on the Affluent Segment Model via creating a high touch** and improving service quality together with decreasing the number of customers per RM
- **Focus on investment product usage for individuals**
- **Reduce dependency from large tickets also via enhanced e-deposit strategy**

Expected Results

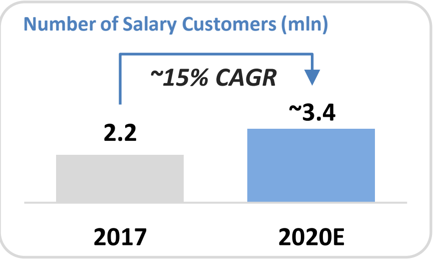
Demand Deposits



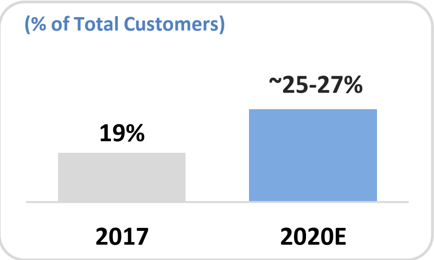
Individual Deposits



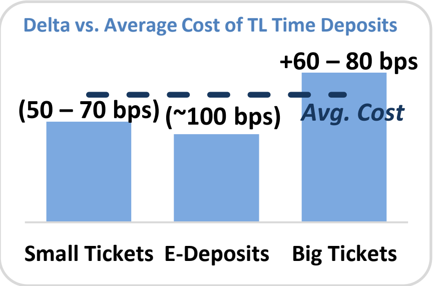
Salary Customers[1]



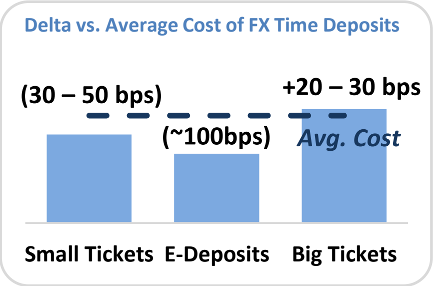
House-bank[2] Penetration



TL Time Deposit Costs (2017)



FX Time Deposit Costs (2017)



Notes:
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1. Indicates the number of customers whose salary is paid into bank account at Yapı Kredi, 2. Level of score for each customer based on number of transactions and product usage (for individuals, SME and private banking)

Focus on transactional banking to strengthen fee generation capacity

2 B

Key Objective

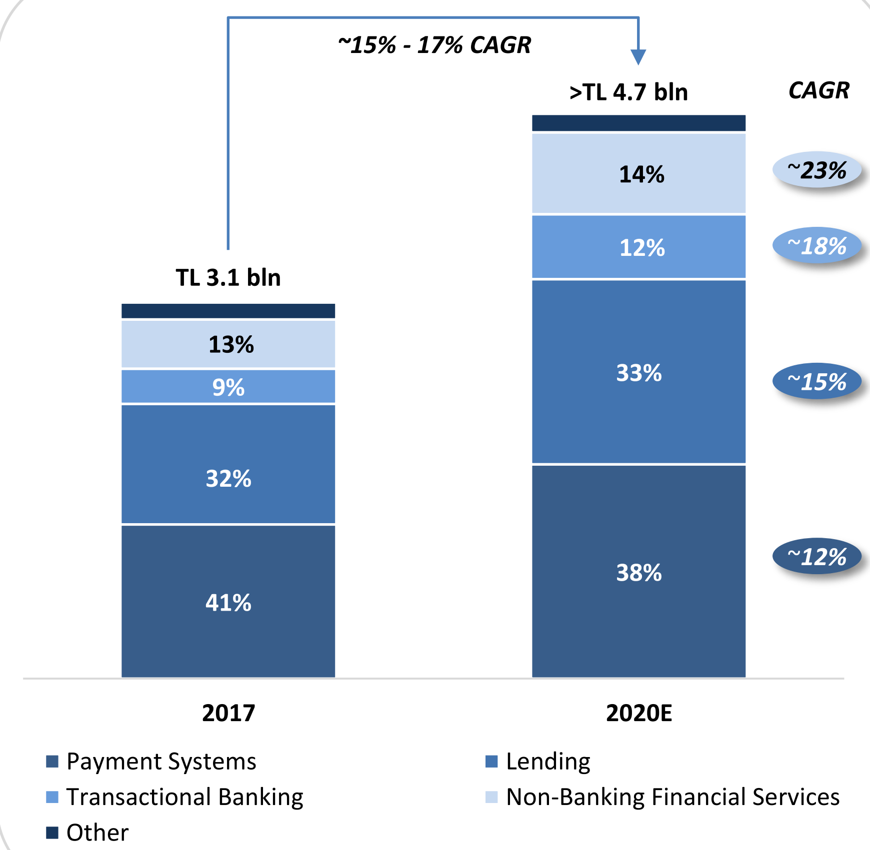
- Continue to maintain **best-in-class** fee generation by further leveraging on large customer base while **strengthening its diversification**
- Increase fees from **Transactional Banking by** ~+23% yearly growth
- Focus on **Non-banking Financial Services fee** via bancassurance and asset management

Key Initiatives

- Enhanced relationship with customers
  - **Less customers per RM** via increase the number of RMs and efficiency
  - **Adding commercial corners** within the branches
- Focus on **Cash Management and Trade Finance** services for Corporate & Commercial and SMEs
- Increase the number of **POS customers**
- Increase **corporate finance** activities

Expected Results

Fee Growth and Composition



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3 Well managed cost structure with efficiency gains

Key Objective

A

Enhance the leading and differentiated customer experience by **investing in digital transformation**

B

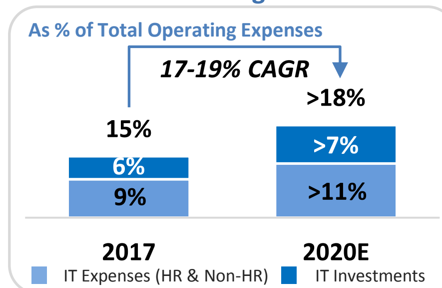
Migrate to a centralised and simplified service model for **operational efficiency**

C

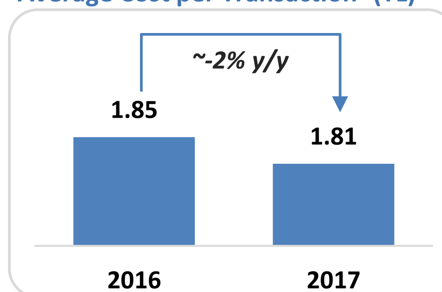
Improve operational processes through **service-channel optimisation** and **integration**

Expected Results

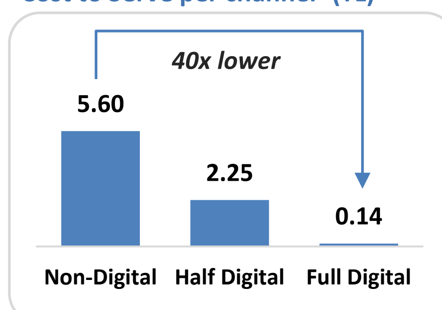
Stable and Recurring IT Investments



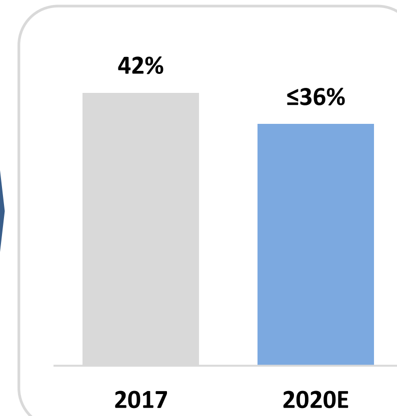
Average Cost per Transaction[1] (TL)



Cost to Serve per channel[1] (TL)



Improving Cost / Income



Notes:
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1. Total Cost to Serve and Cost to Serve per channel are calculated based on direct costs of each sales channels

3 A Digital transformation

Key Objective

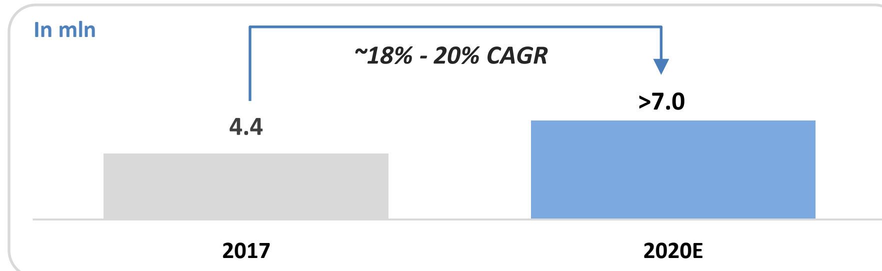
Increase digital customer base across all products to benefit from lower costs to serve

Key Initiatives

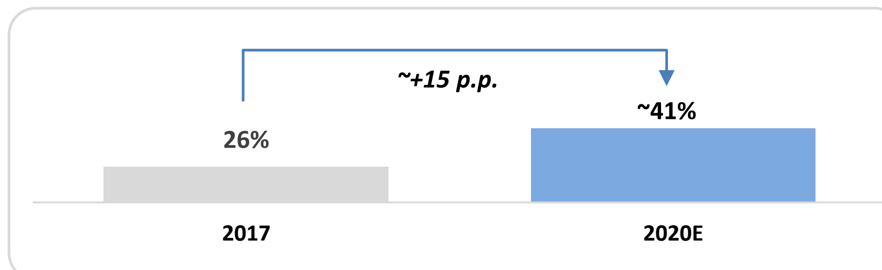
- **Retaining customers**
  - Expand digital banking offer via mobile first approach
  - Create a seamless, simple, unified and personal experience across all customer touch points
- **Acquiring new customers**
  - Expand the investment products and services on digital, enabling complete set of “investment for the individual”
  - Digitalise functionality, sales and marketing process for card customers (New Credit Card app will be in use in 2H18)

Expected Results

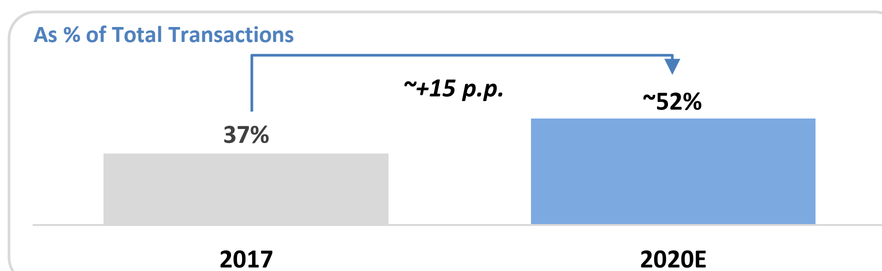
Increase in Number of Digital Customers



Product Sold in Digital[1]



Evolution of Transactions Performed Through Digital Channel[2]



Notes:
1. Included products are: Time Deposit, GPL, Credit Card and Flexible Account (If investment products included 2017 figure becomes 59%)
2. There are 222 different transactions included in this calculation such as: cheque transactions, Letter of guarantee and letter of credits, account related transactions, credit card transactions, loan opening transactions, cash withdrawal with instalments loan, overdraft, Money transfers, investment products

Operational and service-channel optimisation

3 B C

Key Objective

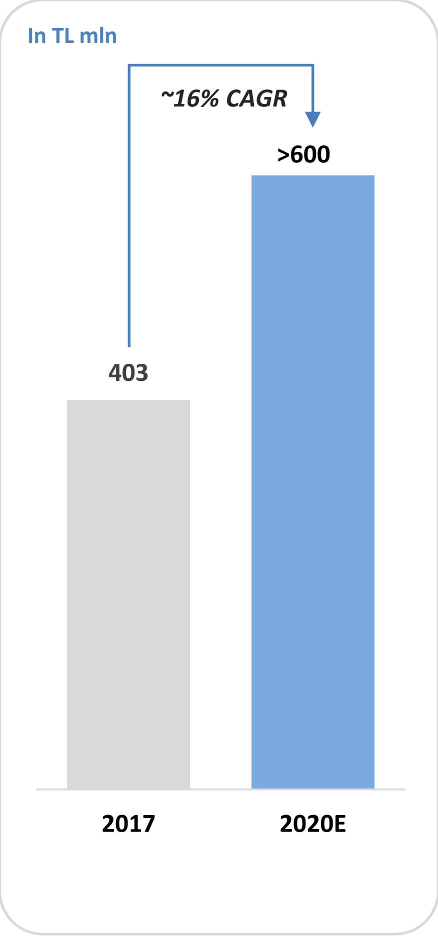
Transform the operating and service model to unlock Yapı Kredi's efficiency potential

Key Initiatives

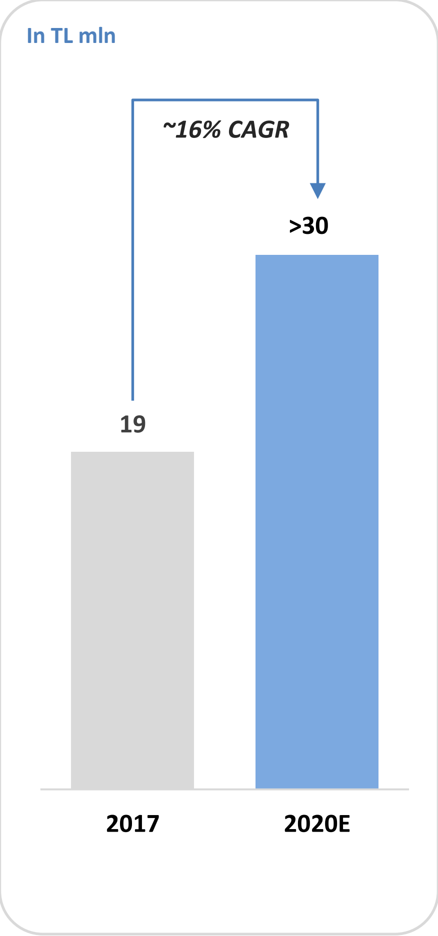
- Focus on **efficiency and digitalisation** through process automation, centralisation and elimination
- Digitalise the branch network, reaching a **paperless** branch experience for ~**95% of the services offered in Retail branches**
- **Tellers and RMs unification** to create single point of service in branches
- Improve **sales support infrastructure** through automation, leading to increased efficiency in RM performance

Expected Results

Commercial Volume[1] per Branch



Commercial Volume[1] per Employee



Notes:
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1. Represents total of loans and deposits

4 Asset quality optimisation

Key Objective

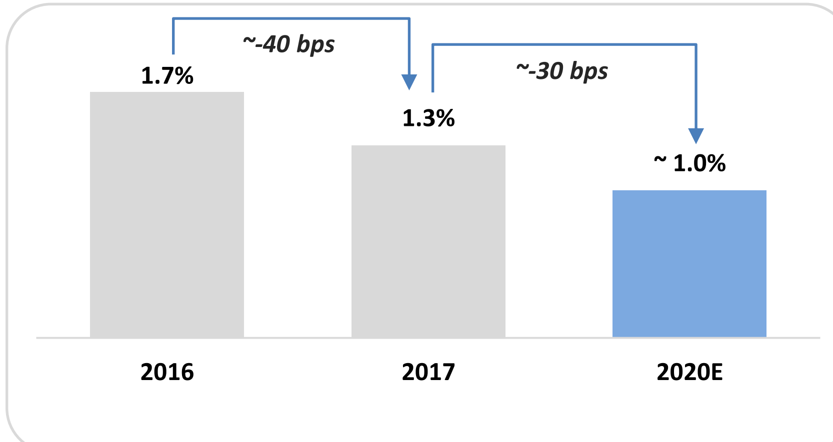
A Focus on underwriting and monitoring policies

B Continuous enhancement of collection processes

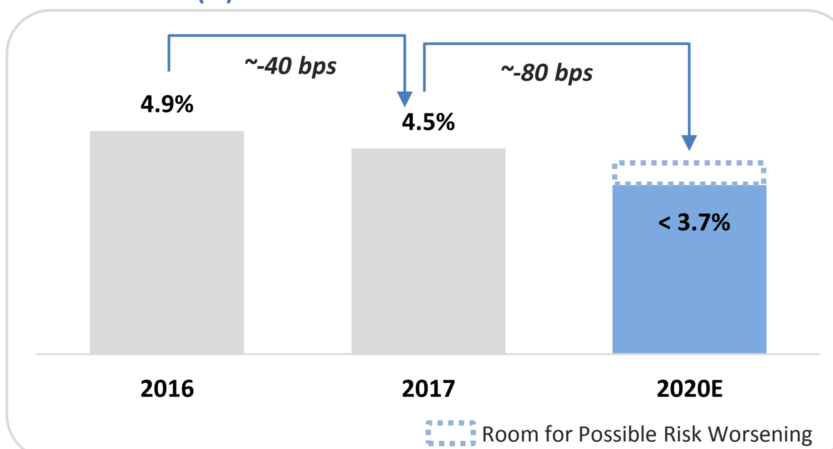
C Pro-active NPL management

Expected Results

Total Cost of Risk[1] (%)



Gross NPL Ratio (%)



Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Cost of Risk = (Total Loan Loss Provisions - Collections)/Total Gross Loans; 2016 and 2017 Cost of Risk adjusted with IFRS 9 impact for comparability purposes. Reported Cost of Risk in 2016 and 2017 was 1.4% and 1.1% in 2016 and 2017 respectively

Focus on underwriting and monitoring policies

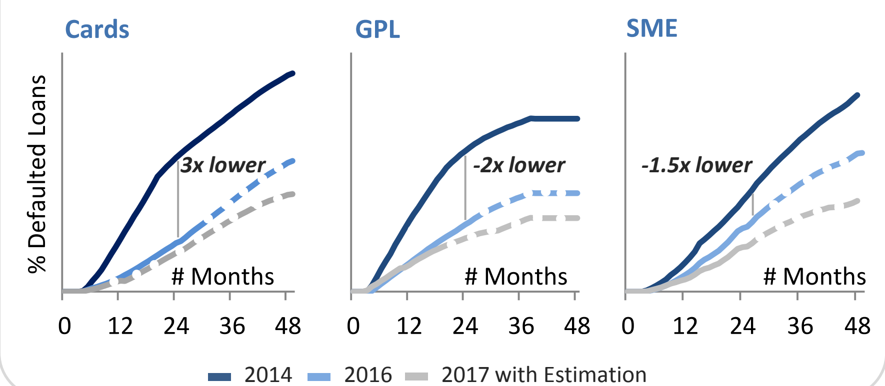
4 A

Key Initiatives

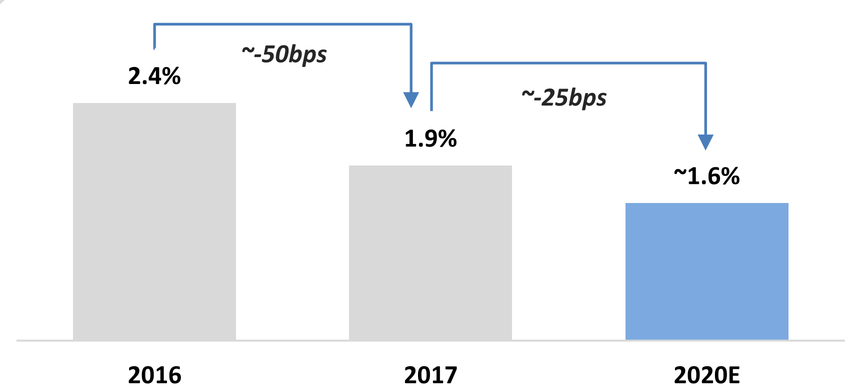
- **Customised underwriting approach** based on customers, products and channels
  - **Individuals and Micro Enterprises**: fully automated process leveraging machine-learning technologies
  - **Bigger Tickets**: Tailor-made approach with strict concentration limits and increased **sector expertise**
- **Early collection model and process enhancements**
  - **Segmentation of 0-90 days-past-due portfolio** via behavioural customers data
- **Centralised risk monitoring**

Expected Results

NPL Ratio by Vintage



Gross NPL Inflows / Total Performing Loans BoP



Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios

Continuous enhancement of collection processes and pro-active NPL management

Key Initiatives

Continuous enhancement of collection processes

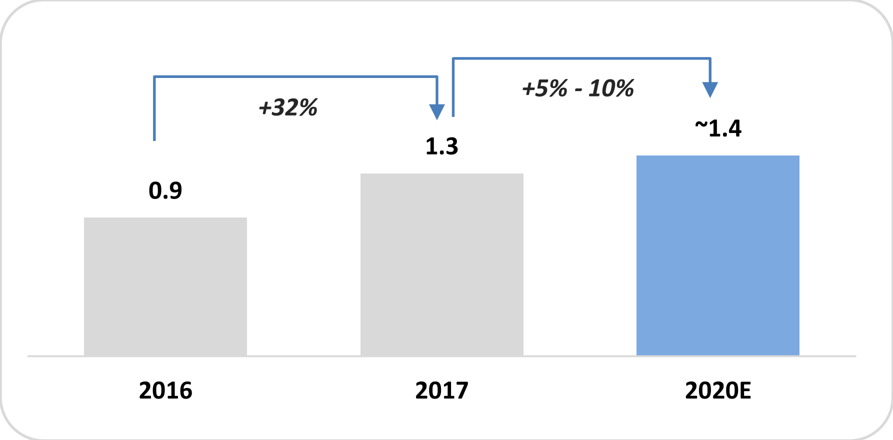
- **Strengthen collection process** through specific product / regional team support
- **Machine learning** for improved portfolio segmentation
- **Flexible restructuring options** (product type, maturity, interest rate)
- New KPIs to **monitor and improve performance**

Pro-active NPL management

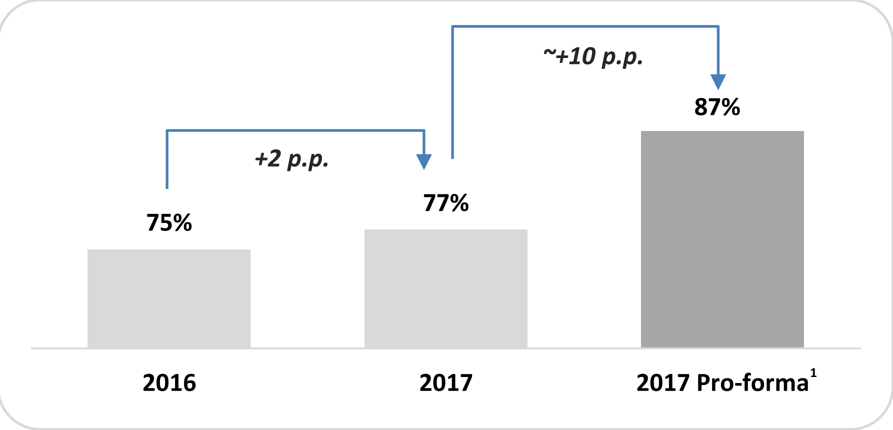
- **Front loaded coverage increase to support further NPL disposal**
- **Wide range of restructuring products to match customer's ability to repay**

Expected Results

Collections (TL bln)



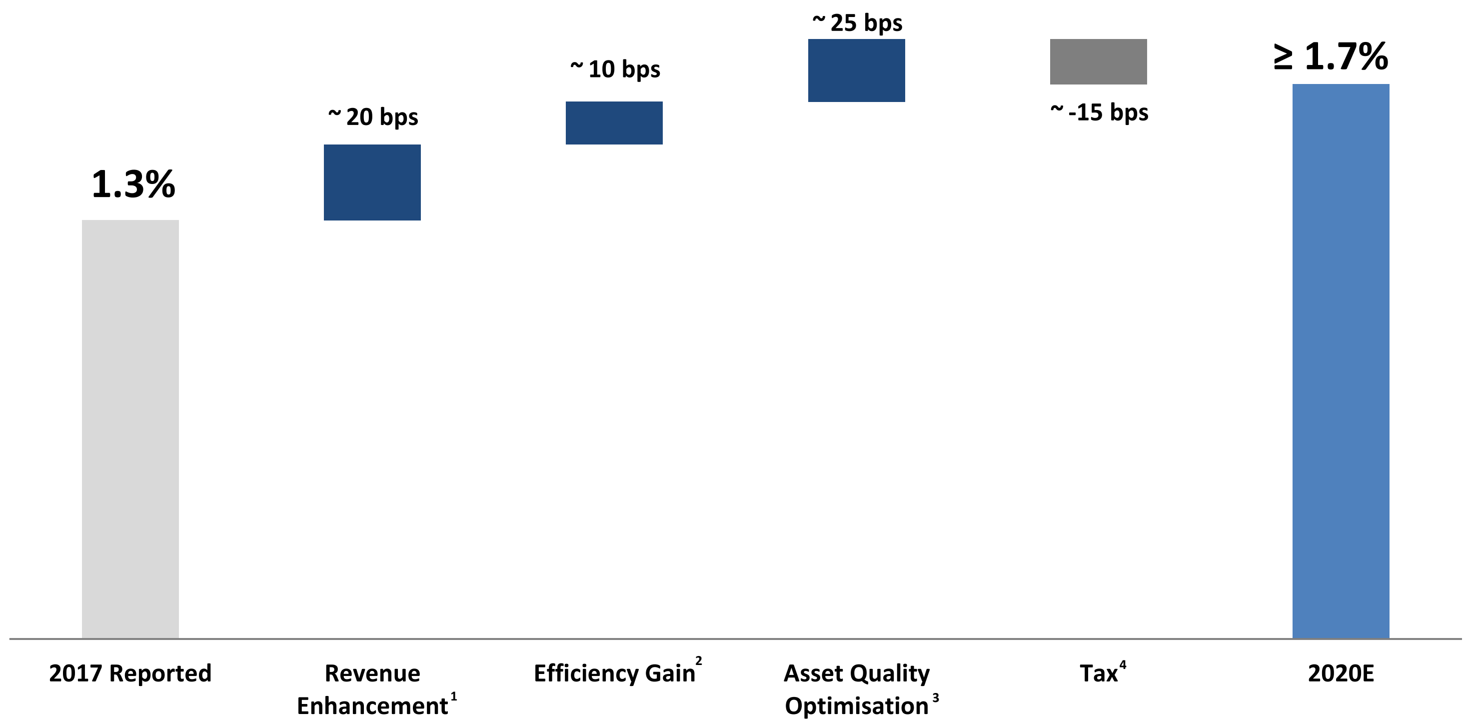
Specific NPL Coverage Ratio (%)



Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Represents 2017 year-end coverage ratio with IFRS 9 first time adoption impact

Key drivers for best-in-class profitability by 2020

RoAA Evolution



RoATE	13.6%	≥ 17%

BEST-IN-CLASS PROFITABILITY

Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Calculated as Revenues / Assets for 2020 *versus* 2017 pretax, 2. Calculated as Operating Expenses / Assets for 2020 *versus* 2017 pretax, 3. Calculated as Loan Loss Provisions / Assets for 2020 *versus* 2017 pretax, 4. Including the impact of tax rate change

Annex

Macro Environment and Banking Sector

Macro Environment

	2Q17	4Q17	1Q18	2Q18
GDP Growth (y/y)	5.3%	7.3%	7.3%	**5.2%**
CPI Inflation (y/y)	10.9%	11.9%	10.2%	**15.4%**
Consumer Confidence Index	70.0	65.1	71.3	**70.3**
CAD/GDP	-4.1%	-5.5%	-6.3%	**-6.5%**
Budget Deficit/GDP	-2.0%	-1.5%	-1.6%	**-2.0%**
Unemployment Rate[1]	10.2%	10.4%	10.1%	**9.6%**
USD/TL (eop)	3.51	3.82	4.00	**4.62**
2Y Benchmark Bond Rate (eop)	11.1%	13.4%	14.0%	**19.3%**

Banking Sector

	2Q17	4Q17	1Q18	2Q18
Loan Growth	**5%**	**5%**	**5%**	**7%**
Private	*3%*	*5%*	*4%*	*6%*
State	*8%*	*6%*	*6%*	*10%*
Deposit Growth	**4%**	**5%**	**4%**	**7%**
Private	*2%*	*4%*	*4%*	*6%*
State	*7%*	*6%*	*5%*	*9%*
NPL Ratio	**3.0%**	**2.9%**	**2.8%**	**2.9%**
CAR	**16.4%**	**16.5%**	**16.3%**	**15.9%**
ROATE	**16.2%**	**13.6%**	**15.2%**	**15.3%**

Notes:
All macro data as of June 2018 unless otherwise stated
Banking sector volumes based on BRSA weekly data as of 29 Jun’18
1. Unemployement rate is as of Apr’18

Macro environment and banking sector scenario

Macro Environment

	2017	2020E
GDP Growth (y/y)	7.4%	4.3%
CPI Inflation (y/y)	11.9%	8.0%
EUR/TL (eop)	4.52	6.15
USD/TL (eop)	3.77	4.98
Benchmark Bond Rate (eop)	13.4%	9.5%

Banking Sector

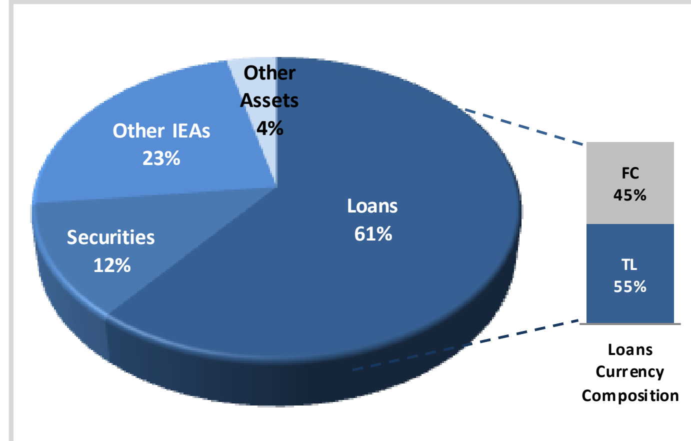
	2017	2020E
Loan Growth	21%	~13-15% *(CAGR)*
Deposit Growth	16%	~13-15% *(CAGR)*
NPL Ratio	2.9%	~3.5%
CAR	16.5%	~14-15%
RoATE	15.1%	~15.0%

Notes:
Banking sector volumes based on BRSA weekly data as of 29 Dec'17

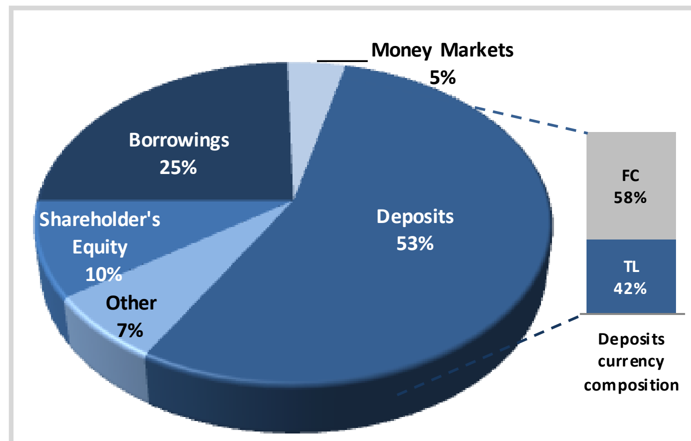
Consolidated Balance Sheet

TL bln	1Q17[1]	1H17[1]	9M17[1]	2017[1]	1Q18	1H18	q/q	y/y	ytd
Total Assets	**278.3**	**283.3**	**290.6**	**316.9**	**328.7**	**365.1**	**11%**	**29%**	**15%**
Loans[2]	**183.7**	**185.8**	**190.6**	**199.9**	**205.3**	**222.2**	**8%**	**20%**	**11%**
TL Loans	107.0	111.1	115.1	120.1	118.8	123.0	4%	11%	2%
FC Loans ($)	21.1	21.3	21.2	21.2	21.9	21.7	-1%	2%	3%
Securities	**32.6**	**32.4**	**35.5**	**38.8**	**41.7**	**45.2**	**8%**	**39%**	**17%**
TL Securities	22.4	22.7	25.5	28.1	30.7	32.7	7%	44%	16%
FC Securities ($)	2.8	2.8	2.8	2.8	2.8	2.7	-2%	-1%	-3%
Deposits	**163.5**	**164.2**	**165.0**	**173.4**	**180.0**	**192.8**	**7%**	**17%**	**11%**
TL Deposits	81.3	81.1	71.1	75.9	85.4	80.1	-6%	-1%	5%
FC Deposits ($)	22.6	23.7	26.4	25.8	24.0	24.7	3%	4%	-4%
Borrowings	**61.0**	**62.3**	**63.9**	**75.3**	**80.8**	**90.0**	**11%**	**44%**	**19%**
TL Borrowings	5.1	6.1	6.5	7.1	6.8	7.8	16%	29%	11%
FC Borrowings ($)	15.4	16.0	16.1	18.1	18.7	18.0	-4%	12%	0%
Shareholders' Equity	**27.7**	**28.5**	**29.0**	**30.1**	**31.6**	**37.8**	**20%**	**33%**	**26%**
Assets Under Management	**17.4**	**18.5**	**19.1**	**19.5**	**20.1**	**19.6**	**-2%**	**6%**	**1%**
Loans/Assets	66%	66%	66%	63%	62%	61%			
Securities/Assets	12%	11%	12%	12%	13%	12%			
Borrowings/Liabilities	22%	22%	22%	24%	25%	25%			
Loans/(Deposits+TL Bills)	112%	112%	115%	114%	113%	114%			
CAR - cons	13.4%	13.7%	13.8%	13.4%	12.9%	13.9%			
Common Equity Tier-I - cons	9.9%	10.3%	10.3%	10.0%	9.9%	10.7%			
Leverage Ratio	9.0x	8.9x	9.0x	9.5x	9.4x	8.7x			

Assets



Liabilities



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

1. 2017 figures recasted for IFRS 9 reclassification of general provisions
2. TL and FC Loans are adjusted for the FX indexed loans

Consolidated Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	q/q	y/y	1H17	1H18	y/y
Net Interest Income including swap costs	**2,217**	**2,089**	**2,154**	**2,522**	**2,543**	**2,778**	**9%**	**33%**	**4,306**	**5,321**	**24%**
o/w NII (ecl. CPI linkers' income)	*1,926*	*1,983*	*1,944*	*2,147*	*2,409*	*2,748*	**14%**	**39%**	*3,909*	*5,157*	**32%**
o/w CPI-linkers	*325*	*338*	*409*	*663*	*436*	*460*	**6%**	**36%**	*663*	*896*	**35%**
o/w Swap costs	*-34*	*-232*	*-198*	*-288*	*-302*	*-431*	**43%**	**86%**	*-266*	*-733*	**175%**
Fees & Commissions	**849**	**826**	**799**	**841**	**1,034**	**1,051**	**2%**	**27%**	**1,675**	**2,085**	**24%**
Core Revenues	**3,066**	**2,915**	**2,954**	**3,364**	**3,577**	**3,829**	**7%**	**31%**	**5,981**	**7,406**	**24%**
ECL net of collections	**539**	**532**	**592**	**568**	**514**	**835**	***62%***	***57%***	**1,071**	**1,348**	***26%***
o/w Stage 3 Provisions	*756*	*717*	*761*	*596*	*607*	*738*	*21%*	*3%*	*1,473*	*1,345*	*-9%*
o/w Stage 1 + Stage 2 Provisions	*45*	*62*	*46*	*151*	*237*	*460*	*94%*	*637%*	*107*	*696*	*550%*
o/w Collections	*262*	*247*	*215*	*179*	*330*	*363*	*10%*	*47%*	*509*	*693*	*36%*
Operating Costs	**1,370**	**1,422**	**1,363**	**1,543**	**1,450**	**1,554**	**7%**	**9%**	**2,791**	**3,003**	**8%**
Core Operating Income	**1,156**	**962**	**999**	**1,253**	**1,613**	**1,441**	**-11%**	**50%**	**2,118**	**3,054**	**44%**
Trading and FC gains/losses	**100**	**125**	**38**	**-24**	**11**	**275**	**-**	**-**	**225**	**286**	***27%***
Other income	**102**	**75**	**53**	**109**	**136**	**40**	**-71%**	**-47%**	**177**	**176**	**-1%**
o/w income from subs	*28*	*19*	*19*	*22*	*28*	*25*	*-12%*	*31%*	*47*	*53*	*13%*
o/w Dividends	*2*	*8*	*0*	*0*	*4*	*8*	*99%*	*-4%*	*10*	*12*	*17%*
o/w Others	*72*	*48*	*35*	*86*	*104*	*7*	*-93%*	*-85%*	*120*	*111*	*-7%*
Other Provisions & Costs	**94**	**40**	**33**	**180**	**147**	**196**	**33%**	**385%**	**134**	**343**	**156%**
o/w Other provisions for risks and charges	*50*	*0*	*0*	*123*	*100*	*188*	*88%*	*-*	*50*	*288*	**476%**
o/w Other provisions	*44*	*40*	*33*	*58*	*47*	*8*	*-83%*	*-80%*	*84*	*55*	*-34%*
Pre-tax Income	**1,265**	**1,121**	**1,058**	**1,158**	**1,613**	**1,559**	**-3%**	**39%**	**2,386**	**3,173**	**33%**
Tax	263	229	216	278	369	332	-10%	45%	493	701	42%
Net Income	**1,001**	**892**	**841**	**880**	**1,244**	**1,227**	**-1%**	**38%**	**1,893**	**2,471**	**31%**
ROTAE[1]	**15.8%**	**13.3%**	**12.4%**	**12.6%**	**17.1%**	**15.9%**	**-120bps**	**260bps**	**14.7%**	**16.4%**	**165bps**

1. 2Q18 and 1H18 ROTE is adjusted for the 4.1 blmn TL rights issue on 30th of June

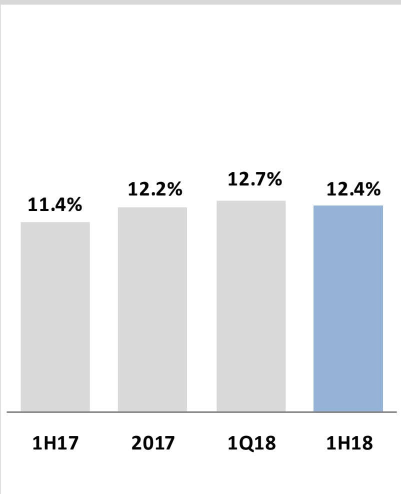
Bank-Only Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	q/q	y/y	1H17	1H18	y/y
Net Interest Income including swap costs	**2,030**	**1,895**	**1,965**	**2,306**	**2,270**	**2,585**	**14%**	**36%**	**3,925**	**4,856**	**24%**
o/w NII (ecl. CPI linkers' income)	*1,816*	*1,836*	*1,803*	*2,021*	*2,332*	*2,648*	**14%**	**44%**	*3,652*	*4,979*	**36%**
o/w CPI-linkers	*325*	*338*	*409*	*663*	*436*	*460*	**6%**	**36%**	*663*	*896*	**35%**
o/w Swap costs	*-111*	*-278*	*-247*	*-378*	*-497*	*-523*	**5%**	**88%**	*-390*	*-1,020*	**162%**
Fees & Commissions	**807**	**784**	**757**	**788**	**986**	**993**	**1%**	**27%**	**1,591**	**1,979**	**24%**
Core Revenues	**2,837**	**2,679**	**2,722**	**3,094**	**3,257**	**3,578**	**10%**	**34%**	**5,516**	**6,835**	**24%**
ECL net of collections	**526**	**501**	**574**	**539**	**483**	**832**	***72%***	***66%***	**1,027**	**1,316**	***28%***
o/w Stage 3 Provisions	*745*	*687*	*749*	*572*	*590*	*716*	*21%*	*4%*	*1,432*	*1,305*	*-9%*
o/w Stage 1 + Stage 2 Provisions	*43*	*61*	*40*	*146*	*224*	*480*	*114%*	*689%*	*104*	*703*	*576%*
o/w Collections	*262*	*247*	*215*	*179*	*330*	*363*	*10%*	*47%*	*509*	*693*	*36%*
Operating Costs	**1,295**	**1,346**	**1,293**	**1,462**	**1,375**	**1,470**	**7%**	**9%**	**2,642**	**2,846**	**8%**
Core Operating Income	**1,016**	**832**	**855**	**1,093**	**1,398**	**1,276**	**-9%**	**53%**	**1,848**	**2,674**	**45%**
Trading and FC gains/losses	**89**	**119**	**23**	**-29**	**57**	**212**	***274%***	***78%***	**208**	**269**	***29%***
Other income	**213**	**186**	**179**	**233**	**252**	**227**	**-10%**	**23%**	**399**	**480**	**20%**
o/w income from subs	*146*	*140*	*144*	*145*	*211*	*171*	*-19%*	*23%*	*286*	*382*	*34%*
o/w Dividends	*2*	*0*	*0*	*0*	*3*	*2*	*-39%*	*294%*	*2*	*4*	*94%*
o/w Others	*65*	*45*	*35*	*88*	*39*	*54*	*41%*	*20%*	*111*	*93*	*-16%*
Other Provisions & Costs	**88**	**45**	**32**	**169**	**145**	**194**	**34%**	**337%**	**132**	**340**	**157%**
o/w Other provisions for risks and charges	*50*	*0*	*0*	*123*	*100*	*188*	*88%*	*-*	*50*	*288*	**476%**
o/w Other provisions	*38*	*45*	*32*	*46*	*45*	*6*	*-86%*	*-86%*	*82*	*52*	*-37%*
Pre-tax Income	**1,230**	**1,092**	**1,024**	**1,127**	**1,562**	**1,521**	**-3%**	**39%**	**2,322**	**3,083**	**33%**
Tax	229	200	183	247	318	294	-8%	47%	429	611	43%
Net Income	**1,001**	**892**	**841**	**880**	**1,244**	**1,227**	**-1%**	**38%**	**1,893**	**2,471**	**31%**
ROTAE[1]	**15.8%**	**13.4%**	**12.4%**	**12.6%**	**17.0%**	**15.8%**	**-120bps**	**240bps**	**14.7%**	**16.3%**	**164bps**

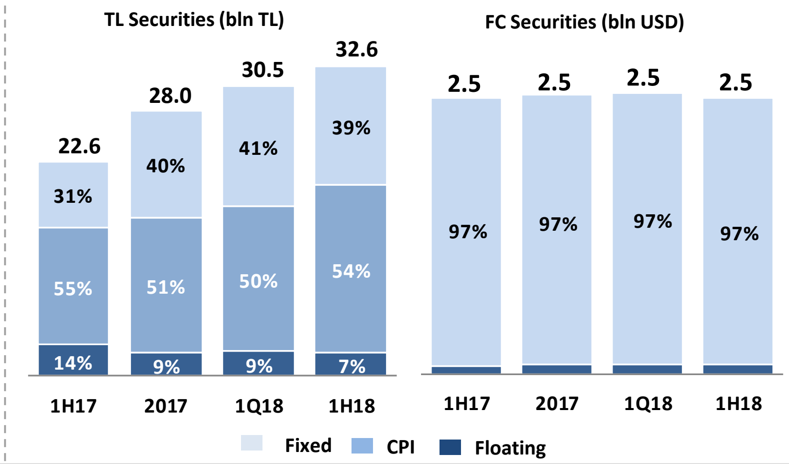
1. 2Q18 and 1H18 ROTE is adjusted for the 4.1 blmn TL rights issue on 30th of June

Securities

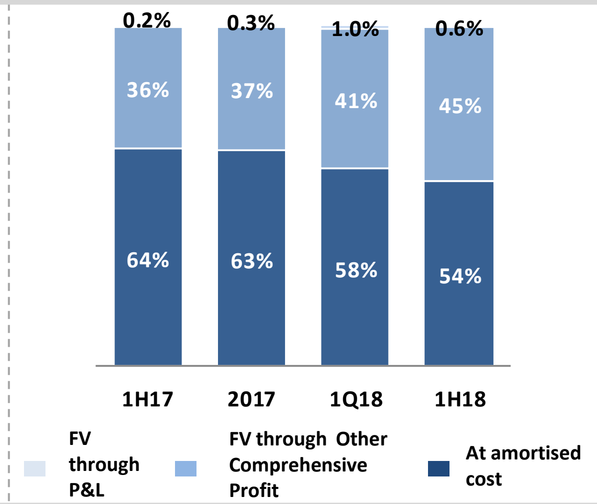
Securities/Assets



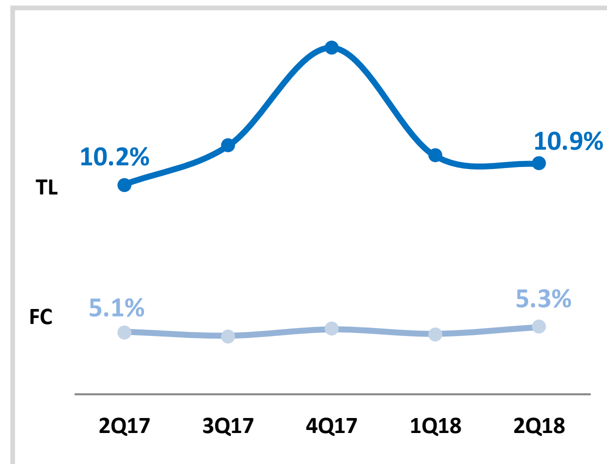
Composition by Type[1] (TL bln)



Composition by Clasification[1]



Security Yields [1]



- **Securities / assets at 12.4%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased 39% y/y to TL 14.5 bn in nominal value; with a gain of TL 896 mln in 1H18

  Inflation estimate for revaluation of CPI linkers: 9.3%

- **M-t-m unrealised loss at TL 1,172 mln as of 1H18 (**TL -385 mln in 2017)

1. Based on Bank-Only financials

YapıKredi

Borrowings: 25% of total liabilities

International	Syndications	**~ US$ 2.9 bln outstanding** ■ **May'17:** US$ 40 mln & € 60 mln, all-in cost at Libor+ 2.20 % and Euribor+ 2.10 % for the 2 year and 1 day tranche ■ **Oct'17:** US$ 411 mln and € 800 mln, all-in cost at Libor+1.35% /Euribor+ 1.25% p.a. for the 367 days and Libor+ 2.20 % and Euribor+ 2.10 % for the 2 year and 1 day tranche, respectively . Participation of 37 banks from 17 countries ■ **May'18:** US$ 382mln & € 923mln, all-in cost at Libor+ 1.30% and Euribor+ 1.20% for the 367 day tranche and Libor+ 2.10 % and Euribor+ 1.50 % for the 2 year and 1 day tranche, respectively. 48 banks from 19 countries 2Q18
	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)
	Foreign and Local Currency Bonds / Bills	**US$ 3.2 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 ■ **Jun'17:** TL 500 mln, 13.13% (coupon rate), 3 years ■ **Mar'18:** US$ 500 mln, 6.10% (coupon rate), 5 years
	Covered Bond	**TL 1.17 bln out standing** ■ **Oct'17:** Mortgage-backed, maturity 5 years ■ **Feb'18:** Mortgage-backed with 5 years maturity ■ **May'18:** Mortgage-backed with 5 years maturity 2Q18
Domestic	Local Currency Bonds / Bills	**TL 2.1 bln total** ■ **Mar'18 :** TL 487,0mln, 5 months maturity 2Q18 ■ **Apr'18** : TL 1,1 bio , 3 months maturity 2Q18 ■ **May'18** :TL 274 mln, 3 months maturity 2Q18 ■ **June'18** : TL 206 mln, 3 months maturity 2Q18

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

Turkey

- **Europe's 7th largest economy and a member of G20**
- **Young, dynamic, large** and **growing population**
- **Sovereign ratings** of Ba2/BB-/BB+ by Moody's/ S&P/Fitch

	TR 2017	EU 2017
Population (mln)	81	512
Median Age	32	43[1]
Population Growth (CAGR 2000-2017)	1.3%	0.3%[2]
GDP (€ bln)	683	15,326
World Ranking	17	-
Per Capita GDP (€)	8,498	29,900
World Ranking	68	-

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	1H17	2017	1H18
GDP Growth	5.2%	6.1%	3.2%	5.3%	7.4%	5.2%
CPI (eop)	8.2%	8.8%	8.5%	10.1%	11.9%	15.4%
Benchmark Rate (eop)	7.9%	10.8%	10.7%	11.1%	13.4%	19.3%
Unemployment[3]	9.9%	10.3%	10.9%	10.2%	10.9%	9.7%
Policy Rate	8.3%	7.5%	8.0%	8.0%	8.0%	16.5%
CBT funding rate	8.5%	8.8%	8.3%	11.2%	12.8%	17.8%
CAD/GDP	4.7%	3.7%	3.8%	4.1%	5.5%	6.5%
o/w energy	5.3%	3.9%	2.8%	3.3%	3.9%	4.2%
Public Debt/GDP	29%	29%	29%	29%	28%	29%
Budget deficit/GDP	-1.1%	-1.0%	-1.1%	-2.0%	-1.5%	-2.0%

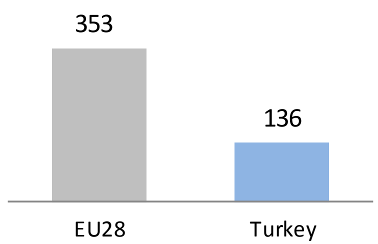
Source: Turkstat, Eurostat (for population, median age, population growth, GDP, per capita GDP, unemployment), IMF (for world ranking), CBRT (inflation), Bloomberg (benchmark), Turkstat and CBRT (for CAD/GDP), Treasury and Turkstat (public debt/GDP), CBRT, BRSA, Treasury and Turkstat (private debt/GDP)
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

1. As of end-2016
2. 2000-2016 CAGR
3. As of May 2018

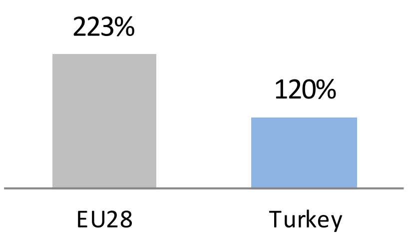
YapıKredi

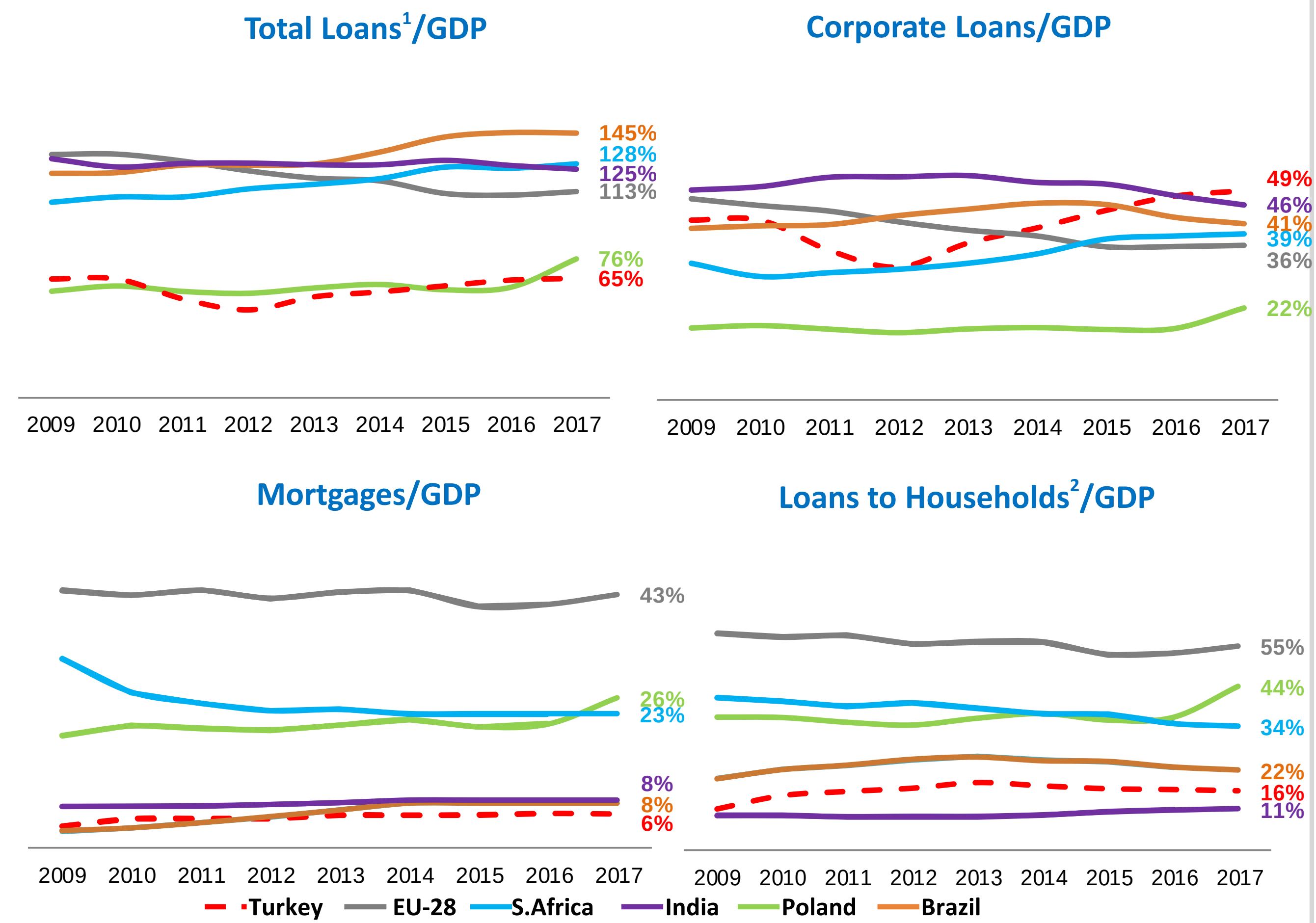
Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

Branches Per Million Inhabitants (2016)



(Loans+Deposits)/GDP[3] (2017)





Source: European Central Bank, BRSA, CBRT, Turkstat, FRED database for India, Brazil, S.Africa
Note: Loan data on graphs for all countries based on 2017 actual figures
(1) Excluding lending to credit institutions
(2) Including housing loans, consumer lending and other household lending (including CC, excluding SMEs)
(3) Turkey,Ireland and Switzerland GDP numbers are forecasted figures

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 developments**:
  - **CGF** (supporting the loan growth)
  - **fees** (cut on account maintenance fees)
  - **capital** (potential alignment to IRB)
  - **provisioning** (IFRS9 as of 2018)
  - **corporate tax rate increase** (2018-20 to 22%)

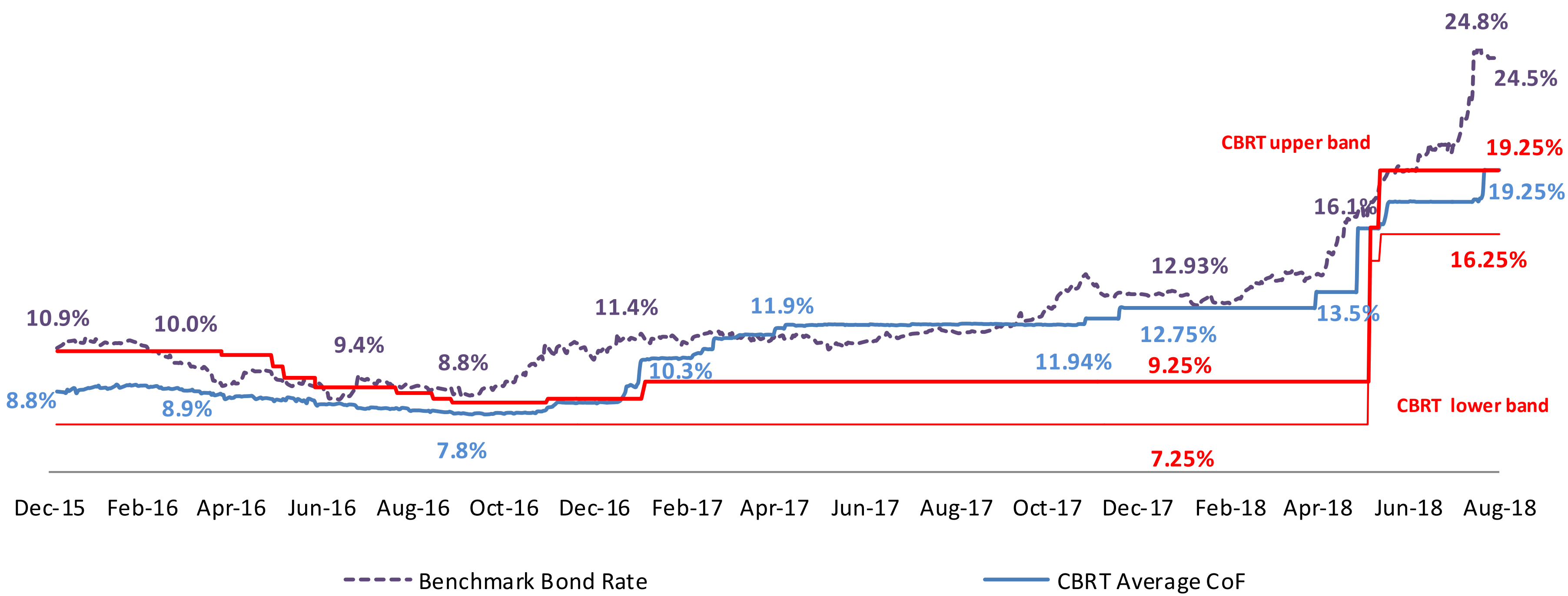
Challenges

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

	Banking Sector						
	2012	2013	2014	2015	2016	2017	1H18
Banks #	45	49	51	52	52	51	52
Branches #	10,234	11,023	11,223	11,193	10,781	10,550	10,536
Loan Growth (ytd)	15%	33%	18%	21%	17%	14%	12%
Deposit Growth (ytd)	11%	24%	10%	19%	17%	11%	12%
Loans/GDP[1]	48%	55%	58%	61%	64%	68%	55%
Deposits/GDP[1]	49%	53%	51%	53%	56%	57%	46%
Loans/Assets	58%	61%	62%	64%	64%	65%	71%
Deposits/Assets	59%	58%	56%	56%	56%	55%	59%
NIM	4.1%	3.8%	3.6%	3.6%	3.7%	3.9%	4.0%
NPL Ratio	2.8%	2.6%	2.8%	2.9%	3.2%	2.9%	2.9%
Specific Coverage	75%	77%	75%	76%	78%	80%	73%
CAR[2]	17.3%	14.6%	15.7%	15.0%	15.1%	16.5%	15.9%
Tier 1 Ratio	14.2%	12.2%	13.1%	12.5%	12.6%	13.6%	13.1%
ROAE	14.5%	12.5%	12.1%	10.8%	13.5%	15.0%	15.3%
ROAA	1.7%	1.4%	1.3%	1.1%	1.4%	1.5%	1.6%

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) 1Q18 GDP assumed stable at 2017 level
(2) Based on BRSA monthly financials; indicating deposit banks

CBRT rates

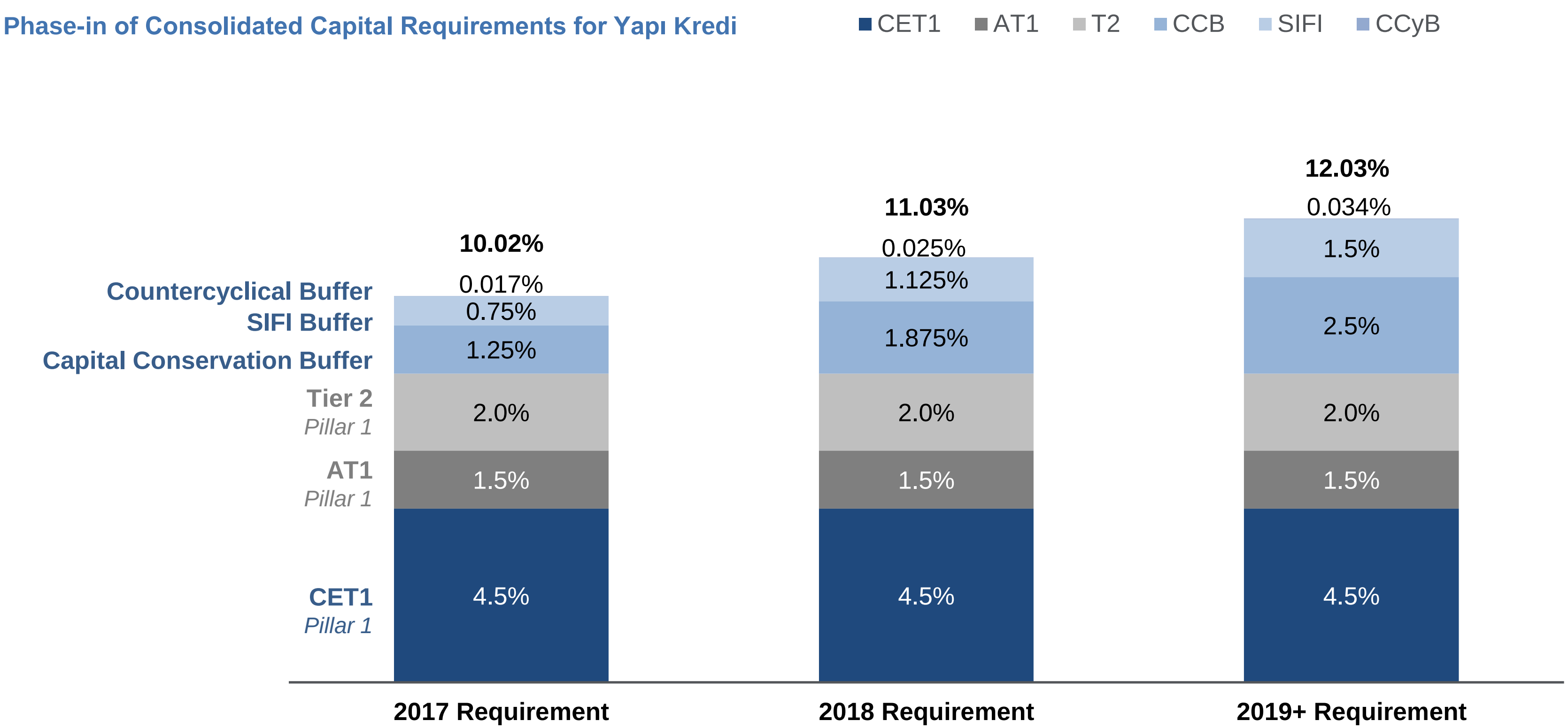


Notes:
Benchmark Bond Rate: Yield of the most traded 2-year government bond
CBRT Average CoF (cost of funding): Weighted average cost of outstanding funding of the CBRT via open market operations including O/N repo, one-week repo and one-month repo

Credit Ratings

		Long-Term Foreign Currency		Long-Term Local Currency	
		Rating	Outlook	Rating	Outlook
Moody's	Yapı Kredi	B1	Negative	B1	Negative
	Garanti	B1	Negative	B1	Negative
	Akbank	B1	Negative	B1	Negative
	Işbank	B2	Negative	B2	Negative
	Halkbank	B2	Negative	B2	Negative
	Vakıfbank	B1	Negative	B1	Negative
S&P	Yapı Kredi	B+	Stable	B+	Stable
	Garanti	B+	Stable	B+	Stable
	Akbank	Not rated	-	Not rated	-
	Işbank	B+	Negative	B+	Negative
	Vakıfbank	B+	Negative	B+	Negative
Fitch	Yapı Kredi	BB	Negative	BB+	Negative
	Garanti	BB	Negative	BB+	Negative
	Akbank	BB-	Negative	BB	Negative
	Işbank	BB-	Negative	BB	Negative
	Halkbank	BB-	Negative	BB+	Negative
	Vakıfbank	BB-	Negative	BB+	Negative

Consolidated regulatory capital requirements for Yapı Kredi



Consolidated Capital Requirements for Yapı Kredi

CET 1 Ratio	6.5%	7.5%	8.5%
Tier 1 Ratio	8.0%	9.0%	10.0%
Capital Adequacy Ratio	12.0%	12.0%	12.0%

Notes:
Reflects current status of regulatory capital requirements which may be subject to change. Pillar 2 framework for Turkey already exists, however BRSA capital requirements currently do not include any Pillar 2 add-on. Countercyclical buffer can be updated based on regulatory decision and bank’s exposures