

Yapı Kredi

1Q18 Investor Presentation

May 2018



YapıKredi: A leading financial services group

Key Figures – 1Q18

Ratings Moody's: Ba3 / Fitch: BBB- / S&P: BB-

Total Assets

328.7
bln TL

Loans¹

205.3
bln TL

Net Income

1,244
mln TL

RoATE²

17.1%

Number of Branches

866

Share of ADCs³

91%

Employees⁴

19,182

Total 23.5 mln

Active Customers⁵

13.1
mln

Market Share – 1Q18

Market Share⁶

Total Bank

Cash & Non-cash Loans

10.2%

Deposits

9.9%

Business Units

Corporate Loans⁷

8.9%

Consumer Loans⁸

9.0%

Credit Card Outstanding

21.1%

Subsidiaries

Leasing⁹

20.4%

Factoring^{10,13}

15.3%

Wealth Management¹¹

18.4%

Physical Channel¹²

8.5%

Digital Channel¹³

12.4%

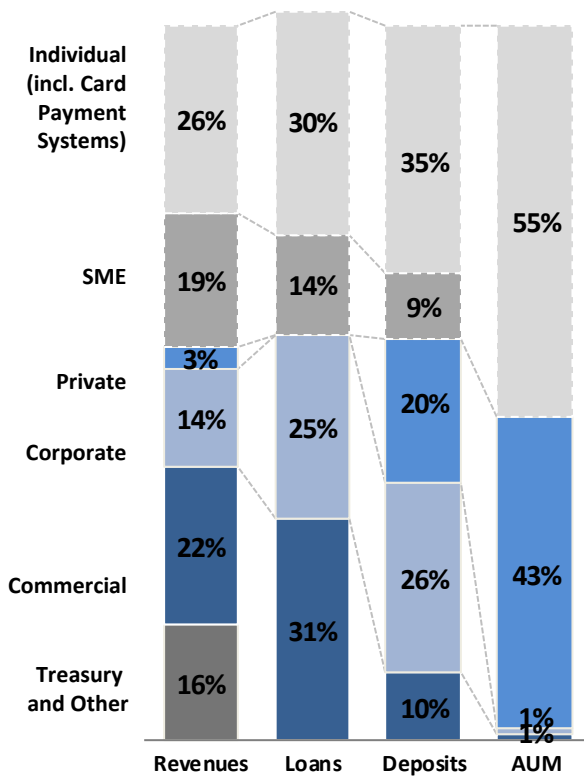
Notes:

1. Loans indicate performing loans, 2. RoATE indicates return on average, tangible equity (excl. intangible assets), 3. Share of alternative delivery channels (ADCs) in total comparable transactions, includes other non-branch, COPS and auto-pay transactions, 4. Group data. Bank-only: 18,297, 5. Indicates customers with at least one product usage in the last 1.5 years, 6. 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 30 Mar'18, 7. Cash loans excluding credit cards and consumer loans, 8. Including mortgages, GPL and auto loans, 9. Refers to leasing receivables, 10. Refers to factoring turnover, 11. Refers to Mutual Funds, 12. Refers to ATM, 13. As of 2017-end

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

Revenues and Volumes by Business Unit
(1Q18)

Retail¹ 51% 44% 61% 98%



Corporate and Commercial Banking

Corporate
Turnover
>USD 100 mln

3 Branches

Commercial
Turnover
USD 10-100 mln

46 Branches

International/
Multinational

1 Branch

Retail Banking

Individual
Banking

788 Branches

SME
Banking¹
Turnover
<USD 10 mln

Private
Banking
Total
PFA > TL 500K

22 Branches

Credit
Cards

Subsidiaries

YapiKredi
Faktoring

YapiKredi
Leasing

YapiKredi
Yatirim

YapiKredi
Asset Management

YapiKredi
Nederland

YapiKredi
Azerbaijan

YapiKredi
Malta

Source: Approximate numbers based on MIS reporting for company information. Asset size data of international operations based on 2017 BRSA financials

Branch numbers exclude 3 mobile, 1 free-zone, 1 abroad, 1 custody branches

(1) Includes individual, SME and private

(2) Including 2.5 mln virtual cards

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

Shareholding Structure



50%



KOÇ FINANCIAL SERVICES

50%



81.8%¹



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

	1Q18
Total Assets (EUR bln)	22.7
Revenues (EUR mln)	5,253
Net Income (EUR mln)	244

Ratings

Moody's: Ba1 / S&P: BBB-

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

	1Q18
Total Assets (EUR bln)	824
Revenues (EUR mln)	5,114
Net Income (EUR mln)	1,112

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 1Q18 data unless otherwise stated

1. 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



Boost in Profitability ...

1.2 bln TL *Net Income* **+24% y/y**

All time high net profit

17.1% *ROATE¹* **+126 bps y/y**

Further improvement in ROATE

36% *Cost/Income Ratio* **-302 bps y/y**

Cost elimination efforts on track;
Further improvement in CIR

0.91% *CoR* **-17 bps y/y**

Slowdown in NPL inflows and
acceleration in collections

10.8% *CET 1 Ratio²* **+8 bps y/y**

Ongoing internal capital generation
supporting during macro volatility and
one-off impacts

Notes:

1. ROATE indicates return on average tangible equity (excl. intangible assets)
2. Based on BRSA bank-only financials

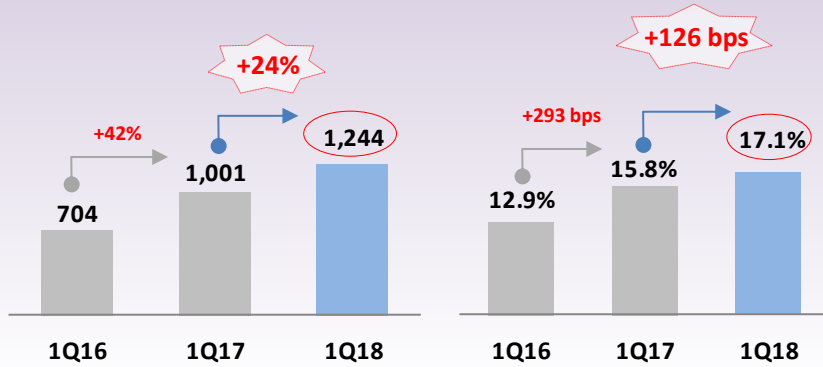
...through robust performance in all fundamentals

1Q18 Summary

Profitability Acceleration

Net Income
(TL mln)

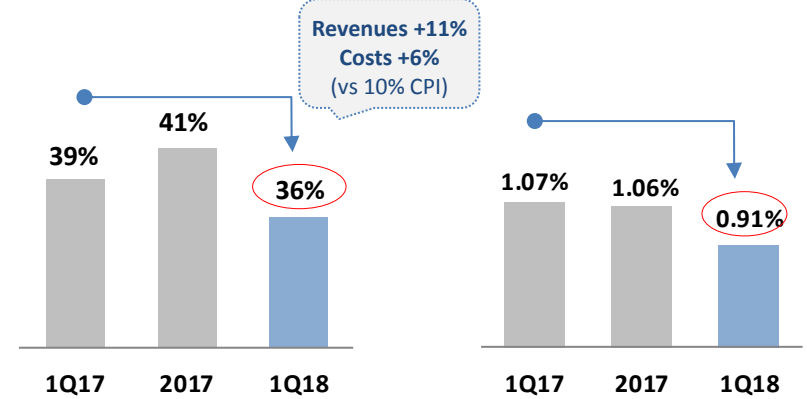
ROATE¹



Strong Operational Performance

Cost/Income

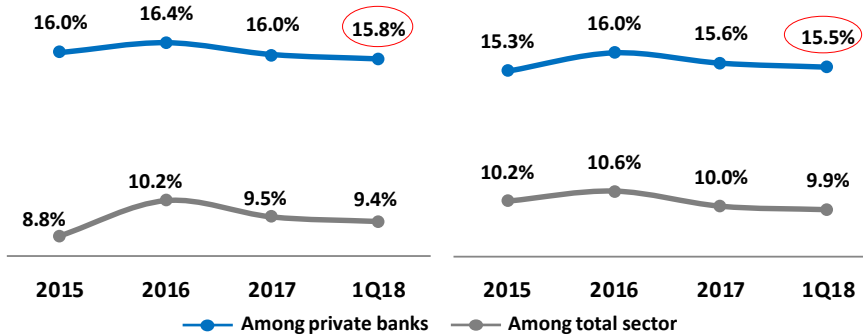
CoR²



Balanced Scale Management

Loan Market Share

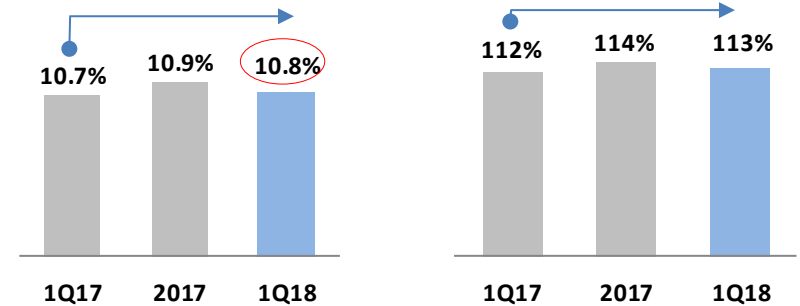
Deposit Market Share



Solid Fundamentals

CET1 Ratio³

LDR⁴



Notes:

Market shares based on BRSA bank-only weekly data. 1Q18 as of 30 Mar'18

- ROATE indicates Return on Average Tangible Equity (excluding intangible assets)
- CoR= Total Specific + Generic Cost of Risk net of collections;
- CET1= Common Equity Tier-1; CET1 is based on BRSA bank-only financials
- LDR= Loans / (Deposits + TL Bills), excluding TL denominated Bonds & asset backed securities

Optimized growth with a balanced mix

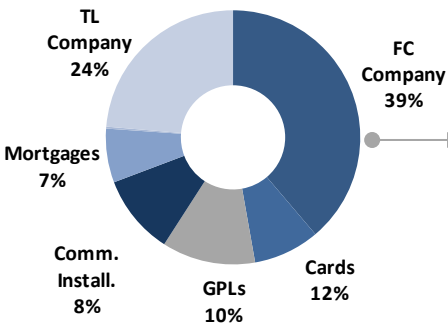
Volumes

Lending (TL bln)

Loan growth at 3% ytd
Well diversified among segments

	YKB			Private Banks ¹	
	1Q18	y/y	q/q	y/y	q/q
Cash + Non-Cash Loans	289.0	13%	4%	n.a.	n.a.
Total Loans²	205.3	12%	3%	14%	4%
TL	125.2	11%	-1%	16%	3%
FC (\$)	20.3	4%	4%	2%	1%
Consumer Loans	35.4	12%	3%	12%	3%
Credit Cards	24.4	10%	0%	12%	2%
Companies ³	145.5	12%	3%	15%	4%

Total Loans Breakdown



FC Company Lending Breakdown

	Share	y/y
Project Finance	69%	6%
LT Investments	26%	-3%
ST Loans	5%	-30%

- Notes:
1. Private banks based on BRSA weekly data as of 30 Mar'18
 2. Loans indicate performing loans excluding factoring and leasing receivables
 3. Total loans excluding consumer loans and credit cards and including commercial instalment loans
 4. Excluding bank deposits
 5. Based on MIS data, excluding private segment customers

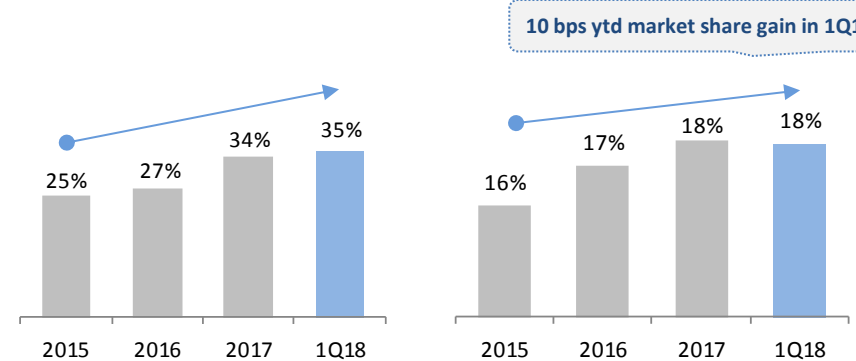
Funding (TL bln)

Deposit growth +4% ytd
Driven by increase in TL deposits with ongoing diversification in the funding mix

	YKB			Private Banks ¹	
	1Q18	y/y	q/q	y/y	q/q
Total Deposits	180.0	10%	4%	12%	4%
TL	85.4	5%	13%	14%	4%
FC (\$)	24.0	6%	-7%	0%	-1%
Customer Deposits⁴	166.6	6%	2%	12%	3%
TL	81.4	2%	12%	13%	4%
FC (\$)	21.6	1%	-11%	2%	-1%
Demand Deposits	32.8	16%	3%	13%	2%
TL Bonds	5.4	50%	13%	n.a.	n.a.
Money Markets	13.7	90%	-15%	n.a.	n.a.
Borrowings	80.8	32%	7%	n.a.	n.a.

Individual Deposits⁵ / Total Deposits

Demand deposits / Total Deposits



Strong set of results through robust top-line and ongoing cost efficiency improvement

Income Statement

Net income at TL 1.2 bln increasing 24% y/y

TL mln	1Q17	4Q17	1Q18	q/q	y/y
Total Revenues	3,529	3,627	4,054	12%	15%
Core Revenues ¹	3,066	3,364	3,577	6%	17%
<i>o/w NII inc. swap costs</i>	2,217	2,522	2,543	1%	15%
<i>o/w Fees</i>	849	841	1,034	23%	22%
Other Revenues	464	263	477	81%	3%
<i>o/w Other income</i>	364	287	466	62%	28%
<i>o/w collections</i>	262	178	330	85%	26%
<i>o/w Trading (exc. swap costs)</i>	100	-24	11	-	-
Operating Costs²	1,370	1,543	1,450	-6%	6%
Operating Income	2,160	2,084	2,604	25%	21%
Provisions	895	804	991	23%	11%
Specific Provisions	756	596	607	2%	-20%
Generic Provisions	45	151	237	57%	429%
Free Provisions	50	0	100	-	100%
Net Income	1,001	880	1,244	41%	24%
ROATE ³	15.8%	12.6%	17.1%	445bps	126bps
ROAA ⁴	1.5%	1.2%	1.5%	38bps	8bps

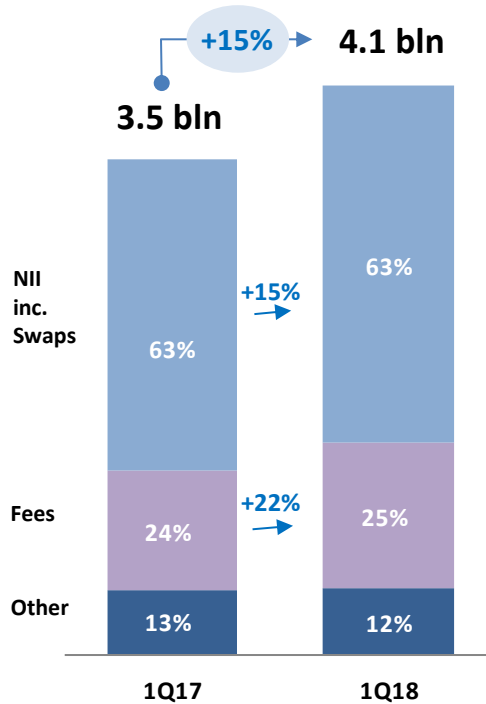
Notes:

1. Core revenues = Net Interest Income+ swap costs + Fees
2. 4Q17 costs exclude pension fund provisions (TL 123 mln)
3. ROATE indicates return on average tangible equity (excluding intangible assets)
4. 2017 Total Assets are recasted for the reclassification of general provisions

Revenue increase supported by wider NIM and strong fee growth

Revenues

Revenue Breakdown (TL)

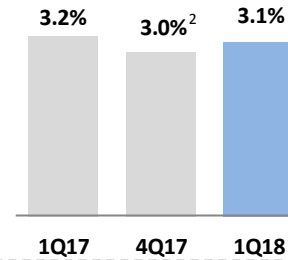


18 bps wider swap adjusted NIM q/q
on improvement in loan-deposit spreads
Stated NIM +33 bps q/q

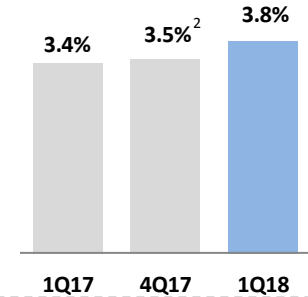
22% y/y fee growth
with ongoing diversification and support from card payment systems

Strength in collections driving other income in 1Q18

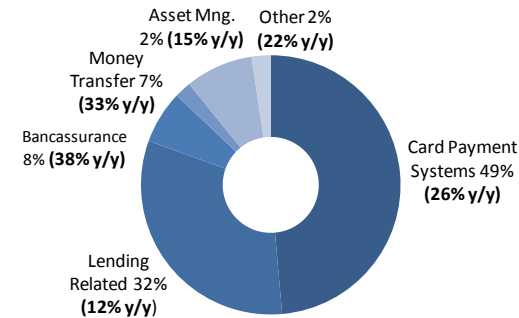
Swap Adjusted NIM (bank-only)¹



NIM (bank-only)



Fees Received Composition



Other Revenue Breakdown

mIn TL	1Q17	4Q17	1Q18
Other Income	364	287	466
Collections	262	178	330
o/w NPL Sale	28	0	14
Income From Subs	28	22	28
Dividend Income	2	0	4
Trading & FX (net)⁴	100	-24	11

+26% y/y

- Notes:
1. Swap Adjusted NIM calculation based on bank-only swap costs. Please refer to page 19 for bank-only swap costs
 2. 4Q17 NIM is adjusted for the additional 260 mln TL CPI linker income
 3. Other includes account maintenance, equity trading, fee on campaigns and product bundles etc.
 4. Excluding swap costs

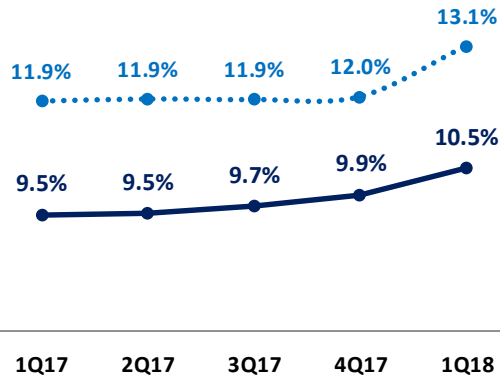
Increase in Loan-Deposit spread thanks to ongoing loan repricing

Loan-Deposit Spread

Loan Yields¹ (Quarterly)

Further 56 bps increase in blended loan yield with ongoing repricing efforts

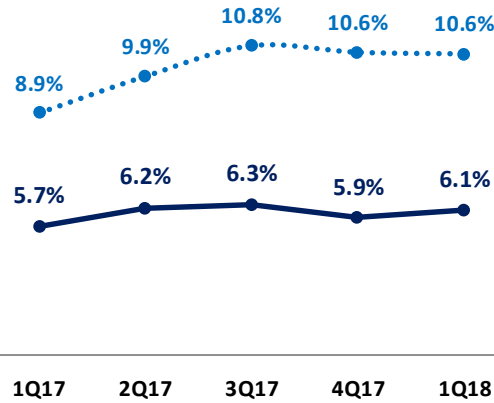
■ Blended
■ TL



Deposit Costs (Quarterly)

Slight increase in blended cost of deposits (+23 bps) due to change in the mix

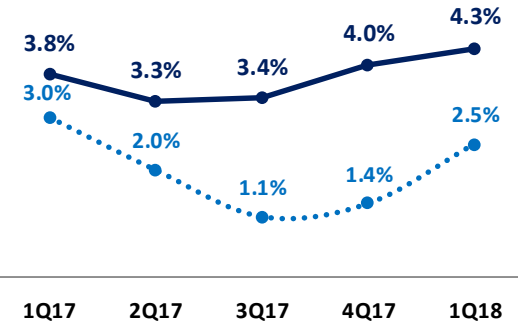
■ Blended
■ TL



Loan-Deposit Spread (Quarterly)

Loan-Deposit spread improved +32 bps through loan repricing

■ Blended
■ TL



Change q/q based on daily averages²

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

	2Q17	3Q17	4Q17	1Q18
TL	108bps	43bps	-32bps	31bps
FC	18bps	2bps	3bps	-2bps

	2Q17	3Q17	4Q17	1Q18
TL	-112bps	-24bps	57bps	34bps
FC	-21bps	25bps	28bps	7bps

Notes:

Based on Bank-Only financials

1. Performing Loan yields

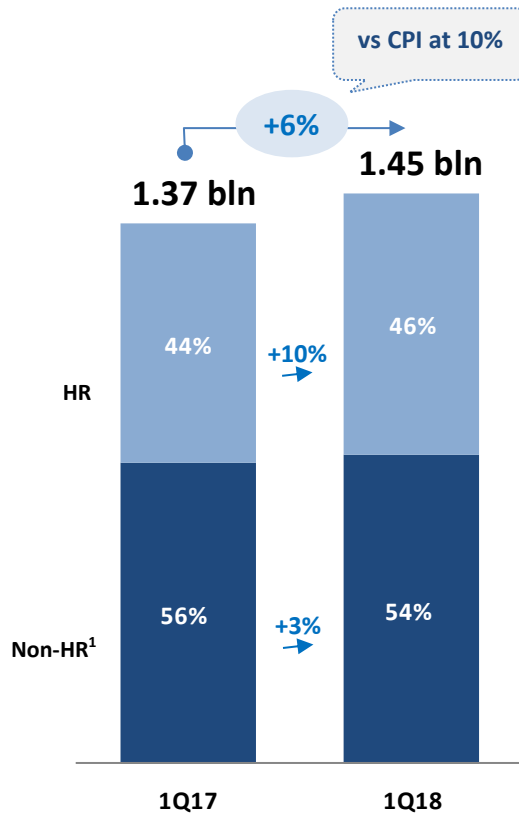
2. Based on MIS data

Strict cost discipline with a y/y growth well below inflation

Costs

Cost Breakdown (TL)

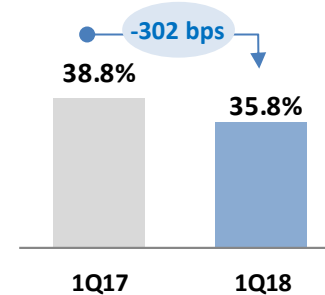
Cost increase 4pp below inflation
Non-HR cost increase at 3%



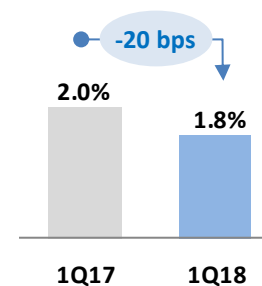
Cost KPIs

Cost / Income at 35.8%
ongoing recovery in cost ratios

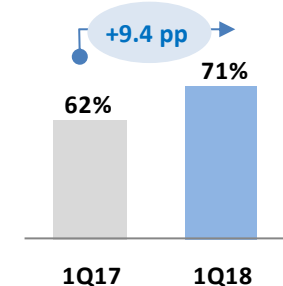
Cost / Income



Costs / Average Assets²



Fees / Opex



Notes:

1. Non-HR costs include advertising, rent, SDIF premium, taxes, depreciation, branch tax, pension fund provisions and loyalty points on Worldcard
2. 1Q17 assets are recasted for the IFRS 9 adoption (reclassification of general provisions)

Digital transformation sustains

Digital market share significantly above physical

- **12.4%**¹ digital customer market share vs 8.5% market share in physical network

Ongoing increase in digital and mobile banking customers

- **4.7 mln** digital customers (+1.1 mln y/y) with **55%** digital customer penetration
- **4.0 mln** mobile customers with **44%** annual growth

Moving banking transactions towards digital allowing us to further eliminate costs

- **32%** y/y increase in transactions through digital
- **26%**² share in main products sold

Another set of Awards prevails the strength in Digital

- **Yapı Kredi Mobile** - Don't Panic Button - 1st "Innovation" category (Mar'18)
- **Yapı Kredi Mobile** - Touch One Screen Experience – 1st "Omnichannel" category (Mar'18)
- **Yapı Kredi Hackathon** - 1st "Competition and Festival" category (Apr'18)



Notes:

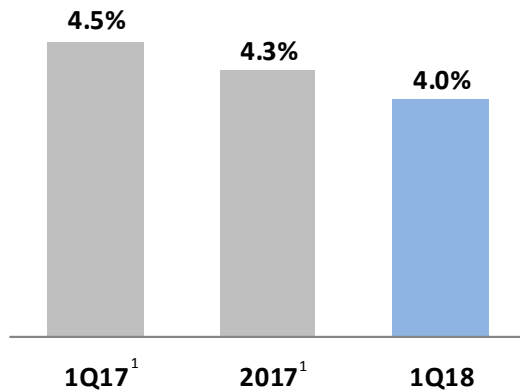
1. Market shares are as of 2017. Due to the change in the calculation methodology, 2017 data is not comparable with the previous years
2. Main Products; GPL, CC, Time Deposit, and Flexible Account

Improvement in asset quality with ongoing slowdown in Net NPL inflows

Asset Quality

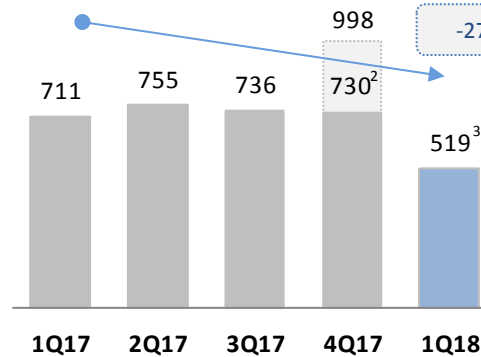
NPL ratio improved 50bps y/y
through slowdown in net NPL inflows
as well as the positive impact of NPL sales

NPL Ratio

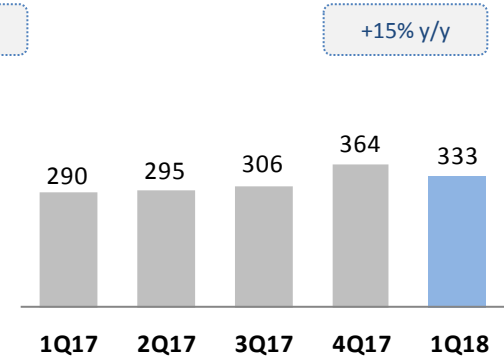


Net NPL inflows came down 56% y/y thanks to
27% y/y reduction in inflows and
15% y/y increase in collections

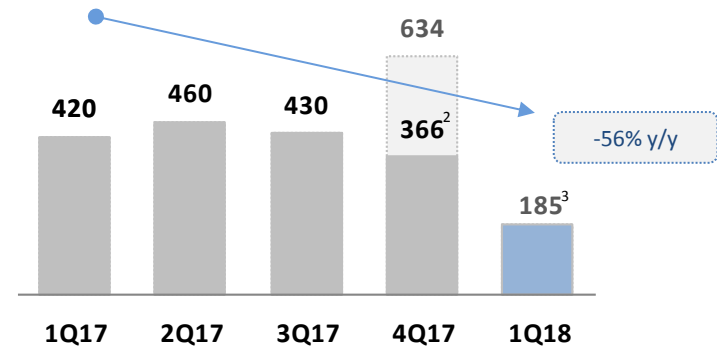
NPL inflows (TL mln)



Collections (TL mln)



Net NPL inflows² (TL mln)



Notes:

TL 628 mln NPL sales in 1Q18

1. For homogenous comparison Factoring and Leasing included

2. Adjusted for big ticket NPLs

3. Excluding interest accruals

IFRS 9 Transition - Consolidated

Asset Quality

After IFRS9				After IFRS9			
TL mIn	31.12.2017	01.01.2018	31.03.2018	%	31.12.2017	01.01.2018	31.03.2018
Volumes - Cash Loans				Ratios			
Stage-1	194,356	207,149	210,351	Stage -1 / Total Loans	93%	93%	92%
Stage-2	5,518	6,749	9,040	Stage -2 / Gross Loans	2.6%	3.0%	4.0%
Stage-3	9,164	9,615	9,251	NPL Ratio	4.4%	4.3%	4.0%
Total Cash Loans	209,038	223,514	228,642				
After IFRS9				After IFRS9			
TL mIn	31.12.2017	01.01.2018	31.03.2018	%	31.12.2017	01.01.2018	31.03.2018
ECL (B/S)				Ratios			
Stage-1	2,659	1,904	1,835	Stage-1 Coverage	1.4%	0.9%	0.9%
Stage-2	232	623	916	Stage-2 Coverage	4.2%	9.2%	10.1%
Stage-3	7,039	8,397	7,945	Stage-3 Coverage	77%	87%	86%
Total ECL	9,929	10,924	10,696				

Notes:

01.01.2018 Cash Loans includes Factoring and Leasing Receivables

Please refer page 20 for bank-only details

A proactive approach on NPL coverage together with an ongoing positive trend in CoR

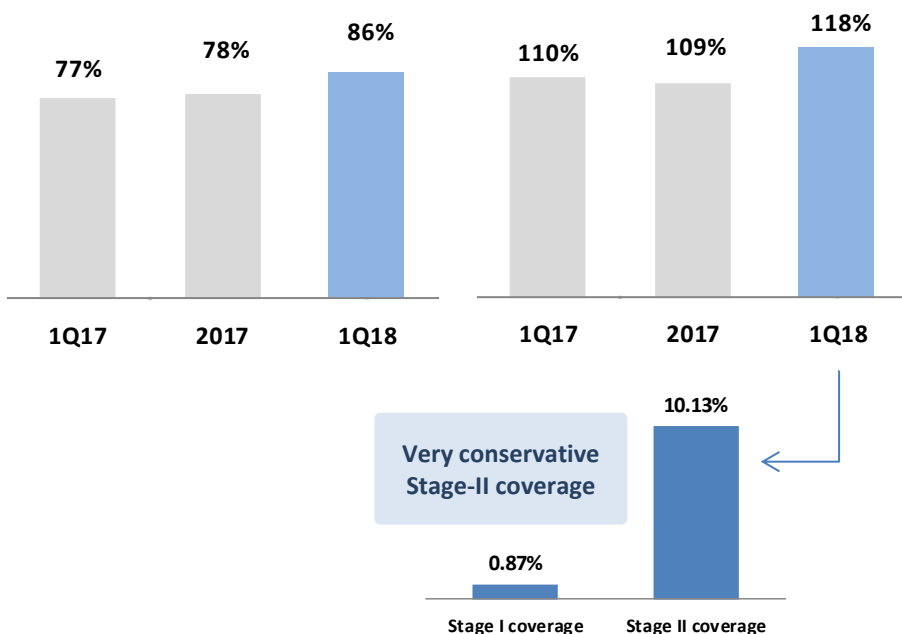
Asset Quality

NPL Coverage

NPL Coverage ratio increased to 86% with a proactive approach through IFRS 9 adoption;
Additional 100 mln free provisions in 1Q18
 (Total free provisions: 250 mln)

Specific NPL coverage Ratio

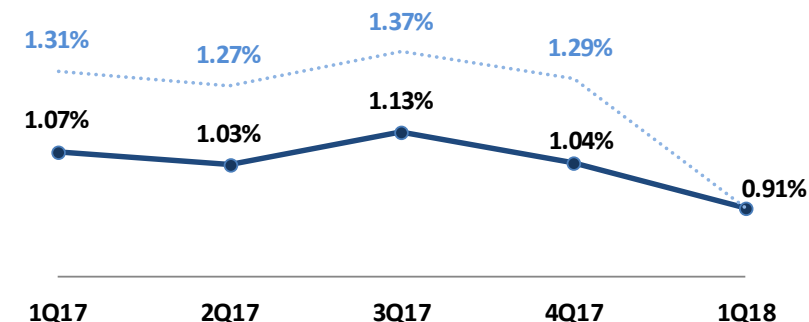
Total NPL coverage Ratio¹



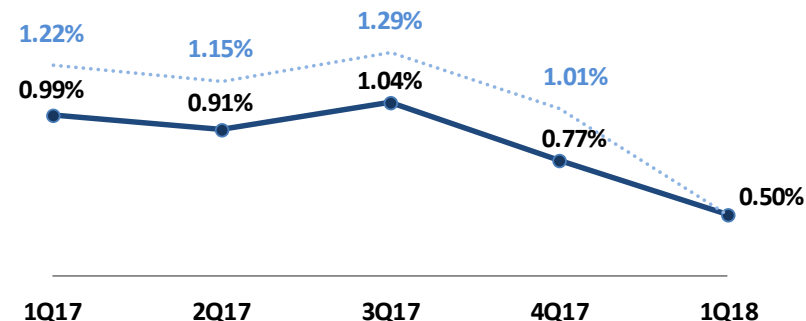
Cost of Risk² (Quarterly, net of collections)

Total cost of risk -16 bps y/y to 91 bps even with the IFRS 9 transformation impact; thanks to slowdown in net new NPL formation

Total CoR



Specific CoR



..... Including Time Value of Money impact



Notes:

1. Total NPL coverage = (Specific + Generic+Free)/NPLs
2. Cost of Risk = (Total Loan Loss Provisions- Collections)/Total Gross Loans

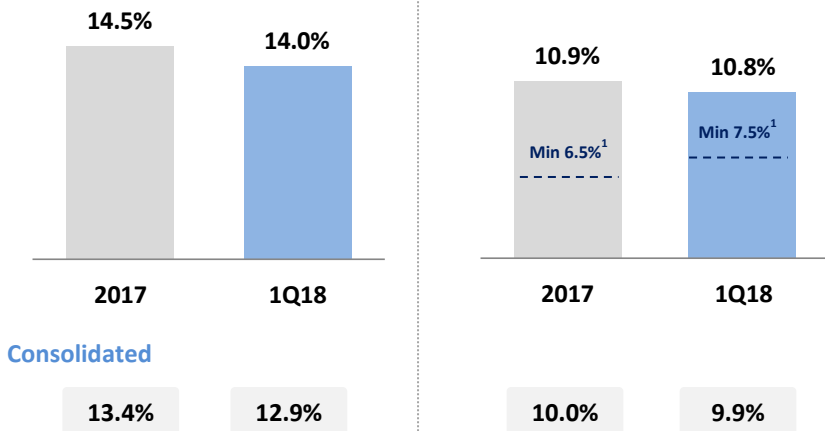
Internal capital generation sustains... CAR down 47 bps on macro volatility and one-off impacts

Capital

Capital Ratios (Bank)

CAR

CET1



Δ ytd

Loan Growth

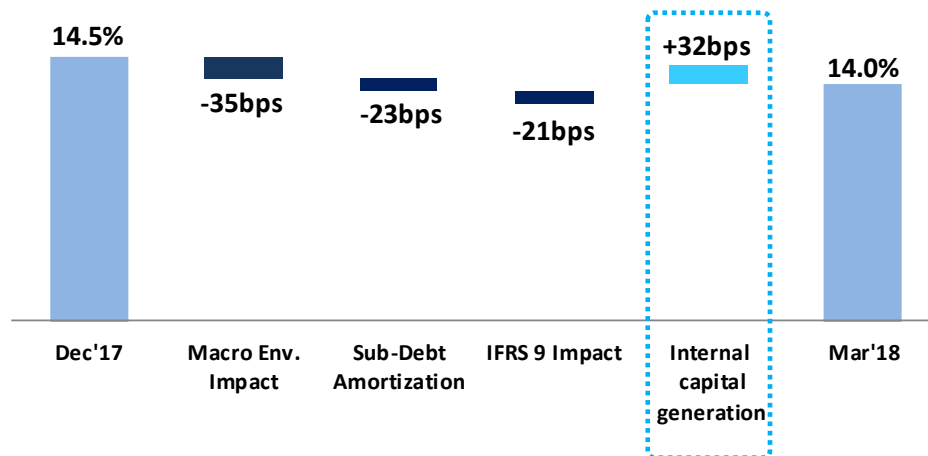
+3%

Consolidated Credit
RWA

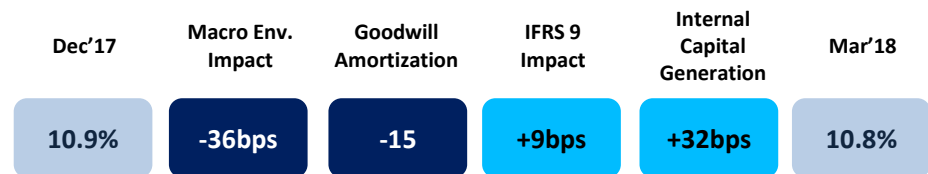
+2%

CAR down 47 bps y/y
Mainly due to one-off IFRS 9 impact
and sub-debt amortisation
with a 32 bps internal capital generation offsetting the
impact of macro volatility

CAR Evolution



CET1 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)

Bank T1 Ratio at 10.8% as of 1Q18

Revised guidance for 2018

Capital

Volumes	Loan growth at private bank levels focusing on value generating segments	Loans 12-14%	Deposits 12-14%	<ul style="list-style-type: none"> Lending mainly driven by TL commercial and individual loans; mild increase in FC lending Further increase in the share of retail deposit and retail demand deposits in total
Revenues	Improvement in loan-deposit spread, double digit fee increase with diversification efforts	 NIM Flattish Previous: Flattish excluding CPI impact	Fees Low-teens	<ul style="list-style-type: none"> Flattish NIM with ongoing repricing efforts Fee growth supported by diversification efforts and customer acquisition Strong focus on digital sales
Costs	Strict cost discipline leveraging heavily on digitalization & efficiency	Costs Below CPI	Cost/Income < 40% Previous: ~40% 	<ul style="list-style-type: none"> Below inflation cost growth; ongoing «cost elimination» through digitalization Digitalization focus to decrease «cost to serve»
Asset Quality	Proactive approach to ensure ongoing improvement	NPL Ratio ~10 bps	CoR Slightly down	<ul style="list-style-type: none"> Improvement in NPL ratio with slowdown in net new NPL inflows, Stock management through NPL sales might continue depending on the market conditions Slightly better CoR
Fundamentals	Ample liquidity levels with solid capital ratios	LDR 110%-115%	CAR > 15% Previous: > 13% 	<ul style="list-style-type: none"> LDR at 110% - 115% driven by balanced volume growth Capital ratios to be maintained at comfortable levels with ongoing internal capital generation and newly introduced capital strengthening plan



Earnings growth at high-teens with improvement in ROATE

Previous:
Mid-teens earnings growth



 **Annex**

Macro Environment and Banking Sector

Macro Environment

A strong growth; through support by the government
Ongoing tight stance by CBRT with the intention to keep the inflation under control

	1Q17	4Q17	1Q18
GDP Growth (y/y)	5.4%	11.3%	-
CPI Inflation (y/y)	11.3%	11.9%	10.2%
Consumer Confidence Index¹	66.8	65.1	72.3
CAD/GDP²	-3.9%	-5.6%	-6.3%
Budget Deficit/GDP³	-1.6%	-1.5%	-1.8%
Unemployment Rate³	11.7%	10.4%	10.8%
USD/TL (eop)	3.65	3.82	4.00
2Y Benchmark Bond Rate (eop)	11.3%	13.4%	14.0%

Banking Sector

Banking sector remaining strong, despite the macro volatility...
Loan growth sustains

	1Q17	4Q17	1Q18
Loan Growth	6%	5%	5%
<i>Private</i>	6%	5%	4%
<i>State</i>	7%	6%	6%
Deposit Growth	5%	5%	4%
<i>Private</i>	5%	4%	4%
<i>State</i>	4%	6%	5%
NPL Ratio	3.1%	2.9%	2.8%
CAR⁴	15.5%	16.5%	16.3%
ROATE⁴	17.4%	13.6%	14.2%

Notes:

All macro data as of Mar'17 unless otherwise stated

Banking sector volumes based on BRSA weekly data as of 30 Mar'18

1. Consumer Confidence index is as of Feb'18
2. CAD indicates Current Account Deficit as of Feb'18
3. Budget Deficit and Unemployment rate are as of Jan'18
4. CAR and ROATE as of Feb'18

Consolidated Balance Sheet

TL bln	1Q17 ¹	1H17 ¹	9M17 ¹	2017 ¹	1Q18	q/q	y/y
Total Assets	278.3	283.3	290.6	316.9	328.7	4%	18%
Loans	183.7	185.8	190.6	199.9	205.3	3%	12%
TL Loans	112.5	116.3	120.4	126.0	125.2	-1%	11%
FC Loans (\$)	19.6	19.8	19.8	19.6	20.3	4%	4%
Securities	32.6	32.4	35.5	38.8	41.7	8%	28%
TL Securities	22.4	22.7	25.5	28.1	30.7	9%	37%
FC Securities (\$)	2.8	2.8	2.8	2.8	2.8	-1%	-1%
Deposits	163.5	164.2	165.0	173.4	180.0	4%	10%
TL Deposits	81.3	81.1	71.1	75.9	85.4	13%	5%
FC Deposits (\$)	22.6	23.7	26.4	25.8	24.0	-7%	6%
Borrowings	61.0	62.3	63.9	75.3	80.8	7%	32%
TL Borrowings	5.1	6.1	6.5	7.1	6.8	-4%	33%
FC Borrowings (\$)	15.4	16.0	16.1	18.1	18.7	4%	22%
Shareholders' Equity	27.7	28.5	29.0	30.1	31.6	5%	14%
Assets Under Management	17.4	18.5	19.1	19.5	20.1	3%	15%
Loans/Assets	66%	66%	66%	63%	62%		
Securities/Assets	12%	11%	12%	12%	13%		
Borrowings/Liabilities	22%	22%	22%	24%	25%		
Loans/(Deposits+TL Bills)	112%	112%	115%	114%	113%		
CAR - cons	13.4%	13.7%	13.8%	13.4%	12.9%		
Common Equity Tier-I - cons	9.9%	10.3%	10.3%	10.0%	9.9%		
Leverage Ratio	9.0x	8.9x	9.0x	9.5x	9.4x		

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

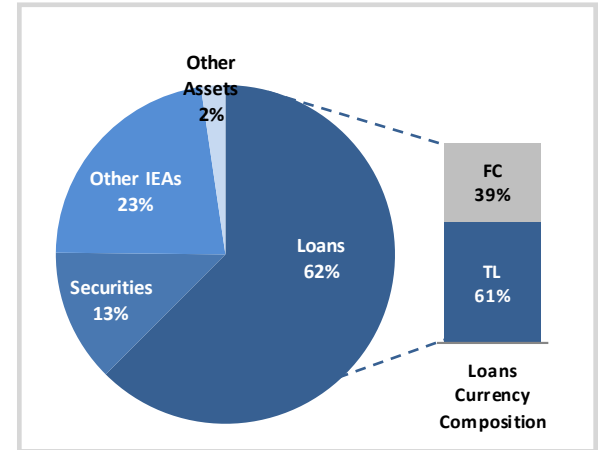
Other assets include investments in associates, subsidiaries, joint ventures, hedging derivative financial assets, property and equipment, intangible assets, tax assets, assets held for resale and related to discontinued operations (net) and other

Borrowings: include funds borrowed, marketable securities issued (net), subordinated loans

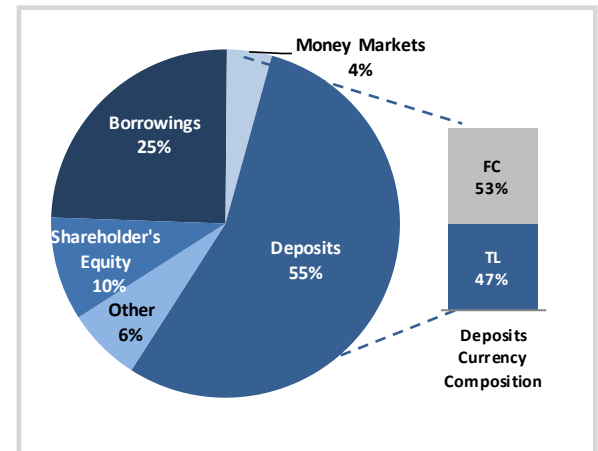
Other liabilities: include retirement benefit obligations, insurance technical reserves, other provisions, hedging derivatives, deferred and current tax liability and other

1. 2017 figures recasted for IFRS 9 reclassification of general provisions

Assets



Liabilities



Consolidated Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	q/q	y/y
Net Interest Income including swap costs	2,217	2,089	2,154	2,522	2,543	1%	15%
<i>o/w NII (excl. CPI linkers' income)</i>	1,926	1,983	1,944	2,147	2,409	12%	25%
<i>o/w CPI-linkers</i>	325	338	409	663	436	-34%	34%
<i>o/w Swap costs</i>	-34	-232	-198	-288	-302	5%	785%
Fees & Commissions	849	826	799	841	1,034	23%	22%
Core Revenues	3,066	2,915	2,954	3,364	3,577	6%	17%
Specific+Generic provisions net of collections	539	532	592	568	514	-9%	-5%
<i>o/w Specific Provisions</i>	756	717	761	596	607	2%	-20%
<i>o/w Generic Provisions</i>	45	62	46	151	237	57%	429%
<i>o/w Collections</i>	262	247	215	179	330	85%	26%
Operating Costs	1,370	1,422	1,363	1,543	1,450	-6%	6%
Core Operating Income	1,156	962	999	1,253	1,613	29%	40%
Trading and FC gains/losses	100	125	38	-24	11	-146%	-89%
Other income	102	75	53	109	136	25%	34%
<i>o/w income from subs</i>	28	19	19	22	28		
<i>o/w Dividends</i>	2	8	0	0	4	857%	108%
<i>o/w others</i>	72	48	35	86	104	20%	45%
Other Provisions & Costs	94	40	33	180	147	-18%	57%
<i>o/w Free Provisions</i>	50	0	0	0	100	-	-
<i>o/w pension fund provisions</i>	0	0	0	123	0	-	-
<i>o/w Other Provisions</i>	44	40	33	58	47	-18%	8%
Pre-tax Income	1,265	1,121	1,058	1,158	1,613	39%	28%
Tax	263	229	216	278	369	33%	40%
Net Income	1,001	892	841	880	1,244	41%	24%
ROTAE	15.8%	13.3%	12.4%	12.6%	17.1%	445bps	126bps

Bank-Only Income Statement

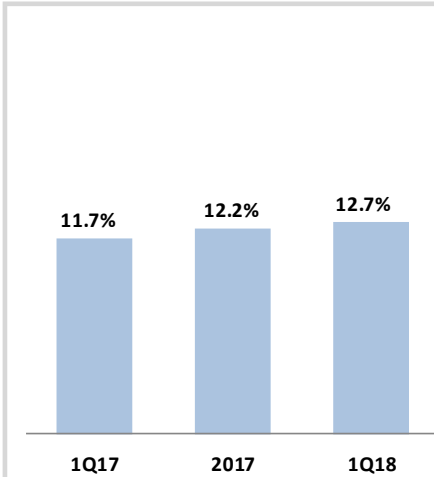
TL million	1Q17	2Q17	3Q17	4Q17	1Q18	q/q	y/y
Net Interest Income including swap costs	2,030	1,895	1,965	2,306	2,270	-2%	12%
o/w NII (ecl. CPI linkers' income)	1,816	1,836	1,803	2,021	2,332	15%	28%
o/w CPI-linkers	325	338	409	663	436	-34%	34%
o/w Swap costs	-111	-278	-247	-378	-497	32%	347%
Fees & Commissions	807	784	757	788	986	25%	22%
Core Revenues	2,837	2,679	2,722	3,094	3,257	5%	15%
Specific+Generic provisions net of collections	526	501	574	539	483	-10%	-8%
o/w Specific Provisions	745	687	749	572	590	3%	-21%
o/w Generic Provisions	43	61	40	146	224	53%	417%
o/w Collections	262	247	215	179	330	85%	26%
Operating Costs	1,295	1,346	1,293	1,462	1,375	-6%	6%
Core Operating Income	1,016	832	855	1,093	1,398	28%	38%
Trading and FC gains/losses	89	119	23	-29	57	-	-36%
Other income	213	186	179	233	252	8%	18%
o/w income from subs	146	140	144	145	211	46%	44%
o/w Dividends	2	0	0	0	3	-	48%
o/w others	65	45	35	88	39	-56%	-41%
Other Provisions & Costs	88	45	32	169	145	-14%	66%
o/w Free Provisions	50	0	0	0	100	-	-
o/w pension fund provisions	0	0	0	123	0	-	-
o/w Other Provisions	38	45	32	46	45	-3%	20%
Pre-tax Income	1,230	1,092	1,024	1,127	1,562	39%	27%
Tax	229	200	183	247	318	28%	39%
Net Income	1,001	892	841	880	1,244	41%	24%
ROATE	15.8%	13.4%	12.4%	12.6%	17.0%	444bps	125bps

IFRS 9 Transition – Bank-Only

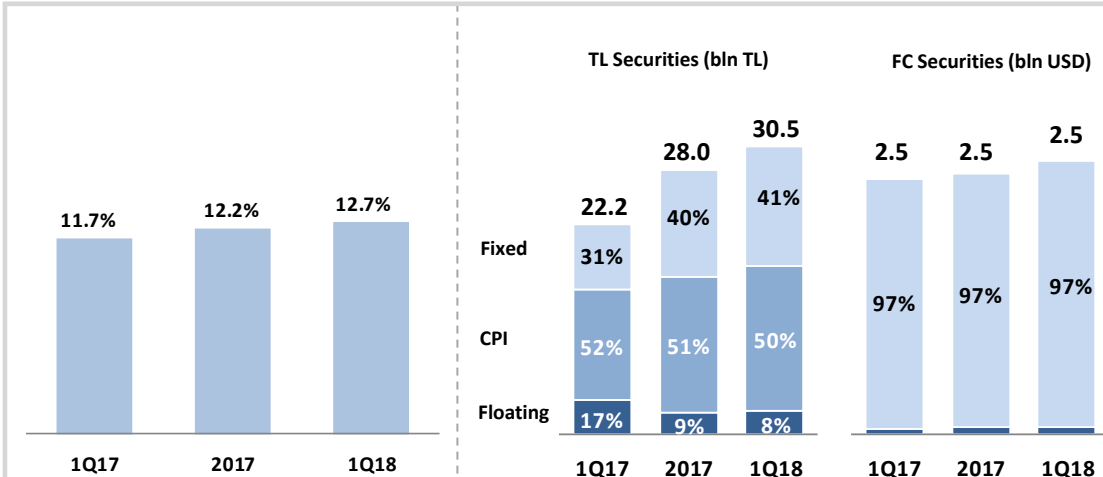
TL mln	31.12.2017	After IFRS9		%	31.12.2017	After IFRS9	
		01.01.2018	31.03.2018			01.01.2018	31.03.2018
Volumes - Cash Loans				Ratios			
Stage-1	187,430	186,399	189,206	Stage -1 / Total Loans	93%	92%	92%
Stage-2	5,453	6,484	8,668	Stage -2 / Gross Loans	2.7%	3.2%	4.2%
Stage-3	9,024	9,024	8,618	NPL Ratio	4.5%	4.5%	4.2%
Total Cash Loans	201,907	201,907	206,492				
TL mln	31.12.2017	After IFRS9		%	31.12.2017	After IFRS9	
		01.01.2018	31.03.2018			01.01.2018	31.03.2018
ECL (B/S)				Ratios			
Stage-1	2,652	1,776	1,736	Stage-1 Coverage	1.4%	1.0%	0.9%
Stage-2	231	594	889	Stage-2 Coverage	4.2%	9.2%	10.3%
Stage-3	6,947	7,856	7,387	Stage-3 Coverage	77%	87%	86%
Total ECL	9,830	10,226	10,011				

Securities

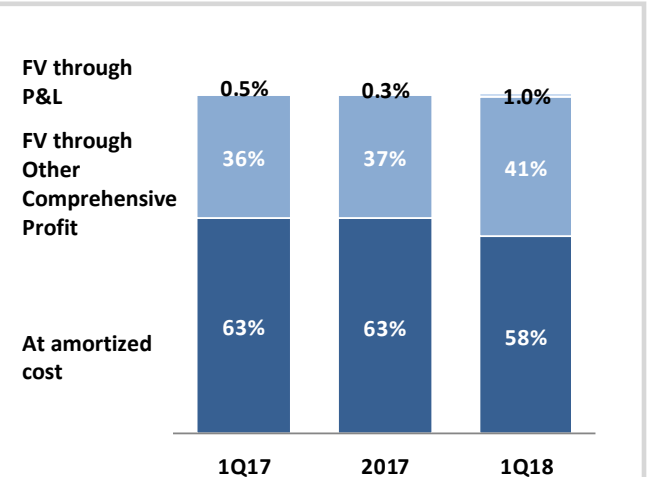
Securities/Assets



Composition by Type¹ (TL bln)



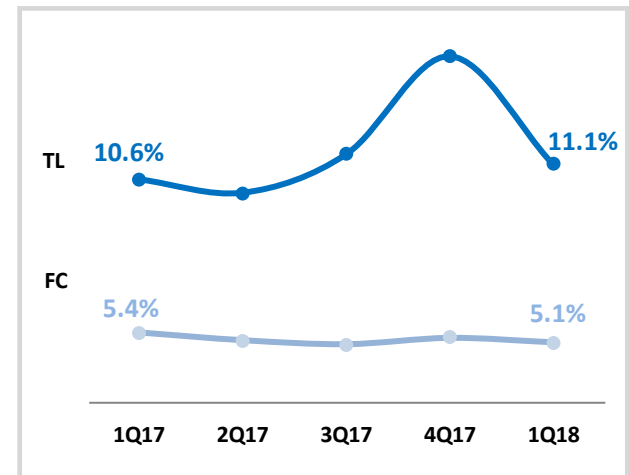
Composition by Classification¹










- **Securities / assets at 12.7%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased 27% y/y to TL 13 bn in book value; with a gain of TL 436 mln in 1Q18

Inflation estimate for revaluation of CPI linkers: 9.3%
- **M-t-m unrealised loss at TL 437 mln as of 1Q18** (TL -385 mln in 2017)

Security Yields¹



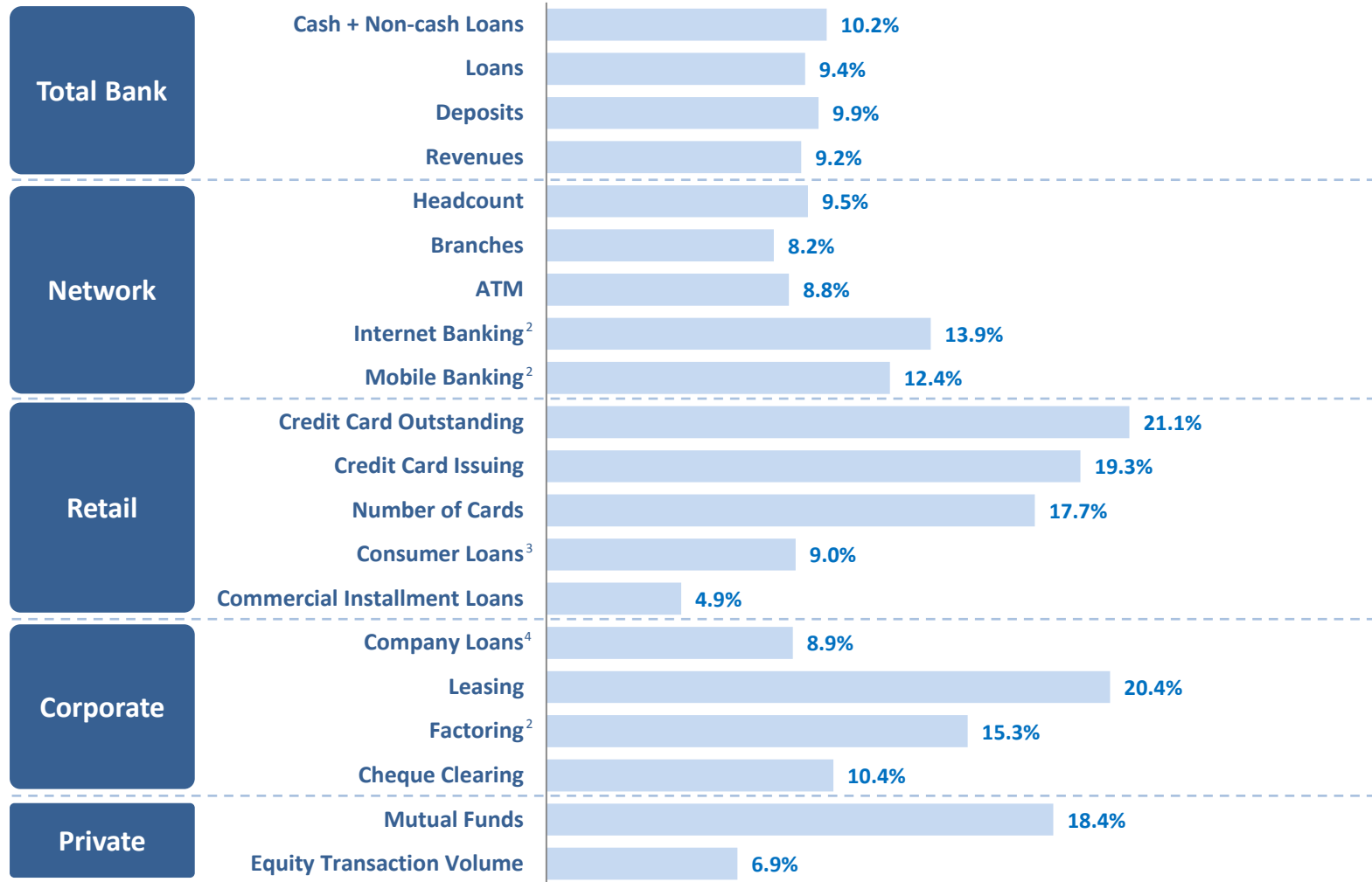
Borrowings: 25% of total liabilities

International	Syndications	<p>~ US\$ 2.8 bln outstanding</p> <ul style="list-style-type: none"> ■ 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 ■ 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
	Subordinated Loans	<p>~US\$ 2.6 bln outstanding</p> <ul style="list-style-type: none"> ■ 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 Currency Bonds / Bills	<p>US\$ 3.2 bln Eurobonds</p> <ul style="list-style-type: none"> ■ 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 ■ Mar'18: US\$ 500 mln, 6.10% (coupon rate), 5 years 
	Covered Bond	<p>TL 757.8 mln out standing</p> <ul style="list-style-type: none"> ■ Oct'17: Mortgage-backed, maturity 5 years ■ Feb'18: Mortgage-backed with 5 years maturity 
Domestic	Local Currency Bonds / Bills	<p>TL 500 mln TL Eurobond</p> <ul style="list-style-type: none"> ■ Jun'17: TL 500 mln, 13.13% (coupon rate), 3 years <p>TL 1.3 bln total</p> <ul style="list-style-type: none"> ■ Jan'18 : TL 102 mln , 3 months maturity  ■ Feb'18 : TL 215 mln , 3 months maturity  ■ Mar'18 : TL 80 mln , 5 months maturity  ■ Mar'18 : TL 95,6 mln , 3 months maturity  ■ Mar'18 : TL 407,0 mln ,5 months maturity 

Leading positions in value generating services and products

Market Position

Market Shares – 1Q18¹



Notes:

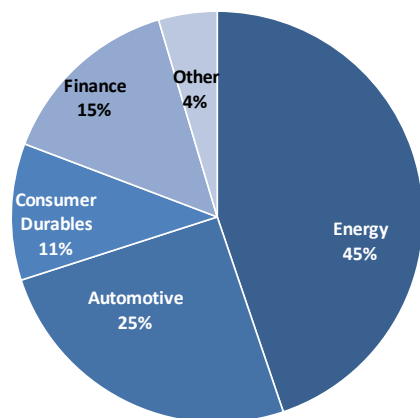
1. Market shares are based on: Interbank Card Center (for credit card acquiring and number of cardholders), Turkish Leasing Association (for leasing), Turkish Factoring Association (for factoring), Central Bank Cheque Clearing System (for cheque clearing) Rasyonet (for mutual funds), Borsa İstanbul (for 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 Mar'18
2. As of December 2017
3. Including mortgages, general purpose and auto loans
4. Cash loans excluding credit cards and consumer loans

Financial Highlights

(in EUR, 1Q18)

Total Assets (bln)	22.7
Revenues (mln)	5,216
Net Income (mln)	328
Market Capitalisation (bln)	6.4

Revenue Composition (1Q18)



- Turkey's largest industrial and services group in terms of revenues, exports, employees, taxes paid and market capitalization
- The only Turkish company in Fortune 500¹
- Leading positions with clear competitive advantages in sectors with long-term growth potential such as energy, automotive, consumer durables and finance



Market Positions²

- Sole petroleum** refiner in Turkey
- #1** in **LPG distribution** (28% market share)
- #2** in **petroleum products distribution** (18% market share)
- #1** in **total automotive** (25% market share)
- #3** in **passenger cars** (43% market share)
- #1** in **commercial vehicles** (56% market share)
- #1** in **white goods** (c. 50% market share) (refrigerators, washing machines, ovens)
- #1** in **air conditioners** (51% market share)
- #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 capitalisation as of 16 May'18, calculated as share price * paid-in capital. Free float: 26.46%. EUR/TL:5.281

(1) 2017 report

(2) As of end 2017

Financial Highlights

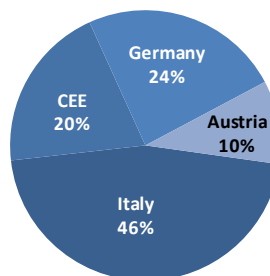
(in EUR, 1Q18)

Total Assets (bln)	824
Loans (bln)	442
Deposits and Debt Securities Issued (bln)	676
Revenues (mln)	5,114
Net Income (mln)	1,112
CET1 - Fully Loaded	13.06%
Adjusted RoTE	8.90%
Market Capitalisation (bln)	39.7 ¹

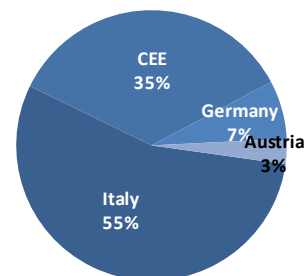
- Roots dating back to 1473. Created through the merger of 9 of Italy's largest banks and the subsequent combination with the German HVB Group and the Italian Capitalia Group
- A major international financial institution based in Italy with banking operations in 14 countries
 - international network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



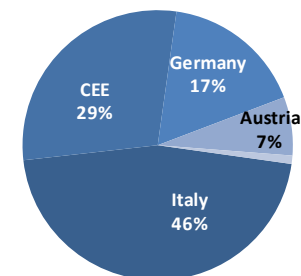
Revenue Composition²



Branch Composition²



Employee Composition²



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

Turkey

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	1Q17	2017	1Q18
GDP Growth	5.2%	6.1%	3.2%	5.4%	7.3%	7.4%
Inflation (eop)	8.2%	8.8%	8.5%	11.3%	11.9%	10.2%
Benchmark Rate (eop)	8.0%	10.9%	10.7%	11.3%	13.4%	14.0%
Unemployment ³	9.9%	10.3%	12.1%	11.7%	10.4%	10.6%
Policy Rate	8.3%	7.5%	8.0%	8.0%	8.0%	8.0%
CBT funding rate	8.5%	10.9%	10.7%	11.3%	13.4%	14.0%
CAD/GDP ³	4.7%	3.7%	3.8%	3.9%	5.6%	6.2%
o/w energy ³	5.3%	3.9%	2.8%	3.1%	3.9%	4.6%
Public Debt/GDP	30%	29%	29%	29%	28%	-
Budget deficit/GDP	-1.1%	-1.0%	-1.1%	-1.6%	-1.5%	-

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

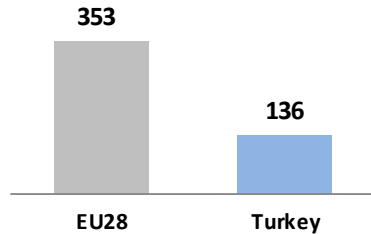
2. 2000-2006 CAGR

3. As of February 2018

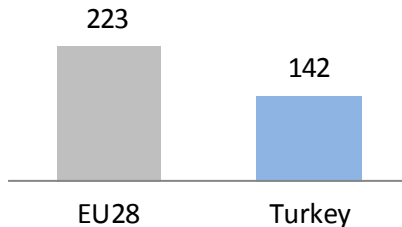
Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

Banking Sector Penetration

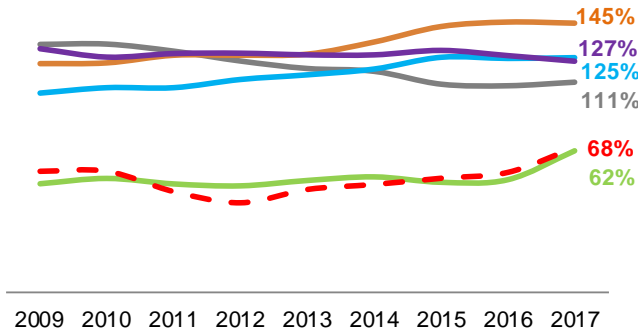
Branches Per
Million Inhabitants
(2016)



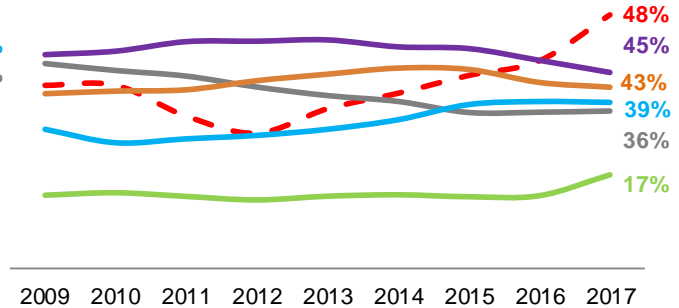
(Loans+Deposits)/GDP³
(2017)



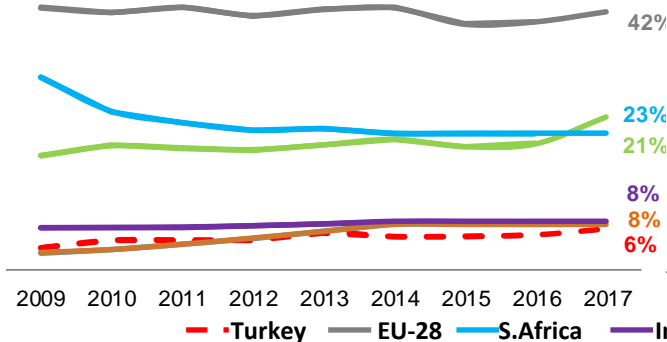
Total Loans¹/GDP



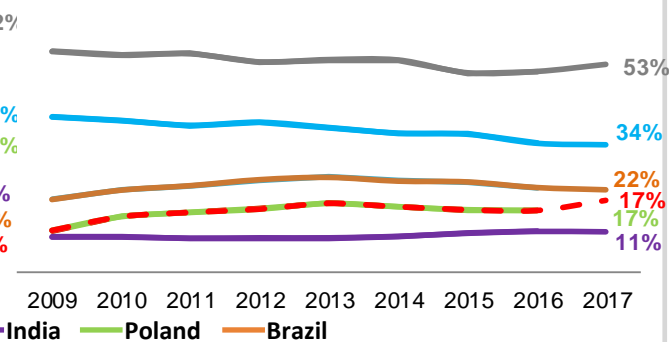
Corporate Loans/GDP



Mortgages/GDP



Loans to Households²/GDP



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

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	1Q18
Banks #	45	49	51	52	52	51	51
Branches #	10,234	11,023	11,223	11,193	10,781	10,550	10,510
Loan Growth (ytd)	15%	33%	18%	21%	17%	14%	5%
Deposit Growth (ytd)	11%	24%	10%	19%	17%	11%	4%
Loans/GDP¹	48%	55%	58%	61%	64%	68%	71%
Deposits/GDP¹	49%	53%	51%	53%	56%	57%	60%
Loans/Assets	58%	61%	62%	64%	64%	65%	66%
Deposits/Assets	59%	58%	56%	56%	56%	55%	55%
NIM	4.1%	3.8%	3.6%	3.6%	3.7%	3.9%	3.9%
NPL Ratio	2.8%	2.6%	2.8%	2.9%	3.2%	2.9%	2.8%
Specific Coverage	75%	77%	75%	76%	78%	80%	76%
CAR²	17.3%	14.6%	15.7%	15.0%	15.1%	16.5%	16.1%
Tier 1 Ratio	14.2%	12.2%	13.1%	12.5%	12.6%	13.6%	13.5%
ROAE	14.5%	12.5%	12.1%	10.8%	13.5%	15.0%	15.2%
ROAA	1.7%	1.4%	1.3%	1.1%	1.4%	1.5%	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

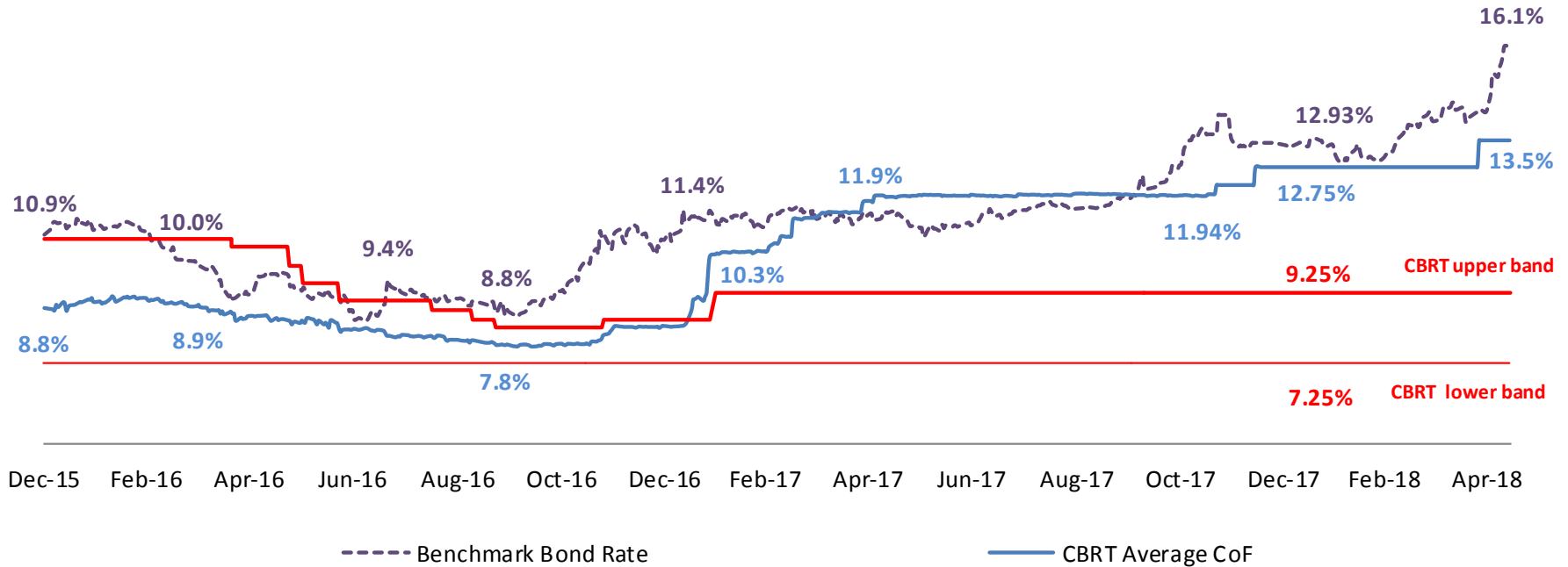
Notes:

Minimum total CAR at 8% (threshold for opening branches minimum 12% CAR), T1 at 6%, core T1 at 4.5%

(1) 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	Ba3	Negative	Ba2	Negative
	Garanti	Ba3	Stable	Ba2	Stable
	Akbank	Ba3	Stable	Ba2	Stable
	İşbank	Ba3	Negative	Ba2	Negative
	Halkbank	Ba3	Negative	Ba3	Negative
	Vakıfbank	Ba3	Stable	Ba2	Stable
S&P	Yapı Kredi	BB-	Stable	BB-	Stable
	Garanti	BB-	Stable	BB-	Stable
	Akbank	Not rated	-	Not rated	-
	İşbank	BB	Negative	BB	Negative
Fitch	Yapı Kredi	BBB-	Stable	BBB-	Stable
	Garanti	BBB-	Stable	BBB-	Stable
	Akbank	BB+	Stable	BB+	Stable
	İşbank	BB+	Stable	BB+	Stable
	Halkbank	BB+	Negative	BBB-	Negative

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

* Ratings valid since Mar'18 (Moody's), Jun'17 (Fitch), May'18 (S&P)

○ YKB's investment grade ratings