#StayAtHome #WeWillGetBetter

### Yapı Kredi 1Q20 Investor Presentation



### Yapı Kredi: A leading financial services group



Notes:

1. Loans indicate performing loans, 2. RoATE indicates return on average, tangible equity (excl. intangible assets), 3. Bank-only,

4. Group data. Bank-only: 16,540, 5. 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 27 Mar'20, 6. Cash loans excluding credit cards and consumer loans, 7. Including mortgages, GPL and auto loans, 8. As of 2019 year-end, 9. Refers to Mutual Funds

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



			Subsidiaries			
<b>PapiKredi</b>	<b>NapıKredi</b>	<b>PapıKredi</b>	<b>PapiKredi</b>	<b>Nederland</b>	<b>X YapıKredi</b>	<b>X YapıKredi</b>
Factoring	Leasing	Invest	Asset Management		Azerbaijan	Malta

Notes:

Branch numbers are as of Mar'20. Total # of branches is 845 of which 6 are free zone, abroad, custody and moblie branches

1. Including micro+ small + large size enterprises

### Stable, long-term focused majority shareholder supporting Yapı Kredi's strategy





Largest business group in Turkey with combined revenue equal to 8% of Turkey's GDP

Koç Holding	2019
Total Assets (EUR bln)	22.6
Revenues (EUR mln)	24,185
Net Income (EUR mln)	692
- Holding Potinger Moodwa	D1 / C9 D. DD

Koç Holding Ratings: Moody's: B1 / S&P: BB-



### **Covid-19 time-line in Turkey and Yapı Kredi's actions**

<ul> <li>IT set-up tested for extensive remote working mode</li> <li>Branches in hospitals and malls closed</li> <li>ATM cash withdrawal employees</li> <li>ATM cash withdrawal limits raised</li> <li>Daily contactless payment limit raised</li> <li>Daily contactless payment wis Digital (Mabile Berpling</li> <li>No fee on money transfer wis Digital (Mabile Berpling</li> </ul>	11	March 2	21 March	3 April	10 April
<ul> <li>Employees with chronic illnesses or expecting on ATMs</li> <li>Online trainings increased</li> <li>Online trainings increased</li> <li>Supportive actions for the employees (i.e. insurance.</li> <li>Tacketical staff struct</li> <li>103 R</li> </ul>	Case PREVENTIVE ACTIONS Crisis management activated, action plan set for five phases of severity IT set-up tested for extensive remote working mode Travel ban put for all employees Physical meetings, events, trainings and customer visits cancelled Employees with chronic illnesses or expecting put in administrative leave Hygiene equipment restored and sent to	<ul> <li>in Turkey</li> <li>10,000+ employees started to work from home</li> <li>All visits to head office or banking campus cancelled</li> <li>Branches in hospitals and malls closed</li> <li>ATM cash withdrawal limits raised</li> <li>Daily contactless payment limit raised</li> <li>No fee on money transfer via Digital/Mobile Banking or ATMs</li> <li>Online trainings increased</li> <li>Entire Call Center capacity enabled to be fully functional as home-agent</li> <li>Thermal scanners, no- touch thermometers and</li> </ul>	Restrictions         • Branches started to between 12:00 – 17: 50% rotation         r       • Call center re-design direct sales teams with routed to call center routside working houter to call center outside working houter to call center outsi	Restrictionsvork•Branch back started(~2) network)ed, all•Remote cu capacity in shared sou call centerfor•Remote cu capacity in shared sou call centermonths•TL 10 mln d emergency support torvices•TL 10 mln d emergency support toof•Social dista encourage with signalor the ance,•Technical s Operation curfew	weekend         woekend         woekend         woekend         woekend         woekend         woekend         woekend         woekend <td< th=""></td<>

#### FULLY OPEN COMMUNICATION WITH PERSONNEL

## Covid-19 Actions and implications: Safety of franchise first and foremost, with sustained customer service alongside with solid fundamentals

Employees Kept Healthy and Safe	<ul> <li>75% of the work-force moved to home-office (all head-quarter, call center and rotated network)</li> <li>Rotated branch employees using remote customer services</li> <li>~40 mln TL additional cost incurred where possible new business model hints more savings</li> </ul>
Un-interrupted Customer Service	<ul> <li>No disruption on customer services, transactions moved to digital channels and call center w/out any loss in m.shares</li> <li>Loan postponements (~320k customers, ~1.0% of total loans)</li> <li>Active utilisation of CGF schemes</li> <li>Utilisation of existing limits, with additions, if needed</li> <li>Strong e-commerce presence; 100bps market share increase</li> </ul>
Solid Fundamentals	<ul> <li>LIQUIDITY: Ample liquidity levels (c.200% vs 150% under severe stress) maintained even in a severe stress test scenario</li> <li>CAPITAL: Capital buffers at a very comfortable level (c.400bps vs 200bps under severe stress)</li> </ul>

**StapsKredi** 

### Ample level of liquidity 3.8x of ST FC external debt



Short Term Funding (bln USD)	Total	2Q20	3Q20	4Q20	1Q21
Tier I & II	0.0	0.0	0.0	0.0	0.0
Senior Bonds	0.0	0.0	0.0	0.0	0.0
Securitizations & Supranational Funding	0.4	0.1	0.1	0.1	0.1
Syndications	2.0	1.1	0.0	0.9	0.0
Other	1.8	0.6	0.3	0.7	0.2
Total	4.2	1.8	0.5	1.8	0.2

Long Term Funding (bln USD)	Total	Rest of 2021	2022	2023	+2023
Tier I & II	2.9	0.0	0.9	0.9	1.2
Senior Bonds	2.1	0.0	0.6	0.5	1.0
Securitizations & Supranational Funding	2.5	0.3	0.4	0.4	1.5
Syndications	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.1	0.1	0.0	0.2
Total	7.7	0.4	2.0	1.7	3.8



# 1.1 bln TL net profit with strong PPP generation and cautious provisioning supported by solid fundamentals



Notes:

1. 1Q19 PPP with normalised CPI linker income for homogenous comparison (reported : 3,193 TL mln)

2. ECL + other provisions

3. LDR= Loans / (Deposits + TL Bonds)

4. Based on past three months averages

5. 1Q20 Reported Tier 1 Ratio at 13.7%

**So Yapı Kredi** 

# TL driven loan and deposit growth, with enhanced focus on small tickets

Loan volumes (TL bln)							
	Yapı Kredi Private Banks						
	1Q20 ytd y/y ytd y/y						
Cash+Non-cash Loans <sup>2</sup>	336.6	6%	4%	7%	8%		
ΤL <sup>3</sup>	164.4	3%	11%	6%	11%		
FC (\$) <sup>3</sup>	26.4	-1%	-14%	-1%	-9%		
Cash Loans <sup>2</sup>	242.4	6%	5%	7%	9%		
ΤL <sup>3</sup>	136.1	3%	12%	7%	13%		
FC (\$) <sup>3</sup>	16.3	0%	-16%	-1%	-9%		

#### Cash Loan Breakdown (FX adjusted)<sup>4</sup>



#### Notes:

- 1. Private banks based on BRSA weekly data as of 27 March 2020
- 2. Cash 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 adjusted for FX, Retail includes individual, credit cards and SMEs

Deposit volumes (TL bln)								
	Ya	apı Kredi	i	Private	Banks <sup>1</sup>			
	1Q20 ytd y/y ytd				y/y			
Customer Deposits	247.2	9%	15%	7%	19%			
TL	111.7	12%	29%	4%	22%			
FC (\$)	20.8	-2%	-9%	1%	2%			
Customer Demand Deposits	60.3	17%	46%	19%	43%			
TL	22.0	6%	42%	4%	36%			
FC (\$)	5.9	13%	29%	18%	28%			

#### **Deposit Breakdown** (FX adjusted)<sup>4</sup>



**GP YapıKredi** 

## Well diversified loan portfolio and sound coverage sectors with possibility of deterioration

#### Sectoral breakdown of Loans

14 sectors; 11%		Commercial RE
l		
Chemicals	1.8%	
Business Services	1.8%	
	2.2%	Wholesale trade
Machinery	2.2%	
	2.2%	Tourism
Health & Education	2.8%	Tourisin
Health & Education	2.9%	-
	3.0%	Transportation
	3.2%	Retail Trade
Automotive	3.7%	
Finance	4.4%	
Metals	4.9%	
Food&Bevarge&Tobacco	5.0%	
Textile	5.4%	
Infrastructure & Other Construction	8.4%	
	12.0%	Energy
Individual Lending	21.2%	

- *Energy Sector* total coverage at 14.6%, 46.6% of the loans are under Stage 2
- **Energy Sector** Risky Stage 2 files' coverage at 37%
  - *Infrastructure and other construction coverage at 11.5%*
- **Total Real Estate** loans Stage 2 coverage at 17%
- Commercial Real Estate share in total at 1.3%. Possible stressed files are less than 0.5% of total loans
- Tourism Sector share in total at 2.8%. Possible stressed files are less than 0.1% of total loans
- Transportation Sector is 3% of total loans. Possible stressed files are less than 0.5% of total loans
- Limited 7% share of SMEs in total loans, 50% of which is under CGF scheme
- Deleveraging in FC loans in the past two years by as much as 23%
- Possible stressed files are 1.4% of total loans



Lending

# Strong y/y increase in core revenues, with 21 bps ytd improvement in revenue margin



1. Revenues and other revenues exclude ECL collection income and trading income to hedge FC ECL

2. Core Revenues = NII + swap costs + net fee income

3. 1Q19 Revenues and Core Revenues with normalised CPI linker income for homogenous comparison (reported : Revenues: 4,906; Core: 4,449 TL mln

### Expansion in NIM on a ytd basis, thanks to better Core NIM evolution



Based on Bank-Only financials

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Revenues - NIM

# Successful widening in loan-deposit spread thanks to execution of sound ALM strategy

Loan-Deposit Spread -Loan – Deposit Spread Evolution **Loan-Deposit Spread Deposit Costs** Loan Yields (Quarterly) (Quarterly) (Quarterly) 143 bps improvement in total cost 57 bps wider Loan-Deposit spread Controlled decrease of 85 bps in of deposits q/q mainly due to 283 vs. 4Q19 on the back of loan yields (TL: -145 bps) vs.4Q19 in bps decline in TL deposit costs q/q a significant improvement of 138 bps a decreasing interest rate also supported by the downward in TL loan-deposit spread q/q environment trend in FC deposits Cum. TL spread Cum. TL yield Cum. TL cost 2019: 16.6% 2019:3.3% 2019:13.8% TL+FX TL TL TL TL+FX TL+FX 6.58% 6.01% 16.2% 15.8% 5.18% 17.3% 17.2% 17.2% 4.53% 4.45% 14.0% 6.32% 4.94% 13.3% 12.9% 12.5% 8.5% 1.36% 12.4% 8.0% 1.16% 3.19% 7.2% 11.2% 7.0% 5.2% 10.4% 3.8% 1019 2Q19 4Q19 1020 1019 2Q19 3Q19 4Q19 1Q20 1019 3Q19 4019 1Q20 3Q19 2019

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# Fees still strong on a y/y basis... Under pressure due to regulation change and less commercial activity





- Payment systems: +9% y/y
- Lending Related: +4% y/y
- Bancassurance: +57% y/y
- Asset management: +106% y/y

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Notes

## Cost growth mainly impacted by elevated regulatory costs and actions taken against Covid-19







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Notes:

- 1. Excluding pension fund provision (4Q19: TL 257 mln)
- 2. Income adjusted for trading income to hedge FC ECL and collections
- 3. Includes customer acquisition cost and investments

4. Based on MIS data; Main Products; GPL, CC, Time Deposit, and Flexible Account

5. Transactions include, Money Transfers, Payments, Deposit, Cash Loans, Non-cash Loans, Insurance, Money withdrawal, Investment products, Credit Cards

# Improvement in CoR due to limited NPL inflows with further cautious increase in coverages



#### **Cost of Risk Composition**



+ Ordinary CoR at 186 bps; c.85 bps additional CoR to be on the conservative side; elevating the coverage levels

+ 413 mln TL other provisions including

#### pension fund

Based on Consolidated BRSA financials

1. Cost of Risk = (Total Expected Credit Loss- Collections-FC ECL hedge)/Total Gross Loans

2. Stated CoR - 1Q19: 2.71%; 2Q19: 2.75%; 3Q19: 2.77%; 4Q19: 4.81%; 1Q20: 3.30% - 2019: 3.29%)

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# NPL formation was supportive in 1Q20, in all segments with strength in collections



**GP YapıKredi** 

## Improvement in asset quality with further increase in coverages despite write-off of fully covered files...



# Capital ratios 350-400 bps above regulatory requirements despite negative impact arising from macro environment



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### 2020 Guidance

		2020 Guidance	Potential	Reasons
	LDR	≤ <b>105%</b>	✓ No Risk	-
Fundamentals	CAR	≥ 16%	Slight Downside Risk	Slight downside risk due to macro economic developments
Volumes	TL Loans	High-teens	👻 Downside Risk	Slight downside risk due to slowdown in demand
Revenues	NIM	≥ 3.7%	Slight Downside Risk	Lower commercial activity and higher liquidity
	Fees	High-single digit	🖖 🛛 Downside Risk	Negative impact arising from regulation change and lower commercial activity
Costs	Costs	Mid-teens	<ul> <li>No Risk</li> </ul>	-
Assat Quality	NPL ratio	~ 7%	🎓 Upside Risk	Potential deterioration in asset quality due to elevated levels of coverage, lower than expected growth and
Asset Quality	Total CoR	~ 225 bps		difficulties arising from lock-down
Profitability	RoTE	Mid/Low-teens	🗳 🛛 Downside Risk	Potential downside risk due to above mentioned reasons





### **Macro Environment and Banking Sector**

#### **Macro Environment**

Normalization trend on all macro lines in the first two months of 2020, with potential negative impact arising from Covid-19

#### **Banking Sector**

Strong fundamentals of the sector with ongoing support to the economy during times with uncertainty

	2017	2018	1Q19	2019	1Q20
GDP Growth (y/y)	7.5%	2.8%	-2.3%	0.9%	-
CPI Inflation (y/y)	11.9%	20.3%	19.7%	11.8%	11.9%
Consumer Confidence Index (avg)	68.6	67.0	58.6	58.2	58.2
CAD <sup>1</sup> /GDP <sup>2</sup>	-4.8%	-2.6%	-0.7%	1.2%	0.8%
Budget Deficit/GDP	-1.5%	-1.9%	-2.3%	-2.9%	- <b>2.6</b> %
Unemployment Rate <sup>3</sup>	10.9%	11.0%	13.9%	13.7%	<b>12.6%</b>
USD/TL (eop)	3.77	5.26	5.63	5.94	6.52
2Y Benchmark Bond Rate (eop)	13.4%	19.7%	21.2%	11.8%	<b>11.2%</b>

	2017	2018	1Q19	2019	1Q20
Loan Growth (y/y)	21%	14%	15%	10%	13%
Private	16%	6%	5%	5%	9%
State	27%	23%	27%	19%	20%
Deposit Growth (y/y)	16%	19%	23%	22%	22%
Private	13%	16%	19%	17%	18%
State	24%	25%	32%	31%	28%
NPL Ratio	2.9%	3.8%	3.9%	5.2%	4.9%
CAR	16.5%	16.9%	16.0%	18.0%	17.4%
ROATE	10.8%	13.9%	11.7%	10.6%	12.7%

Notes:

All macro data as of March 2020 unless otherwise stated

Banking sector volumes based on BRSA weekly data as of 27 March 2020

- 1. CAD indicates Current Account Deficit as of Feb'20
- 2. GDP as of 2019 year-end
- 3. Unemployment rate is as of Jan'20, seasonally adjusted

#### **Consolidated Balance Sheet**

												Assets
TLbIn	1Q18	1H18	9M18	2018	1Q19	1H19	9M19	2019	1Q20	q/q	у/у	Assets
Total Assets	328.7	365.1	422.0	373.4	393.4	409.0	396.9	411.2	434.9	6%	11%	Other Assets <sup>4</sup>
Loans <sup>1</sup>	205.3	222.2	249.4	220.5	230.5	232.3	222.4	229.4	242.4	6%	5%	6%
TL Loans	118.8	123.0	124.8	117.3	121.8	128.0	126.2	132.6	136.1	3%	12%	Other IEAs <sup>3</sup>
FC Loans (\$)	21.9	21.7	20.8	19.6	19.3	18.1	17.0	16.3	16.3	0%	-16%	Other IEro
Securities	41.7	45.2	49.7	49.9	52.1	54.5	54.4	57.1	62.6	10%	20%	24% FC Loans
TL Securities	30.7	32.7	33.7	35.9	37.4	39.0	39.3	41.1	44.6	9%	19%	56%
FC Securities (\$)	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.8	2%	6%	Securities TL 56%
Customer Deposits	166.6	180.1	210.8	199.9	215.4	219.5	214.4	226.0	247.2	9%	15%	14%
TL Customer Deposits	81.4	76.7	84.7	86.9	86.6	90.9	90.5	99.5	111.7	12%	29%	Loans
FC Customer Deposits (\$)	21.6	22.7	21.1	21.5	22.9	22.4	21.9	21.3	20.8	-2%	-9%	
Borrowings	80.8	90.0	114.5	90.0	98.6	101.9	100.1	102.4	102.6	0%	4%	
TL Borrowings	6.8	7.8	7.0	5.6	7.6	8.2	8.3	10.8	11.3	4%	49%	
FC Borrowings (\$)	18.7	18.0	17.9	16.1	16.2	16.3	16.2	15.4	14.0	-9%	-13%	Liabilities
Shareholders' Equity	31.6	37.8	40.3	39.0	39.1	40.5	40.2	41.2	41.9	2%	7%	Money Markets
Assets Under Management	20.1	19.6	19.9	21.1	17.4	25.7	26.5	27.3	28.6	5%	64%	2%
Loans/Assets	62%	61%	59%	59%	59%	57%	56%	56%	56%			Borrowings <sup>5</sup>
Securities/Assets	13%	12%	12%	13%	13%	13%	14%	14%	14%			25%
Borrowings/Liabilities	25%	25%	27%	24%	25%	25%	25%	25%	24%			FC Shareholders' 54%
Loans/(Deposits+TL Bills)	113%	114%	112%	104%	103%	101%	100%	97%	94%			Equity Deposits
CAR <sup>2</sup>	12.9%	13.9%	13.3%	14.8%	15.0%	15.6%	16.7%	16.7%	15.8%			10% 56% TL
Tier-l <sup>2</sup>	9.9%	10.7%	9.8%	11.4%	12.1%	12.8%	13.6%	13.7%	13.0%			Other 46%
Common Equity Tier-I <sup>2</sup>	9.9%	10.7%	9.8%	11.4%	11.0%	11.6%	12.5%	12.5%	11.8%			Deposits

Note: Loans indicate performing loans

1. TL and FC Loans are adjusted for the FX indexed loans

2. 1Q20 excluding regulatory forbearance; Reported: CAR: 16.6%; Tier-1: 13.7% CET-1: 12.4%

3. Other interest earning assets (IEAs) include Balances with the Central Bank Turkey, banks and other financial institutions, money markets, factoring receivables, financial lease receivables

4. 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

5. Borrowings: include funds borrowed, marketable securities issued (net), subordinated loans. Intragroup funding / Total exposures is limited to cash excluding Business Related (i.e. Trade Finance), Repos and loro/nostro accounts

6. Other liabilities: other provisions, hedging derivatives, deferred and current tax liability and other

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### **Consolidated Income Statement**

TL million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	q/q	y/y
Net Interest Income including swap costs	2,543	2,778	4,004	4,239	3,112	3,241	3,254	3,329	3,582	8%	15%
o/w NII	2,845	3,209	4,311	4,131	3,485	4,041	4,079	3,926	4,210	7%	21%
o/w CPI-linkers	436	460	1,360	2,478	787	770	830	304	762	150%	-3%
CPI-linkers (normalised)	1,126	1,150	1,191	1,269	588	687	689	727	762	5%	30%
o/w Swap costs	-302	-431	-308	107	-372	-801	-825	-597	-627	5%	69%
Fees & Commissions	1,034	1,051	1,036	1,116	1,337	1,258	1,347	1,587	1,521	-4%	14%
Core Revenues	3,577	3,829	5,040	5,354	4,449	4,499	4,600	4,916	5,103	4%	15%
Operating Costs	1,450	1,557	1,683	1,768	1,712	1,793	1,779	2,122	2,062	-3%	20%
Core Operating Income	2,127	2,272	3,357	3,586	2,737	2,706	2,821	2,794	3,041	9%	11%
Trading and FX gains/losses	11	275	152	266	336	79	211	148	473	220%	41%
o/w FX gains/losses	27	65	-193	225	77	128	138	98	157	60%	104%
o/w MtM gains/losses	-7	118	300	35	195	-115	-24	-7	152	-	-
o/w Trading gains/losses	-9	92	45	6	64	67	97	56	164	190%	154%
Other income	136	40	76	107	120	105	78	186	162	-13%	35%
o/w income from subs	28	25	31	32	28	18	22	26	20	-23%	-29%
o/w Dividends	4	8	1	2	10	6	0	1	1	-17%	-90%
o/w Others	104	7	45	73	82	81	55	160	141	-11%	72%
Pre-provision Profit	2,274	2,587	3,585	3,959	3,193	2,890	3,110	3,128	3,676	18%	15%
ECL net of collections	514	835	1,640	2,950	1,395	1,577	1,785	2,726	1,805	-34%	29%
o/w Stage 3 Provisions	607	738	1,433	1,844	1,406	1,900	1,575	2,812	1,737	-38%	23%
o/w Stage 1 + Stage 2 Provisions	237	460	996	798	533	29	279	450	864	92%	62%
o/w Collections (-)	330	363	244	90	337	251	198	329	381	16%	13%
o/w ECL hedging (-)	0	0	545	-397	207	101	-129	207	415	101%	100%
Provisions for Risks and Charges	100	185	475	-530	211	0	59	-12	413	-	-
Other Provisions	47	8	52	82	5	5	20	18	20	12%	289%
Pre-tax Income	1,660	1,568	1,470	1,539	1,588	1,314	1,266	414	1,458	252%	-8%
Tax	369	332	303	376	341	189	270	133	308	132%	-10%
Net Income	1,244	1,227	1,115	1,081	1,241	1,120	976	263	1,129	329%	-9%
ROTE	17.1%	16.4%	14.3%	14.2%	13.3%	12.5%	11.8%	9.8%	11.4%	161bps	-195bps

### **Bank-Only Income Statement**

TL million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	q/q	y/y
Net Interest Income including swap costs	2,270	2,585	3,677	3,925	2,806	2,936	2,973	3,046	3,326	9%	19%
o/w NII	2,768	3,108	4,143	3,923	3,356	3,869	3,827	3,723	3,973	7%	18%
o/w CPI-linkers	436	460	1,360	2,478	787	770	830	304	762	150%	-3%
CPI-linkers (normalised)	1,126	1,150	1,191	1,269	588	687	689	727	762	5%	30%
o/w Swap costs	-497	-523	-466	2	-551	-933	-854	-677	-646	-5%	17%
Fees & Commissions	986	993	977	1,059	1,283	1,206	1,285	1,513	1,423	-6%	11%
Core Revenues	3,257	3,578	4,655	4,984	4,089	4,142	4,258	4,559	4,750	4%	16%
Operating Costs	1,375	1,473	1,591	1,656	1,615	1,688	1,668	2,016	1,954	-3%	21%
Core Operating Income	1,881	2,105	3,064	3,328	2,474	2,453	2,590	2,543	2,796	10%	13%
Trading and FX gains/losses	57	212	119	301	322	72	221	129	442	241%	37%
o/w FX gains/losses	23	58	-50	265	64	164	137	42	107	151%	67%
o/w MtM gains/losses	-8	114	125	35	194	-113	-12	38	176	363%	-9%
o/w Trading gains/losses	41	40	43	2	64	20	96	49	159	-49%	149%
Other income	252	227	276	212	298	267	226	312	302	-3%	1%
o/w income from subs	211	171	233	160	224	198	180	178	207	16%	-8%
o/w Dividends	3	2	1	1	8	1	0	1	0	-	-
o/w Others	39	54	42	50	66	68	46	133	95	-29%	43%
Pre-provision Profit	2,190	2,544	3,458	3,841	3,094	2,791	3,038	2,984	3,540	19%	14%
ECL net of collections	483	832	1,586	2,908	1,354	1,530	1,756	2,630	1,726	-34%	27%
o/w Stage 3 Provisions	590	716	1,389	1,779	1,377	1,856	1,570	2,764	1,703	-38%	24%
o/w Stage 1 + Stage 2 Provisions	224	480	985	822	522	27	256	402	818	103%	57%
o/w Collections (-)	330	363	244	90	337	251	198	329	381	16%	13%
o/w ECL Hedging	0	0	545	-397	207	101	-129	207	415	101%	100%
Provisions for Risks and Charges	100	185	475	-530	211	0	59	-12	413	-	96%
Other Provisions	45	6	41	45	3	4	21	14	16	18%	-
Pre-tax Income	1,562	1,521	1,357	1,416	1,527	1,257	1,202	353	1,384	292%	-9%
Tax	318	294	242	335	285	138	226	89	255	185%	-11%
Net Income	1,244	1,227	1,115	1,081	1,241	1,120	976	263	1,129	329%	-9%
ROTE	17.0%	15.8%	11.9%	11.4%	13.3%	11.8%	10.1%	4.2%	11.4%	722bps	-195bps
ROAA	1.7%	1.5%	1.2%	1.2%	1.4%	1.2%	1.0%	0.3%		85bps	-26bps

M YapıKredi

### **Securities**



Securities / Assets at 14.4% with dynamically managed mix

 CPI-linker volume at TL 21.6bln in book value<sup>2</sup> (nominal: 18.4 bln TL); with a gain of TL 762 mln in 1Q20 (Normalised - 4Q19: TL 727 mln; 1Q19: TL 588 mln)

CPI linker valuation at 8.5% in 1Q20 (2019: 8.55%)

M-t-m unrealised loss at TL -441<sup>3</sup> mln as of 1Q20 (TL -2,507<sup>3</sup> mln in 1Q19)

1. Based on Bank-Only financials

2. Excluding accruals

3. Net of tax



### **Details of main Borrowings**

	Syndications	<ul> <li>US\$ 2.0 bln</li> <li>May'19: US\$ 350 mln and € 607 mln, all-in cost at Libor+ 2.50% and Euribor+ 2.40% for 367 days. 49 banks from 21 countries</li> <li>Oct'19: US\$ 370 mln &amp; € 520 mln, all-in cost at Libor+ 2.25% and Euribor+ 2.10% for 367 days. 39 banks from 21 countries</li> </ul>
	AT1	<ul> <li>~US\$ 650 mln outstanding</li> <li>Jan'19: US\$ 650 mln market transaction, callable every 5 years, perpetual, 13.875% (coupon rate)</li> </ul>
ional	Subordinated Loans	<ul> <li>~US\$ 2.36 bln outstanding</li> <li>Dec'12: US\$ 1,000 mln market transaction, 10 years, 5.5% (coupon rate)</li> <li>Jan'13: US\$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant</li> <li>Dec'13: US\$ 270 mln, 10NC5, 7.72% – Basel III Compliant</li> <li>Mar'16: US\$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)</li> </ul>
International	Foreign and Local Currency Bonds / Bills	US\$ 2.18 bln Eurobonds 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 Mar'19: US\$ 500 mln, 8.25% (coupon rate), 5.5 years
	Covered Bond	<ul> <li>TL 1.97 bln out standing</li> <li>Oct'17: Mortgage-backed with maturity 5 years</li> <li>Feb'18: Mortgage-backed with 5 years maturity</li> <li>May'18: Mortgage-backed with 5 years maturity</li> <li>Mar'19: Mortgage-backed with 5 years maturity</li> <li>Dec'19: Mortgage-backed with 5 years maturity</li> </ul>
Domestic	Local Currency Bonds / Bills	TL 6.24 bln total         Dec'19 : TL 228 mln , 6-month maturity         Dec'19 : TL 1.00 bln, 6-month maturity, TLREF indexed         Jan'20 : TL 395 mln , 2-month maturity ∑1020]         Feb'20 : TL 1.20 bln, 2-month maturity ∑1020]         Feb'20 : TL 1.00 bln, 8-month maturity, TLREF indexed ∑1020]         Mar'20 : TL 631 mln , 2-month maturity, TLREF indexed ∑1020]         Mar'20 : TL 985 mln, 6-month maturity, TLREF indexed ∑1020]
	Subordinated Loans	TL 800 mln total         Jul'19: TL 500 mln, 10-year maturity, TRLIBOR + 100 bps         Oct'19: TL 300 mln, 10-year maturity, TLREF index + 130 bps

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



Source: European Central Bank, BRSA, CBRT, Turkstat, FRED database for India, Brazil, S.Africa Note: Loan data on graphs for all countries based on 2019 actual figures while GDP figures are as of 2018

Excluding lending to credit institutions

(2) Including housing loans, consumer lending and other household lending (including CC, excluding SMEs) 2019 GDP numbers are forecasted figures

**MapiKredi** 

## 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

**Banking Sector** 

Developments

**Challenges** 

- **Sound asset quality, liquidity** and capitalisation
- Regulatory developments:
  - CGF (supporting the loan growth )
  - capital (potential alignment to IRB)
  - provisioning (IFRS9 as of 2018)
  - corporate tax rate increase (2018-20 to 22%)
- Interest rate and currency volatility
- Pricing competition and maturity of funding sources
- Asset quality

Source: Turkish Banks Association for bank and branch numbers, BRSA for banking sector data (including BS, P&L, KPIs), Turkstat for GDP data	3
Notes:	

(1) GDP calculation on a trailing basis

(2) Based on BRSA monthly financials; indicating deposit banks

				Banking	Sector			
	2017	9M18	2018	1Q19	1H19	9M19	2019	1Q20
Banks #	51	52	47	47	53	53	53	53
Branches #	10,550	10,505	10,454	10,398	10,359	10,289	10,199	10,161
Loan Growth (yoy)	21%	30%	14%	15%	8%	-2%	10%	13%
Deposit Growth (yoy)	16%	31%	19%	23%	17%	8%	22%	22%
Loans/GDP <sup>1</sup>	65%	70%	62%	63%	61%	60%	60%	62%
Deposits/GDP <sup>1</sup>	55%	59%	55%	57%	55%	56%	58%	59%
Loans/Assets	65%	63%	63%	62%	61%	61%	61%	60%
Deposits/Assets	55%	53%	55%	56%	55%	57%	59%	58%
NIM	3.5%	4.1%	4.1%	3.7%	3.8%	3.9%	4.1%	4.9%
NPL Ratio	2.9%	3.1%	3.7%	4.0%	4.3%	4.7%	5.2%	5.0%
Specific Coverage	0%	70%	69%	69%	68%	66%	65%	69%
CAR <sup>2</sup>	16.5%	17.7%	16.9%	16.0%	17.3%	18.0%	18.0%	17.4%
Tier 1 Ratio	13.6%	14.1%	13.6%	12.9%	14.2%	14.9%	14.9%	14.4%
ROAE	10.8%	14.3%	13.9%	11.7%	11.3%	10.7%	10.6%	12.7%
ROAA	1.1%	1.3%	1.4%	1.2%	1.2%	1.1%	1.1%	1.3%



### **CBRT rates**



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**MapiKredi** 

#### **Credit Ratings**

Moody's

	Long-Term For	eign Currency	Long-Term Lo	ocal Currency	
	Rating	Outlook	Rating	Outlook	
Turkey	B1	Negative	B1	Negative	
Yapı Kredi	<b>B3</b>	Negative	B2	Negative	
Garanti	В3	Negative	B2	Negative	
Akbank	В3	Negative	B2	Negative	
lşbank	В3	Negative	В3	Negative	
Halkbank	В3	Negative	В3	Negative	
Vakıfbank	В3	Negative	B2	Negative	
					Î

Fitch

Turkey	BB-	Stable	BB-	Stable
Yapı Kredi	B+	Negative	B+	Stable
Garanti	B+	Stable	BB-	Stable
Akbank	B+	Negative	B+	Stable
lşbank	B+	Negative	B+	Stable
Halkbank	B+	Negative	BB-	Negative
Vakıfbank	B+	Stable	BB-	Stable

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