

# **Yapı Kredi**

## **2019 Investor Presentation**

# Yapi Kredi: A leading financial services group

## Key Figures – 2019

**Ratings** Moody's: B3 / Fitch: B+

### Total Assets

**411.2  
bln TL**

### Loans<sup>1</sup>

**229.4  
bln TL**

### Net Income<sup>2</sup>

**3,741  
mln TL**

### RoATE<sup>2,3</sup>

**9.8%**

### Number of Branches<sup>4</sup>

**846**

### Employees<sup>5</sup>

**17,466**

## Market Share – 2019

### Market Share<sup>6</sup>

### Total Bank

#### Cash & Non-cash Loans

**9.4%**

#### Customer Deposits

**9.2%**

### Business Units

#### Corporate Loans<sup>7</sup>

**8.3%**

#### Consumer Loans<sup>8</sup>

**8.2%**

#### Credit Card Outstanding

**18.7%**

### Subsidiaries

#### Leasing

**20.3%**

#### Factoring

**15.2%**

#### Wealth Management<sup>9</sup>

**13.2%**

#### Notes:

1. Loans indicate performing loans, 2. Adjusted for 140 mln TL one-off provisions for insurance penalty, 3. RoATE indicates return on average, tangible equity (excl. intangible assets), 4. Bank-only, 5. Group data. Bank-only: 16,631, 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 27 Dec'19, 7. Cash loans excluding credit cards and consumer loans, 8. Including mortgages, GPL and auto loans, 9. Refers to Mutual Funds

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



## 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**

**SME  
Banking<sup>1</sup>**  
Turnover  
<USD 10 mln

769 Branches

**Private  
Banking**  
Total  
PFA > TL 500K

21 Branches

**Credit Cards**

## Subsidiaries

**YapıKredi**  
Factoring

**YapıKredi**  
Leasing

**YapıKredi**  
Invest

**YapıKredi**  
Asset Management

**YapıKredi**  
Nederland

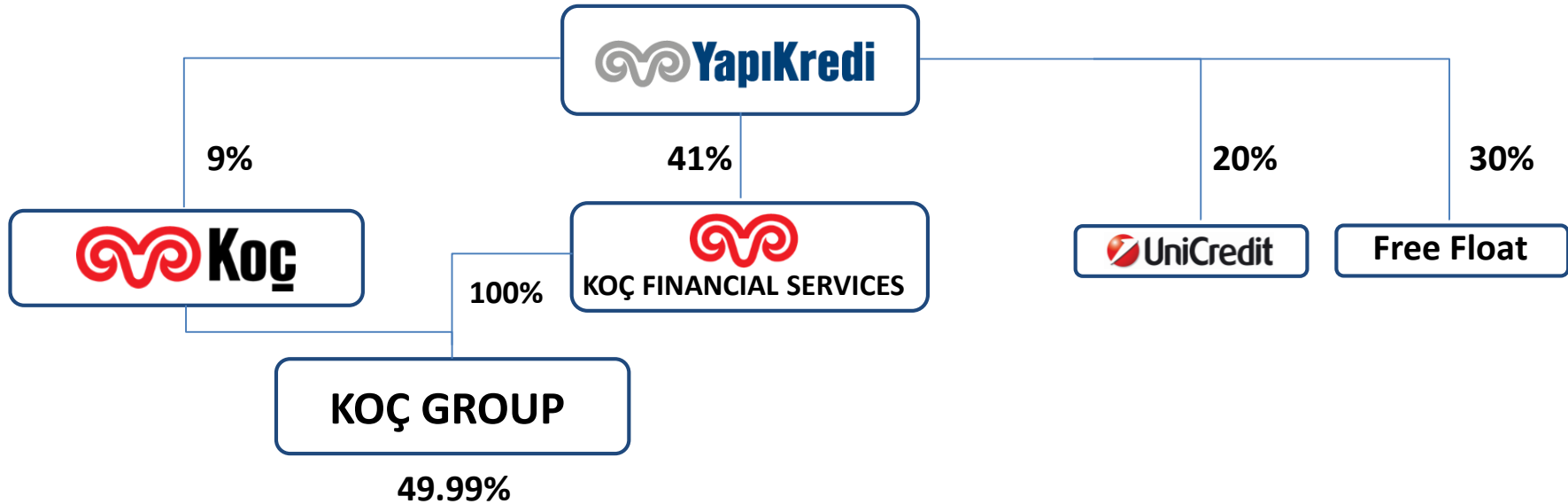
**YapıKredi**  
Azerbaijan

**YapıKredi**  
Malta

Notes:  
Branch numbers are as of Dec'19. Total # of branches is 854 of which 6 are free zone, abroad, custody and mobile branches  
1. Including micro+ small + large size enterprises

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

Shareholding Structure



*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

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

# A transition year with strong core revenue generation, volume growth in real terms, with acceleration in provisions for healthier B/S

## Net Profit at 3.7 bln<sup>1</sup> with RoTE at 9.8%<sup>1</sup>, supported by the strong PPP performance

- ✓ +26 bps y/y NIM widening (excl. CPI impact)
- ✓ +28%<sup>2</sup> y/y fee increase
- ✓ Below average inflation cost growth thanks to efficiency gains

## Healthy volume growth with ongoing TL focus

- ✓ TL loans: +14% y/y
- ✓ TL customer deposits: +13% y/y

## Acceleration in provisions for risky files, resulting in cumulative CoR at 3.12%<sup>3</sup>

## Backed by sustained strength in fundamentals

- ✓ LCR<sup>4</sup> as high as 190%, FC LCR at 430%
- ✓ LDR further improves: 97%
- ✓ Tier 1 Ratio at 13.7% with a strong buffer; thanks to ongoing internal capital generation

### Notes:

Based on Bank-Only Financial except for Tier-1 Ratio aligned with 2019 Budget Guidance

1. Adjusted for 140 mln TL one-off provisions for insurance penalty

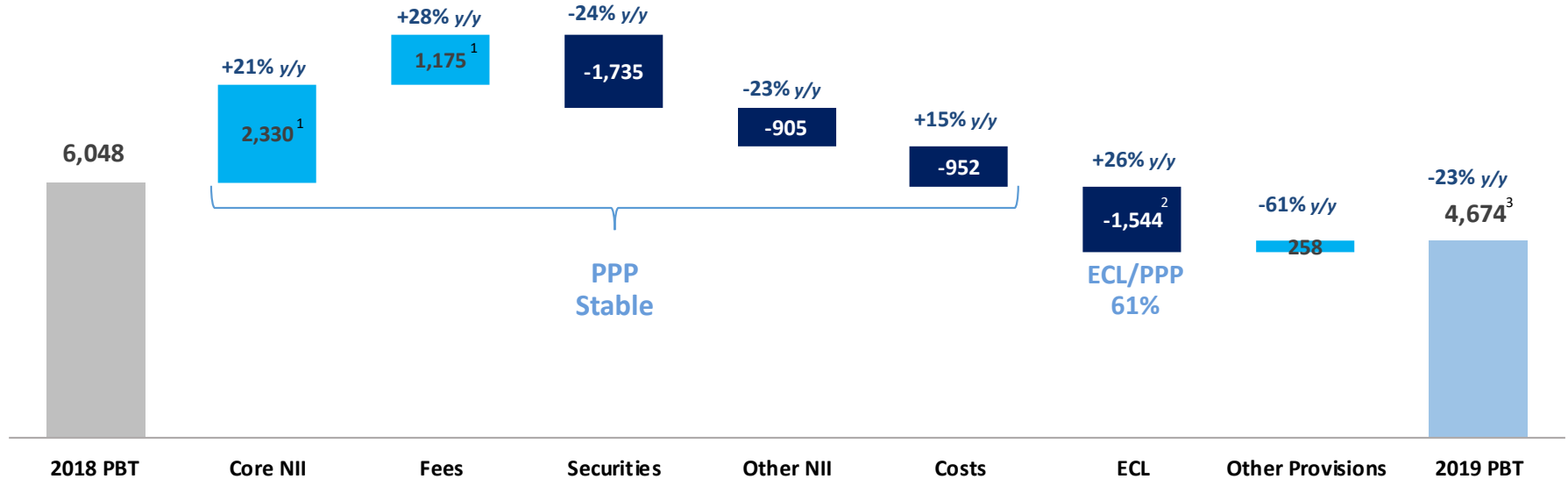
2. Fees growth is adjusted for the accounting classification following the cap on merchant fees in 4Q19

3. Net CoR adjusted for ECL hedging

4. Based on past three months averages

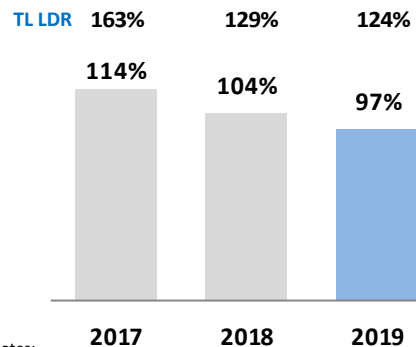
# Stable PPP with strong core revenue generation while net profit affected by elevated provisioning, where the solid fundamentals intact

## Profit Before Tax generation (TL mln)

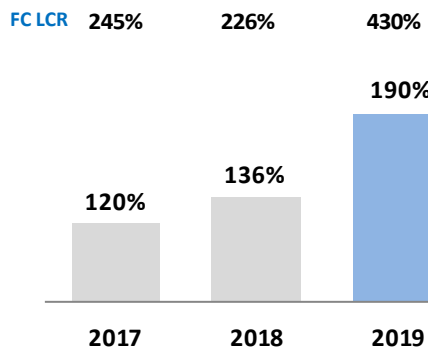


## Fundamentals

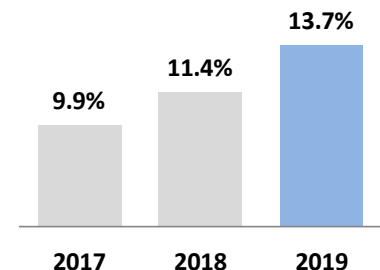
### LDR<sup>4</sup>



### LCR<sup>6</sup>



### Tier 1 Ratio



#### Notes:

- Adjusted for accounting classification following the cap on merchant fees
- Consolidated adjusted for FC hedge on ECL
- Adjusted for 140 mln TL one-off provisions for insurance penalty
- LDR= Loans / (Deposits + TL Bonds)
- Adjusted for POS merchants blocked deposits
- Based on past three months averages
- MIS data 1 month liquidity

# TL loan growth in real terms via small tickets with ongoing deleveraging in FC loans

Lending

## Loan volumes (TL bln)

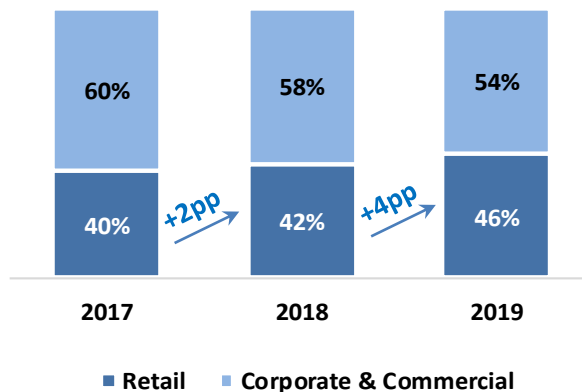
	Yapı Kredi			Private Banks <sup>1</sup>	
	2019	q/q	y/y	q/q	y/y
<b>Cash+Non-cash Loans<sup>2</sup></b>	<b>318.9</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>4%</b>
TL <sup>3</sup>	159.5	4%	11%	5%	7%
FC (\$) <sup>3</sup>	26.6	-4%	-14%	-1%	-11%
<b>Cash Loans<sup>2</sup></b>	<b>229.4</b>	<b>3%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>
TL <sup>3</sup>	132.6	5%	13%	6%	8%
FC (\$) <sup>3</sup>	16.3	-4%	-17%	-2%	-11%

4% total loan growth on a y/y basis

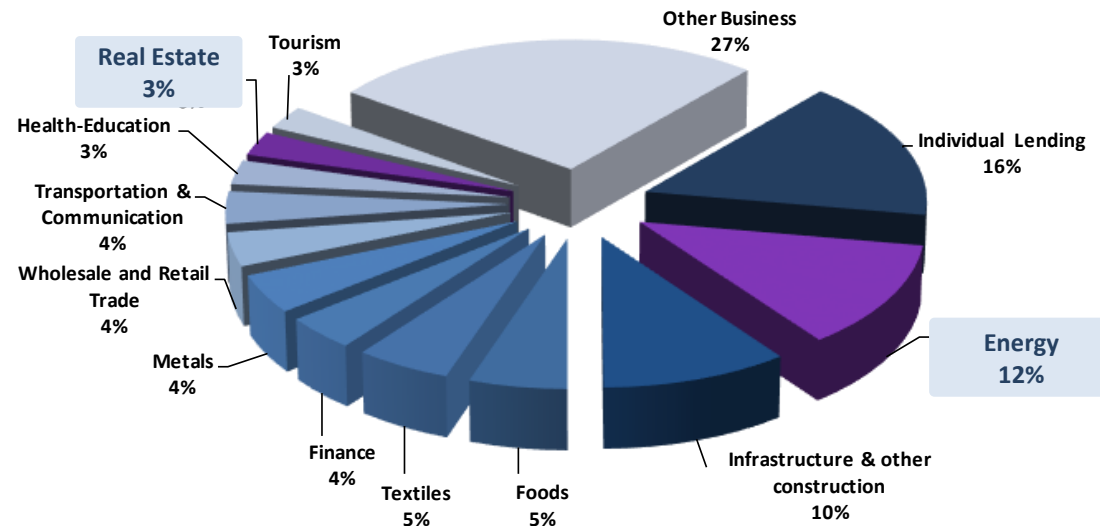
13% y/y increase in TL cash loans

-17% y/y contraction in FC cash loans

## Segment Breakdown of Cash Loans<sup>4</sup>



## Sectoral Breakdown of Cash and Non-Cash Loans - bank only



### Notes:

1. Private banks based on BRSA weekly data as of 27 December 2019
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

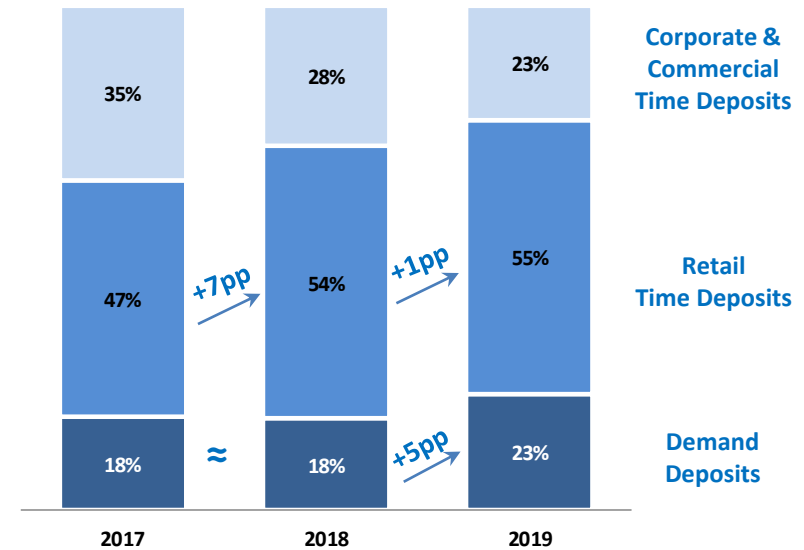
# Strong demand deposit growth with ongoing support from small tickets supporting cost of funding

Funding

## Deposit volumes (TL bln)

	2019	YKB		Private Banks <sup>1</sup>	
		q/q	y/y	q/q	y/y
<b>Customer Deposits</b>	<b>226.0</b>	<b>5%</b>	<b>13%</b>	<b>7%</b>	<b>18%</b>
TL	99.5	10%	14%	8%	11%
FC (\$)	21.3	-3%	-1%	1%	10%
<b>Customer Demand Deposits</b>	<b>51.8</b>	<b>8%</b>	<b>47%</b>	<b>7%</b>	<b>34%</b>
TL	20.7	16%	49%	9%	20%
FC (\$)	5.2	-1%	30%	1%	17%

## Deposit Breakdown (FX adjusted)<sup>2</sup>



100 bps market share gain in individual deposits since 2017  
at 13.6%

177 bps market share gain in TL individual demand deposits since 2017  
at 15.7%

### Notes:

1. Private banks based on BRSA weekly data as of 27 December 2019
2. Based on MIS data (weekly average)

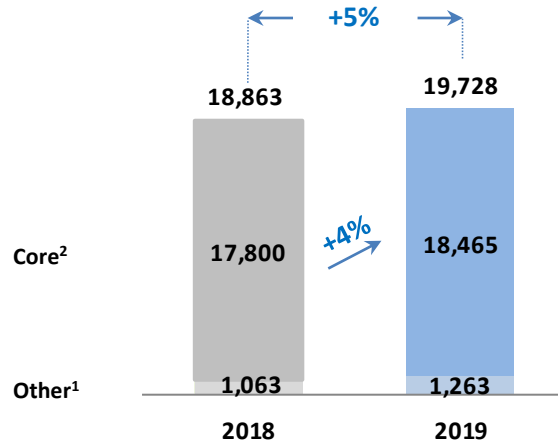


# Continuous core revenue improvement with acceleration in the last quarter, thanks to better positioning against macro developments

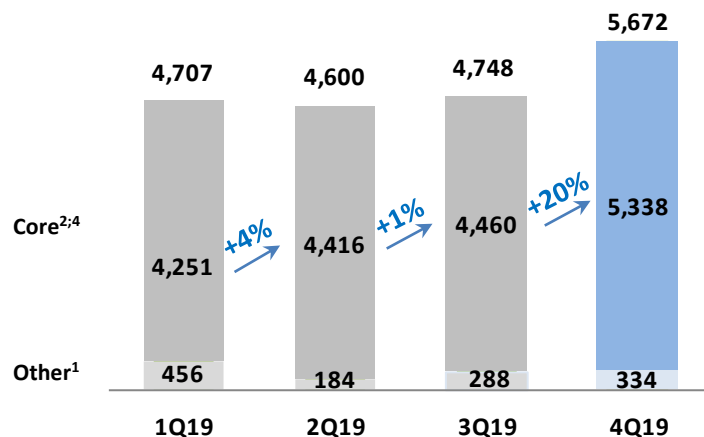
Revenues

## Revenues<sup>1,2</sup> (TL mIn)

### Yearly

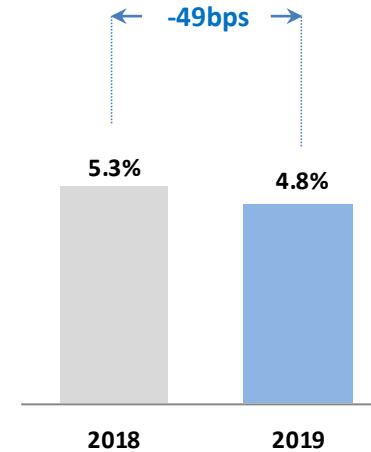


### Quarterly



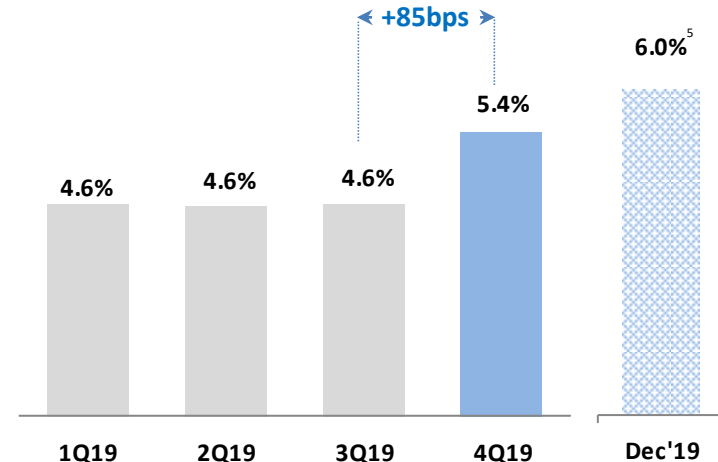
## Core Revenue Margin

### Cumulative



**52 bps ytd improvement<sup>3</sup>**  
excluding CPI linkers

### Quarterly<sup>5</sup>



#### Notes:

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. MIS, based on daily averages

4. Adjusted for the CPI realisation of 8.55% (1Q19: 12%; 2Q19: 11%; 3Q19: 11%)
5. MIS, based on BRSA monthly data

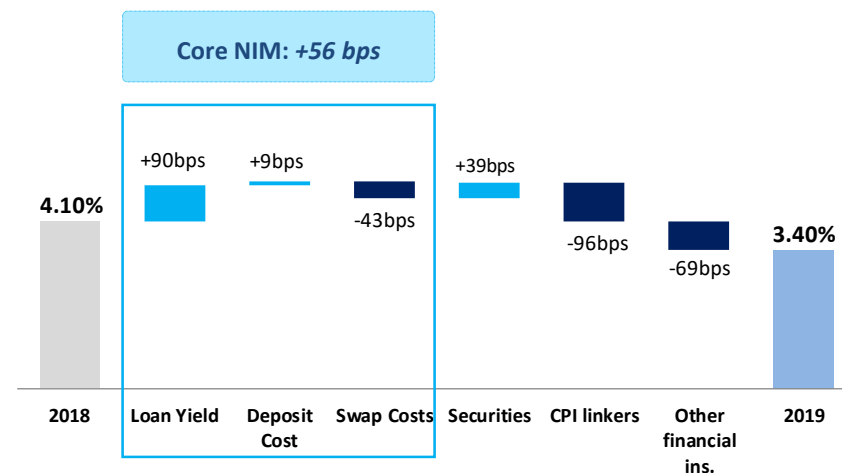
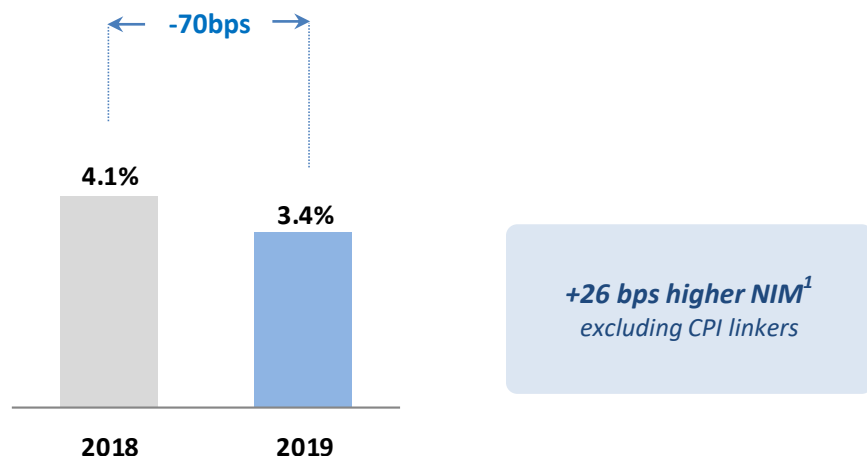
# Widening in CPI adjusted<sup>1</sup> NIM better than the guidance with support from L/D spreads

Revenues - NIM -

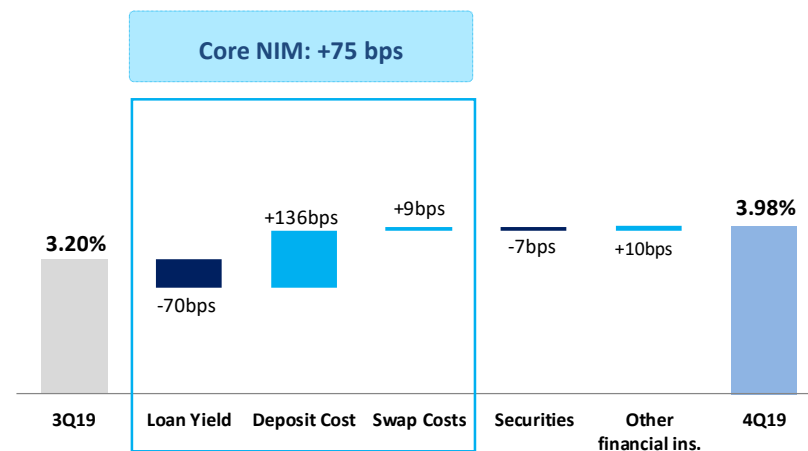
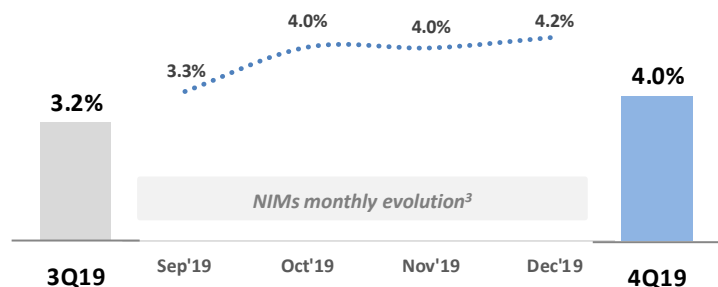
## Swap Adjusted NIM

## NIM Evolution

### Cumulative



### Quarterly<sup>2</sup>



#### Notes:

Based on Bank-Only financials

1. MIS, based on daily averages; CPI for valuation: 2019: 8.55%; 2018: 25.2%
2. Quarterly NIM on a homogenous basis when adjusted for CPI (4Q19: 8.55% - 3Q19: 11%) and interest income adjustment for accounting classification following the cap on merchant fees
3. MIS, based on BRSA monthly data

# Further widening in loan-deposit spread through successful strategy in a decreasing interest rate environment

Loan-Deposit Spread –

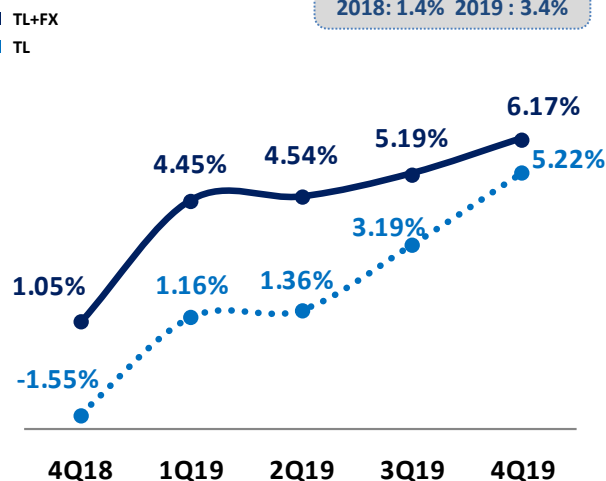
## Loan – Deposit Spread Evolution

### Loan-Deposit Spread (Quarterly)

**98 bps wider Loan-Deposit spread**  
vs. 3Q19 thanks to 203 bps  
improvement in TL loan-deposit  
spread q/q

Cum. TL spread

2018: 1.4% 2019: 3.4%

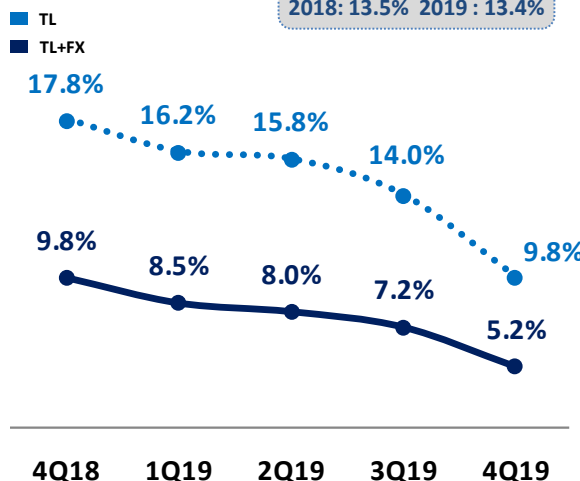


### Deposit Costs (Quarterly)

**202 bps improvement in total cost**  
**of deposits q/q** mainly due to 419  
bps decline in TL deposit costs q/q

Cum. TL cost

2018: 13.5% 2019: 13.4%

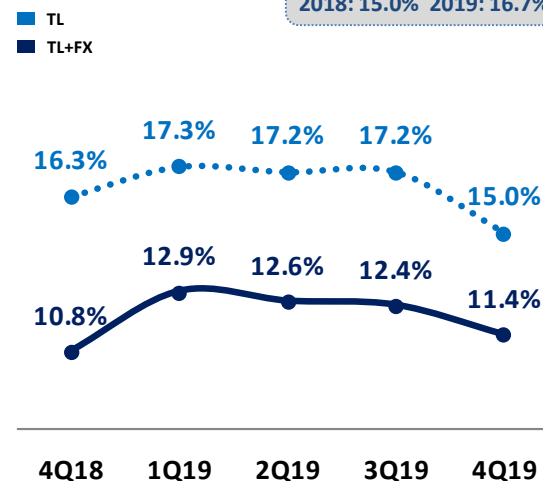


### Loan Yields<sup>1</sup> (Quarterly)

**Controlled decrease of 104 bps in**  
**loan yields (TL: -216 bps) vs. 3Q19**  
in a decreasing interest rate  
environment

Cum. TL yield

2018: 15.0% 2019: 16.7%



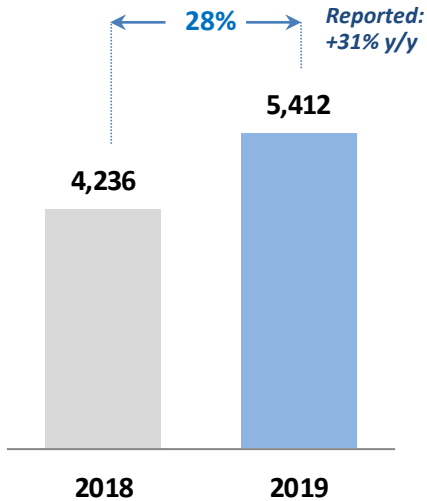
Notes:  
Based on Bank-Only financials  
1. Performing loan yields; interest income adjustment for accounting classification following the cap on merchant fees

# Fee performance significantly better than guidance supported by renewed service model, payment systems and transactional banking

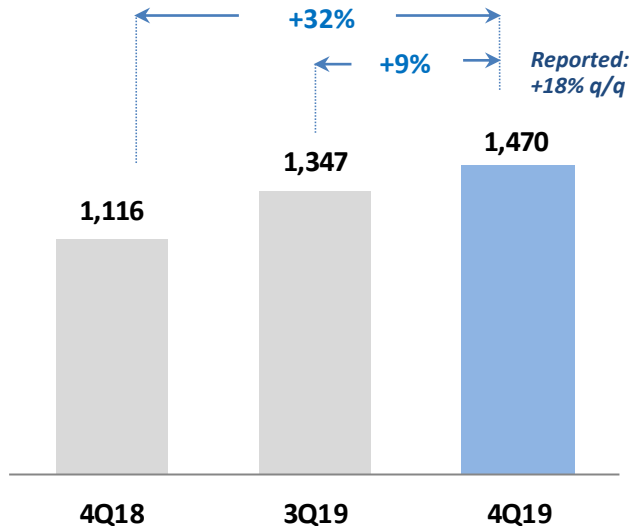
Revenues - Fees

## Net Fee Income<sup>1</sup> (TL mIn)

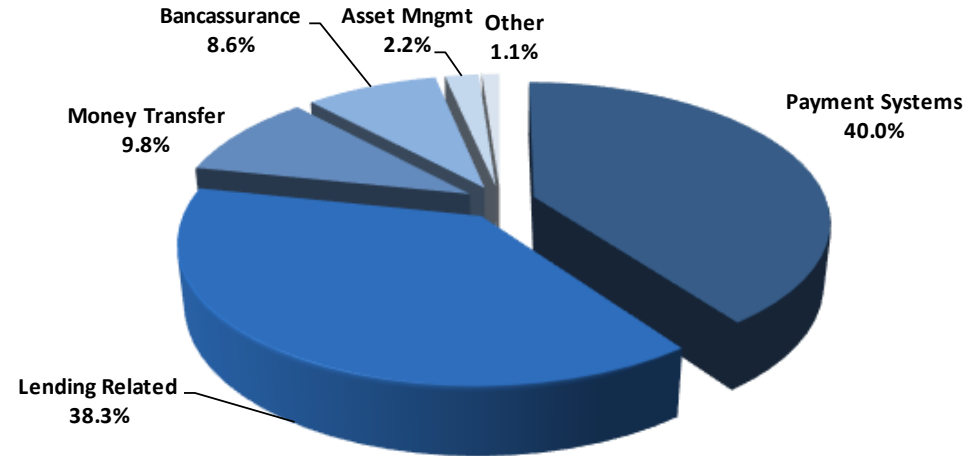
Yearly



Quarterly



## Net Fees Composition<sup>1;2</sup>



- *Payment systems: +18% y/y*
- *Lending Related: +32% y/y*
  - *Non-cash: 35% y/y*
- *Money Transfer: +38% y/y*
- *Bancassurance: +60% y/y*

Notes:

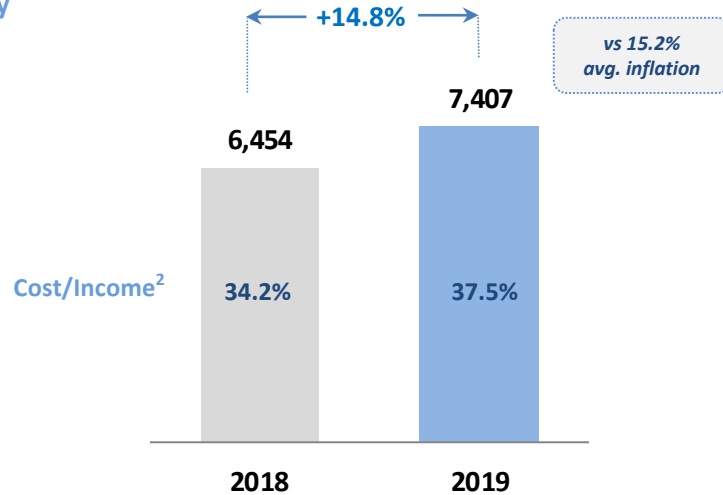
1. 4Q19 fees adjusted for accounting classification following the cap on merchant fees

2. Based on Bank-Only financials

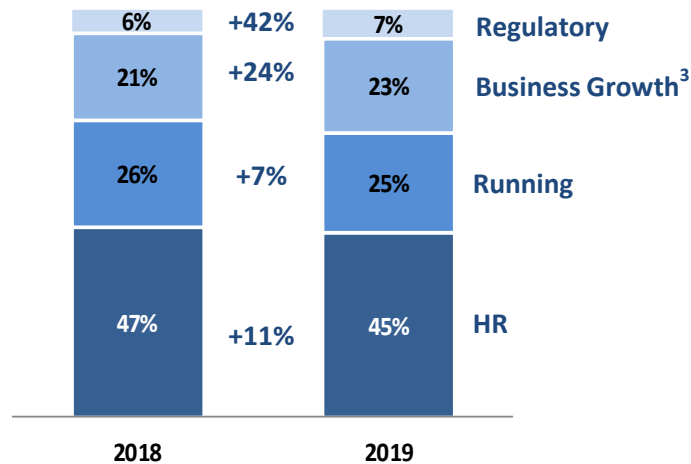
# Cost growth in line with guidance thanks to single digit increase in running costs

## Costs<sup>1</sup> (TL mln)

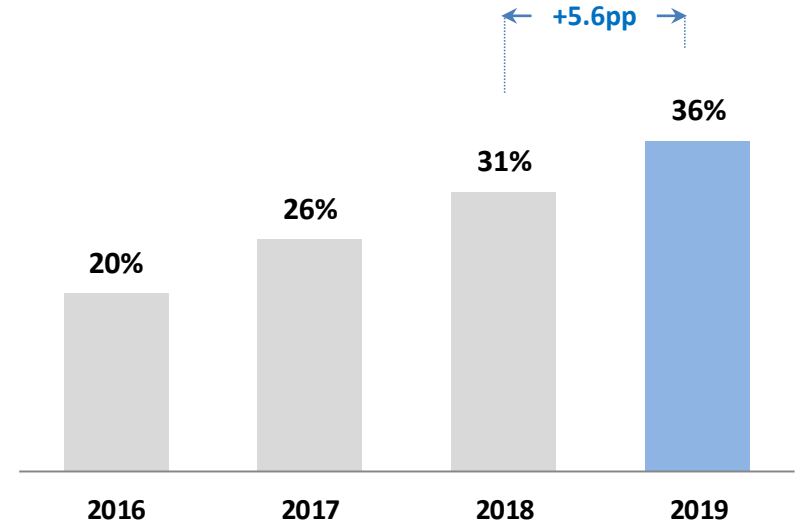
Yearly



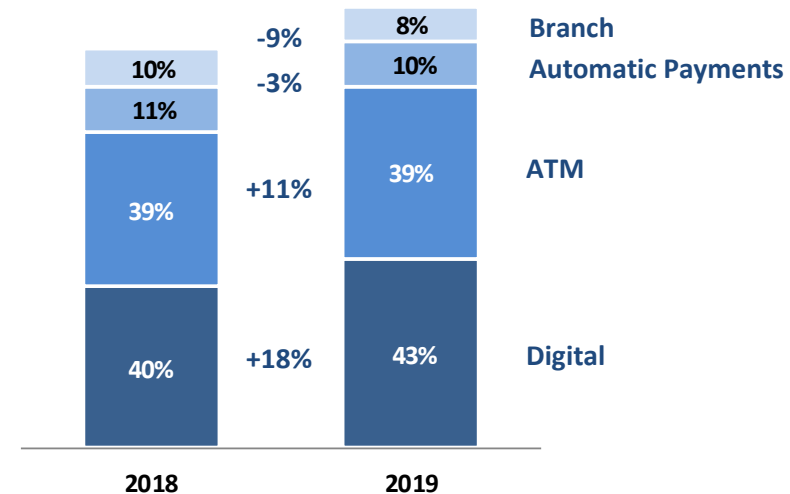
## Cost Breakdown



## Share of Digital in Main Products<sup>4</sup> Sold



## Transaction<sup>5</sup> per Channel



Notes:

1. Excluding pension fund provision (4Q19: 257 mln TL; 4Q18: TL 230 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

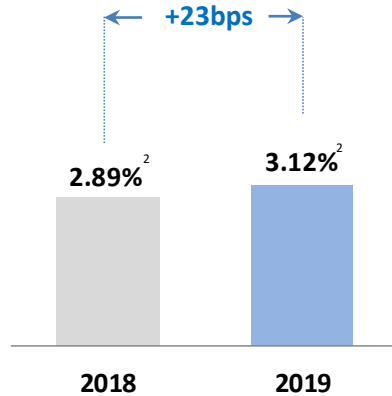
5. Transactions include, Money Transfers, Payments, Deposit, Cash Loans, Non-cash Loans, Insurance, Money withdrawal, Investment products, Credit Cards

# CoR level elevated due to acceleration of provisioning which were planned for coming years

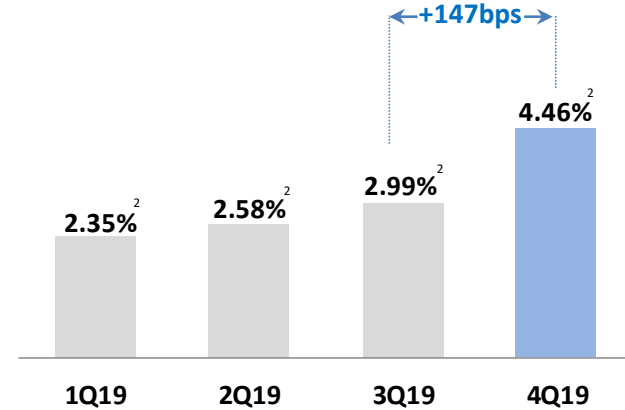
Asset Quality

## Total Cost of Risk<sup>1</sup>

Cumulative

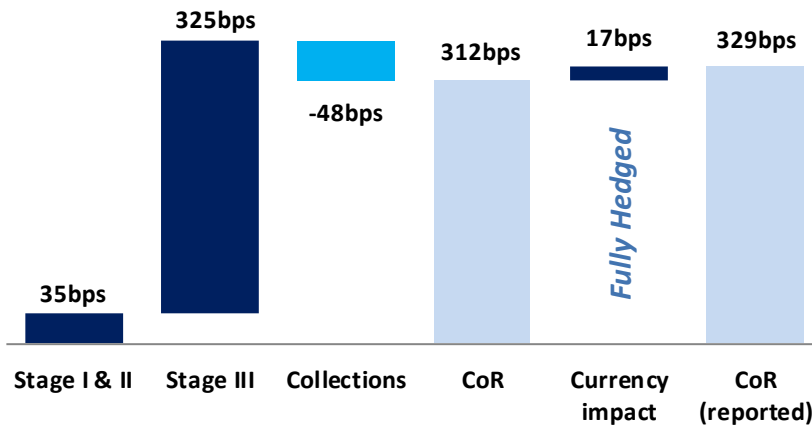


Quarterly

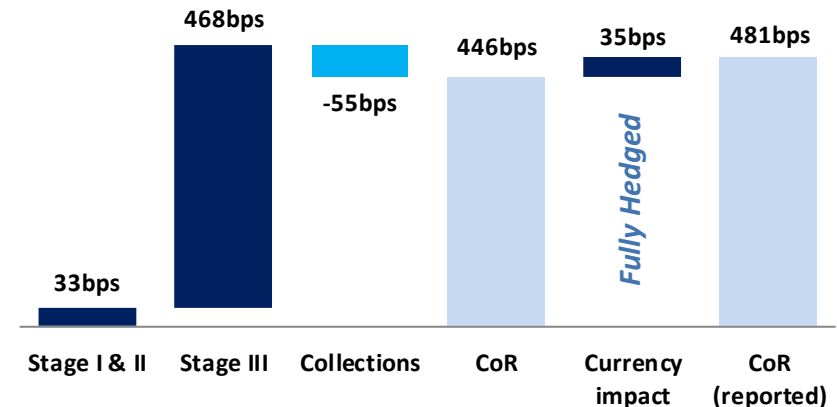


## Cost of Risk composition

Cumulative



Quarterly



Notes:

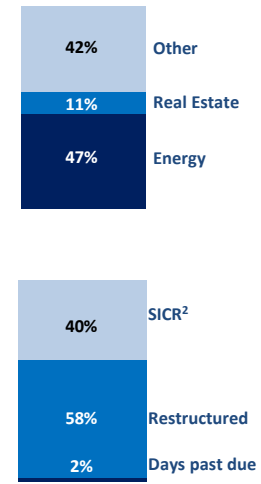
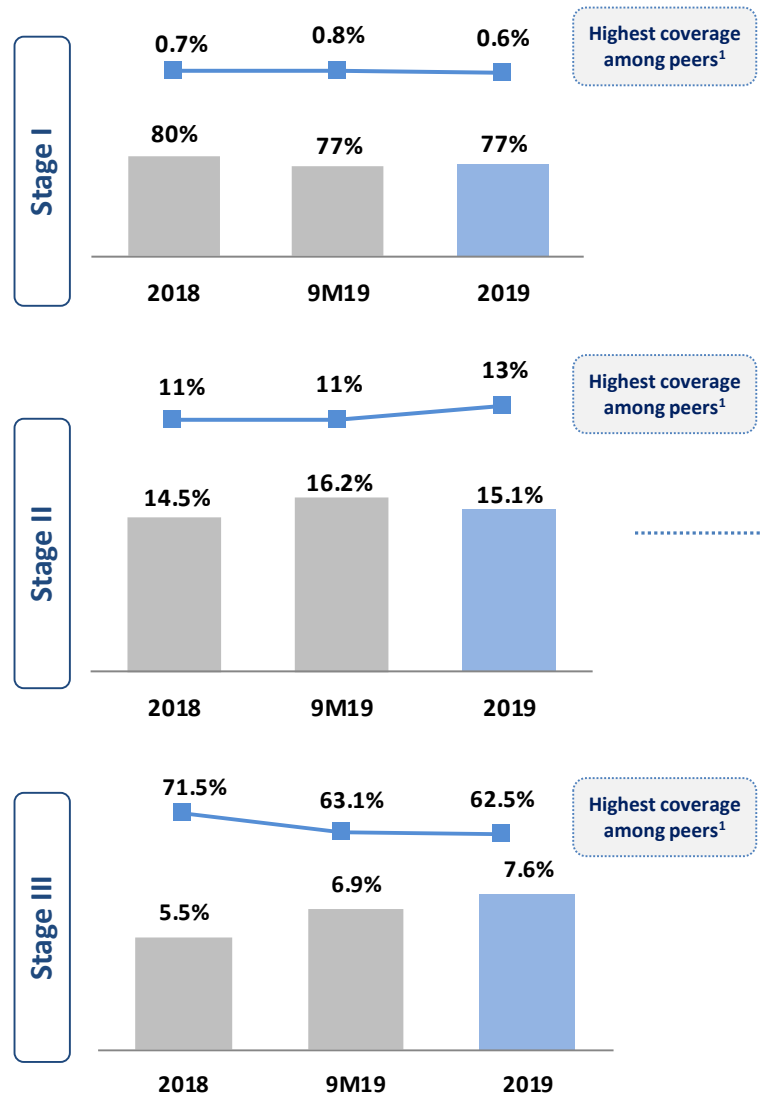
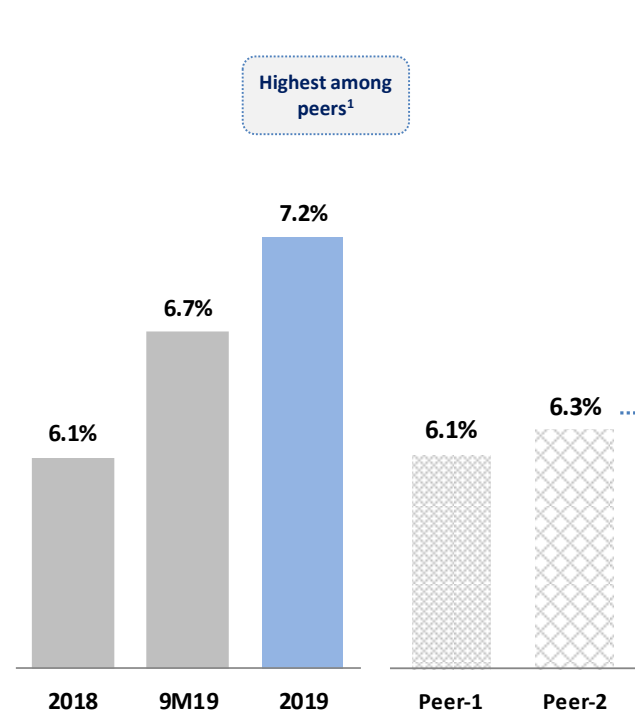
Based on Bank-Only BRSA financials

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% - 2018: 2.77%; 2019: 3.29%

# Risky file classification with further actions to strengthen the coverage

## Provisions / Gross Loans

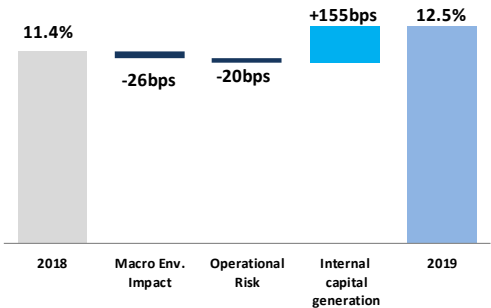
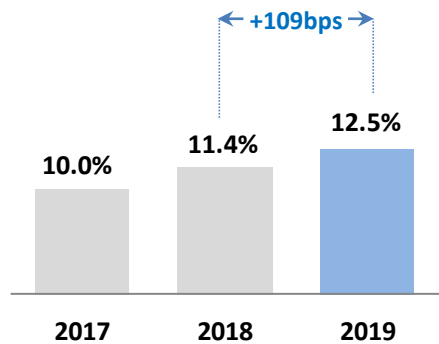


Notes:  
Based on Bank-Only BRSA financials  
1. Private Peers which already announced their 2019 financials  
2. SICR: Significant Increase in Credit Risk  
TL 2.57 bln NPL sales in 2019; TL 817 mln NPL write-off

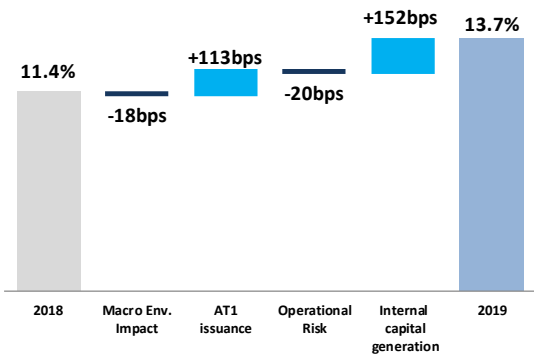
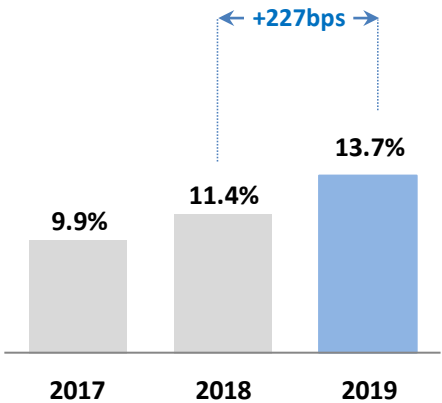
# Significant improvement in capital ratios driven by strong internal capital generation

## Capital Ratios

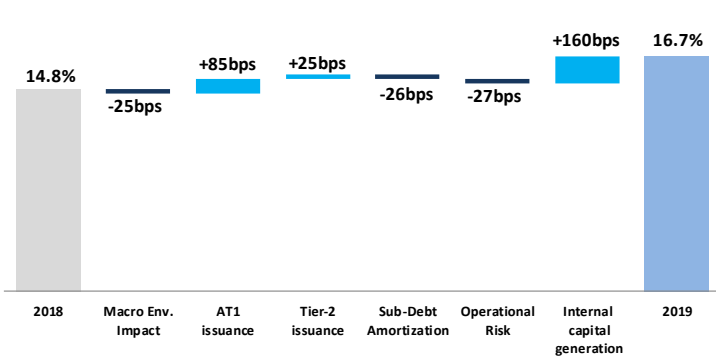
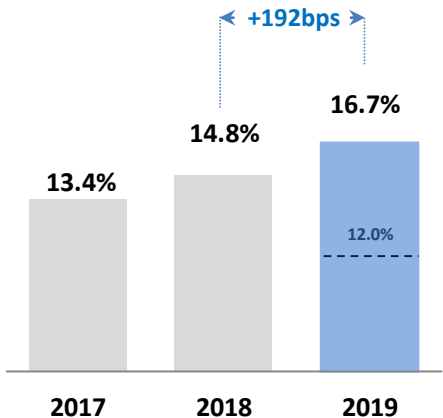
CET1



Tier1



CAR





# Stronger top-line and fundamental performance...

## Efforts towards balance sheet cleaning

Guidance

### 2019 Guidance vs. Realizations

		2019 Guidance	2019 Actual	
Fundamentals	LDR	~105%	98%	↑
	CAR	> 15%	16.7%	↑
Volumes	TL Loans	~15%	14%	✓
	Deposits	Mid-teens	13%	✓
Revenues	NIM (w/o CPI impact)	Flat	+26 bps	↑
	Fees	Mid-teens	29%	↑
Costs	Costs	Below average CPI	15%	✓
Asset Quality	NPL ratio	< 7%	7.6%	✗
	Total CoR	< 300 bps	312 bps	✗
Profitability	RoTE	low teens	9.8% <sup>1</sup>	✗

Notes:

All figures based on BRSA bank-only except for CAR

1. Adjusted for TL 140 mln provision for insurance penalty

# Sustaining healthy fundamentals... Profitability improvement with contribution of all P/L lines

## 2020 Guidance

		2020 Guidance	Guidance Drivers
Fundamentals	LDR	≤ 105%	<ul style="list-style-type: none"> <li>Sustaining ample liquidity levels</li> </ul>
	CAR	≥ 16%	<ul style="list-style-type: none"> <li>Capital ratios to be supported by ongoing efforts via internal capital generation</li> </ul>
Volumes	TL Loans	High-teens	<ul style="list-style-type: none"> <li>Volume growth focusing on value generating segments: Loan growth in line with private banking sector driven by TL loans, with small ticket focus; slight contraction in FX loans</li> </ul>
Revenues	NIM	≥ 3.7%	<ul style="list-style-type: none"> <li>Widening in NIM, with ongoing repricing efforts and effective ALM, on a comperable basis</li> </ul>
	Fees	High-single digit	<ul style="list-style-type: none"> <li>Single digit fee growth due to already known regulation changes</li> </ul>
Costs	Costs	Mid-teens	<ul style="list-style-type: none"> <li>Increase in cost mainly due to regulatory costs</li> <li>Ongoing support from digitalization</li> </ul>
Asset Quality	NPL ratio	~ 7%	<ul style="list-style-type: none"> <li>Improvement in NPL inflows and collections</li> </ul>
	Total CoR	~ 225 bps	<ul style="list-style-type: none"> <li>Ongoing conservatism in coverages</li> </ul>
Profitability	RoTE	Mid/Low-teens	<ul style="list-style-type: none"> <li>Improvement in RoTE with across the board contribution</li> </ul>

Notes:  
All figures based on BRSA consolidated financials except for NIM

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## **Annex**

# Macro Environment and Banking Sector

## Macro Environment

Normalization trend on all macro lines with favourable global environment allowing the CBT to ease interest rates

	2017	2018	2019
<b>GDP Growth<sup>1</sup>(y/y)</b>	7.5%	2.8%	<b>-0.9%</b>
<b>CPI Inflation (y/y)</b>	11.9%	20.3%	<b>11.8%</b>
<b>Consumer Confidence Index (avg)</b>	68.6	67.0	<b>58.1</b>
<b>CAD<sup>2</sup>/GDP</b>	-5.5%	-3.4%	<b>0.4%</b>
<b>Budget Deficit/GDP</b>	-1.5%	-1.9%	<b>-2.9%</b>
<b>Unemployment Rate<sup>3</sup></b>	10.4%	13.5%	<b>13.4%</b>
<b>USD/TL (eop)</b>	3.77	5.26	<b>5.94</b>
<b>2Y Benchmark Bond Rate (eop)</b>	13.4%	19.7%	<b>11.8%</b>

## Banking Sector

Strong fundamentals of the sector along with subdued loan growth due to ongoing market volatility

	2017	2018	2019
<b>Loan Growth (y/y)</b>	<b>21%</b>	<b>14%</b>	<b>10%</b>
<i>Private</i>	16%	6%	5%
<i>State</i>	27%	23%	19%
<b>Deposit Growth (y/y)</b>	<b>16%</b>	<b>19%</b>	<b>22%</b>
<i>Private</i>	13%	16%	17%
<i>State</i>	24%	25%	31%
<b>NPL Ratio</b>	<b>2.9%</b>	<b>3.8%</b>	<b>5.2%</b>
<b>CAR</b>	<b>16.5%</b>	<b>16.9%</b>	<b>18.0%</b>
<b>ROATE</b>	<b>15.0%</b>	<b>13.8%</b>	<b>10.8%</b>

### Notes:

All macro data as of December 2019 unless otherwise stated

Banking sector volumes based on BRSA weekly data as of 27 Dec'19

1. GDP growth as of 9M19

2. CAD indicates Current Account Deficit as of Nov'19

3. Unemployment rate is as of Oct'19

# CMD vs Actual Macro Environment and Banking Sector

## Macro Environment

2019 was a year of correction rather than a growth year as was expected during CMD

	2019 CMD	2019 ACT	2020 CMD	2020 NEW
<b>GDP Growth<sup>1</sup> (y/y)</b>	4.0%	-0.9%	4.3%	~4%
<b>CPI Inflation</b>	8.5%	11.8%	8.0%	~9%
<b>EUR/TL (eop)</b>	5.69	6.68	6.15	7.04
<b>USD/TL (eop)</b>	4.61	5.94	4.98	6.40
<b>Benchmark Bond Rate (eop)</b>	9.6%	11.8%	9.5%	~9%

## Banking Sector

Sector improvement in net profit postponed with the change in macro indicators mainly in 2019

	2019 ACT	2020 CMD	2020 NEW
<b>Loan Growth (CAGR vs 2017)</b>	12%	~13-15%	~13-15%
<b>Deposit Growth (CAGR vs 2017)</b>	21%	~13-15%	~17-18%
<b>NPL Ratio</b>	5.2%	~3.5%	~5.0%
<b>CAR</b>	18.0%	~14-15%	~16-17%
<b>RoATE</b>	10.8%	~15.0%	Low-teens

### Notes:

All macro data as of December 2019 unless otherwise stated  
Banking sector volumes based on BRSA weekly data as of 27 Dec'19

1. GDP growth as of 9M19

# CMD Guidance vs 2020 Expectations - 1

		2020 CMD Guidance	2020 Expectations	Comparison
Capital Position (consolidated)	CET 1 Ratio	≥ 11.5%	≥ 12%	↑
	Tier 1 Ratio	≥ 12%	≥ 13%	↑
	CAR	≥ 14%	≥ 16%	↑
Revenue Generation & Volumes	Revenue Margin	≥ 4.7%	≥ 5.0%	↑
	Loan Growth - CAGR 17-20	~13 - 15%	~10%	↓
	Company Loans/Total Loans	~55%	~55%	✓
	SME Loans/Total Loans	~14%	~14%	✓
	Consumer Loans/Total Loans	~31%	~33%	↑
	Demand Deposits/Total Deposits	~20 - 21%	~23%	↑
	Individual Deposits/Total Deposits	~55 - 56%	~60%	↑
	# of Salary Customers Growth - CAGR 17-20	~15%	~15%	✓
	Housebank Customer Penetration	~25 - 27%	~29%	↑
	Net fee growth - CAGR 17-20	~15 - 17%	~22%	↑
	Payment System Fees/Total Fees	~38%	~40%	↑
	Lending Fees/Total Fees	~33%	~36%	↑
	Transactional Banking Fees/Total Fees	~12%	~15%	↑
	Non-Banking Financial Services Fees/Total Fees	~14%	~15%	↑

Notes:  
All the CMD targets will be replaced with our 2020 guidelines as presented on page 15

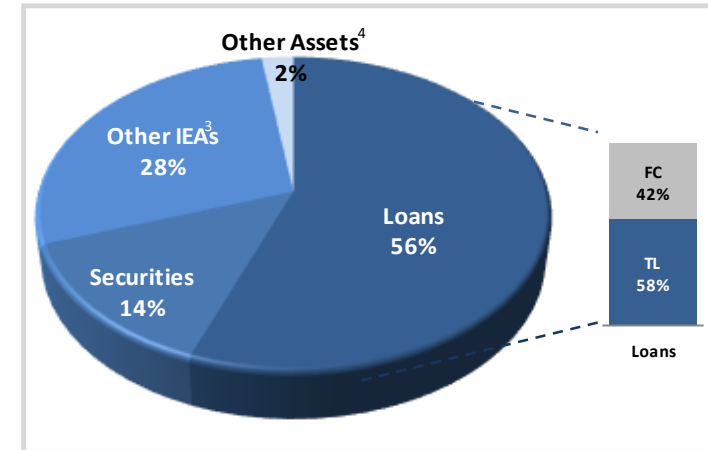
## CMD Guidance vs 2020 Expectations - 2

		2020 CMD Guidance	2020 Expectations	Comparison
Cost Management	Cost / Income	≤ 36%	~37%	x
	IT Investments/Total Costs	≥ 7%	≥ 7%	✓
	IT Expenses/Total Costs	≥ 11%	≥ 11%	✓
	IT Investments&Expenses ('17-20 CAGR)	17-19%	~20%	⬆
	# of Digital Customers ('17-20 CAGR)	~18-20%	~17-18%	✓
	Product Sold in Digital over Total	~41%	~40%	✓
	# of Transactions Performed via Digital (as a % of total transactions)	~52%	~50%	✓
	Commercial Volume per Branch - - CAGR 17-20	~16%	~14%	⬇
	Commercial Volume per Empl - CAGR 17-20	~16%	~16%	✓
Asset Quality	Cost of Risk	~1.0%	~2.25%	x
	Gross NPL ratio	~3.7%	~7%	x
	NPL inflows/Total Performing Loans	~1.6%	~2.2%	x
	NPL collections ('17-20 CAGR)	~5-10%	~10%	✓
Profitability	RoATE	Sector + 100bps/200bps	Mid/Low-teens	✓
	RoAA	~1.7%	1.3% - 1.4%	x

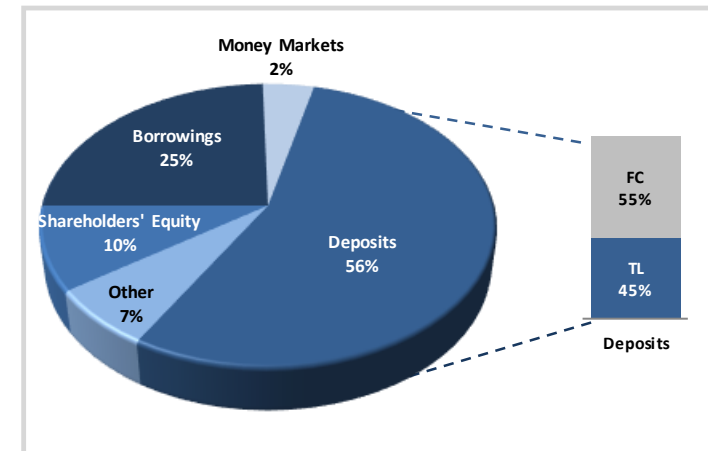
# Consolidated Balance Sheet

TL bln	1Q17 <sup>1</sup>	1H17 <sup>1</sup>	9M17 <sup>1</sup>	2017 <sup>1</sup>	1Q18	1H18	9M18	2018	1Q19	1H19	9M19	2019	q/q	y/y
<b>Total Assets</b>	<b>278.3</b>	<b>283.3</b>	<b>290.6</b>	<b>316.9</b>	<b>328.7</b>	<b>365.1</b>	<b>422.0</b>	<b>373.4</b>	<b>393.4</b>	<b>409.0</b>	<b>396.9</b>	<b>411.2</b>	<b>4%</b>	<b>10%</b>
<b>Loans<sup>2</sup></b>	<b>183.7</b>	<b>185.8</b>	<b>190.6</b>	<b>199.9</b>	<b>205.3</b>	<b>222.2</b>	<b>249.4</b>	<b>220.5</b>	<b>230.5</b>	<b>232.3</b>	<b>222.4</b>	<b>229.4</b>	<b>3%</b>	<b>4%</b>
TL Loans	107.0	111.1	115.1	120.1	118.8	123.0	124.8	117.3	121.8	128.0	126.2	132.6	5%	13%
FC Loans (\$)	21.1	21.3	21.2	21.2	21.9	21.7	20.8	19.6	19.3	18.1	17.0	16.3	-4%	-17%
<b>Securities</b>	<b>32.6</b>	<b>32.4</b>	<b>35.5</b>	<b>38.8</b>	<b>41.7</b>	<b>45.2</b>	<b>49.7</b>	<b>49.9</b>	<b>52.1</b>	<b>54.5</b>	<b>54.4</b>	<b>57.1</b>	<b>5%</b>	<b>14%</b>
TL Securities	22.4	22.7	25.5	28.1	30.7	32.7	33.7	35.9	37.4	39.0	39.3	41.1	4%	14%
FC Securities (\$)	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	1%	1%
<b>Customer Deposits</b>	<b>157.3</b>	<b>157.4</b>	<b>158.4</b>	<b>163.9</b>	<b>166.6</b>	<b>180.1</b>	<b>210.8</b>	<b>199.9</b>	<b>215.4</b>	<b>219.5</b>	<b>214.4</b>	<b>226.0</b>	<b>5%</b>	<b>13%</b>
TL Customer Deposits	79.5	78.1	69.2	72.8	81.4	76.7	84.7	86.9	86.6	90.9	90.5	99.5	10%	14%
FC Customer Deposits (\$)	21.4	22.6	25.1	24.2	21.6	22.7	21.1	21.5	22.9	22.4	21.9	21.3	-3%	-1%
<b>Borrowings</b>	<b>61.0</b>	<b>62.3</b>	<b>63.9</b>	<b>75.3</b>	<b>80.8</b>	<b>90.0</b>	<b>114.5</b>	<b>90.0</b>	<b>98.6</b>	<b>101.9</b>	<b>100.1</b>	<b>102.4</b>	<b>2%</b>	<b>14%</b>
TL Borrowings	5.1	6.1	6.5	7.1	6.8	7.8	7.0	5.6	7.6	8.2	8.3	10.8	30%	95%
FC Borrowings (\$)	15.4	16.0	16.1	18.1	18.7	18.0	17.9	16.1	16.2	16.3	16.2	15.4	-5%	-4%
<b>Shareholders' Equity</b>	<b>27.7</b>	<b>28.5</b>	<b>29.0</b>	<b>30.1</b>	<b>31.6</b>	<b>37.8</b>	<b>40.3</b>	<b>39.0</b>	<b>39.1</b>	<b>40.5</b>	<b>40.2</b>	<b>41.2</b>	<b>2%</b>	<b>6%</b>
<b>Assets Under Management</b>	<b>17.4</b>	<b>18.5</b>	<b>19.1</b>	<b>19.5</b>	<b>20.1</b>	<b>19.6</b>	<b>19.9</b>	<b>21.1</b>	<b>17.4</b>	<b>25.7</b>	<b>26.5</b>	<b>27.3</b>	<b>3%</b>	<b>29%</b>
<b>Loans/Assets</b>	66%	66%	66%	63%	62%	61%	59%	59%	59%	57%	56%	56%		
<b>Securities/Assets</b>	12%	11%	12%	12%	13%	12%	12%	13%	13%	13%	14%	14%		
<b>Borrowings/Liabilities</b>	22%	22%	22%	24%	25%	25%	27%	24%	25%	25%	25%	25%		
<b>Loans/(Deposits+TL Bills)</b>	112%	112%	115%	114%	113%	114%	112%	104%	103%	101%	100%	97%		
<b>CAR</b>	13.4%	13.7%	13.8%	13.4%	12.9%	13.9%	13.3%	14.8%	15.0%	15.6%	16.7%	16.7%		
<b>Tier-I</b>	9.7%	10.1%	10.2%	9.9%	9.9%	10.7%	9.8%	11.4%	12.1%	12.8%	13.6%	13.6%		
<b>Common Equity Tier-I</b>	9.9%	10.3%	10.3%	10.0%	9.9%	10.7%	9.8%	11.4%	11.0%	11.6%	12.5%	12.4%		

## Assets



## Liabilities



Note: Loans indicate performing loans

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

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

3. Other interest earning assets (IEAs) include Balances with the Central Bank of 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 from UniCredit €1.60 bn (Sep 18 was €2.56bn) / Total exposures is limited to cash excluding Business Related (i.e. Trade Finance), Repos and loro/nostro accounts)

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



# Consolidated Income Statement

TL million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	q/q	y/y	2018	2019	y/y
<b>Net Interest Income including swap costs</b>	<b>2,543</b>	<b>2,778</b>	<b>4,004</b>	<b>4,239</b>	<b>3,112</b>	<b>3,241</b>	<b>3,254</b>	<b>3,329</b>	<b>2%</b>	<b>-21%</b>	<b>13,564</b>	<b>12,936</b>	<b>-5%</b>
o/w NII	2,845	3,209	4,311	4,131	3,485	4,041	4,079	3,926	-4%	-5%	14,496	15,531	7%
o/w CPI-linkers	436	460	1,360	2,478	787	770	830	304	-63%	-88%	4,735	2,692	-43%
CPI-linkers (normalised)	1,126	1,150	1,191	1,268	588	687	689	727	5%	-43%	4,735	2,692	-43%
o/w Swap costs	-302	-431	-308	107	-372	-801	-825	-597	-28%	-656%	-933	-2,595	178%
<b>Fees &amp; Commissions</b>	<b>1,034</b>	<b>1,051</b>	<b>1,036</b>	<b>1,116</b>	<b>1,337</b>	<b>1,258</b>	<b>1,347</b>	<b>1,587</b>	<b>18%</b>	<b>42%</b>	<b>4,236</b>	<b>5,529</b>	<b>31%</b>
<b>Core Revenues</b>	<b>3,577</b>	<b>3,829</b>	<b>5,040</b>	<b>5,354</b>	<b>4,449</b>	<b>4,499</b>	<b>4,600</b>	<b>4,916</b>	<b>7%</b>	<b>-8%</b>	<b>17,800</b>	<b>18,465</b>	<b>4%</b>
<b>Operating Costs</b>	<b>1,450</b>	<b>1,554</b>	<b>1,683</b>	<b>1,768</b>	<b>1,712</b>	<b>1,793</b>	<b>1,779</b>	<b>2,122</b>	<b>19%</b>	<b>20%</b>	<b>6,454</b>	<b>7,407</b>	<b>15%</b>
<b>Core Operating Income</b>	<b>2,127</b>	<b>2,275</b>	<b>3,357</b>	<b>3,586</b>	<b>2,737</b>	<b>2,706</b>	<b>2,821</b>	<b>2,794</b>	<b>-1%</b>	<b>-22%</b>	<b>11,345</b>	<b>11,058</b>	<b>-3%</b>
<b>Trading and FX gains/losses</b>	<b>11</b>	<b>275</b>	<b>152</b>	<b>266</b>	<b>336</b>	<b>79</b>	<b>211</b>	<b>148</b>	<b>-30%</b>	<b>-45%</b>	<b>704</b>	<b>774</b>	<b>10%</b>
o/w FX gains/losses	27	65	-193	225	77	128	138	98	-29%	-56%	124	441	257%
o/w MtM gains/losses	-7	118	300	35	195	-115	-24	-7	-	-	446	48	-89%
o/w Trading gains/losses	-9	92	45	6	64	67	97	56	-42%	-	134	285	112%
<b>Other income</b>	<b>136</b>	<b>40</b>	<b>76</b>	<b>107</b>	<b>120</b>	<b>105</b>	<b>78</b>	<b>186</b>	<b>140%</b>	<b>74%</b>	<b>359</b>	<b>489</b>	<b>36%</b>
o/w income from subs	28	25	31	32	28	18	22	26	17%	-19%	116	94	-19%
o/w Dividends	4	8	1	2	10	6	0	1	247%	-38%	15	17	17%
o/w Others	104	7	45	73	82	81	55	160	189%	118%	229	378	65%
<b>Pre-provision Profit</b>	<b>2,274</b>	<b>2,590</b>	<b>3,585</b>	<b>3,959</b>	<b>3,193</b>	<b>2,890</b>	<b>3,110</b>	<b>3,128</b>	<b>1%</b>	<b>-21%</b>	<b>12,409</b>	<b>12,321</b>	<b>-1%</b>
<b>ECL net of collections</b>	<b>514</b>	<b>835</b>	<b>1,640</b>	<b>2,950</b>	<b>1,395</b>	<b>1,577</b>	<b>1,785</b>	<b>2,726</b>	<b>53%</b>	<b>-8%</b>	<b>5,939</b>	<b>7,483</b>	<b>26%</b>
o/w Stage 3 Provisions	607	738	1,433	1,844	1,406	1,900	1,575	2,812	79%	52%	4,622	7,694	66%
o/w Stage 1 + Stage 2 Provisions	237	460	996	798	533	29	279	450	61%	-44%	2,491	1,290	-48%
o/w Collections (-)	330	363	244	90	337	251	198	329	66%	268%	1,026	1,115	9%
o/w ECL hedging	0	0	545	-397	207	101	-129	207	-	-	148	386	161%
<b>Other Provisions &amp; Costs</b>	<b>147</b>	<b>196</b>	<b>527</b>	<b>-448</b>	<b>216</b>	<b>5</b>	<b>79</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>422</b>	<b>305</b>	<b>-28%</b>
o/w Pension fund provisions	0	85	145	0	211	0	59	-12	-	-	230	257	11%
o/w Pension fund provisions (under cost)	0	0	0	230	0	0	0	257	-	11%	230	257	11%
o/w Pension fund provisions (under provisions)	0	85	145	-230	211	0	59	-269	-	17%	0	0	-
o/w Other provisions	147	111	382	-449	5	5	20	18	-14%	-	191	48	-75%
<b>Pre-tax Income</b>	<b>1,613</b>	<b>1,559</b>	<b>1,418</b>	<b>1,457</b>	<b>1,583</b>	<b>1,309</b>	<b>1,246</b>	<b>396</b>	<b>-68%</b>	<b>-73%</b>	<b>6,048</b>	<b>4,534</b>	<b>-25%</b>
<b>Tax</b>	<b>369</b>	<b>332</b>	<b>303</b>	<b>376</b>	<b>341</b>	<b>189</b>	<b>270</b>	<b>133</b>	<b>-51%</b>	<b>-65%</b>	<b>1,380</b>	<b>934</b>	<b>-32%</b>
<b>Net Income</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>263</b>	<b>-73%</b>	<b>-76%</b>	<b>4,668</b>	<b>3,600</b>	<b>-23%</b>
<b>One-offs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-140</b>	<b>-</b>
<b>Net Income (Adj.)</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>404</b>	<b>-59%</b>	<b>-63%</b>	<b>4,668</b>	<b>3,741</b>	<b>-20%</b>
<b>ROTE<sup>1</sup></b>	<b>17.1%</b>	<b>14.9%</b>	<b>11.9%</b>	<b>11.4%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>10.1%</b>	<b>4.2%</b>	<b>-598bps</b>	<b>-726bps</b>	<b>14.2%</b>	<b>9.8%</b>	<b>-444bps</b>

Note:

1. 4Q19 & 2019 RoTE is adjusted for 140 mln TL one off provisions; 2Q18 & 1H18 ROTAE is adjusted for the 4.1 bln TL rights issue on 30th of June

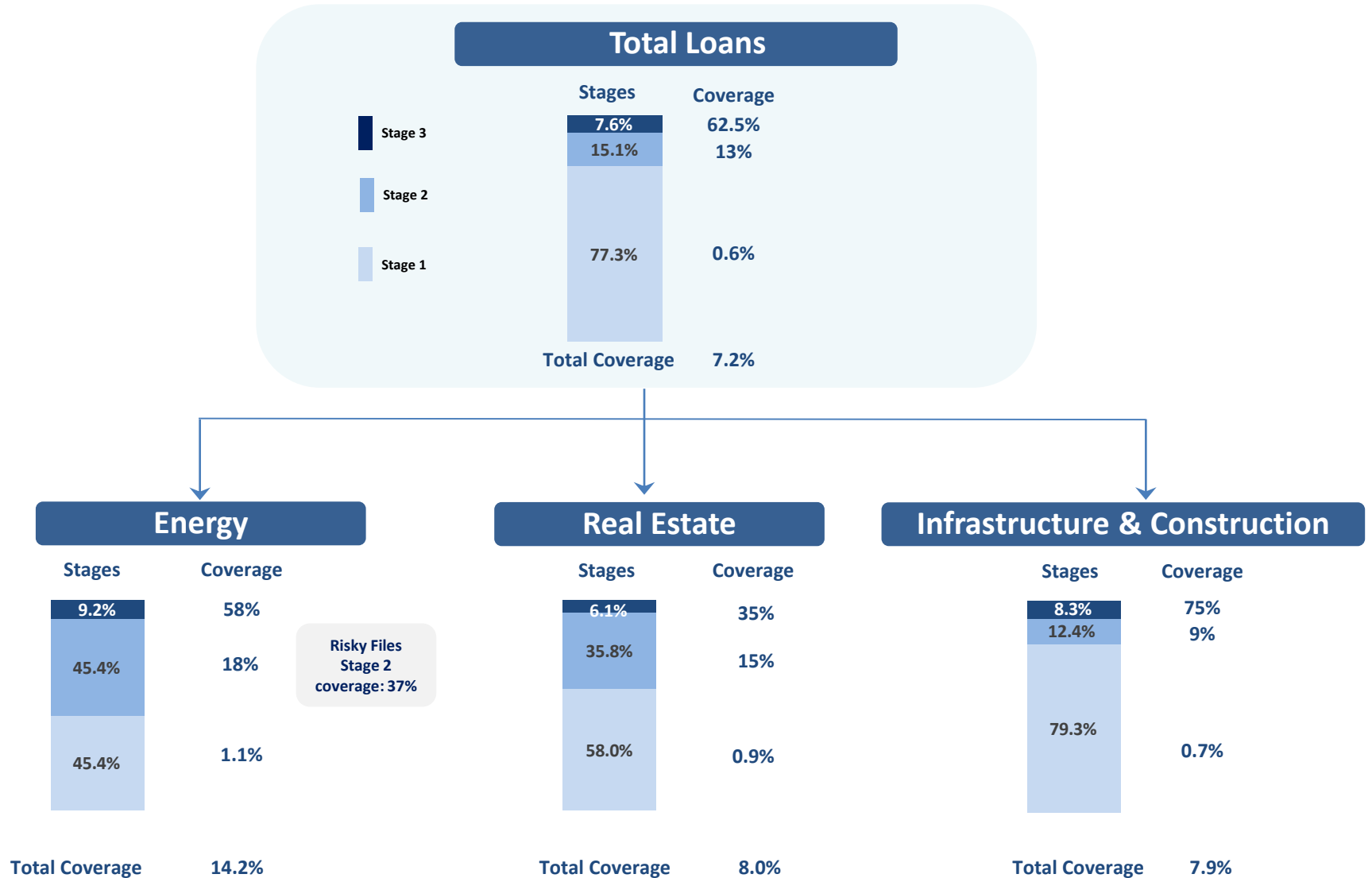
# Bank-Only Income Statement

TL million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	q/q	y/y	2018	2019	y/y
<b>Net Interest Income including swap costs</b>	<b>2,270</b>	<b>2,585</b>	<b>3,677</b>	<b>3,925</b>	<b>2,806</b>	<b>2,936</b>	<b>2,973</b>	<b>3,046</b>	<b>2%</b>	<b>-22%</b>	<b>12,458</b>	<b>11,761</b>	<b>-6%</b>
o/w NII	2,768	3,108	4,143	3,923	3,356	3,869	3,827	3,723	-3%	-5%	13,942	14,776	6%
o/w CPI-linkers	436	460	1,360	2,478	787	770	830	304	-63%	-88%	4,735	2,692	-43%
CPI-linkers (normalised)	376	401	442	519	588	687	689	727	5%	40%	1,738	2,692	55%
o/w Swap costs	-497	-523	-466	2	-551	-933	-854	-677	-21%	-	-1,484	-3,015	103%
<b>Fees &amp; Commissions</b>	<b>986</b>	<b>993</b>	<b>977</b>	<b>1,059</b>	<b>1,283</b>	<b>1,206</b>	<b>1,285</b>	<b>1,513</b>	<b>18%</b>	<b>43%</b>	<b>4,016</b>	<b>5,287</b>	<b>32%</b>
<b>Core Revenues</b>	<b>3,257</b>	<b>3,578</b>	<b>4,655</b>	<b>4,984</b>	<b>4,089</b>	<b>4,142</b>	<b>4,258</b>	<b>4,559</b>	<b>7%</b>	<b>-9%</b>	<b>16,474</b>	<b>17,048</b>	<b>3%</b>
<b>Operating Costs</b>	<b>1,375</b>	<b>1,470</b>	<b>1,591</b>	<b>1,659</b>	<b>1,615</b>	<b>1,688</b>	<b>1,668</b>	<b>2,016</b>	<b>21%</b>	<b>22%</b>	<b>6,096</b>	<b>6,988</b>	<b>15%</b>
<b>Core Operating Income</b>	<b>1,881</b>	<b>2,108</b>	<b>3,064</b>	<b>3,325</b>	<b>2,474</b>	<b>2,453</b>	<b>2,590</b>	<b>2,543</b>	<b>-2%</b>	<b>-24%</b>	<b>10,378</b>	<b>10,060</b>	<b>-3%</b>
<b>Trading and FX gains/losses</b>	<b>57</b>	<b>212</b>	<b>119</b>	<b>301</b>	<b>322</b>	<b>72</b>	<b>221</b>	<b>129</b>	<b>-41%</b>	<b>-57%</b>	<b>689</b>	<b>744</b>	<b>8%</b>
o/w FX gains/losses	23	58	-50	265	64	164	137	42	-69%	-84%	297	408	37%
o/w MtM gains/losses	-8	114	125	35	194	-113	-12	38	-	10%	266	108	-60%
o/w Trading gains/losses	41	40	43	2	64	20	96	49	-49%	-	126	229	82%
<b>Other income</b>	<b>252</b>	<b>227</b>	<b>276</b>	<b>212</b>	<b>298</b>	<b>267</b>	<b>226</b>	<b>312</b>	<b>38%</b>	<b>47%</b>	<b>967</b>	<b>1,104</b>	<b>14%</b>
o/w income from subs	211	171	233	160	224	198	180	178	-1%	11%	776	781	1%
o/w Dividends	3	2	1	1	8	1	0	1	-	-	6	9	47%
o/w Others	39	54	42	50	66	68	46	133	192%	166%	185	313	69%
<b>Pre-provision Profit</b>	<b>2,190</b>	<b>2,547</b>	<b>3,458</b>	<b>3,838</b>	<b>3,094</b>	<b>2,791</b>	<b>3,038</b>	<b>2,984</b>	<b>-2%</b>	<b>-22%</b>	<b>12,034</b>	<b>11,908</b>	<b>-1%</b>
<b>ECL net of collections</b>	<b>483</b>	<b>832</b>	<b>1,586</b>	<b>2,908</b>	<b>1,354</b>	<b>1,530</b>	<b>1,756</b>	<b>2,630</b>	<b>50%</b>	<b>-10%</b>	<b>5,810</b>	<b>7,271</b>	<b>25%</b>
o/w Stage 3 Provisions	590	716	1,389	1,779	1,377	1,856	1,570	2,764	76%	55%	4,473	7,566	69%
o/w Stage 1 + Stage 2 Provisions	224	480	985	822	522	27	256	402	57%	-51%	2,511	1,206	-52%
o/w Collections (-)	330	363	244	90	337	251	198	329	66%	268%	1,026	1,115	9%
o/w ECL Hedging	0	0	545	-397	207	101	-129	207	-	-	148	386	161%
<b>Other Provisions &amp; Costs</b>	<b>145</b>	<b>194</b>	<b>516</b>	<b>-487</b>	<b>213</b>	<b>4</b>	<b>79</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>369</b>	<b>298</b>	<b>-19%</b>
o/w Pension fund provisions	0	85	145	0	211	0	59	-12	-	-	230	257	11%
o/w Pension fund provisions (under cost)	0	0	0	230	0	0	0	257	-	11%	230	257	11%
o/w Pension fund provisions (under provisions)	0	85	145	-230	211	0	59	-269	-	17%	0	0	-
o/w Other provisions	145	109	371	-488	3	4	21	14	-33%	-	138	41	-70%
<b>Pre-tax Income</b>	<b>1,562</b>	<b>1,521</b>	<b>1,357</b>	<b>1,416</b>	<b>1,527</b>	<b>1,257</b>	<b>1,202</b>	<b>353</b>	<b>-71%</b>	<b>-75%</b>	<b>5,855</b>	<b>4,339</b>	<b>-26%</b>
<b>Tax</b>	<b>318</b>	<b>294</b>	<b>242</b>	<b>335</b>	<b>285</b>	<b>138</b>	<b>226</b>	<b>89</b>	<b>-60%</b>	<b>-73%</b>	<b>1,188</b>	<b>739</b>	<b>-38%</b>
<b>Net Income</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>263</b>	<b>-73%</b>	<b>-76%</b>	<b>4,667</b>	<b>3,600</b>	<b>-23%</b>
<b>One-offs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-140</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-140</b>	<b>-</b>
<b>Net Income (Adj.)</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>404</b>	<b>-59%</b>	<b>-63%</b>	<b>4,667</b>	<b>3,740</b>	<b>-20%</b>
<b>ROTE<sup>1</sup></b>	<b>17.0%</b>	<b>15.8%</b>	<b>11.9%</b>	<b>11.4%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>10.1%</b>	<b>4.2%</b>	<b>-166bps</b>	<b>-181bps</b>	<b>14.2%</b>	<b>9.8%</b>	<b>-444bps</b>

Note:

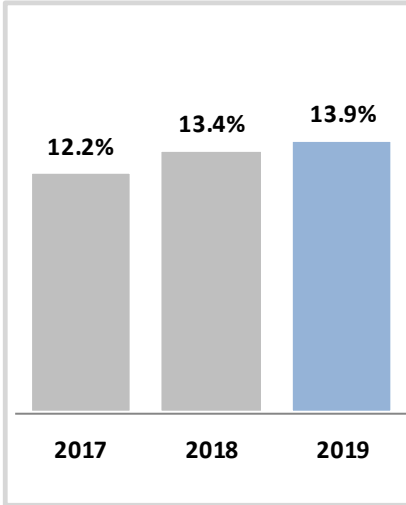
1. 4Q19 & 2019 RoTE is adjusted for 140 mln TL one off provisions; 2Q18 & 1H18 ROTAE is adjusted for the 4.1 bln TL rights issue on 30th of June

# Loan Details in terms of Staging and Coverage

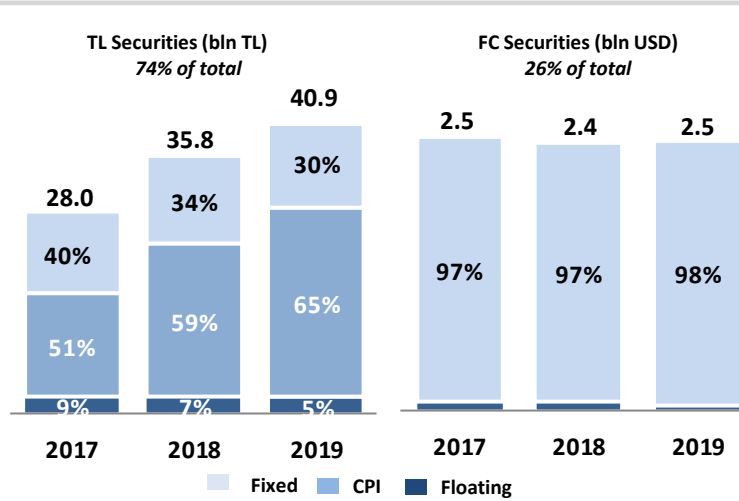


# Securities

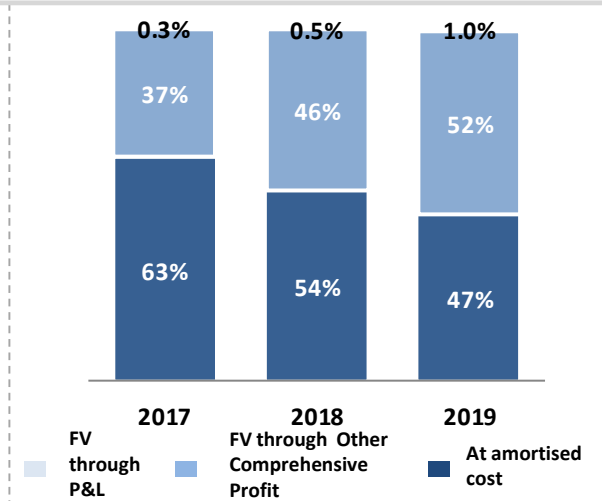
## Securities/Assets



## Composition by Type<sup>1</sup>



## Composition by Classification<sup>1</sup>

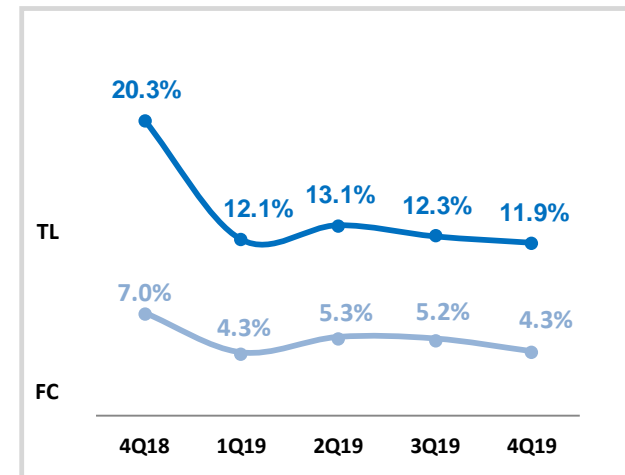


- **Securities / assets at 13.9%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased to TL 18.6bln in book value<sup>2</sup> (nominal: 15.6 bln TL); with a gain of TL 2,692 mln in 2019 (2018: TL 4,735 mln)

**CPI linker valuation at 8.55% (9M19: 11%; 2018: 25.2%)**

- **M-t-m unrealised loss at TL -199<sup>3</sup> mln as of 2019** (TL -1,748<sup>3</sup> mln in 2018)

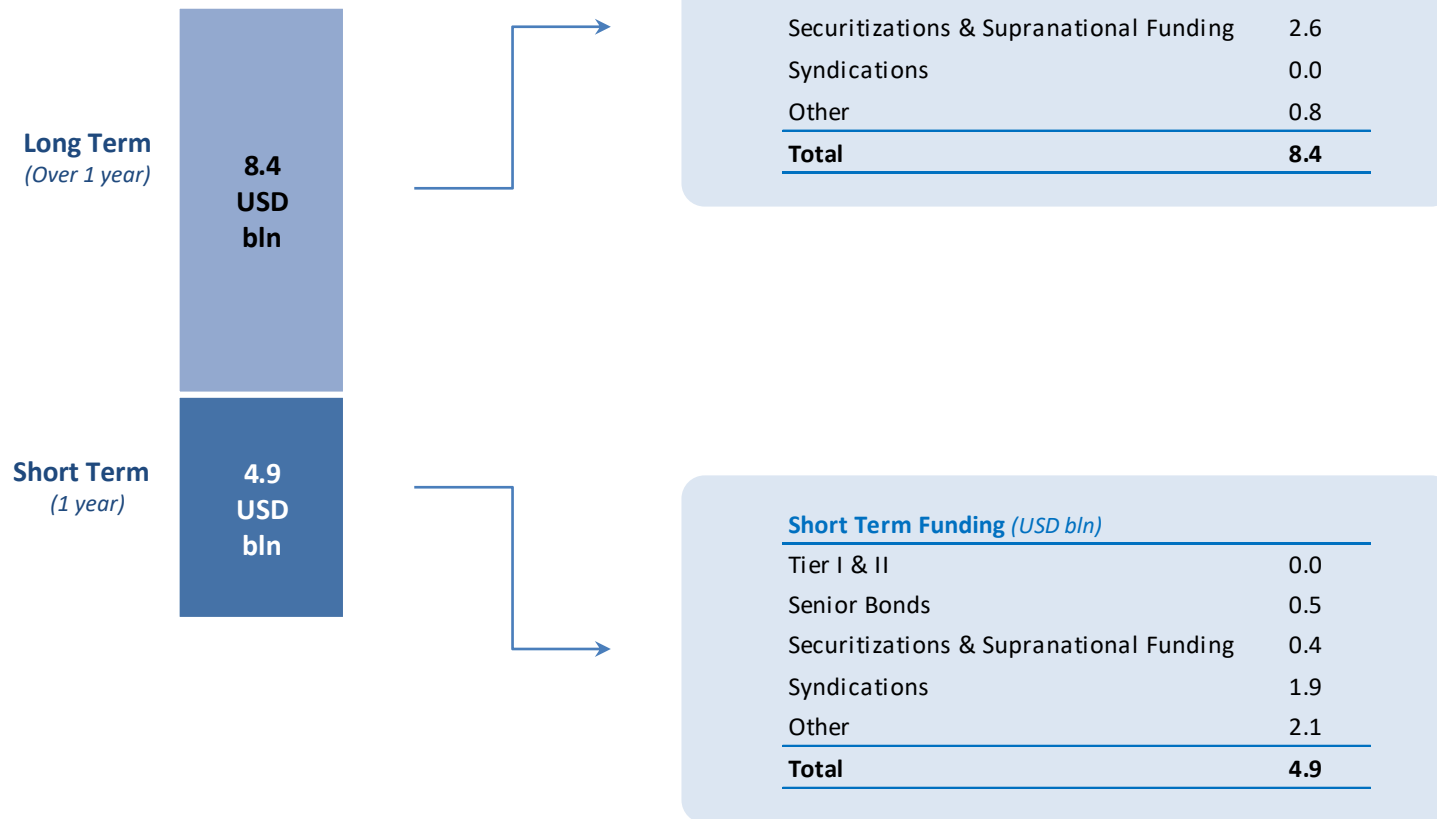
## Security Yields<sup>1;4</sup>



### Notes:






1. Based on Bank-Only financials
2. Excluding accruals
3. Net of tax
4. CPI linker income is normalised

# External FC funding structure



Notes:  
Including UniCredit funding

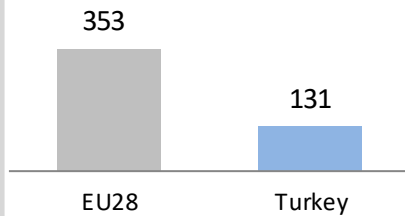
# Details of main Borrowings

International	Syndications	<p>~ US\$ 2.0 bln</p> <ul style="list-style-type: none"> <li>■ <b>May'19:</b> 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>■ <b>Oct'19:</b> 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	<p>~US\$ 650 mln outstanding</p> <ul style="list-style-type: none"> <li>■ <b>Jan'19:</b> US\$ 650 mln market transaction, callable every 5 years, perpetual, 13.875% (coupon rate)</li> </ul>
	Subordinated Loans	<p>~US\$ 2.36 bln outstanding</p> <ul style="list-style-type: none"> <li>■ <b>Dec'12:</b> US\$ 1,000 mln market transaction, 10 years, 5.5% (coupon rate)</li> <li>■ <b>Jan'13:</b> US\$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant</li> <li>■ <b>Dec'13:</b> US\$ 270 mln, 10NC5, 7.72% – Basel III Compliant</li> <li>■ <b>Mar'16:</b> US\$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)</li> </ul>
	Foreign and Local Currency Bonds / Bills	<p>US\$ 2.69 bln Eurobonds</p> <ul style="list-style-type: none"> <li>■ <b>Jan'13:</b> US\$ 500 mln, 4.00% (coupon rate), 7 years </li> <li>■ <b>Feb'17:</b> US\$ 600 mln, 5.75% (coupon rate), 5 years</li> <li>■ <b>Jun'17:</b> US\$ 500 mln, 5.85% (coupon rate), 7 years</li> <li>■ <b>Jun'17:</b> TL 500 mln, 13.13% (coupon rate), 3 years</li> <li>■ <b>Mar'18:</b> US\$ 500 mln, 6.10% (coupon rate), 5 years</li> <li>■ <b>Mar'19:</b> US\$ 500 mln, 8.25% (coupon rate), 5.5 years</li> </ul>
	Covered Bond	<p>TL 1.97 bln out standing</p> <ul style="list-style-type: none"> <li>■ <b>Oct'17:</b> Mortgage-backed with maturity 5 years</li> <li>■ <b>Feb'18:</b> Mortgage-backed with 5 years maturity</li> <li>■ <b>May'18:</b> Mortgage-backed with 5 years maturity</li> <li>■ <b>Mar'19:</b> Mortgage-backed with 5 years maturity</li> <li>■ <b>Dec'19:</b> Mortgage-backed with 5 years maturity</li> </ul>
Domestic	Local Currency Bonds / Bills	<p>TL 4.30 bln total </p> <ul style="list-style-type: none"> <li>■ <b>Sept'19 :</b> TL 1.40 bln , 6-months maturity, TLREF indexed</li> <li>■ <b>Nov'19 :</b> TL 24 mln, 3-month maturity</li> <li>■ <b>Dec'19 :</b> TL 1.87 bln , 2-month maturity</li> <li>■ <b>Dec'19 :</b> TL 1.00 bln, 6-months maturity, TLREF indexed</li> </ul>
	Subordinated Loans	<p>TL 800 mln total</p> <ul style="list-style-type: none"> <li>■ <b>Jul'19:</b> TL 500 mln, 10-year maturity, TRLIBOR + 100 bps </li> <li>■ <b>Oct'19:</b> TL 300 mln, 10-year maturity, TLREF index + 130 bps </li> </ul>

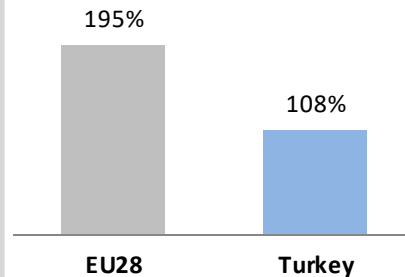
# Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

Banking Sector Penetration

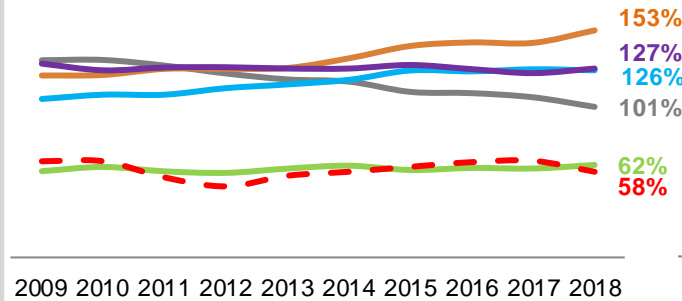
Branches Per  
Million Inhabitants  
(2017)



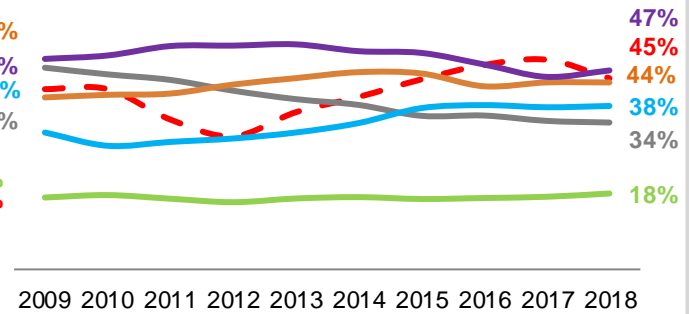
(Loans+Deposits)/GDP  
(2018)



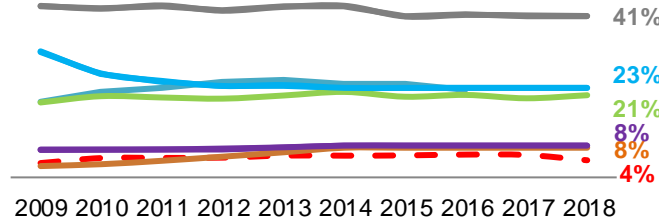
Total Loans<sup>1</sup>/GDP



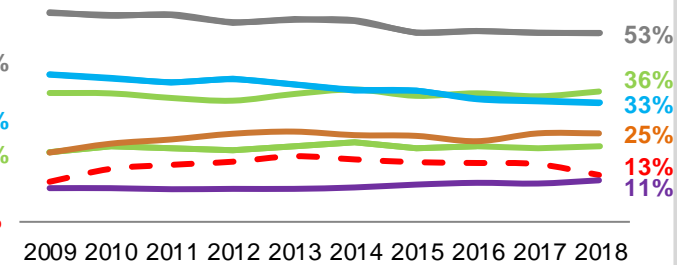
Corporate Loans/GDP



Mortgages/GDP



Loans to Households<sup>2</sup>/GDP



— Turkey — EU-28 — S.Africa — India — Poland — Brazil

Source: European Central Bank, BRSA, CBRT, Turkstat, FRED database for India, Brazil, S.Africa

Note: Loan data on graphs for all countries based on 2018 actual figures while GDP figures are as of 2017

(1) Excluding lending to credit institutions

(2) Including housing loans, consumer lending and other household lending (including CC, excluding SMEs)

2018 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 )
  - **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									
	1Q17	1H17	9M17	2017	9M18	2018	1Q19	1H19	9M19	2019
Banks #	52	51	51	51	52	47	47	53	53	53
Branches #	10,754	10,724	10,658	10,550	10,505	10,454	10,398	10,359	10,289	10,199
Loan Growth (yoy)	6%	30%	15%	21%	30%	14%	15%	8%	-2%	10%
Deposit Growth (yoy)	5%	9%	11%	16%	31%	19%	23%	17%	8%	22%
Loans/GDP <sup>1</sup>	66%	66%	65%	65%	70%	62%	63%	61%	60%	59%
Deposits/GDP <sup>1</sup>	57%	57%	55%	55%	59%	55%	57%	55%	56%	57%
Loans/Assets	65%	65%	66%	65%	63%	63%	62%	61%	61%	61%
Deposits/Assets	56%	56%	56%	55%	53%	55%	56%	55%	57%	59%
NIM	4.0%	4.0%	3.9%	3.9%	4.0%	4.2%	3.6%	3.8%	3.9%	4.0%
NPL Ratio	3.1%	3.0%	3.0%	2.9%	3.1%	3.7%	4.0%	4.3%	4.7%	5.2%
Specific Coverage	79%	79%	80%	80%	70%	69%	69%	68%	66%	65%
CAR <sup>2</sup>	15.5%	16.4%	16.8%	16.5%	17.7%	16.9%	16.0%	17.3%	18.0%	18.0%
Tier 1 Ratio	13.0%	13.6%	13.9%	13.6%	14.1%	13.6%	12.9%	14.2%	14.9%	14.9%
ROAE	17.4%	16.2%	15.5%	15.0%	14.3%	13.8%	11.7%	11.3%	10.7%	10.8%
ROAA	1.9%	1.7%	1.7%	1.5%	1.3%	1.4%	1.2%	1.2%	1.1%	1.1%

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

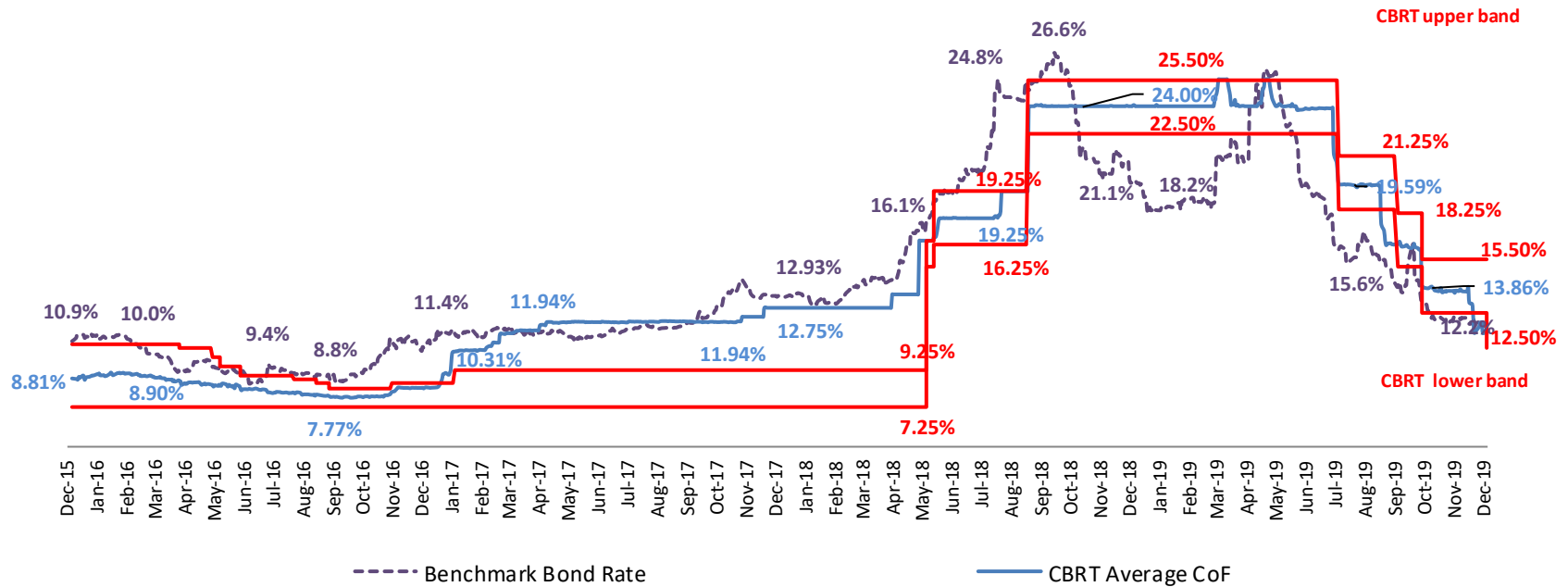
Notes:

(1) GDP calculation on a trailing basis

(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

Moody's

	Long-Term Foreign Currency		Long-Term Local Currency	
	Rating	Outlook	Rating	Outlook
Turkey	B1	Negative	B1	Negative
Yapı Kredi	B3	Negative	B2	Negative
Garanti	B3	Negative	B2	Negative
Akbank	B3	Negative	B2	Negative
İşbank	B3	Negative	B3	Negative
Halkbank	B3	Negative	B3	Negative
Vakıfbank	B3	Negative	B2	Negative

Fitch

	Long-Term Foreign Currency		Long-Term Local Currency	
	Rating	Outlook	Rating	Outlook
Turkey	BB-	Stable	BB-	Stable
Yapı Kredi	B+	Negative	B+	Stable
Garanti	B+	Stable	BB-	Stable
Akbank	B+	Negative	B+	Stable
İşbank	B+	Negative	B+	Stable
Halkbank	B+	Negative	BB-	Negative
Vakıfbank	B+	Stable	BB-	Stable

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