INVESTOR RELATIONS RELEASE

On 31 October 2018, Yapı Kredi announced its consolidated results for the first nine months of 2018 based on Turkish accounting standards (Banking Regulation and Supervision Agency). The Bank's cash and non-cash loans reached TL 353.2 billion while total deposits rose to TL 221.0 billion. The Bank's net income increased by 31% year-over-year and reached TL 3,586 million indicating a return on average tangible equity of 14.3%.

Controlled volume growth with a healthy liquidity

Yapı Kredi's market share among private banks in loans and deposits was recorded at 16.8% and 15.6%, respectively. The Bank achieved 25% year-to-date growth in loans to TL 249.4 billion, mainly driven by the depreciation in Lira and TL loans. In the first nine months of 2018, the Bank's deposit growth was above the loan growth at 27% year-to-date and reached TL 221.0 billion. Deposit growth was mainly driven by TL denominated customer deposits. Accordingly, loan-to-deposits plus TL bonds ratio realised at 112%. During the volatile period especially in the third quarter of 2018, Yapı Kredi well-positioned itself in terms of liquidity. Accordingly, the Bank's total and FC liquidity coverage ratios realised at 122% and 197%, respectively.

Prudent and conservative asset quality approach with a strong coverage

Yapı Kredi carried out a precautious approach in terms of asset quality where the Bank classified some loans from stage 1 to stage 2 as well as being proactive in NPL classification. Also coupled with depreciation in TL and worsening operating environment, generic and specific provisions increased considerably, decoupled with the Bank's conservative provisioning approach total provisions increased 109% year-over-year. Accordingly, cost of risk realised at 209 basis points (adjusted for provision reversals related to cheques in 2Q18). In the first nine months of 2018, Yapı Kredi sold a non-performing loan portfolio of TL 2.0 billion in principal amount within the scope of continued active stock management. Hence, the NPL ratio improved by 59 basis points year-to-date reaching 3.7% (adjusted for the NPL sales in 2017 NPL ratio would be at 4.4%). With the conservative provisioning approach of Yapı Kredi, provisions to gross loans remained strong at 4.6%.

Improvement in capital ratios through ongoing internal capital generation and capital injection despite challenging macro environment

Despite the fluctuations in Lira and volatility in the interest rates, the Bank continued to support its capital ratios through internal capital generation. Also supported by the successful completion of the 4.1 billion worth of rights issue in June 2018, consolidated Capital Adequacy Ratio and Common Equity Tier-1 ratio realised at 13.3% and 9.8%, respectively (16.1% and 12.1% respectively, when BRSA's recent forbearances are taken into account).

Solid top-line within conservative asset quality and liquidity approach

In the first nine months of 2018, Yapı Kredi increased its total revenues by 44% year-over-year driven by double digit growth in both fees and net interest income. On the other hand, continued discipline in cost management was evident with cost growth contained at 13% compared to inflation of 24.5%. Accordingly, cost-to-income ratio improved by 762 basis points year-over-year to 33.3% (9M18 income adjusted for trading income from ECL hedging). During the quarter, net interest income was strongly supported by the change of the Bank's CPI assumption on which calculation of CPI linked securities is based on, from 9.3% to 16%. The Bank's conservative and prudent approach regarding the asset quality resulted in a jump in the total provisioning. All in all, net income increased 31% year-over-year and the Bank achieved 14.3% return on average tangible equity.