YapıKredi
Capital Markets Day Presentation

London, 3 May 2018

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Agenda

YapıKredi

YapıKredi 2020

YapıKredi 2020

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

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

Strategic pillars supporting YapıKredi 2020

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

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

YapıKredi 2020 - Targets

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

Notes:
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1. Calculated as (NII + Swap Costs + Fees) / Avg. Interest Earning Assets, 2. 2017 figure adjusted for time value assumption

YapıKredi well positioned to compete in a highly potential and evolving environment

Attractive macro and banking sector

- **Large and fast growing economy** (c. 5.5% Real GDP growth[1]) with low **Public Debt / GDP** (~28%[2])
- **Young population:** Median age at 32 years[3] vs. 43 years old for EU-27[3]
- **Underpenetrated banking system** (71% Loan / GDP versus 111% for EU-27)[4]
- **Strong balance sheet** and **profitability metrics**

Changing customer behaviours

- **Disruptive pick up of remote channels…**
  - **Internet banking** users increased to **57mln** in 2017 from **36mln** in 2014 (CAGR: 17%)[5]
  - **Mobile banking** users increased to **45mln** in 2017 from **11mln** in 2014 (CAGR: 60%)[5]
- …with evolving customer behaviours and **distribution strategies,** due to quick adaption of young population

Evolving regulatory environment

- Turkey's regulatory framework already **compliant with Basel standards**
- Introduction of **IFRS 9** in January 2018
- **Minimum regulatory capital requirements increasing** by 2019 as buffers phase-in

YapıKredi ready to seize opportunities of evolving Turkish banking environment

Notes:
1. Source: Medium Term Economic Programme of Minister of Development
2. As of 2017 YE Source: Undersecretary of Treasury
3. Source: Turkstat for Turkey and Eurostat for EU 27
4. Data as of Dec-2017 for Turkey and Sep-17 for EU 27. Source: BRSA and ECB
5. Source: Banks' Association of Turkey

Differentiating competitive advantages paving the way for success…

Brand

Leading positions in Turkey with an iconic brand & diversified business model

- **Among top-6** commercial banks in Turkey and **top-4** private banks[1]
- **Leading positions** in credit cards, leasing and factoring
- **Among Top 10** most valuable brand in Turkey[2]

Network

Integrated network with widespread branch coverage

- **23.5 mln** total customers as of 2017 and ~**1 mln** gross new customers added annually
- Above **100 mln** monthly financial transactions
- Nationwide presence in Turkey with a network of **865 branches, 4,310 ATMs, and 500k+ POS network** (represents 8.6% market share[3] as of 2017)

Digital

Digital bank of Turkey

- **Renewed technology backbone and service channels** benefitting from strong initial investments
- **12.4% digital** customer market share[3] in 2017
- **51% digital** customer **penetration** of active customers as of 2017[4]
- **Digitalisation of branches and back office services** employing **advanced analytics, robotics** and **AI techniques**

Notes:
1. In terms of asset size
2. Brand Finance Turkey 100 report 2017 ranks YapıKredi as number 9
3. Physical market share refers to total of branch, and ATM market shares, digital market share refers to mobile banking
4. Customer penetration defined as percentage of customers using digital banking interfaces

YapıKredi

…Supported by a highly experienced management team with stable, long-term focused majority shareholders

Top-Management

Highly experienced management team

- **Combination of refreshed and tenured management team** with an average level of experience of over 20 years in financial services
- **Fully focused to deliver 2020 targets**

Workforce

Flexible and digitally capable workforce reinforcing strategic competencies

- Leverage our **flexible, adaptive and responsive workforce** by creating a fast-learning environment and **enhancing digitalisation capability**
- **Average workforce age of 35 years with ~10 years of banking experience at YapıKredi**
- Two-way program for both **internal and external branding to keep and attract talents**
- **Employee engagement of 68% vs. 52% for Turkish Banking sector**[1]

Majority Shareholders

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

- **Strong and committed majority shareholders** bringing stability, strength and depth to corporate governance
- **Koç** is the largest business group in Turkey with combined revenue equal to 7% of Turkey's GDP; **UniCredit** is a simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets
- **YapıKredi is considered a long-term strategic asset** by both shareholders

Notes:
1. YapıKredi figure is as of 2017 year-end, sector figure is as of 2016 year-end

Details on Strategic Pillars

1 Strengthen and optimise capital position

Key Objectives

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

Key Initiatives

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

Expected Results

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

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

Notes:
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1. Please refer to Annex for regulatory limits, 2. Subject to Shareholders and regulatory approvals and pay-out ratio is assumed as 20%, 3. RWA optimisation from remix of loan book, collateralisation of the existing portfolio, etc.

1 Key features of YapıKredi capital strengthening plan

	Equity Offering	AT1 Offering
Size	**US$ 1.0 bln**	**Approximately US$ 0.5 bln**
Structure	▪ Rights Issue at **nominal value** ▪ Domestic Offering ▪ **KFS to subscribe pro-rota** (81.8%)	▪ Expected to be offered in **144a/Reg S US$ format** ▪ Structure will be available after the regulatory approval
Indicative Timing	▪ **30 April:** filing to BRSA / CMB done ▪ Completion within **1H18** depending on regulatory approvals	▪ **27 April:** filing to BRSA / CMB done ▪ Completion depending on regulatory approvals and market conditions
Impact on 1Q18 Ratios	***+ ~150 bps[1]***	***+ ~75 bps[2]***

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1. Expected impact on CET 1, Tier 1 and CAR, 2. Expected impact on Tier 1 and CAR based on size of AT1 Offering of US$ 0.5 bln (depending on regulatory approval and market conditions)

YapıKredi

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

Key Objectives

A

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

B

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

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

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

YapıKredi

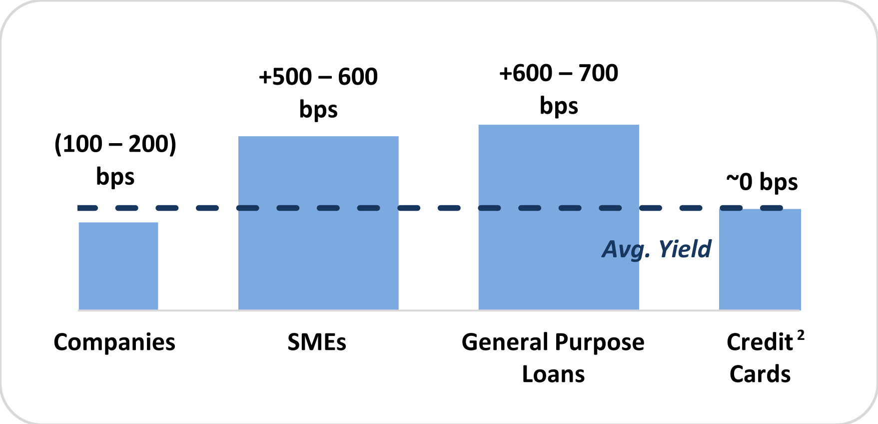
2 A

Rebalance loan mix towards smaller ticket and higher value generating loans

Key Objective

Rebalance loan mix using a risk adjusted return approach

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

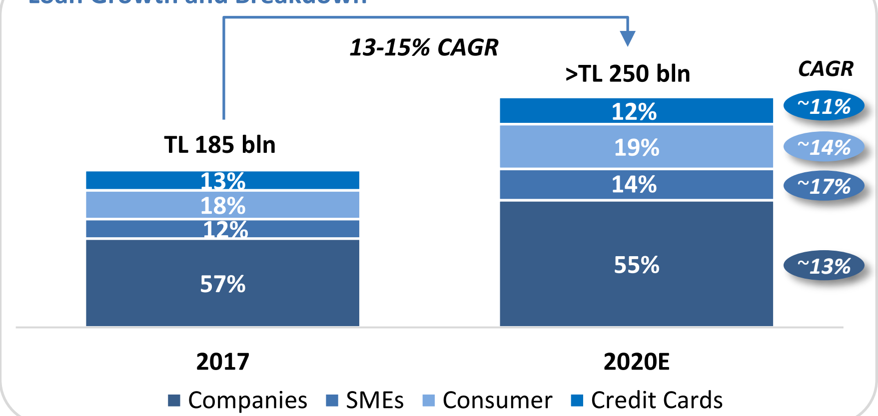


Key Initiatives

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

Expected Results

Loan Growth and Breakdown



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

YapıKredi

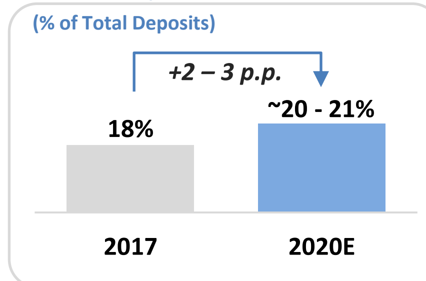
2 A Shift deposit mix towards lower cost, smaller ticket, individual and demand deposits

Key Objective

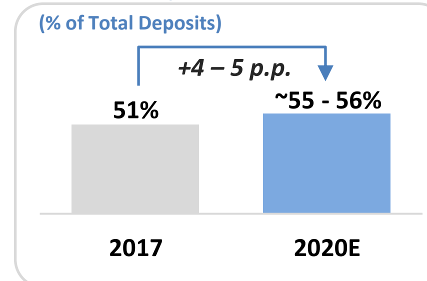
Increase the share of individual and demand deposits within total deposits

Expected Results

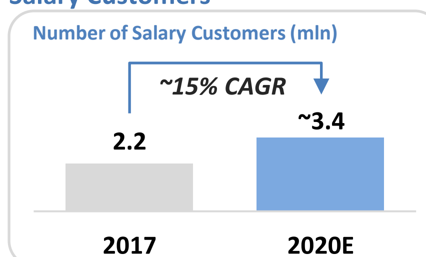
Demand Deposits



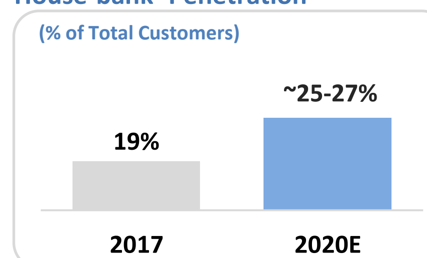
Individual Deposits



Salary Customers[1]



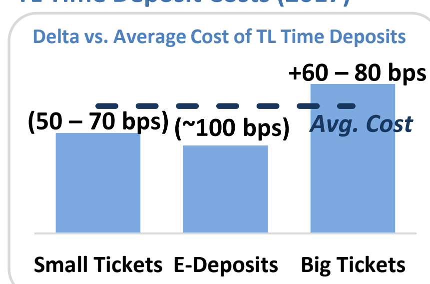
House-bank[2] Penetration



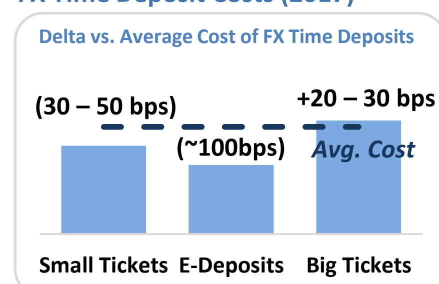
Key Initiatives

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

TL Time Deposit Costs (2017)



FX Time Deposit Costs (2017)



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

Focus on transactional banking to strengthen fee generation capacity

2 B

Key Objective

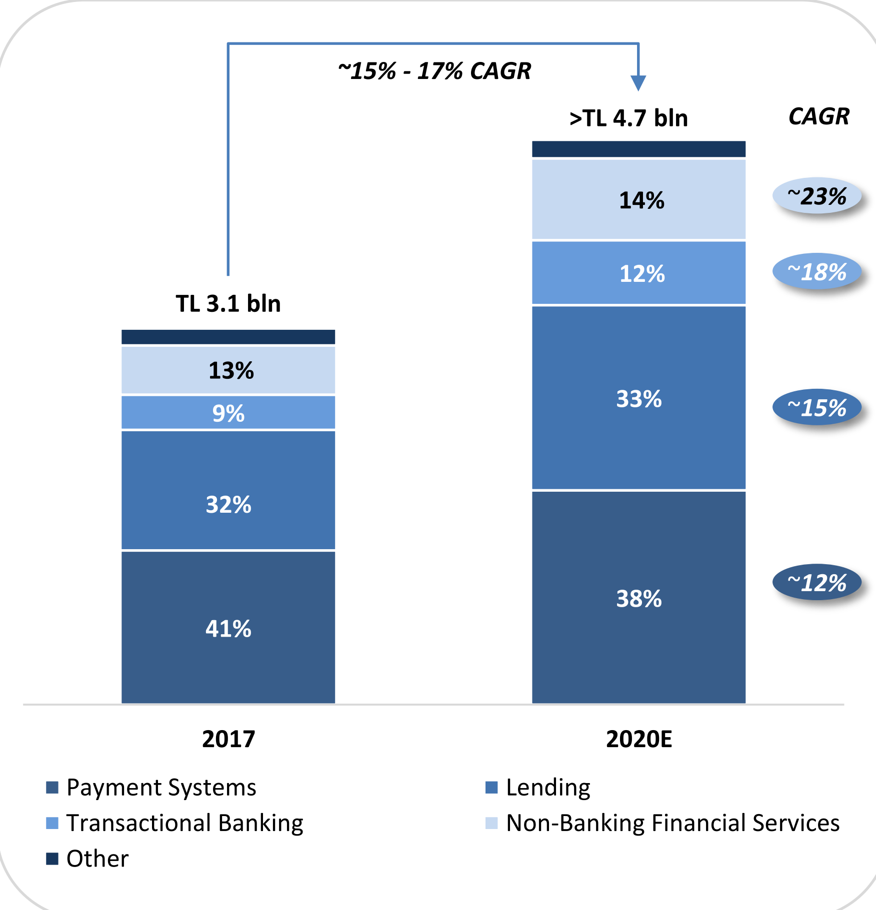
- Continue to maintain **best-in-class** fee generation by further leveraging on large customer base while **strengthening its diversification**
- Increase fees from **Transactional Banking by** ~+23% yearly growth
- Focus on **Non-banking Financial Services fee** via bancassurance and asset management

Key Initiatives

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

Expected Results

Fee Growth and Composition



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YapıKredi

3 Well managed cost structure with efficiency gains

Key Objective

A

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

B

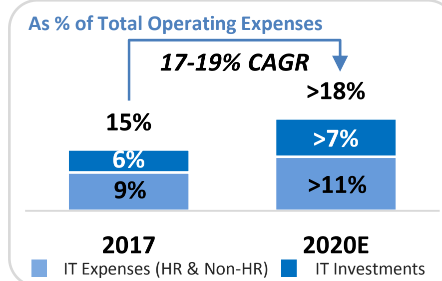
Migrate to a centralised and simplified service model for **operational efficiency**

C

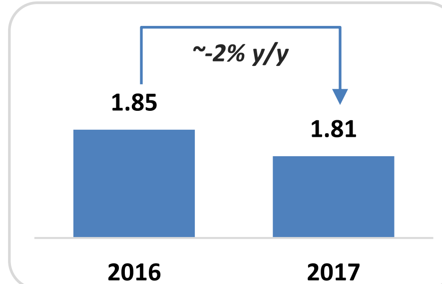
Improve operational processes through **service-channel optimisation** and **integration**

Expected Results

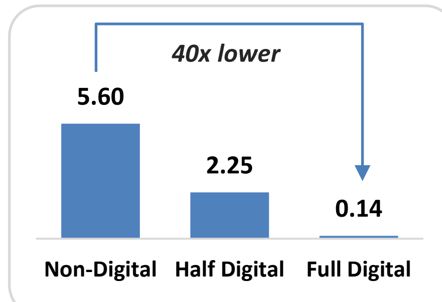
Stable and Recurring IT Investments



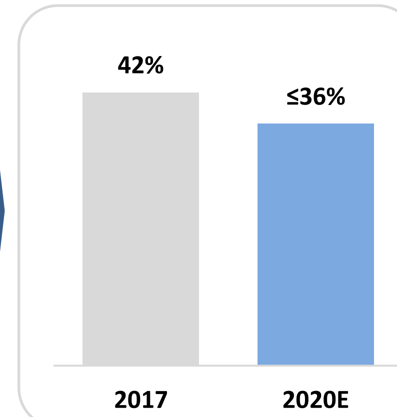
Average Cost per Transaction[1] (TL)



Cost to Serve per channel[1] (TL)



Improving Cost / Income



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

YapıKredi

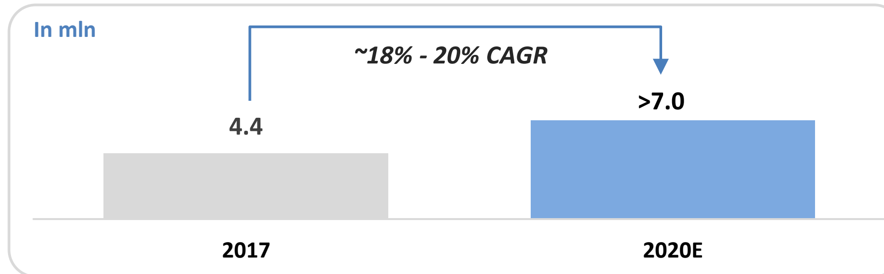
3 A Digital transformation

Key Objective

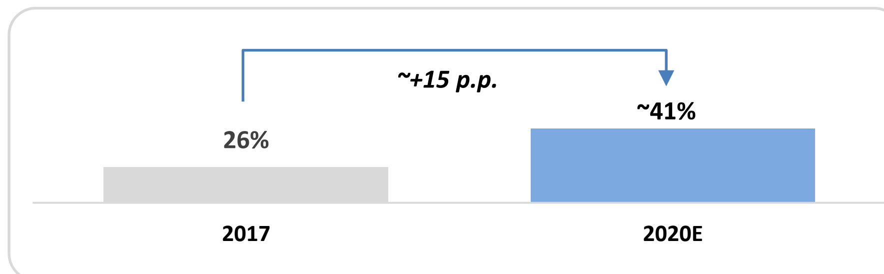
Increase digital customer base across all products to benefit from lower costs to serve

Expected Results

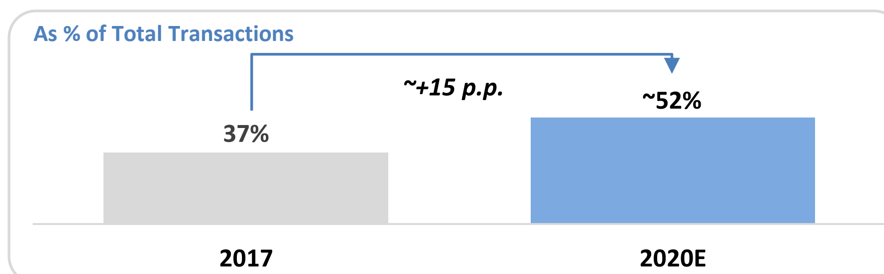
Increase in Number of Digital Customers



Product Sold in Digital[1]



Evolution of Transactions Performed Through Digital Channel[2]



Key Initiatives

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

Notes:

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

3 B C Operational and service-channel optimisation

Key Objective

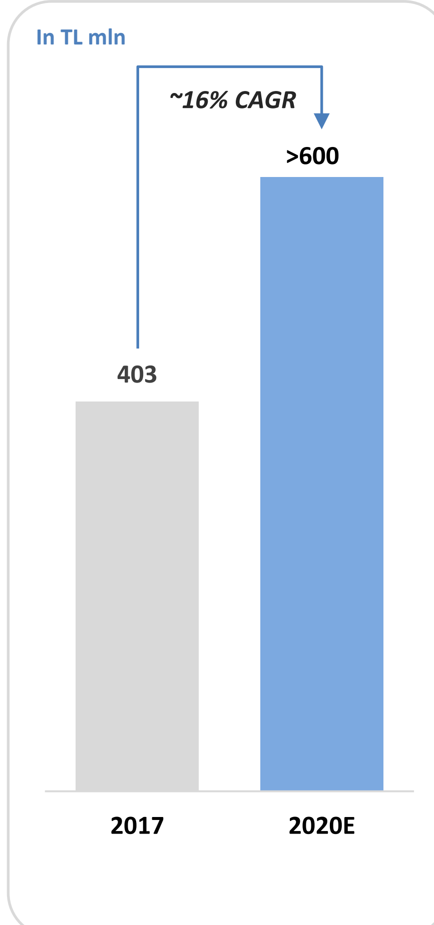
Transform the operating and service model to unlock YapıKredi's efficiency potential

Key Initiatives

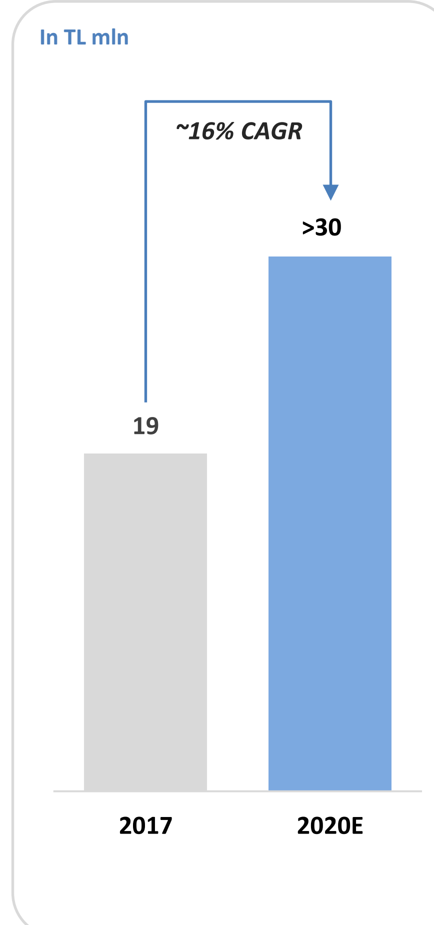
- Focus on **efficiency and digitalisation** through process automation, centralisation and elimination
- Digitalise the branch network, reaching a **paperless** branch experience for ~**95% of the services offered in Retail branches**
- **Tellers and RMs unification** to create single point of service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

Expected Results

Commercial Volume[1] per Branch



Commercial Volume[1] per Employee



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

1. Represents total of loans and deposits

YapıKredi

4 Asset quality optimisation

Key Objective

A

Focus on underwriting and monitoring policies

B

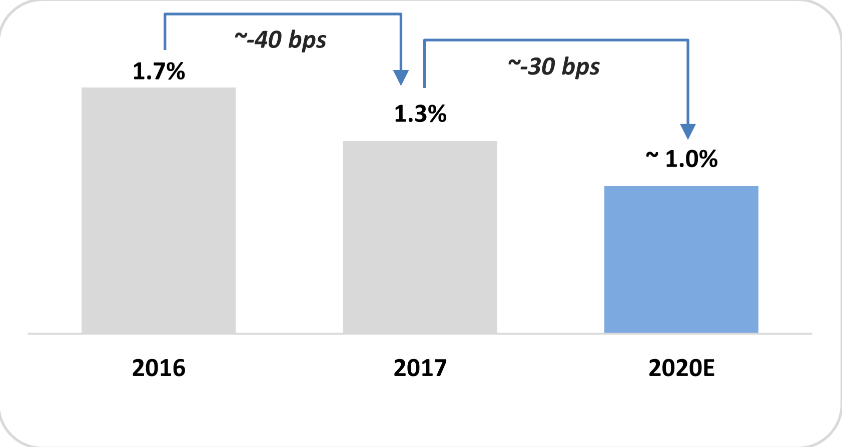
Continuous enhancement of collection processes

C

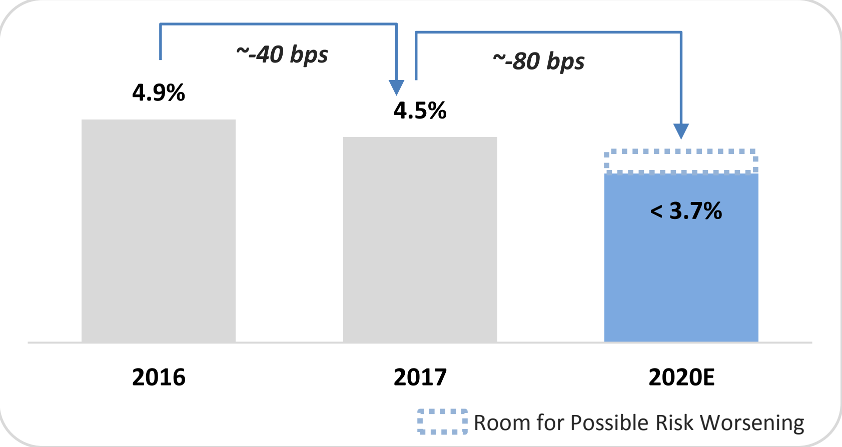
Pro-active NPL management

Expected Results

Total Cost of Risk[1] (%)



Gross NPL Ratio (%)



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

YapıKredi

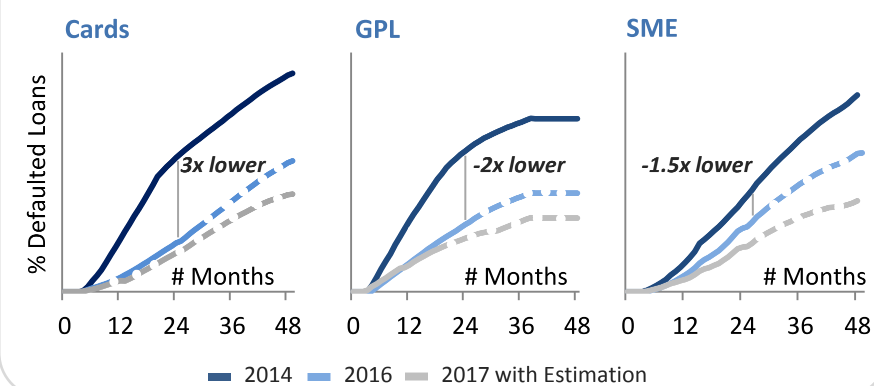
4 A Focus on underwriting and monitoring policies

Key Initiatives

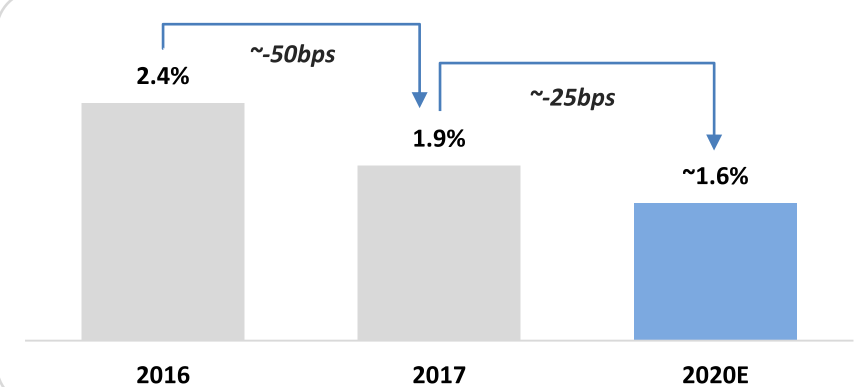
- **Customised underwriting approach** based on customers, products and channels
  - **Individuals and Micro Enterprises**: fully automated process leveraging machine-learning technologies
  - **Bigger Tickets**: Tailor-made approach with strict concentration limits and increased **sector expertise**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

Expected Results

NPL Ratio by Vintage



Gross NPL Inflows / Total Performing Loans BoP



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

YapıKredi

Continuous enhancement of collection processes and pro-active NPL management

Key Initiatives

Continuous enhancement of collection processes

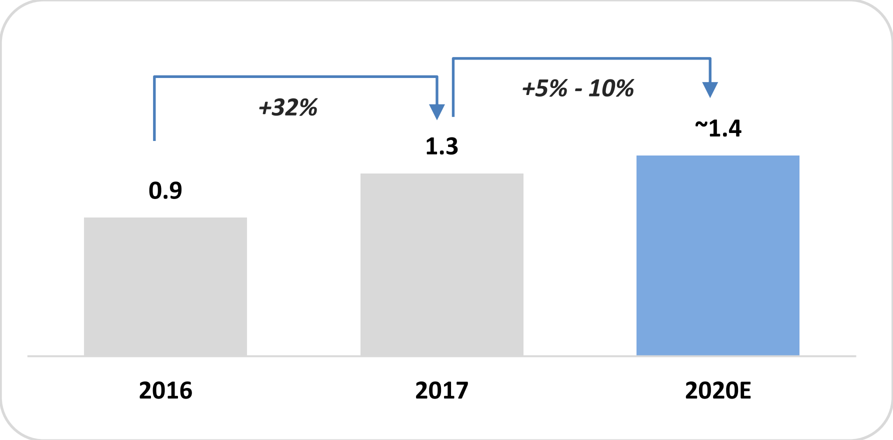
- **Strengthen collection process** through specific product / regional team support
- **Machine learning** for improved portfolio segmentation
- **Flexible restructuring options** (product type, maturity, interest rate)
- New KPIs to **monitor and improve performance**

Pro-active NPL management

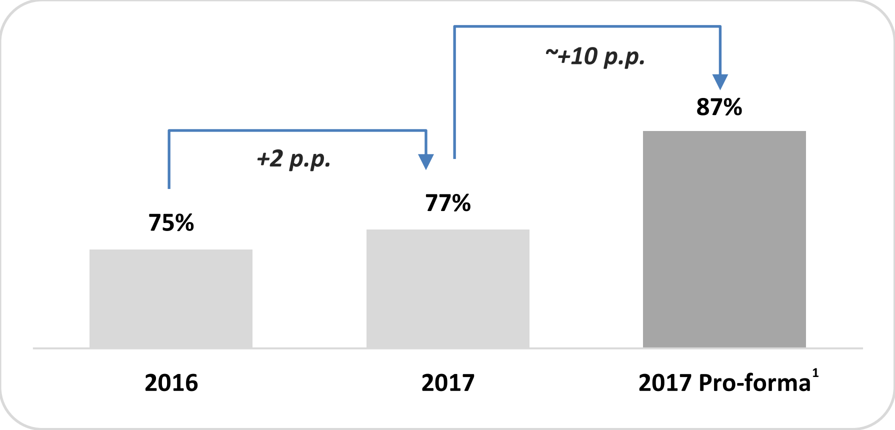
- **Front loaded coverage increase to support further NPL disposal**
- **Wide range of restructuring products to match customer's ability to repay**

Expected Results

Collections (TL bln)



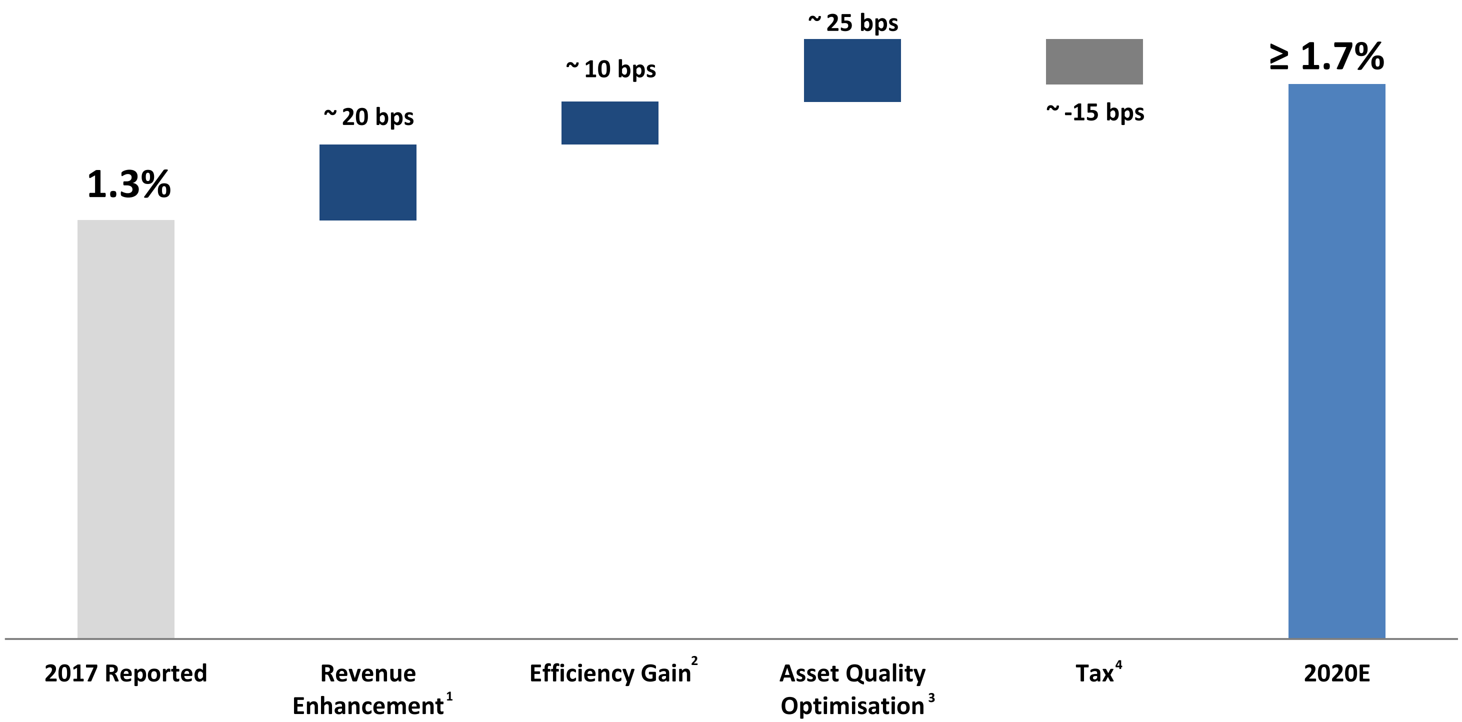
Specific NPL Coverage Ratio (%)



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

Key drivers for best-in-class profitability by 2020

RoAA Evolution



RoATE

13.6%

≥ 17%

BEST-IN-CLASS PROFITABILITY

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

1Q18 Results

Robust performance in all fundamentals

		1Q18	2020E
1 Strengthen and optimise capital position	CET 1 Ratio	9.9%	≥ 11.5%
	Tier 1 Ratio	9.9%	≥ 12%
2 Sustainable revenues by rebalancing business mix	Revenue Margin[1]	4.5% *(-17 bps y/y)*	≥ 4.7%
3 Well managed cost structure with efficiency gains	Cost / Income	35.3% *(-278 bps y/y)*	≤ 36%
4 Asset quality optimisation	Total Cost of Risk	0.95% *(-19 bps y/y)*	~1.0%
A set of strong results heading to improvement in profitability	*RoATE*	*17.0%*	*≥ 17%*
	RoAA	*1.7%*	*≥ 1.7%*
	Net Income	*1,244 mln TL*	*n.a.*

Notes:
Based on unconsolidated financials except for capital ratios
1. Calculated as (NII + Swap Costs + Fees) / Interest Earning Assets

YapıKredi

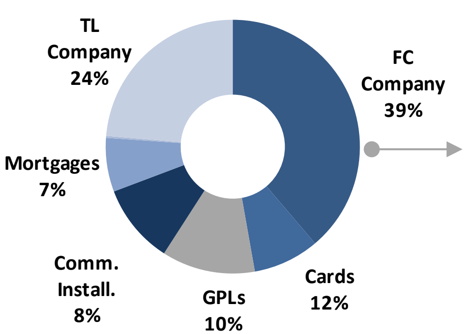
Optimised growth with a balanced mix

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 Loans[2]	**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

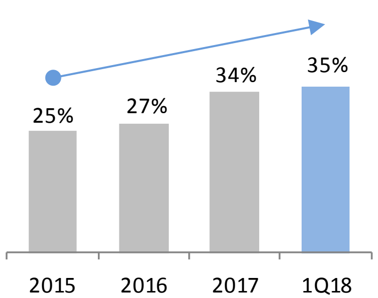
	Share	y/y
Project Finance	69%	6%
LT Investments	26%	-3%
ST Loans	5%	-30%

Funding (TL bln)

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

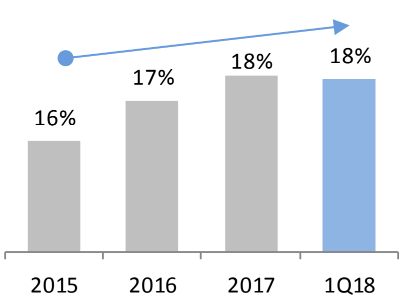
	YKB			Private Banks[1]	
	1Q18	y/y	q/q	y/y	q/q
Total Deposits	**180.0**	**10%**	**4%**	**12%**	**4%**
TL	85.4	5%	13%	14%	4%
FC ($)	24.0	6%	-7%	0%	-1%
Customer Deposits[4]	**166.6**	**6%**	**2%**	**12%**	**3%**
TL	81.4	2%	12%	13%	4%
FC ($)	21.6	1%	-11%	2%	-1%
Demand Deposits	**32.8**	**16%**	**3%**	**13%**	**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 Deposits[5] / Total Deposits



Demand deposits / Total Deposits

10 bps ytd market share gain in 1Q18



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

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

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

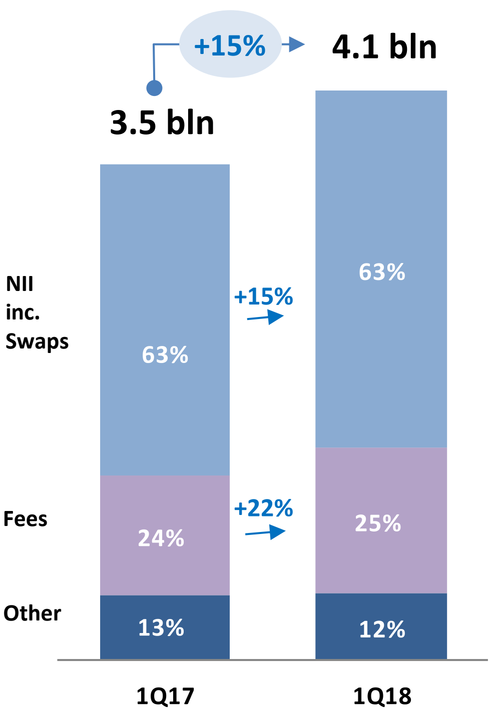
TL mln	1Q17	4Q17	1Q18	q/q	y/y
Total Revenues	**3,529**	**3,627**	**4,054**	**12%**	**15%**
Core Revenues[1]	3,066	3,364	3,577	6%	17%
Other Revenues	464	263	477	81%	3%
o/w Other income	*364*	*287*	*466*	*62%*	*28%*
o/w collections	*262*	*179*	*330*	*85%*	*26%*
o/w Trading	*100*	*-24*	*11*	*-*	*-*
Operating Costs[2]	**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%**
Expected Losses - Collections	539	568	514	-9%	-5%
ROATE[3]	15.8%	12.6%	17.1%	445bps	126bps
ROAA[4]	1.5%	1.2%	1.5%	38bps	8bps
NIM[5] (swap adjusted)	3.2%	3.0%	3.1%	19bps	-9bps
Cost/Income	38.8%	42.5%	35.8%	-674bps	-302bps
Total CoR	1.1%	1.0%	0.91%	-13bps	-17bps

Notes:
Based on Consolidated BRSA financials
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, 5. 4Q17 NIM is adjusted for the additional 260 mln TL CPI linker income

YapıKredi

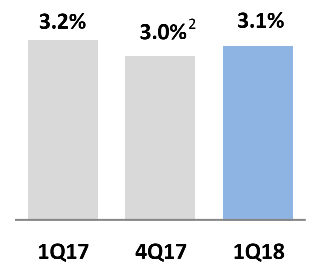
Revenue increase supported by wider NIM and strong fee growth

Revenue Breakdown (TL)

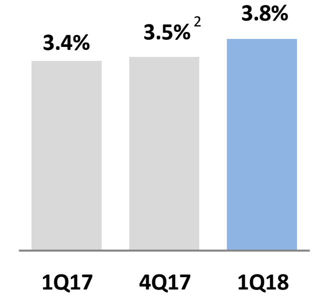


18 bps wider swap adjusted NIM q/q on improvement in loan-deposit spreads Stated NIM +33 bps q/q

Swap Adjusted NIM (Bank-only)[1]

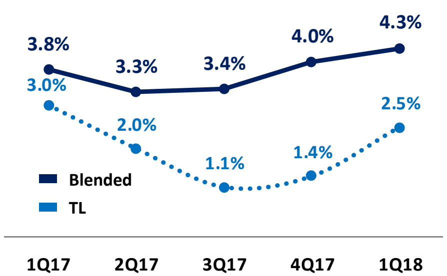


NIM (Bank-only)

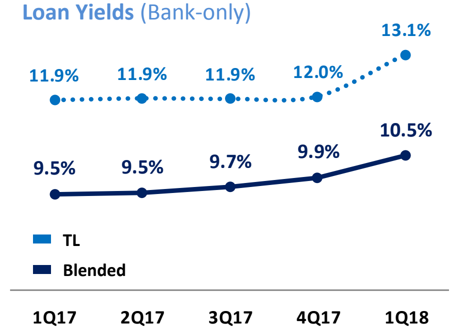


+32 bps improvement in Loan-Deposit spread thanks to ongoing loan repricing

Loan - Deposit Spread (bank-only)

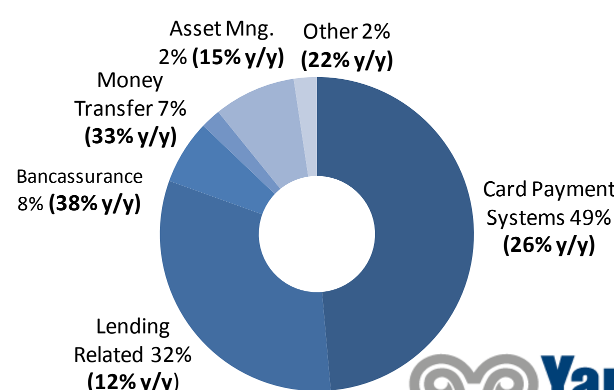


Loan Yields (Bank-only)



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

Fees Received Composition



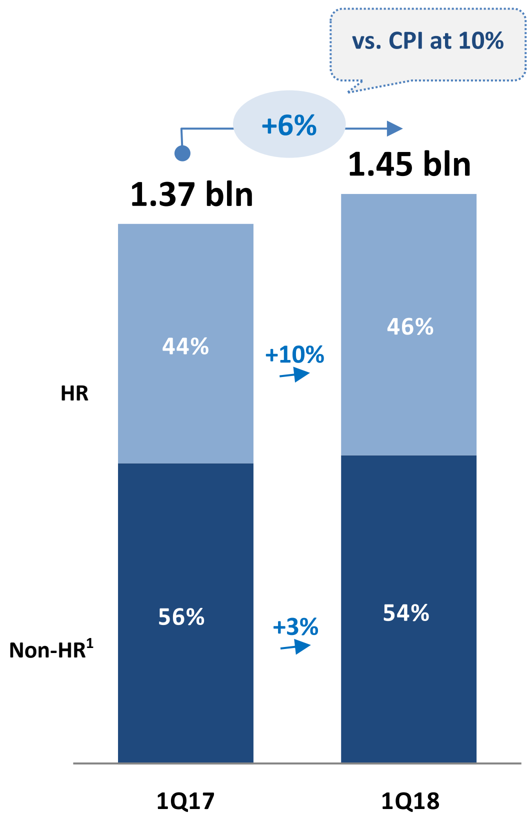
Notes:
Based on consolidated financials, otherwise stated
1. Swap Adjusted NIM calculation based on bank-only swap costs
2. 4Q17 NIM is adjusted for the additional 260 mln TL CPI linker income

YapıKredi

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

Cost Breakdown (TL)

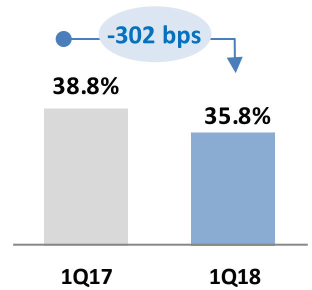
Cost increase 4pp below inflation
Non-HR cost increase at 3%



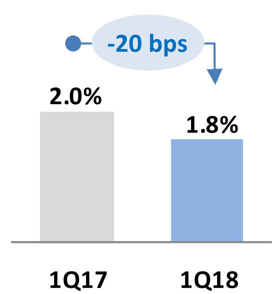
Cost KPIs

Cost / Income at 35.8%
ongoing recovery in cost ratios

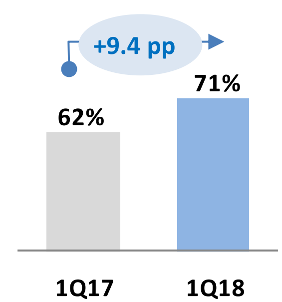
Cost / Income



Costs / Average Assets[2]



Fees / Opex

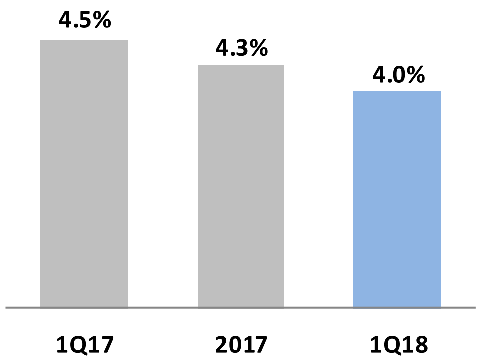


Notes:
Based on consolidated financials, otherwise stated
1. Non-HR costs include advertising, rent, SDIF premium, taxes, depreciation, branch tax, pension fund provisions and loyalty points on Worldcard
2. 1Q17 assets recasted for the IFRS 9 adoption (general provision reclassification)

Improvement in asset quality with ongoing slowdown in Net NPL inflows

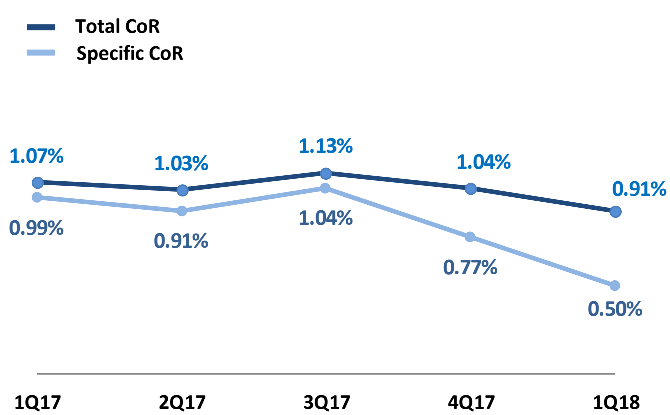
NPL Ratio[1]

NPL ratio improved by 50bps y/y via slowdown in net NPL inflows and positive impact of NPL sales



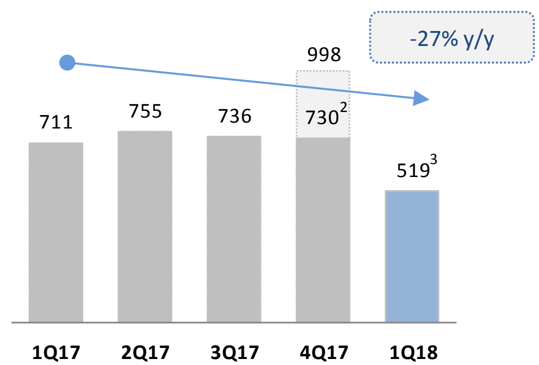
Cost of Risk[2] (Quarterly, net of collections)

Total cost of risk -16 bps y/y on slowdown in net new NPL formation

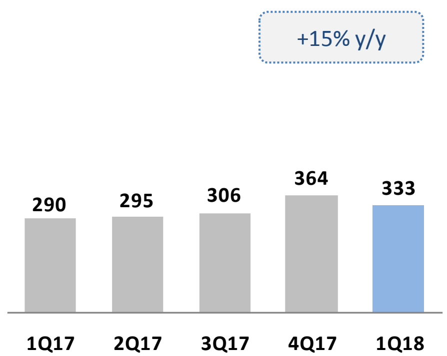


Net NPL inflows came down 56% y/y thanks to 27% y/y reduction in inflows and 15% y/y increase in collections

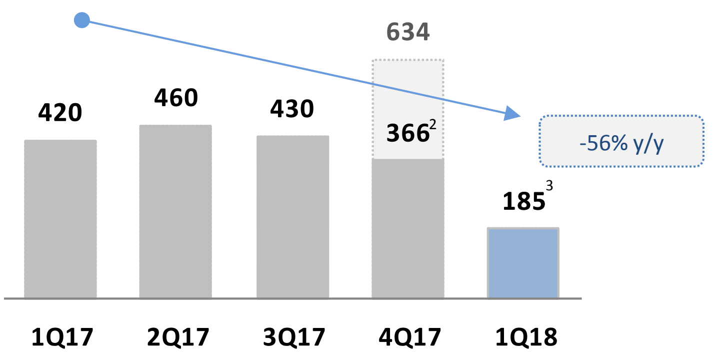
NPL inflows (TL mln)



Collections (TL mln)



Net NPL inflows (TL mln)



Notes:
Based on consolidated financials, otherwise stated, TL 627 mln NPL sales in 1Q18
1. Including Factoring and Leasing receivables and non-performing loans, 2. Adjusted for big ticket NPLs, 3. Excluding interest accruals

IFRS 9 Transition - Consolidated

TL mln	31.12.2017	After IFRS9 01.01.2018	After IFRS9 31.03.2018
Volumes - Cash Loans			
Stage-1	194,356	207,149	210,351
Stage-2	5,518	6,749	9,040
Stage-3	9,164	9,615	9,251
Total Cash Loans	**209,038**	**223,514**	**228,642**

%	31.12.2017	After IFRS9 01.01.2018	After IFRS9 31.03.2018
Ratios			
Stage -1 / Total Loans	93%	93%	92%
Stage -2 / Gross Loans	2.6%	3.0%	4.0%
NPL Ratio	4.4%	4.3%	4.0%

TL mln	31.12.2017	After IFRS9 01.01.2018	After IFRS9 31.03.2018
ECL (B/S)			
Stage-1	2,659	1,904	1,835
Stage-2	232	623	916
Stage-3	7,039	8,397	7,945
Total ECL	**9,929**	**10,924**	**10,696**

%	31.12.2017	After IFRS9 01.01.2018	After IFRS9 31.03.2018
Ratios			
Stage-1 Coverage	1.4%	0.9%	0.9%
Stage-2 Coverage	4.2%	9.2%	10.1%
Stage-3 Coverage	77%	87%	86%

Notes:
Cash Loans includes Factoring and Leasing Receivables in 2018

Revised guidance for 2018

Volumes	Loan growth at private bank levels focusing on value generating segments	Loans **12-14%**	Deposits **12-14%**	▪ **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**	▪ **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 digitalisation & efficiency	Costs **Below CPI**	Cost/Income **< 40%** Previous: ~40%	▪ **Below inflation cost growth; ongoing «cost elimination» through digitalisation** ▪ **Digitalisation focus** to decrease «cost to serve»
Asset Quality	Proactive approach to ensure ongoing improvement	NPL Ratio **~-10 bps**	CoR **Slightly down**	▪ **Improvement in NPL ratio with slowdown in net new NPL inflows,** ▪ **Stock management through NPL sales to** continue depending on market conditions ▪ **Slightly decrease in CoR**
Fundamentals	Ample liquidity levels with solid capital ratios	LDR **110%-115%**	CAR[1] **> 15%** Previous: > 13%	▪ **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

YapıKredi

Notes:
All figures based on BRSA unconsolidated financials

Closing Remarks

YapıKredi 2020 - Targets

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

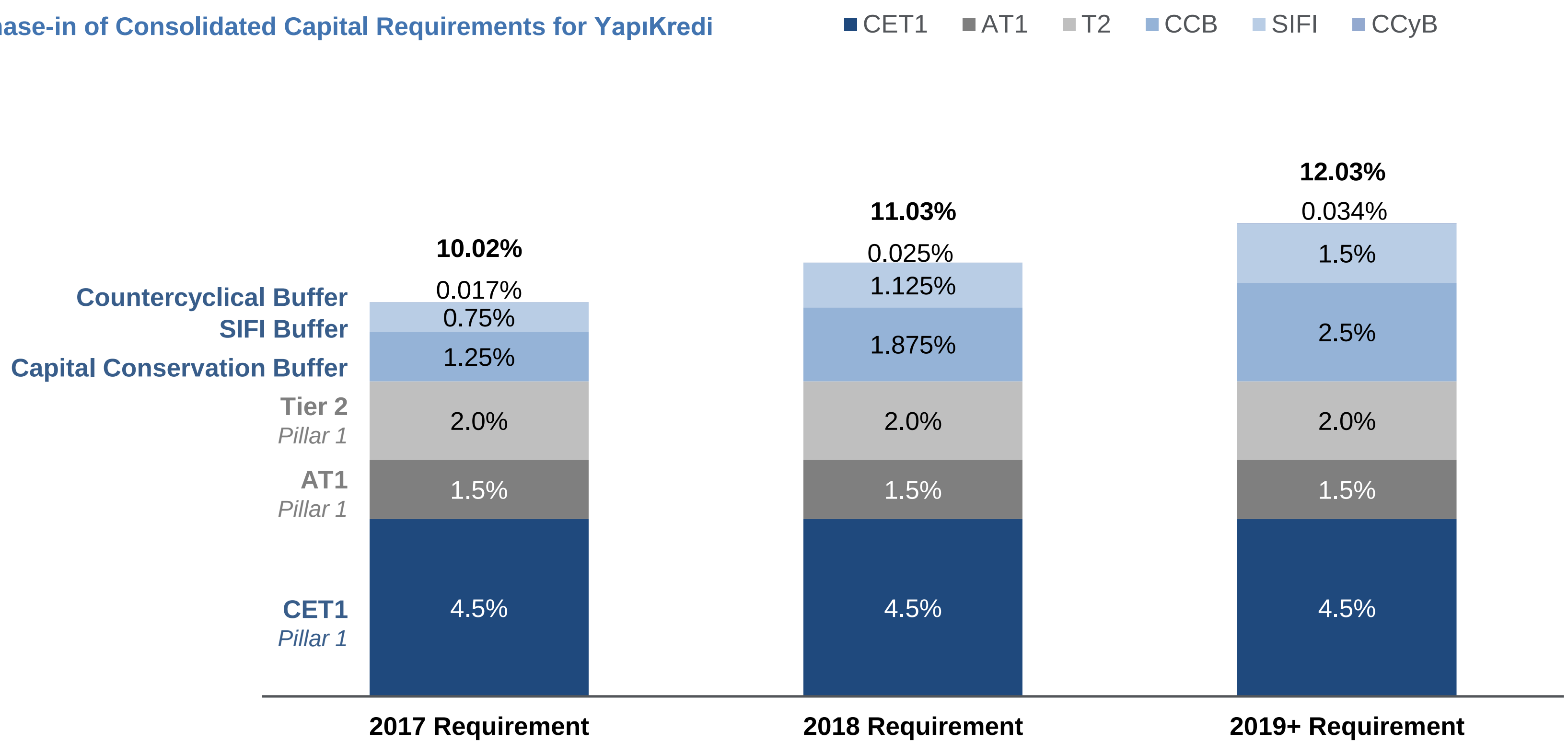
Notes:
All expected results are relying on current regulations and macro assumptions as presented in the Annex. Additionally these expected results assume US$ 1.0 bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5 bln AT1 (depending on regulatory approval and market conditions).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

Q&A

Annex

Consolidated regulatory capital requirements for YapıKredi

Phase-in of Consolidated Capital Requirements for YapıKredi



Consolidated Capital Requirements for YapıKredi

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

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

Macro environment and banking sector scenario

Macro Environment

	2017	2018E	2019E	2020E
GDP Growth (y/y)	7.4%	4.5%	4.0%	4.3%
CPI Inflation (y/y)	11.9%	9.5%	8.5%	8.0%
EUR/TL (eop)	4.52	5.25	5.69	6.15
USD/TL (eop)	3.77	4.25	4.61	4.98
Benchmark Bond Rate (eop)	13.4%	12.7%	9.6%	9.5%

Banking Sector

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

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