## Yapı Kredi 9M16 Investor Presentation

Significant profitability acceleration supporting improving fundamentals



#### **Macro Environment**

Macro environment impacted by local events and seasonality but supported by CBRT's accommodative approach

	4Q15	<b>2Q16</b>	<b>3Q16</b>
GDP Growth (y/y)	5.7%	3.1%	-
CPI Inflation (y/y)	8.8%	7.6%	7.3%
CAD/GDP	-4.5%	-4.1%	-4.5%
Budget Deficit/GDP	-1.2%	-1.1%	-1.0%
USD/TL (eop)	2.91	2.90	3.00
CBRT Upper Band	10.75%	9.00%	8.25%
CBRT Average CoF	8.7%	8.2%	7.7%

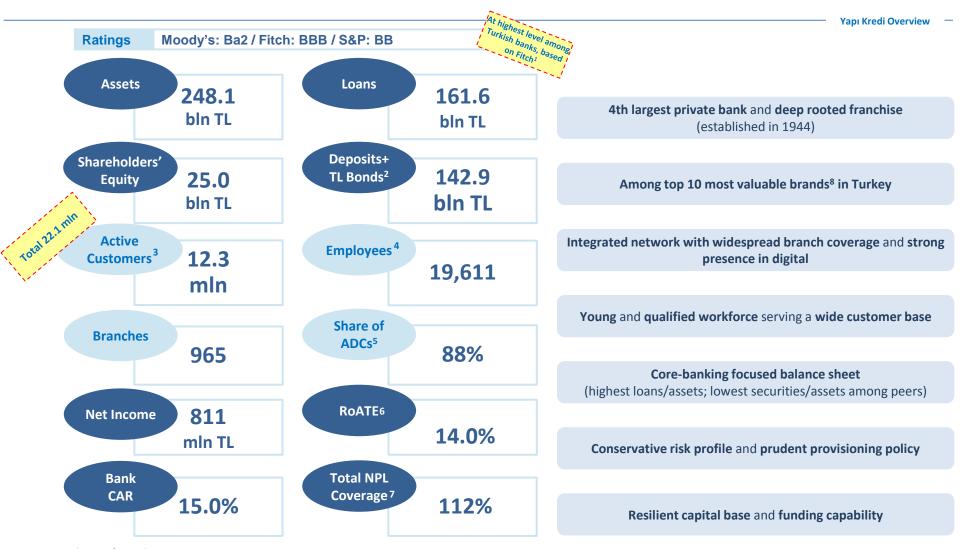
#### **Banking Sector**

Banking sector remaining resilient with improving CAR & ROATE. Growth ongoing, mainly driven by state banks

	4Q15	2Q16	<b>3Q16</b>
Loan Growth	1%	4%	3%
Private	1%	3%	2%
State	2%	5%	5%
Deposit Growth	-1%	3%	2%
NPL Ratio	2.9%	3.1%	3.3%
CAR	15.0%	15.3%	15.5%
ROATE	11.5%	14.9%	14.7%



### Yapı Kredi: A leading financial services group

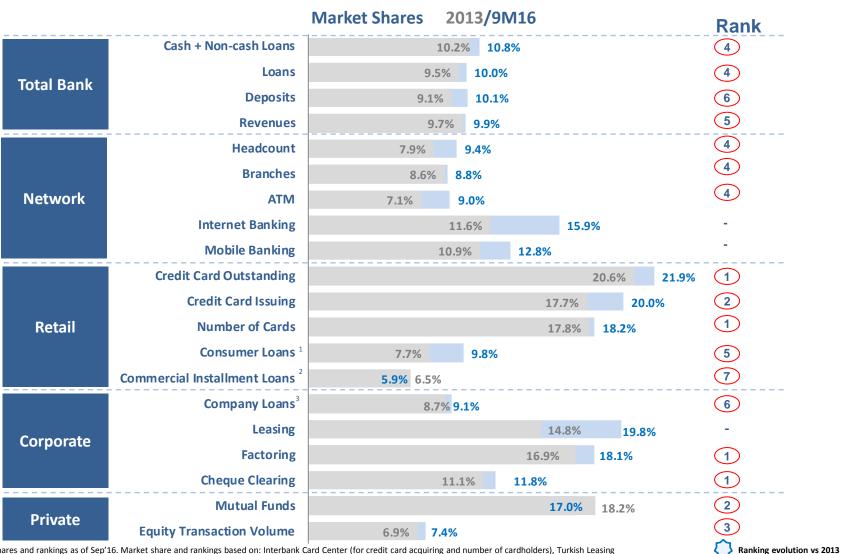


Note: Loans indicate performing loans

- (1) On 24 Jun'14, Fitch affirmed YKB's Long-Term Foreign Currency and Long-Term Local Currency ratings at "BBB" while downgrading private peers ratings to "BBB-" from "BBB"
- (2) Deposits: TL 138.6 bln, TL Bonds: TL 4.3 bln
- (3) Indicates customers with at least one product usage in the last 1.5 years
- (4) Group data. Bank-only: 18,545
- (5) Share of alternative delivery channels (ADCs) in total comparable transactions, includes other non-branch, COPS and auto-pay transactions
- RoATE indicates return on average tangible equity (excl goodwill)
- (7) Total NPL Coverage indicates (Specific+ Generic Provisions)/NPLs
- (8) Brand Finance Turkey 100 report 2016 ranks Yapı Kredi as number 9



### Leading positions in value generating services and products



Note: Market shares and rankings as of Sep'16. Market share and rankings based on: Interbank Card Center (for credit card acquiring and number of cardholders), Turkish Leasing Association (for leasing), Turkish Factoring Association (for factoring), Central Bank Cheque Clearing System (for cheque clearing) Rasyonet (for mutual funds), Borsa Istanbul (for equity transaction volume). If not specified, data based on BRSA bank-only data for YKB and BRSA weekly sector data excluding participation banks for banking sector as of 30 Sep'16

**Market Position** 

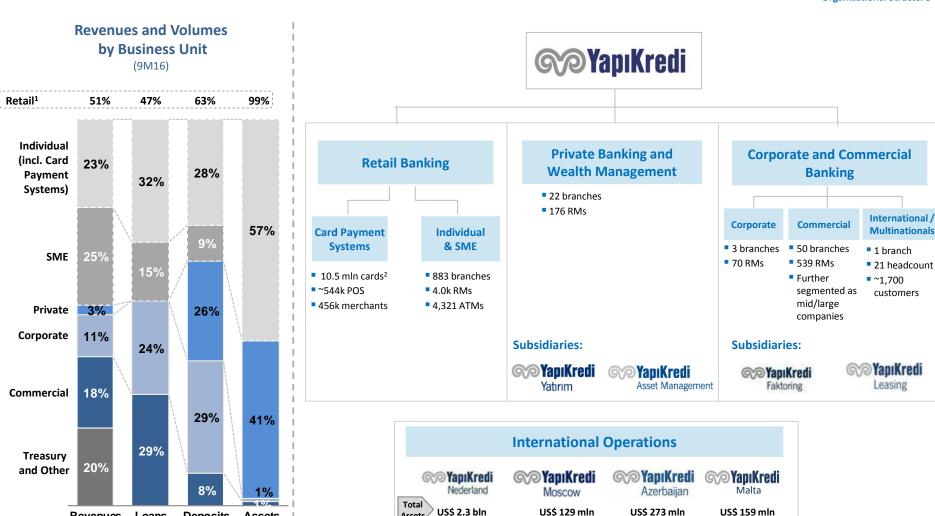
<sup>(1)</sup> Including mortgages, general purpose and auto loans

<sup>(2)</sup> Proxy for SME loans

<sup>(3)</sup> Cash loans excluding credit cards and consumer loans

## Well-diversified business mix on the back of a customer-oriented and divisionalised service model

Organizational Structure -



Source: Approximate numbers based on MIS reporting for company information. Asset size data of international operations based on 9M16 BRSA financials Branch numbers exclude 3 mobile. 1 free-zone. 1 abroad. 1 custody branches

Assets Under Management

Revenues

Loans

**Deposits** 



<sup>(1)</sup> Includes individual, SME and private

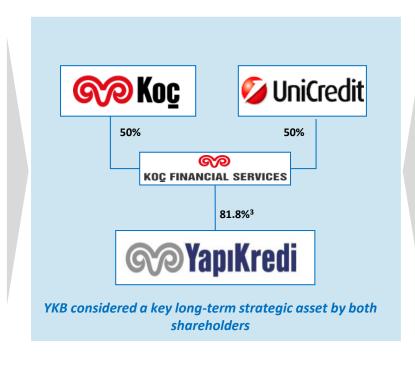
<sup>(2)</sup> Including 2.2 mln virtual cards

## Stable, long-term focused shareholding structure supporting YKB's balanced growth and sustainable performance

- Established in 1926, largest conglomerate in Turkey and ranks among the world's top 500 companies<sup>1</sup>
- Long-standing leadership in core sectors (automotive, finance, energy, consumer durables, food, retailing, tourism)
- 4 out of top 5 industrial enterprises in Turkey are part of the Koç Group<sup>2</sup>
- Best proxy to the Turkish market (total sales/GDP: 7%, total exports/Turkey's exports: 9%)
- Share of intragroup lending in total capital at 13.4% as of 9M16 (max regulatory limit 20%)

Total Assets (EUR bln)	25.0
Revenues (EUR mln)	15,211
Net Income (EUR mln)	738
Number of Employees	97,095

Ratings Moody's: Baa3 / S&P: BBB-



- Systemically important Italian financial institution in Europe with roots dating back to 1473
- Full service group engaged in a wide range of banking and related activities
- Extensive international presence with strong roots in 17 countries
- Leader in Austria, #2 in Italy, #3 in Germany. Turkey among top 4 long-term growth markets in CEE
- €2.3 bln funding to YKB as of 9M16 (o/w 60% for YKB subsidiaries)

Total Assets (EUR bin)	875
Revenues (EUR mln)	17,071
Net Income (EUR mln)	1,768
Number of Employees	>142,0004

Ratings Moody's: Baa1 / Fitch: BBB+ / S&P: BBB-

Note: Note: All information and figures regarding Koç and UniCredit based on publicly available 1H16 data

- (1) Fortune Global 500 2016 report, ranking based on an average annual growth rate of 11% in consolidated profit in US\$ terms between 2005-2015
- (2) Istanbul Chamber of Commerce ranking (2015 report), ranking based on production-based sales
- (3) Remaining 18.2% listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange
- (4) Data includes employees of Koç Financial Services calculated at 100%



trategy

## Profitability acceleration driven by core business

### **Maintained scale**

with continuing remix

## Strong revenue generation

via ongoing customer acquisition

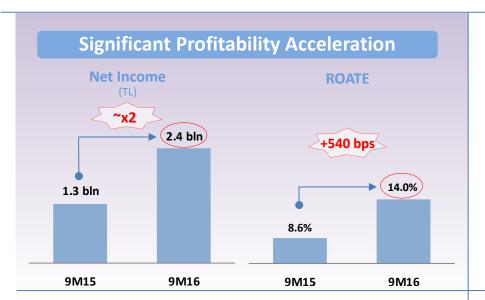
## **Disciplined cost control**

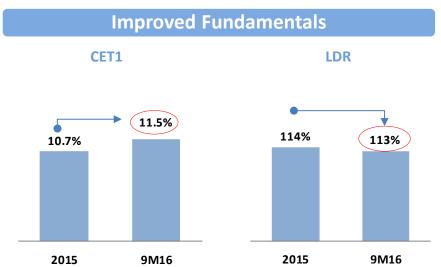
heavily leveraging digitalisation

**Controlled asset quality** 

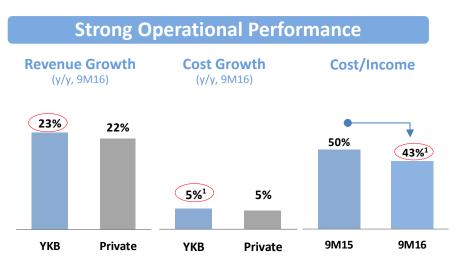


## 9M16: Continued acceleration in profitability with solid fundamentals





#### **Maintained Scale Loan Market Share Deposit Market Share** (16.0% (16.0%) (15.3%) (15.3%) 15.5% 14.9% 14.3% 13.8% 10.3% 10.2% 10.2% 9.1% 2013 2014 2015 9M16 2013 2014 2015 9M16



#### Notes:

Market shares based on BRSA weekly data; Private banks figures for P&L items based on BRSA monthly data as of Sep'16 CET1= Common Equity Tier-1; LDR= Loans / (Deposits + TL Bonds). CET1 and LDR based on BRSA unconsolidated financials ROATE indicates Return on Average Tangible Equity (excl. goodwill of TL 979 mln)

Among private banks



9M16 Summary

——Among total sector

## Ongoing selective volume growth with profitability focus

Volumes

#### Loans (TL bln)

Loan growth aligned with private banks ytd with ongoing remix towards value generating products;

Conservative approach on SME

				Private	
	YKB	YKB	YKB	Banks	Sector
	<b>3Q16</b>	3Q∆	ytd	ytd	ytd
Cash + Non-Cash Loans	224.8	1%	<b>7</b> %	6%	9%
Total Loans <sup>1</sup>	161.6	0%	6%	6%	9%
TL	101.3	-1%	4%	6%	8%
FC (\$)	20.1	-1%	7%	3%	7%
Consumer Loans	30.3	0%	3%	3%	5%
Credit Cards	21.8	5%	9%	5%	6%
Companies <sup>2</sup>	109.5	-1%	6%	<b>7</b> %	10%
Comm. Install.	11.3	-8%	-10%	3%	2%

#### **FC Company Lending Breakdown**

	Share	q/q	ytd
<b>Project Finance</b>	65%	4%	13%
LT Investments	29%	-8%	4%
ST Loans	6%	-13%	-19%

**Leadership position in cards maintained** based on outstanding volume and *Nilson report*<sup>4</sup>

#### Deposits (TL bln)

## Rebalancing towards more cost efficient small ticket TL deposits and repo funding

				Private	
	YKB	YKB	YKB	Banks	Sector
	3Q16	3Q∆	ytd	ytd	ytd
<b>Total Deposits</b>	138.6	1%	<b>7</b> %	7%	8%
TL	75.3	6%	12%	16%	15%
FC (\$)	21.1	-8%	-2%	-5%	-4%
Customer <sup>3</sup>	134.7	1%	8%	8%	8%
Demand	22.8	0%	12%	8%	10%
TL Bonds	4.3	12%	<b>2%</b>	0%	1%
Repos	9.6	11%	/ <b>-8%</b>	-6%	-2%
Borrowings	51.1	2%	5%	-3%	2%

Retail +29% Companies +2%

Notes

Balance sheet volumes for sector and private banks based on BRSA weekly data as of 30 Sep'16. FC-indexed loans included in TL loans (1) Loans indicate performing loans



<sup>(2)</sup> Total loans excluding consumer loans and credit cards and including commercial instalment loans (proxy for SME lending)

<sup>(3)</sup> Excluding bank deposits

<sup>(4)</sup> Nilson Report as of YE15 (#1 in Turkey and Europe (excl. UK); #7 in Europe

## Profitability acceleration driven by core business

Income Statement

#### **Income Statement Summary**

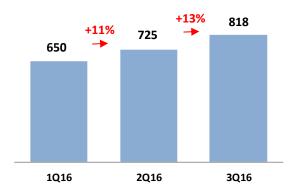
Strong core revenue growth coupled with disciplined cost approach allowing significant profitability increase. Net income +86% y/y to TL 2.4 bln

	Quarterly				
TL mln	3Q16	q/q	у/у		
Total Revenues	3,039	-1%	29%		
Core Revenues	2,895	9%	35%		
Operating Costs	1,352	2%	8%		
Operating Income	1,686	-4%	53%		
Provisions	658	-4%	1%		
Net Income	811	-4%	155%		
		+27	%		
ROATE	13.9%	excl Visa g			
ROA	1.3%				

	Cumulative	
9M15	9M16	у/у
7,326	9,014	23%
6,418	8,191	28% 5% excl. Customs &
3,661	3,940	8% Trade fine
3,665	5,074	38%
1,953	2,067	6% 50 mln TL free provisions in
1,274	2,363	3Q, no generic provision release
		,
8.6%	14.0%	

#### **Quarterly Recurring Net Income** (TL mln)

Consistent quarterly improvement in recurring net income



**<b>OYapıKredi** 



Core revenues= Net Interest Income - Swap Costs + Fees

0.7%

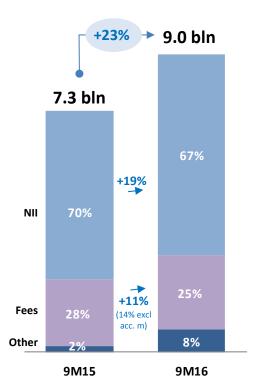
1.3%

## Strong revenue growth driven by 28% core revenue growth

#### Revenue Breakdown (TL)

Core revenues driving strong performance

Core revenues 6.4 bln +28% 8.2 bln



Strong improvement in swap adjusted NIM supported by both loan-deposit spread expansion and CPI-linkers<sup>1</sup>

2.6% Cumulative Quarterly **2Q16** 3Q16 9M15 9M16 3.2% 3.7% 3.2% 3.4% **Fees Received Composition** 

3.6%

+67bps

**Card Payment** 

Systems

3.3%

Double digit fee growth continuing mainly driven by cards; 14% y/y fee growth excluding account maintenance fee impact

Bancassurance Other<sup>2</sup> **Asset Mngmt** Related

Swap Adjusted NIM (bank-only)

3.1%

+51bps

Relatively stable other income y/y; trading line supported by ongoing positive trend in swap costs

#### Other Breakdown

mln TL	<b>2Q16</b>	3Q16	9M15	9M16
Other Income	334	66	565	542
Trading & FX (net)	52	51	-386	151
Swap Costs	-34	-27	-723	-124

NIM= Net Interest Income/Average Interest Earning Assets (bank-only). NIM excludes effect of reclassification between interest income and other provisions related to amortisation of issue premium on securities (as per BRSA). Reported quarterly NIM figures: 2Q16: 3.3%, 3Q16: 3.7%; 9M15: 3.3%; 9M16: 3.5%

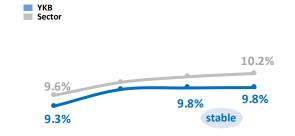
(1) CPI-linker gain 287 mln TL in 3Q16 vs 137 mln TL in 2Q16

(2) Other includes account maintenance, money transfers, equity trading, campaigns and product bundles etc.



#### Loan Yields (Quarterly)

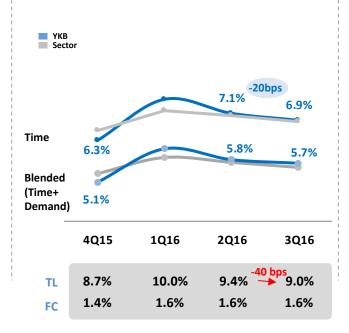
Loan yields stable for the past 2 quarters thanks to effective pricing capability



	4Q15	1Q16	2Q16	3Q16
TL	11.9%	12.3%	12.3%	12.3%
FC	4.6%	5.0%	5.3%	5.4%

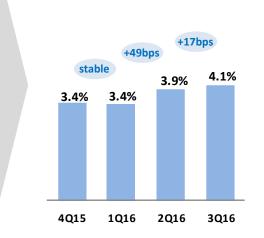
## Deposit Costs (Quarterly)

TL deposit costs coming down supported by declining rate environment and remix towards small ticket retail deposits



#### Swap Adjusted Loan-Deposit Spread (Quarterly)

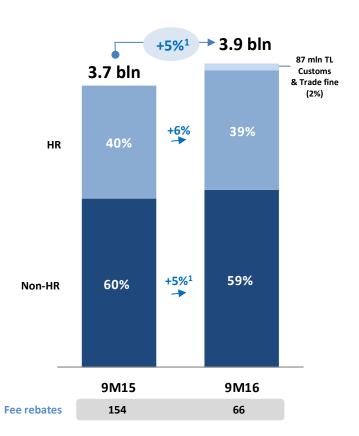
Sequential improvement in loan-deposit spread





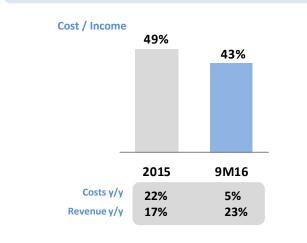
#### Cost Breakdown (TL)

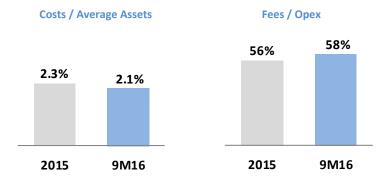
**Cost growth** supported by disciplined approach and decelerating fee rebates



#### Cost KPIs<sup>1</sup>

#### Rapid improvement in all cost KPIs







## Rapid pickup of digital allowing effective network optimisation

## Holistic network approach with increasing focus on digital

Digital: 56x lower cost to serve

Significantly higher market share in digital vs physical network

88%

of transactions via non-branch channels

36%

of GPLs sold digitally

16%

digital customer market share<sup>1</sup>

~9%

market share in branches, HC and ATMs

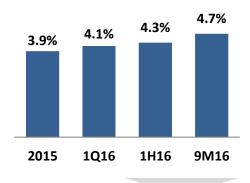
# Asset quality picture impacted by stable volumes; NPL volume growth aligned with sectoral trends

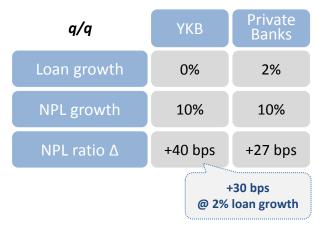
Asset Quality -

#### **NPL Ratio**

NPL ratio increasing due to a combination of operating environment and stable loan volume.

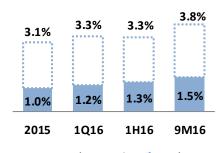
NPL volume growth aligned with private banks





#### Watch + Restructured Loans

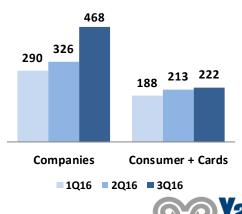
Proactive approach leading to increase, mainly **driven by companies** 



Restructured Loan Ratio Watch Loan Ratio

#### Net NPL Inflows (TL mln)

#### Resilient performance in **consumer + cards**

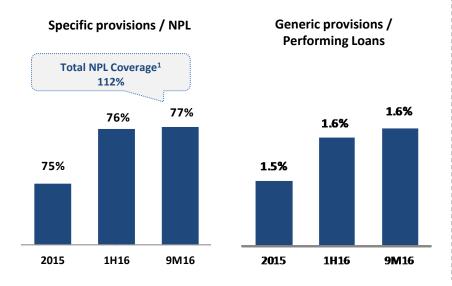


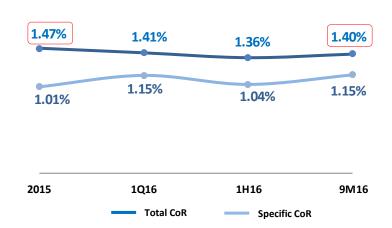
#### **NPL Coverage**

**Specific and generic coverage increasing** since 2015. Generic provisioning level indicating significant buffer vs regulation

Cost of Risk<sup>2</sup> (Cumulative, net of collections)

Total cost of risk up slightly q/q due to macroeconomic backdrop but still down -7 bps ytd

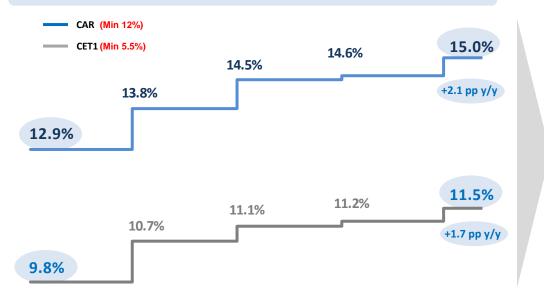






#### Capital Ratios (Bank)





	9M15	9M16
ROATE	8.6%	14.0%
RWA Growth (ytd)	27%	4%

	9M15	2015	1Q16	1H16	9M16
<u> </u>	<u>Consolidated</u>				
CAR	12.1%	12.9%	13.5%	13.6%	13.9%
CET1	9.2%	10.0%	10.2%	10.3%	10.6%

(2016: 60%, 2017: 80%, 2018: 100%)

# Overall 2016 performance above expectations with a slightly different mix, reflecting more subdued macro environment

Guidance

**Trend** 

Macro									
Old New									
GDP Growth (y/y)	~3.5%	~3%							
CPI Inflation (y/y)	7/8%	~8%							
USD/TL (eop)	3.10	3.10							

Volumes	In line with sector	Aligned with private banks with some pickup expected in 4Q
Revenues	NIM flattish Fee growth low-teens	Confirmed with regulatory pressure on fee growth offset by better other income
Costs	In-line with inflation	Confirmed
Asset Quality	NPL Ratio +30/40 bps CoR -20 bps	CoR slightly above expectations yet still below 2015 level; aligned with sectoral trends
Fundamentals	LDR flattish CAR ~14%	Better trend via stronger profitability and contained loan growth

YKB 2016 Guidance

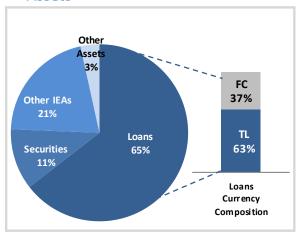


Annex

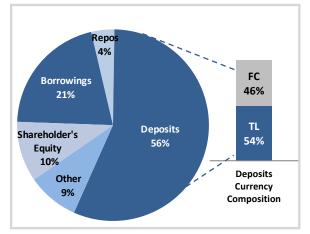
### **Consolidated Balance Sheet**

TL bl n	YE14	1Q15	1H15	9M15	YE15	1Q16	1H16	9M16	ytd	у/у
Total Assets	195.0	215.5	223.8	247.8	235.3	237.9	245.8	248.1	5%	0%
Loans	125.5	135.5	142.8	153.7	152.5	154.6	161.3	161.6	6%	5%
TL Loans	83.7	89.3	93.8	97.1	97.7	99.0	102.5	101.3	4%	4%
FC Loans (\$)	18.1	17.7	18.2	18.6	18.8	19.6	20.3	20.1	7%	8%
Securities	25.4	29.9	30.5	33.4	31.7	30.1	30.4	27.9	-12%	-16%
TL Securities	18.3	22.5	22.9	23.8	22.1	20.5	20.9	19.1	-14%	-20%
FC Securities (\$)	3.1	2.8	2.8	3.1	3.3	3.4	3.3	2.9	-11%	-6%
Deposits	107.6	119.7	126.1	136.3	130.0	136.6	137.7	138.6	7%	2%
TL Deposits	62.9	64.5	62.7	65.4	67.2	70.4	71.3	75.3	12%	15%
FC Deposits (\$)	19.3	21.2	23.5	23.3	21.6	23.3	22.9	21.1	-2%	-9%
Borrowings	41.5	46.7	45.8	52.8	48.7	49.7	49.9	51.1	5%	-3%
TL Borrowings	5.4	5.6	5.5	4.9	5.5	5.3	4.8	5.0	-8%	4%
FC Borrowings (\$)	15.6	15.7	15.0	15.7	14.9	15.7	15.6	15.4	3%	-2%
Shareholders' Equity	20.2	21.0	22.1	22.0	23.1	23.7	24.3	25.0	8%	14%
Assets Under Management	12.5	13.0	13.4	13.6	13.8	14.4	14.8	15.4	12%	13%
Loans/Assets	64%	63%	64%	62%	65%	65%	66%	65%		
Securities/Assets	13%	14%	14%	13%	13%	13%	12%	11%		
Borrowings/Liabilities	21%	22%	20%	21%	21%	21%	20%	21%		
Loans/(Deposits+TL Bonds) (solo)	112%	108%	110%	109%	114%	109%	114%	113%		
CAR - solo	15.0%	14.3%	14.0%	12.9%	13.8%	14.5%	14.6%	15.0%		
Common Equity Tier-I - solo	11.6%	10.8%	10.9%	9.8%	10.7%	11.1%	11.2%	11.5%		
Leverage Ratio	8.6x	9.2x	9.1x	10.3x	9.2x	9.0x	9.1x	8.9x		

#### **Assets**



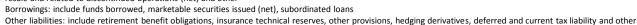
#### Liabilities



Note: Loans indicate performing loans

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

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





## Volume growth evolution

			Private			Private			Private			Private			Private		
		YKB	Banks	Sector	Market												
TL bln	9M16	3Q15 Δ	3Q15 Δ	3Q15 ∆	4Q15 Δ	4Q15 Δ	4Q15 Δ	1Q16 Δ	1Q16 Δ	1Q16 Δ	2Q16 Δ	2Q16 Δ	2Q16 Δ	3Q16 Δ	3Q16 Δ	3Q16 Δ	Share
Cash + Non-cash loans	224.8	9%	6%	7%	-3%	-1%	0%	1%	1%	1%	5%	4%	4%	1%	2%	3%	10.9%
Total Loans <sup>1</sup>	161.6	8%	5%	6%	-1%	1%	1%	1%	1%	1%	4%	3%	4%	0%	2%	3%	10.0%
TL	101.3	4%	1%	2%	1%	2%	3%	1%	1%	2%	4%	4%	4%	-1%	1%	2%	9.7%
FC (\$)	20.1	2%	-1%	1%	1%	2%	2%	4%	3%	3%	3%	0%	1%	-1%	-1%	2%	10.8%
Consumer Loans	30.3	6%	1%	1%	2%	0%	1%	1%	0%	1%	3%	2%	2%	0%	1%	2%	9.8%
Mortgages	12.1	3%	3%	3%	-2%	1%	2%	-2%	1%	2%	2%	3%	3%	-2%	0%	3%	8.4%
General Purpose	17.9	9%	0%	0%	5%	0%	0%	3%	0%	0%	3%	1%	1%	1%	1%	1%	11.2%
Credit Cards	21.8	4%	4%	4%	3%	3%	4%	-1%	-1%	-1%	6%	4%	4%	5%	3%	3%	21.9%
Companies <sup>2</sup>	109.5	9%	6%	8%	-2%	1%	1%	2%	1%	2%	4%	4%	4%	-1%	2%	4%	9.1%
TL	49.2	2%	1%	2%	-1%	4%	4%	3%	2%	2%	3%	5%	5%	-4%	1%	2%	7.6%
FC (\$)	20.1	2%	-1%	1%	1%	2%	2%	4%	3%	3%	3%	0%	1%	-1%	-1%	2%	10.8%
Comm. Install.	11.3	1%	3%	4%	4%	2%	0%	0%	3%	0%	-3%	1%	2%	-8%	-1%	0%	5.9%
Total Deposits	138.6	8%	6%	6%	-5%	-2%	-1%	5%	3%	3%	1%	3%	3%	1%	1%	2%	10.1%
TL	75.3	4%	2%	3%	3%	5%	4%	5%	2%	3%	1%	6%	5%	6%	7%	7%	9.7%
FC (\$)	21.1	-1%	-3%	-2%	-7%	-4%	-2%	8%	6%	6%	-2%	-2%	-2%	-8%	-9%	-7%	10.7%
Customer	134.7	8%	6%	6%	-6%	-1%	-1%	5%	3%	3%	2%	3%	3%	1%	2%	2%	10.5%
Demand	22.8	12%	1%	1%	-17%	5%	4%	12%	2%	3%	1%	4%	5%	0%	2%	2%	8.6%
TL Bonds	4.3	5%	1%	2%	9%	-6%	-2%	6%	5%	2%	-14%	-3%	0%	12%	-5%	-2%	15.3%
Repos	9.6	58%	12%	9%	-2%	1%	2%	-31%	-4%	-1%	20%	-7%	-1%	11%	6%	0%	6.3%
Borrowings	51.1	15%	9%	10%	-8%	-4%	-4%	2%	-3%	-1%	0%	3%	2%	2%	0%	2%	

Note: Balance sheet 3Q volumes for sector and private banks based on BRSA weekly data as of 30 Sep'16. FC-indexed loans included in TL loans Market share information as of 9M16



<sup>(1)</sup> Total performing loans

<sup>(2)</sup> Total loans excluding consumer loans and credit cards

## **Consolidated Income Statement**

				Qua	rterly					Cumulativ	/e
	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	q/q	9M15	9M16	у/у
Total Revenues	2,409	2,565	2,352	2,938	2,898	3,077	3,039	-1%	7,326	9,014	23%
Net Interest Income	1,518	1,838	1,763	2,059	1,952	1,911	2,217	16%	5,119	6,079	19%
o/w CPI-linkers	97	266	70	295	313	137	287	109%	432	737	70%
Fees & Commissions	632	688	703	819	752	778	706	-9%	2,022	2,236	11%
Other Revenues	260	39	-114	60	194	388	116	-70%	184	699	279%
Other income	276	169	120	113	142	334	66	-80%	565	542	-4%
o/w collections	59	41	22	26	44	50	9	-82%	122	103	-15%
o/w pension fund reversal	0	44	0	<i>37</i>	0	0	0	-	44	0	-
o/w NPL sale	0	0	0	0	0	0	0	-	0	0	-
o/w others	217	84	98	50	98	284	58	-80%	399	441	10%
Trading	-18	-134	-234	-53	48	52	51	-3%	-386	151	-139%
o/w swap costs	-160	-245	-318	-189	-62	-34	-27	-21%	-723	-124	-83%
Dividend	3	3	0	0	3	3	0	-	6	6	-
Operating Costs	1,184	1,228	1,249	1,416	1,264	1,324	1,352	2%	3,661	3,940	8%
o/w fee rebates	50	50	63	43	35	22	9	-57%	163	66	-59%
Operating Income	1,225	1,336	1,103	1,521	1,634	1,753	1,686	-4%	3,665	5,074	38%
Provisions	571	731	650	697	723	686	658	-4%	1,953	2,067	6%
Specific Provisions	394	403	416	543	507	465	598	29%	1,213	1,570	29%
Generic Provisions	144	235	243	97	120	158	46	-71%	622	323	-48%
Other Provisions	33	93	-9	57	96	63	14	-78%	117	173	48%
Pre-tax Income	655	605	453	825	911	1,067	1,028	-4%	1,712	3,007	76%
Tax	154	150	135	190	207	219	218	-1%	439	644	47%
Net Income	501	455	318	635	704	848	811	-4%	1,274	2,363	86%
ROE	10.3%	8.9%	6.1%	12.0%	12.8%	15.0%	13.9%		8.5%	14.0%	
Cost/Income	49%	48%	53%	48%	44%	43%	45%		50%	44%	
CoR Tax Rate	1.36% 24%	1.61% 25%	1.60% 30%	1.55% 23%	1.41% 23%	1.36% 21%	1.50% 21%		1.47% 26%	1.40% 21%	

**YapıKredi** 

## **Bank-Only Income Statement**

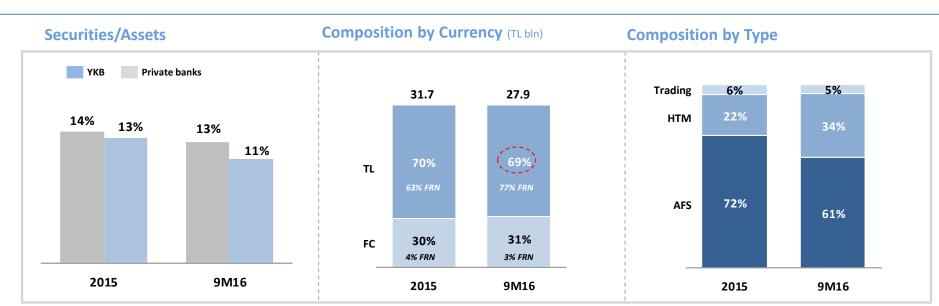
	Quarterly									Cumulative			
	1015	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	q/q	9M15	umulativ 9M16	y/y		
Total Revenues	2,300	2,394	2,231	2,796	2,785	2,970	2,933	-1%	6,924	8,688	25%		
Net Interest Income	1,423	1,778	1,677	1,965	1,821	1,772	2,065	17%	4,877	5,659	16%		
o/w CPI-linkers	97	266	70	295	313	137	287	109%	432	737	70%		
Fees & Commissions	593	651	667	777	716	744	671	-10%	1,911	2,130	11%		
Other Revenues	284	-35	-112	54	248	454	197	-57%	137	899	555%		
Other income	351	231	201	192	233	426	167	-61%	784	826	5%		
o/w collections	59	41	22	26	44	50	9	-82%	122	103	-15%		
o/w pension fund reversal	0	44	0	37	0	0	0	-	44	0	-		
o/w NPL sale	0	0	0	0	0	0	0	-	0	0	-		
o/w profit/(loss) of associates& jv.s accounted for using equity method	90	87	101	90	108	113	128	13%	278	348	25%		
o/w others	202	59	79	40	81	263	31	-88%	340	375	10%		
Trading	-69	-267	-314	-139	15	28	30	9%	-649	73	-		
o/w swap costs	-198	-320	-380	-256	-94	-52	-33	38%	-898	-179	-80%		
Dividend	2	1	0	0	0	0	0	-	3	0	-		
Operating Costs	1,116	1,166	1,183	1,345	1,199	1,258	1,310	4%	3,466	3,768	9%		
o/w fee rebates	50	50	63	43	35	22	9	-57%	163	57	-65%		
Operating Income	1,184	1,228	1,048	1,451	1,586	1,712	1,623	-5%	3,459	4,920	42%		
Provisions	550	695	621	655	698	670	626	-7%	1,867	1,994	7%		
Specific Provisions	381	378	398	506	489	452	573	27%	1,157	1,514	31%		
Generic Provisions	138	225	232	93	115	155	40	-74%	595	310	-48%		
Other Provisions	32	92	-10	56	94	63	13	-80%	114	170	49%		
Pre-tax Income	634	532	427	797	887	1,042	997	-4%	1,593	2,926	84%		
Tax	133	125	109	162	183	194	186	-4%	367	563	53%		
Net Income	501	407	318	635	704	848	811	-4%	1,226	2,363	93%		
ROE	10.3%	8.0%	6.1%	12.0%	12.8%	15.0%	13.9%		8.2%	14.0%			
Cost/Income	49%	49%	53%	48%	43%	42%	45%		50%	43%			
CoR	1.36%	1.57%	1.58%	1.49%	1.40%	1.37%	1.48%		1.41%	1.39%			
Tax Rate	21%	23%	26%	20%	21%	19%	19%		23%	19%	(		

## Net Income excl. non-recurring items

	1Q16	2Q16	3Q16	q/q
Net Income	704	848	811	-4%
Visa Income	0	-210	0	
CPI linker income adjustment	-54	87	-33	
Free provisions	0	0	40	
Recurring Net Income	650	725	818	13%



#### **Securities**



- Securities / assets at 11% impacted by redemptions. CPI-linker volume at 8.5 bln TL (+3% qtd) with gain of TL 287 mln in 3Q16 (vs TL 137 mln in 2Q16)
- M-t-m unrealised loss at TL 85 mln in 3Q (vs gain of TL 52 mln in 2Q) supported by proactive transfer of some securities from AFS to HTM

#### **Security Yields**

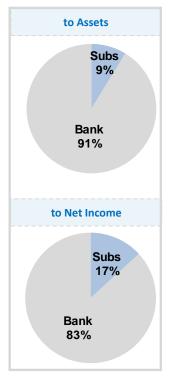




## **Subsidiaries**

		Revenues (mln TL)	Revenues (y/y growth)	RoE	Sector Positioning
	YK Leasing	258	25%	15%	#1 in total transaction volume (14.6% market share)
Domestic Subs	YK Factoring	70	14%	19%	#1 in total factoring volume (18.5% market share)
Domest	YK Invest	82	-27%	16%	#3 in equity transaction volume (7.4% market share)
	YK Asset Management	42	6%	104%	#2 in mutual funds (17.0% market share)
<b>6</b>	YK Azerbaijan	23 mln US\$	-18%	-2%	US\$ 273 mln total assets
International Subs	YK Moscow	8 mln US\$	-8%	8%	US\$ 129 mln total assets
nternati	YK Nederland	32 mln US\$	25%	9%	US\$ 2.3 bln total assets
_	YK Malta	1 mln US\$	150%	-1%	US\$ 159 mln total assets

## Contribution of Subsidiaries<sup>1</sup>





## **Borrowings: 21% of total liabilities**

International

Syndications	<ul> <li>US\$ 2.6 bln outstanding</li> <li>May'16: US\$ 381 mln &amp; € 959.1 mln, Libor/Euribor+0.85% and 0.75% p.a. all-in cost for 367 days, respectively. 48 banks from 15 countries</li> <li>Oct'16: US\$ 233.5 mln and € 817.3 mln, Libor+1.10% /Euribor+ 1.00% p.a. all-in cost, 367 days. Participation of 33 banks from 14 countries</li> </ul>
Securitisations	<ul> <li>US\$ 1.9 bln outstanding (all unwrapped)</li> <li>Sep'11: € 75 mln, 12 years (outstanding: ~€ 52.5 mn)</li> <li>Jul'13: US\$ 355 mln and €115 mln, 5-13 years (outstanding: ~US\$ 258 mn and € 67.1 mn)</li> <li>Oct'14: US\$ 550 mln, 20 years (outstanding: ~US\$ 550 mln)</li> <li>Mar'15: US\$ 100 mln, 5 years &amp; US\$ 316 mln, 10 years (outstanding: US\$ 416 mln)</li> <li>Jul'15: US\$ 575 mln, 5-12 years (outstanding: US\$ 575 mln)</li> </ul>
Subordinated Loans	<ul> <li>~US\$ 2.6 bln outstanding</li> <li>Dec'12: US\$ 1.0 bln 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\$ 470 mln, 10NC5, 6.55% – Basel III Compliant (midswap+4.88% after the first 5 years)</li> <li>Mar'16: US\$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)</li> </ul>
Foreign Currency Bonds / Bills	US\$ 2.0 bin Eurobonds  Feb'12: US\$ 500 mln, 6.75% (coupon rate), 5 years  Jan'13: US\$ 500 mln, 4.00% (coupon rate), 7 years  Dec'13: US\$ 500 mln, 5.25% (coupon rate), 5 years  Oct'14: US\$ 550 mln, 5.125% (coupon rate), 5 years
<b>Covered Bond</b>	TL 458 mln first tranche (outstanding ~ TL 285,9 mn)  Nov'12: SME-backed with maturity between 3-5 years; highest Moody's rating (A3) for Turkish bonds
Multilateral Loans	~US\$ 586.6 mln outstanding  ■ EFIL Loan - 2008/2011: US\$ 34 mln and € 13 mln (outstanding: ~US\$ 8.5mln and € 3.3mln)  ■ EIB Loan - 2008/2012: US\$ 102.4 mln and € 300 mln and TL 187 mln, 5-15 years (outstanding: ~US\$ 102.4 mln, € 191.6 mln and TL 54.3 mln)  ■ EBRD Loan - 2011/2013: US\$ 55 mln 5 years (outstanding: ~US\$ 33.8 mn)  ■ CEB Loan - 2011/2014: US\$ 39 mln and € 100 mln (outstanding: ~US\$ 33.9 mln and € 70.3 mln)
Local Currency Bonds / Bills	TL 1.5 bln total (original public offering amount)  Sep'15: TL 170 mln, 12.12% compund rate, 392 days maturity  Nov'15: TL 116 mln, 10.97% compund rate, 392 days maturity  Apr'16: TL 290 mln, 10.45% compund rate, 179 days maturity  May'16: TL 262 mln, 10.08% compound rate, 179 days maturity  Jun'16: TL 332 mln, 9.66% compound rate, 177 days maturity  Aug'16: TL 278 mln, 9.02% compound rate, 177 days maturity





#### **Financial Highlights**

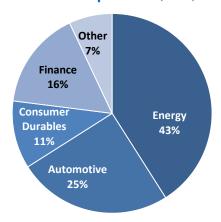
(in EUR, 9M16)

#### (EUR)

Total Assets (bln)	25.0
Revenues (mln)	15,211
Net Income (mln)	738

Number of Employees	97,095
Market Capitalisation (bln)	9.2

#### **Revenue Composition** (9M16)



- Established in 1926, Turkey's largest industrial and services group in terms of turnover and exports
- 419<sup>th</sup> largest company in the world<sup>1</sup>
- Leading positions with strong competitive advantages in energy, automotive, consumer durables, finance, food, retailing and tourism sectors



#### Market Positions<sup>2</sup>

- Sole petroleum refiner in Turkey
- #1 in **LPG distribution** (29% market share)
- #2 in petroleum products distribution (18% market share)
- #1 in total automotive (24% market share)
- #3 in passenger cars (14% market share)
- #1 in commercial vehicles (51% market share)
- #1 in white goods (50% market share) (refrigerators, washing machines, ovens, air conditioners)
- #4 in total banking assets among private banks
- #1 in leasing; #1 in factoring and #2 mutual funds





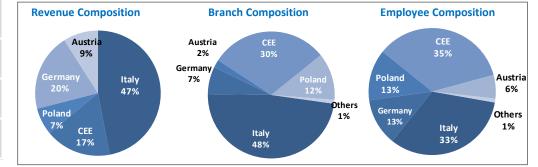
#### **Financial Highlights**

(in EUR, 9M16)

Total Assets (bln)	875
Loans (bln)	481
Deposits and Debt Securities Issued (bln)	590
Revenues (mln)	17,071
Net Income (mln)	1,768
No. of Branches	7,557
No. of Employees	>142,000
CET1 - Fully Loaded	10.82%
Capital Adequacy Ratio	14.50%
Market Capitalisation (bln)	13.6

- Roots dating back to 1473. Created through the merger of 9 of Italy's largest banks and the subsequent combination with the German HVB Group and the Italian Capitalia Group
- A major international financial institution based in Italy with banking operations in 17 countries and international network spanning over 40 countries
  - Leader in Austria with 14.4% market share
  - #2 in Italy with 12.8% market share
  - #3 in Germany with 2.5% market share
- Largest international banking network in the CEE region with more than 4 thousand branches and outlets
  - Leader in Bosnia, Bulgaria and Croatia
  - In the Top 5 in Serbia, Slovakia, Turkey, Czech Rep., Poland
  - In the Top 10 in Romania, Baltics, Russia,
     Slovenia, Hungary and Ukraine

- Azerbaijan Romania
- Bosnia-H. Russia
- BulgariaCroatiaSlovakiaSlovenia
- Croatia
   Czech Republic
   Serbia
- Hungary
  - Hungary Turkey
  - Poland Ukraine



Source: Unicredit Group investor relations website, presentations and publicly available financials



<sup>(1)</sup> Includes branches of Koç Financial Services calculated at 100% (1,004 branches)

<sup>(2)</sup> Includes employees of Koç Financial Services calculated at 100% (19,611 employee)

<sup>(3)</sup> Market capitalisation as of 10 Nov'16, calculated as share price \* paid-in capital. Free float: ~%80

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

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## urke

- Europe's 8<sup>th</sup> largest economy<sup>1</sup> and a member of G20
- Young, dynamic, large and growing population
- Sovereign ratings of Ba1/BB/BBB- by Moody's/ S&P/Fitch. First investment grade achieved in Nov'12 (Fitch)

	TR 2015	EU 2015
Population (mln)	79	508
Median Age	30	43
Population Growth (CAGR 2000-2015)	1.4%	0.4%
GDP (€ bln)	646	14,625
World Ranking	18	-
Per Capita GDP (€)	8,199	28,767
World Ranking	65 <sup>1</sup>	-

## Macro

- Converging economy with solid growth potential
- Focus on achieving balanced growth driven by both consumption and net exports
- Strong fiscal discipline with low public debt/GDP
- Improving CAD/GDP due to lower oil prices and domestic demand

	2011	2012	2013	2014	2015
GDP Growth	8.8%	2.2%	4.2%	3.0%	4.0%
Inflation (eop)	10.4%	6.2%	7.4%	8.2%	8.8%
Benchmark Rate (eop)	10.4%	5.9%	9.4%	8.1%	10.9%
Unemployment	9.1%	8.4%	9.0%	9.9%	10.3%
Policy Rate	5.8%	5.5%	4.5%	8.3%	7.5%
CAD/GDP	9.9%	6.1%	7.9%	5.5%	4.5%
o/w energy	6.1%	6.6%	6.0%	6.0%	4.6%
Public Debt/GDP	40%	38%	37%	35%	32%
Private Debt/GDP	80%	82%	100%	105%	115%
Budget deficit/GDP	-1.3%	-2.0%	-1.2%	-1.3%	-1.2%

Source: Turkstat, Eurostat (for population, median age, population growth, GDP, per capita GDP, unemployment), IMF (for world ranking), CBRT (inflation), Bloomberg (benchmark), Turkstat and CBRT (for CAD/GDP), Treasury and Turkstat (private debt/GDP)

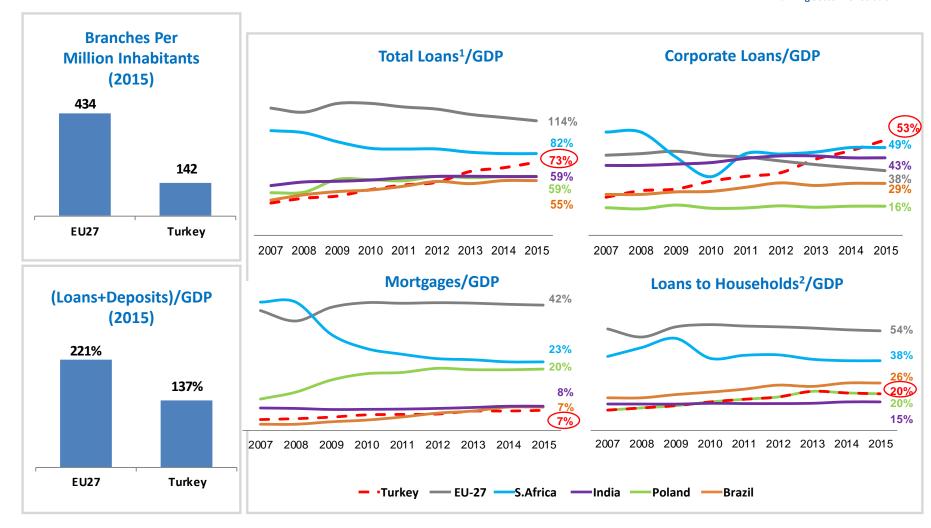
Notes: EU indicates EU27 countries (source: population and macro data based on Turkish Statistical Institute)

Based on Turkish Statistical Institute and IMF World Economic Outlook



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

**Banking Sector Penetration** 



Source: European Central Bank, BRSA, CBRT, Turkstat, ML database for India, Brazil, S.Africa Note: Loan data for all countries based on 2015 actual figures



<sup>(1)</sup> Excluding lending to credit institutions

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

# 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 qualified workforce
- Healthy profitability albeit impacted by regulation and competition
- Sound asset quality, liquidity and capitalisation

**Developments** 

- Regulatory pressure related to:
  - fees (account maintenance fees)
  - costs (fee rebates)
  - capital (alignment to IRB as of 2017)
  - provisioning (IFRS9 analysis ongoing)

Challenges

- Interest rate and currency volatility
- Pricing competition and maturity of funding sources
- Asset quality

	Danking Sector					
	Banking Sector					
	2007	2012	2013	2014	2015	9M16
Banks #	46	46	48	48	48	48
Branches #	7,618	10,234	11,023	11,223	11,193	10,985
Loan Growth	30%	15%	33%	18%	21%	9%
Deposit Growth	27%	11%	24%	10%	19%	28%
Loans/GDP 1	32%	53%	64%	67%	73%	76%
Deposits/GDP <sup>1</sup>	42%	54%	61%	60%	64%	66%
Loans/Assets	48%	58%	61%	62%	64%	64%
Deposits/Assets	62%	59%	58%	56%	56%	56%
NIM	5.0%	4.2%	3.8%	3.6%	3.6%	3.8%
NPL Ratio	3.5%	2.8%	2.6%	2.8%	2.9%	3.3%
Specific Coverage	88%	75%	77%	75%	76%	77%
CAR <sup>2</sup>	17.4%	17.3%	14.6%	15.7%	15.0%	15.5%
Tier 1 Ratio	15.5%	14.2%	12.2%	13.1%	12.5%	13.1%
ROAE	24.6%	15.8%	13.3%	12.8%	11.5%	14.7%
ROAA	2.6%	1.7%	1.4%	1.3%	1.1%	1.6%

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

Minimum total CAR at 8% (threshold for opening branches minimum 12% CAR), T1 at 6%, core T1 at 4.5% Leverage regulation effective as of Jan'14; yet the minimum of 3% applicable as of Jan'15

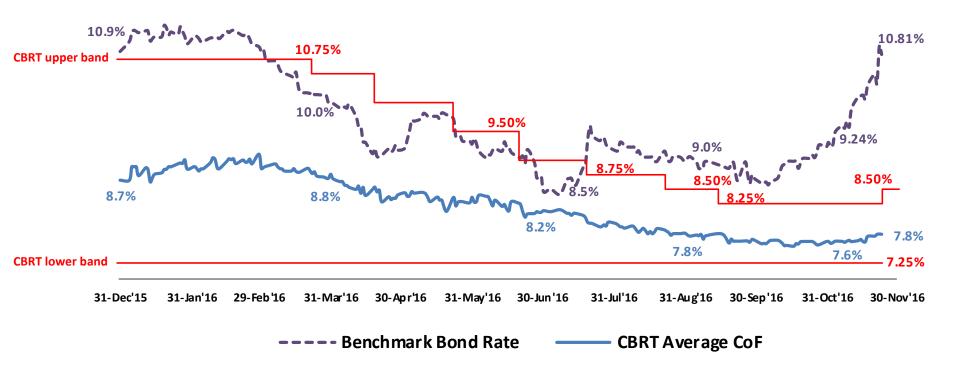
(1) 12 month rolling GDP used

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



**Banking Sector** 

## **CBRT** policy rates and cost of funding



### **Credit Ratings**

#### **Credit Ratings**

	Long-Term Foreig	n currency	Long-Term Local Currency		
	Rating	Outlook	Rating	Outlook	
Yapı Kredi <sup>*</sup>	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Garanti	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Akbank	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Işbank	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Halkbank	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Vakıfbank	Ba2 (downgraded)	Stable	Ba1 (downgraded)	Stable	
Yapı Kredi <sup>*</sup>	BB (affirmed)	Stable (upgraded)	BB (affirmed)	Stable (upgraded)	
Garanti	BB (affirmed)	Stable (upgraded)	BB (affirmed)	Stable (upgraded)	
Akbank	Not rated	-	Not rated	-	
Işbank	BB (affirmed)	Stable (upgraded)	BB (affirmed)	Stable (upgraded)	
Yapı Kredi	BBB (affirmed)	Negative (downgraded)	BBB (affirmed)	Negative (downgraded)	
Garanti	BBB	Negative (downgraded)	BBB	Negative (downgraded)	
Akbank	BBB-	Negative (downgraded)	BBB-	Negative (downgraded)	
Işbank	BBB-	Negative (downgraded)	BBB-	Negative (downgraded)	

#### Moody's' Rating Change on 27 September'16

- Moody's downgraded foreign currency long-term debt and local currency deposit ratings of Yapı Kredi to Ba1 from Baa3, with a stable outlook. The Bank's foreign currency deposit rating was downgraded to Ba2 from Baa3
- According to Moody's: Reasons behind the downgrade are weakened operating environment, increased downside risks to funding and liquidity, reduced capacity of the government to provide support

## S&P's Rating Change on 22 July'16 and Outlook Change on 8 November'16

- S&P downgraded Yapı Kredi's rating to "BB" from "BB+" and outlook to "negative" from "stable" following to failed coup attempt on July 15.
- According to S&P: «Turkish bank's financial profiles and performance will remain highly correlated with the sovereign's creditworthiness, owing to their significant holdings of government securities and exposure to domestic environment.»
- On 8 November 2016, Standard & Poor's announced that, following the upgrade of Turkish government's debt rating outlook to "Stable" from "Negative" on 4 November 2016, it has upgraded YKB's outlook to "Stable" from "Negative"

#### Fitch Outlook change on 31 Mar'16

 Fitch revised Yapı Kredi's outlook to "Negative" from "Stable" based on an action taken on UniCredit's rating outlook, and affirmed Yapı Kredi's BBB FC and LC Long-term ratings.

**YapıKredi** 

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#### **Strong Analyst Coverage**

41 Analysts

- > 900 fixed income meetings
- > 2,400 equity meetings

and participation in >130 conferences / roadshows in US, UK, Europe, Middle-East and Asia over the past ~4 years



