Yapı Kredi
2018 Investor Presentation

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Yapı Kredi: A leading financial services group

Key Figures – 2018

Ratings	Moody's: B2 / Fitch: BB- / S&P: B+

Total Assets	373.4 bln TL
Loans[1]	220.5 bln TL
Net Income	4,668 mln TL
RoATE[2]	14.2%
Number of Branches	854
Employees[3]	18,448

Market Share – 2018

		Market Share[4]
Total Bank	Cash & Non-cash Loans	9.8%
	Deposits	10.0%
Business Units	Corporate Loans[5]	8.8%
	Consumer Loans[6]	8.4%
	Credit Card Outstanding	21.2%
Subsidiaries	Leasing[7]	20.7%
	Factoring[8]	16.7%
	Wealth Management[9]	16.6%

Notes:
1. Loans indicate performing loans, 2. RoATE indicates return on average, tangible equity (excl. intangible assets) and adjusted for 4.1 bln capital raise, 3. Group data. Bank-only: 17,528, 4. 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 28 Dec'18, 5. Cash loans excluding credit cards and consumer loans, 6. Including mortgages, GPL and auto loans, 7. Refers to leasing receivables, 8. Refers to factoring turnover, 9. Refers to Mutual Funds

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

YapıKredi

Corporate and Commercial Banking

Corporate *Turnover* *>USD 100 mln*	Commercial *Turnover* *USD 10-100 mln*	International/ Multinational
3 Branches	**46 Branches**	**1 Branch**

Retail Banking

Individual Banking	SME Banking[1] *Turnover* *<USD 10 mln*	Private Banking *Total* *PFA > TL 500K*	Credit Cards
776 Branches		**22 Branches**	

Subsidiaries

YapıKredi Factoring

YapıKredi Leasing

YapıKredi Invest

YapıKredi Asset Management

YapıKredi Nederland

YapıKredi Azerbaijan

YapıKredi Malta

Notes:
Branch numbers are as of Dec'18. Total # of branches is 854 of which 6 are free zone, abroad, custody and moblie branches
1. Including micro+ small + large size enterprises

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

Koç — 50% — KOÇ FINANCIAL SERVICES — 50% — UniCredit

KOÇ FINANCIAL SERVICES — 81.9%[1] — YapıKredi

Koç

Largest business group in Turkey with combined revenue equal to 7% of Turkey's GDP

	2018
Total Assets (EUR bln)	20.8
Revenues (EUR mln)	23,764
Net Income (EUR mln)	919

Ratings

Moody's: Ba2 / S&P: BB-

UniCredit

Simple, successful, pan-European, commercial bank with a unique Western, Central and Eastern European network in 14 core markets

	2018
Total Assets (EUR bln)	831.5
Revenues (EUR mln)	19,723
Net Income (EUR mln)	3,892

Ratings

Moody's: Baa1 / Fitch: BBB / S&P: BBB

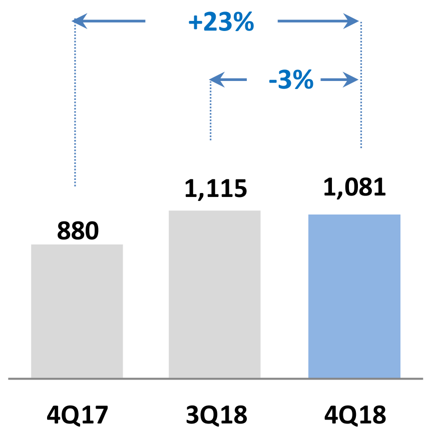
Strong and committed majority shareholders bringing stability, strength and depth to corporate governance

Notes:
All information and figures regarding UniCredit and Koç Holding are based on publicly available 9M18 data, unless otherwise stated
1. Remaining 18.1% listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange

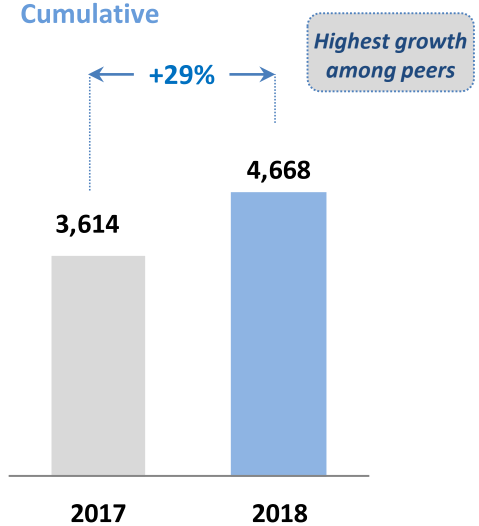
Improved profitability achieved via strong top-line while maintaining a prudent asset quality approach

Net Profit (TL mln)

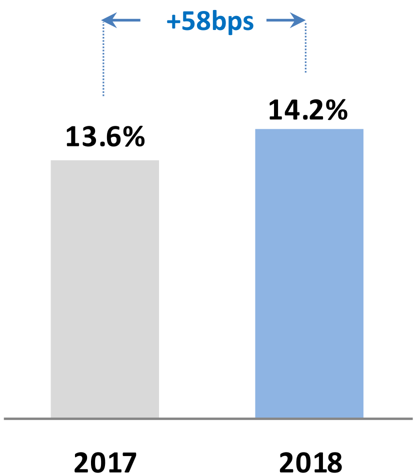
Quarterly



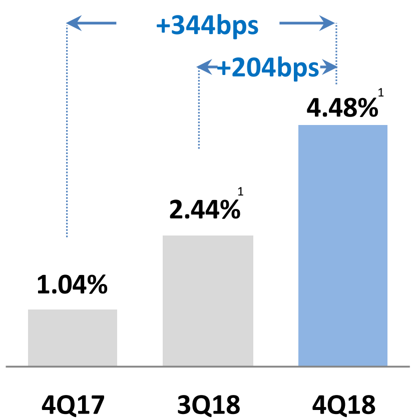
Cumulative

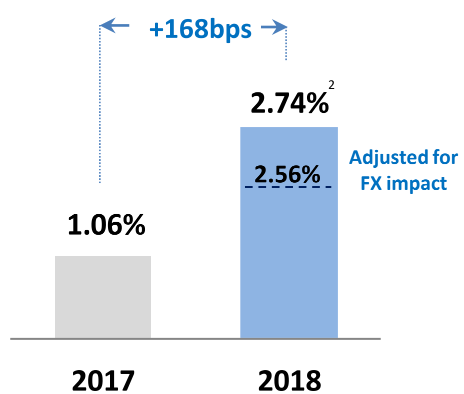


RoTE

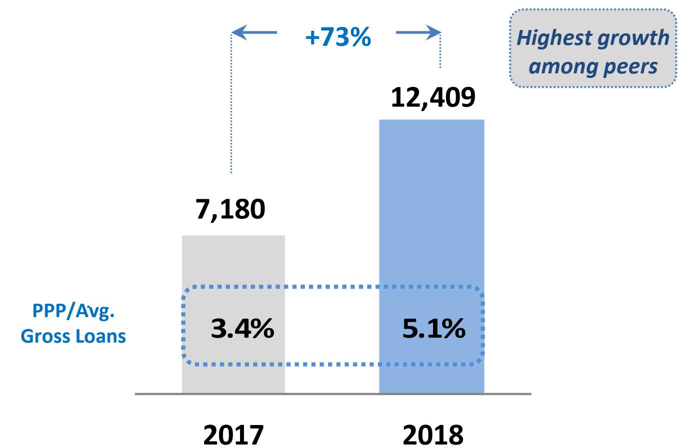


CoR





Pre-Provision Profit[3] (TL mln)



Notes:

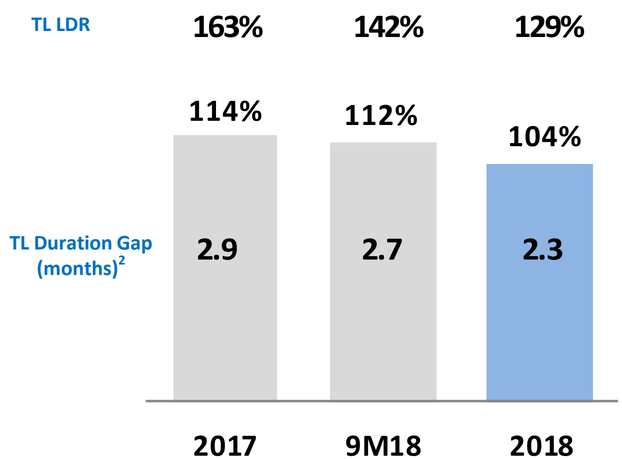
1. Adjusted for hedged FX impact
2. Adjusted for cheques following the change in regulation in 1H18
3. Pre-Provision Profit figures exclude ECL collection income, trading income to hedge FC ECL and pension fund provisions reserved in 4Q18

Peers include private banks

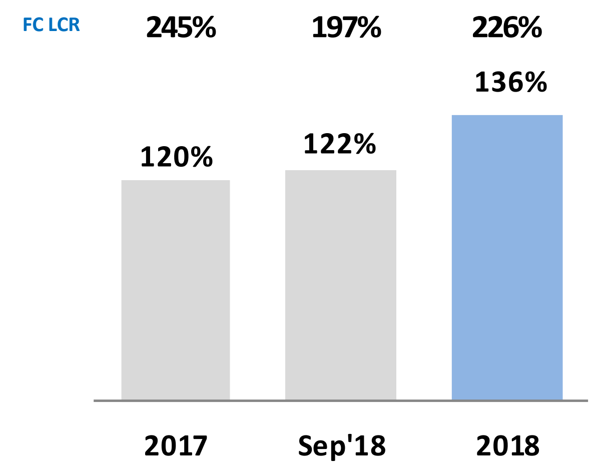
Strong managerial focus on solid liquidity and decisive improvement in capital ratios

Liquidity

LDR[1]



LCR[2]

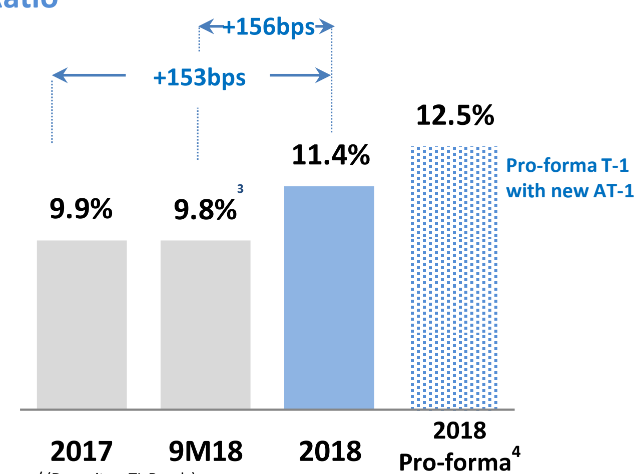


Short term Liquidity: ~11 bln USD

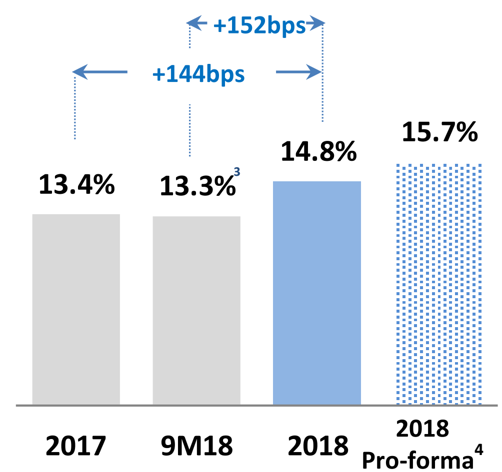
Upcoming run-off's: 4.3 bln USD

Capital

Tier 1 Ratio



CAR



Notes:
1. LDR: LDR= Loans / (Deposits + TL Bonds)
2. Based on past three months averages
3. Tier 1 ratio is presented without the forbearance actions as of 9M18 (with forbearance: 12.1%)
4. Including 650 mln USD AT1 issuance finalised in January 2019 and 200 mln USD Tier 2 payment

Subdued loan growth driven by market conditions

Loan volumes (TL bln)

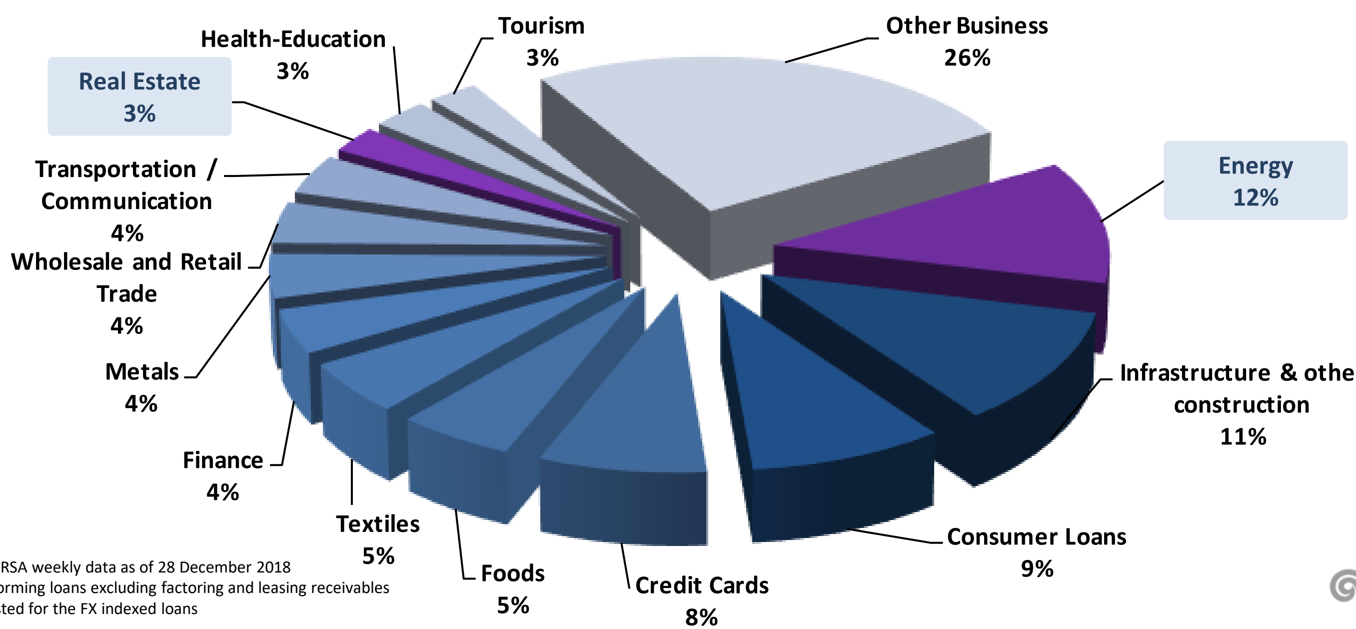
	Yapı Kredi			Private Banks[1]	
	2018	y/y	q/q	y/y	q/q
Total Cash+Non-cash Loans[2]	**306.3**	**10%**	**-13%**	**7%**	**-11%**
TL[3]	147.1	0%	-3%	-1%	-4%
FC ($)[3]	30.3	-14%	-10%	-14%	-7%
Total Cash Loans (FX adjusted)	**220.5**	**-5%**	**-6%**	**-7%**	**-5%**

10% total loan growth
with ~40bps market share gain in TL Loans, within private banks

-14% contraction in FC Loans

-5% FX adjusted cash loan growth

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



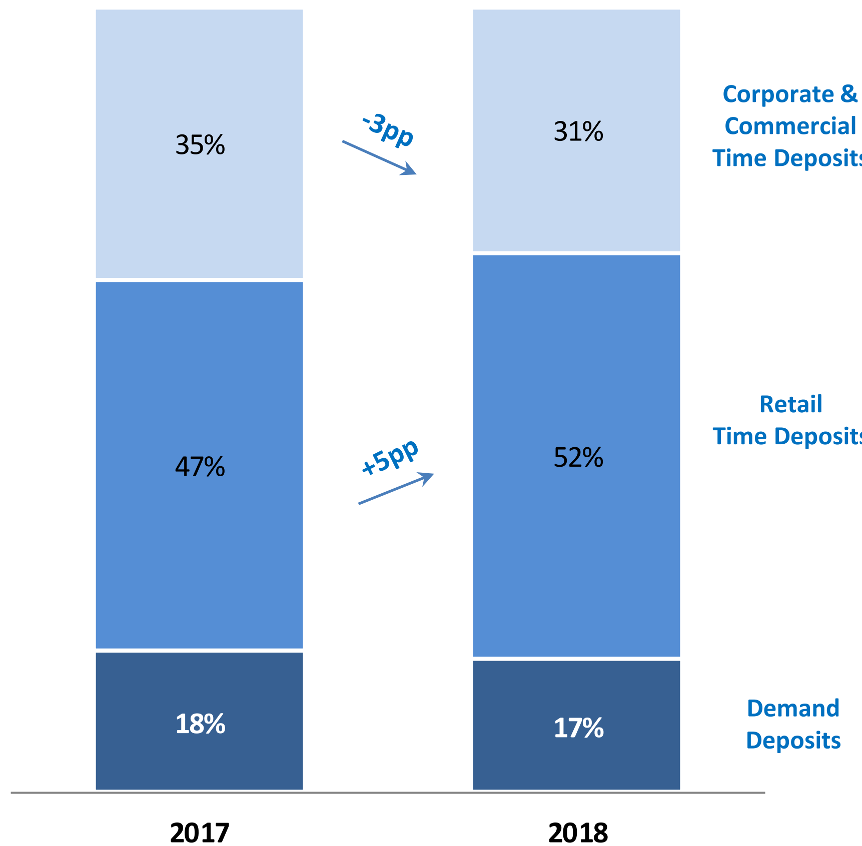
Notes:
1. Private banks based on BRSA weekly data as of 28 December 2018
2. Cash Loans indicate performing loans excluding factoring and leasing receivables
3. TL and FC loans are adjusted for the FX indexed loans

Focus on small ticket retail deposits paying off

Deposit volumes (TL bln)

	YKB			Private Banks[1]	
	2018	**y/y**	**q/q**	**y/y**	**q/q**
Customer Deposits	**199.9**	**22%**	**-5%**	**16%**	**-7%**
Customer Deposits (FX adjusted)		*0%*	*2%*	*-2%*	*0%*
TL	86.9	19%	3%	11%	2%
FC ($)	21.5	-11%	2%	-13%	-2%

Deposit Breakdown (FX adjusted)[2]



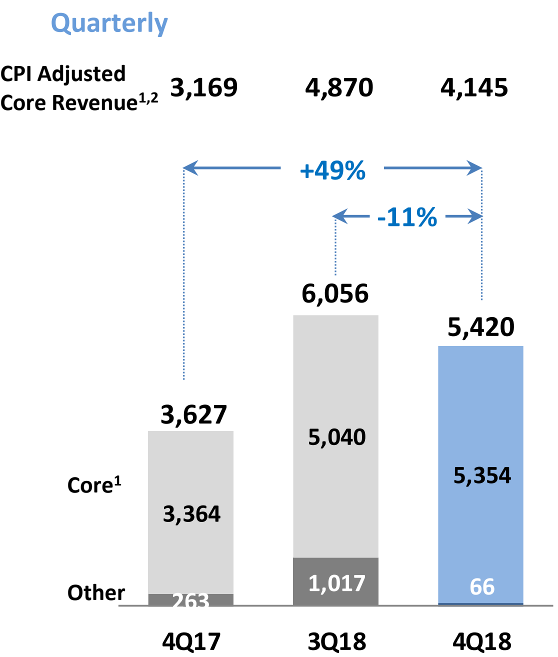
Deposit market share[3]

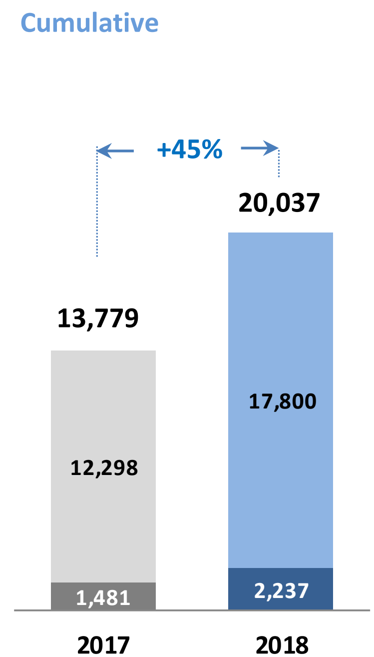
	2017	2018	chg y/y
Customer Deposits	**15.4%**	**15.9%**	**51bps**
o/w Individual Time	*12.4%*	*13.3%*	*90bps*
o/w Individual TL demand	*14.0%*	*14.1%*	*10bps*

Notes:
1. Private banks based on BRSA weekly data as of 28 December 2018
2. Based on MIS data
3. Market Share vs. Private Banks based data on 28 December 2018

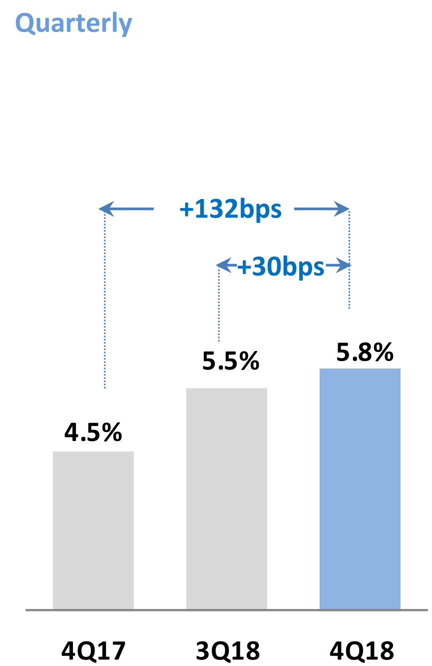
Strong revenue growth and improved revenue margin, driven by sustainable core-spread, fee generation and CPI linkers

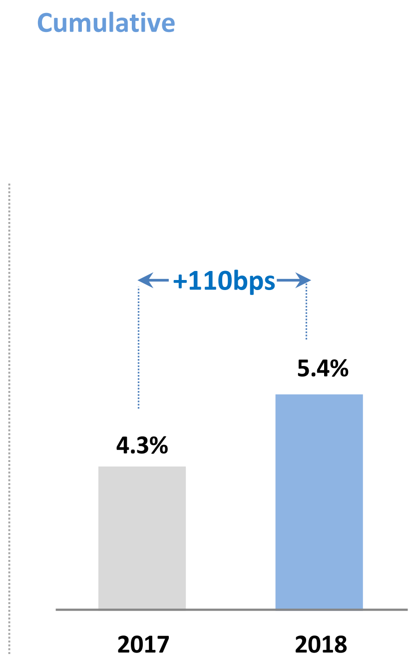
Revenues (TL mln)





Revenue Margin[2]





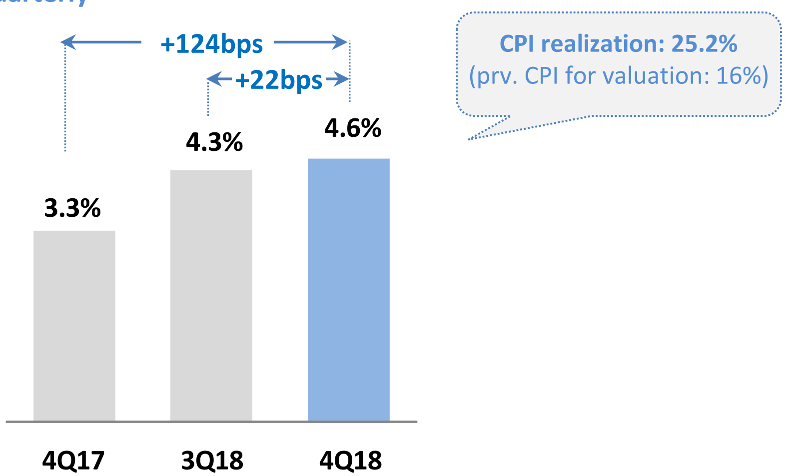
***Revenue margin would have been 4.6%**, keeping CPI linkers' inflation at 2017 level (11.9%)*

Notes:
1. Core Revenues = NII + swap costs + Net fee income
2. Period end CPI linkers adjustments are distributed to each quarter evenly (period end adjustments: 4Q17: 260mln, 3Q18: 859mln, 4Q18: 1,613mln)
3. Revenue margin= Core Revenues / average IEAs; Based on bank-only financials

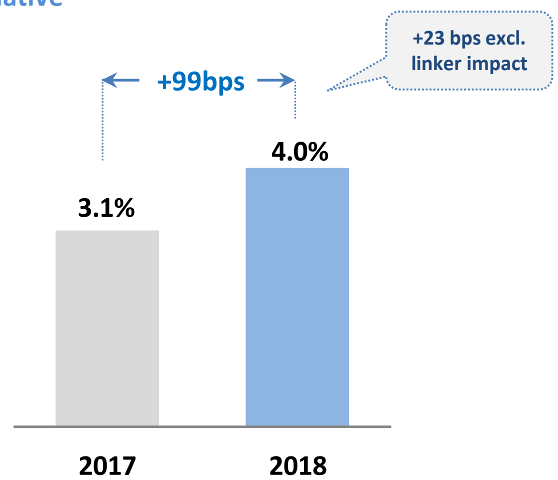
Improvement in quarterly NIM driven by CPI linker income, whereas yearly core-spread evolution still positive at 23bps

Swap Adjusted NIM

Quarterly



Cumulative



- ***+22bps quarterly improvement:***
  - ***+121bps from CPI adjustment***
  - ***-99bps** from core spread evolution due to the **hike in TL funding costs***

- ***+99bps yearly improvement:***
  - *+76bps from CPI adjustment*
  - ***+23bps from core spread evolution***
- ***2018 NIM would have been 3.5%**, keeping CPI linkers' marginal impact only for the last 4 months to offset the increase in funding costs*

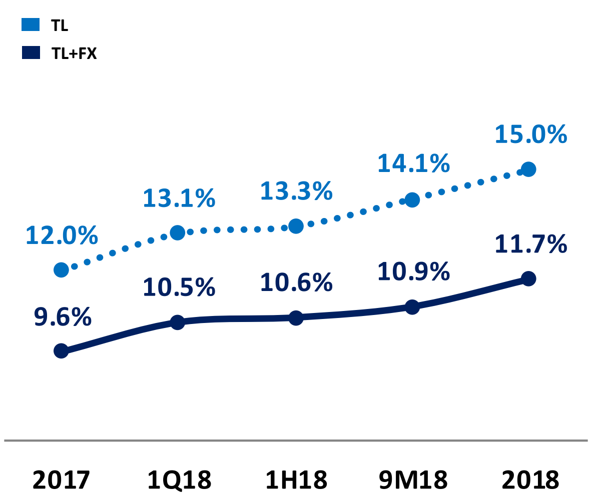
Notes:
Based on Bank-Only financials

Wider annual loan-deposit spread with ongoing loan repricing offsetting the hike in deposit costs

Loan – Deposit Spread Evolution

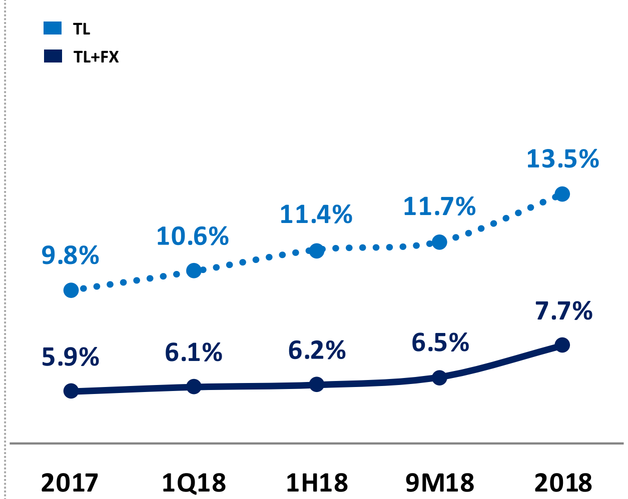
Loan Yields[1]
(Cumulative)

214bps yearly increase in total loan yields on a cumulative basis vs. 2017 thanks to ongoing loan repricing through the year



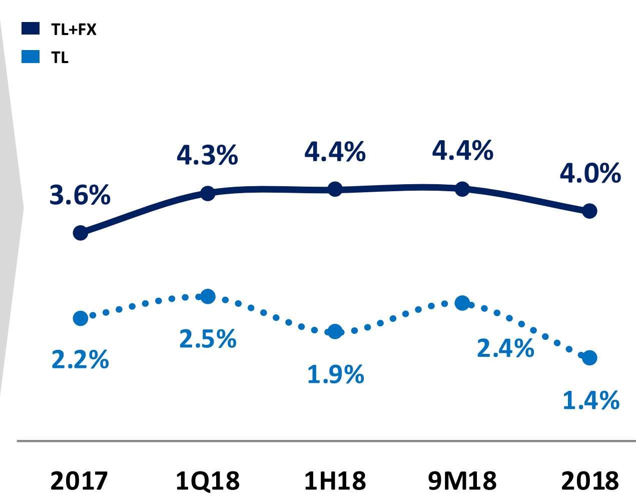
Deposit Costs
(Cumulative)

Increase in total cost of deposits (+176 bps, yearly) due to the hike in TL deposit costs (+368 bps)



Loan-Deposit Spread
(Cumulative)

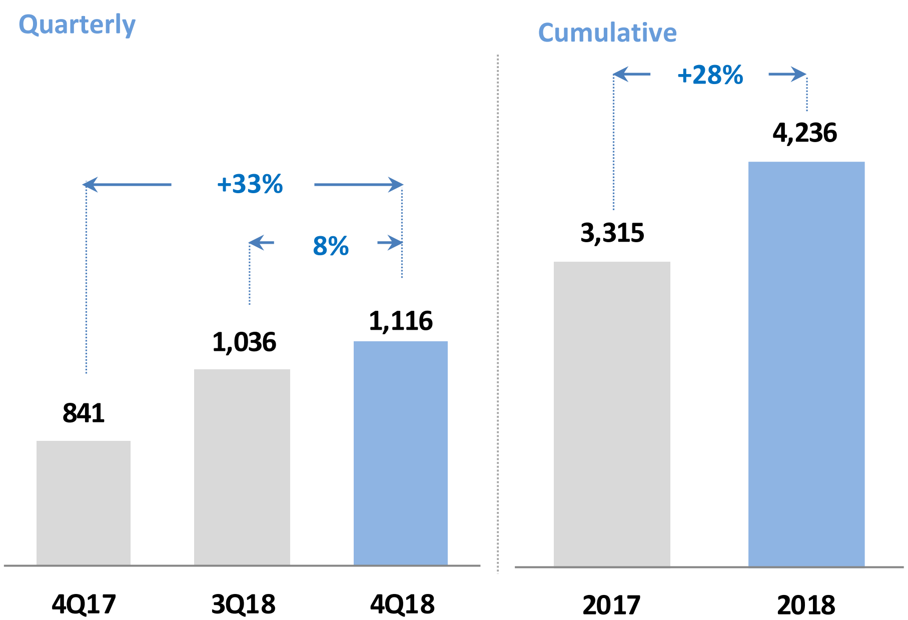
Wider Loan-Deposit spread despite the decline in TL core spread arising from jump in TL deposit costs



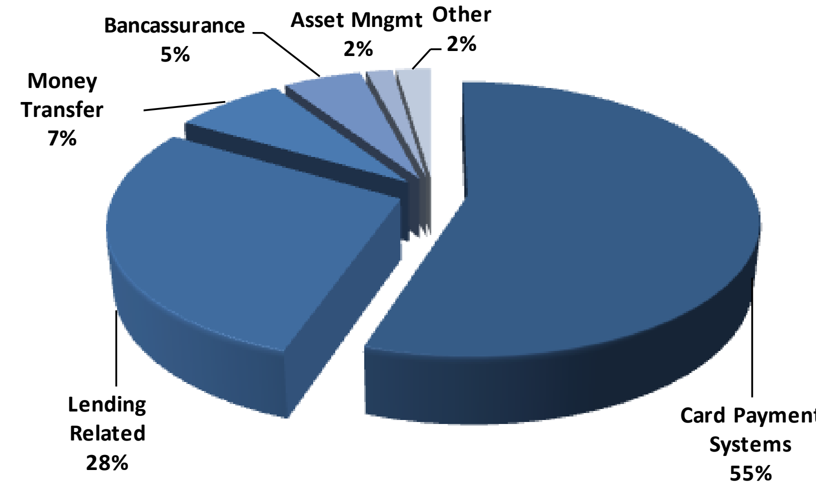
Notes:
Based on Bank-Only financials
1. Performing Loan yields

Fee increased 28% y/y driven by leading position in card business and transactional banking

Net Fee income (TL mln)



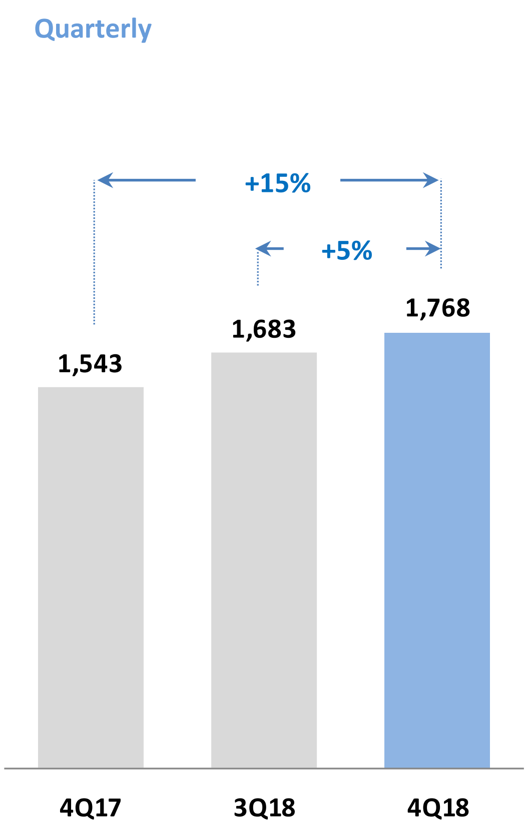
Fees Received Composition

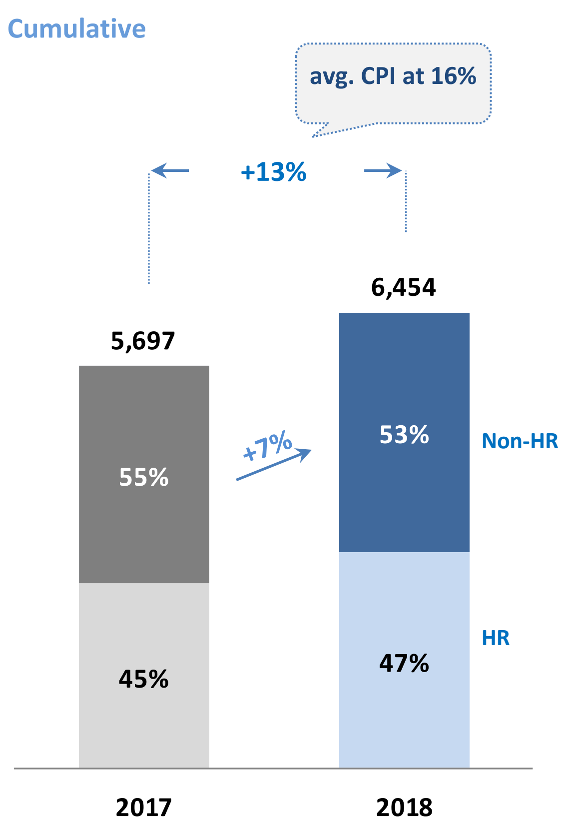


- *Money Transfer: +57% y/y*
- *Card Payment systems: +41% y/y*
- *Lending Related: +24% y/y (non-cash: 37%)*

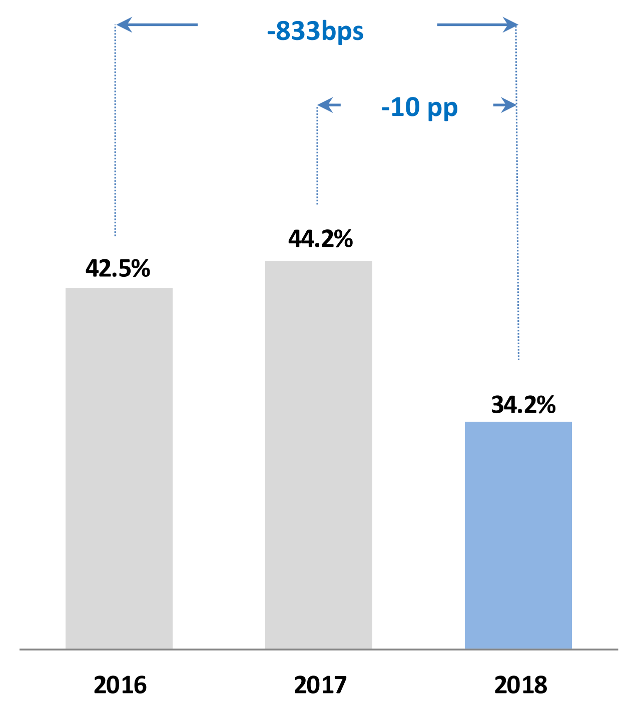
Cost increase well below inflation thanks to ongoing cost discipline

Costs[1] (TL mln)





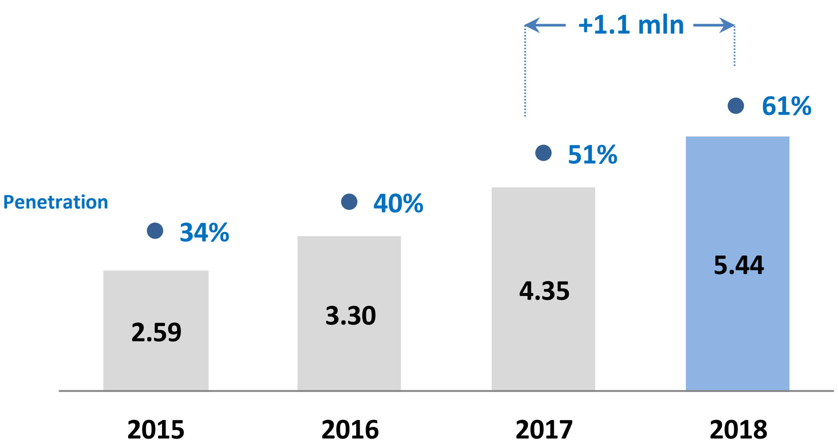
Cost[1] / Income[2] (TL mln)



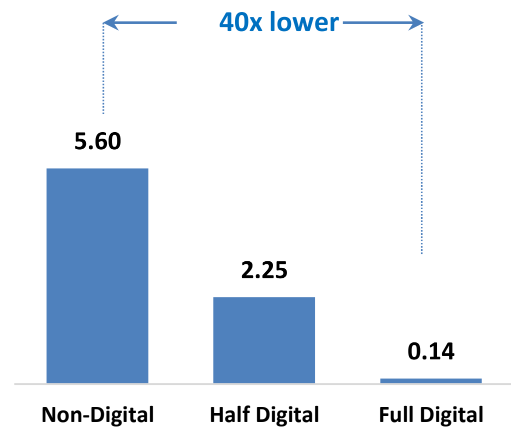
Notes:
1. Excluding pension fund provision (4Q18: TL 230 mln; 4Q17: TL 123 mln). Reported cost growth (including pension fund provisions) at15% y/y
2. 2018 Income adjusted for trading income to hedge FC ECL and collections

Digital transformation fully on track

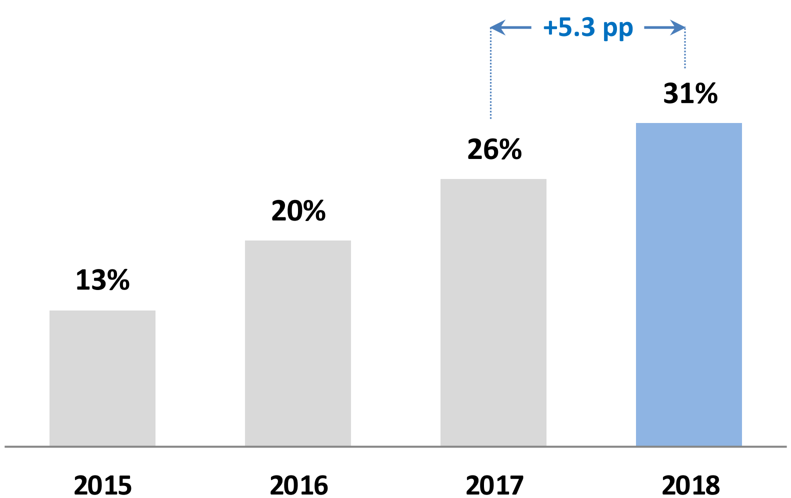
Number of Digital Customers (mln)



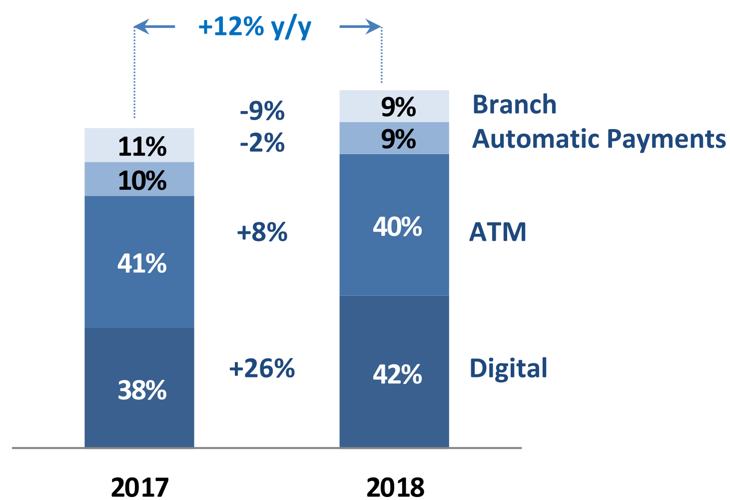
Cost to Serve per channel[1] (TL)



Share of digital in main products[2] sold



Transaction[3] per channel

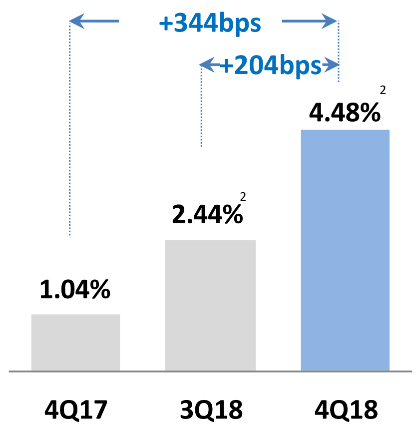


Notes:
Based on MIS data
1. Total Cost to Serve and Cost to Serve per channel are calculated based on direct costs of each sales channels
2. Main Products; GPL, CC, Time Deposit, and Flexible Account
3. Transactions include, Money Transfers, Payments, Deposit, Cash Loans, Non-cash Loans, Insurance, Money withdrawal, Investment products, Credit Cards

Prudent provisioning in challenging operating conditions

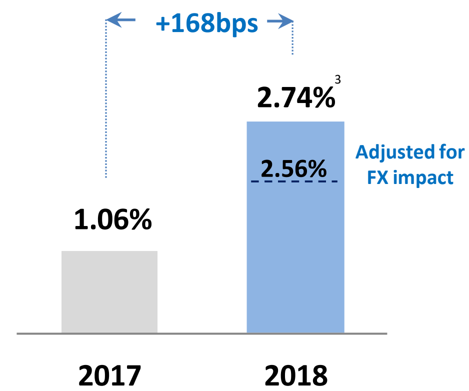
Total Cost of Risk[1]

Quarterly



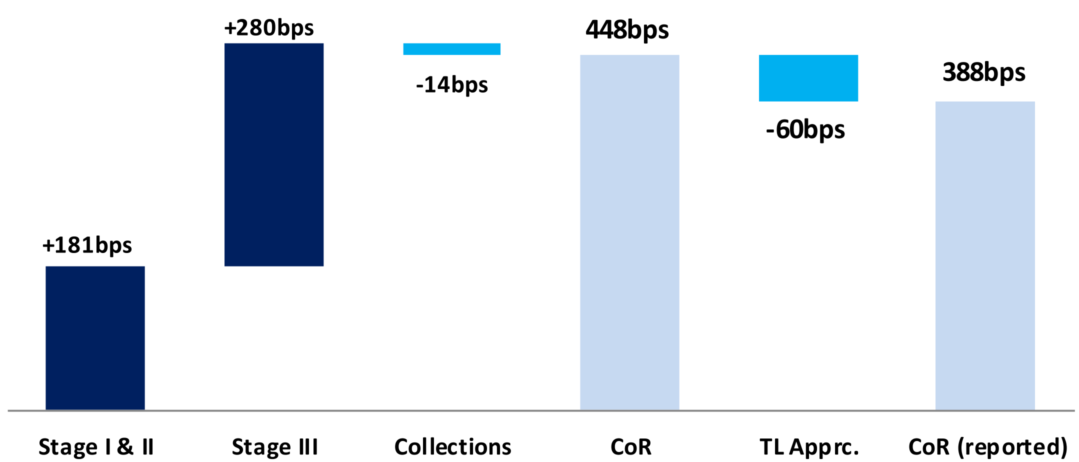
	4Q17	3Q18	4Q18
Specific CoR	0.77%	1.87%	3.31%

Cumulative



	2017	2018
Specific CoR	0.92%	1.88%

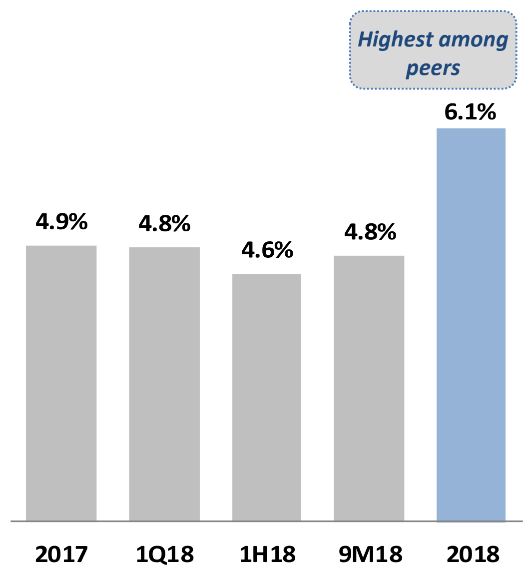
Cost of Risk composition (4th Quarter)

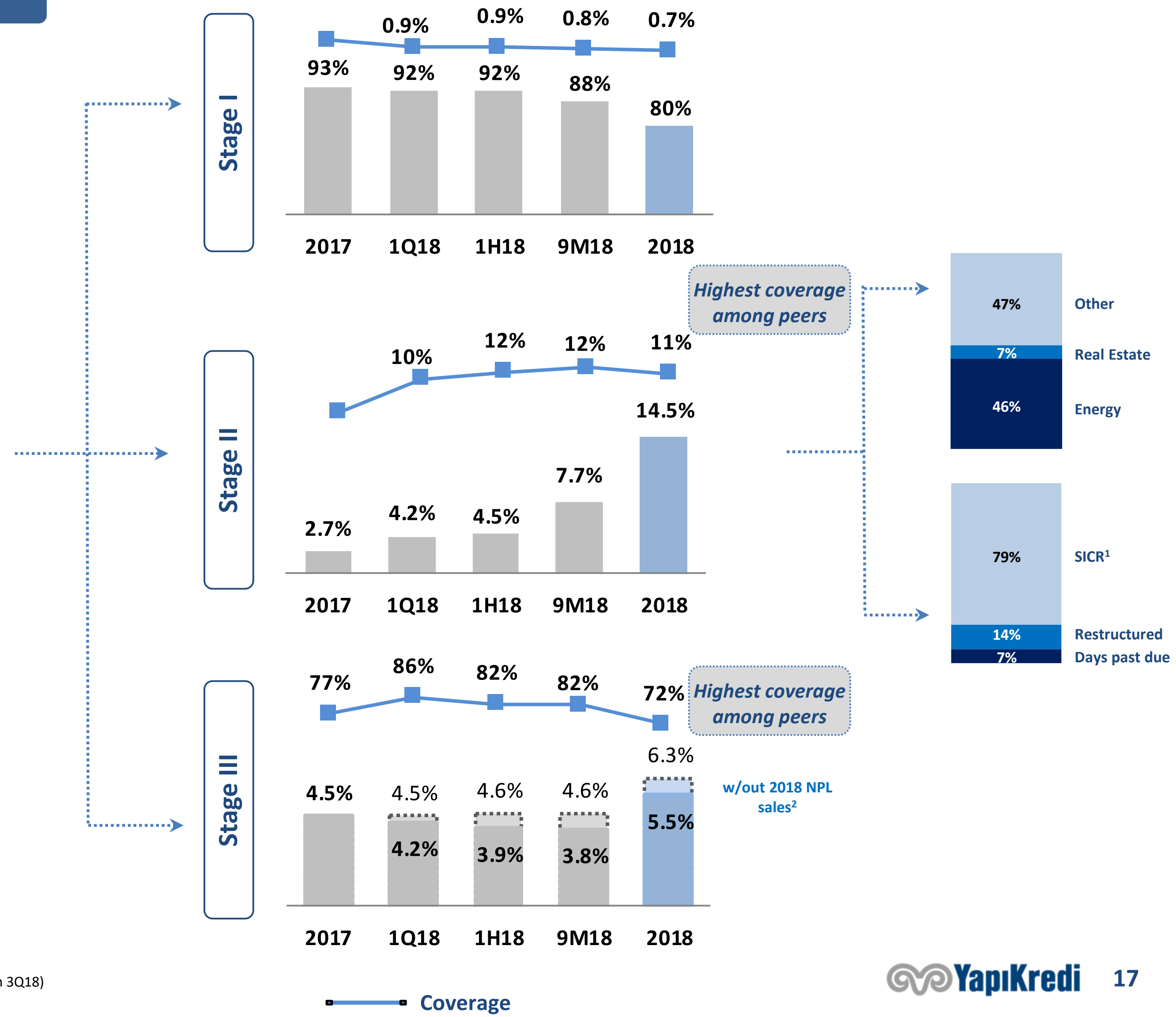


Notes:
1. Cost of Risk = (Total Expected Credit Loss- Collections)/Total Gross Loans;
2. Adjusted for hedged FX impact
3. Adjusted for cheques following the change in regulation in 1H18

Provisioning levels further strengthened to weather conservatively a potential economic deterioration

Provisions / Gross Loans



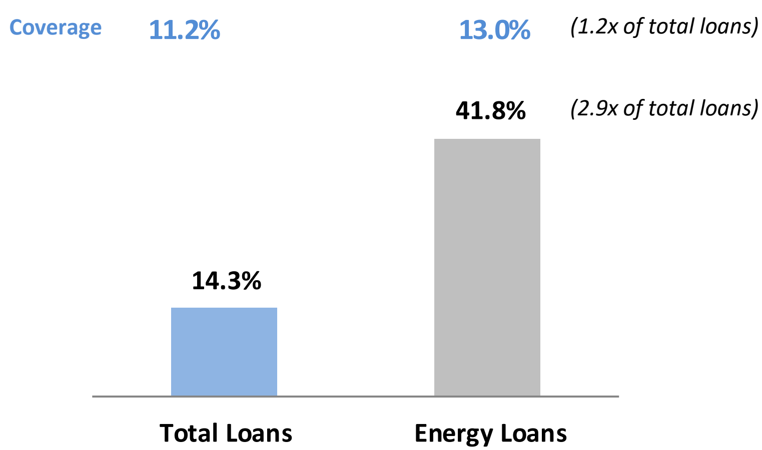


Notes:
Based on Bank-Only BRSA financials
1. SCIR: Significant Increase in Credit Risk
2. TL 2.0 bln NPL sales in 2018 (628 mln in 1Q18; 1 bln in 2Q18; 367 mln in 3Q18)
Peers include private banks

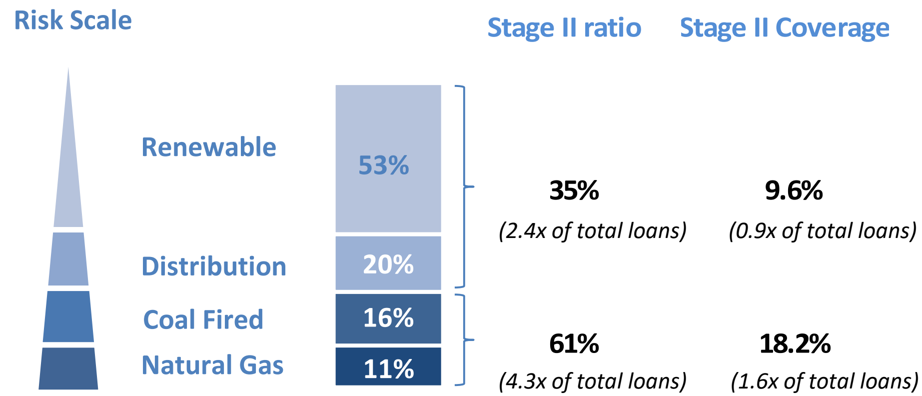
A very conservative approach towards the energy and real estate sector

Energy Loans[1] details

Stage II Loans

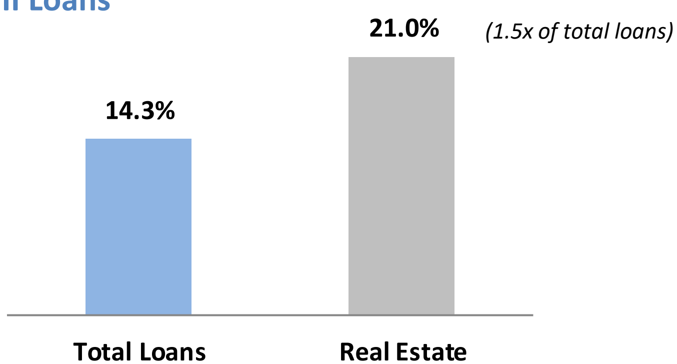


Breakdown by sub-segments

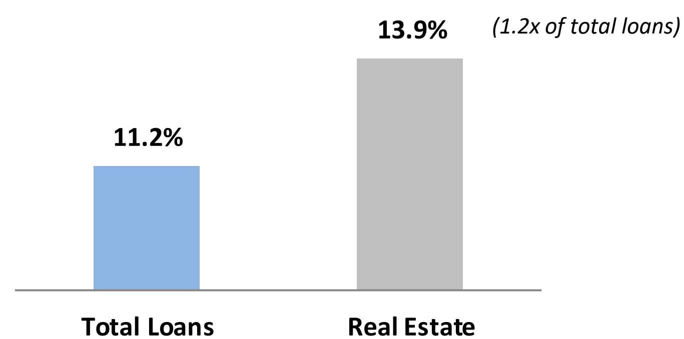


Real Estate Loans[1] details

Stage II Loans



Stage II Coverage

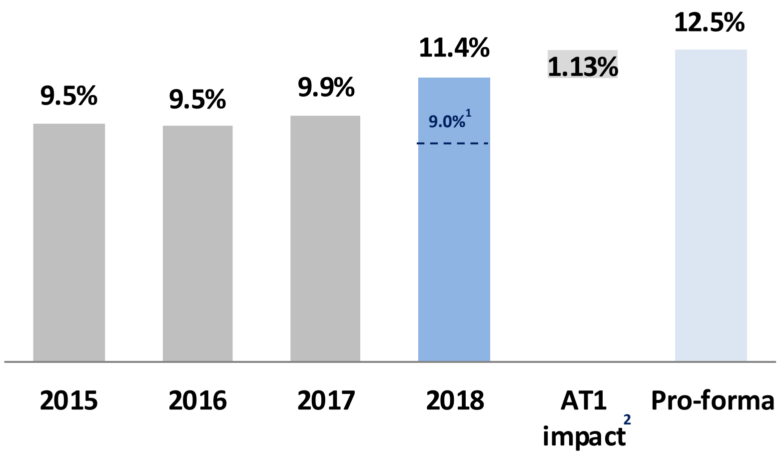


Notes:
1. Based on Bank-Only MIS data

Capital strengthening actions are concluded, further strengthening via internal capital generation

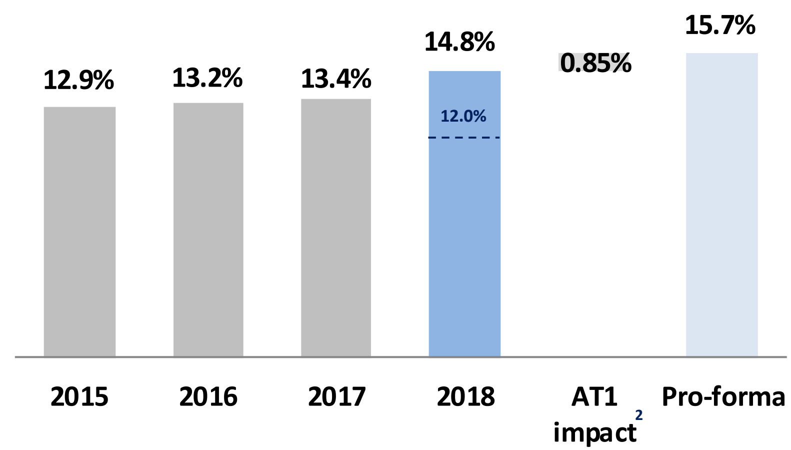
Capital Ratios

Tier1



	2015	2016	2017	2018	AT1 impact
Capital Raising Actions (bps)	-	-	-	136	113
Internal Capital Generation (bps)	50	14	79	209	

CAR



	2015	2016	2017	2018	AT1 impact
Capital Raising Actions (bps)	-	66	-	136	85
Internal Capital Generation (bps)	35	-	68	243	

Notes:
1. Tier 1 minimum levels are based on consolidated requirements
2. AT1 İmpact includes 650 mln USD AT1 issuance finalised in January 2019 and 200 mln USD Tier 2 payment

2018 Basel 3 related capitalisation buffers include capital conservation buffer of 2.5%, countercyclical buffer (bank-specific) of 0.034%, SIFI buffer of 1.5% (Group 2)

CeT1 Ratio at 11.4% as of 2018

2018 full year guidance beaten in many aspects

		2018 Guidance	2018 ACTUAL	
Fundamentals	LDR	110% - 115%	104%	✓
	CAR	>13%	14.8%	✓
Volumes	Loans	20 - 22%	10%	X
	Deposits	23 - 25%	21%	✓
Revenues	NIM (w/o CPI impact)	Flattish	Wider NIM	✓
	Fees	High-teens	28%	✓
Costs	Costs	Well below CPI	7 pp below CPI	✓
	Cost/Income	< 35%	34.2%	✓
Asset Quality	NPL ratio (with NPL sales)	~-30bps	-100 bps	X
	Total CoR	~200 bps	274 bps	X
Profitability	Net profit	High-teens	29%	✓
	RoTE	Flattish to slightly down	+58 bps	✓

Notes:
All figures based on BRSA bank-only except for CAR

2019 YKB Guidance: Low teens RoTE with flat core-spread, controlled cost discipline and prudent provisioning, supported by TL loan growth

				Guideline
Volumes	Volume growth focusing on value generating segments	▪ **Loan growth slightly higher than private banking sector** mainly driven by TL loans ▪ **Further increase in the share of small ticket retail deposits and retail demand deposits in total**	**TL Loans** **Deposits**	~15% Mid-teens
Revenues	Pressure on loan-deposit spread due to low entry point, double digit fee increase with diversification efforts	▪ **Flat NIM excluding the negative base impact from CPI-linked securities,** with ongoing repricing efforts ▪ **Fee growth supported by efforts towards diversification** ▪ **Ongoing strong focus on digital sales**	**NIM** **Fees**	Flat swap adj. exc. CPI impact Mid-teens
Costs	Cost discipline to be sustained despite challenging macro conditions	▪ **Below average inflation cost growth** ▪ **Ongoing support from digitalization**	**Costs**	Below average CPI
Asset Quality	Proactive approach will continue	▪ **Maintaining the prudent risk appetite** ▪ **Slight deterioration vs. 2018**	**NPL Ratio** **CoR**	< 7% excl. potential NPL sales < 300bps
Fundamentals	Ample liquidity levels with solid capital ratios	▪ **LDR at ~105% driven by stronger deposit growth** ▪ **Capital ratios to improve** with ongoing efforts towards capital strengthening and internal capital generation and the AT1 issuance	**LDR** **CAR[1]**	~105% > 15%

RoTE at low teens

Notes:
All figures based on BRSA bank-only except for CAR

Yapı Kredi 2020

Yapı Kredi 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 Yapı Kredi 2020

1 Strengthen and optimise capital position	▪ **Increase capital:** US$ 1 bln rights issue finalised in June 2018; US$ 0.65 bln AT1 issuance finalised in January 2019 ▪ **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%

Yapı Kredi 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. 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

Annex

Macro Environment and Banking Sector

Macro Environment

CBRT maintains the tight stance to improve the inflation outlook

	2016	2017	2018
GDP Growth (y/y)[1]	3.2%	7.4%	4.5%
CPI Inflation (y/y)	8.5%	11.9%	20.3%
Consumer Confidence Index	69.5	65.1	58.2
CAD/GDP[2]	-3.8%	-5.5%	-4.1%
Budget Deficit/GDP[2]	-1.1%	-1.5%	-1.9%
Unemployment Rate[3]	12.7%	10.4%	11.6%
USD/TL (eop)	3.52	3.81	5.26
2Y Benchmark Bond Rate (eop)	10.7%	13.4%	19.7%

Banking Sector

Slowdown in loan growth with **deterioration in the asset quality** on the back of macro volatility

	2016	2017	2018
Loan Growth	**17%**	**21%**	**14%**
Private	*13%*	*16%*	*6%*
State	*23%*	*27%*	*23%*
Deposit Growth	**17%**	**16%**	**19%**
Private	*16%*	*13%*	*16%*
State	*19%*	*24%*	*25%*
NPL Ratio	**3.1%**	**2.9%**	**3.8%**
CAR	**15.1%**	**16.5%**	**16.9%**
ROATE	**13.5%**	**15.0%**	**13.7%**

Notes:
All macro data as of December 2018 unless otherwise stated
Banking sector volumes based on BRSA weekly data as of 28 Dec'18; NPL Ratio, CAR and ROATE based on BRSA monthly data
1. GDP figures as of September 2018
2. CAD indicates Current Account Deficit as of Nov'18
3. Unemployment rate is as of Oct'18

Macro environment and banking sector scenario

Macro Environment

	2018	2020E
GDP Growth (y/y)	4.5%	4.3%
CPI Inflation (y/y)	20.3%	8.0%
EUR/TL (eop)	6.04	6.15
USD/TL (eop)	5.29	4.98
Benchmark Bond Rate (eop)	19.7%	9.5%

Banking Sector

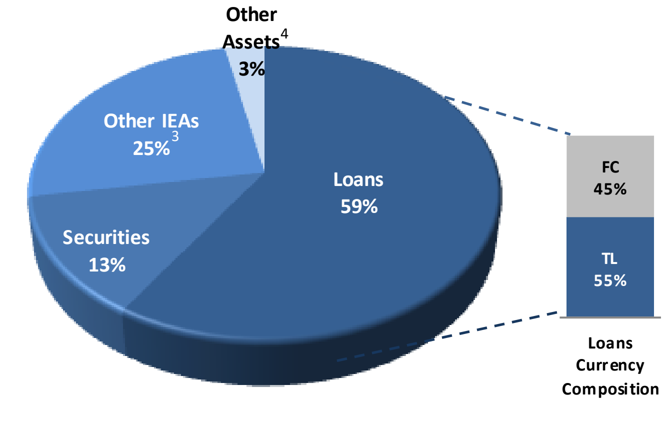
	2018	2020E
Loan Growth	14%	~13-15% *(CAGR)*
Deposit Growth	19%	~13-15% *(CAGR)*
NPL Ratio	3.7%	~3.5%
CAR	16.9%	~14-15%
RoATE	13.9%	~15.0%

Notes:
Banking sector volumes based on BRSA weekly data as of 28 Dec'18

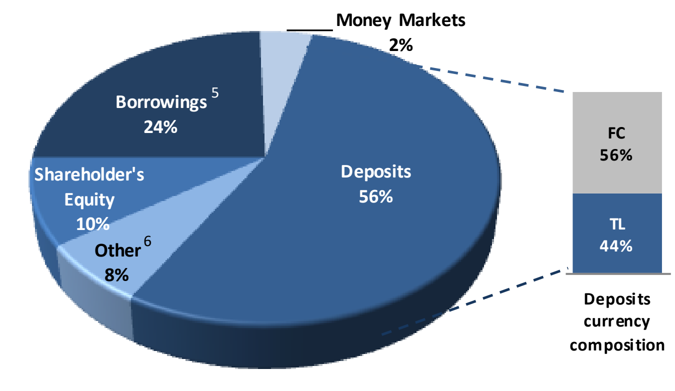
Consolidated Balance Sheet

TL bln	1Q17[1]	1H17[1]	9M17[1]	2017[1]	1Q18	1H18	9M18	2018	q/q	y/y
Total Assets	**278.3**	**283.3**	**290.6**	**316.9**	**328.7**	**365.1**	**422.0**	**373.4**	**-12%**	**18%**
Loans[2]	**183.7**	**185.8**	**190.6**	**199.9**	**205.3**	**222.2**	**249.4**	**220.5**	**-12%**	**10%**
TL Loans	107.0	111.1	115.1	120.1	118.8	123.0	124.8	120.9	-3%	1%
FC Loans ($)	21.1	21.3	21.2	21.2	21.9	21.7	20.8	18.9	-9%	-10%
Securities	**32.6**	**32.4**	**35.5**	**38.8**	**41.7**	**45.2**	**49.7**	**50.0**	**1%**	**29%**
TL Securities	22.4	22.7	25.5	28.1	30.7	32.7	33.7	35.9	7%	28%
FC Securities ($)	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	0%	-5%
Deposits	**163.5**	**164.2**	**165.0**	**173.4**	**180.0**	**192.8**	**221.0**	**210.3**	**-5%**	**21%**
TL Deposits	81.3	81.1	71.1	75.9	85.4	80.1	88.6	92.7	5%	22%
FC Deposits ($)	22.6	23.7	26.4	25.8	24.0	24.7	22.1	22.3	1%	-14%
Borrowings	**61.0**	**62.3**	**63.9**	**75.3**	**80.8**	**90.0**	**114.5**	**90.0**	**-21%**	**19%**
TL Borrowings	5.1	6.1	6.5	7.1	6.8	7.8	7.0	5.6	-20%	-22%
FC Borrowings ($)	15.4	16.0	16.1	18.1	18.7	18.0	17.9	16.1	-11%	-11%
Shareholders' Equity	**27.7**	**28.5**	**29.0**	**30.1**	**31.6**	**37.8**	**40.3**	**39.0**	**-3%**	**30%**
Assets Under Management	**17.4**	**18.5**	**19.1**	**19.5**	**20.1**	**19.6**	**19.9**	**21.1**	**6%**	**8%**
Loans/Assets	66%	66%	66%	63%	62%	61%	59%	59%		
Securities/Assets	12%	11%	12%	12%	13%	12%	12%	13%		
Borrowings/Liabilities	22%	22%	22%	24%	25%	25%	27%	24%		
Loans/(Deposits+TL Bills)	112%	112%	115%	114%	113%	114%	112%	104%		
CAR - cons	13.4%	13.7%	13.8%	13.4%	12.9%	13.9%	13.3%	14.8%		
Tier-I - cons	9.7%	10.1%	10.2%	9.9%	9.9%	10.7%	9.8%	11.4%		
Common Equity Tier-I - cons	9.9%	10.3%	10.3%	10.0%	9.9%	10.7%	9.8%	11.4%		
Leverage Ratio	9.0x	8.9x	9.0x	9.5x	9.4x	8.7x	9.5x	8.6x		

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 cash and 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 €2.43bn". Comparable number for Dec 17 was €2.58bn (New definition of intragroup funding aligned with UniCredit Group methodology, i.e. all subordinated (Tier 2) and senior funding from UniCredit Group companies to Yapi Kredi Group excl. trade finance (which is client business)
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	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	q/q	y/y	2017	2018	y/y
Net Interest Income including swap costs	**2,217**	**2,089**	**2,154**	**2,522**	**2,543**	**2,778**	**4,004**	**4,239**	**6%**	**68%**	**8,983**	**13,563**	**51%**
o/w NII	*2,251*	*2,321*	*2,353*	*2,810*	*2,845*	*3,209*	*4,311*	*4,131*	**-4%**	**47%**	*9,735*	*14,496*	**49%**
o/w CPI-linkers	*325*	*338*	*409*	*663*	*436*	*460*	*1,360*	*2,478*	*82%*	*274%*	*1,735*	*4,735*	173%
o/w Swap costs	*-34*	*-232*	*-198*	*-288*	*-302*	*-431*	*-308*	*107*	**-135%**	**-137%**	*-752*	*-933*	**24%**
Fees & Commissions	**849**	**826**	**799**	**841**	**1,034**	**1,051**	**1,036**	**1,116**	**8%**	**33%**	**3,315**	**4,236**	**28%**
Core Revenues	**3,066**	**2,915**	**2,954**	**3,364**	**3,577**	**3,829**	**5,040**	**5,354**	**6%**	**59%**	**12,298**	**17,800**	**45%**
Operating Costs	**1,370**	**1,422**	**1,363**	**1,543**	**1,450**	**1,554**	**1,683**	**1,768**	**5%**	**15%**	**5,697**	**6,454**	**13%**
Core Operating Income	**1,696**	**1,494**	**1,591**	**1,821**	**2,127**	**2,275**	**3,357**	**3,586**	**7%**	**97%**	**6,601**	**11,345**	**72%**
Trading and FX gains/losses	**100**	**125**	**38**	**-24**	**11**	**275**	**152**	**266**	***75%***	**-**	**239**	**704**	***194%***
o/w FX gains/losses	*38*	*99*	*28*	*9*	*27*	*65*	*-193*	*225*	-	-	*174*	*124*	*-29%*
o/w MtM gains/losses	*34*	*16*	*-7*	*-32*	*-7*	*118*	*300*	*35*	-	-	*11*	*446*	-
o/w Trading gains/losses	*28*	*10*	*17*	*-1*	*-9*	*92*	*45*	*6*	-	-	*55*	*134*	*146%*
Other income	**102**	**75**	**53**	**109**	**136**	**40**	**76**	**107**	**40%**	**-1%**	**339**	**359**	**6%**
o/w income from subs	*28*	*19*	*19*	*22*	*28*	*25*	*31*	*32*	*3%*	*46%*	*88*	*116*	*32%*
o/w Dividends	*2*	*8*	*0*	*0*	*4*	*8*	*1*	*2*	-	-	*11*	*15*	*36%*
o/w Others	*72*	*48*	*35*	*86*	*104*	*7*	*45*	*73*	*64%*	*-15%*	*241*	*229*	*-5%*
Pre-provision Profit	**1,898**	**1,694**	**1,682**	**1,906**	**2,274**	**2,590**	**3,585**	**3,959**	**10%**	**108%**	**7,180**	**12,409**	**73%**
ECL net of collections	**539**	**532**	**592**	**568**	**514**	**835**	**1,640**	**2,950**	***80%***	***420%***	**2,231**	**5,939**	***166%***
o/w Stage 3 Provisions	*756*	*717*	*761*	*596*	*607*	*738*	*1,433*	*1,844*	*29%*	*210%*	*2,829*	*4,622*	*63%*
o/w Stage 1 + Stage 2 Provisions	*45*	*62*	*46*	*151*	*237*	*460*	*451*	*1,195*	*165%*	*693%*	*304*	*2,343*	*670%*
o/w Collections	*262*	*247*	*215*	*179*	*330*	*363*	*244*	*90*	*-63%*	*-50%*	*903*	*1,026*	*14%*
Other Provisions & Costs	**94**	**40**	**33**	**180**	**147**	**196**	**527**	**-448**	**-**	**-**	**347**	**422**	**21%**
o/w Other provisions for risks and charges	*50*	*0*	*0*	*0*	*100*	*100*	*330*	*-530*	-	-	*50*	*0*	-
o/w Pension fund provisions	*0*	*0*	*0*	*123*	*0*	*85*	*145*	*0*	-	-	*123*	*230*	-
o/w Pension fund provisions (under cost)	*0*	*0*	*0*	*123*	*0*	*0*	*0*	*230*	-	*87%*	*123*	*230*	*87%*
o/w Pension fund provisions (under provisions)	*0*	*0*	*0*	*0*	*0*	*85*	*145*	*-230*	-	-	*0*	*0*	-
o/w Other provisions	*44*	*40*	*33*	*58*	*47*	*11*	*52*	*81*	*56%*	*41%*	*175*	*191*	*10%*
Pre-tax Income	**1,265**	**1,121**	**1,058**	**1,158**	**1,613**	**1,559**	**1,418**	**1,457**	**3%**	**26%**	**4,601**	**6,048**	**31%**
Tax	263	229	216	278	369	332	303	376	24%	35%	987	1,380	40%
Net Income	**1,001**	**892**	**841**	**880**	**1,244**	**1,227**	**1,115**	**1,081**	**-3%**	**23%**	**3,614**	**4,668**	**29%**
ROTE[1]	**15.8%**	**13.3%**	**12.4%**	**12.6%**	**17.1%**	**15.9%**	**11.9%**	**11.4%**	**-53bps**	**-120bps**	**13.6%**	**14.2%**	**58bps**

Note:
1. 2Q18 and 1H18 ROTE is adjusted for the 4.1 bln TL rights issue on 30th of June

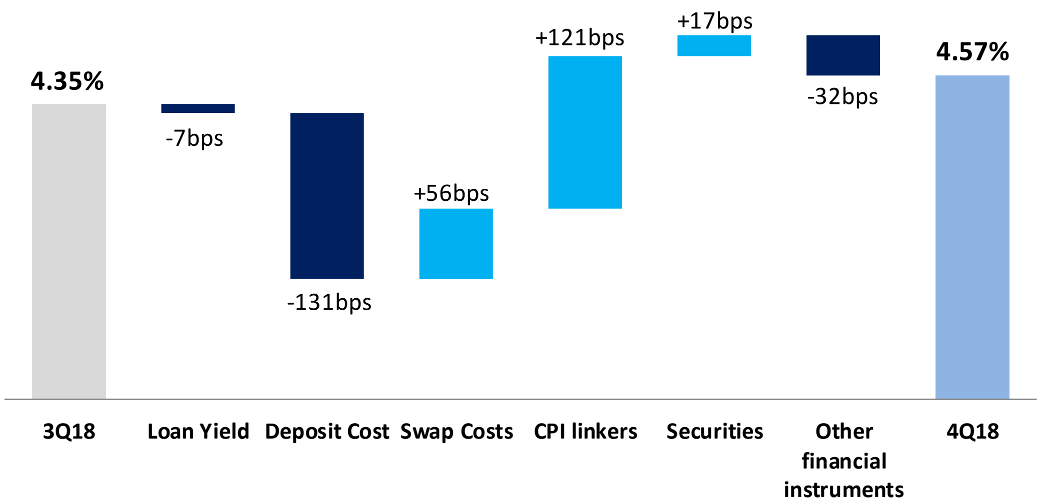
Bank-Only Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	q/q	y/y	2017	2018	y/y
Net Interest Income including swap costs	**2,030**	**1,895**	**1,965**	**2,306**	**2,270**	**2,585**	**3,677**	**3,925**	**7%**	**70%**	**8,196**	**12,458**	**52%**
o/w NII	*2,141*	*2,174*	*2,212*	*2,684*	*2,768*	*3,108*	*4,143*	*3,923*	**-5%**	**46%**	*9,211*	*13,942*	**51%**
o/w CPI-linkers	*325*	*338*	*409*	*663*	*436*	*460*	*1,360*	*2,478*	*82%*	*274%*	*1,735*	*4,735*	*173%*
o/w Swap costs	*-111*	*-278*	*-247*	*-378*	*-497*	*-523*	*-466*	*2*	-	-	*-1,015*	*-1,484*	*46%*
Fees & Commissions	**807**	**784**	**757**	**788**	**986**	**993**	**977**	**1,059**	**8%**	**34%**	**3,136**	**4,016**	**28%**
Core Revenues	**2,837**	**2,679**	**2,722**	**3,094**	**3,257**	**3,578**	**4,655**	**4,984**	**7%**	**61%**	**11,333**	**16,474**	**45%**
Operating Costs	**1,295**	**1,346**	**1,293**	**1,462**	**1,375**	**1,470**	**1,591**	**1,659**	**4%**	**13%**	**5,398**	**6,096**	**13%**
Core Operating Income	**1,542**	**1,333**	**1,429**	**1,632**	**1,881**	**2,108**	**3,064**	**3,325**	**9%**	**104%**	**5,935**	**10,378**	**75%**
Trading and FX gains/losses	**89**	**119**	**23**	**-29**	**57**	**212**	**119**	**301**	***153%***	-	**202**	**689**	***241%***
o/w FX gains/losses	*76*	*86*	*-28*	*0*	*23*	*58*	*-50*	*265*	-	-	*134*	*297*	*121%*
o/w MtM gains/losses	*0*	*0*	*48*	*-33*	*-8*	*114*	*125*	*35*	*-72%*	-	*15*	*266*	-
o/w Trading gains/losses	*13*	*33*	*3*	*4*	*41*	*40*	*43*	*2*	-	-	*53*	*126*	-
Other income	**213**	**186**	**179**	**233**	**252**	**227**	**276**	**212**	**-23%**	**-9%**	**810**	**967**	**19%**
o/w income from subs	*146*	*140*	*144*	*145*	*211*	*171*	*233*	*160*	*-31%*	*11%*	*575*	*776*	*35%*
o/w Dividends	*2*	*0*	*0*	*0*	*3*	*2*	*1*	*1*	*119%*	-	*2*	*6*	*178%*
o/w Others	*65*	*45*	*35*	*88*	*39*	*54*	*42*	*50*	*19%*	*-43%*	*233*	*185*	*-20%*
Pre-provision Profit	**1,844**	**1,637**	**1,631**	**1,835**	**2,190**	**2,547**	**3,458**	**3,838**	**11%**	**109%**	**6,947**	**12,034**	**73%**
ECL net of collections	**526**	**501**	**574**	**539**	**483**	**832**	**1,586**	**2,908**	***83%***	***439%***	**2,141**	**5,810**	***171%***
o/w Stage 3 Provisions	*745*	*687*	*749*	*572*	*590*	*716*	*1,389*	*1,779*	*28%*	*211%*	*2,753*	*4,473*	*62%*
o/w Stage 1 + Stage 2 Provisions	*43*	*61*	*40*	*146*	*224*	*480*	*440*	*1,219*	*177%*	*734%*	*290*	*2,363*	*714%*
o/w Collections	*262*	*247*	*215*	*179*	*330*	*363*	*244*	*90*	*-63%*	*-50%*	*903*	*1,026*	*14%*
Other Provisions & Costs	**88**	**45**	**32**	**169**	**145**	**194**	**516**	**-487**	**-194%**	-	**333**	**369**	**11%**
o/w Other provisions for risks and charges	*50*	*0*	*0*	*0*	*100*	*100*	*330*	*-530*	-	-	*50*	*0*	-
o/w Pension fund provisions	*0*	*0*	*0*	*123*	*0*	*85*	*145*	*0*	-	-	*123*	*230*	-
o/w Pension fund provisions (under cost)	*0*	*0*	*0*	*123*	*0*	*0*	*0*	*230*	-	*87%*	*123*	*230*	-
o/w Pension fund provisions (under provisions)	*0*	*0*	*0*	*0*	*0*	*85*	*145*	*-230*	-	-	*0*	*0*	-
o/w Other provisions	*38*	*45*	*32*	*46*	*45*	*9*	*41*	*42*	-	-	*161*	*138*	*-14%*
Pre-tax Income	**1,230**	**1,092**	**1,024**	**1,127**	**1,562**	**1,521**	**1,357**	**1,416**	**4%**	**26%**	**4,473**	**5,855**	**31%**
Tax	229	200	183	247	318	294	242	335	39%	35%	859	1,188	38%
Net Income	**1,001**	**892**	**841**	**880**	**1,244**	**1,227**	**1,115**	**1,081**	**-3%**	**23%**	**3,614**	**4,667**	**29%**
ROTE[1]	**15.8%**	**13.4%**	**12.4%**	**12.6%**	**17.0%**	**15.8%**	**11.9%**	**11.4%**	**-53bps**	**-120bps**	**13.6%**	**14.2%**	**58bps**

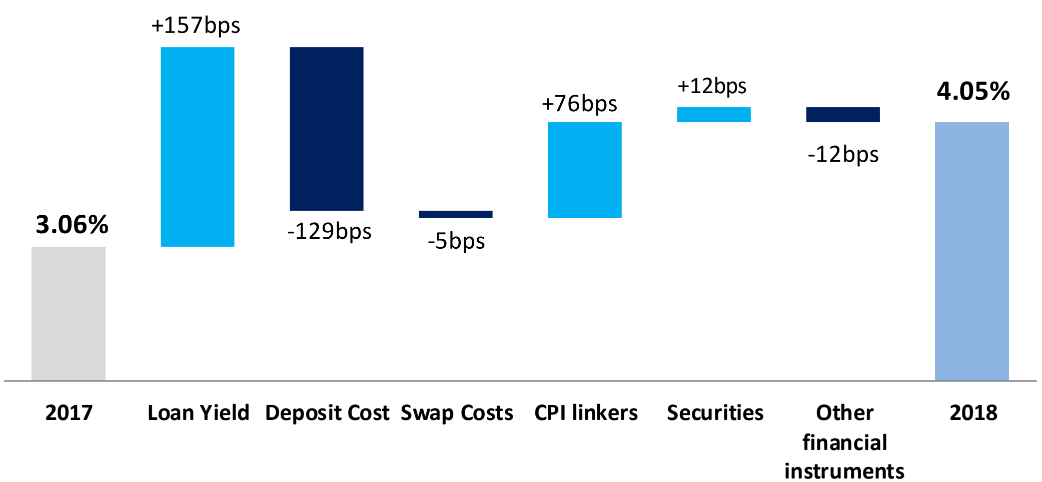
Note:
1. 2Q18 ROTAE is adjusted for the 4.1 bln TL rights issue on 30th of June

NIM Evolution

Quarterly

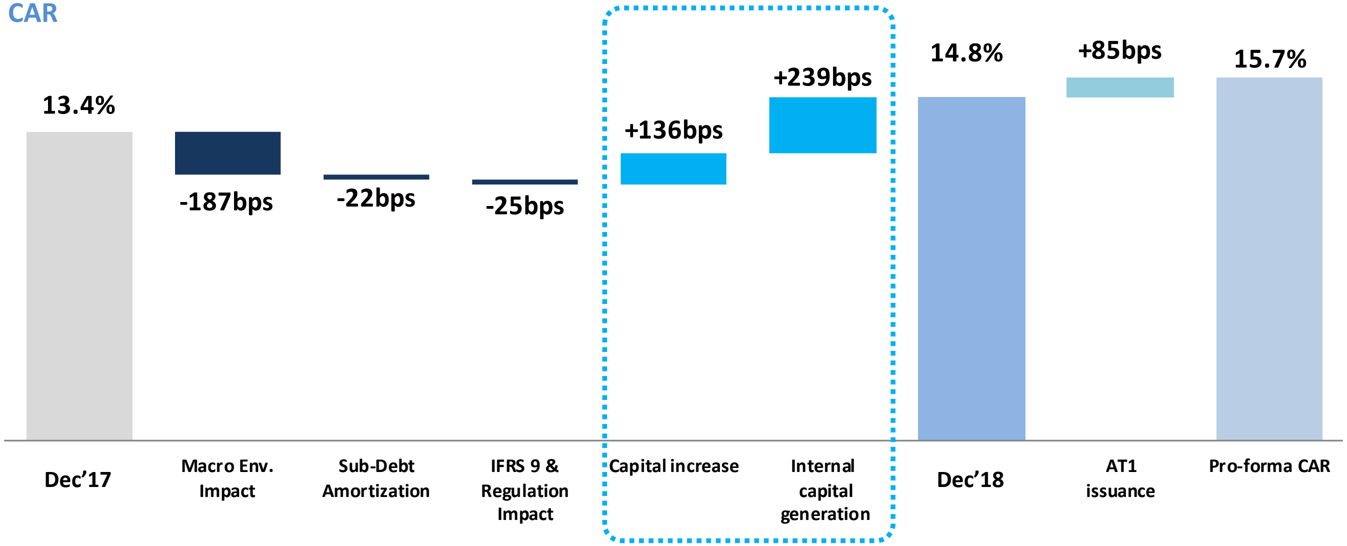


Cumulative

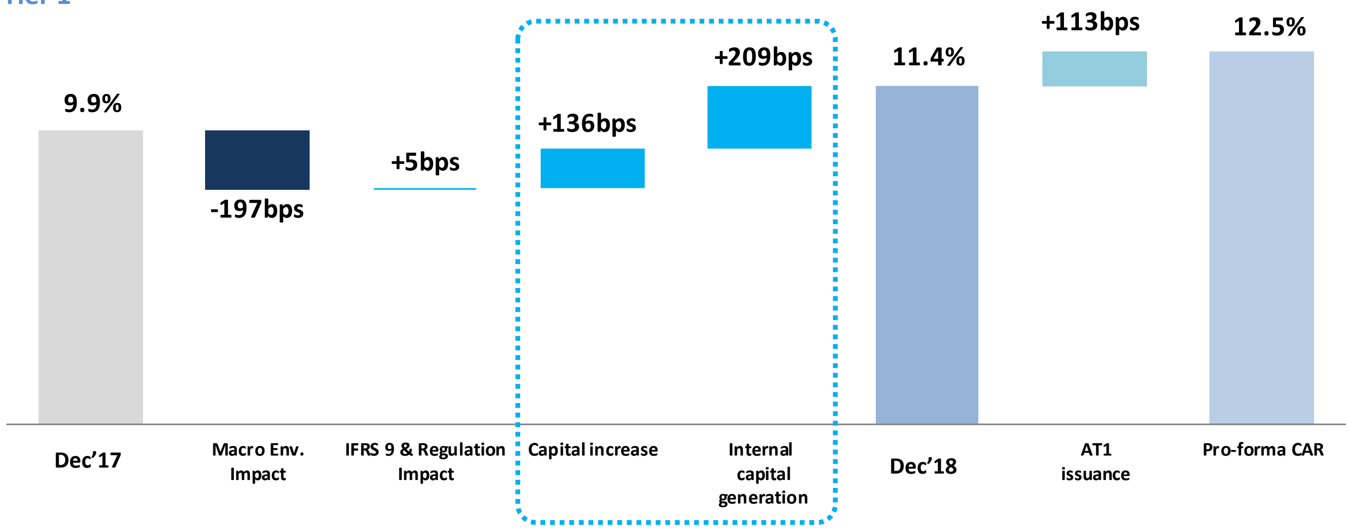


Capital Evolution

CAR

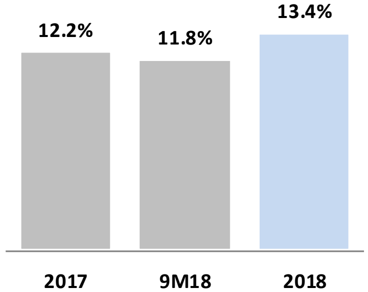


Tier 1

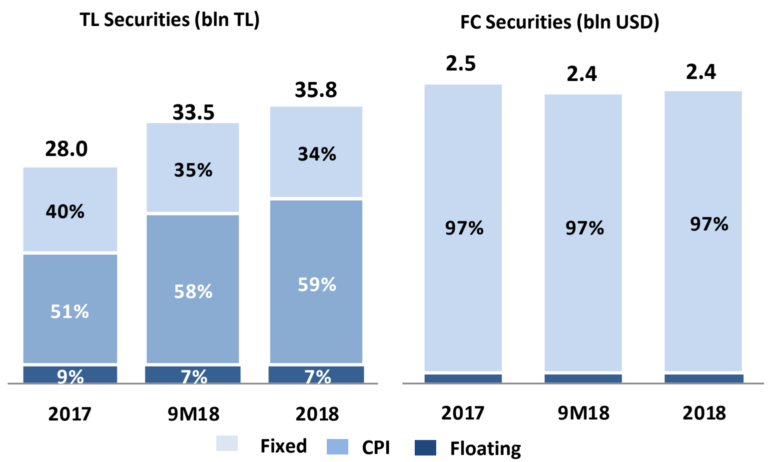


Securities

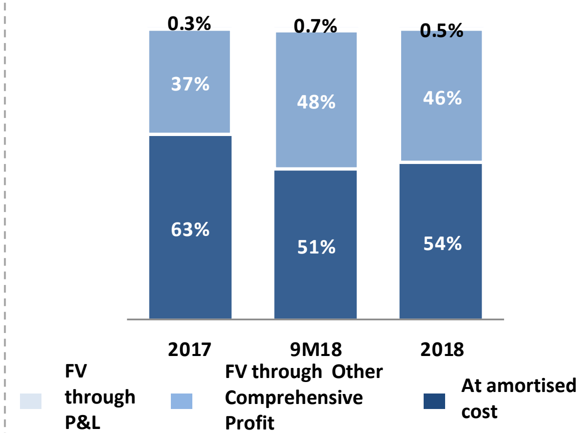
Securities/Assets



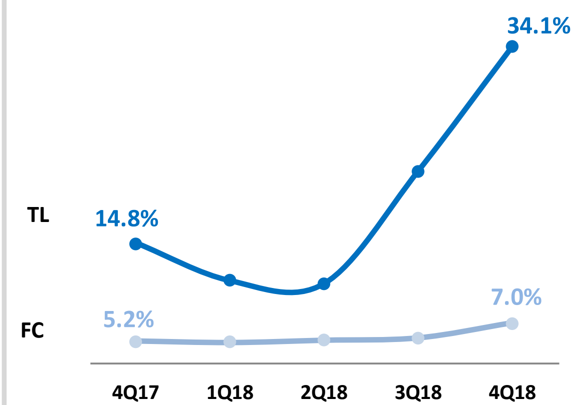
Composition by Type[1]



Composition by Classification[1]



Security Yields[1]



- **Securities / assets at 13.4%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased 29% y/y to TL 15.4 bln in book value[2]; with a gain of TL 4,735 mln in 2018

Actual Inflation at 25.2% for valuation of CPI linkers (previous valuation at 16.0%)

- **M-t-m unrealised loss at TL 1,748 mln as of 2018** (TL -385 mln in 2017)

Notes:
1. Based on Bank-Only financials
2. Excluding accruals

Details of main Borrowings

International

Syndications

~ US$ 2.6 bln in 2018

- **May'18:** US$ 382mln & € 923mln, all-in cost at Libor+ 1.30% and Euribor+ 1.20% for the 367 day tranche and Libor+ 2.10 % and Euribor+ 1.50 % for the 2 year and 1 day tranche, respectively. 48 banks from 19 countries
- **Oct'18:** US$ 275mln & € 690.7mln, all-in cost at Libor+ 2.75% and Euribor+ 2.65% for 367 days. 27 banks from 13 countries

AT1

~US$ 650 mln outstanding

- **Jan'19**: US$ 650 mln market transaction, callable every 5 years, perpetual, 13.875% (coupon rate) 1Q19

Subordinated Loans

~US$ 2.6 bln outstanding

- **Dec'12**: US$ 1.0 bln market transaction, 10 years, 5.5% (coupon rate)
- **Jan'13:** US$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant
- **Dec'13**[1]: US$ 470 mln, 10NC5, 6.55% – Basel III Compliant (midswap+4.88% after the first 5 years)
- **Mar'16:** US$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)

Foreign and Local Currency Bonds / Bills

US$ 2.7 bln Eurobonds

- **Jan'13:** US$ 500 mln, 4.00% (coupon rate), 7 years
- **Oct'14:** US$ 550 mln, 5.125% (coupon rate), 5 years
- **Feb'17:** US$ 600 mln, 5.75% (coupon rate), 5 years
- **Jun'17:** US$ 500 mln, 5.85% (coupon rate), 7 years
- **Jun'17:** TL 500 mln, 13.13% (coupon rate), 3 years
- **Mar'18:** US$ 500 mln, 6.10% (coupon rate), 5 years

Covered Bond

TL 1.17 bln out standing

- **Oct'17:** Mortgage-backed, maturity 5 years
- **Feb'18:** Mortgage-backed with 5 years maturity
- **May'18:** Mortgage-backed with 5 years maturity

Domestic

Local Currency Bonds / Bills

TL 1.4 bln total

- **Aug'18 :** TL 85 mln, 6 months maturity
- **Oct'18 :** TL 391 mln, 3 months maturity 4Q18
- **Nov'18** : TL 606 mln , 3 months maturity 4Q18
- **Dec'18** :TL 324 mln, 2 months maturity 4Q18

Notes:
1. We have paid back a 200 mln US$ of the subordinated loan in January 2019, the outstanding amount is at 270 mln US$

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

Turkey

- **Europe's 7th largest economy and a member of G20**
- **Young, dynamic, large** and **growing population**
- **Sovereign ratings** of Ba3/B+/BB by Moody's/ S&P/Fitch

	TR 2017	EU 2017
Population (mln)	81	513
Median Age	32	43[1]
Population Growth (CAGR 2000-2017)	1.5%	0.3%
GDP (€ bln)	752	15,336
World Ranking	17	-
Per Capita GDP (€)	9,311	29,900
World Ranking	68	-

Macro

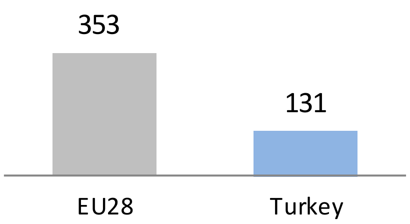
- **Converging economy** with growth potential
- **Focus on achieving balanced growth** driven by **both consumption** and **net exports**
- **Strong fiscal discipline with low public debt/GDP**
- **Stable CAD/GDP**

	2014	2015	2016	2017	2018
GDP Growth	5.2%	6.1%	3.2%	7.4%	2.6%
CPI (eop)	8.2%	8.8%	8.5%	10.9%	20.3%
Benchmark Rate (eop)	7.9%	10.8%	10.7%	13.4%	19.7%
Unemployment[2]	9.9%	10.3%	10.9%	10.9%	12.3%
Policy Rate	8.3%	7.5%	8.0%	8.0%	24.0%
CBT funding rate	8.5%	8.8%	8.3%	12.8%	24.0%
CAD/GDP	4.7%	3.7%	3.8%	5.5%	3.5%
o/w energy	5.2%	3.9%	2.8%	3.9%	4.9%
Public Debt/GDP	29%	29%	29%	28%	29%
Budget deficit/GDP	-1.1%	-1.0%	-1.1%	-1.5%	-2.0%

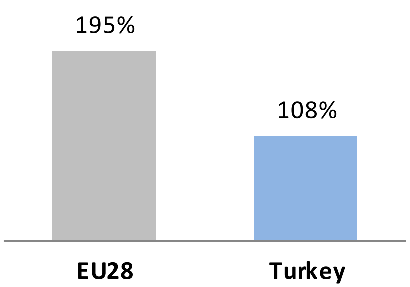
Source: Turkstat, Eurostat (for population, median age, population growth, GDP, per capita GDP, unemployment), IMF (for world ranking), CBRT (inflation), Bloomberg (benchmark), Turkstat and CBRT (for CAD/GDP), Treasury and Turkstat (public debt/GDP), CBRT, BRSA, Treasury and Turkstat (private debt/GDP)
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
1. As of end-2016
2. As of November 2018

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

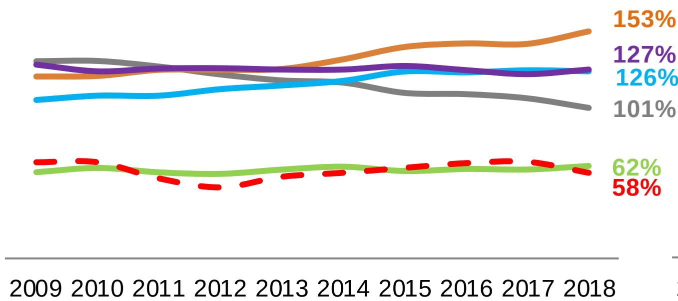
Branches Per Million Inhabitants (2017)



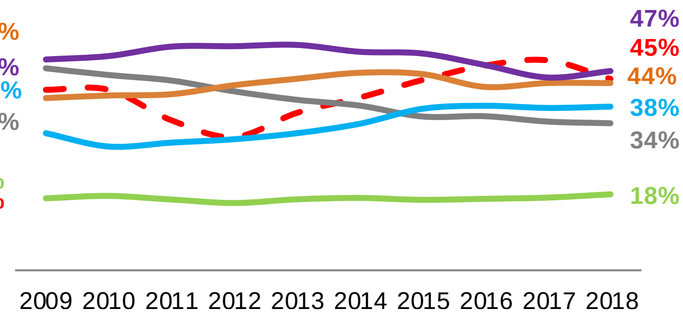
(Loans+Deposits)/GDP (2018)



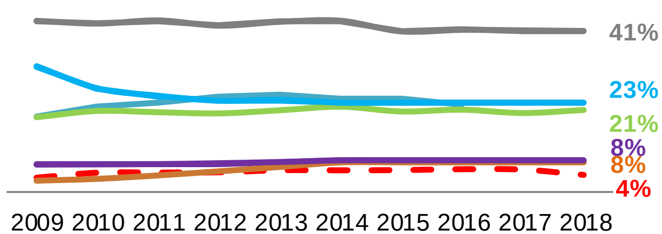
Total Loans[1]/GDP



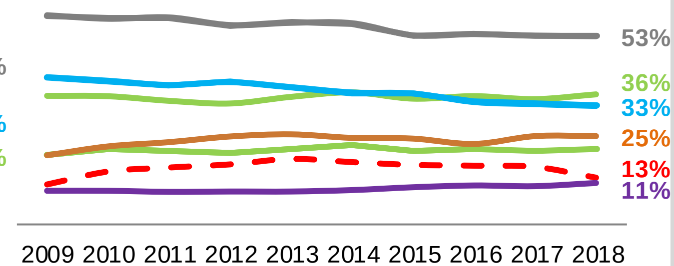
Corporate Loans/GDP



Mortgages/GDP



Loans to Households[2]/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

- **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)
  - **fees** (cut on account maintenance fees)
  - **capital** (potential alignment to IRB)
  - **provisioning** (IFRS9 as of 2018)
  - **corporate tax rate increase** (2018-20 to 22%)

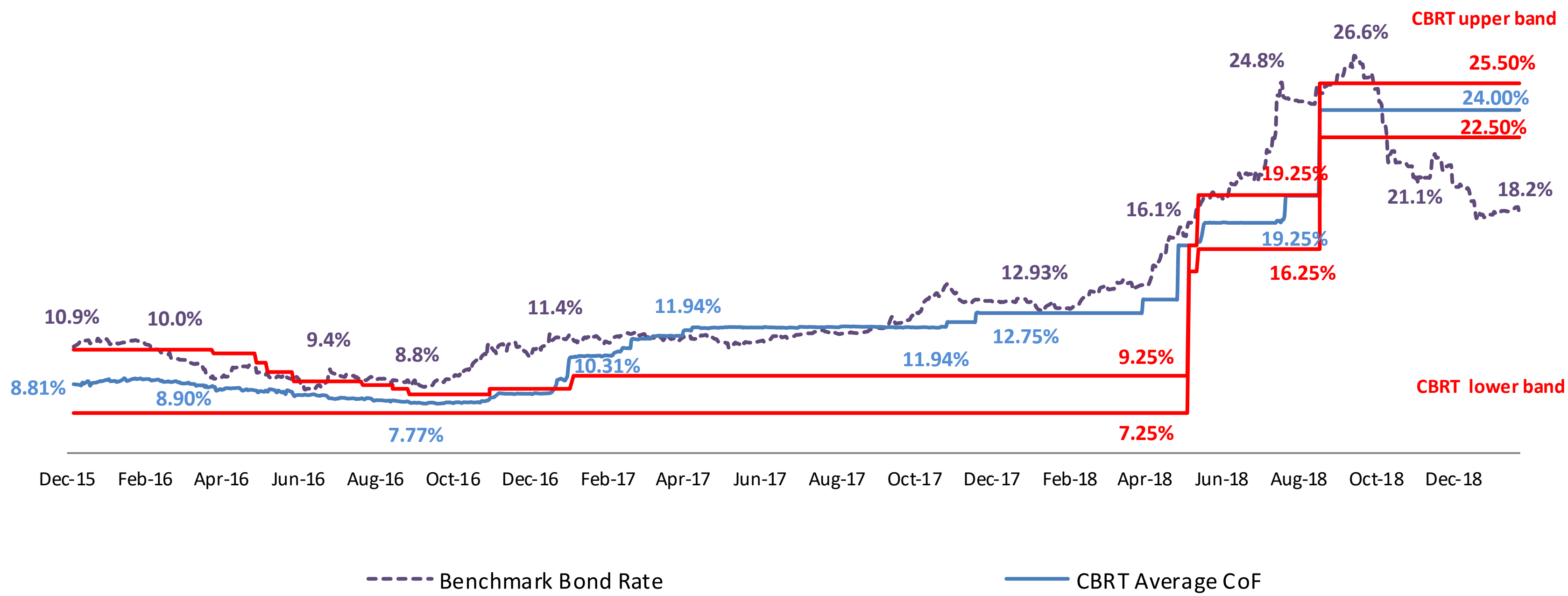
Challenges

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

	Banking Sector						
	2012	2013	2014	2015	2016	2017	2018
Banks #	45	49	51	52	52	51	52
Branches #	10,234	11,023	11,223	11,193	10,781	10,550	10,454
Loan Growth (ytd)	15%	33%	18%	21%	17%	14%	9%
Deposit Growth (ytd)	11%	24%	10%	19%	17%	11%	14%
Loans/GDP[1]	48%	55%	58%	61%	64%	68%	68%
Deposits/GDP[1]	49%	53%	51%	53%	56%	57%	60%
Loans/Assets	58%	61%	62%	64%	64%	65%	63%
Deposits/Assets	59%	58%	56%	56%	56%	55%	55%
NIM	4.1%	3.8%	3.6%	3.6%	3.7%	3.9%	4.2%
NPL Ratio	2.8%	2.6%	2.8%	2.9%	3.2%	2.9%	3.7%
Specific Coverage	75%	77%	75%	76%	78%	80%	69%
CAR[2]	17.3%	14.6%	15.7%	15.0%	15.1%	16.5%	16.9%
Tier 1 Ratio	14.2%	12.2%	13.1%	12.5%	12.6%	13.6%	13.6%
ROAE	14.5%	12.5%	12.1%	10.8%	13.5%	15.0%	13.7%
ROAA	1.7%	1.4%	1.3%	1.1%	1.4%	1.5%	1.4%

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%
(1) 2018 GDP assumed stable at 9M18 level
(2) Based on BRSA monthly financials; indicating deposit banks

CBRT rates



Notes:

Benchmark Bond Rate: Yield of the most traded 2-year government bond

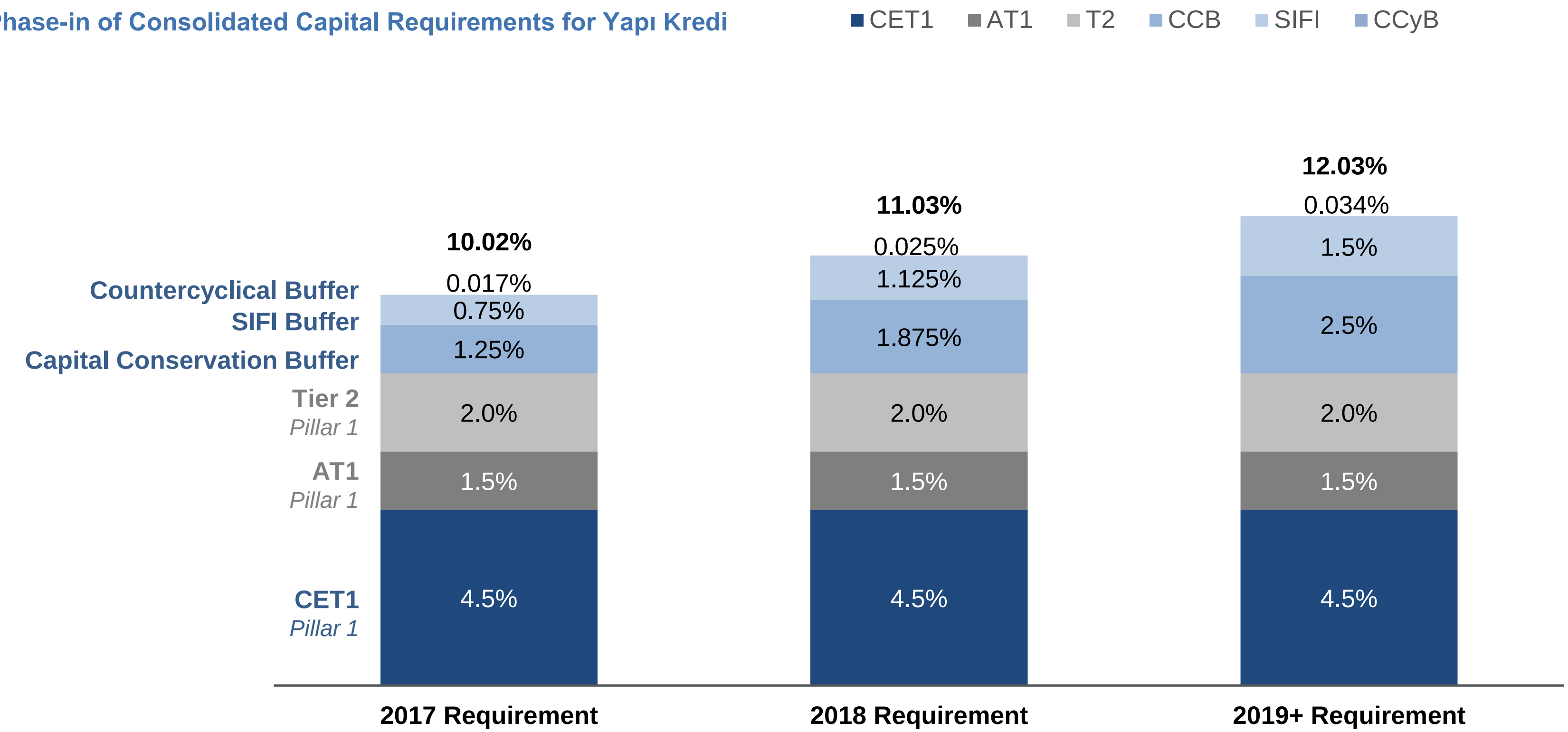
CBRT Average CoF (cost of funding): Weighted average cost of outstanding funding of the CBRT via open market operations including O/N repo, one-week repo and one-month repo

Credit Ratings

		Long-Term Foreign Currency		Long-Term Local Currency	
		Rating	Outlook	Rating	Outlook
Moody's	Yapı Kredi	B2	Negative	B1	Negative
	Garanti	B2	Negative	B1	Negative
	Akbank	B2	Negative	B1	Negative
	Işbank	B2	Negative	B2	Negative
	Halkbank	B2	Negative	B2	Negative
	Vakıfbank	B2	Negative	B1	Negative
S&P	Yapı Kredi	B+	Stable	B+	Stable
	Garanti	B+	Stable	B+	Stable
	Akbank	Not rated	-	Not rated	-
	Işbank	B+	Negative	B+	Negative
	Vakıfbank	B+	Negative	B+	Negative
Fitch	Yapı Kredi	BB-	Negative	BB	Negative
	Garanti	BB-	Negative	BB	Negative
	Akbank	B+	Negative	BB-	Negative
	Işbank	B+	Negative	BB-	Negative
	Halkbank	B+	Negative	BB	Negative
	Vakıfbank	B+	Negative	BB	Negative

Consolidated regulatory capital requirements for Yapı Kredi

Phase-in of Consolidated Capital Requirements for Yapı Kredi



Consolidated Capital Requirements for Yapı Kredi

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

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