

Yapı Kredi

1H19 Investor Presentation

Yapi Kredi: A leading financial services group

Yapi Kredi Overview

Key Figures – 1H19

Ratings Moody's: B3 / Fitch: B+ / S&P: B+

Total Assets

**409.0
bln TL**

Loans¹

**232.3
bln TL**

Net Income

**2,361
mln TL**

RoATE²

12.5%

Number of Branches³

854

Employees⁴

18,047

Market Share – 1H19

Market Share⁵

Total Bank

Cash & Non-cash Loans

9.8%

Customer Deposits

10.1%

Business Units

Corporate Loans⁶

8.8%

Consumer Loans⁷

8.3%

Credit Card Outstanding

20.6%

Subsidiaries

Leasing

22.0%

Factoring

14.0%

Wealth Management⁸

14.2%

Notes:

1. Loans indicate performing loans, 2. RoATE indicates return on average, tangible equity (excl. intangible assets), 3. Bank-only, 4. Group data. Bank-only: 17,191, 5. 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 İstanbul (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 Jun'19, 6. Cash loans excluding credit cards and consumer loans, 7. Including mortgages, GPL and auto loans, 8. Refers to Mutual Funds

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



Corporate and Commercial Banking

Corporate
Turnover
>USD 100 mln

3 Branches

Commercial
Turnover
USD 10-100 mln

46 Branches

**International/
Multinational**

1 Branch

Retail Banking

**Individual
Banking**



776 Branches

**SME
Banking¹**
Turnover
<USD 10 mln

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

22 Branches

Credit Cards

Subsidiaries

YapiKredi
Factoring

YapiKredi
Leasing

YapiKredi
Invest

YapiKredi
Asset Management

YapiKredi
Nederland

YapiKredi
Azerbaijan

YapiKredi
Malta

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

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

Shareholding Structure



50%



KOÇ FINANCIAL SERVICES

50%



81.9%¹



Largest business group in Turkey with combined revenue equal to 8% of Turkey's GDP

	1H19
Total Assets (EUR bln)	22.7
Revenues (EUR mln)	11,795
Net Income (EUR mln)	348

Ratings

Moody's: B1 / S&P: BB-

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

	1H19
Total Assets (EUR bln)	832
Revenues (EUR mln)	9,283
Net Income (EUR mln)	3,241

Ratings

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

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

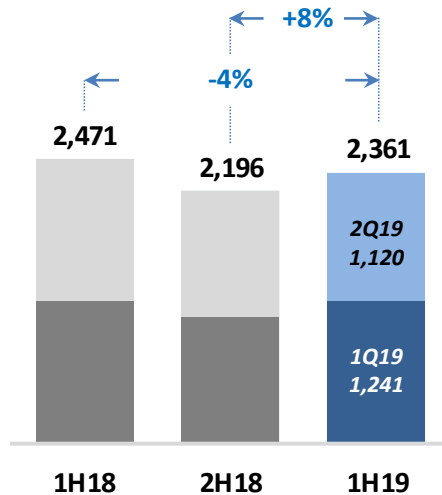
Notes:

All information and figures regarding UniCredit and Koç Holding are based on publicly available 1H19 data, unless otherwise stated

1. Remaining 18.1% listed on the Istanbul Stock Exchange

Ongoing strength in core performance with a prudent asset quality approach, in a quarter shaded with macro volatility

Net Profit (TL mIn)



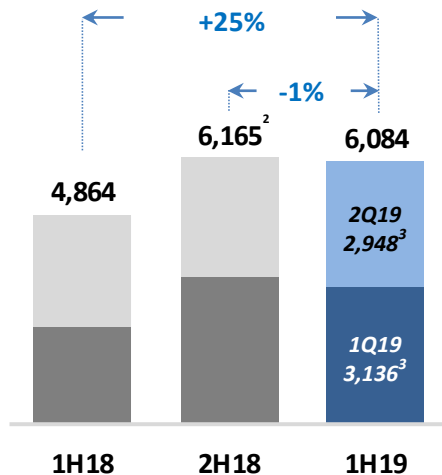
RoTE at 12.5%; better than the guidance

NIM quarterly up by 13 bps⁴ thanks to TL loan deposit spread (+20bps q/q)

Fee income up 24% y/y through payment systems and transactional banking

Prudency in asset quality sustains : 2.33%⁵ CoR

PPP¹ (TL mIn)



Backed by a strong balance sheet position;

- ✓ LDR further improves: 101%
- ✓ LCR⁶ as high as 155%, FC LCR at 375%
- ✓ Tier-1 ratio at 12.8%

322bps above the regulatory requirements

Notes:

1. Pre-Provision Profit figures exclude ECL collection income, trading income to hedge FC ECL and pension fund provisions reserved in 4Q18
2. Assuming 25.2% inflation just for 2H18, stated at 7,544 mln TL due to CPI linker's higher income generation related with 1H18
3. Adjusted for the CPI linker income's 3 months impact of inflation revision to 11% from 12% (58 mln TL)
4. Adjusted for the CPI linker assumption change (1H19: 11%; 1Q19: 12%)

5. Adjusted for hedged FX impact
6. Based on past three months averages

Loans: Strong TL loan growth vs ongoing decline in FC loans with further improvement in composition towards small tickets

Lending

Loan volumes (TL bln)

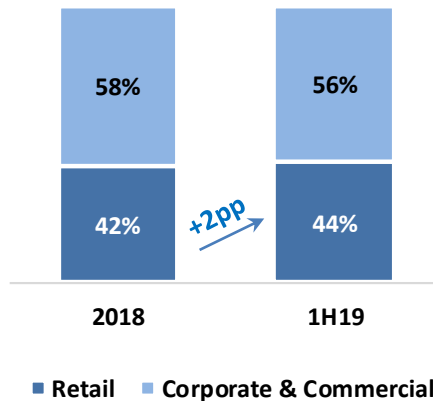
	1H19	Yapı Kredi			Private Banks ¹		
		q/q	y/y	ytd	q/q	y/y	ytd
Cash+Non-cash Loans²	323.1	0%	3%	5%	-1%	-1%	2%
TL ³	158.5	4%	5%	8%	-1%	-5%	1%
FC (\$) ³	28.6	-5%	-20%	-5%	-3%	-18%	-6%
Cash Loans²	232.3	1%	5%	5%	-1%	-1%	3%
TL ³	131.6	5%	7%	9%	-1%	-6%	2%
FC (\$) ³	17.5	-6%	-20%	-8%	-2%	-15%	-5%

5% total loan growth on a ytd basis

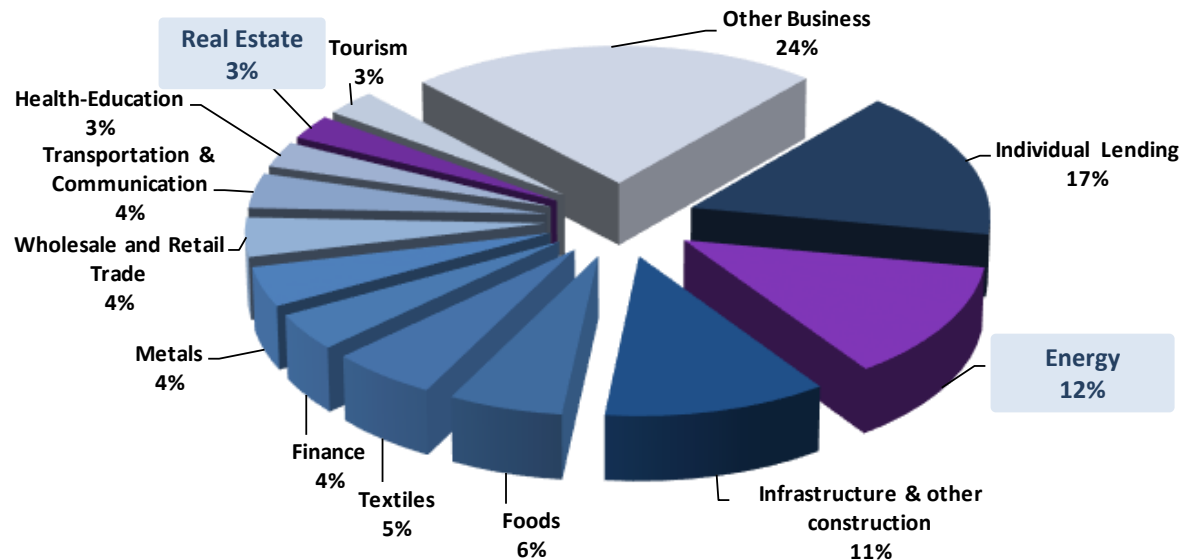
9% ytd increase in TL cash loans
supported by 8.4 bln TL CGF utilization in 1H19

8% ytd contraction in FC cash loans

Segment Breakdown of Cash Loans⁴



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



Notes:

1. Private banks based on BRSA weekly data as of 28 June 2019
2. Cash Loans indicate performing loans excluding factoring and leasing receivables
3. TL and FC loans are adjusted for the FX indexed loans
4. Based on MIS data adjusted for FX, Retail includes individual, credit cards and SMEs

Deposits: Strong TL deposit growth with ongoing market share gain in individual deposits

Funding

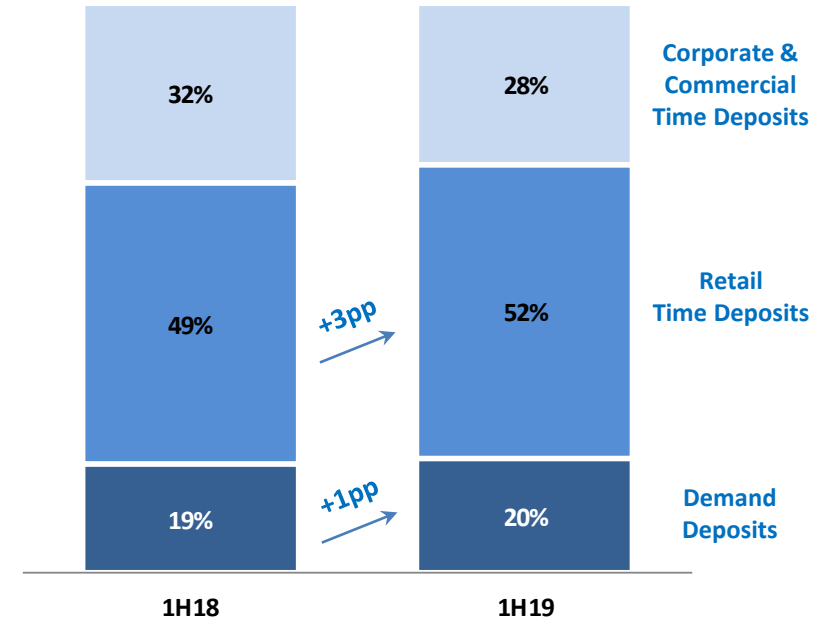
Deposit volumes (TL bln)

	1H19	YKB			Private Banks ¹		
		q/q	y/y	ytd	q/q	y/y	ytd
Customer Deposits	219.5	2%	22%	10%	2%	14%	8%
TL	90.9	5%	19%	5%	2%	4%	-3%
FC (\$)	22.4	-2%	-1%	4%	-1%	-3%	7%

Deposit market share¹

	2018	1H19	chg ytd
Customer Deposits	15.9%	16.1%	15bps
<i>o/w Individual TL Time</i>	<i>13.8%</i>	<i>14.2%</i>	<i>45bps</i>
<i>o/w Individual TL demand</i>	<i>14.1%</i>	<i>15.0%</i>	<i>93bps</i>

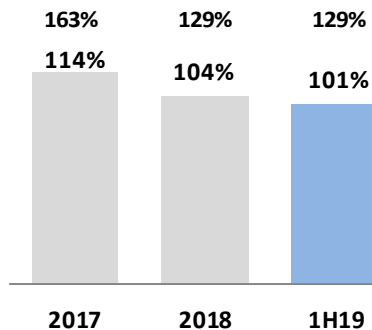
Deposit Breakdown (FX adjusted)²



Liquidity

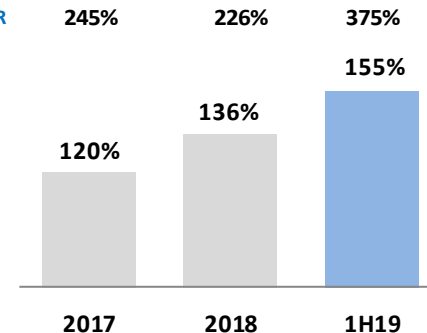
LDR³

TL LDR



LCR⁵

FC LCR



Short term FX
Liquidity⁶: ~11 bln USD

Run-off's in 1 year:
5.0 bln USD

Notes:

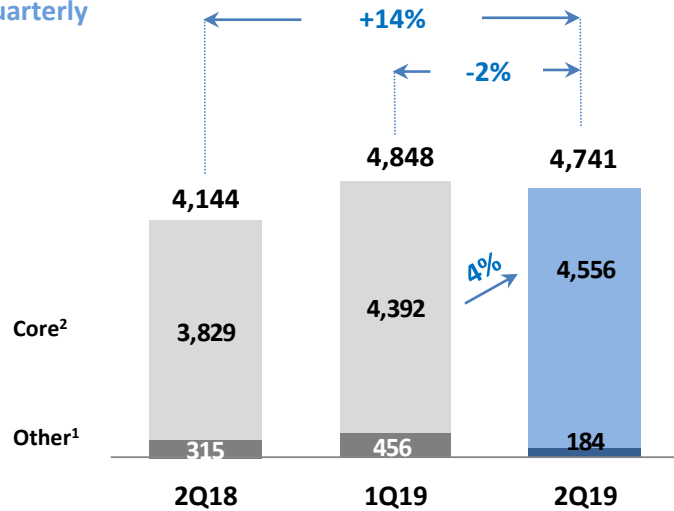
- Private banks based on BRSA weekly data as of 28 June 2019
- Based on MIS data (weekly average)
- LDR= Loans / (Deposits + TL Bonds)
- Adjusted for POS merchants blocked deposits
- Based on past three months averages
- MIS data 1 month liquidity; 3 months at 12 bln USD

Core revenues continue to improve; contraction in trading income due to macro volatility

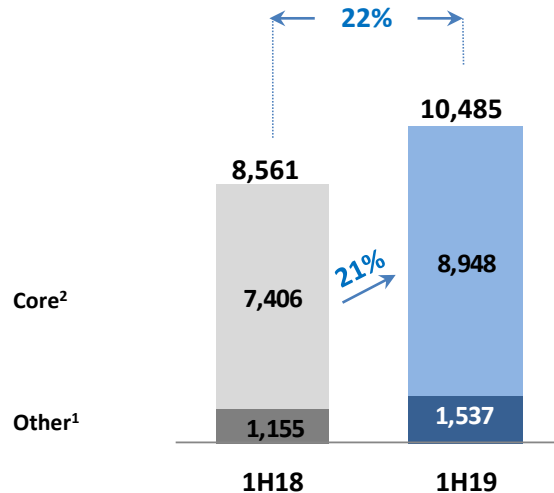
Revenues

Revenues^{1;2} (TL mIn)

Quarterly

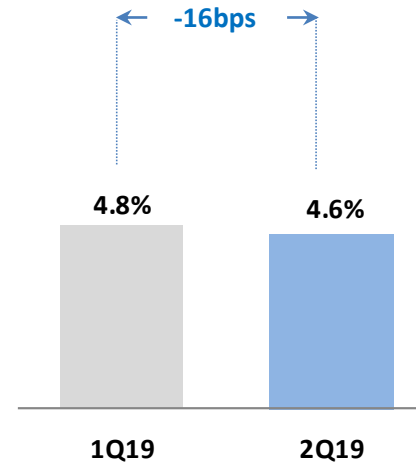


Yearly



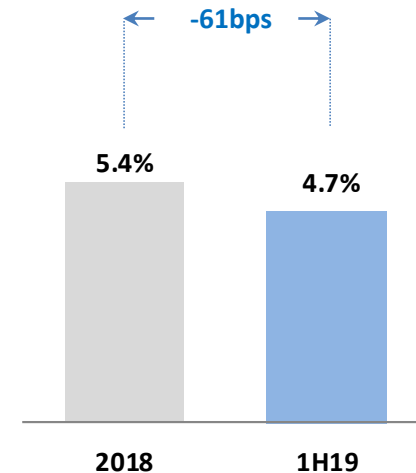
Core Revenue Margin

Quarterly^{2;3}



*Stable quarterly
Core Revenue Margin
when adjusted for CPI linkers
(2Q19: 11% - 1Q19: 12%)*

Cumulative



*35 bps ytd improvement³
excluding CPI linkers*

Notes:

1. Revenues and other revenues exclude ECL collection income and trading income to hedge FC ECL

2. Core Revenues = NII + swap costs + Net fee income; 1Q19 core revenues are adjusted for the change in CPI assumption to 11% from 12% in 2Q19 for the calculation of CPI linker income (58 mln TL)

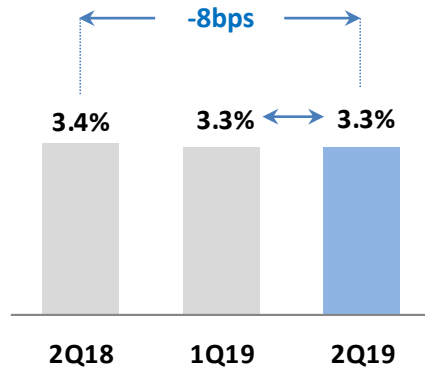
3. MIS, based on daily averages

CPI adjusted NIM improves 13bps q/q and 16bps ytd with positive evolution in TL core spreads

Revenues - NIM -

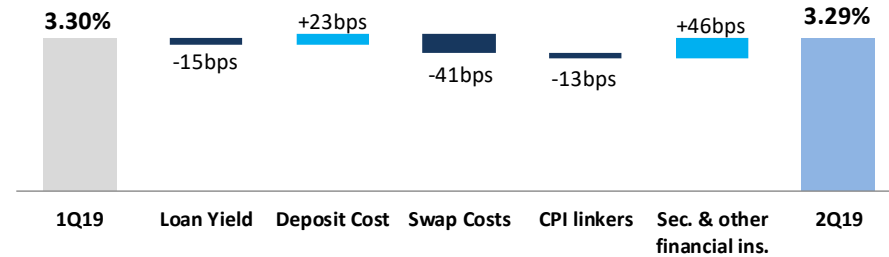
Swap Adjusted NIM

Quarterly

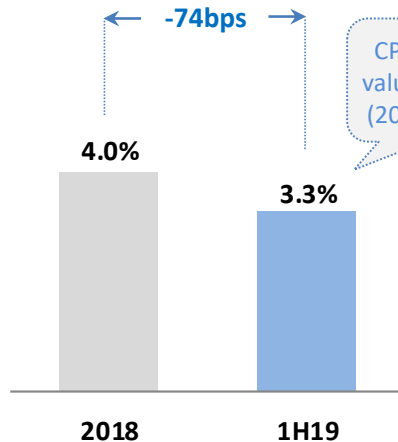


Quarterly NIM up +13bps, on a homogeneous basis when adjusted for CPI (2Q19: 11% - 1Q19: 12%)

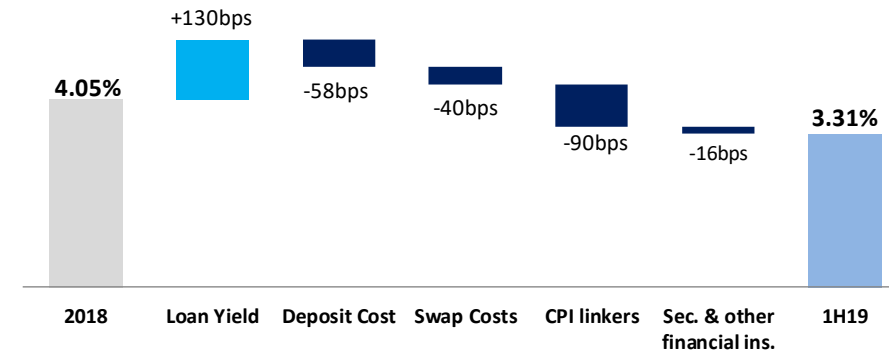
NIM Evolution



Cumulative



+16 bps higher NIM¹ excluding CPI linkers



Notes:
Based on Bank-Only financials
1. MIS, based on daily averages

Positive TL loan-deposit spread on back of the ease in TL deposit costs resulting in q/q core spread improvement

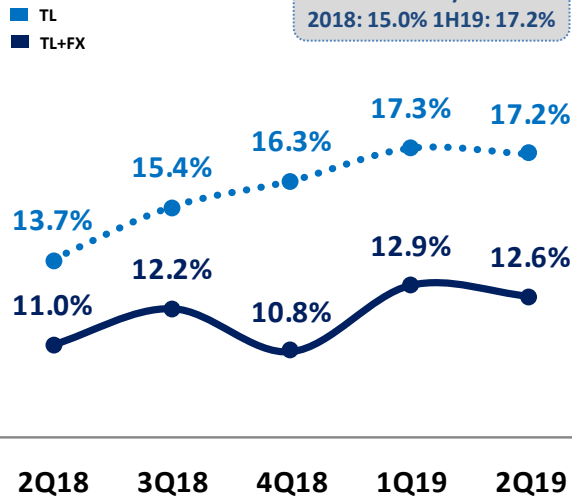
Loan-Deposit Spread –

Loan – Deposit Spread Evolution

Loan Yields¹ (Quarterly)

19bps decline in TL loan yields vs. 1Q19 due to increase in lending activity at quarter-end

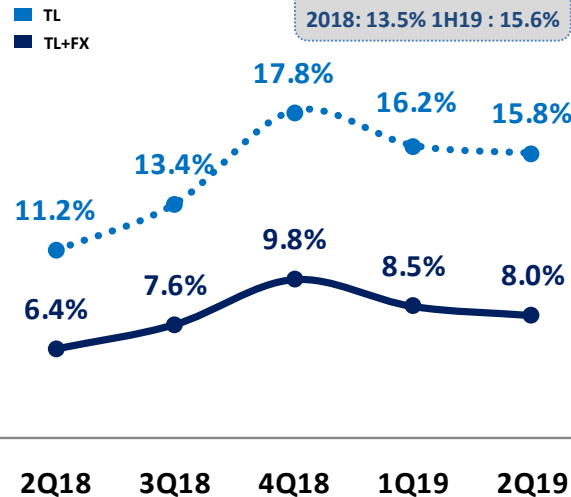
Cum. TL yield
2018: 15.0% 1H19: 17.2%



Deposit Costs (Quarterly)

44bps decline in total cost of deposits q/q driven by the ease in quarterly TL cost of deposits, despite an increase in June

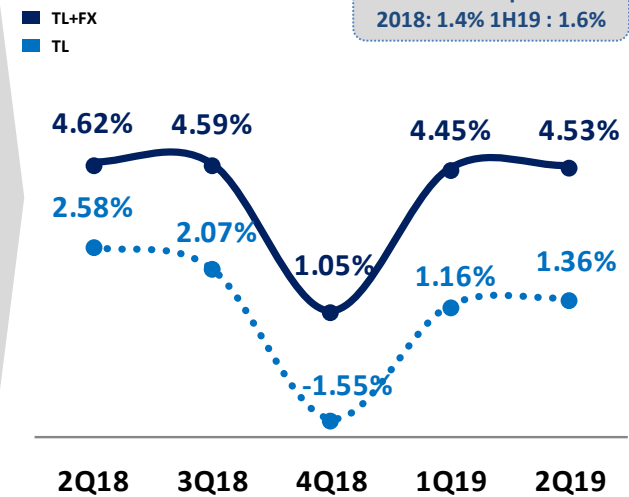
Cum. TL cost
2018: 13.5% 1H19: 15.6%



Loan-Deposit Spread (Quarterly)

8 bps wider Loan-Deposit spread vs. 1Q19 thanks to active TL spread management (20 bps q/q)

Cum. TL spread
2018: 1.4% 1H19: 1.6%



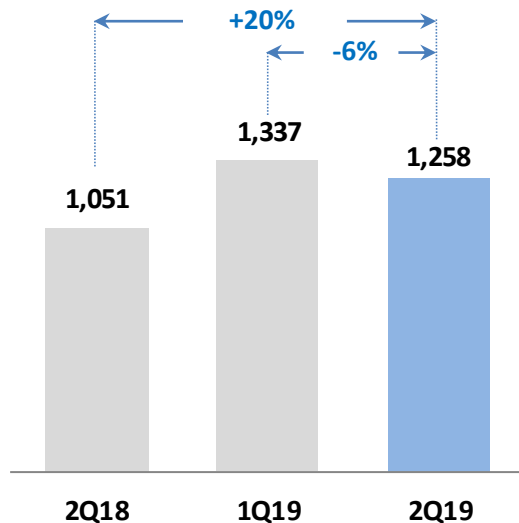
Notes:
Based on Bank-Only financials
1. Performing loan yields

Strong yearly fee growth sustained through payment systems and transactional banking; q/q decline due to slowdown in lending

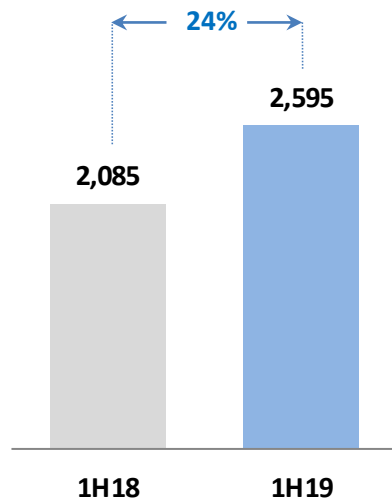
Revenues - Fees —

Net Fee Income (TL mIn)

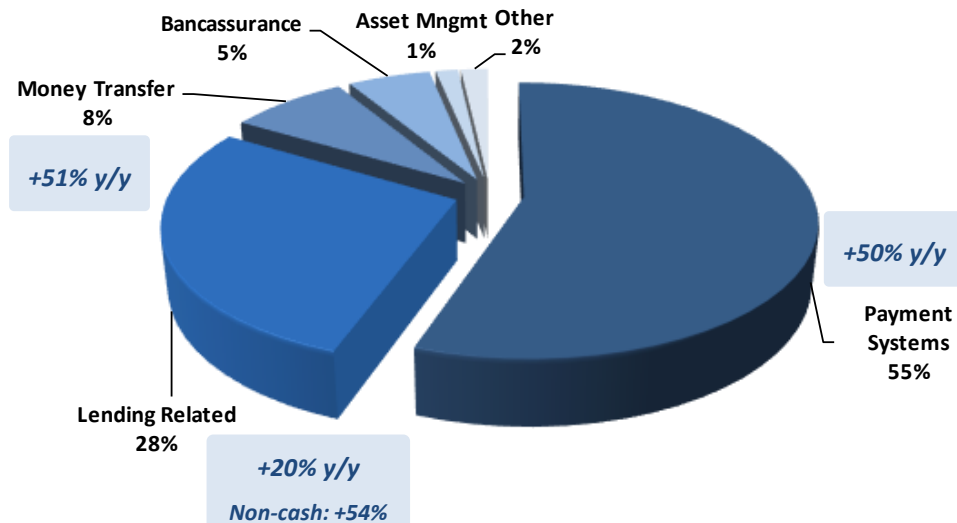
Quarterly



Yearly



Fees Received Composition



Re-design of service model to support risk free revenue generation:

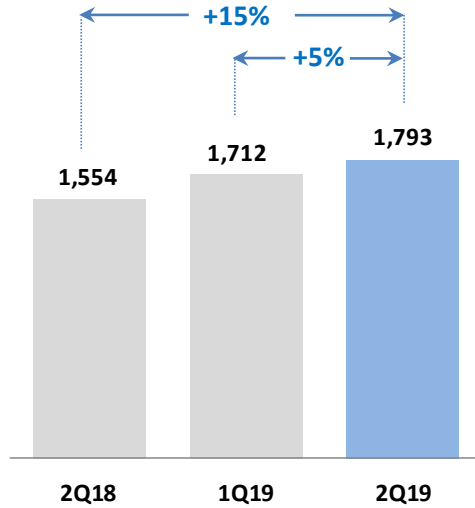
- Portfolio management approach for Business Banking customers
- Refined Affluent segment with additional advisory services
- Specialized services for Mass Affluent within Unified RM system

Controlled cost growth below average inflation with further efficiency focus

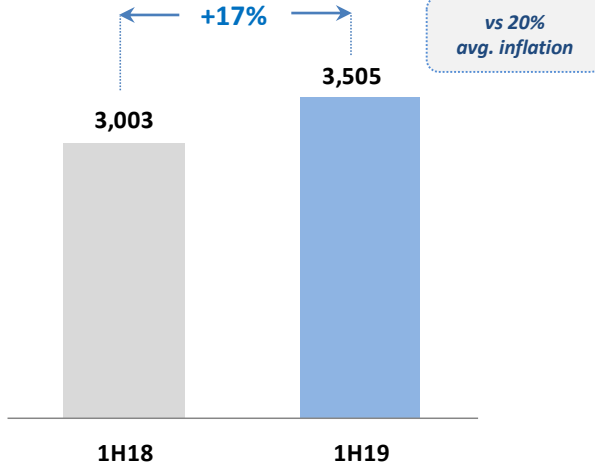
Costs

Costs (TL mIn)

Quarterly

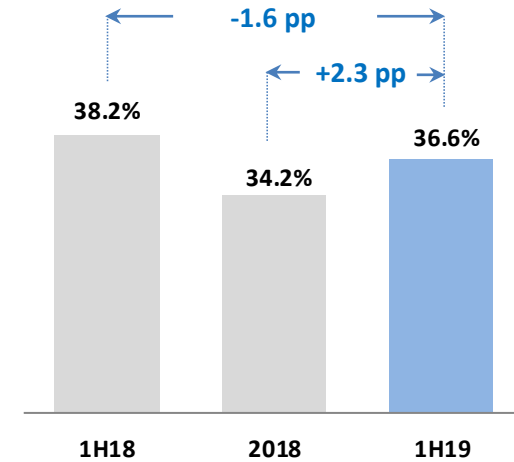


Yearly



Cost¹ / Income² (TL mIn)

Cumulative



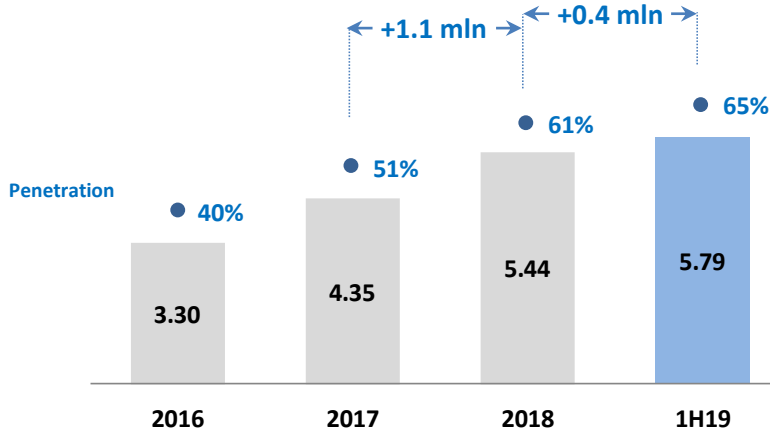
Notes:

1. Excluding pension fund provision (4Q18: TL 230 mIn)
2. Income adjusted for trading income to hedge FC ECL and collections

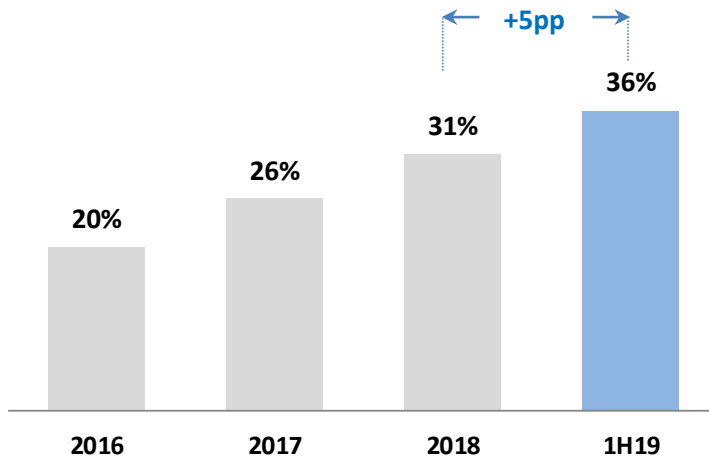
Sustainable growth in digital customers with increasing trend in digital transactions



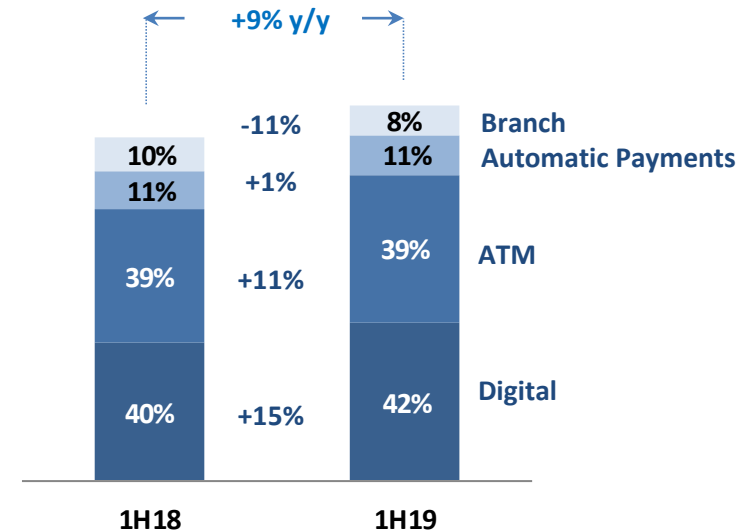
Number of Digital Customers (mln)



Share of digital in main products² sold



Transaction³ 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

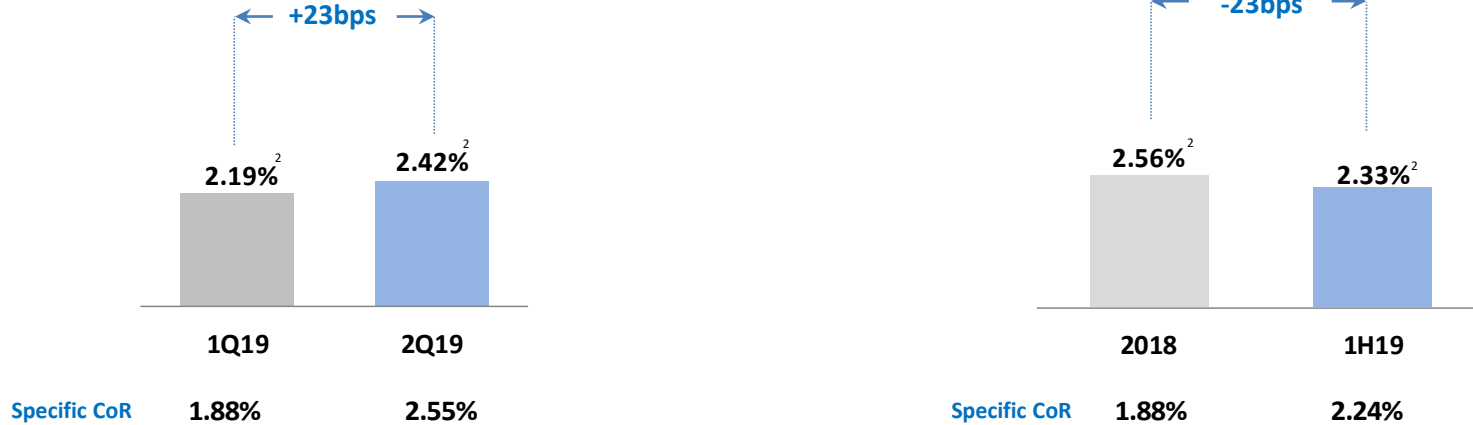
Slight pick up in q/q CoR driven by NPL inflows through a couple of big tickets... CoR improves over 2018

Asset Quality

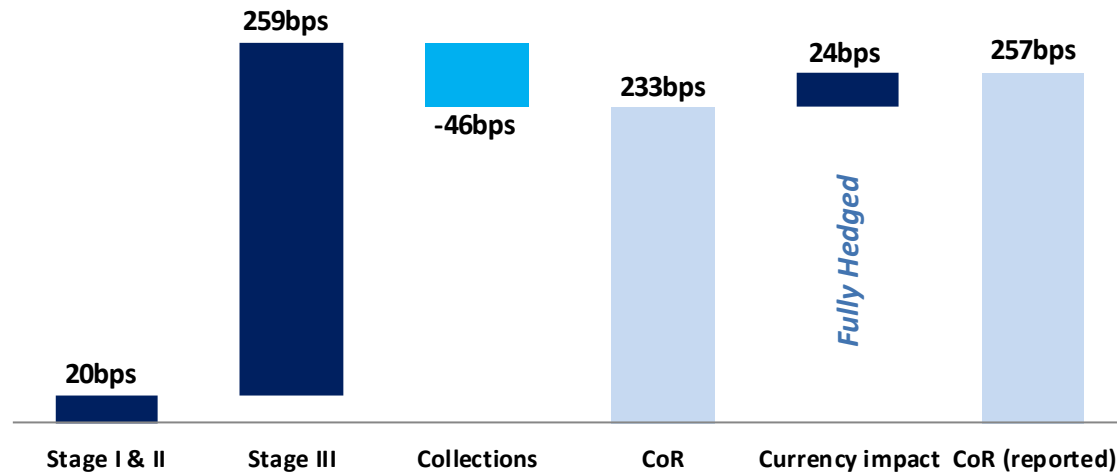
Total Cost of Risk¹

Quarterly

Cumulative



Cost of Risk composition (1H19)



Notes:

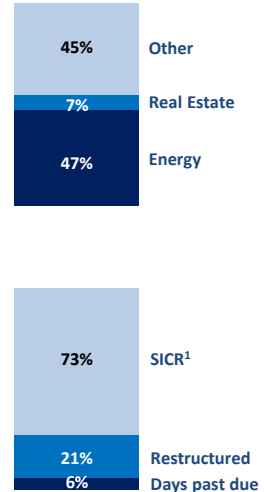
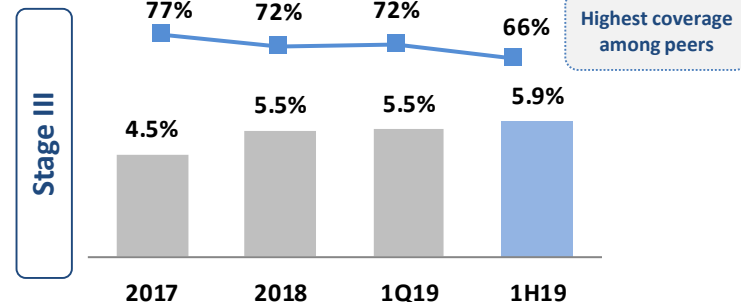
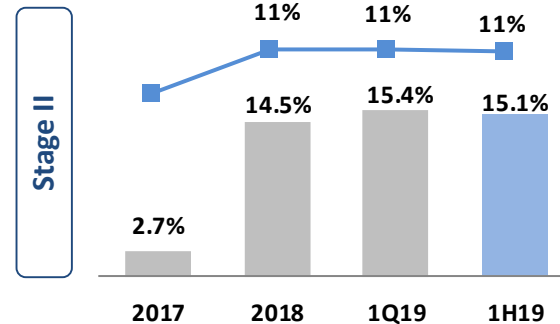
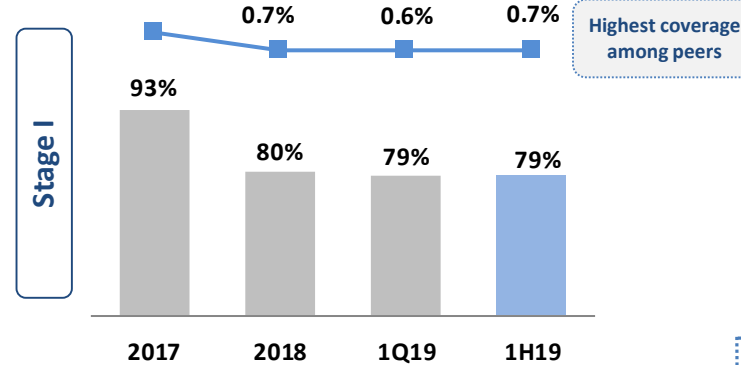
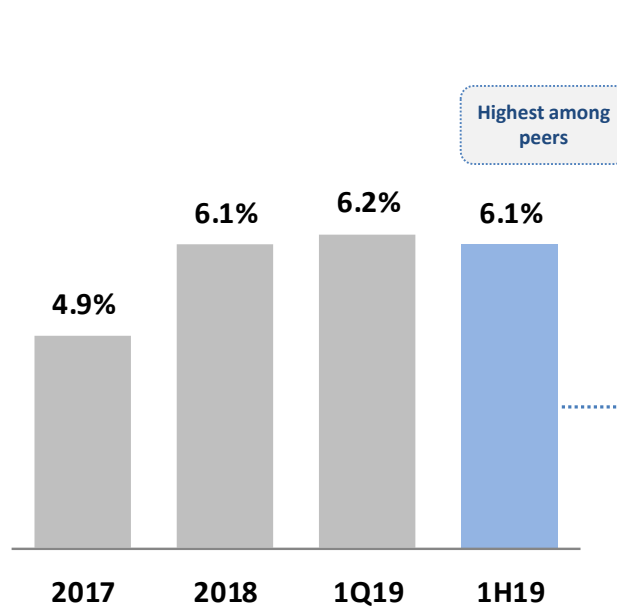
1. Cost of Risk = (Total Expected Credit Loss- Collections-FC ECL hedge)/Total Gross Loans

2. Stated CoR - 1Q19: 2.52%; 2Q19: 2.58% - 2018: 2.74%; 1H19: 2.57%

High total coverage level maintained, Stage 3 coverage came down q/q due to fully covered NPL sales of 1.7 bln TL in the quarter

Asset Quality

Provisions / Gross Loans



Notes:

Based on Bank-Only BRSA financials

1. SICR: Significant Increase in Credit Risk

TL 2.14 bln NPL sales in 1H19 (TL 396 mln in 1Q19, TL 1.7 bln in 2Q19)

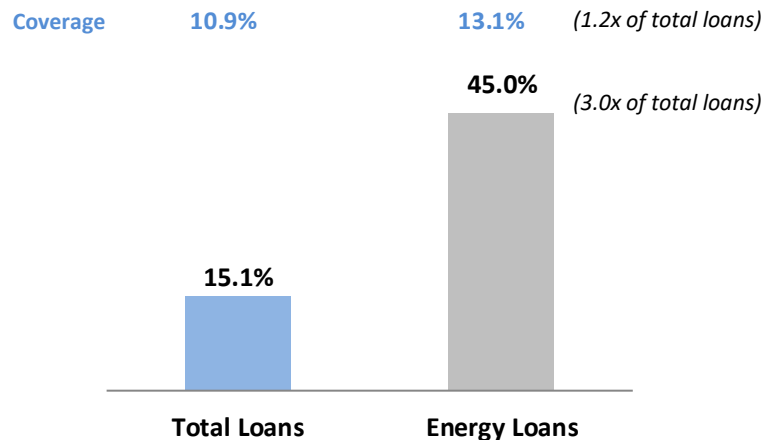
— Coverage

Focus on energy and real estate portfolios sustain

Asset Quality

Energy Loans¹ details

Stage II Loans

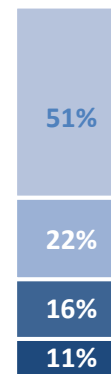


Breakdown by sub-segments

Risk Scale

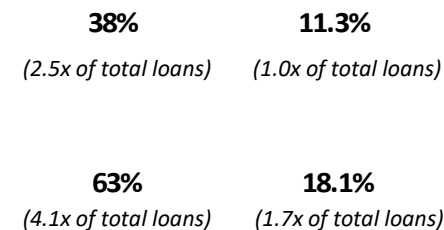


Renewable
Distribution
Coal Fired
Natural Gas



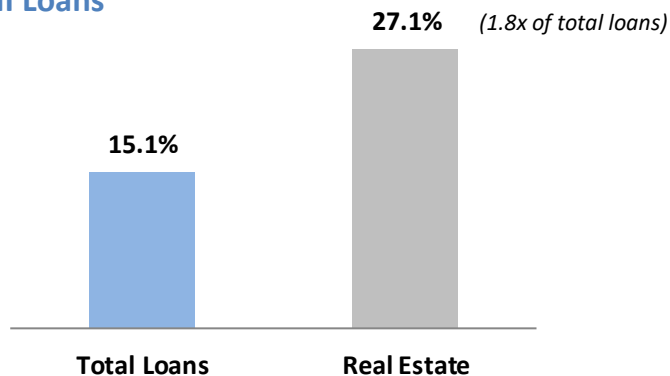
Stage II ratio

Stage II Coverage

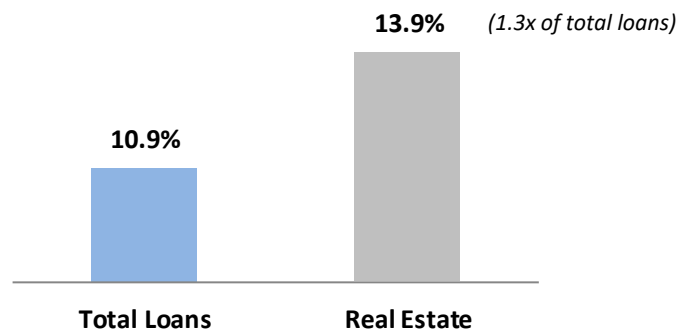


Real Estate Loans¹ details

Stage II Loans



Stage II Coverage



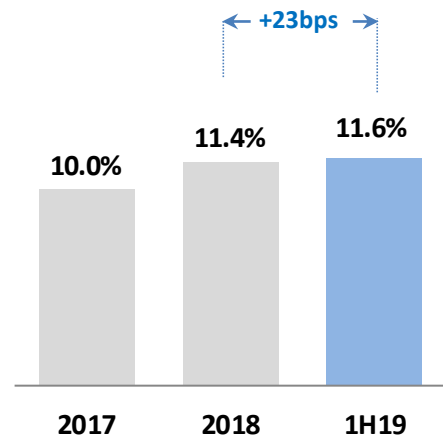
Notes:
1. Based on Bank-Only MIS data

Improvement in capital ratios thanks to succesful efforts towards internal capital generation and RWA optimisation

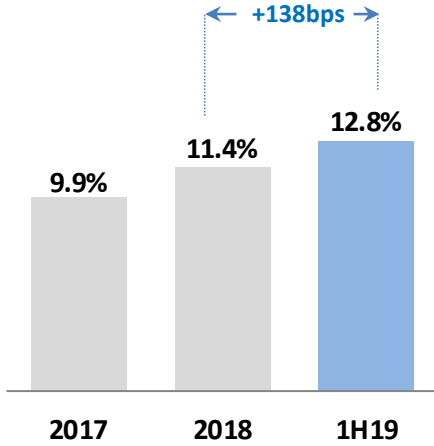
Capital

Capital Ratios

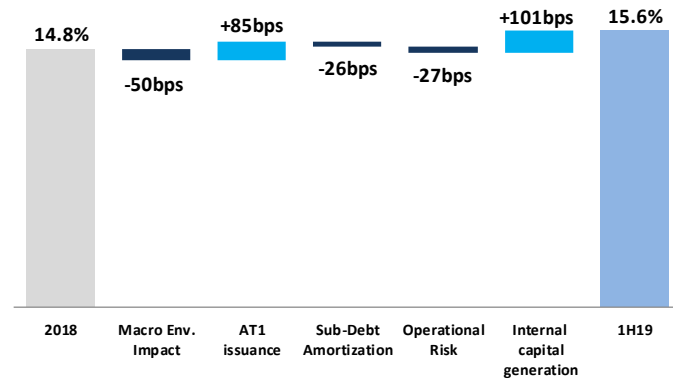
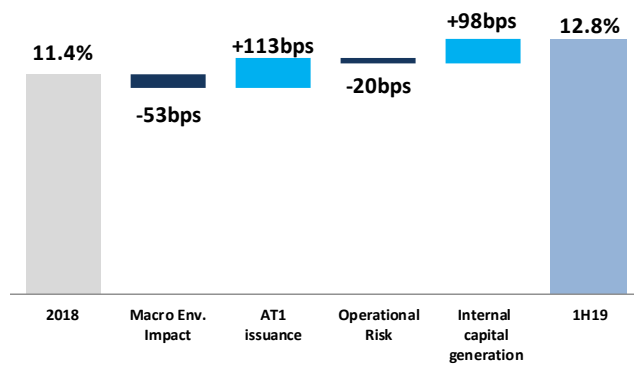
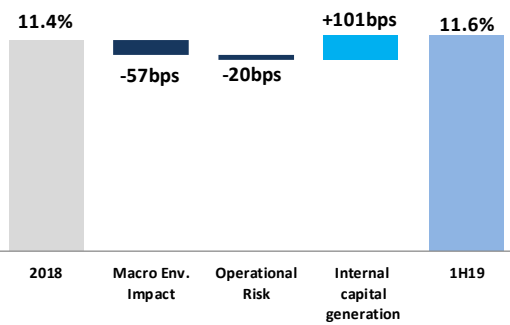
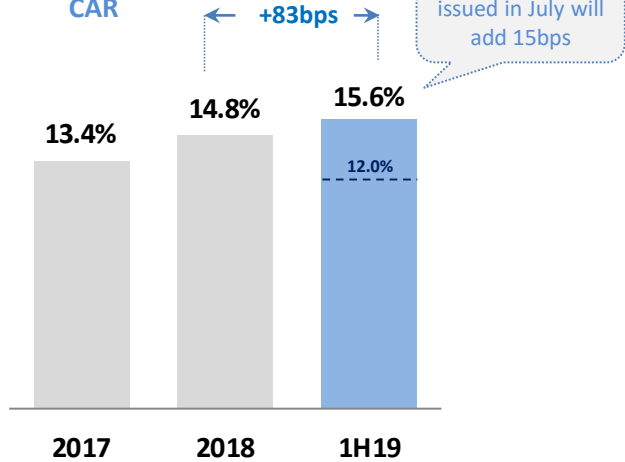
CET1



Tier1



CAR



Maintaining 2019 guidance

Guidance

		2019 Guidance	1H19 Realization ¹	
Fundamentals	LDR	~105%	101%	✓
	CAR	> 15%	16%	✓
Volumes ²	TL Loans	~15%	15%	✓
	Deposits	Mid-teens	19%	✓
Revenues	NIM (w/o CPI impact)	Flat	+16 bps	✓
	Fees	Mid-teens	26%	✓
Costs	Costs	Below average CPI	16%	✓
Asset Quality	NPL ratio	< 7%	5.9%	✓
	Total CoR	< 300 bps	276 bps	✓
Profitability	RoTE	low teens	12.5%	✓

Notes:

1. All figures based on BRSA bank-only except for CAR

2. TL Loans and deposit growth annualized for 1H19

Q&A



Annex

Macro Environment and Banking Sector

Macro Environment

Normalisation trend on all macro lines, with ongoing tight stance of the CBT and improvement in inflation

	2017	2018	1Q19	1H19
GDP Growth (y/y)	7.4%	2.6%	-2.6%	-
CPI Inflation (y/y)	11.9%	20.3%	19.7%	15.7%
Consumer Confidence Index (avg)	68.6	67.0	58.6	59.2
CAD/GDP¹	-5.5%	-3.5%	-1.7%	-0.3%
Budget Deficit/GDP	-1.5%	-2.0%	-2.3%	-2.6%
Unemployment Rate²	10.3%	13.5%	14.1%	13.0%
USD/TL (eop)	3.77	5.26	5.63	5.76
2Y Benchmark Bond Rate (eop)	13.4%	19.7%	21.2%	19.7%

Banking Sector

Slowdown in lending growth due to market volatility, support from CGF sustains

	2017	2018	1H19
Loan Growth (y/y)	21%	14%	8%
<i>Private</i>	16%	6%	-1%
<i>State</i>	27%	23%	17%
Deposit Growth (y/y)	16%	19%	17%
<i>Private</i>	13%	16%	13%
<i>State</i>	24%	25%	23%
NPL Ratio	2.9%	3.8%	4.2%
CAR	16.5%	16.9%	17.3%
ROATE	15.0%	13.8%	11.3%

Notes:

All macro data as of June 2019 unless otherwise stated

Banking sector volumes based on BRSA weekly data as of 28 Jun'19

1. CAD indicates Current Account Deficit as of May'19

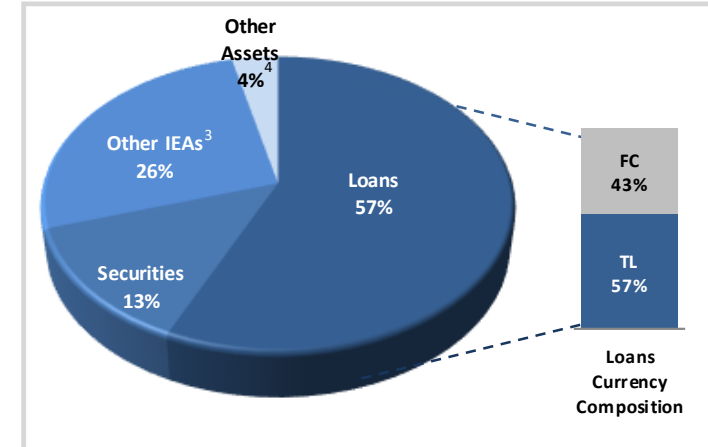
2. Unemployment rate is as of Apr'19

3. NPL Ratio, CAR and ROATE based on BRSA monthly data as of Jun'19

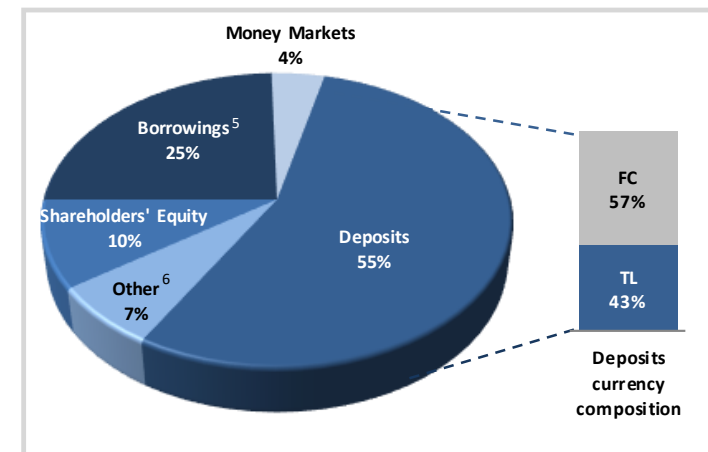
Consolidated Balance Sheet

TL bln	1Q17 ¹	1H17 ¹	9M17 ¹	2017 ¹	1Q18	1H18	9M18	2018	1Q19	1H19	q/q	y/y	ytd
Total Assets	278.3	283.3	290.6	316.9	328.7	365.1	422.0	373.4	393.4	409.0	4%	12%	10%
Loans²	183.7	185.8	190.6	199.9	205.3	222.2	249.4	220.5	230.5	232.3	1%	5%	5%
TL Loans	107.0	111.1	115.1	120.1	118.8	123.0	124.8	120.9	125.5	132.5	6%	8%	10%
FC Loans (\$)	21.1	21.3	21.2	21.2	21.9	21.7	20.8	18.9	18.6	17.5	-6%	-20%	-8%
Securities	32.6	32.4	35.5	38.8	41.7	45.2	49.7	49.9	52.1	54.5	5%	21%	9%
TL Securities	22.4	22.7	25.5	28.1	30.7	32.7	33.7	35.9	37.4	39.0	4%	19%	9%
FC Securities (\$)	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.7	3%	-1%	1%
Deposits	163.5	164.2	165.0	173.4	180.0	192.8	221.0	210.3	219.7	225.9	3%	17%	7%
TL Deposits	81.3	81.1	71.1	75.9	85.4	80.1	88.6	92.7	89.8	96.3	7%	20%	4%
FC Deposits (\$)	22.6	23.7	26.4	25.8	24.0	24.7	22.1	22.3	23.1	22.5	-2%	-9%	1%
Borrowings	61.0	62.3	63.9	75.3	80.8	90.0	114.5	90.0	98.6	101.9	3%	13%	13%
TL Borrowings	5.1	6.1	6.5	7.1	6.8	7.8	7.0	5.6	7.6	8.2	8%	4%	47%
FC Borrowings (\$)	15.4	16.0	16.1	18.1	18.7	18.0	17.9	16.1	16.2	16.3	1%	-10%	1%
Shareholders' Equity	27.7	28.5	29.0	30.1	31.6	37.8	40.3	39.0	39.1	40.5	4%	7%	4%
Assets Under Management	17.4	18.5	19.1	19.5	20.1	19.6	19.9	21.1	17.4	22.6	29%	15%	7%
Loans/Assets	66%	66%	66%	63%	62%	61%	59%	59%	59%	57%			
Securities/Assets	12%	11%	12%	12%	13%	12%	12%	13%	13%	13%			
Borrowings/Liabilities	22%	22%	22%	24%	25%	25%	27%	24%	25%	25%			
Loans/(Deposits+TL Bills)	112%	112%	115%	114%	113%	114%	112%	104%	103%	101%			
CAR - cons	13.4%	13.7%	13.8%	13.4%	12.9%	13.9%	13.3%	14.8%	15.0%	15.7%			
Tier-I - cons	9.7%	10.1%	10.2%	9.9%	9.9%	10.7%	9.8%	11.4%	12.1%	12.8%			
Common Equity Tier-I - cons	9.9%	10.3%	10.3%	10.0%	9.9%	10.7%	9.8%	11.4%	11.0%	11.7%			

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 €2.00bn (Mar 19 was €2.12bn / Total exposures is limited to cash excluding Business Related (i.e. Trade Finance), Repos and loro/nostro accounts)

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

Consolidated Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	q/q	y/y	1H18	1H19	y/y
Net Interest Income including swap costs	2,217	2,089	2,154	2,522	2,543	2,778	4,004	4,239	3,112	3,241	4%	17%	5,321	6,353	19%
o/w NII	2,251	2,321	2,353	2,810	2,845	3,209	4,311	4,131	3,485	4,041	16%	26%	6,054	7,526	24%
o/w CPI-linkers	325	338	409	663	436	460	1,360	2,478	787	770	-2%	67%	896	1,557	74%
o/w Swap costs	-34	-232	-198	-288	-302	-431	-308	107	-372	-801	115%	86%	-733	-1,173	60%
Fees & Commissions	849	826	799	841	1,034	1,051	1,036	1,116	1,337	1,258	-6%	20%	2,085	2,595	24%
Core Revenues	3,066	2,915	2,954	3,364	3,577	3,829	5,040	5,354	4,449	4,499	1%	17%	7,406	8,948	21%
Operating Costs	1,370	1,422	1,363	1,543	1,450	1,554	1,683	1,768	1,712	1,793	5%	15%	3,003	3,505	17%
Core Operating Income	1,696	1,494	1,591	1,821	2,127	2,275	3,357	3,586	2,737	2,706	-1%	19%	4,402	5,443	24%
Trading and FX gains/losses	100	125	38	-24	11	275	152	266	336	79	-76%	-71%	286	415	45%
o/w FX gains/losses	38	99	28	9	27	65	-193	225	77	128	66%	97%	92	205	124%
o/w MtM gains/losses	34	16	-7	-32	-7	118	300	35	195	-115	-	-	111	80	-28%
o/w Trading gains/losses	28	10	17	-1	-9	92	45	6	64	67	4%	-28%	83	131	58%
Other income	102	75	53	109	136	40	76	107	120	105	-13%	162%	176	225	28%
o/w income from subs	28	19	19	22	28	25	31	32	28	18	-35%	-27%	53	46	-13%
o/w Dividends	2	8	0	0	4	8	1	2	10	6	-42%	-29%	12	16	29%
o/w Others	72	48	35	86	104	7	45	73	82	81	-1%	-	111	163	47%
Pre-provision Profit	1,898	1,694	1,682	1,906	2,274	2,590	3,585	3,959	3,193	2,890	-9%	12%	4,864	6,084	25%
ECL net of collections	539	532	592	568	514	835	1,640	2,950	1,395	1,577	13%	89%	1,348	2,972	120%
o/w Stage 3 Provisions	756	717	761	596	607	738	1,433	1,844	1,406	1,900	35%	158%	1,345	3,307	146%
o/w Stage 1 + Stage 2 Provisions	45	62	46	151	237	460	996	798	533	29	-	-	696	561	-19%
o/w Collections (-)	262	247	215	179	330	363	244	90	337	251	-25%	-31%	693	588	-15%
o/w ECL hedging	0	0	0	0	0	0	545	-397	207	101	-51%	-	0	308	-
Other Provisions & Costs	94	40	33	180	147	196	527	-448	216	5	-98%	-98%	343	220	-36%
o/w Pension fund provisions	0	0	0	123	0	85	145	0	211	0	-	-	85	211	-
o/w Pension fund provisions (under cost)	0	0	0	123	0	0	0	230	0	0	-	-	0	0	-
o/w Pension fund provisions (under provisions)	0	0	0	0	0	85	145	-230	211	0	-	-	85	211	-
o/w Other provisions	94	40	33	58	147	111	382	-449	5	5	6%	-	258	9	-
Pre-tax Income	1,265	1,121	1,058	1,158	1,613	1,559	1,418	1,457	1,583	1,309	-17%	-16%	3,173	2,892	-9%
Tax	263	229	216	278	369	332	303	376	341	189	-45%	-43%	701	531	-24%
Net Income	1,001	892	841	880	1,244	1,227	1,115	1,081	1,241	1,120	-10%	-9%	2,471	2,361	-4%
ROTE	15.8%	13.3%	12.4%	12.6%	17.1%	15.9% ¹	11.9%	11.4%	13.3%	11.8%	-154bps	-406bps	16.4% ¹	12.5%	-391bps

Note:

1. 2Q18 & 1H18 ROTAE is adjusted for the 4.1 bln TL rights issue on 30th of June

Bank-Only Income Statement

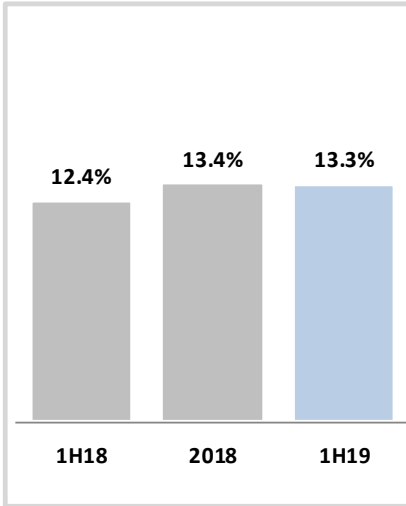
TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	q/q	y/y	1H18	1H19	y/y
Net Interest Income including swap costs	2,030	1,895	1,965	2,306	2,270	2,585	3,677	3,925	2,806	2,936	5%	14%	4,856	5,742	18%
o/w NII	2,141	2,174	2,212	2,684	2,768	3,108	4,143	3,923	3,356	3,869	15%	24%	5,876	7,226	23%
o/w CPI-linkers	325	338	409	663	436	460	1,360	2,478	787	770	-2%	67%	896	1,557	74%
o/w Swap costs	-111	-278	-247	-378	-497	-523	-466	2	-551	-933	70%	79%	-1,020	-1,484	45%
Fees & Commissions	807	784	757	788	986	993	977	1,059	1,283	1,206	-6%	21%	1,979	2,489	26%
Core Revenues	2,837	2,679	2,722	3,094	3,257	3,578	4,655	4,984	4,089	4,142	1%	16%	6,835	8,231	20%
Operating Costs	1,295	1,346	1,293	1,462	1,375	1,470	1,591	1,659	1,615	1,688	5%	15%	2,846	3,303	16%
Core Operating Income	1,542	1,333	1,429	1,632	1,881	2,108	3,064	3,325	2,474	2,453	-1%	16%	3,989	4,928	24%
Trading and FX gains/losses	89	119	23	-29	57	212	119	301	322	72	-78%	-66%	269	393	46%
o/w FX gains/losses	76	86	-28	0	23	58	-50	265	64	164	157%	182%	81	228	181%
o/w MtM gains/losses	0	0	48	-33	-8	114	125	35	194	446	130%	291%	107	640	-
o/w Trading gains/losses	13	33	3	4	41	40	43	2	64	-539	-	-	81	-475	-
Other income	213	186	179	233	252	227	276	212	298	267	-11%	17%	480	565	18%
o/w income from subs	146	140	144	145	211	171	233	160	224	198	-12%	16%	382	422	10%
o/w Dividends	2	0	0	0	3	2	1	1	8	1	-93%	-65%	4	8	98%
o/w Others	65	45	35	88	39	54	42	50	66	68	2%	25%	93	134	44%
Pre-provision Profit	1,844	1,637	1,631	1,835	2,190	2,547	3,458	3,838	3,094	2,791	-10%	10%	4,738	5,886	24%
ECL net of collections	526	501	574	539	483	832	1,586	2,908	1,354	1,530	13%	84%	1,316	2,885	119%
o/w Stage 3 Provisions	745	687	749	572	590	716	1,389	1,779	1,377	1,856	35%	159%	1,305	3,233	148%
o/w Stage 1 + Stage 2 Provisions	43	61	40	146	224	480	985	822	522	27	-	-	703	548	-22%
o/w Collections (-)	262	247	215	179	330	363	244	90	337	251	-25%	-31%	693	588	-15%
o/w ECL Hedging	0	0	0	0	0	0	545	-397	207	101	-51%	-	0	308	-
Other Provisions & Costs	88	45	32	169	145	194	516	-487	213	4	-	-	340	217	-36%
o/w Pension fund provisions	0	0	0	123	0	85	145	0	211	0	-	-	85	211	-
o/w Pension fund provisions (under cost)	0	0	0	123	0	0	0	230	0	0	-	-	0	0	-
o/w Pension fund provisions (under provisions)	0	0	0	0	0	85	145	-230	211	0	-	-	85	211	-
o/w Other provisions	88	45	32	46	145	109	371	-488	2	4	56%	-97%	255	6	-
Pre-tax Income	1,230	1,092	1,024	1,127	1,562	1,521	1,357	1,416	1,527	1,257	-18%	-17%	3,083	2,784	-10%
Tax	229	200	183	247	318	294	242	335	285	138	-52%	-53%	611	423	-31%
Net Income	1,001	892	841	880	1,244	1,227	1,115	1,081	1,241	1,120	-10%	-9%	2,471	2,361	-4%
ROTE	15.8%	13.4%	12.4%	12.6%	17.0%	15.8% ¹	11.9%	11.4%	13.3%	11.8%	192bps	-371bps	16.3% ¹	12.4%	-390bps

Note:

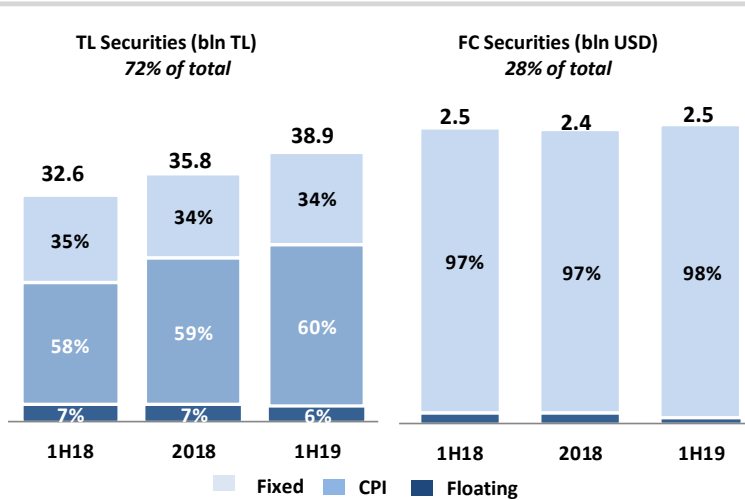
1. 2Q18 & 1H18 ROTAE is adjusted for the 4.1 bln TL rights issue on 30th of June

Securities

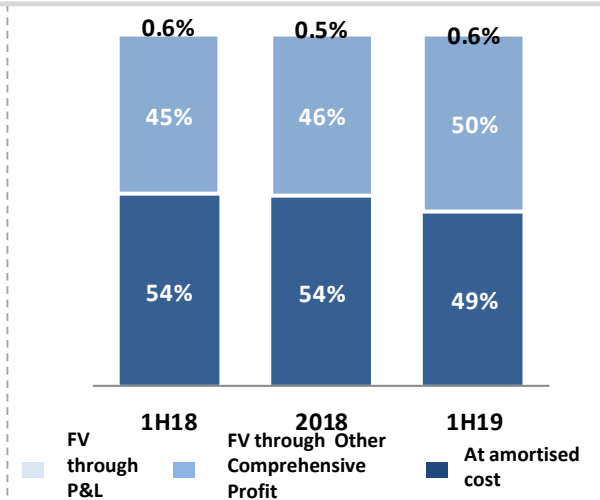
Securities/Assets



Composition by Type¹



Composition by Classification¹

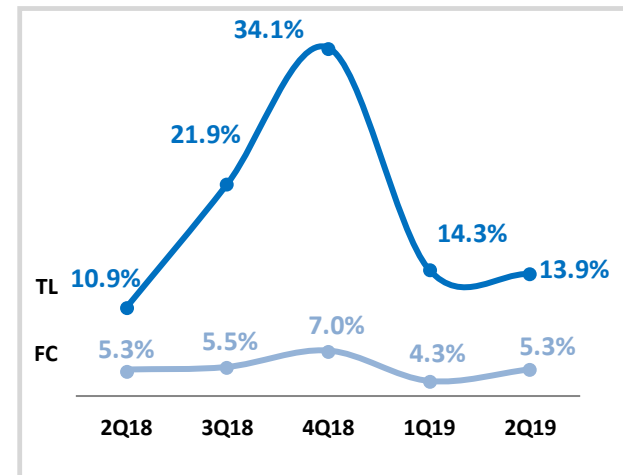


- **Securities / assets at 13.3%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased to TL 16.7bln in book value² (nominal: 13.9 bln TL); with a gain of TL 770 mln in 2Q19 (1H19: TL 1,557 mln)

CPI linker valuation at 11% (previously 12%)

- **M-t-m unrealised loss at TL 1,856³ mln as of 1H19** (TL -1.172³ mln in 1H18)





Security Yields¹



Notes:

1. Based on Bank-Only financials
2. Excluding accruals
3. Net of tax

Details of main Borrowings

International	Syndications	<p>~ US\$ 2.1 bln</p> <ul style="list-style-type: none"> ■ Oct'18: US\$ 275mln & € 690.7mln, all-in cost at Libor+ 3.00% and Euribor+ 2.90% for 367 days. 27 banks from 13 countries ■ May'19: US\$ 350 mln and € 607 mln, all-in cost at Libor+ 2.50% and Euribor+ 2.40% for 367 days. 49 banks from 21 countries
	AT1	<p>~US\$ 650 mln outstanding</p> <ul style="list-style-type: none"> ■ Jan'19: US\$ 650 mln market transaction, callable every 5 years, perpetual, 13.875% (coupon rate)
	Subordinated Loans	<p>~US\$ 2.32 bln outstanding</p> <ul style="list-style-type: none"> ■ Dec'12: US\$ 965 mln market transaction, 10 years, 5.5% (coupon rate) ■ Jan'13: US\$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant ■ Dec'13: US\$ 270 mln, 10NC5, 7.72% – Basel III Compliant ■ Mar'16: US\$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)
	Foreign and Local Currency Bonds / Bills	<p>US\$ 3.65 bln Eurobonds</p> <ul style="list-style-type: none"> ■ 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 ■ Mar'19: US\$ 500 mln, 8.25% (coupon rate), 5.5 years
	Covered Bond	<p>TL 1.57 bln out standing</p> <ul style="list-style-type: none"> ■ Oct'17: Mortgage-backed, maturity 5 years ■ Feb'18: Mortgage-backed with 5 years maturity ■ May'18: Mortgage-backed with 5 years maturity ■ Mar'19: Mortgage-backed with 5 years maturity
Domestic	Local Currency Bonds / Bills	<p>TL 3.98 bln total</p> <ul style="list-style-type: none"> ■ Apr'19 : TL 191 mln, 2 months maturity  ■ May'19 : TL 2,75 bln, 2 months maturity  ■ Jun'19 : TL 1,04 bln , 2 months maturity 
	Subordinated Loans	<ul style="list-style-type: none"> ■ Jul'19: TL 500 mln market transaction, 10NC5, Trlibor+ 100 bps (coupon rate) 

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

Turkey

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

	2015	2016	2017	2018	1Q19	1H19
GDP Growth	6.1%	3.2%	7.4%	2.6%	-2.6%	-
CPI (eop)	8.8%	8.5%	9.2%	20.3%	15.7%	16.6%
Benchmark Rate (eop)	10.8%	10.7%	13.4%	19.7%	21.2%	19.7%
Unemployment ²	10.3%	10.9%	10.9%	13.5%	14.1%	12.8%
Policy Rate	7.5%	8.0%	8.0%	24.0%	24.0%	24.0%
CBT funding rate	8.8%	8.3%	12.8%	24.0%	25.5%	23.9%
CAD/GDP	3.7%	3.8%	5.5%	3.5%	1.7%	June
o/w energy	3.9%	2.8%	3.9%	4.9%	5.1%	5.2%
Public Debt/GDP	29%	29%	28%	29%	-	-
Budget deficit/GDP	-1.0%	-1.1%	-1.5%	-2.0%	-2.3%	-2.6%

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

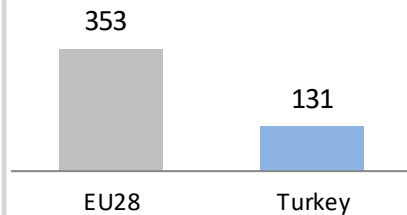
1. As of end-2016

2. As of May 2019

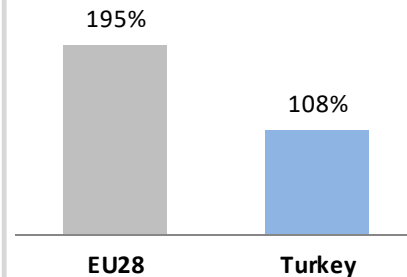
Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

Banking Sector Penetration

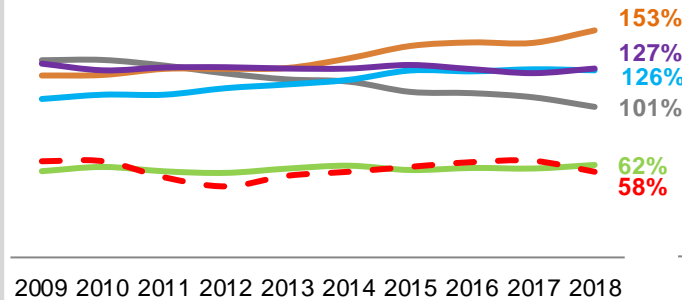
Branches Per
Million Inhabitants
(2017)



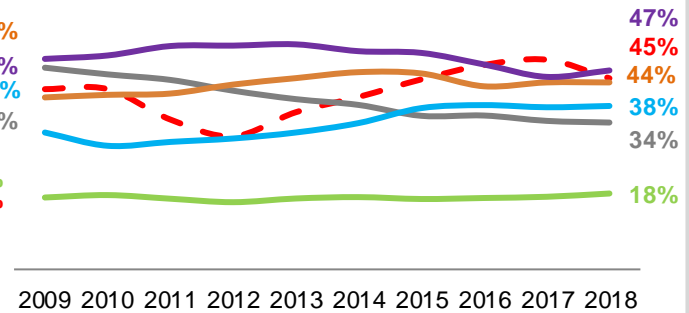
(Loans+Deposits)/GDP
(2018)



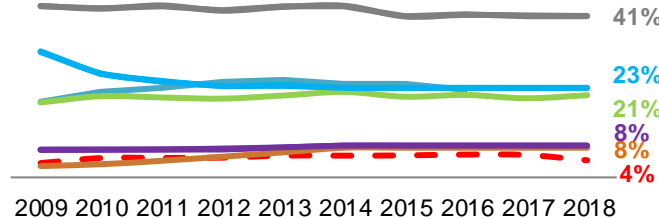
Total Loans¹/GDP



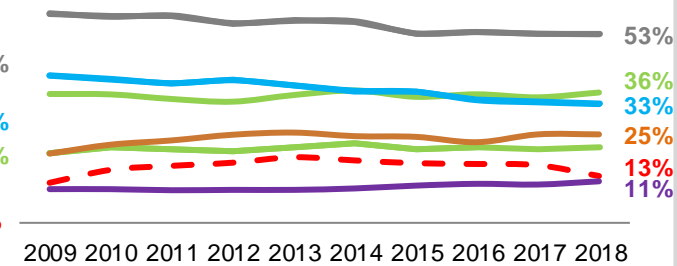
Corporate Loans/GDP



Mortgages/GDP



Loans to Households²/GDP



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

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

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

(1) Excluding lending to credit institutions

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

2018 GDP numbers are forecasted figures

Healthy banking sector, resilient against external shocks and supporting economic growth

Banking Sector

Banking Sector

- **Well regulated** (BRSA est. in 2001)
- **Best practices in technology:** payment systems and well-qualified workforce
- **Healthy profitability**
- **Sound asset quality, liquidity and capitalisation**

Developments

- **Regulatory developments:**
 - **CGF** (supporting the loan growth)
 - **capital** (potential alignment to IRB)
 - **provisioning** (IFRS9 as of 2018)
 - **corporate tax rate increase** (2018-20 to 22%)

Challenges

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

	Banking Sector								
	2013	2014	2015	2016	2017	9M18	2018	1Q19	1H19
Banks #	49	51	52	52	51	52	47	47	53
Branches #	11,023	11,223	11,193	10,781	10,550	10,505	10,454	10,398	10,359
Loan Growth (yoy)	33%	18%	21%	17%	21%	30%	14%	15%	8%
Deposit Growth (yoy)	24%	10%	19%	17%	16%	31%	19%	23%	17%
Loans/GDP ¹	55%	58%	61%	64%	65%	70%	62%	66%	66%
Deposits/GDP ¹	53%	51%	53%	56%	55%	59%	55%	59%	60%
Loans/Assets	61%	62%	64%	64%	65%	63%	63%	62%	61%
Deposits/Assets	58%	56%	56%	56%	55%	53%	55%	56%	55%
NIM	3.8%	3.6%	3.6%	3.7%	3.9%	4.0%	4.2%	3.6%	3.8%
NPL Ratio	2.6%	2.8%	2.9%	3.2%	2.9%	3.1%	3.7%	4.0%	4.3%
Specific Coverage	77%	75%	76%	78%	80%	70%	69%	69%	68%
CAR ²	14.6%	15.7%	15.0%	15.1%	16.5%	17.7%	16.9%	16.0%	17.3%
Tier 1 Ratio	12.2%	13.1%	12.5%	12.6%	13.6%	14.1%	13.6%	12.9%	14.2%
ROAE	12.5%	12.1%	10.8%	13.5%	15.0%	14.3%	13.8%	11.7%	11.3%
ROAA	1.4%	1.3%	1.1%	1.4%	1.5%	1.3%	1.4%	1.2%	1.2%

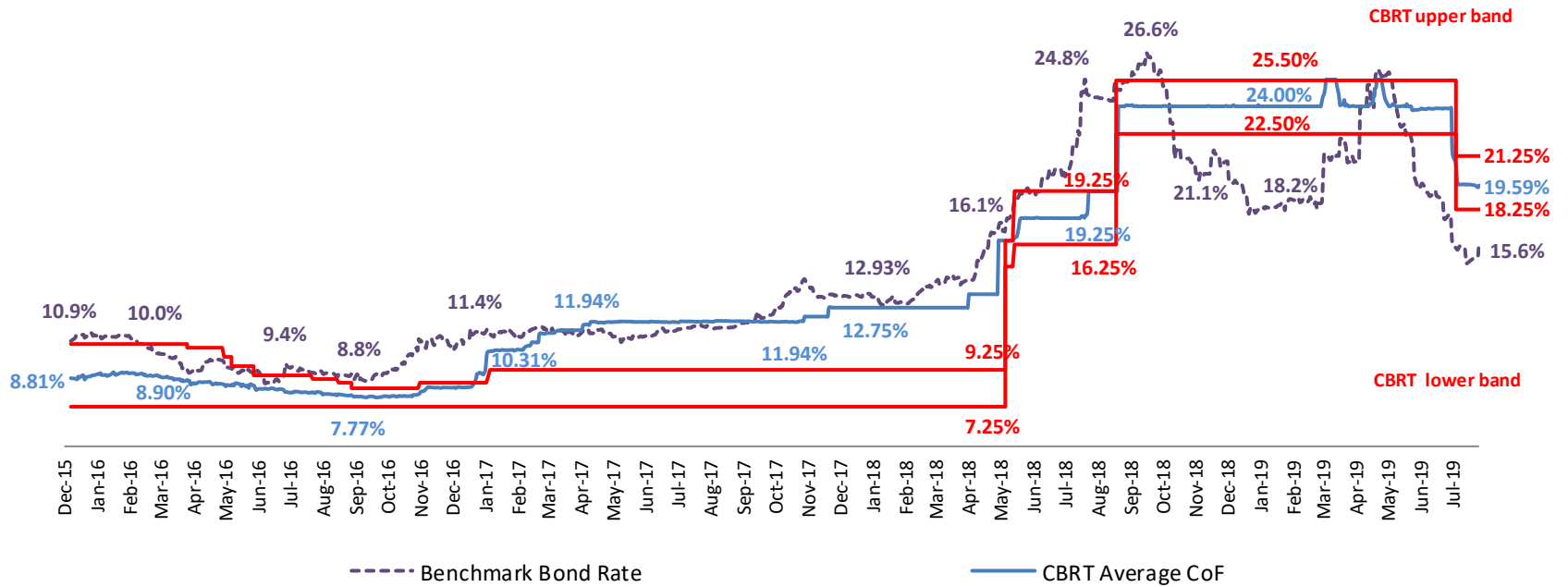
Source: Turkish Banks Association for bank and branch numbers, BRSA for banking sector data (including BS, P&L, KPIs), Turkstat for GDP data

Notes:

(1) 1H19 GDP assumed stable at 1Q19 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

Moody's

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

S&P

Yapı Kredi	B+	Stable	B+	Stable
Garanti	B+	Negative	B+	Negative
Akbank	Not rated	-	Not rated	-
İşbank	B+	Negative	B+	Negative
Vakıfbank	B+	Negative	B+	Negative

Fitch

Yapı Kredi	B+	Negative	BB-	Negative
Garanti	B+	Negative	BB-	Negative
Akbank	B+	Negative	B+	Negative
İşbank	B+	Negative	B+	Negative
Halkbank	B+	Negative	BB-	Negative
Vakıfbank	B+	Negative	BB-	Negative

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