

# **Yapı Kredi**

## **9M19 Investor Presentation**

# Yapi Kredi: A leading financial services group

## Key Figures – 9M19

**Ratings** Moody's: B3 / Fitch: B+

### Total Assets

**396.9  
bln TL**

### Loans<sup>1</sup>

**222.4  
bln TL**

### Net Income

**3,337  
mln TL**

### RoATE<sup>2</sup>

**11.8%**

### Number of Branches<sup>3</sup>

**854**

### Employees<sup>4</sup>

**17,798**

## Market Share – 9M19

### Market Share<sup>5</sup>

### Total Bank

**Cash & Non-cash Loans**

**9.6%**

**Customer Deposits**

**9.4%**

### Business Units

**Corporate Loans<sup>6</sup>**

**8.4%**

**Consumer Loans<sup>7</sup>**

**8.1%**

**Credit Card Outstanding**

**19.8%**

### Subsidiaries

**Leasing<sup>8</sup>**

**22.0%**

**Factoring<sup>8</sup>**

**14.0%**

**Wealth Management<sup>9</sup>**

**13.6%**

#### 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: 16,950, 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 27 Sep'19, 6. Cash loans excluding credit cards and consumer loans, 7. Including mortgages, GPL and auto loans, 8. Leasing and Factoring market shares as of 1H19, 9. 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**

777 Branches

**SME  
Banking<sup>1</sup>**  
Turnover  
<USD 10 mln

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

21 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 Sep'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%<sup>1</sup>



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

	9M19
Total Assets (EUR bln)	23.7
Revenues (EUR mln)	18,033
Net Income (EUR mln)	518

## 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*

	9M19
Total Assets (EUR bln)	863
Revenues (EUR mln)	13,984
Net Income (EUR mln)	4,342

## Ratings

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

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

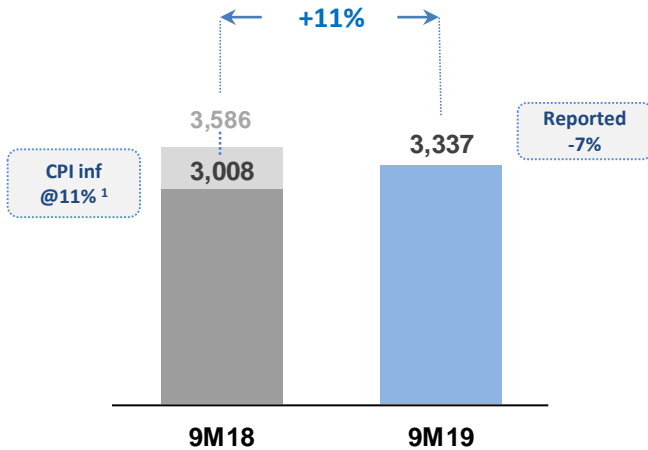
## Notes:

All information and figures regarding UniCredit are based on publicly available 9M19 data; all information and figures regarding Koç Holding are based on publicly available 9M19 data

Remaining 18.1% listed on the Istanbul Stock Exchange

# Successful core performance and resilient fundamentals sustained despite challenging operating conditions

## Net Profit (TL mln)

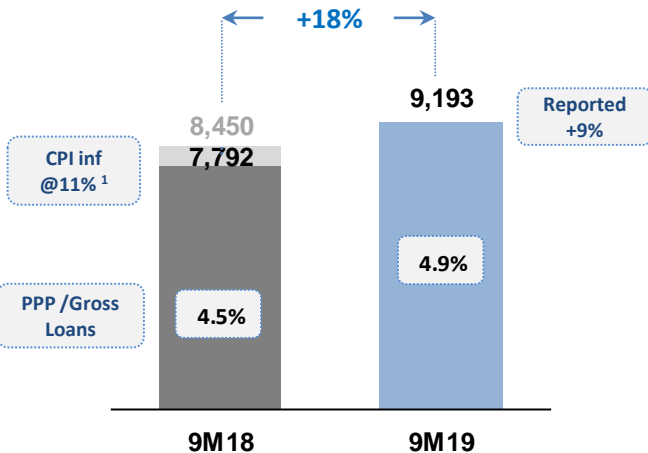


Net Profit at 3.3 bln with RoTE at 11.8%

**Strong performance of PPP corresponding to 4.9% of the loan book;**

- ✓ +20 bps ytd NIM widening (*excl. CPI impact*)
- ✓ +26% y/y fee increase
- ✓ Limited 13% y/y cost growth thanks to efficiency gains

## PPP (TL mln)



**Cumulative CoR at 2.53%<sup>2</sup>, with elevated flows in 3Q19**

**Backed by a strong balance sheet position;**

- ✓ LCR<sup>3</sup> as high as 176%, FC LCR at 439%
- ✓ LDR further improves: 100%
- ✓ Tier 1 Ratio improved 222bps ytd at 13.6% with a strong buffer; thanks to ongoing internal capital generation

Notes:

1. 9M18 CPI assumption at 16%
2. Consolidated adjusted for FC hedge on ECL
3. Based on past three months averages

# Key Financial Figures

mln TL	2Q19	3Q19	q/q	9M18	9M19	y/y
<b>Volumes</b>						
TL Loans <sup>1</sup>	131,629	129,678	-1.5%	124,763	129,678	3.9%
FC Loans (\$)	17,493	16,381	-6.4%	20,811	16,381	-21.3%
TL Customer Deposits	90,868	90,455	-0.5%	84,676	90,455	6.8%
FC Customer Deposits (\$)	22,354	21,897	-2.0%	21,056	21,897	4.0%
<b>P/L<sup>2</sup></b>						
Core Revenues <sup>3</sup>	4,556	4,600	1.0%	11,788	13,549	14.9%
Opex	1,793	1,779	-0.8%	4,686	5,285	12.8%
PPP <sup>4</sup>	2,948	3,110	5.5%	7,792	9,193	18.0%
PPP (Reported)	2,890	3,110	7.6%	8,450	9,193	8.8%
ECL <sup>4</sup>	1,577	1,785	13.2%	2,988	4,757	59.2%
Net Profit	1,170	976	-16.6%	3,008	3,337	10.9%
Net Profit (Reported)	1,120	976	-12.8%	3,586	3,337	-7.0%
<b>Ratios</b>						
Revenue Margin	4.6%	4.7%	8bps	4.7%	4.8%	12bps
NIM (swap adj)	3.3%	3.4%	2bps	3.6%	3.4%	-11bps
CoR (bps) <sup>5</sup>	2.42%	2.78%	36bps	1.80%	2.53%	73bps
Stage 3 Ratio	5.8%	6.7%	94bps	3.7%	6.7%	300bps
RoTE	11.8%	10.1%	-166bps	14.3%	11.8%	-249bps

## Healthy Volume growth in volatile environment

- Decrease in loan book due to deleveraging in FC, with strong TL increase
- Balanced deposit growth both in TL and FC

## CPI adjusted net profit up by 11% y/y despite elevated level of ECLs, continuous y/y improvement in PPP for the past 8 quarters thanks to execution of the strategy

- ✓ Sustainable improvement in core revenues with widening in the NIM
- ✓ Contained opex increase through efficiency management

- Revenue Margin further improves despite the negative linker impact
- CoR at 2.53% converging towards the guidance with NPL inflows

### Notes:

All data based on BRSA consolidated financials unless otherwise stated. NIM based on bank-only financials

1. Performing Loans, excluding Factoring and Leasing Receivables

2. Assuming CPI inflation at 11% for 2018 & CPI linker adjustment from 12% to 11% in 2Q19

3. Swap Adjusted

4.

Adjusted for FC ECL hedge and collections

5.

Including FC ECL Hedge and collections

# Strong TL loan growth at 7% ytd with ongoing deleveraging in FC loans

Lending

## Loan volumes (TL bln)

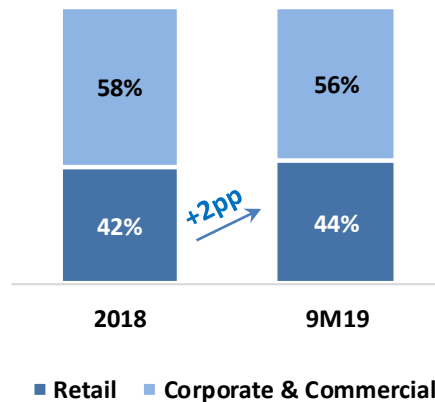
		Yapi Kredi			Private Banks <sup>1</sup>		
	9M19	q/q	y/y	ytd	q/q	y/y	ytd
<b>Cash+Non-cash Loans<sup>2</sup></b>	<b>311.0</b>	<b>-4%</b>	<b>-12%</b>	<b>2%</b>	<b>-3%</b>	<b>-12%</b>	<b>-1%</b>
TL <sup>3</sup>	157.3	-1%	3%	7%	0%	-3%	1%
FC (\$) <sup>3</sup>	27.2	-5%	-19%	-10%	-4%	-16%	-10%
<b>Cash Loans<sup>2</sup></b>	<b>222.4</b>	<b>-4%</b>	<b>-11%</b>	<b>1%</b>	<b>-3%</b>	<b>-10%</b>	<b>0%</b>
TL <sup>3</sup>	129.7	-1%	4%	7%	0%	-3%	2%
FC (\$) <sup>3</sup>	16.4	-6%	-21%	-14%	-5%	-14%	-9%

2% total loan growth on a ytd basis

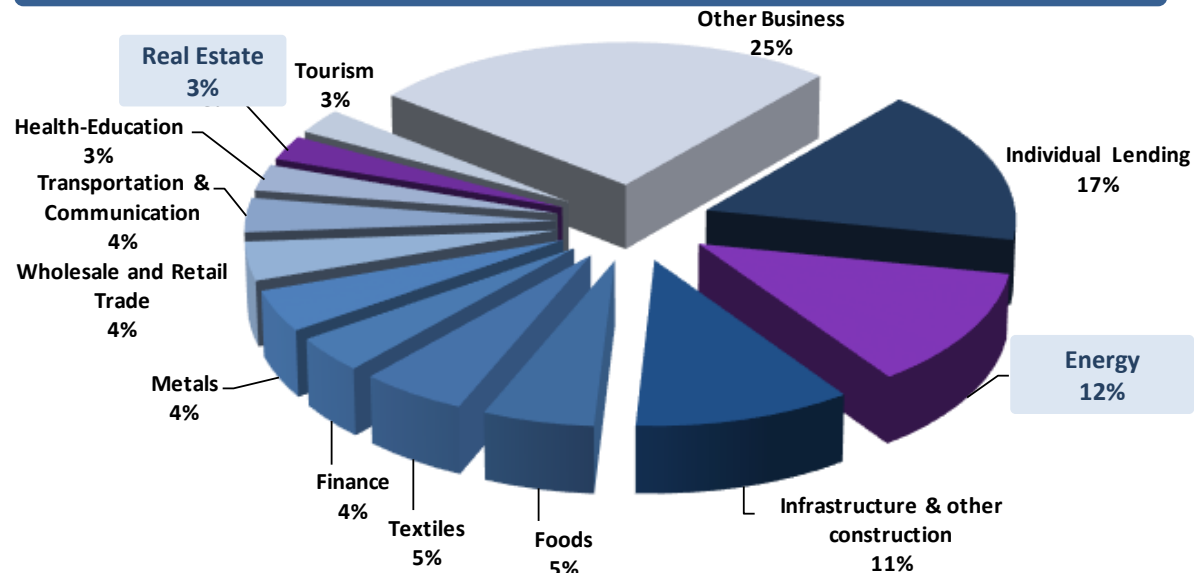
7% ytd increase in TL cash loans

-14% ytd contraction in FC cash loans

## Segment Breakdown of Cash Loans<sup>4</sup>



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



Notes:

1. Private banks based on BRSA weekly data as of 27 September 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

# Strong demand deposit growth with an improved composition towards small tickets

Funding

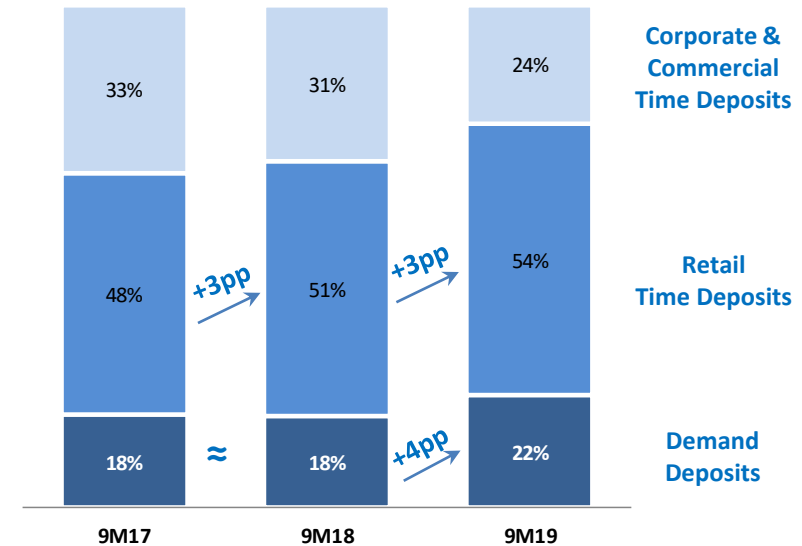
## Deposit volumes (TL bln)

	9M19	YKB			Private Banks <sup>1</sup>		
		q/q	y/y	ytd	q/q	y/y	ytd
<b>Customer Deposits</b>	<b>214.4</b>	<b>-2%</b>	<b>2%</b>	<b>7%</b>	<b>3%</b>	<b>3%</b>	<b>10%</b>
TL	90.5	0%	7%	4%	6%	5%	3%
FC (\$)	21.9	-2%	4%	2%	2%	7%	9%

85 bps market share gain in demand deposits in one year at 14.5%

193 bps market share gain in TL individual demand deposits at 15.9%

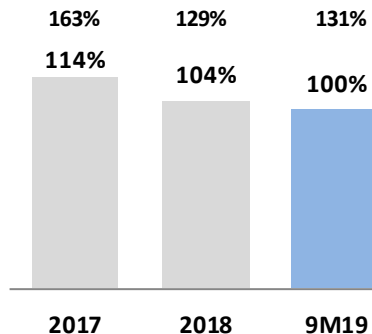
## Deposit Breakdown (FX adjusted)<sup>2</sup>



## Liquidity

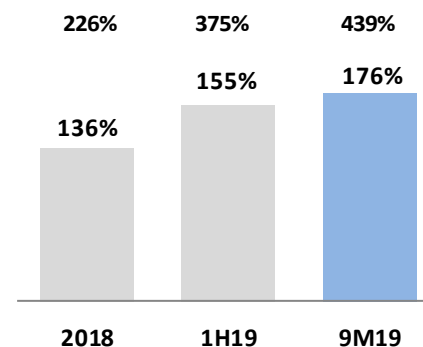
### LDR<sup>3</sup>

TL LDR



### LCR<sup>5</sup>

FC LCR



Short term FX Liquidity<sup>6</sup>: ~12 bln USD

Run-off's in 1 year:  
4.3 bln USD<sup>7</sup>

Notes:

1. Private banks based on BRSA weekly data as of 27 September 2019
2. Based on MIS data (weekly average)
3. LDR= Loans / (Deposits + TL Bonds)

4. Adjusted for POS merchants blocked deposits
5. Based on past three months averages
6. MIS data 1 month liquidity

7. Excluding the Syndication that has already been successfully rolled-over in October

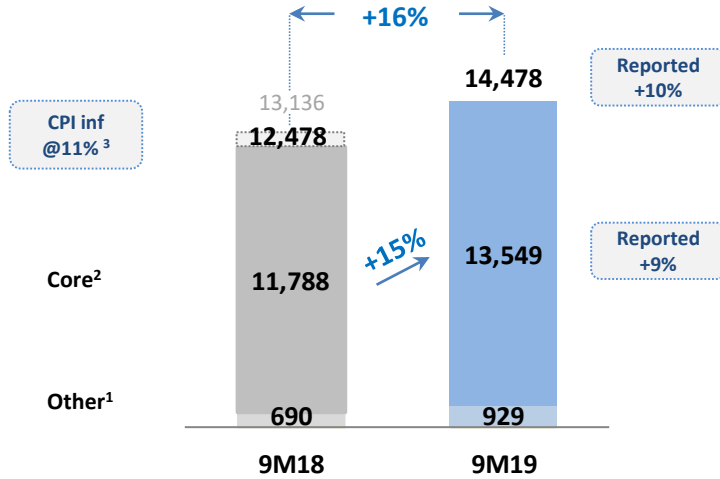


# Revenue growth prevails with sustainable core revenue improvement thanks to strength in commercial activities

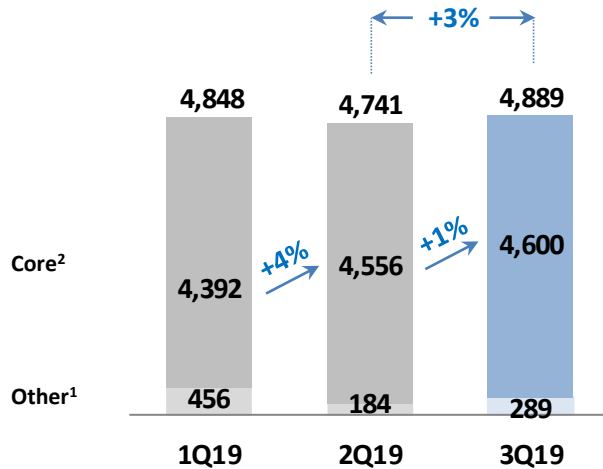
Revenues

## Revenues<sup>1,2</sup> (TL mIn)

Yearly

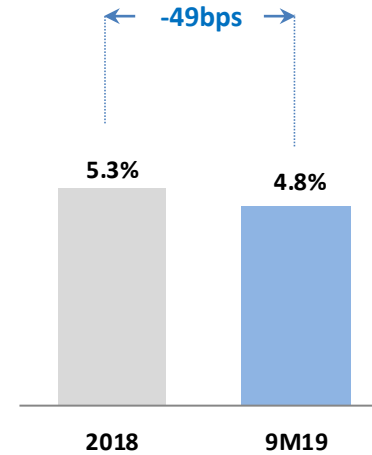


Quarterly



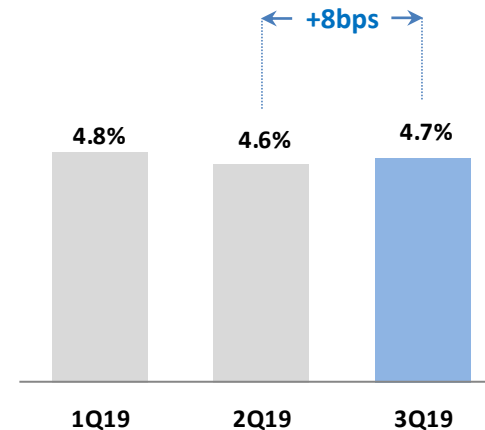
## Core Revenue Margin

Cumulative



**36 bps ytd improvement<sup>4</sup>**  
excluding CPI linkers

Quarterly<sup>5</sup>



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

3. 9M18 CPI at 16%

4. MIS, based on daily averages

5. 1Q19 and 2Q19 adjusted for the CPI assumption change from 12% to 11% in 2Q19

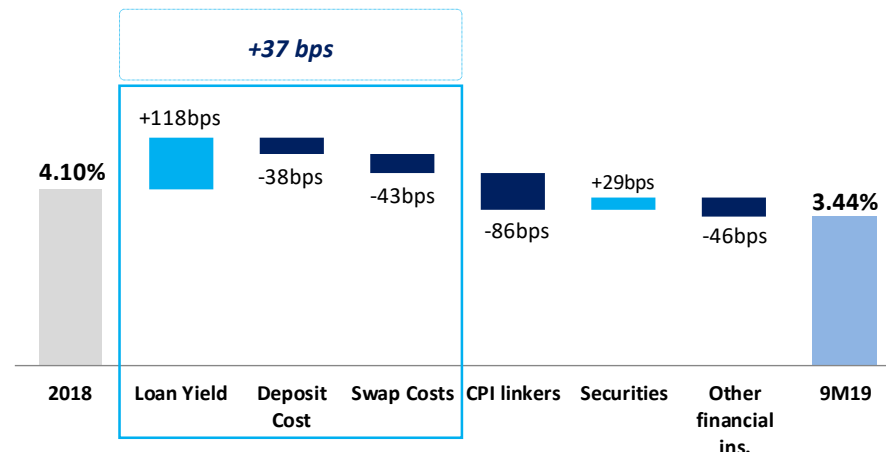
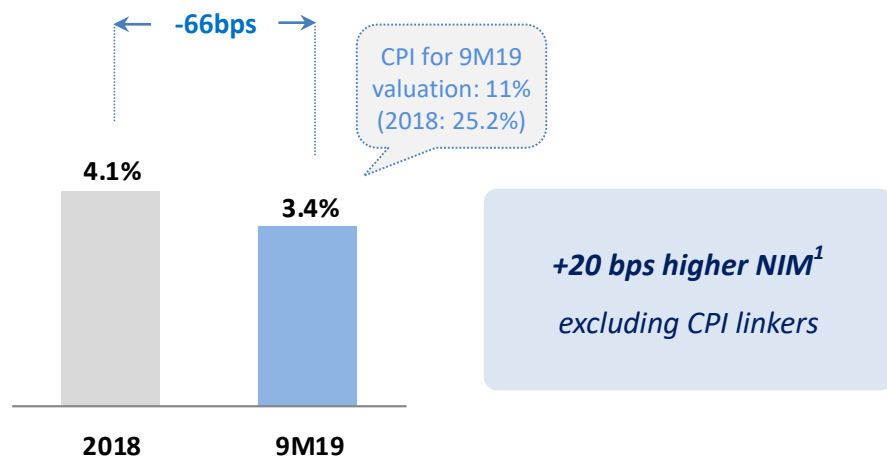
# CPI adjusted NIM widened 20 bps ytd, better than the guidance

Revenues - NIM

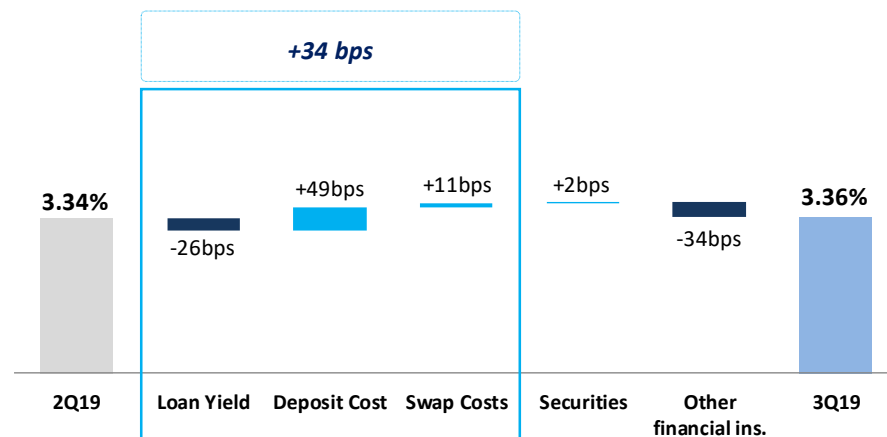
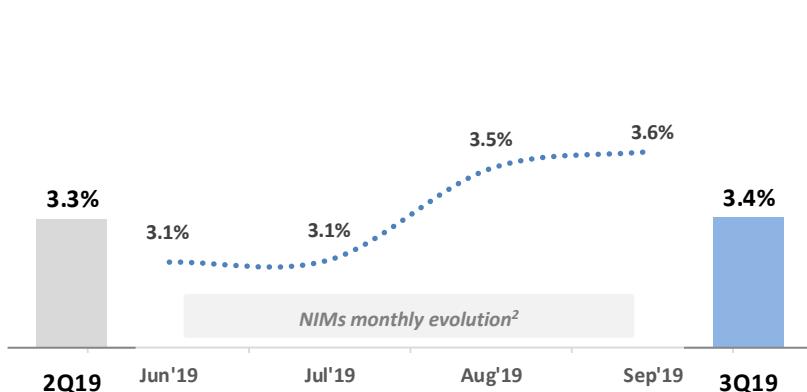
## Swap Adjusted NIM

## NIM Evolution

### Cumulative



### Quarterly



#### Notes:

Based on Bank-Only financials

1. MIS, based on daily averages

2. MIS, based on BRSA monthly data

# Surge in loan-deposit spread via the successful execution of small ticket strategy and timely loan growth with environmental tailwind

Loan-Deposit Spread –

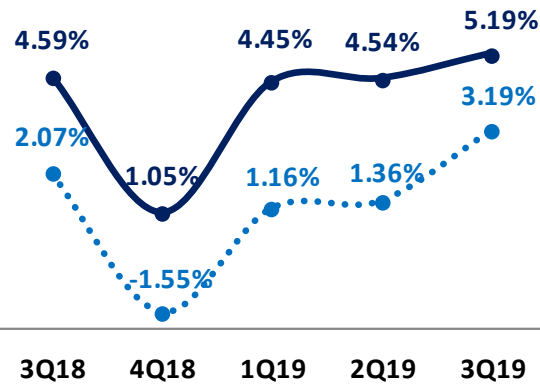
## Loan – Deposit Spread Evolution

### Loan-Deposit Spread (Quarterly)

**65 bps wider Loan-Deposit spread**  
vs. 2Q19 on the back of 183 bps  
improvement in TL loan-deposit  
spread q/q

Cum. TL spread  
2018: 1.4% 9M19: 2.3%

■ TL+FX  
■ TL

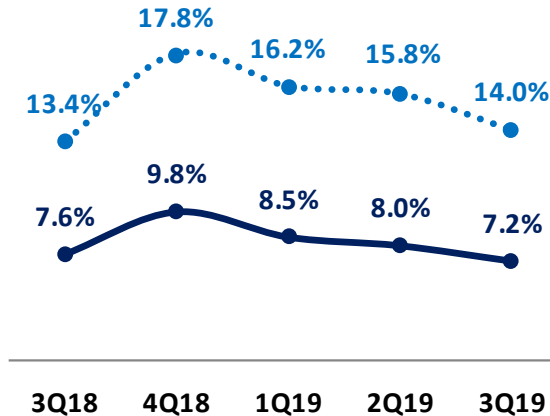


### Deposit Costs (Quarterly)

**80bps improvement in total cost of  
deposits q/q** thanks to decreasing  
interest rate environment  
supported by successful ALM  
management

Cum. TL cost  
2018: 13.5% 9M19: 15.3%

■ TL  
■ TL+FX

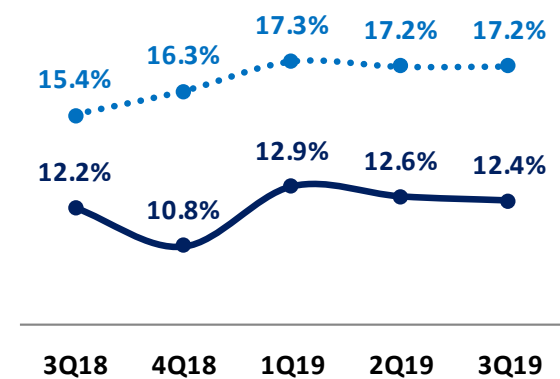


### Loan Yields<sup>1</sup> (Quarterly)

**Stable TL loan yields**  
vs. 2Q19 thanks to optimised  
pricing

Cum. TL yield  
2018: 15.0% 9M19: 17.5%

■ TL  
■ TL+FX



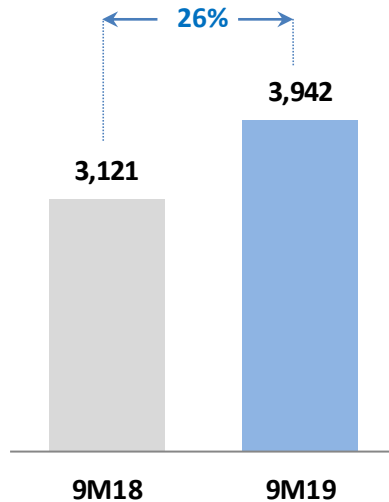
Notes:  
Based on Bank-Only financials  
1. Performing loan yields

# Fee performance better than guidance supported by renewed service model, payment systems and transactional banking

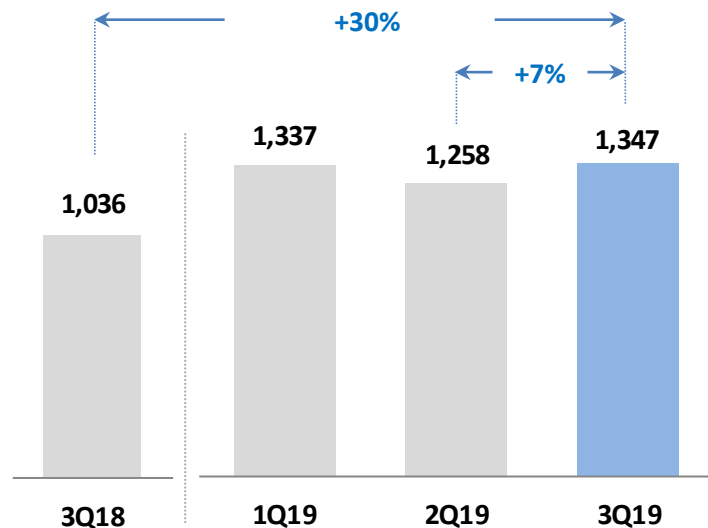
Revenues - Fees

## Net Fee Income (TL mIn)

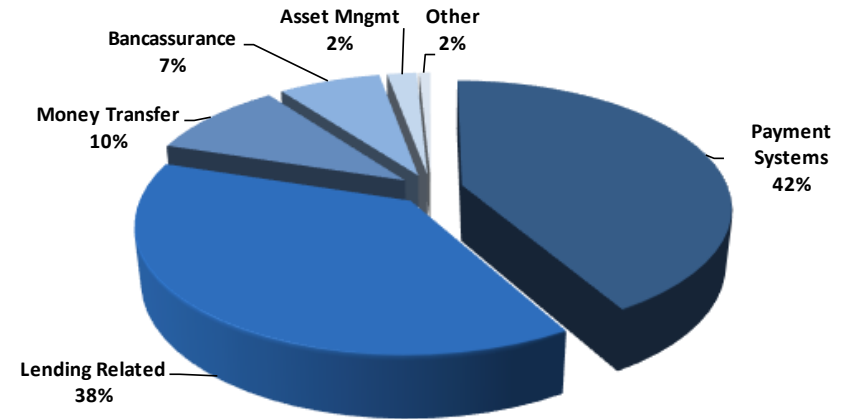
Yearly



Quarterly



## Net Fees Composition<sup>1</sup>



- *Payment systems: +29% y/y*
- *Lending Related: +28% y/y*
  - *Non-cash: 49% y/y*
- *Money Transfer: +40% y/y*
- *Bancassurance: +18% y/y*

Notes:

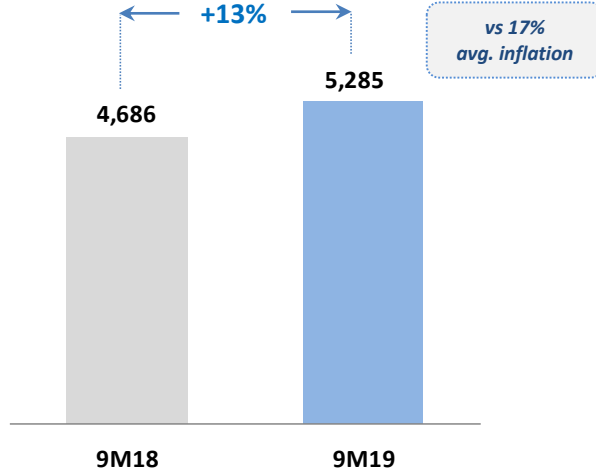
1. Based on Bank-Only financials

# Cost growth better than guidance mainly due to high base of 2018 and continuous efficiency gains

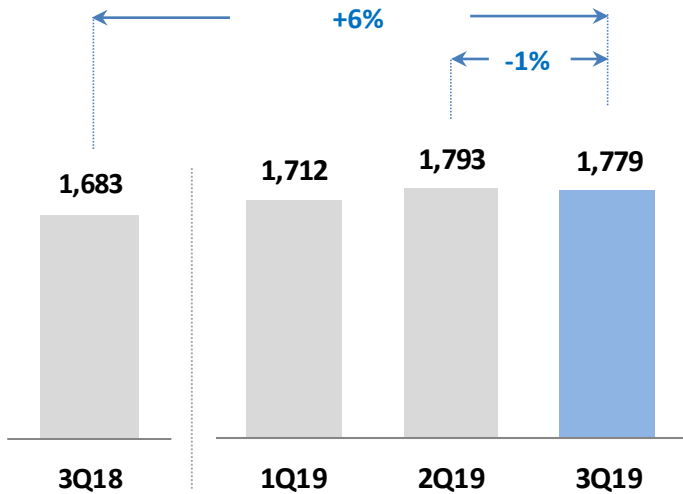
Costs

## Costs (TL mIn)

Yearly



Quarterly

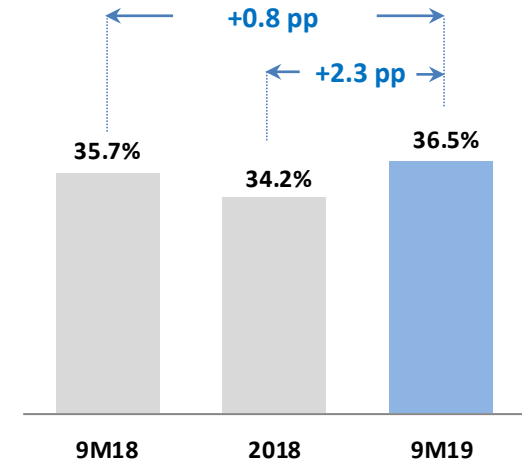


Notes:

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

## Cost<sup>1</sup> / Income<sup>2</sup> (TL mIn)

Cumulative



*Adjusted for the linkers impact on income*

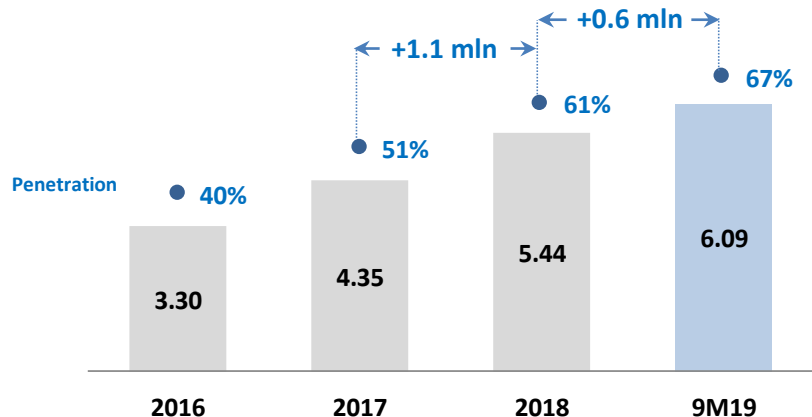
*Cost to Income ratio improves*

**1.1 pp y/y**

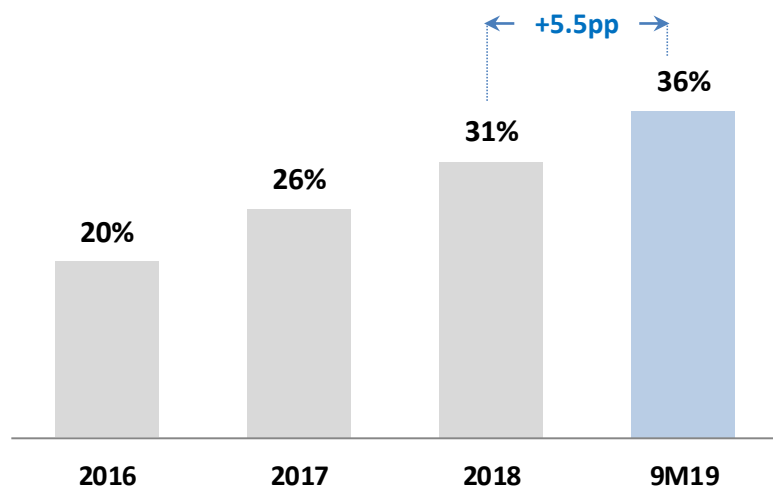
**2.9 pp ytd**

# Boost in digital transactions with increase in digital customer penetration

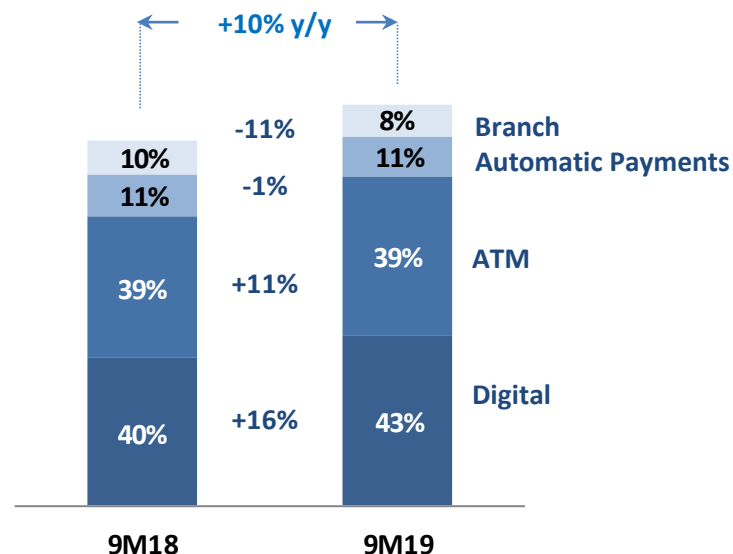
## Number of Digital Customers (mln)



## Share of digital in main products<sup>1</sup> sold



## Transaction<sup>2</sup> per channel



Notes:

Based on MIS data

1. Main Products; GPL, CC, Time Deposit, and Flexible Account

2. Transactions include, Money Transfers, Payments, Deposit, Cash Loans, Non-cash Loans, Insurance, Money withdrawal, Investment products, Credit Cards

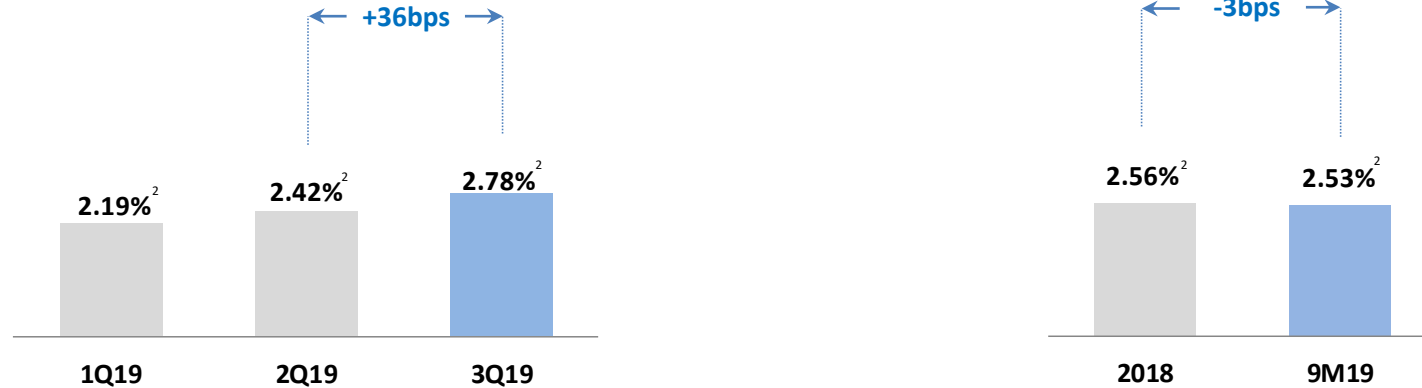
# Asset quality deteriorates with macro challenges, CoR converging towards guidance

Asset Quality

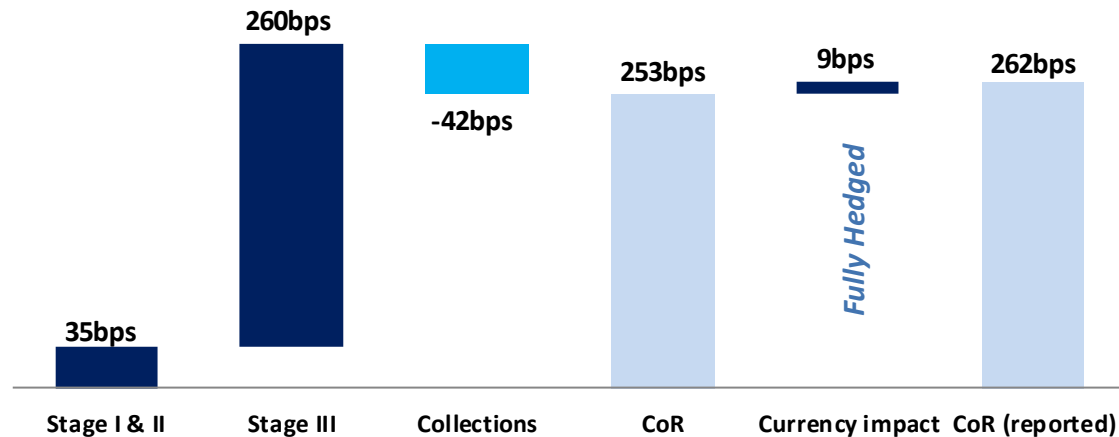
## Total Cost of Risk<sup>1</sup>

Quarterly

Cumulative



## Cost of Risk composition (9M19)



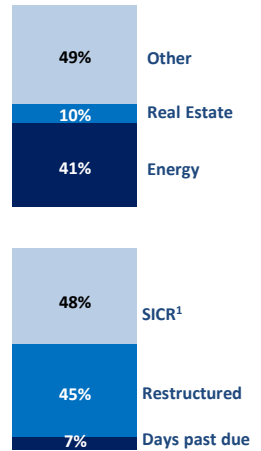
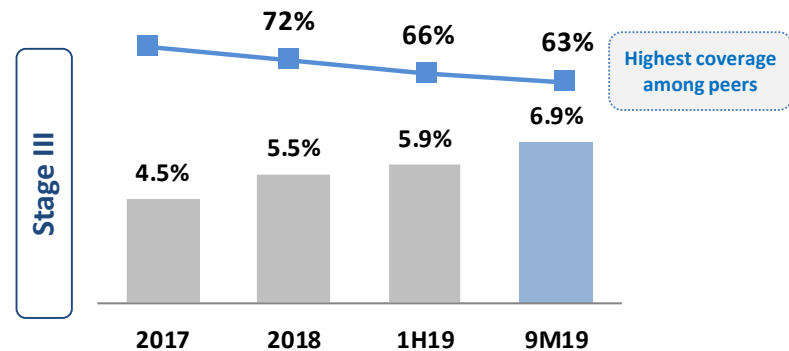
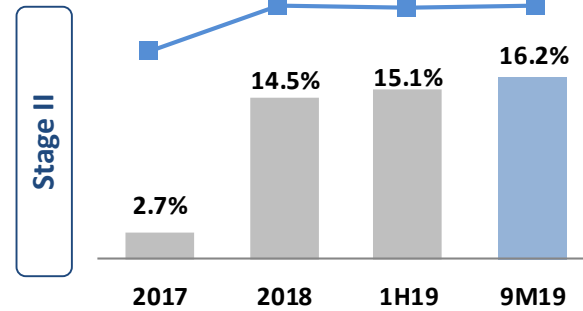
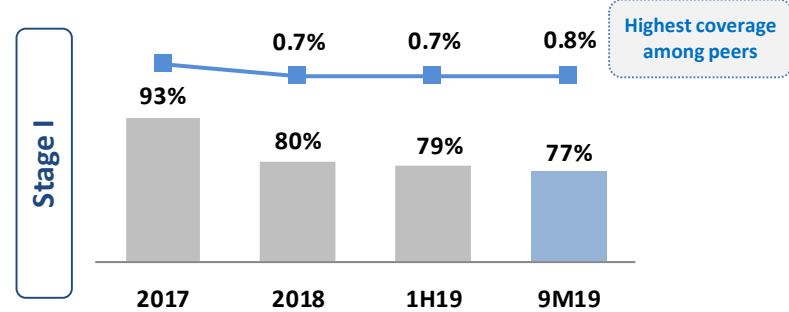
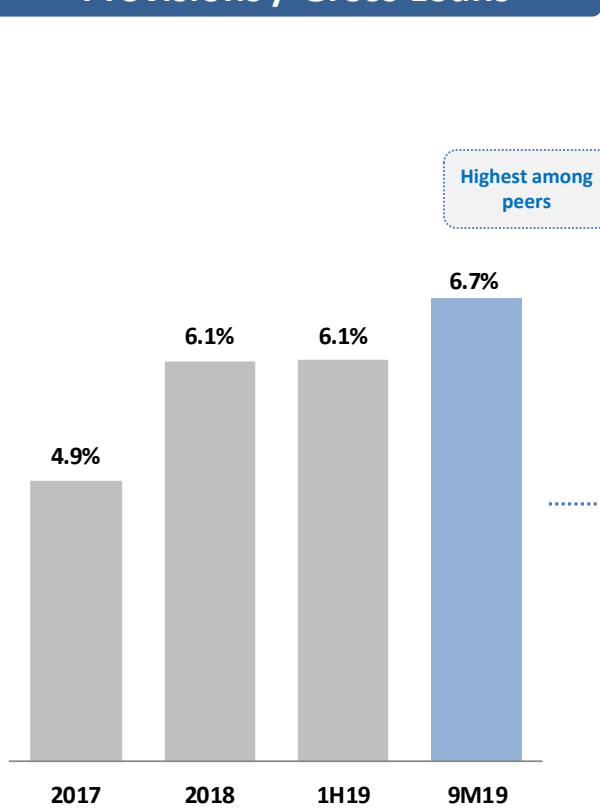
Notes:

1. Cost of Risk = (Total Expected Credit Loss- Collections-FC ECL hedge)/Total Gross Loans
2. Stated CoR - 1Q19: 2.52%; 2Q19: 2.58%; 3Q19: 258 bps - 2018: 2.74%; 9M19: 2.62%

# Strong coverage maintained together with ongoing restructuring efforts

Asset Quality

## Provisions / Gross Loans



Notes:  
Based on Bank-Only BRSA financials  
1. SICR: Significant Increase in Credit Risk  
TL 2.53 bln NPL sales in 9M19

— Coverage

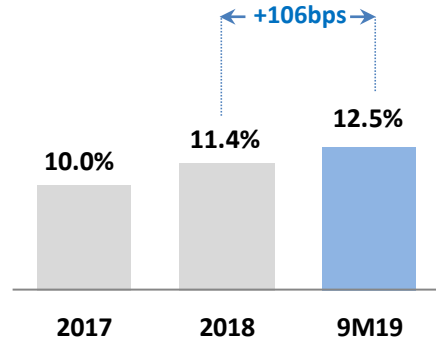


# Improvement in capital ratios mainly thanks to strong internal capital generation

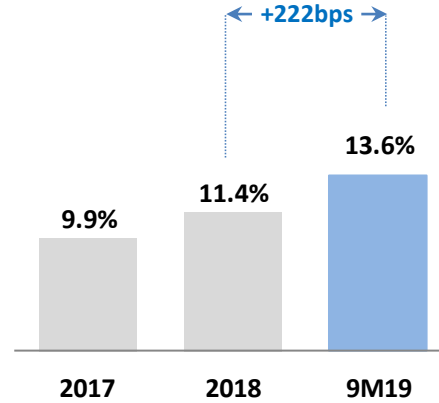
Capital

## Capital Ratios

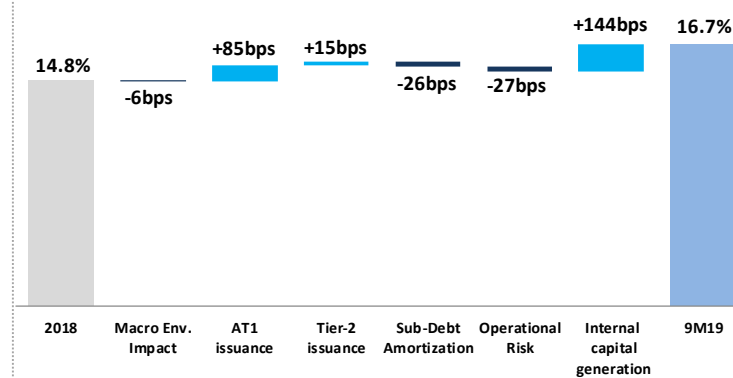
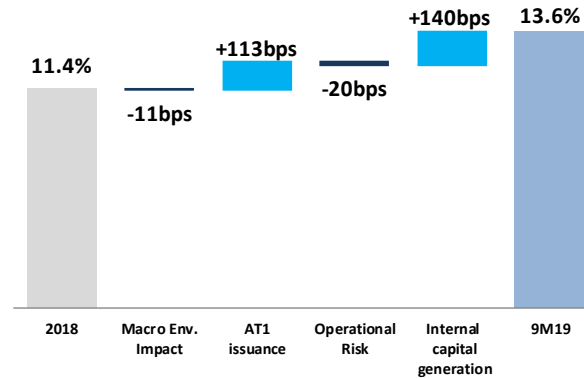
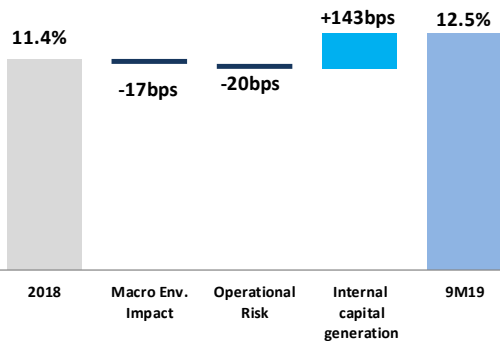
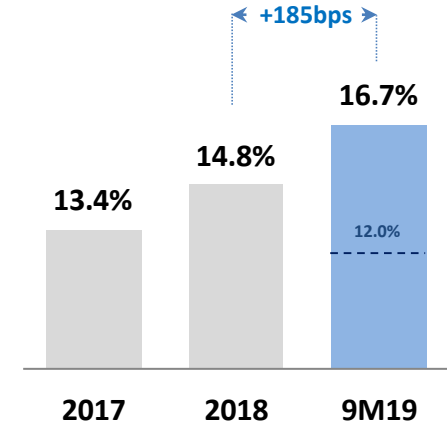
### CET1



### Tier1



### CAR



# 2019 Guidance

Guidance

		2019 Guidance <sup>1</sup>	9M Realization <sup>1</sup>		
Fundamentals	LDR	~105%	101%	✓	inline
	CAR	> 15%	17%	✓	inline
Volumes <sup>2</sup>	TL Loans	~15%	7%	↓	downside risk
	Deposits	Mid-teens	9%	✓	inline
Revenues	NIM (w/o CPI impact)	Flat	+20 bps	↑	upside potential
	Fees	Mid-teens	28%	↑	upside potential
Costs	Costs	Below average CPI	12%	✓	inline
Asset Quality	NPL ratio	< 7%	6.9%	↓	downside risk
	Total CoR	< 300 bps	281 bps	↓	downside risk
Profitability	RoTE	low teens	11.8%	✓	inline

Notes:

1. All figures based on BRSA bank-only except for CAR
2. TL Loans and deposit growth annualized for 9M19



## **Annex**

# Macro Environment and Banking Sector

## Macro Environment

Normalization trend on all macro lines  
with favourable global environment allowing  
the CBT to ease interest rates

	2017	2018	1Q19	1H19	9M19
<b>GDP Growth (y/y)</b>	7.5%	2.8%	-2.4%	-1.5%	-
<b>CPI Inflation (y/y)</b>	11.9%	20.3%	19.7%	15.7%	9.3%
<b>Consumer Confidence Index (avg)</b>	68.6	67.0	58.6	59.2	56.8
<b>CAD/GDP<sup>1</sup></b>	-5.5%	-3.4%	-1.7%	0.2%	0.7%
<b>Budget Deficit/GDP</b>	-1.5%	-1.9%	-2.3%	-2.6%	-2.7%
<b>Unemployment Rate<sup>2</sup></b>	10.4%	13.5%	14.1%	13.0%	13.9%
<b>USD/TL (eop)</b>	3.77	5.26	5.63	5.76	5.66
<b>2Y Benchmark Bond Rate (eop)</b>	13.4%	19.7%	21.2%	19.7%	13.9%

## Banking Sector

Strong fundamentals of the sector  
along with subdued loan growth due to ongoing  
market volatility

	2017	2018	1Q19	1H19	9M19
<b>Loan Growth (y/y)</b>	21%	14%	15%	8%	-2%
<i>Private</i>	16%	6%	5%	-1%	-10%
<i>State</i>	27%	23%	27%	17%	10%
<b>Deposit Growth (y/y)</b>	16%	19%	23%	17%	8%
<i>Private</i>	13%	16%	19%	13%	2%
<i>State</i>	24%	25%	32%	23%	20%
<b>NPL Ratio</b>	2.9%	3.8%	3.9%	4.2%	4.8%
<b>CAR</b>	16.5%	16.9%	16.0%	17.3%	18.0%
<b>ROATE</b>	15.0%	13.8%	11.7%	11.3%	10.8%

### Notes:

All macro data as of September 2019 unless otherwise stated  
Banking sector volumes based on BRSA weekly data as of 27 Sept'19

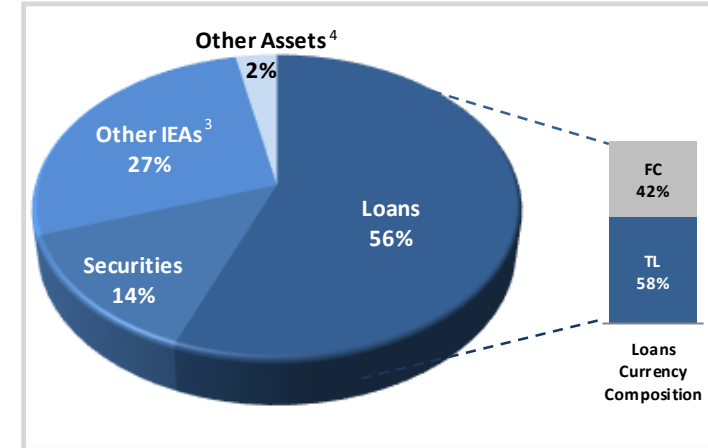
1. CAD indicates Current Account Deficit as of Aug'19

2. Unemployment rate is as of Jul'19

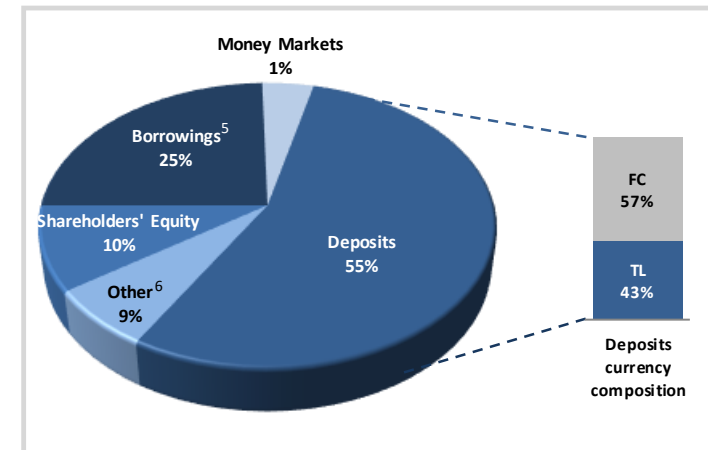
# Consolidated Balance Sheet

TL bln	1Q17 <sup>1</sup>	1H17 <sup>1</sup>	9M17 <sup>1</sup>	2017 <sup>1</sup>	1Q18	1H18	9M18	2018	1Q19	1H19	9M19	q/q	y/y	ytd
<b>Total Assets</b>	<b>278.3</b>	<b>283.3</b>	<b>290.6</b>	<b>316.9</b>	<b>328.7</b>	<b>365.1</b>	<b>422.0</b>	<b>373.4</b>	<b>393.4</b>	<b>409.0</b>	<b>396.9</b>	-3%	-6%	6%
<b>Loans<sup>2</sup></b>	<b>183.7</b>	<b>185.8</b>	<b>190.6</b>	<b>199.9</b>	<b>205.3</b>	<b>222.2</b>	<b>249.4</b>	<b>220.5</b>	<b>230.5</b>	<b>232.3</b>	<b>222.4</b>	-4%	-11%	1%
TL Loans	107.0	111.1	115.1	120.1	118.8	123.0	124.8	120.9	125.5	131.6	129.7	-1%	4%	7%
FC Loans (\$)	21.1	21.3	21.2	21.2	21.9	21.7	20.8	18.9	18.6	17.5	16.4	-6%	-21%	-14%
<b>Securities</b>	<b>32.6</b>	<b>32.4</b>	<b>35.5</b>	<b>38.8</b>	<b>41.7</b>	<b>45.2</b>	<b>49.7</b>	<b>49.9</b>	<b>52.1</b>	<b>54.5</b>	<b>54.4</b>	0%	9%	9%
TL Securities	22.4	22.7	25.5	28.1	30.7	32.7	33.7	35.9	37.4	39.0	39.3	1%	17%	9%
FC Securities (\$)	2.8	2.8	2.8	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.7	-1%	0%	0%
<b>Customer Deposits</b>	<b>157.3</b>	<b>157.4</b>	<b>158.4</b>	<b>163.9</b>	<b>166.6</b>	<b>180.1</b>	<b>210.8</b>	<b>199.9</b>	<b>215.4</b>	<b>219.5</b>	<b>214.4</b>	-2%	2%	7%
TL Customer Deposits	79.5	78.1	69.2	72.8	81.4	76.7	84.7	86.9	86.6	90.9	90.5	0%	7%	4%
FC Customer Deposits (\$)	21.4	22.6	25.1	24.2	21.6	22.7	21.1	21.5	22.9	22.4	21.9	-2%	4%	2%
<b>Borrowings</b>	<b>61.0</b>	<b>62.3</b>	<b>63.9</b>	<b>75.3</b>	<b>80.8</b>	<b>90.0</b>	<b>114.5</b>	<b>90.0</b>	<b>98.6</b>	<b>101.9</b>	<b>100.1</b>	-2%	-13%	11%
TL Borrowings	5.1	6.1	6.5	7.1	6.8	7.8	7.0	5.6	7.6	8.2	8.3	2%	19%	50%
FC Borrowings (\$)	15.4	16.0	16.1	18.1	18.7	18.0	17.9	16.1	16.2	16.3	16.2	0%	-10%	1%
<b>Shareholders' Equity</b>	<b>27.7</b>	<b>28.5</b>	<b>29.0</b>	<b>30.1</b>	<b>31.6</b>	<b>37.8</b>	<b>40.3</b>	<b>39.0</b>	<b>39.1</b>	<b>40.5</b>	<b>40.2</b>	-1%	0%	3%
<b>Assets Under Management</b>	<b>17.4</b>	<b>18.5</b>	<b>19.1</b>	<b>19.5</b>	<b>20.1</b>	<b>19.6</b>	<b>19.9</b>	<b>21.1</b>	<b>17.4</b>	<b>25.7</b>	<b>26.5</b>	3%	34%	26%
<b>Loans/Assets</b>	66%	66%	66%	63%	62%	61%	59%	59%	59%	57%	56%			
<b>Securities/Assets</b>	12%	11%	12%	12%	13%	12%	12%	13%	13%	13%	14%			
<b>Borrowings/Liabilities</b>	22%	22%	22%	24%	25%	25%	27%	24%	25%	25%	25%			
<b>Loans/(Deposits+TL Bills)</b>	112%	112%	115%	114%	113%	114%	112%	104%	103%	101%	100%			
<b>CAR - cons</b>	13.4%	13.7%	13.8%	13.4%	12.9%	13.9%	13.3%	14.8%	15.0%	15.6%	16.7%			
<b>Tier-I - cons</b>	9.7%	10.1%	10.2%	9.9%	9.9%	10.7%	9.8%	11.4%	12.1%	12.8%	13.6%			
<b>Common Equity Tier-I - cons</b>	9.9%	10.3%	10.3%	10.0%	9.9%	10.7%	9.8%	11.4%	11.0%	11.6%	12.5%			

## 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 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 €1.69 bn (Sep 18 was €2.56bn) / 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	3Q19	q/q	y/y	9M18	9M19	y/y
<b>Net Interest Income including swap costs</b>	<b>2,217</b>	<b>2,089</b>	<b>2,154</b>	<b>2,522</b>	<b>2,543</b>	<b>2,778</b>	<b>4,004</b>	<b>4,239</b>	<b>3,112</b>	<b>3,241</b>	<b>3,254</b>	<b>0%</b>	<b>-19%</b>	<b>9,325</b>	<b>9,607</b>	<b>3%</b>
o/w NII	2,251	2,321	2,353	2,810	2,845	3,209	4,311	4,131	3,485	4,041	4,079	1%	-5%	10,365	11,605	12%
o/w CPI-linkers	325	338	409	663	436	460	1,360	2,478	787	770	830	8%	-39%	2,257	2,388	6%
o/w Swap costs	-34	-232	-198	-288	-302	-431	-308	107	-372	-801	-825	3%	168%	-1,040	-1,998	92%
<b>Fees &amp; Commissions</b>	<b>849</b>	<b>826</b>	<b>799</b>	<b>841</b>	<b>1,034</b>	<b>1,051</b>	<b>1,036</b>	<b>1,116</b>	<b>1,337</b>	<b>1,258</b>	<b>1,347</b>	<b>7%</b>	<b>30%</b>	<b>3,121</b>	<b>3,942</b>	<b>26%</b>
<b>Core Revenues</b>	<b>3,066</b>	<b>2,915</b>	<b>2,954</b>	<b>3,364</b>	<b>3,577</b>	<b>3,829</b>	<b>5,040</b>	<b>5,354</b>	<b>4,449</b>	<b>4,499</b>	<b>4,600</b>	<b>2%</b>	<b>-9%</b>	<b>12,446</b>	<b>13,549</b>	<b>9%</b>
<b>Operating Costs</b>	<b>1,370</b>	<b>1,422</b>	<b>1,363</b>	<b>1,543</b>	<b>1,450</b>	<b>1,554</b>	<b>1,683</b>	<b>1,768</b>	<b>1,712</b>	<b>1,793</b>	<b>1,779</b>	<b>-1%</b>	<b>6%</b>	<b>4,686</b>	<b>5,285</b>	<b>13%</b>
<b>Core Operating Income</b>	<b>1,696</b>	<b>1,494</b>	<b>1,591</b>	<b>1,821</b>	<b>2,127</b>	<b>2,275</b>	<b>3,357</b>	<b>3,586</b>	<b>2,737</b>	<b>2,706</b>	<b>2,821</b>	<b>4%</b>	<b>-16%</b>	<b>7,760</b>	<b>8,264</b>	<b>7%</b>
<b>Trading and FX gains/losses</b>	<b>100</b>	<b>125</b>	<b>38</b>	<b>-24</b>	<b>11</b>	<b>275</b>	<b>152</b>	<b>266</b>	<b>336</b>	<b>79</b>	<b>211</b>	<b>166%</b>	<b>39%</b>	<b>438</b>	<b>627</b>	<b>43%</b>
o/w FX gains/losses	38	99	28	9	27	65	-193	225	77	128	138	8%	-	-101	343	-
o/w MtM gains/losses	34	16	-7	-32	-7	118	300	35	195	-115	-24	-79%	-	410	56	-86%
o/w Trading gains/losses	28	10	17	-1	-9	92	45	6	64	67	97	45%	115%	128	228	78%
<b>Other income</b>	<b>102</b>	<b>75</b>	<b>53</b>	<b>109</b>	<b>136</b>	<b>40</b>	<b>76</b>	<b>107</b>	<b>120</b>	<b>105</b>	<b>78</b>	<b>-26%</b>	<b>2%</b>	<b>252</b>	<b>303</b>	<b>20%</b>
o/w income from subs	28	19	19	22	28	25	31	32	28	18	22	21%	-29%	84	68	-19%
o/w Dividends	2	8	0	0	4	8	1	2	10	6	0	-94%	-55%	13	16	24%
o/w Others	72	48	35	86	104	7	45	73	82	81	55	-32%	24%	156	219	40%
<b>Pre-provision Profit</b>	<b>1,898</b>	<b>1,694</b>	<b>1,682</b>	<b>1,906</b>	<b>2,274</b>	<b>2,590</b>	<b>3,585</b>	<b>3,959</b>	<b>3,193</b>	<b>2,890</b>	<b>3,110</b>	<b>8%</b>	<b>-13%</b>	<b>8,450</b>	<b>9,193</b>	<b>9%</b>
<b>ECL net of collections</b>	<b>539</b>	<b>532</b>	<b>592</b>	<b>568</b>	<b>514</b>	<b>835</b>	<b>1,640</b>	<b>2,950</b>	<b>1,395</b>	<b>1,577</b>	<b>1,785</b>	<b>13%</b>	<b>9%</b>	<b>2,988</b>	<b>4,757</b>	<b>59%</b>
o/w Stage 3 Provisions	756	717	761	596	607	738	1,433	1,844	1,406	1,900	1,575	-17%	10%	2,778	4,882	76%
o/w Stage 1 + Stage 2 Provisions	45	62	46	151	237	460	996	798	533	29	279	878%	-72%	1,692	840	-50%
o/w Collections (-)	262	247	215	179	330	363	244	90	337	251	198	-21%	-19%	937	786	-16%
o/w ECL hedging	0	0	0	0	0	0	545	-397	207	101	-129	-	-	545	179	-67%
<b>Other Provisions &amp; Costs</b>	<b>94</b>	<b>40</b>	<b>33</b>	<b>180</b>	<b>147</b>	<b>196</b>	<b>527</b>	<b>-448</b>	<b>216</b>	<b>5</b>	<b>79</b>	<b>-</b>	<b>-85%</b>	<b>870</b>	<b>299</b>	<b>-66%</b>
o/w Pension fund provisions	0	0	0	123	0	85	145	0	211	0	59	-	-59%	230	270	17%
o/w Pension fund provisions (under cost)	0	0	0	123	0	0	0	230	0	0	0	-	-	0	0	-
o/w Pension fund provisions (under provisions)	0	0	0	0	0	85	145	-230	211	0	59	-	-59%	230	270	17%
o/w Other provisions	94	40	33	58	147	111	382	-449	5	5	20	-	-	640	29	-
<b>Pre-tax Income</b>	<b>1,265</b>	<b>1,121</b>	<b>1,058</b>	<b>1,158</b>	<b>1,613</b>	<b>1,559</b>	<b>1,418</b>	<b>1,457</b>	<b>1,583</b>	<b>1,309</b>	<b>1,246</b>	<b>-5%</b>	<b>-12%</b>	<b>4,591</b>	<b>4,138</b>	<b>-10%</b>
<b>Tax</b>	<b>263</b>	<b>229</b>	<b>216</b>	<b>278</b>	<b>369</b>	<b>332</b>	<b>303</b>	<b>376</b>	<b>341</b>	<b>189</b>	<b>270</b>	<b>43%</b>	<b>-11%</b>	<b>1,005</b>	<b>801</b>	<b>-20%</b>
<b>Net Income</b>	<b>1,001</b>	<b>892</b>	<b>841</b>	<b>880</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>-13%</b>	<b>-12%</b>	<b>3,586</b>	<b>3,337</b>	<b>-7%</b>
<b>ROTE <sup>1</sup></b>	<b>15.8%</b>	<b>13.3%</b>	<b>12.4%</b>	<b>12.6%</b>	<b>17.1%</b>	<b>15.9%</b>	<b>11.9%</b>	<b>11.4%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>10.1%</b>	<b>-166bps</b>	<b>-181bps</b>	<b>14.3%</b>	<b>11.8%</b>	<b>-249bps</b>

Note:

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

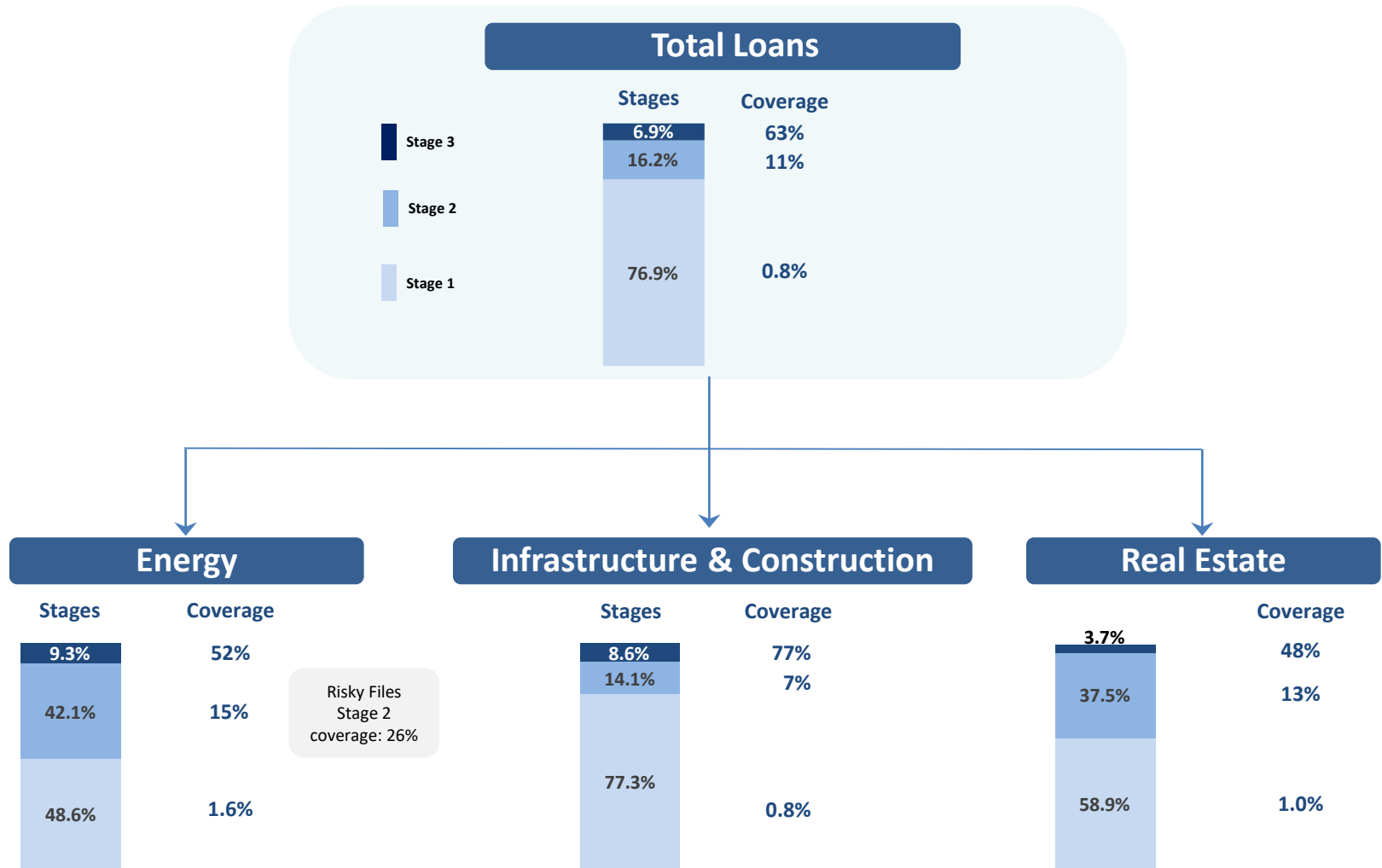
# Bank-Only Income Statement

TL million	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	q/q	y/y	9M18	9M19	y/y
<b>Net Interest Income including swap costs</b>	<b>2,030</b>	<b>1,895</b>	<b>1,965</b>	<b>2,306</b>	<b>2,270</b>	<b>2,585</b>	<b>3,677</b>	<b>3,925</b>	<b>2,806</b>	<b>2,936</b>	<b>2,973</b>	<b>1%</b>	<b>-19%</b>	<b>8,533</b>	<b>8,715</b>	<b>2%</b>
o/w NII	2,141	2,174	2,212	2,684	2,768	3,108	4,143	3,923	3,356	3,869	3,827	-1%	-8%	10,019	11,052	10%
o/w CPI-linkers	325	338	409	663	436	460	1,360	2,478	787	770	830	8%	-39%	2,257	2,388	6%
o/w Swap costs	-111	-278	-247	-378	-497	-523	-466	2	-551	-933	-854	-9%	83%	-1,486	-2,338	57%
<b>Fees &amp; Commissions</b>	<b>807</b>	<b>784</b>	<b>757</b>	<b>788</b>	<b>986</b>	<b>993</b>	<b>977</b>	<b>1,059</b>	<b>1,283</b>	<b>1,206</b>	<b>1,285</b>	<b>7%</b>	<b>31%</b>	<b>2,957</b>	<b>3,774</b>	<b>28%</b>
<b>Core Revenues</b>	<b>2,837</b>	<b>2,679</b>	<b>2,722</b>	<b>3,094</b>	<b>3,257</b>	<b>3,578</b>	<b>4,655</b>	<b>4,984</b>	<b>4,089</b>	<b>4,142</b>	<b>4,258</b>	<b>3%</b>	<b>-9%</b>	<b>11,490</b>	<b>12,489</b>	<b>9%</b>
<b>Operating Costs</b>	<b>1,295</b>	<b>1,346</b>	<b>1,293</b>	<b>1,462</b>	<b>1,375</b>	<b>1,470</b>	<b>1,591</b>	<b>1,659</b>	<b>1,615</b>	<b>1,688</b>	<b>1,668</b>	<b>-1%</b>	<b>5%</b>	<b>4,437</b>	<b>4,971</b>	<b>12%</b>
<b>Core Operating Income</b>	<b>1,542</b>	<b>1,333</b>	<b>1,429</b>	<b>1,632</b>	<b>1,881</b>	<b>2,108</b>	<b>3,064</b>	<b>3,325</b>	<b>2,474</b>	<b>2,453</b>	<b>2,590</b>	<b>6%</b>	<b>-15%</b>	<b>7,053</b>	<b>7,517</b>	<b>7%</b>
<b>Trading and FX gains/losses</b>	<b>89</b>	<b>119</b>	<b>23</b>	<b>-29</b>	<b>57</b>	<b>212</b>	<b>119</b>	<b>301</b>	<b>322</b>	<b>72</b>	<b>221</b>	<b>209%</b>	<b>86%</b>	<b>388</b>	<b>614</b>	<b>58%</b>
o/w FX gains/losses	76	86	-28	0	23	58	-50	265	64	164	137	-16%	-	32	365	-
o/w MtM gains/losses	0	0	48	-33	-8	114	125	35	194	-113	-12	-90%	-	232	69	-
o/w Trading gains/losses	13	33	3	4	41	40	43	2	64	20	96	371%	121%	124	180	45%
<b>Other income</b>	<b>213</b>	<b>186</b>	<b>179</b>	<b>233</b>	<b>252</b>	<b>227</b>	<b>276</b>	<b>212</b>	<b>298</b>	<b>267</b>	<b>226</b>	<b>-15%</b>	<b>-18%</b>	<b>755</b>	<b>791</b>	<b>5%</b>
o/w income from subs	146	140	144	145	211	171	233	160	224	198	180	-9%	-23%	615	603	-2%
o/w Dividends	2	0	0	0	3	2	1	1	8	1	0	-42%	-52%	5	9	78%
o/w Others	65	45	35	88	39	54	42	50	66	68	46	-33%	8%	135	180	33%
<b>Pre-provision Profit</b>	<b>1,844</b>	<b>1,637</b>	<b>1,631</b>	<b>1,835</b>	<b>2,190</b>	<b>2,547</b>	<b>3,458</b>	<b>3,838</b>	<b>3,094</b>	<b>2,791</b>	<b>3,038</b>	<b>9%</b>	<b>-12%</b>	<b>8,196</b>	<b>8,923</b>	<b>9%</b>
<b>ECL net of collections</b>	<b>526</b>	<b>501</b>	<b>574</b>	<b>539</b>	<b>483</b>	<b>832</b>	<b>1,586</b>	<b>2,908</b>	<b>1,354</b>	<b>1,530</b>	<b>1,756</b>	<b>15%</b>	<b>11%</b>	<b>2,901</b>	<b>4,641</b>	<b>60%</b>
o/w Stage 3 Provisions	745	687	749	572	590	716	1,389	1,779	1,377	1,856	1,570	-15%	13%	2,694	4,802	78%
o/w Stage 1 + Stage 2 Provisions	43	61	40	146	224	480	985	822	522	27	256	862%	-74%	1,689	804	-52%
o/w Collections (-)	262	247	215	179	330	363	244	90	337	251	198	-21%	-19%	937	786	-16%
o/w ECL Hedging	0	0	0	0	0	0	545	-397	207	101	-129	-	-	545	179	-67%
<b>Other Provisions &amp; Costs</b>	<b>88</b>	<b>45</b>	<b>32</b>	<b>169</b>	<b>145</b>	<b>194</b>	<b>516</b>	<b>-487</b>	<b>213</b>	<b>4</b>	<b>79</b>	<b>-</b>	<b>-</b>	<b>856</b>	<b>296</b>	<b>-65%</b>
o/w Pension fund provisions	0	0	0	123	0	85	145	0	211	0	59	-	-	230	270	17%
o/w Pension fund provisions (under cost)	0	0	0	123	0	0	0	230	0	0	0	-	-	0	0	-
o/w Pension fund provisions (under provisions)	0	0	0	0	0	85	145	-230	211	0	59	-	-	230	270	17%
o/w Other provisions	88	45	32	46	145	109	371	-488	2	4	20	479%	-95%	626	26	-
<b>Pre-tax Income</b>	<b>1,230</b>	<b>1,092</b>	<b>1,024</b>	<b>1,127</b>	<b>1,562</b>	<b>1,521</b>	<b>1,357</b>	<b>1,416</b>	<b>1,527</b>	<b>1,257</b>	<b>1,202</b>	<b>-4%</b>	<b>-11%</b>	<b>4,439</b>	<b>3,986</b>	<b>-10%</b>
<b>Tax</b>	<b>229</b>	<b>200</b>	<b>183</b>	<b>247</b>	<b>318</b>	<b>294</b>	<b>242</b>	<b>335</b>	<b>285</b>	<b>138</b>	<b>226</b>	<b>64%</b>	<b>-6%</b>	<b>853</b>	<b>649</b>	<b>-24%</b>
<b>Net Income</b>	<b>1,001</b>	<b>892</b>	<b>841</b>	<b>880</b>	<b>1,244</b>	<b>1,227</b>	<b>1,115</b>	<b>1,081</b>	<b>1,241</b>	<b>1,120</b>	<b>976</b>	<b>-13%</b>	<b>-12%</b>	<b>3,586</b>	<b>3,337</b>	<b>-7%</b>
<b>ROTE<sup>1</sup></b>	<b>15.8%</b>	<b>13.4%</b>	<b>12.4%</b>	<b>12.6%</b>	<b>17.0%</b>	<b>15.8%</b>	<b>11.9%</b>	<b>11.4%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>10.1%</b>	<b>-166bps</b>	<b>-181bps</b>	<b>14.3%</b>	<b>11.8%</b>	<b>-249bps</b>

Note:

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

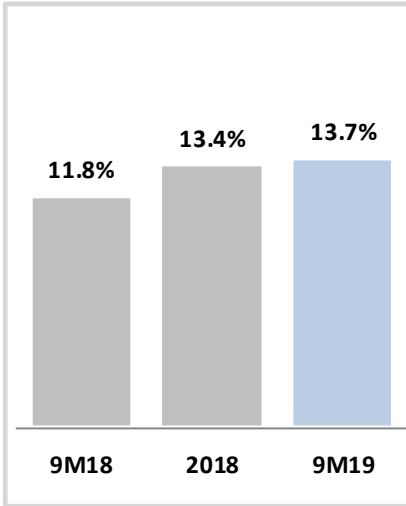
# Loan Details in terms of Staging and Coverage



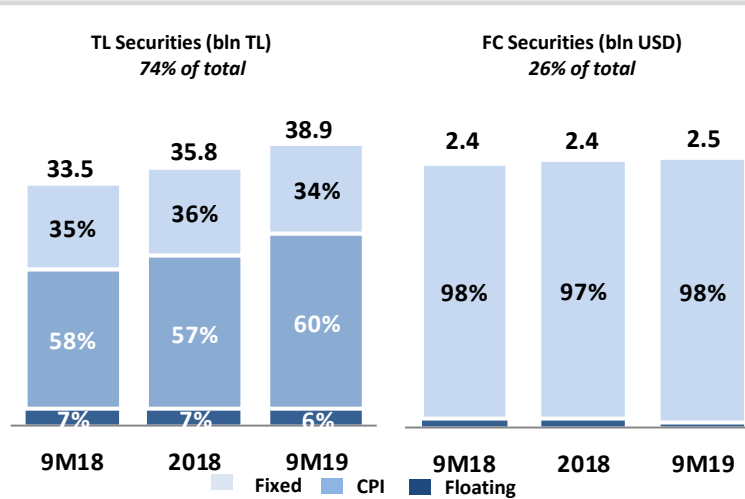


# Securities

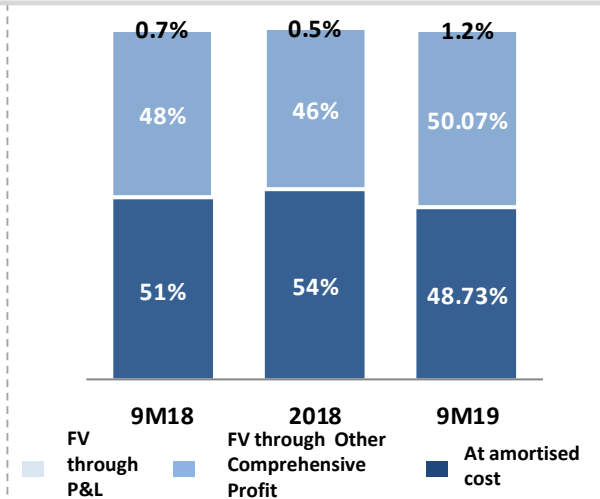
## Securities/Assets



## Composition by Type<sup>1</sup>



## Composition by Classification<sup>1</sup>

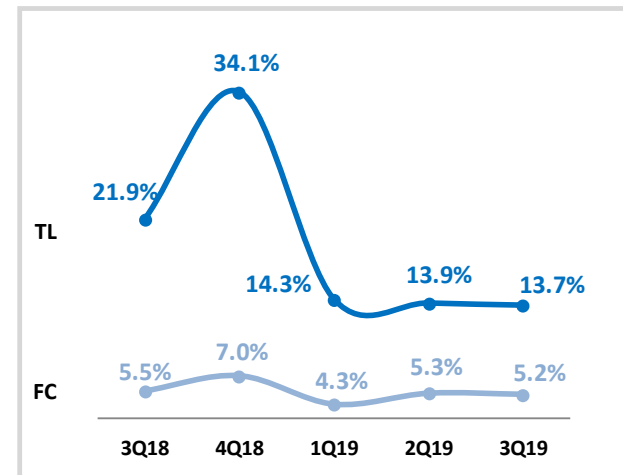


- **Securities / assets at 13.7%** with dynamically managed mix to benefit from rate environment
- **Increase in CPI linkers to benefit from higher inflation levels.** CPI-linker volume increased to TL 17.0bln in book value<sup>2</sup> (nominal: 14.1 bln TL); with a gain of TL 830 mln in 3Q19 (9M19: TL 2,388 mln)

**CPI linker valuation at 11%**

- **M-t-m unrealised loss at TL 1,198<sup>3</sup> mln as of 9M19** (TL -2,006<sup>3</sup> mln in 9M18)

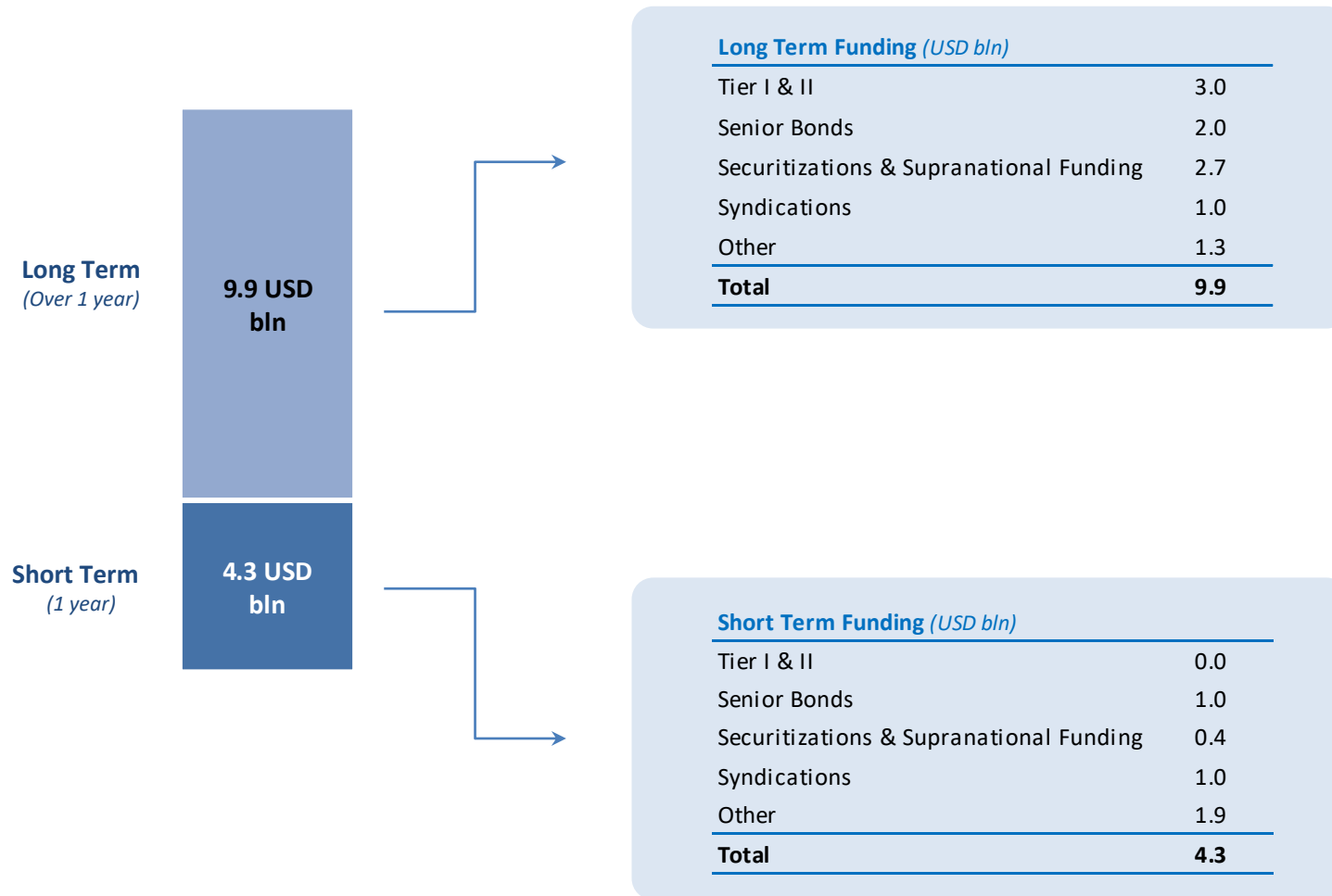
## Security Yields<sup>1</sup>



Notes:





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

# External funding structure



Notes:  
Includes UniCredit Funding

# Details of main Borrowings

International	Syndications	<p>~ US\$ 2.0 bln</p> <ul style="list-style-type: none"> <li>■ <b>May'19:</b> 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</li> <li>■ <b>Oct'19:</b> US\$ 370 mln &amp; € 520 mln, all-in cost at Libor+ 2.25% and Euribor+ 2.10% for 367 days. 39 banks from 21 countries </li> </ul>
	AT1	<p>~US\$ 650 mln outstanding</p> <ul style="list-style-type: none"> <li>■ <b>Jan'19:</b> US\$ 650 mln market transaction, callable every 5 years, perpetual, 13.875% (coupon rate)</li> </ul>
	Subordinated Loans	<p>~US\$ 2.32 bln outstanding</p> <ul style="list-style-type: none"> <li>■ <b>Dec'12:</b> US\$ 965 mln market transaction, 10 years, 5.5% (coupon rate)</li> <li>■ <b>Jan'13:</b> US\$ 585 mln, 10NC5, 5.7% fixed rate – Basel III Compliant</li> <li>■ <b>Dec'13:</b> US\$ 270 mln, 10NC5, 7.72% – Basel III Compliant</li> <li>■ <b>Mar'16:</b> US\$ 500 mln market transaction, 10NC5, 8.5% (coupon rate)</li> </ul>
	Foreign and Local Currency Bonds / Bills	<p>US\$ 3.65 bln Eurobonds</p> <ul style="list-style-type: none"> <li>■ <b>Jan'13:</b> US\$ 500 mln, 4.00% (coupon rate), 7 years</li> <li>■ <b>Oct'14:</b> US\$ 550 mln, 5.125% (coupon rate), 5 years</li> <li>■ <b>Feb'17:</b> US\$ 600 mln, 5.75% (coupon rate), 5 years</li> <li>■ <b>Jun'17:</b> US\$ 500 mln, 5.85% (coupon rate), 7 years</li> <li>■ <b>Jun'17:</b> TL 500 mln, 13.13% (coupon rate), 3 years</li> <li>■ <b>Mar'18:</b> US\$ 500 mln, 6.10% (coupon rate), 5 years</li> <li>■ <b>Mar'19:</b> US\$ 500 mln, 8.25% (coupon rate), 5.5 years</li> </ul>
	Covered Bond	<p>TL 1.57 bln out standing</p> <ul style="list-style-type: none"> <li>■ <b>Oct'17:</b> Mortgage-backed, maturity 5 years</li> <li>■ <b>Feb'18:</b> Mortgage-backed with 5 years maturity</li> <li>■ <b>May'18:</b> Mortgage-backed with 5 years maturity</li> <li>■ <b>Mar'19:</b> Mortgage-backed with 5 years maturity</li> </ul>
Domestic	Local Currency Bonds / Bills	<p>TL 3.24 bln total </p> <ul style="list-style-type: none"> <li>■ <b>Jul'19 :</b> TL 36 mln, 2-month maturity</li> <li>■ <b>Aug'19 :</b> TL 715 mln, 2-month maturity</li> <li>■ <b>Sept'19 :</b> TL 1.01 bln , 2-month maturity</li> <li>■ <b>Sept'19 :</b> TL 1.44 bln, 6-months maturity, TLREF indexed</li> </ul>
	Subordinated Loans	<p>TL 800 mln total</p> <ul style="list-style-type: none"> <li>■ <b>Jul'19:</b> TL 500 mln market transaction, 10NC5, Trlibor+ 100 bps (coupon rate) </li> <li>■ <b>Oct'19:</b> TL 300 mln, 10-year maturity, TLREF indexed </li> </ul>

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

Turkey

## Turkey

- Europe's 7<sup>th</sup> 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 <sup>1</sup>
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	9M19
GDP Growth	6.1%	3.2%	7.4%	2.8%	-2.4%	-1.9%	-
CPI (eop) <sup>2</sup>	8.8%	8.5%	7.2%	20.3%	15.7%	15.7%	8.6%
Benchmark Rate (eop)	10.8%	10.7%	13.4%	19.7%	21.2%	19.7%	13.9%
Unemployment <sup>3</sup>	10.3%	10.9%	10.9%	13.5%	14.1%	13.0%	13.9%
Policy Rate	7.5%	8.0%	8.0%	24.0%	24.0%	24.0%	16.5%
CBT funding rate	8.8%	8.3%	12.8%	24.0%	25.5%	23.9%	13.9%
CAD/GDP <sup>4</sup>	3.7%	3.8%	5.5%	3.4%	1.7%	-0.2%	-0.7%
o/w energy	3.9%	2.8%	3.9%	4.9%	5.1%	5.2%	4.9%
Public Debt/GDP	29%	29%	28%	29%	-	-	-
Budget deficit/GDP	-1.0%	-1.1%	-1.5%	-1.9%	-2.3%	-2.6%	-2.7%

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. CPI as of October'19

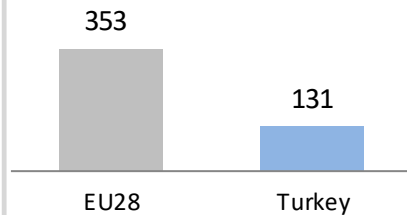
3. Unemployment as of July'19

4. CAD/GDP as of August'19

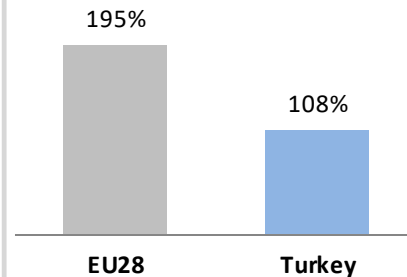
# Despite solid growth in recent years, Turkish banking sector still underpenetrated in household lending

Banking Sector Penetration

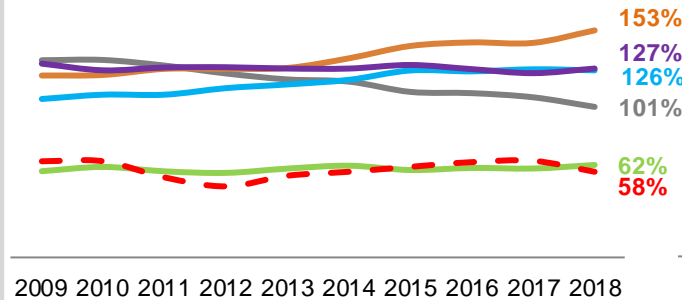
Branches Per  
Million Inhabitants  
(2017)



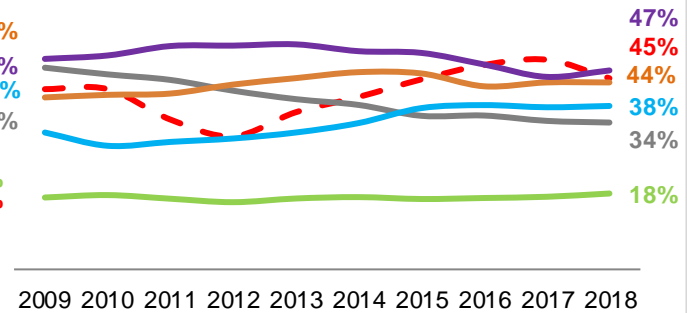
(Loans+Deposits)/GDP  
(2018)



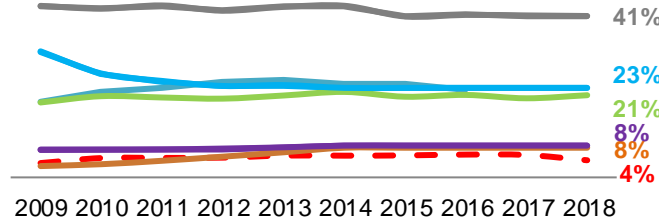
Total Loans<sup>1</sup>/GDP



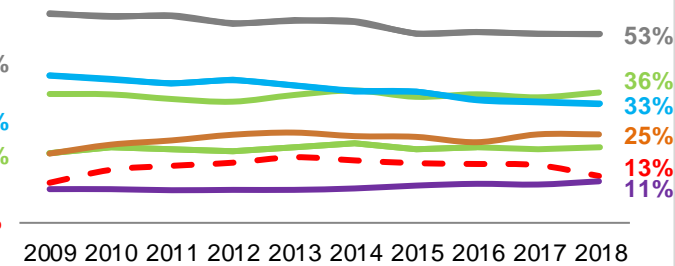
Corporate Loans/GDP



Mortgages/GDP



Loans to Households<sup>2</sup>/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									
	2016	1Q17	1H17	9M17	2017	9M18	2018	1Q19	1H19	9M19
Banks #	52	52	51	51	51	52	47	47	53	53
Branches #	10,781	10,754	10,724	10,658	10,550	10,505	10,454	10,398	10,359	10,289
Loan Growth (yoy)	17%	6%	30%	15%	21%	30%	14%	15%	8%	-2%
Deposit Growth (yoy)	17%	5%	9%	11%	16%	31%	19%	23%	17%	8%
Loans/GDP <sup>1</sup>	64%	66%	66%	65%	65%	69%	62%	63%	61%	59%
Deposits/GDP <sup>1</sup>	56%	57%	57%	55%	54%	59%	54%	57%	55%	55%
Loans/Assets	64%	65%	65%	66%	65%	63%	63%	62%	61%	61%
Deposits/Assets	56%	56%	56%	56%	55%	53%	55%	56%	55%	57%
NIM	3.7%	4.0%	4.0%	3.9%	3.9%	4.0%	4.2%	3.6%	3.8%	3.9%
NPL Ratio	3.2%	3.1%	3.0%	3.0%	2.9%	3.1%	3.7%	4.0%	4.3%	4.7%
Specific Coverage	78%	79%	79%	80%	80%	70%	69%	69%	68%	66%
CAR <sup>2</sup>	15.1%	15.5%	16.4%	16.8%	16.5%	17.7%	16.9%	16.0%	17.3%	18.0%
Tier 1 Ratio	12.6%	13.0%	13.6%	13.9%	13.6%	14.1%	13.6%	12.9%	14.2%	14.9%
ROAE	13.5%	17.4%	16.2%	15.5%	15.0%	14.3%	13.8%	11.7%	11.3%	10.8%
ROAA	1.4%	1.9%	1.7%	1.7%	1.5%	1.3%	1.4%	1.2%	1.2%	1.1%

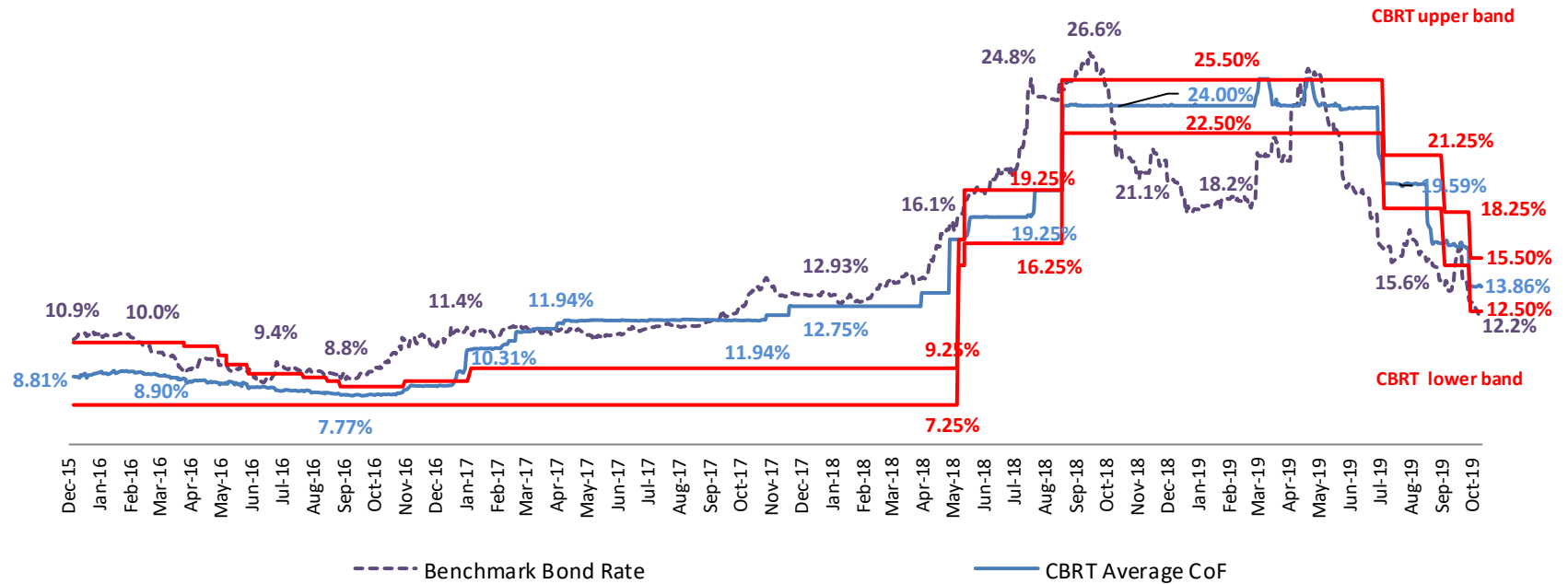
Source: Turkish Banks Association for bank and branch numbers, BRSA for banking sector data (including BS, P&L, KPIs), Turkstat for GDP data

Notes:

(1) GDP calculation on a trailing basis

(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
Turkey	B1	Negative	B1	Negative
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

Fitch

	Rating	Outlook	Rating	Outlook
Turkey	BB-	Stable	BB-	Stable
Yapı Kredi	B+	Negative	B+	Stable
Garanti	B+	Stable	BB-	Stable
Akbank	B+	Negative	B+	Stable
İşbank	B+	Negative	B+	Stable
Halkbank	B+	Negative	BB-	Negative
Vakıfbank	B+	Stable	BB-	Stable



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