

Yapı Kredi

1H20 Investor Presentation

Yapı Kredi: A leading financial services group

Yapı Kredi Overview

Key Figures – 1H20

Ratings

Moody's: Caa1 / Fitch: B+

Total Assets

444.4
bln TL

Loans¹

254.7
bln TL

Net Income

2,461
mln TL

RoATE²

12.1%

Number of Branches³

845

Employees⁴

17,338

Market Share – 1H20

Market Share⁵

Total Bank

Cash & Non-cash Loans

8.7%

Customer Deposits

8.4%

Business Units

Corporate Loans⁶

7.7%

Consumer Loans⁷

7.5%

Credit Card Outstanding

17.5%

Subsidiaries

Leasing⁸

20.2%

Factoring⁸

15.7%

Wealth Management⁹

13.1%

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: 16,507, 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 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 26 Jun' 20, 6. Cash loans excluding credit cards and consumer loans, 7. Including mortgages, GPL and auto loans,

8. As of Mar'20, 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

45 Branches

**International/
Multinational**

1 Branch

Retail Banking

**Individual
Banking**



769 Branches

**SME
Banking¹**
Turnover
<USD 10 mln

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

21 Branches

Credit Cards

Subsidiaries

YapıKredi
Factoring

YapıKredi
Leasing

YapıKredi
Invest

YapıKredi
Asset Management

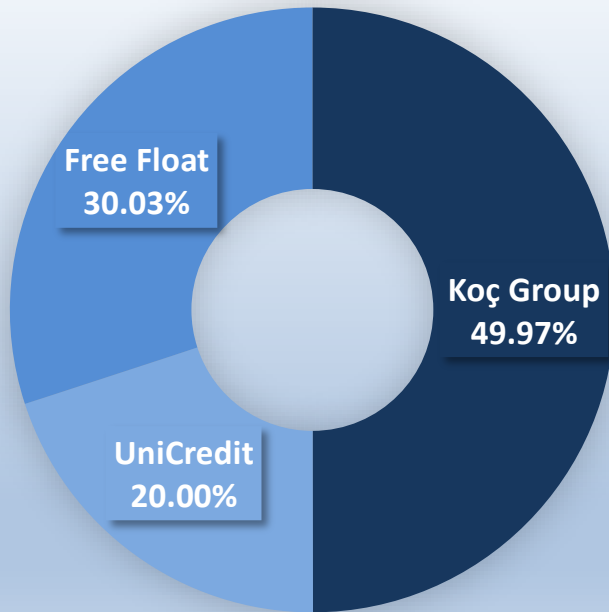
YapıKredi
Nederland

YapıKredi
Azerbaijan

YapıKredi
Malta

Notes:
Branch numbers are as of Jun'20. Total # of branches is 845 of which 6 are free zone, abroad, custody and mobile branches
1. Including micro+ small + large size enterprises

Stable, long-term focused majority shareholder supporting Yapı Kredi's strategy



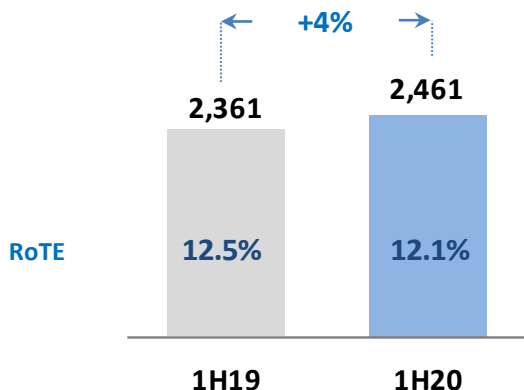
Largest business group in Turkey with combined revenue equal to 8% of Turkey's GDP*

Koç Holding	1H20
Total Assets (TL bln)	570.8
Revenues (TL mln)	73,967
Net Income (TL mln)	4,431

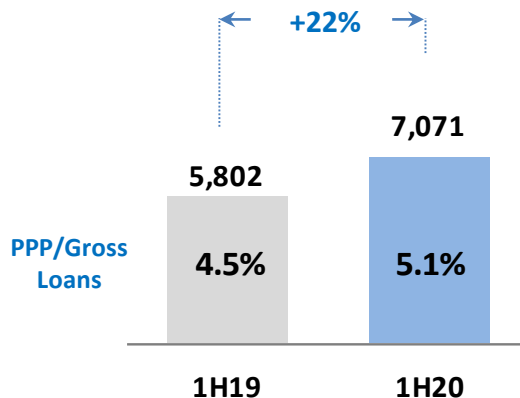
Koç Holding Ratings: Moody's: B2 / S&P: BB-

2.5 bln TL net profit in 1H20 thanks to ongoing strength in PPP generation, conservative provisioning through solid fundamentals

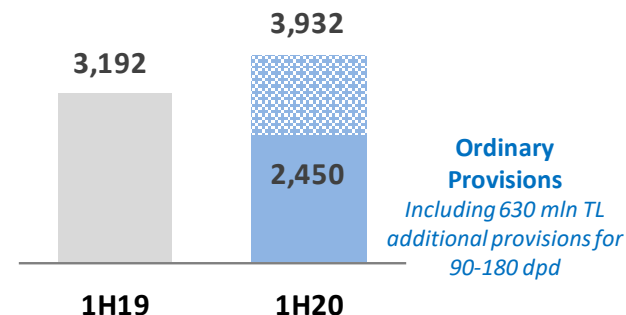
Net Profit



Pre-Provision Profit¹

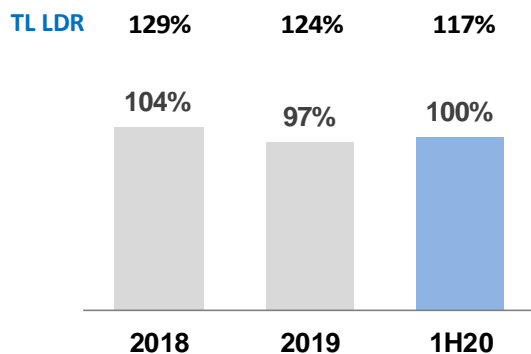


Total Provisions²

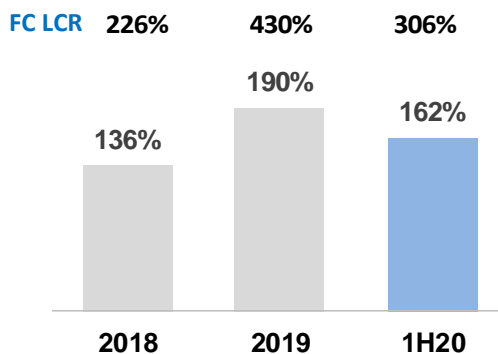


Fundamentals

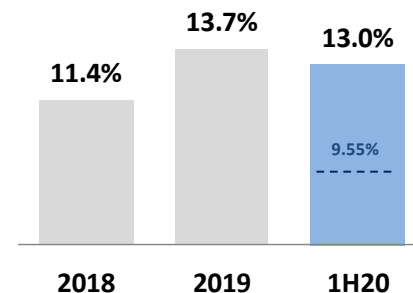
LDR³



LCR⁴



Tier 1 Ratio (w/o forbearance)⁵

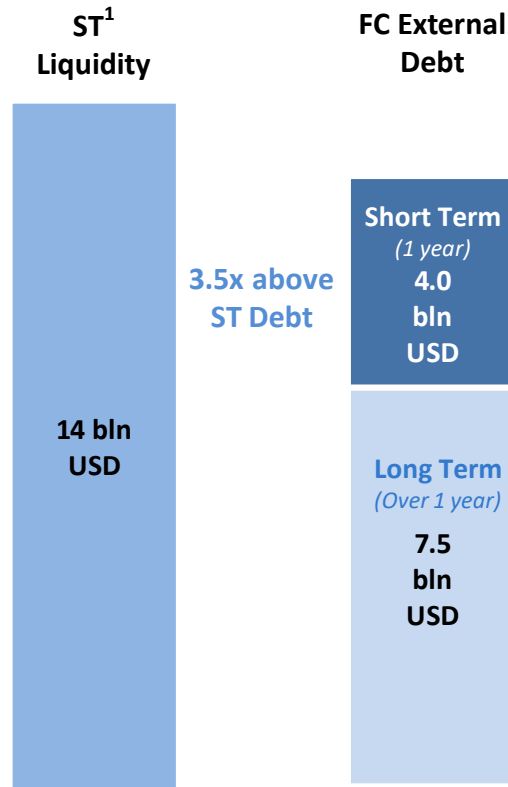


Notes:

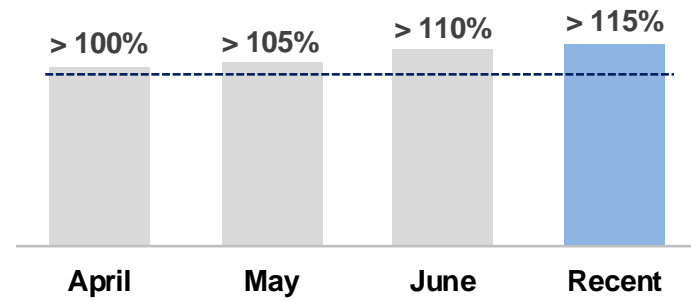
- 1H19 PPP with normalised CPI linker income for homogenous comparison (reported : 6,084 TL mln)
- ECL + other provisions
- LDR= Loans / (Deposits + TL Bonds)
- Based on past three months averages
- 1H20 Reported Tier 1 Ratio at 15.0%

Well above Asset Ratio together with solid liquidity levels thanks to ALM strategies in place for two years

Liquidity



Asset Ratio²



- High Liquidity levels maintained, 3.5x above ST FC external debt
- Asset Ratio comfortably above 100%

TL driven loan and deposit growth; substantial increase in demand deposits, reaping the benefits of the strategy

Volumes

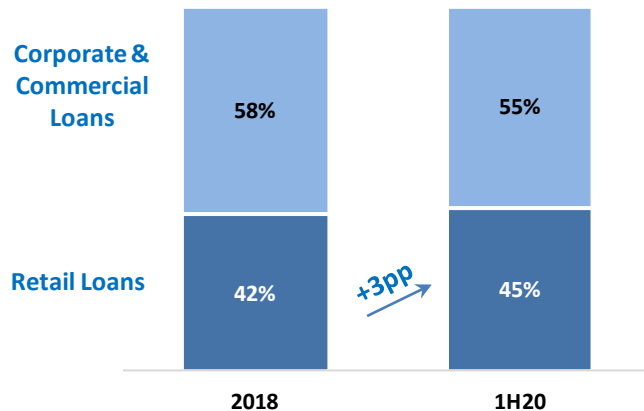
Loan volumes (TL bln)

	Yapı Kredi			Private Banks ¹	
	1H20	ytd	q/q	ytd	q/q
Cash+Non-cash Loans²	349.0	9%	4%	14%	7%
TL ³	174.0	9%	6%	15%	8%
FC (\$) ³	25.6	-5%	-3%	-3%	-2%
Cash Loans²	254.7	11%	5%	15%	7%
TL ³	145.2	9%	7%	16%	9%
FC (\$) ³	16.0	-2%	-2%	-2%	-1%

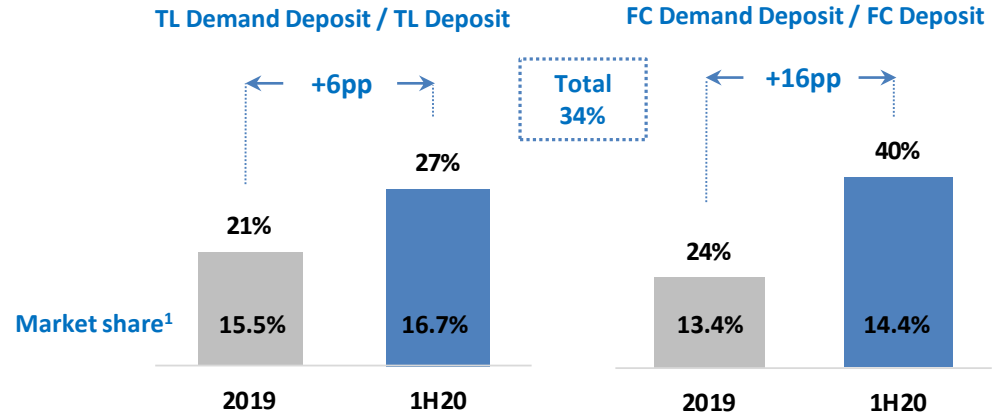
Deposit volumes (TL bln)

	Yapı Kredi			Private Banks ¹	
	1H20	ytd	q/q	ytd	q/q
Customer Deposits	244.4	8%	-1%	9%	2%
TL	115.1	16%	3%	7%	3%
FC (\$)	18.9	-11%	-9%	-4%	-5%
Customer Demand Deposits	84.1	62%	39%	55%	30%
TL	31.4	52%	43%	40%	34%
FC (\$)	7.7	47%	31%	43%	21%

Cash Loan Breakdown (FX adjusted)⁴



Demand Deposit evolution



Strong Market Share gain

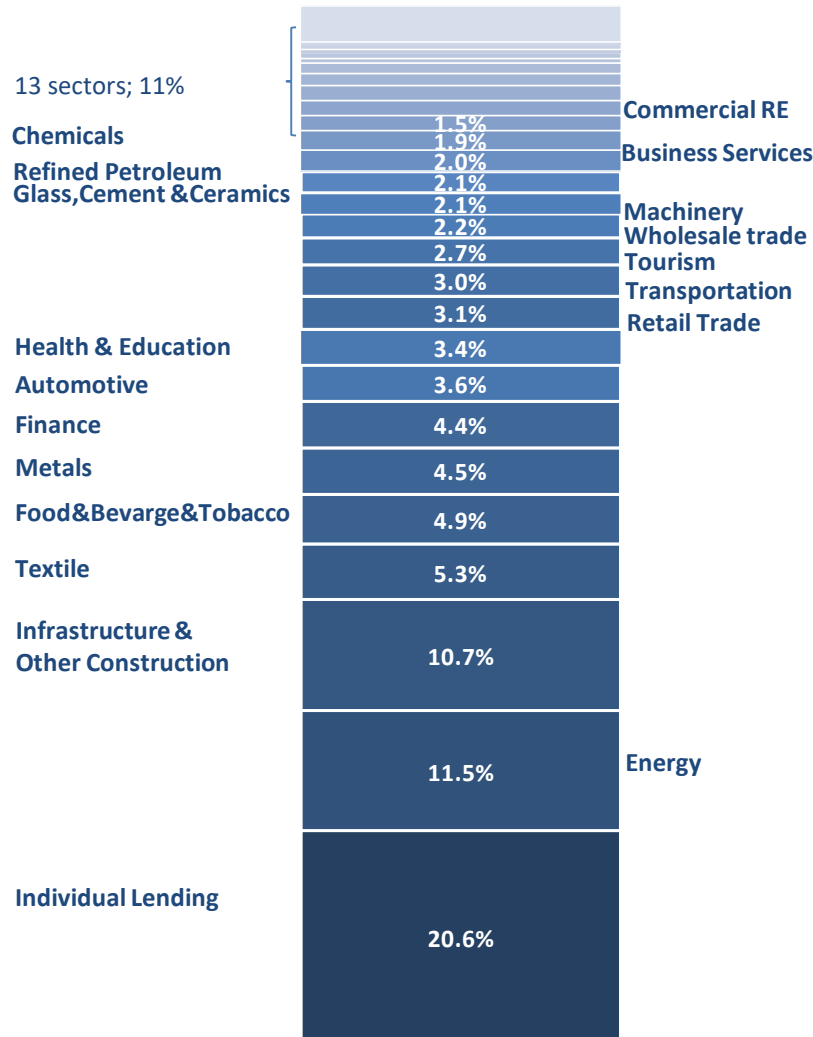
YtD	TL Demand: +123bps	FC Demands: +94bps
Q/Q	TL Demand: +161bps	FC Demands: +115bps

Notes:

1. Private banks based on BRSA weekly data as of 26 June 2020
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

A well diversified loan mix prudently staged and solidly covered

Sectoral breakdown of Loans



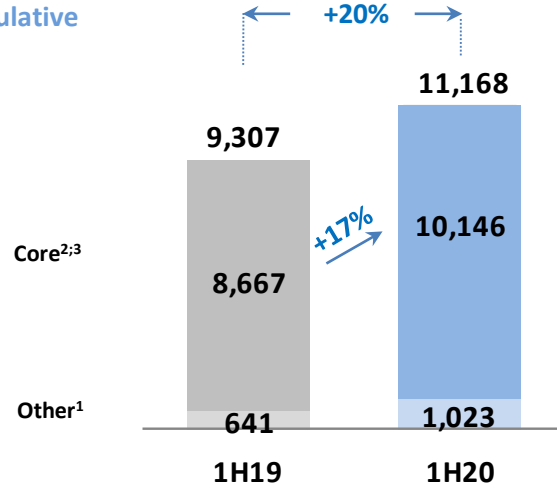
- **Loan postponements:** ~470k customers, ~4.0% of total loans with 3% coverage (additional prov: 235 mln TL)
- **Loans 90-180 days past due:** 1.2 bln TL with 64% coverage (additional prov: 630 mln TL)
- **Energy Sector** total coverage at 15.4%, 46.7% of the loans are under Stage 2
- **Energy Sector** Risky Stage 2 files' coverage at 32%
- **Infrastructure and other construction** coverage at 12.2%
- **Total Real Estate** loans Stage 2 coverage at 15.4%
- **Tourism Sector** share in total at 2.7% with a total coverage of 3.8%. 11.2% of loans are under Stage 2
- **Transportation Sector** is 3% of total loans o/w 3.6% are under Stage 2 with a coverage of 14.3%
- Only 4.7% of loans under Stage 2 in **automotive sector** with a coverage of 14.3%
- Limited 7% share of **SMEs** in total loans, 65% of which is under CGF scheme

Ongoing strength in revenue generation up 20% yoy... Stable ytd revenue margin despite the regulatory impacts on fees

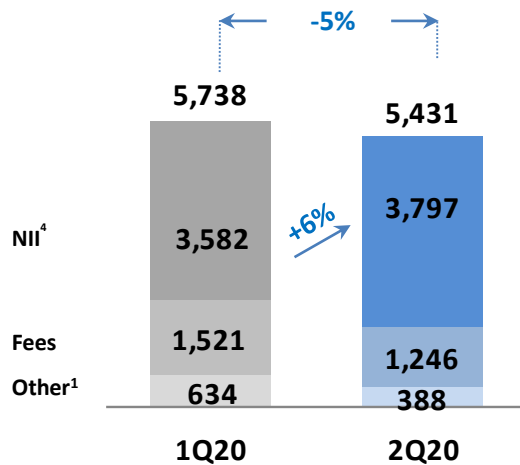
Revenues

Revenues^{1,2,3} (TL mln)

Cumulative

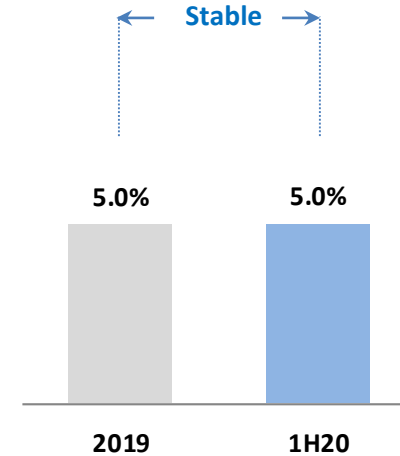


Quarterly

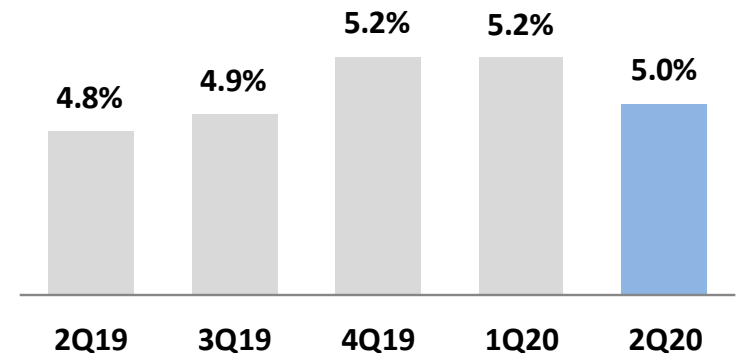


Core Revenue Margin

Cumulative



Quarterly



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. 1H19 Revenues and Core Revenues with normalised CPI linker income for homogenous comparison (reported : Revenues: 9,589 TL mln; Core: 8,948 TL mln)

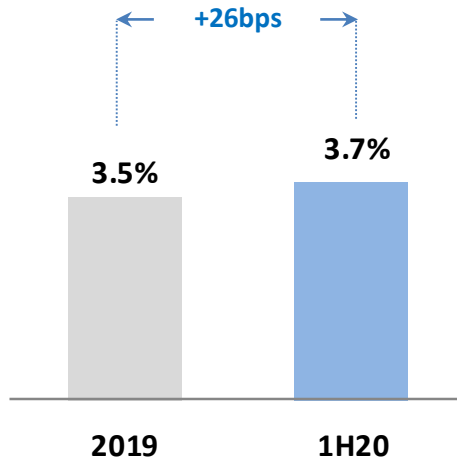
4. Including swap costs

Continuous NIM expansion through support of small ticket focus and interest rate environment

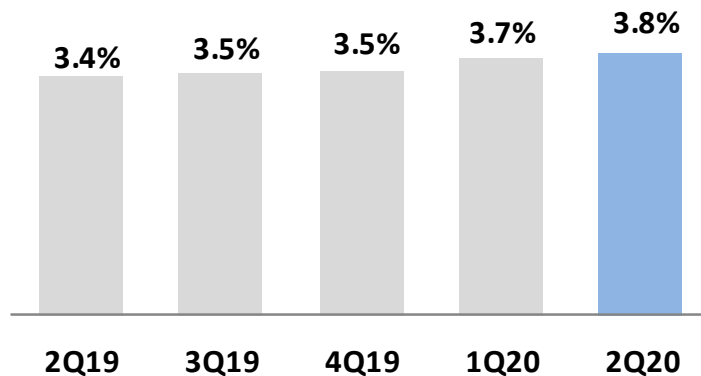
Revenues - NIM

Swap Adjusted NIM

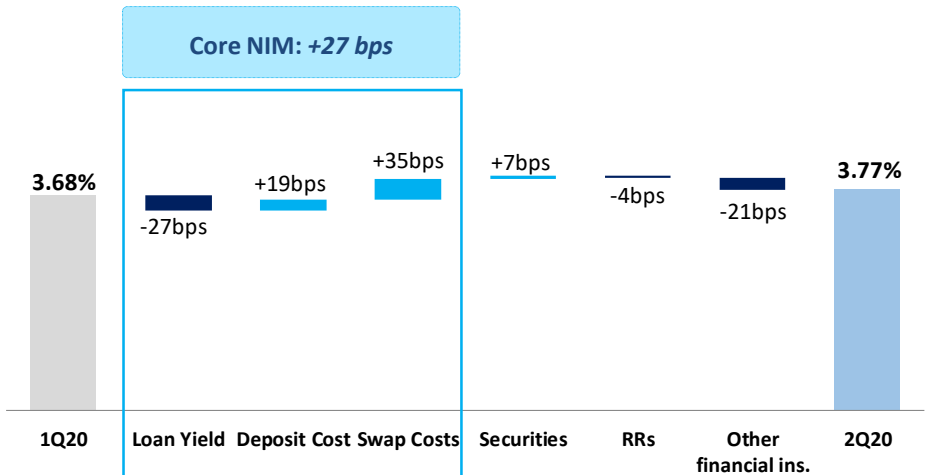
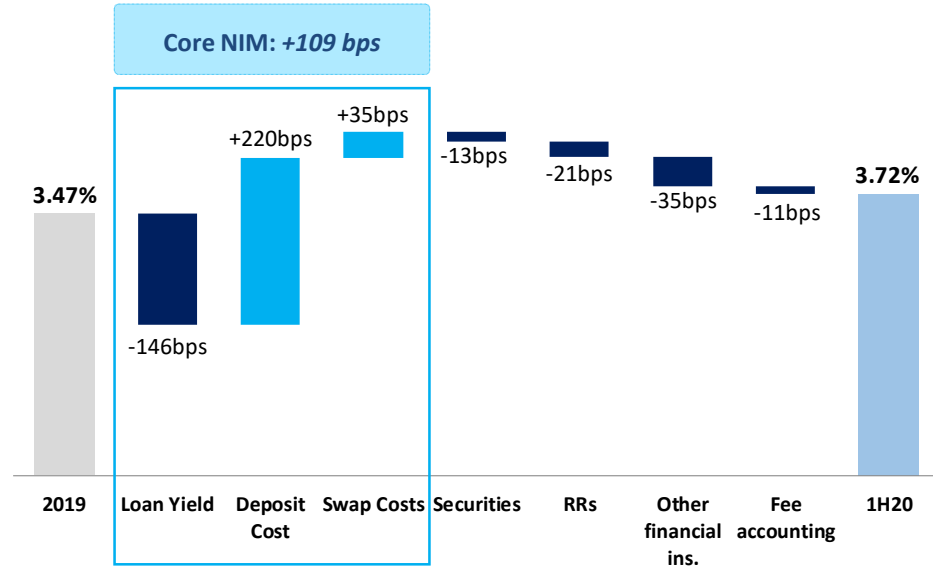
Cumulative



Quarterly



NIM Evolution



Notes:
Based on Bank-Only financials

Limited decline in Loan-Deposit spread q/q supported by further improvement in deposit costs; very strong ytd performance

Loan-Deposit Spread –

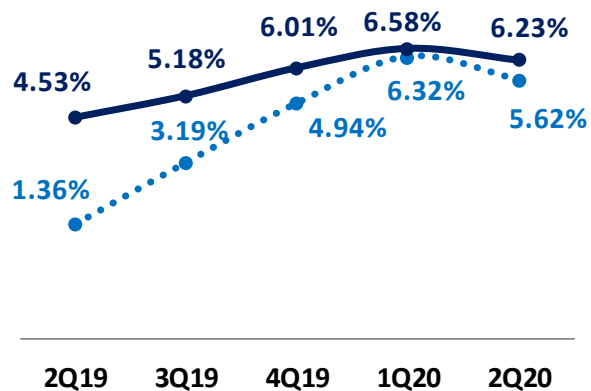
Loan – Deposit Spread Evolution

Loan-Deposit Spread (Quarterly)

A limited 35 bps decline in Loan-Deposit Spread vs. 1Q20
Cumulative Spread significantly above 2019 levels

Cum. TL spread
2019 : 2.8%
1H20 : 5.9%

■ TL+FX
■ TL

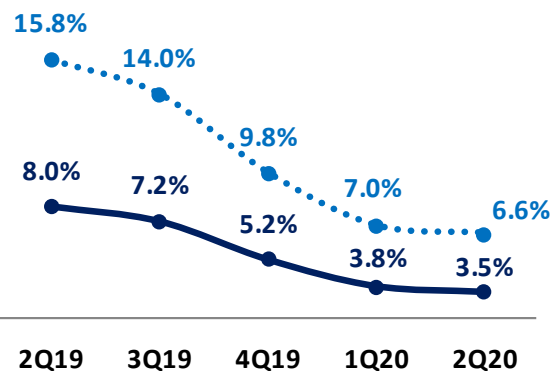


Deposit Costs (Quarterly)

Further 31 bps improvement in total cost of deposits q/q mainly thanks to 42bps decline in TL deposit costs also supported by the downward trend in FC deposits

Cum. TL cost
2019 : 13.8%
1H20 : 6.8%

■ TL
■ TL+FX

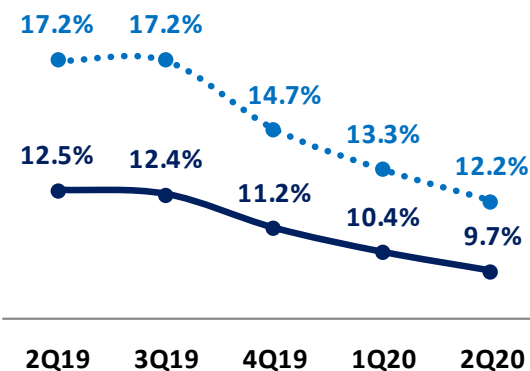


Loan Yields (Quarterly)

Controlled decrease of 66 bps in loan yields (TL: -111bps) vs.1Q20 given the lower interest rate environment

Cum. TL yield
2019 : 16.6%
1H20 : 12.7%

■ TL
■ TL+FX



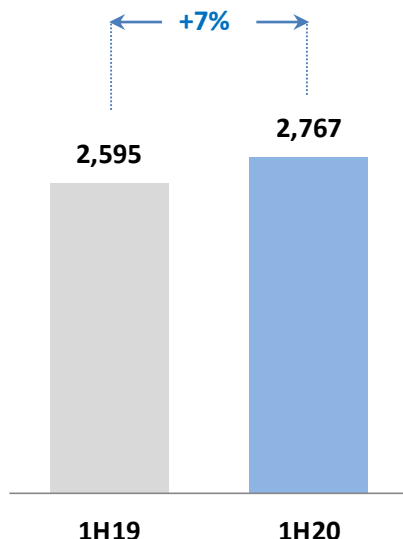
Notes:
Based on Bank-Only financials

Quarterly fees under pressure due to regulatory impacts and Covid-19; annual growth still at positive territory

Revenues - Fees

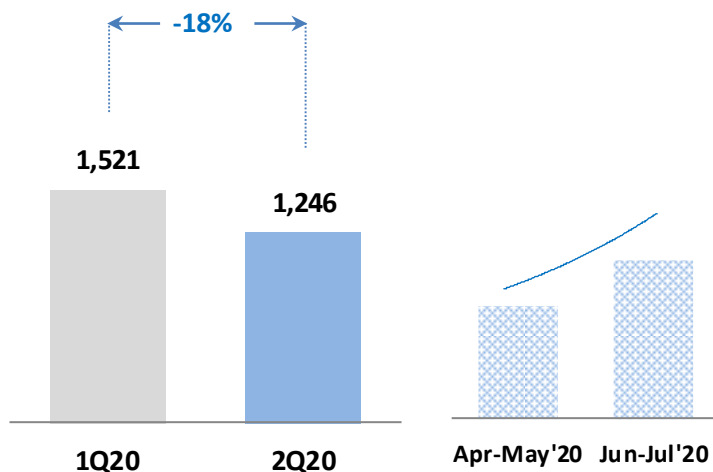
Net Fee Income (TL mIn)

Cumulative



Quarterly

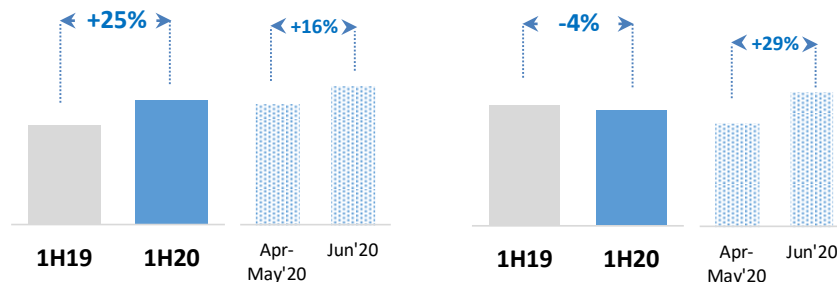
Weekly average¹



Transaction Numbers (monthly average)

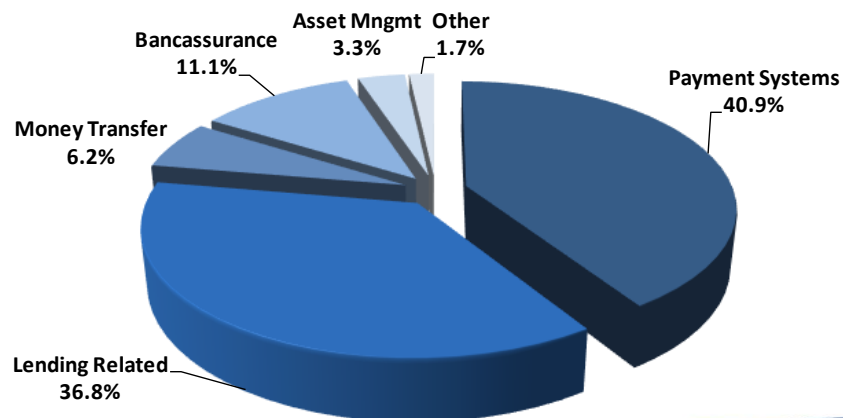
Money Transfers

Payment Systems



Improvement in transaction numbers already started in June signaling a positive trend through the rest of the year

Net Fees Composition²



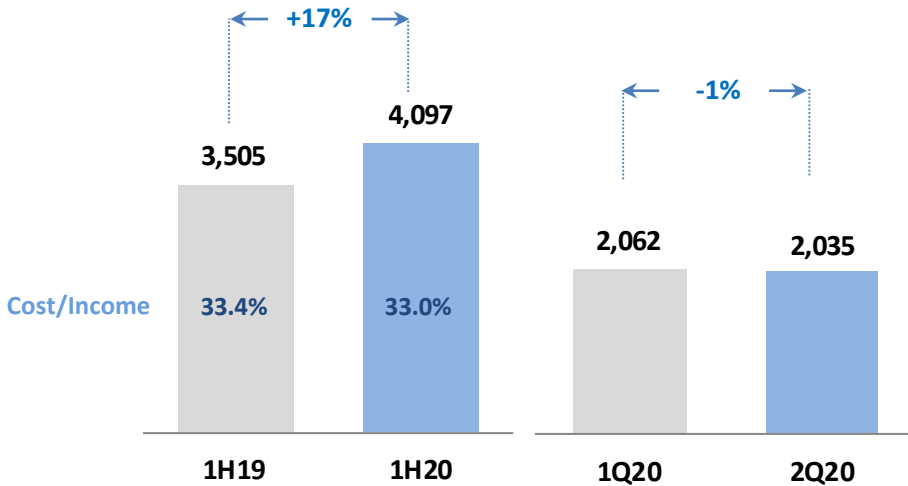
Notes:

1. MIS data based on weekly averages
2. Based on Bank-Only financials

Cost growth mainly impacted by elevated regulatory costs and actions taken against Covid-19 with upcoming cost savings

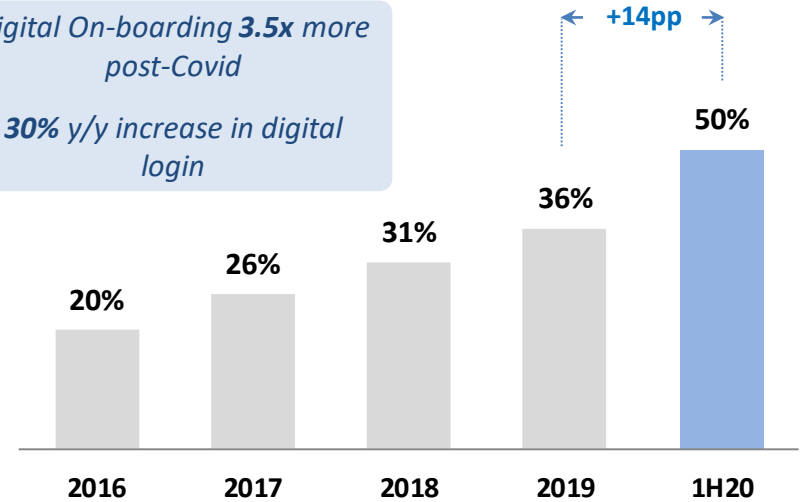
Costs

Costs (TL mIn)

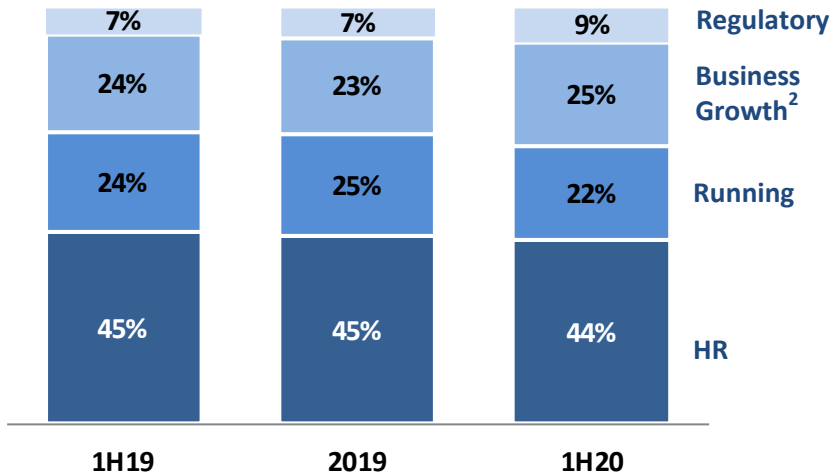


Share of Digital in Main Products³ Sold

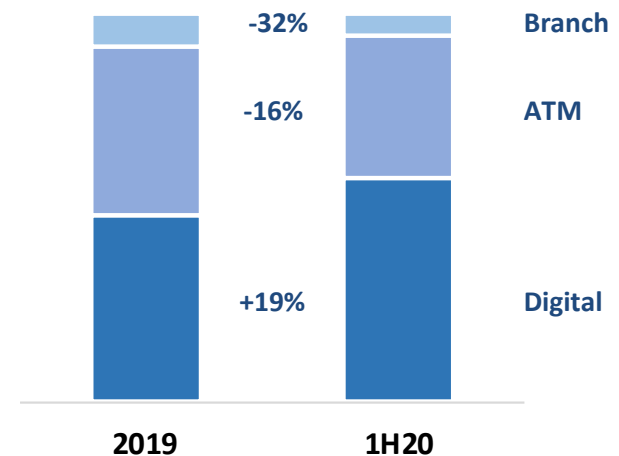
Digital On-boarding 3.5x more post-Covid
30% y/y increase in digital login



Cost Breakdown¹



Transaction⁴ per Channel (monthly average)



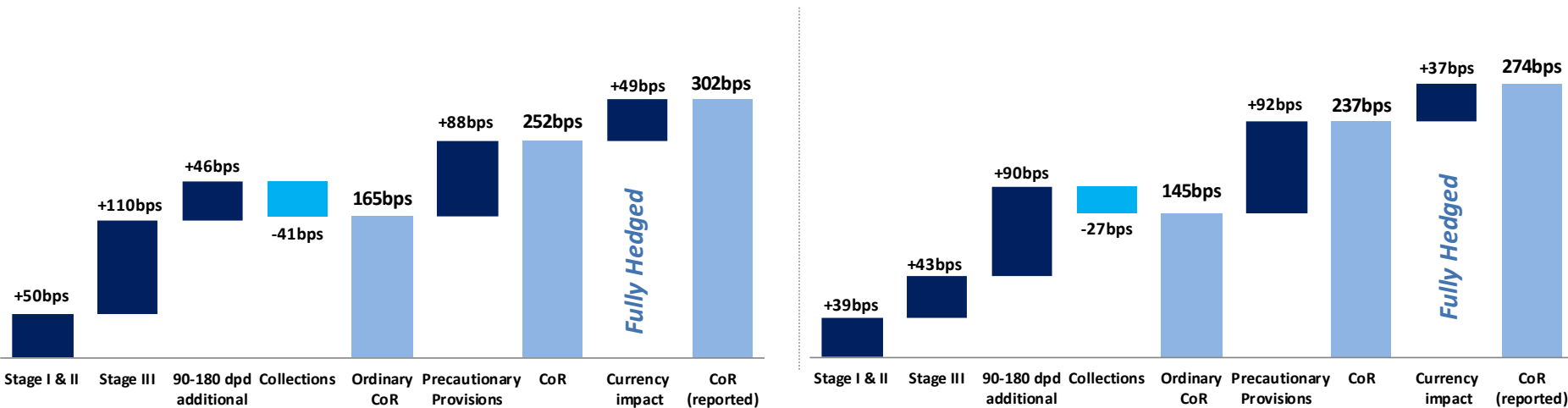
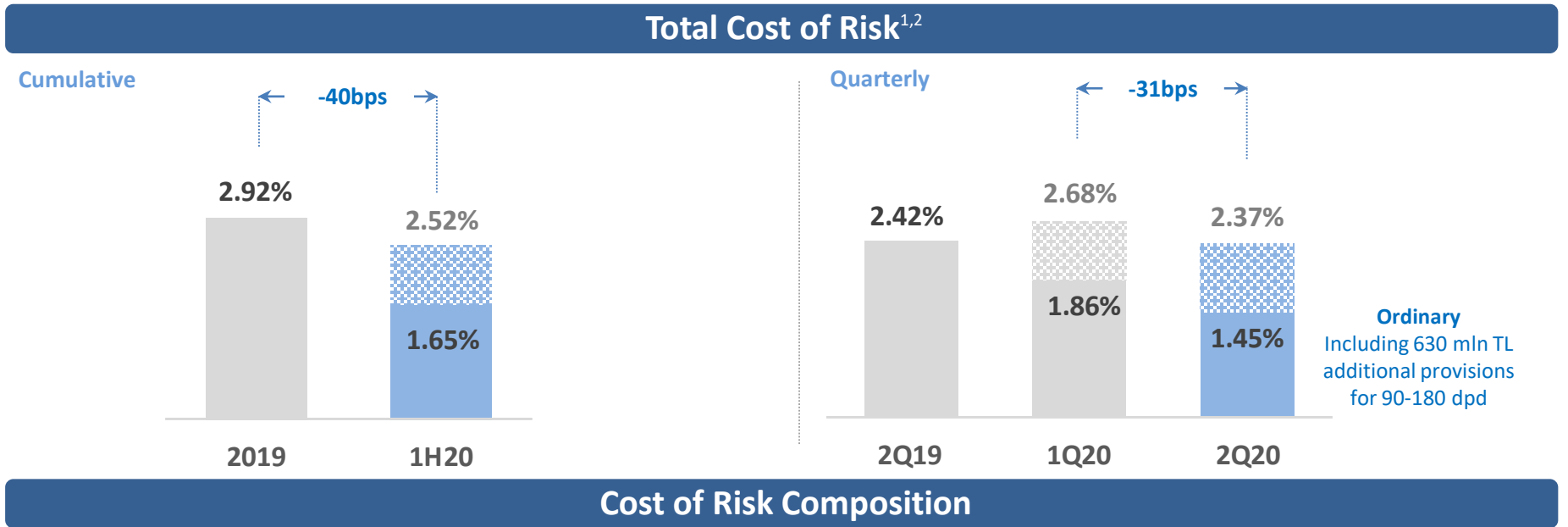
Notes:

1. Based on BRSA bank-only financials
2. Includes customer acquisition costs and depreciation

3. Based on MIS data; Main Products; GPL, CC, Time Deposit, and Flexible Account
4. Transactions include, Money Transfers, Payments, Deposit, Cash Loans, Non-cash Loans, Insurance, Money withdrawal, Investment products, Credit Cards

Improvement in CoR even with a very conservative provisioning for postponements and 90-180 day of dpd

Asset Quality



Notes:

Based on Consolidated BRSA financials

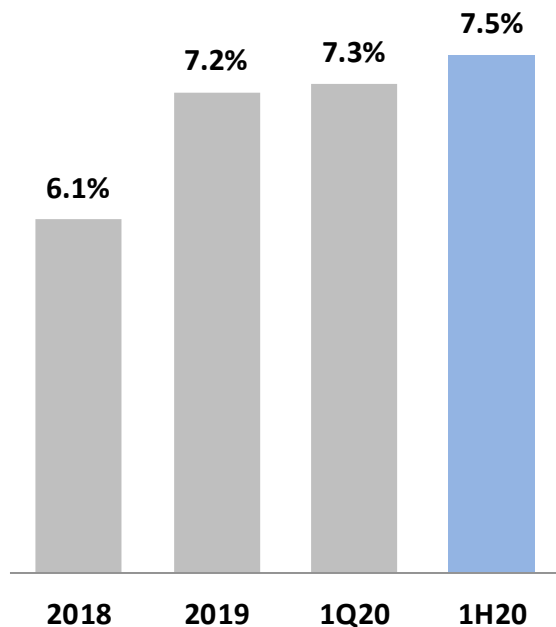
1. Cost of Risk = (Total Expected Credit Loss- Collections-FC ECL hedge)/Total Gross Loans

2. Stated CoR - 1Q19: 2.71%; 2Q19: 2.75%; 3Q19: 2.77%; 4Q19: 4.81%; 1Q20: 3.30% 2Q20: 2.74% - 2019: 3.29%; 1H20: 3.02%)

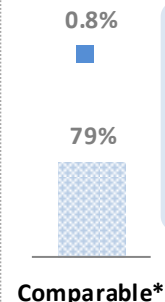
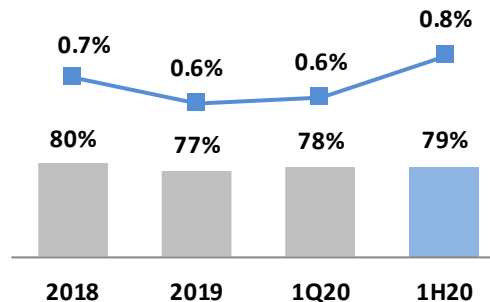
Stable NPL ratio on a comparable basis despite negative impact of Covid-19, further coverage increase through ongoing conservatism

Asset Quality

Provisions / Gross Loans

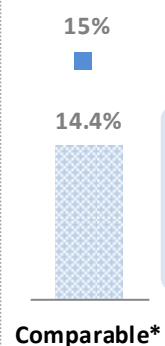
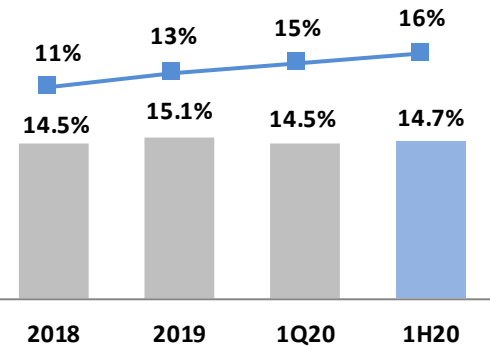


Stage I



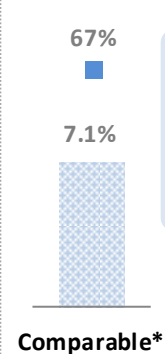
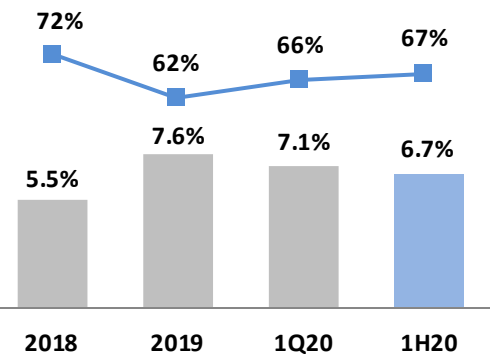
220bps higher coverage for postponements
(add. prov: 235 mln TL)

Stage II



200 mln TL additional provisions for Otaş
(coverage: 29%)

Stage III



90-180 dpd coverage at 64%
(add. prov: 630 mln TL)

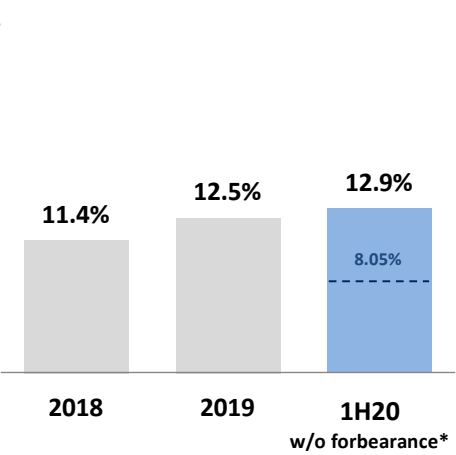
Notes:
Based on Bank-only BRSA financials
Excluding additional provisions for risks and charges
596 TL mln NPL write-off in 1Q20
* On a comparable basis inline with previous periods; 90-180 days past due loans as NPL and 30-90 days past due loans as Stage 2

Coverage

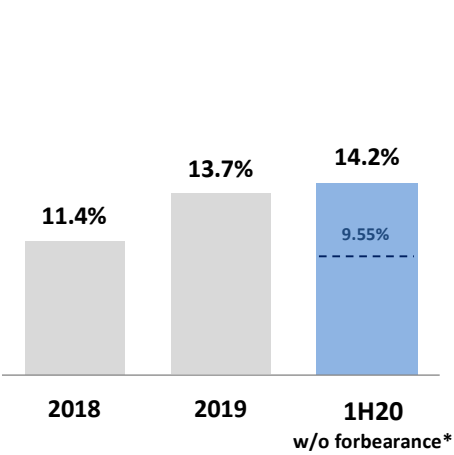
Capital ratios ~460-500 bps above regulatory requirements excluding forbearances that will end by 2020 year-end

Capital Ratios

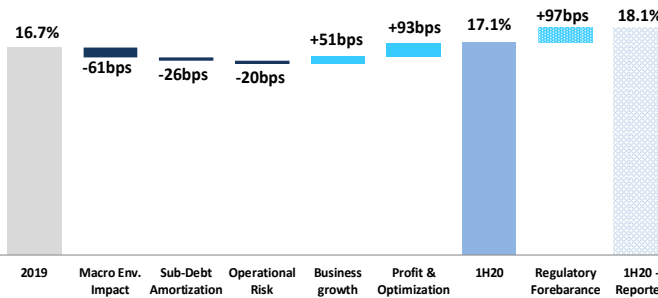
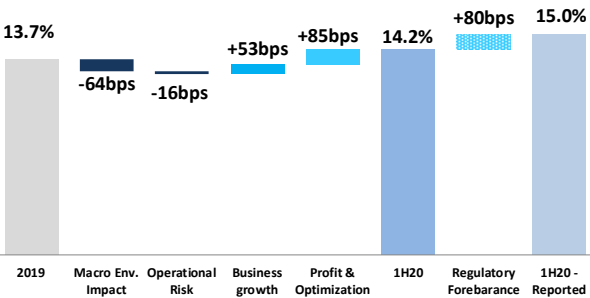
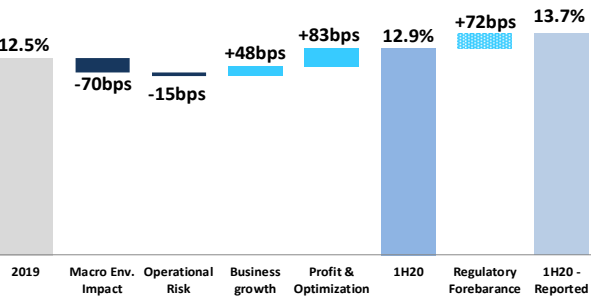
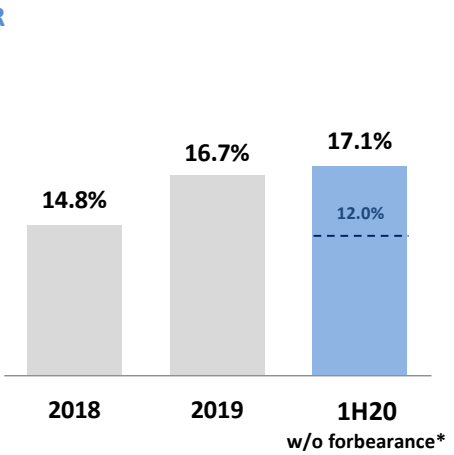
CET1



Tier1



CAR



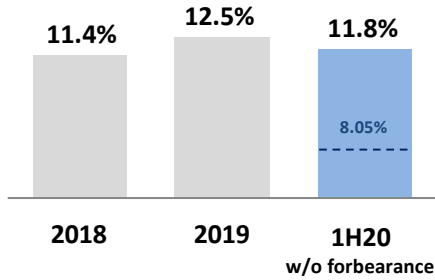
Notes:
* Excluding forbearances that will end by 2020 year-end
Capital Conservation Buffer: 2.5%; Counter-Cyclical Buffer: 0.05%; SIFI Buffer: 1.0%
Minimum Regulatory Requirements- CET1: 8.05%; Tier-1: 9.55%; CAR: 12.0% (BRSA suggestion)

Capital ratios ~350-400 bps above regulatory requirements in a challenging operating environment

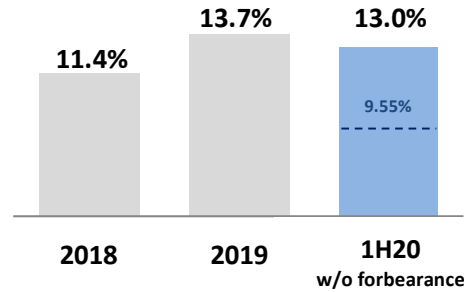
Capital

Capital Ratios

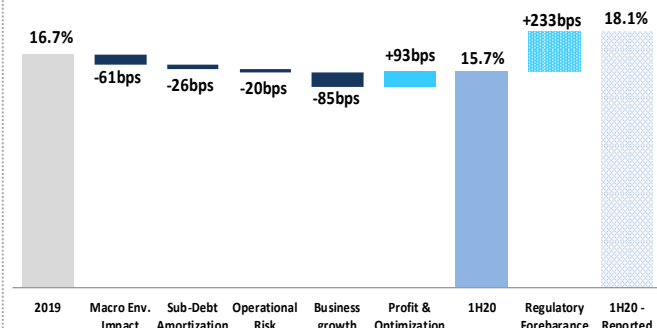
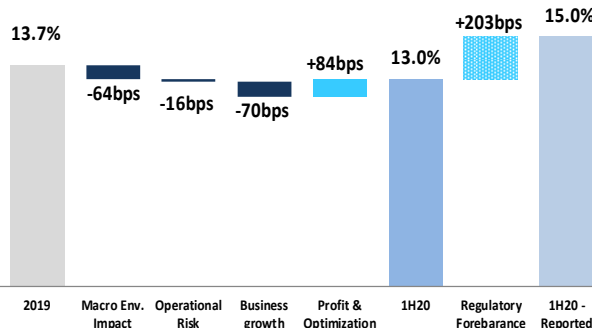
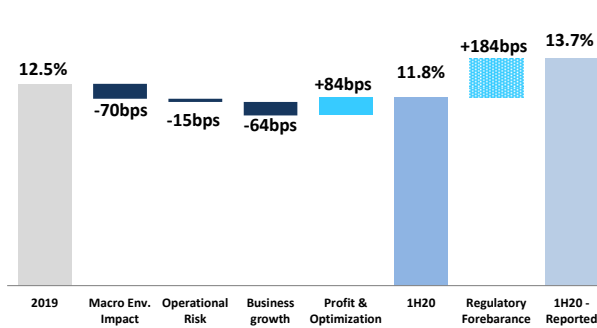
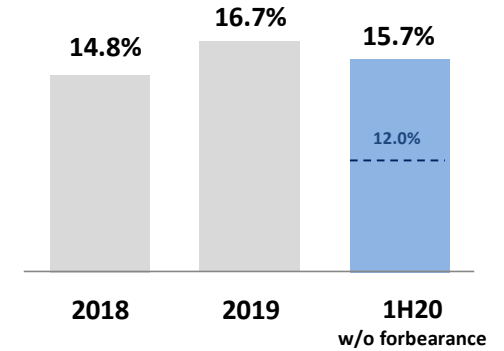
CET1



Tier1



CAR



Notes:

Capital Conservation Buffer: 2.5%; Counter-Cyclical Buffer: 0.05%; SIFI Buffer: 1.0%

Minimum Regulatory Requirements- CET1: 8.05%; Tier-1: 9.55%; CAR: 12.0% (BRSA suggestion)

Revising 2020 Guidance, slight downside risk to bottom-line

		2020 New	2020 Previous	Revision
Fundamentals	LDR	≤ 105%	≤ 105%	Confirmed
	CAR*	~ 16%	≥ 16%	Confirmed
Volumes	TL Loan Growth	High-teens	High-teens	Confirmed
Revenues	NIM (comparable)	~+30 bps	≥ 3.7%	Confirmed
	Fees	Single-digit contraction	High-single digit	Revised Down
Costs	Costs	Mid-teens	Mid-teens	Confirmed
Asset Quality	NPL ratio	~ 7%	~ 7%	Confirmed
	Total CoR	< 300 bps	~ 225 bps	Revised Slightly down
Profitability	RoTE	Low-teens	Mid/Low-teens	Revised Slightly down

Notes:

All figures are based on BRSA consolidated financials, except for NIM

* CAR excluding regulatory waivers



Annex

Macro Environment and Banking Sector

Macro Environment

Negative impacts of Covid-19 on macro parameters, albeit with slight recovery in recent months following normalization steps

	2017	2018	1H19	2019	1H20
GDP Growth (y/y)	7.5%	2.8%	-1.6%	0.9%	-
CPI Inflation (y/y)	11.9%	20.3%	15.7%	11.8%	12.6%
Consumer Confidence Index (avg)	68.6	67.0	59.2	58.2	58.8
CAD¹/GDP²	-4.8%	-2.6%	1.3%	1.1%	-1.1%
Budget Deficit/GDP	-1.5%	-1.9%	-2.6%	-2.9%	-3.5%
Unemployment Rate³	10.9%	11.0%	13.0%	13.7%	14.0%
USD/TL (eop)	3.77	5.26	5.76	5.94	6.84
2Y Benchmark Bond Rate (eop)	13.4%	19.7%	19.7%	11.8%	9.4%

Banking Sector

Strong fundamentals of the sector with ongoing support to the economy during times of uncertainty

	2017	2018	1H19	2019	1H20
Loan Growth (y/y)	21%	14%	8%	10%	26%
<i>Private</i>	16%	6%	-1%	5%	18%
<i>State</i>	27%	23%	17%	19%	41%
Deposit Growth (y/y)	16%	19%	17%	22%	32%
<i>Private</i>	13%	16%	13%	17%	19%
<i>State</i>	24%	25%	23%	31%	52%
NPL Ratio	2.9%	3.8%	4.2%	5.2%	4.4%
CAR	16.5%	16.9%	17.3%	18.0%	19.1%
ROATE	10.8%	13.9%	11.3%	10.6%	11.7%

Notes:

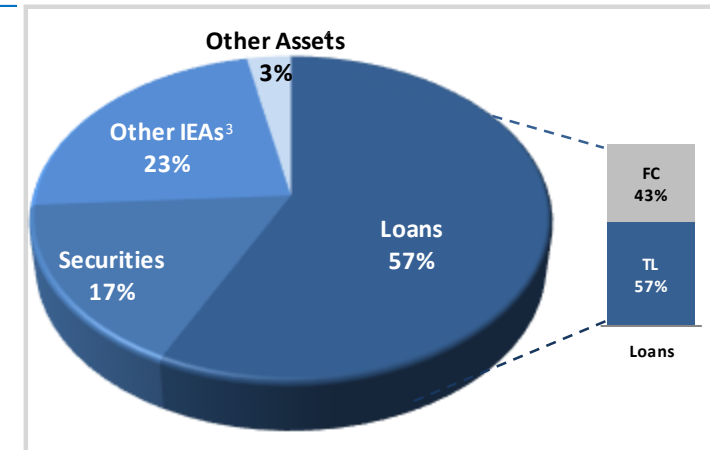
All macro data as of June 2020 unless otherwise stated
Banking sector volumes based on BRSA weekly data as of 26 June 2020

1. CAD indicates Current Account Deficit as of May'20
2. GDP as of March 2020
3. Unemployment rate is as of May'20, seasonally adjusted

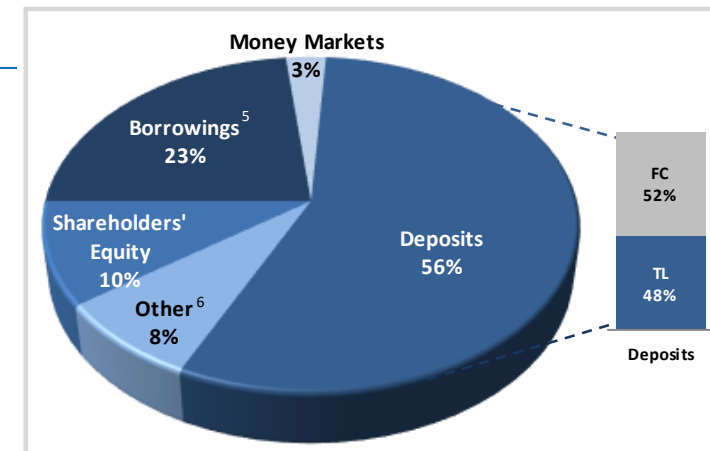
Consolidated Balance Sheet

TL bln	1Q18	1H18	9M18	2018	1Q19	1H19	9M19	2019	1Q20	1H20	q/q	y/y	ytd
Total Assets	328.7	365.1	422.0	373.4	393.4	409.0	396.9	411.2	434.9	444.4	2%	9%	8%
Loans¹	205.3	222.2	249.4	220.5	230.5	232.3	222.4	229.4	242.4	254.7	5%	10%	11%
TL Loans	118.8	123.0	124.8	117.3	121.8	128.0	126.2	132.6	136.1	145.2	7%	13%	9%
FC Loans (\$)	21.9	21.7	20.8	19.6	19.3	18.1	17.0	16.3	16.3	16.0	-2%	-12%	-2%
Securities	41.7	45.2	49.7	49.9	52.1	54.5	54.4	57.1	62.6	74.4	19%	36%	30%
TL Securities	30.7	32.7	33.7	35.9	37.4	39.0	39.3	41.1	44.6	51.7	16%	33%	26%
FC Securities (\$)	2.8	2.7	2.7	2.7	2.6	2.7	2.7	2.7	2.8	3.3	20%	23%	23%
Customer Deposits	166.6	180.1	210.8	199.9	215.4	219.5	214.4	226.0	247.2	244.4	-1%	11%	8%
TL Customer Deposits	81.4	76.7	84.7	86.9	86.6	90.9	90.5	99.5	111.7	115.1	3%	27%	16%
FC Customer Deposits (\$)	21.6	22.7	21.1	21.5	22.9	22.4	21.9	21.3	20.8	18.9	-9%	-15%	-11%
Borrowings	80.8	90.0	114.5	90.0	98.6	101.9	100.1	102.4	102.6	103.4	1%	1%	1%
TL Borrowings	6.8	7.8	7.0	5.6	7.6	8.2	8.3	10.8	11.3	12.4	9%	51%	14%
FC Borrowings (\$)	18.7	18.0	17.9	16.1	16.2	16.3	16.2	15.4	14.0	13.3	-5%	-18%	-14%
Shareholders' Equity	31.6	37.8	40.3	39.0	39.1	40.5	40.2	41.2	41.9	44.1	5%	9%	7%
Assets Under Management	20.1	19.6	19.9	21.1	17.4	25.7	26.5	27.3	28.6	30.6	7%	19%	12%
Loans/Assets	62%	61%	59%	59%	59%	57%	56%	56%	56%	57%			
Securities/Assets	13%	12%	12%	13%	13%	13%	14%	14%	14%	17%			
Borrowings/Liabilities	25%	25%	27%	24%	25%	25%	25%	25%	24%	23%			
Loans/(Deposits+TL Bills)	113%	114%	112%	104%	103%	101%	100%	97%	94%	100%			
CAR²	12.9%	13.9%	13.3%	14.8%	15.0%	15.6%	16.7%	16.7%	15.8%	15.7%			
Tier-I²	9.9%	10.7%	9.8%	11.4%	12.1%	12.8%	13.6%	13.7%	13.0%	13.0%			
Common Equity Tier-I²	9.9%	10.7%	9.8%	11.4%	11.0%	11.6%	12.5%	12.5%	11.8%	11.8%			

Assets



Liabilities



Note: Loans indicate performing loans

1. TL and FC Loans are adjusted for the FX indexed loans

2. 2Q20 excluding regulatory forbearance; Reported: CAR: 18.1%; Tier-1: 15.0% CET-1: 13.7%

3. Other interest earning assets (IEAs) include Balances with the Central Bank 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 / Total exposures is limited to cash excluding Business Related (i.e. Trade Finance), Repos and loro/nostro accounts

6. Other liabilities: other provisions, hedging derivatives, deferred and current tax liability and other

Consolidated Income Statement

TL million	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	q/q	y/y	1H19	1H20	y/y
Net Interest Income including swap costs	3,112	3,241	3,254	3,329	3,582	3,797	6%	17%	6,353	7,379	16%
o/w NII	3,485	4,041	4,079	3,926	4,210	4,152	-1%	3%	7,526	8,362	11%
o/w CPI-linkers	787	770	830	304	762	820	8%	6%	1,557	1,582	2%
CPI-linkers (normalised)	588	687	689	727	762	820	8%	19%	1,275	1,582	24%
o/w Swap costs	-372	-801	-825	-597	-627	-356	-43%	-56%	-1,173	-983	-16%
Fees & Commissions	1,337	1,258	1,347	1,587	1,521	1,246	-18%	-1%	2,595	2,767	7%
Core Revenues	4,449	4,499	4,600	4,916	5,103	5,042	-1%	12%	8,948	10,146	13%
Operating Costs	1,712	1,793	1,779	2,122	2,062	2,035	-1%	14%	3,505	4,097	17%
Core Operating Income	2,737	2,706	2,821	2,794	3,041	3,007	-1%	11%	5,443	6,048	11%
Trading and FX gains/losses	336	79	211	148	473	251	-47%	216%	415	723	74%
o/w FX gains/losses	77	128	138	98	157	59	-63%	-54%	205	216	5%
o/w MtM gains/losses	195	-115	-24	-7	152	50	-67%	n.m.	80	202	154%
o/w Trading gains/losses	64	67	97	56	164	142	-13%	113%	131	306	133%
Other income	120	105	78	186	162	137	-15%	31%	225	299	33%
o/w income from subs	28	18	22	26	20	22	12%	22%	46	42	-9%
o/w Dividends	10	6	0	1	1	15	n.m.	159%	16	16	1%
o/w Others	82	81	55	160	141	100	-29%	24%	163	242	48%
Pre-provision Profit	3,193	2,890	3,110	3,128	3,676	3,395	-8%	17%	6,084	7,071	16%
ECL net of collections	1,395	1,577	1,785	2,726	1,805	1,668	-8%	6%	2,972	3,473	17%
o/w Stage 3 Provisions	1,406	1,900	1,575	2,812	1,737	464	-73%	-76%	3,307	2,200	-33%
o/w Stage 1 + Stage 2 Provisions	533	29	279	450	864	1,654	91%	5694%	561	2,518	349%
o/w Collections (-)	337	251	198	329	381	188	-51%	-25%	588	568	-3%
o/w ECL hedging (-)	207	101	-129	207	415	262	-37%	160%	308	677	120%
Provisions for Risks and Charges	211	0	59	-12	413	0	n.m.	n.m.	211	413	96%
Other Provisions	5	5	20	18	20	26	32%	441%	10	46	363%
Pre-tax Income	1,588	1,314	1,266	414	1,458	1,728	19%	32%	2,901	3,185	10%
Tax	341	189	270	133	308	370	20%	96%	531	679	28%
Net Income	1,241	1,120	976	263	1,129	1,331	18%	19%	2,361	2,461	4%
ROTE¹	13.3%	11.8%	10.1%	4.2%	11.4%	13.0%	156bps	156bps	12.5%	12.1%	-37bps
ROAA	1.3%	1.1%	1.0%	0.3%	1.1%	1.2%	14bps	14bps	1.2%	1.2%	-6bps

Note:

1. 4Q19 & 2019 RoTE is adjusted for 140 mln TL one off provisions

Bank-Only Income Statement

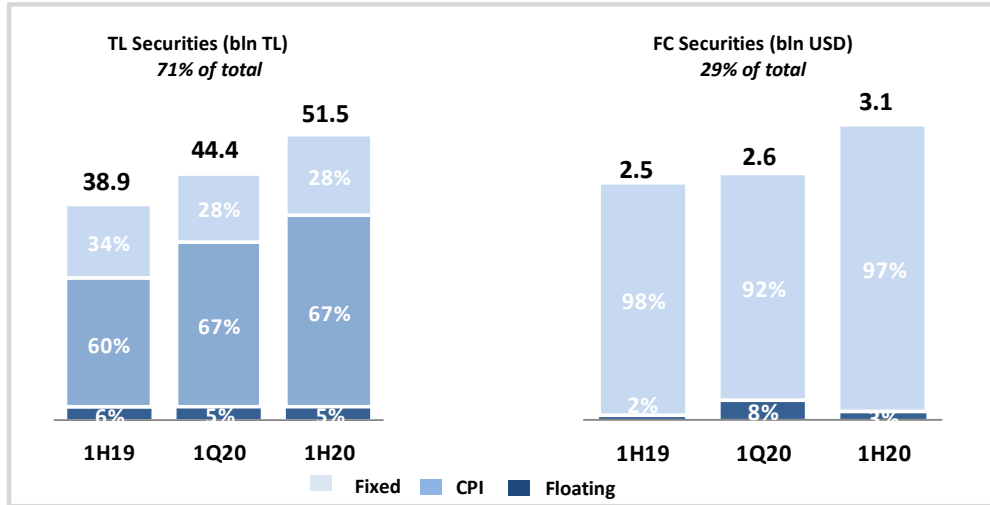
TL million	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	q/q	y/y	1H19	1H20	y/y
Net Interest Income including swap costs	2,806	2,936	2,973	3,046	3,326	3,534	6%	20%	5,742	6,860	19%
o/w NII	3,356	3,869	3,827	3,723	3,973	3,875	-2%	0%	7,226	7,848	9%
o/w CPI-linkers	787	770	830	304	762	820	8%	6%	1,557	1,582	2%
CPI-linkers (normalised)	588	687	689	727	762	820	8%	19%	1,275	1,582	24%
o/w Swap costs	-551	-933	-854	-677	-646	-341	-47%	-63%	-1,484	-987	-33%
Fees & Commissions	1,283	1,206	1,285	1,513	1,423	1,135	-20%	-6%	2,489	2,559	3%
Core Revenues	4,089	4,142	4,258	4,559	4,750	4,669	-2%	13%	8,231	9,419	14%
Operating Costs	1,615	1,688	1,668	2,016	1,954	1,922	-2%	14%	3,303	3,876	17%
Core Operating Income	2,474	2,453	2,590	2,543	2,796	2,747	-2%	12%	4,928	5,542	12%
Trading and FX gains/losses	322	72	221	129	442	232	-48%	224%	393	674	71%
o/w FX gains/losses	64	164	137	42	107	52	-52%	-69%	228	158	-31%
o/w MtM gains/losses	194	-113	-12	38	176	38	-78%	-134%	81	215	165%
o/w Trading gains/losses	64	20	96	49	159	142	-11%	597%	84	301	258%
Other income	298	267	226	312	302	252	-16%	-5%	565	555	-2%
o/w income from subs	224	198	180	178	207	229	11%	16%	422	436	3%
o/w Dividends	8	1	0	1	0	2	n.m.	n.m.	8	2	-76%
o/w Others	66	68	46	133	95	22	-77%	-68%	134	117	-13%
Pre-provision Profit	3,094	2,791	3,038	2,984	3,540	3,231	-9%	16%	5,886	6,771	15%
ECL net of collections	1,354	1,530	1,756	2,630	1,726	1,563	-9%	2%	2,885	3,289	14%
o/w Stage 3 Provisions	1,377	1,856	1,570	2,764	1,703	430	-75%	-77%	3,233	2,133	-34%
o/w Stage 1 + Stage 2 Provisions	522	27	256	402	818	1,583	94%	n.m.	548	2,401	338%
o/w Collections (-)	337	251	198	329	381	188	-51%	-25%	588	568	-3%
o/w ECL Hedging	207	101	-129	207	415	262	-37%	160%	308	677	120%
Provisions for Risks and Charges	211	0	59	-12	413	0	n.m.	n.m.	211	413	96%
Other Provisions	3	4	21	14	16	24	45%	575%	6	40	540%
Pre-tax Income	1,527	1,257	1,202	353	1,384	1,644	19%	31%	2,784	3,028	9%
Tax	285	138	226	89	255	313	23%	127%	423	568	34%
Net Income	1,241	1,120	976	263	1,129	1,331	18%	19%	2,361	2,461	4%
ROTE¹	13.3%	11.8%	10.1%	4.2%	11.4%	12.9%	155bps	114bps	12.4%	12.1%	-37bps
ROAA	1.4%	1.2%	1.0%	0.3%	1.1%	1.3%	15bps	9bps	1.3%	1.2%	-7bps

Note:

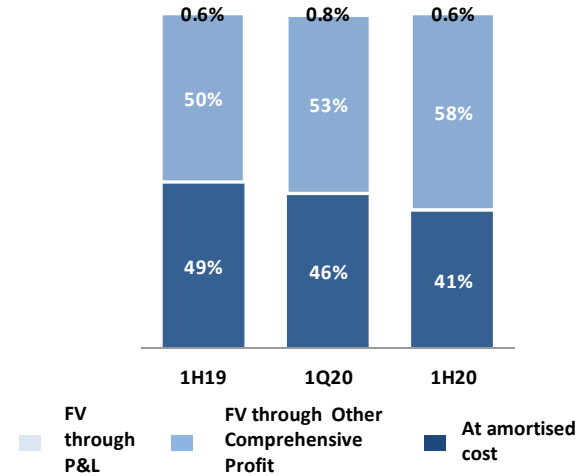
1. 4Q19 & 2019 RoTE is adjusted for 140 mln TL one off provisions

Securities

Composition by Type¹



Composition by Classification¹



- CPI-linker nominal volume at 22.6 bln TL; with a gain of TL 1,582 mln in 1H20 (Normalised : 1H20: 1,275)

CPI linker valuation at 8.5% in 1H20 (1H19: 11%; 2019: 8.55%)

- M-t-m unrealised gain at TL +286² mln as of 1H20 (TL -1,856² mln in 1H19)

Notes:

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

Details on FC External Funding




4.0
bln
USD

7.5
bln
USD

Short Term Funding (bln USD)	Total	3Q20	4Q20	1Q21	2Q21
Tier I & II	0.0	0.0	0.0	0.0	0.0
Senior Bonds	0.0	0.0	0.0	0.0	0.0
Securitizations & Supranational Funding	0.5	0.1	0.1	0.1	0.2
Syndications	1.8	0.0	1.0	0.0	0.9
Other	1.7	0.3	0.7	0.2	0.5
Total	4.0	0.4	1.8	0.2	1.5

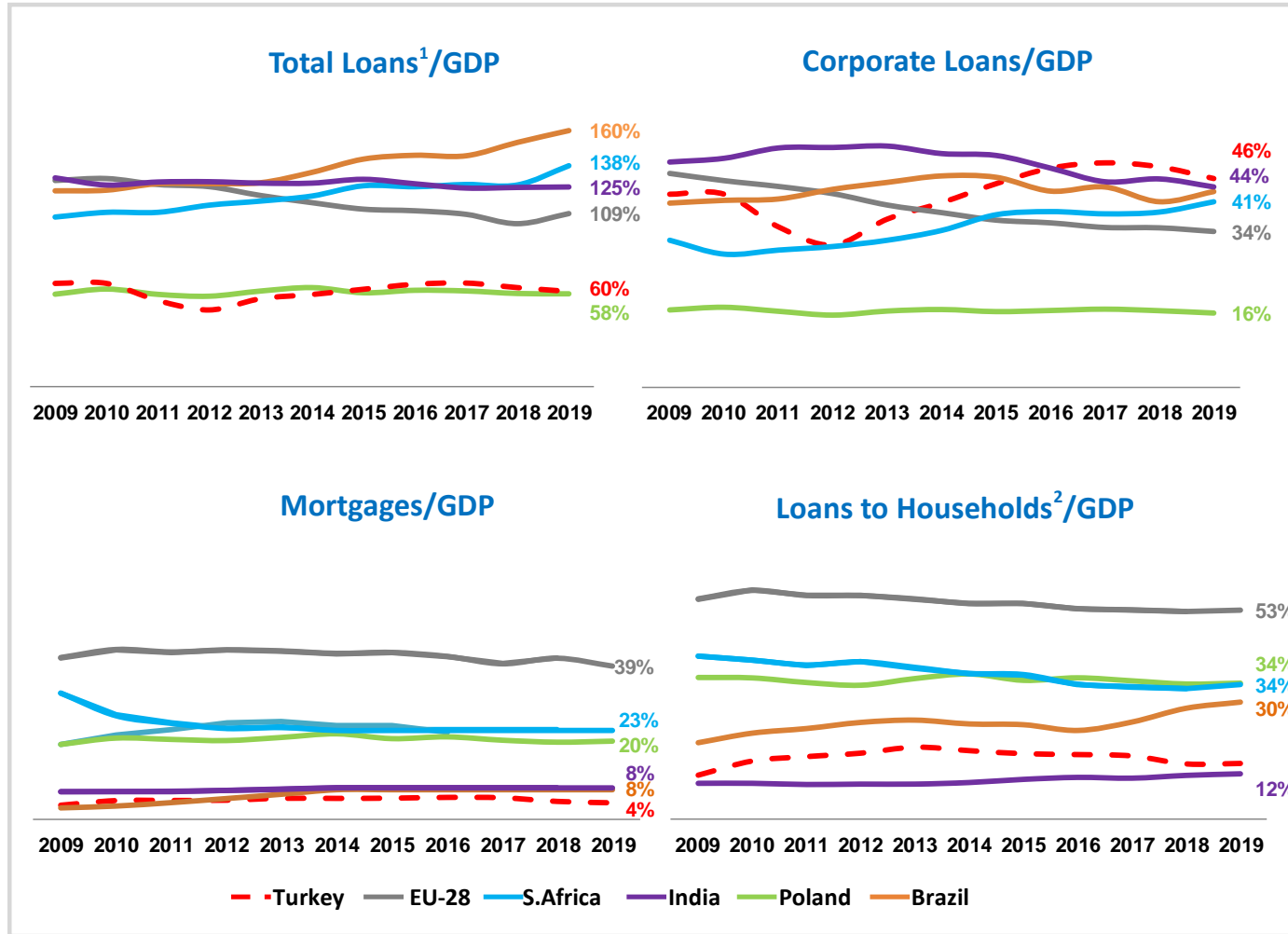
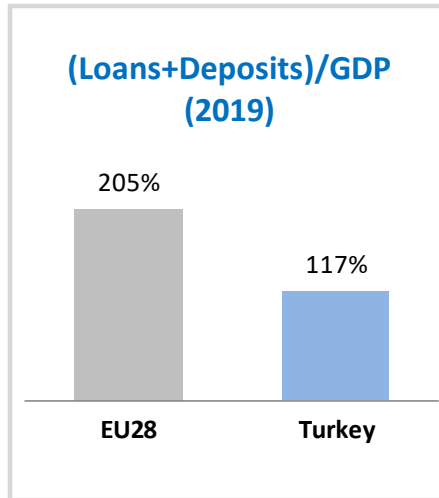
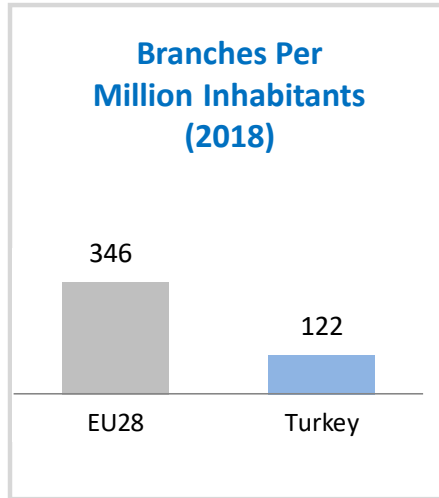
Long Term Funding (bln USD)	Total	2H21	2022	2023	+2023
Tier I & II	2.9	0.0	0.9	0.9	1.2
Senior Bonds	2.1	0.0	0.6	0.5	1.0
Securitizations & Supranational Funding	2.3	0.2	0.3	0.3	1.4
Syndications	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.1	0.1	0.0	0.2
Total	7.5	0.3	1.9	1.6	3.7

Details of main Borrowings

International	Syndications	<p>~ US\$ 1.84 bln</p> <ul style="list-style-type: none"> ■ Oct'19: US\$ 370 mln & € 520 mln, all-in cost at Libor+ 2.25% and Euribor+ 2.10% for 367 days. 39 banks from 21 countries ■ May'20: US\$ 284 mln and € 535 mln, all-in cost at Libor+ 2.25% and Euribor+ 2.00% for 367 days. 38 banks from 18 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\$ 2.36 bln outstanding</p> <ul style="list-style-type: none"> ■ Dec'12: US\$ 1,000 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\$ 2.10 bln Eurobonds</p> <ul style="list-style-type: none"> ■ Feb'17: US\$ 600 mln, 5.75% (coupon rate), 5 years ■ Jun'17: US\$ 500 mln, 5.85% (coupon rate), 7 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 1.97 bln out standing</p> <ul style="list-style-type: none"> ■ Oct'17: Mortgage-backed with 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 ■ Dec'19: Mortgage-backed with 5 years maturity
Domestic	Local Currency Bonds / Bills	<p>TL 5.86 bln total</p> <ul style="list-style-type: none"> ■ Feb'20 : TL 1.00 bln, 8-month maturity, TLREF indexed ■ Mar'20 : TL 985 mln, 6-month maturity, TLREF indexed ■ Apr'20 : TL 600 mln , 2-month maturity  ■ May'20 : TL 2.54 bln , 2-month maturity  ■ Jun'20 : TL 736 mln , 8-month maturity 
	Subordinated Loans	<p>TL 800 mln total</p> <ul style="list-style-type: none"> ■ Jul'19: TL 500 mln, 10-year maturity, TRLIBOR + 100 bps ■ Oct'19: TL 300 mln, 10-year maturity, TLREF index + 130 bps

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

Banking Sector Penetration



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

Note: Loan data on graphs for all countries based on 2019 actual figures while GDP figures are as of 2018

(1) Excluding lending to credit institutions

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

2019 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								
	2017	9M18	2018	1Q19	1H19	9M19	2019	1Q20	1H20
Banks #	51	52	47	47	53	53	53	53	54
Branches #	10,550	10,505	10,454	10,398	10,359	10,289	10,199	10,161	10,132
Loan Growth (yoy)	21%	30%	14%	15%	8%	-2%	10%	13%	26%
Deposit Growth (yoy)	16%	31%	19%	23%	17%	8%	22%	22%	32%
Loans/GDP ¹	65%	70%	62%	63%	61%	60%	60%	62%	70%
Deposits/GDP ¹	55%	59%	55%	57%	55%	56%	58%	60%	66%
Loans/Assets	65%	63%	63%	62%	61%	61%	61%	60%	62%
Deposits/Assets	55%	53%	55%	56%	55%	57%	59%	58%	58%
NIM	3.5%	4.1%	4.1%	3.7%	3.8%	3.9%	4.1%	4.9%	4.6%
NPL Ratio	2.9%	3.1%	3.7%	4.0%	4.3%	4.7%	5.2%	5.0%	4.4%
Specific Coverage	0%	70%	69%	69%	68%	66%	65%	69%	71%
CAR ²	16.5%	17.7%	16.9%	16.0%	17.3%	18.0%	18.0%	17.4%	19.1%
Tier 1 Ratio	13.6%	14.1%	13.6%	12.9%	14.2%	14.9%	14.9%	14.4%	16.0%
ROAE	10.8%	14.3%	13.9%	11.7%	11.3%	10.7%	10.6%	12.4%	11.7%
ROAA	1.1%	1.3%	1.4%	1.2%	1.2%	1.1%	1.1%	1.3%	1.2%

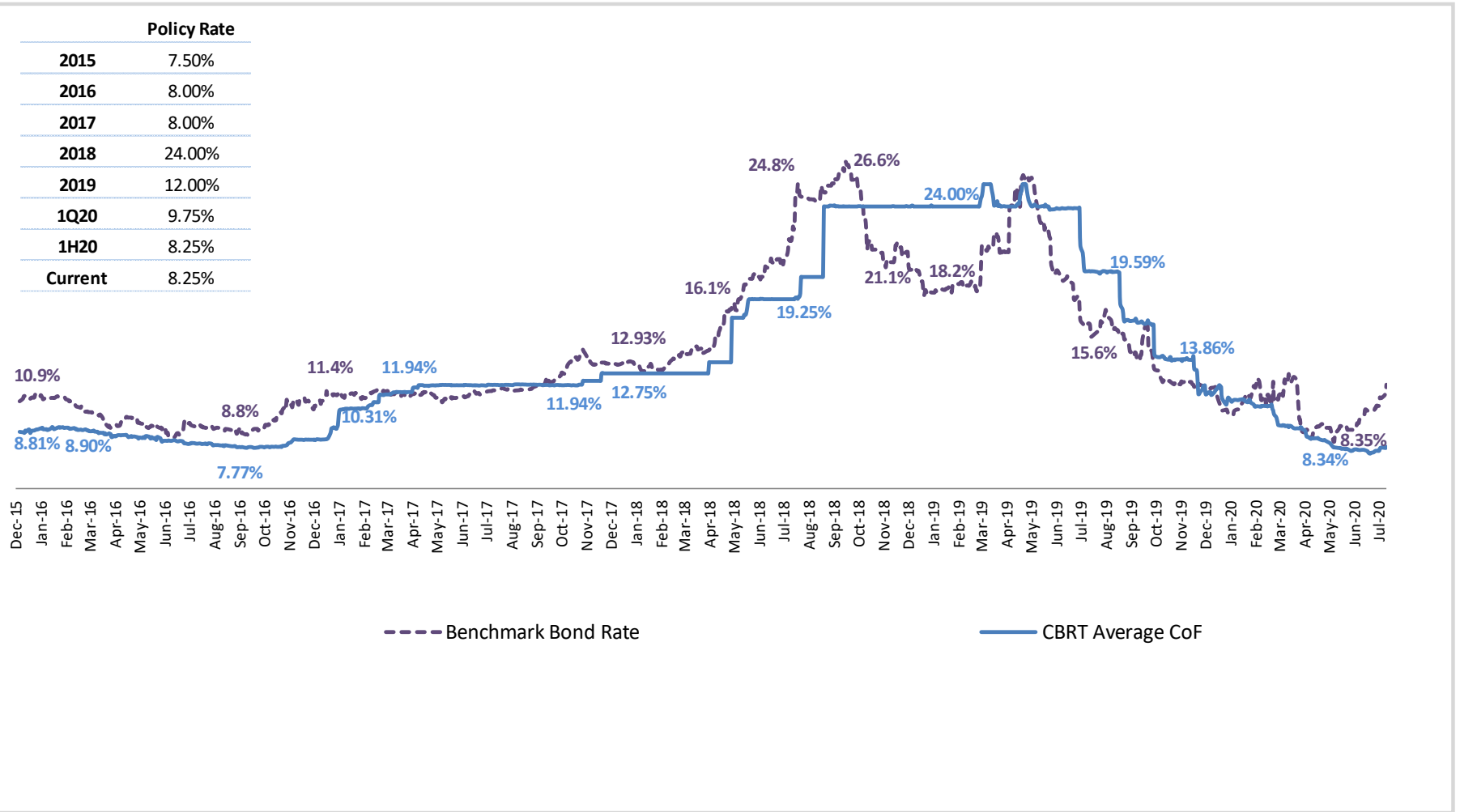
Source: Turkish Banks Association for bank and branch numbers, BRSA for banking sector data (including BS, P&L, KPIs), Turkstat for GDP data

Notes:

(1) 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	B2	Negative	B2	Negative
Yapı Kredi	Caa1	Negative	B2	Negative
Garanti	Caa1	Negative	B2	Negative
Akbank	Caa1	Negative	B2	Negative
İşbank	Caa1	Negative	B3	Negative
Halkbank	Caa1	Negative	B3	Negative
Vakıfbank	Caa1	Negative	B2	Negative

Fitch

Turkey	BB-	Negative	BB-	Negative
Yapı Kredi	B+	Negative	B+	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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