Strategic pillars supporting YapıKredi 2020

1 Strengthen and optimise capital position

- **Increase capital by approx. US$ 1.5 bln**, via US$ 1 bln rights issue and approx. US$ 0.5 bln AT1 issuance[1]
- **Maintain a minimum CET1 buffer of 200 bps against regulatory requirements**
- **Return to dividend payment in 2020[2]** (based on 2019 results)

2 Sustainable revenue generation by rebalancing business mix

- **Focus on smaller tickets** both in lending and asset gathering
- **Increase house-bank customer penetration**
- **Boost number of transactions** to improve fee generation
- Continue to acquire **new customers**

3 Well managed cost structure with efficiency gains

- **Accelerate digital banking to enhance customer experience**
- **Achieve both operational and service-channel excellence**

4 Asset quality optimisation

- **Maintain current prudent risk appetite**
- **Tailor-made underwriting** approach for **companies** and **automated, model driven underwriting** for **individuals** with **centralised risk monitoring**
- **Enhance collection** process and pro-actively **manage NPL stock**

Notes:
All expected results are relying on current regulations and macro assumptions as presented on page 6. Additionally these expected results assume US$ 1.0bln (with a conversion rate of USDTRY: 4.10) rights issue and approximately US$ 0.5bln AT1 (depending on regulatory approval and market conditions). Impact of IFRS 16 is not included. All expected results are unconsolidated, except for capital ratios
1. Subject to regulatory approvals and market conditions, 2. Subject to Shareholders and regulatory approvals and pay-out ratio is assumed as 20%

YapıKredi

YapıKredi 2020 - Main Targets

		2020E
1 Capital Position	CET 1 Ratio	Maintain min. 200 bps buffer against regulatory requirements[1]
2 Revenue Generation	Revenue Margin[2]	≥ 4.7%
3 Cost Management	Cost / Income	≤ 36%
4 Asset Quality	Total Cost of Risk	~1.0%
Profitability	*RoATE*	≥ 17%
	RoAA	≥ 1.7%

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1. Expected results in 2020 will show more than 300bps buffer against regulatory requirements (expected CET1 ratio: ≥ 11.5%
2. Calculated as (NII + Swap Costs + Fees) / Avg. Interest Earning Assets

YapıKredi 2020 - Detailed Targets 1/2

		2020E
Capital Position	CET 1 Ratio	≥ 11.5%
	Tier 1 Ratio	≥ 12.0%
	CAR	≥ 14.0%
Revenue Generation & Volumes	Loan Growth - CAGR 17-20	~13-15%
	Company Loans/Total Loans	~55%
	SMEs Loans/Total Loans	~14%
	Consumer Loans/Total Loans	~19%
	Credit Cards Loans/Total Loans	~12%
	Demand Deposit/Total Deposit	~20-21%
	Individual Deposit/Total Deposit	~55-56%
	# of Salary Customers[1] Growth - CAGR 17-20	~15%
	Housebank Customer[2] Penetration	~25-27%
	Fee Growth – CAGR 17-20	~15-17%
	Payment System Fees/Total Fees	~38%
	Lending Fees/Total Fees	~33%
	Transactional Banking Fees/Total Fees	~12%
	Non-Banking Financial Services Fees/Total Fees	~14%

Notes:
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1. Indicates the number of customers whose salary is paid into bank account at YapıKredi, 2. Level of score for each customer based on number of transactions and product usage (for individuals, SME and private banking)

YapıKredi

YapıKredi 2020 - Detailed Targets 2/2

		2020E
Cost Management	IT Investments/Total Costs	≥ 7%
	IT Expenses/Total Costs	≥ 11%
	IT Investments&Expenses CAGR 17-20	17 - 19%
	# of Digital Customers CAGR 17-20	~18-20%
	Product Sold in Digital[1] over Total	~41%
	# of Transactions Performed via Digital[2] *(as a % of total transactions)*	~52%
	Commercial Volume per Branch CAGR 17-20	~16%
	Commercial Volume per Empl. CAGR 17-20	~16%
Asset Quality	Gross NPL Ratio	3.7%
	Gross NPL Inflows / Total Performing Loans BoP	~1.6%
	NPL Collections CAGR 17-20	~5-10%

Notes:
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1. Included products are: Time Deposit, GPL, Credit Card and Flexible Account (If investment products included 2017 figure becomes 59%)
2. There are 222 different transactions included in this calculation such as; cheque transactions, Letter of guarantee and letter of credits, account related transactions, credit card transactions, loan opening transactions, cash withdrawal with instalments loan, overdraft, Money transfers, investment products

Revised guidance for 2018

Volumes	Loan growth at private bank levels focusing on value generating segments	Loans **12-14%**	Deposits **12-14%**	▪ **Lending mainly driven by TL commercial and individual loans;** mild increase in FC lending ▪ **Further increase in the share of retail deposit and retail demand deposits in total**
Revenues	Improvement in loan-deposit spread, double digit fee increase with diversification efforts	NIM **Flattish** Previous: Flattish excluding CPI impact	Fees **Low-teens**	▪ **Flattish NIM** with ongoing repricing efforts ▪ **Fee growth supported by diversification efforts and customer acquisition** ▪ **Strong focus on digital sales**
Costs	Strict cost discipline leveraging heavily on digitalization & efficiency	Costs **Below CPI**	Cost/Income **< 40%** Previous: ~40%	▪ **Below inflation cost growth; ongoing «cost elimination» through digitalization** ▪ **Digitalization focus** to decrease «cost to serve»
Asset Quality	Proactive approach to ensure ongoing improvement	NPL Ratio **~-10 bps**	CoR **Slightly down**	▪ **Improvement in NPL ratio with slowdown in net new NPL inflows,** ▪ **Stock management through NPL sales** to continue depending on market conditions ▪ **Slight decrease in CoR**
Fundamentals	Ample liquidity levels with solid capital ratios	LDR **110%-115%**	CAR[1] **> 15%** Previous: > 13%	▪ **LDR at 110% - 115% driven by balanced volume growth** ▪ **Capital ratios to be maintained at comfortable levels** with ongoing internal capital generation and newly introduced capital strengthening plan

Earnings growth at high-teens with improvement in ROATE

Previous:
Mid-teens earnings growth

Notes:
All figures based on BRSA unconsolidated financials

Macro environment and banking sector used in this targeting

Macro Environment

	2017	2018E	2019E	2020E
GDP Growth (y/y)	7.4%	4.5%	4.0%	4.3%
CPI Inflation (y/y)	11.9%	9.5%	8.5%	8.0%
EUR/TL (eop)	4.52	5.25	5.69	6.15
USD/TL (eop)	3.77	4.25	4.61	4.98
Benchmark Bond Rate (eop)	13.4%	12.7%	9.6%	9.5%

Banking Sector

	2017	2020E
Loan Growth	21%	~13-15% *(CAGR)*
Deposit Growth	16%	~13-15% *(CAGR)*
NPL Ratio	2.9%	~3.5%
CAR	16.5%	~14-15%
RoATE	15.1%	~15.0%

Notes:
Banking sector volumes based on BRSA weekly data as of 29 Dec'17

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