Yapı Kredi Presentation

UniCredit CEE Day 2010

London, 2 December 2010

AGENDA

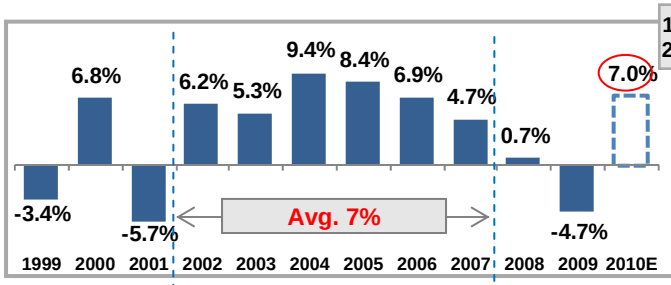
- **Operating Environment**
- Yapı Kredi at a Glance
- Competitive Positioning and Strategic Priorities
- Concluding Remarks

Turkey is a big and attractive country with strong fundamentals

	Turkey	Eurozone
Population, mln	**72.6**	471.3
Average age of population	**28**	43
% of population below 30 years	**51%**	31%
GDP (EUR bn)	**443**	11,641
Per capita GDP (EUR)	**6,100**	24,700

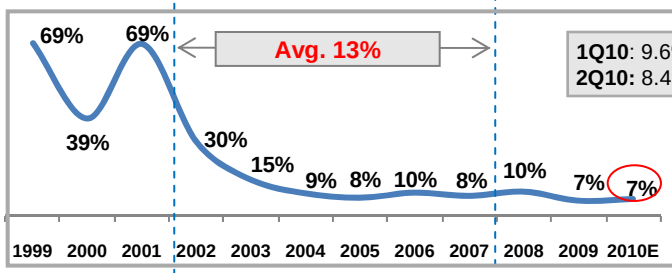
- **7th largest economy in Europe, 16th in the World with a large and young population**
- **Strong ties with neighboring countries with further potential for trade**
- **Sovereign rating outlook upgrades despite crisis environment in 2009, confirming improved outlook**
- **Stable political outlook, strengthened fundamentals**

GDP Growth



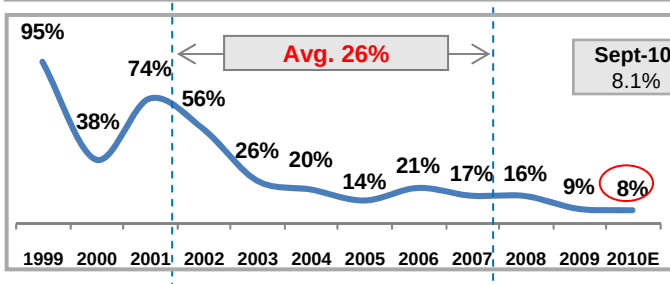
Consistent growth within stabilising macro environment

Inflation



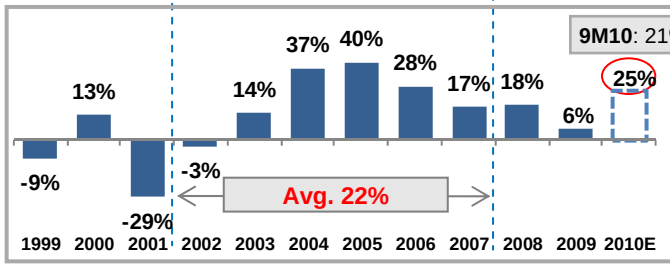
Disinflationary trend since 2001 leading to structural stability

Interest Rates



Significant decline in interest rates in line with disinflation

Sector Loans

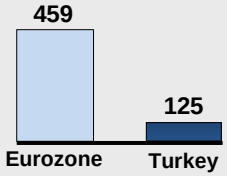


Strong link between banking sector and economic activity

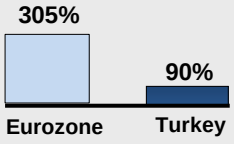
Note: 2010 estimates represent Yapı Kredi Economic Research forecasts
Interest rate refers to benchmark bond rate

Turkish banking sector is among the most attractive in CEE in terms of growth potential, stability and profitability

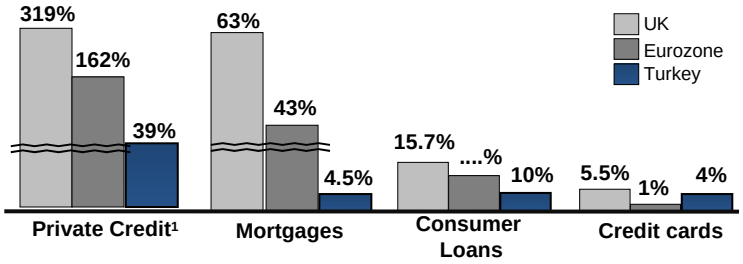
Branches per mln Inhabitants



(Loans+Deposits)/ GDP



Loan Types / GDP



	2003	2008	2009	9M10
No of Banks	50	45	45	45
Loans / GDP	15%	37%	39%	42%
Retail Loans / GDP	3%	12%	13%	14%
Loans/Deposits	44%	82%	77%	82%
Borrowings / Liab.	10%	13%	11%	12%
ROAE	18%	18%	23%	21%
CAR	31%	17%	19%	18%
NPL ratio, gross	11.8%	3.5%	5.2%	4.2%
NIM	5.5%	4.9%	5.6%	4.4%

- Significant volume growth potential (mainly retail driven) on the back of underpenetrated market
- Well regulated banking sector with strong capitalisation and profitability
- Successfully coped with the challenging operating environment in 2009 due to:
  - low consumer indebtedness
  - strong capital adequacy
  - limited dependency on wholesale borrowing
  - low short FX position risk
  - rational / disciplined behaviour of banks
- Sound profitability maintained so far in 2010 with strong volume growth. Declining but still very strong NIM and high ROE despite strong capitalisation

Note: Penetration data as of 2009
1 Private credit includes loans to individuals and companies

Positive macroeconomic environment and banking sector outlook to be sustained in the upcoming period

Macro

- Solid GDP growth in line with / above 5% over the next 3-5 years
- Low inflation environment to be maintained with inflation below 10%
- Low interest rate environment to be sustained
- Turkey expected to reach “investment grade” in 2011, leading to strengthened capital flows

Continuation of positive and stable macroeconomic outlook

Banking Sector

- Significant lending growth in excess of 20% to continue
- Profitability to be maintained driven by strong fee income growth despite downward pressure on NIM
- Sustainable ROE of ~20%, also with some increase in leverage
- Cost of risk to continuously decline driven by asset quality improvement
- Diversification of funding sources to sustain strong lending growth

Banking sector to remain strong in terms of both growth and profitability

AGENDA

- Operating Environment
- **Yapı Kredi at a Glance**
- Competitive Positioning and Strategic Priorities
- Concluding Remarks

Yapı Kredi: fourth largest private bank in Turkey with leading positions in key segments

FINANCIAL HIGHLIGHTS

(BRSA Consolidated Figures, 30 Sep 2010)

	EUR	TL
Total Assets (bln)	42.6	82.0
Performing Loans (bln)	24.8	47.7
Deposits (bln)	25.6	49.3
AUM (bln)	4.4	8.5
No. of Credit Cards (mln)(1)		7.7
No. of Active Customers (mln)(2)		5.9
No. of Branches(3)		862
No. of ATMs		2,452
No. of Employees(4)		16,785

MARKET POSITIONING

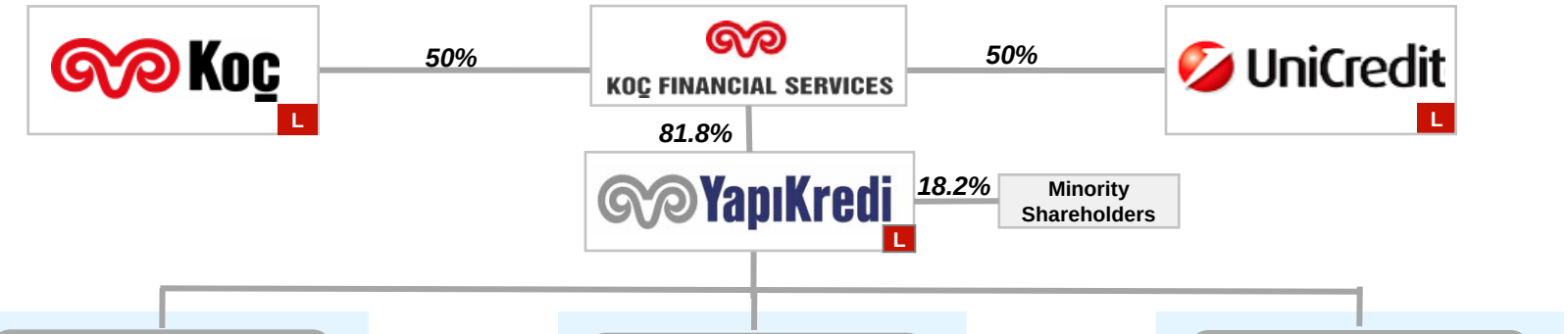
(30 Sep 2010)

Yapı Kredi — Fourth Largest Private Bank by Assets

		Rank	Mkt. Sh. %
TOTAL	# of Branches	4	9.2
	Deposits	6	8.3
	Loans	5	10.2
Retail	Consumer Loans(5)	7	7.7
	Credit Cards(6)	1	19.8
AuM + Brokerage	Asset Management	2	18.7
	Brokerage(7)	3	6.1
Corporate	Cash Loans(8)	5	9.8
	Non Cash Loans	1	14.5
	Leasing	1	20.6
	Factoring	1	24.9
Insurance	Life	6	4.7
	Pension	3	15.5
	Non-Life	6	6.0

(1) Including 1.5 mln virtual cards
(2) Bank-only
(3) Bank-only including 1 off-shore branch
(4) Bank: 14,402
(5) Including mortgages, general purpose and auto loans
(6) Credit card outstanding volume
(7) Equity trading volume
(8) Cash loans excluding credit card outstanding volume and consumer loans

Strong shareholding structure and customer focused, divisionalised service model supported by integration of product factories



Retail Banking

Credit Cards

- 7.7 M cards*
- ~390K POS
- 152 direct sales force
- 395K merchants

Individual & SME

- 715 branches
- 3,446 RMs
- 2,452 ATMs

- Mass
- Affluent
- SME

Private Banking

- 32 branches
- 207 RMs

Product Factories:

YapıKredi Yatırım — #3 in Brokerage *(market share: 6.1%)*

YapıKredi Portföy Yönetimi — #2 in Mutual Funds *(market share: 18.7%)*

Corporate / Comm. Banking

Corporate

- 3 branches
- 70 RMs

Commercial

- 106 branches
- 563 RMs

Product Factories:

YapıKredi Faktoring — #1 in Factoring *(market share: 24.9%)*

YapıKredi Leasing L — #1 in Leasing *(market share: 20.6%)* Mcap: TL 1,864 mln

Other Product Factories

YapıKredi Emeklilik — #3 in Private Pension Funds *(market share: 15.5%)* #6 in Life Insurance *(market share: 4.7%)*

YapıKredi Sigorta L — #6 in Non-life Insurance *(market share: 6.0%)* #2 in Health Insurance *(market share: 16.7%)* Mcap: TL 1,124 mln

International Operations

YapıKredi Nederland

YapıKredi Moscow

YapıKredi Bank Azerbaijan

Branch numbers by segment exclude 2 free zone, 1 off-shore and mobile branches

Segment figures as of Sept 2010, market capitalisations as of 24 Nov 2010

*Including 1.5 mln virtual cards

L = *Listed*

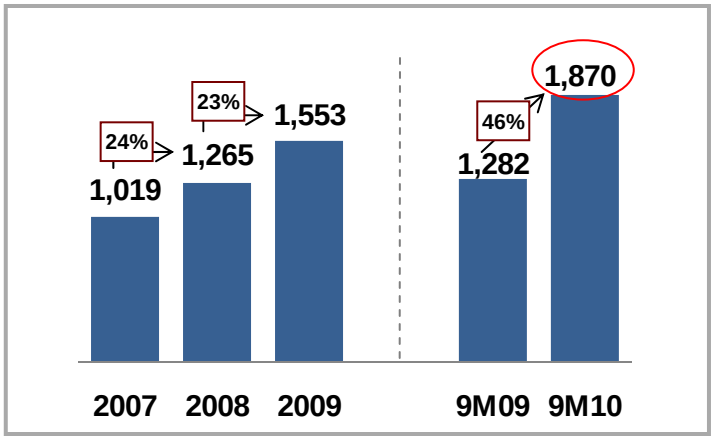
Koç UniCredit Group

Track record of successful execution of strategy aligned with changing priorities since the merger in 2006…

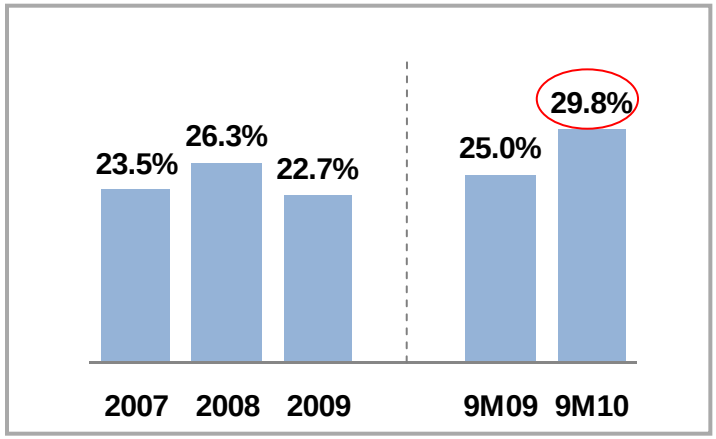
2006	2007	2008	2008 / 2009	2010
Merger and Integration	**Restructuring**	**Relaunch of Growth**	**Challenging Environment**	**Back to Growth**
▪ Legal merger of Yapı Kredi and Koçbank ▪ IT systems integration ▪ Merger of 4 core subs (factoring, leasing, asset management and brokerage) ▪ Completion of full capital base restructuring	▪ Launch of accelerated branch expansion plan ▪ Completion of divisionalised service model ▪ Restructuring of KFS to streamline governance / bring financial subsidiaries under Yapı Kredi ▪ Efficiency initiatives in systems / processes	▪ Accelerated branch expansion ▪ Tight cost management / efficiency efforts, also with transaction migration to ADCs ▪ Innovation / product and service development ▪ Strengthening of capital base via capital increase	▪ Temporary suspension of branch expansion ▪ Tight cost management / efficiency efforts ▪ Proactive credit risk management ▪ Focus on supporting customer base / customer related banking	▪ Relaunch of branch openings ▪ Focus on above market volume and revenue growth ▪ Continuous cost discipline / efficiency efforts ▪ Emphasis on innovation, new product offerings and client acqusition

…resulting in delivery of consistently strong performance and solid profitability accompanied by proven capability of cost control and efficiency improvement

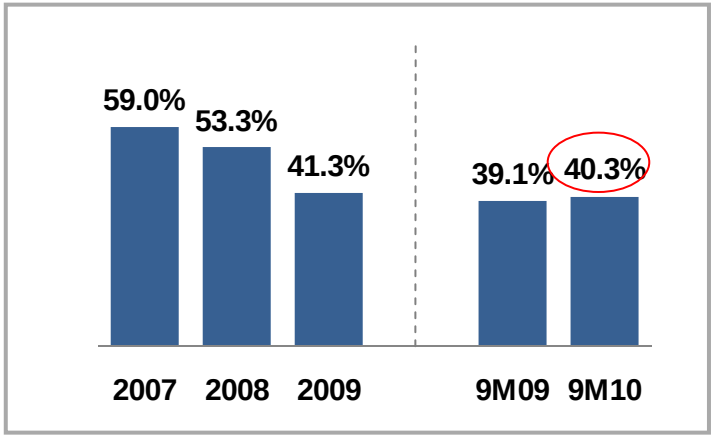
Net Income (mln TL)



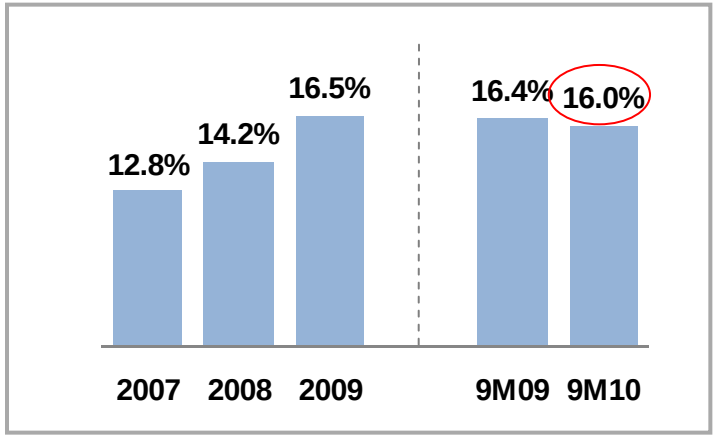
Return on Average Equity[1]



Cost / Income



Capital Adequacy Ratio



Note: BRSA consolidated financials

1 Calculations based on the average of current period equity (excluding current period profit) and prior year equity. Annualised

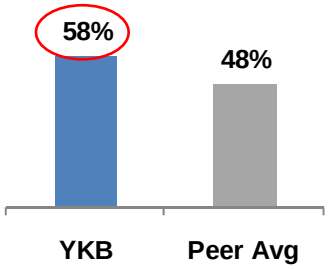
AGENDA

- Operating Environment
- Yapı Kredi at a Glance
- **Competitive Positioning and Strategic Priorities**
- Concluding Remarks

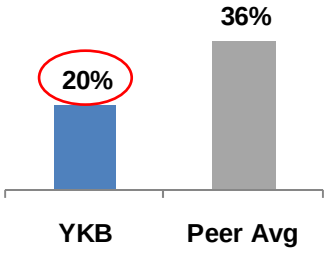
Balance sheet, business mix and branch network positioning Yapı Kredi as “bank of the real economy” with strong retail focus

Balance Sheet

Loans / Assets



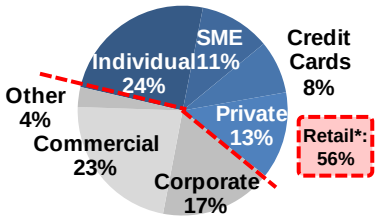
Securities / Assets



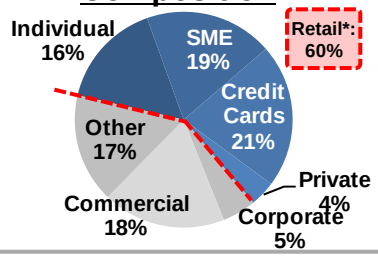
- **Customer-business focused strategy**
  - Share of loans in assets at 58%
  - Share of securities in assets at 20%

Business Mix

Customer Business Composition



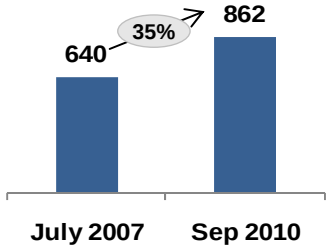
Revenue Composition



- **Traditionally strong retail focus with concentration on high margin products**
  - 56% of customer business and 60% of revenues generated by retail
  - Leading position in credit cards, AUM, private banking and well grounded leadership ambition in SME

Branch Network

No. of Branches



Contribution of New Branches to Retail

	9M10
Revenues	~14%
Loans	~14%
Deposits	~7%

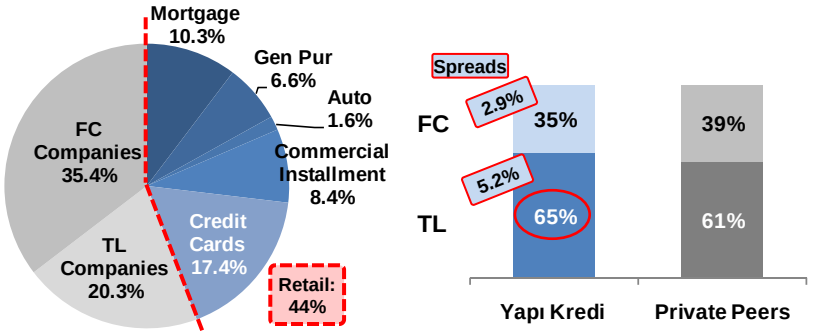
- **Best positioned to exploit underpenetrated market also due to successful execution of accelerated branch expansion since mid-2007**
  - 4th largest branch network concentrating on retail and SME
  - 862 branches in 71 cities, covering 88% of Turkey

* Retail includes individual, SME, credit cards and private segments
Note: SMEs are companies with turnover less than 5 mln USD

High quality earnings driven by business mix and profitability focus

Strong Loan Composition

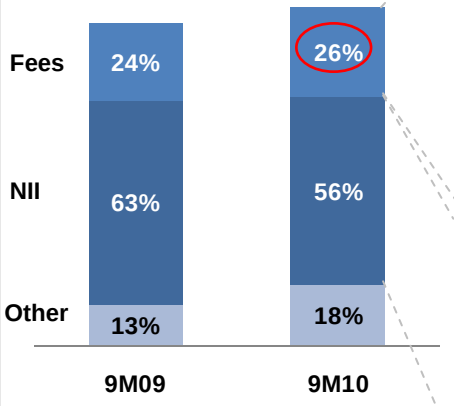
Composition of Loans



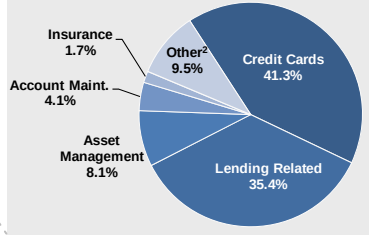
- **Retail focused loan composition**
  - 44% of total loans generated by retail
  - 26% of total loans contributed by high yielding credit cards / SME
- **Local currency focused loan composition**
  - Local currency share in total loans at 65%
- **Strong focus on higher yielding project finance** in foreign currency lending

Sustainable Revenue Composition

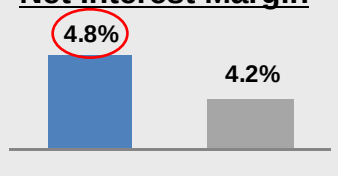
Composition of Revenues



Composition of Fees



Net Interest Margin

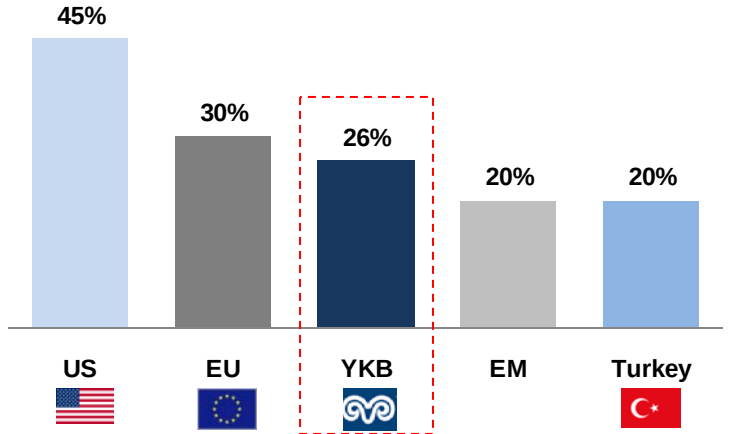


- **Strong fee generation capability**
  - Fees' share in revenues at 26%
  - Increasingly diversified fee composition driven by credit card, lending related and asset management fees
- **Strong focus on profitability**
  - Highest NIM among private peers

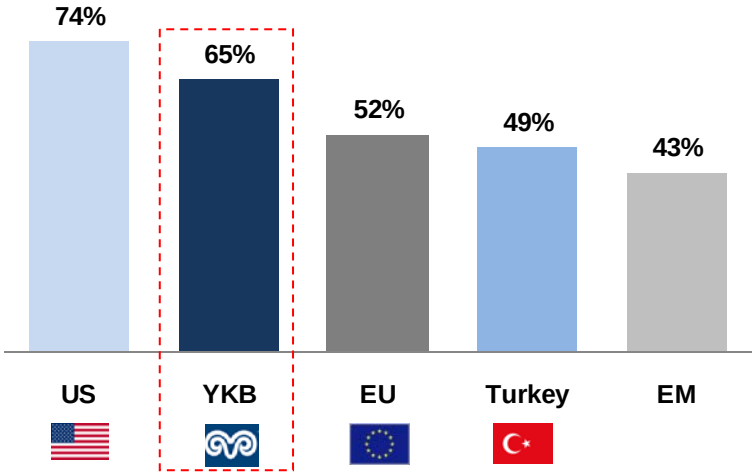
Strongest fee generation capability and increased focus on fees also to compensate NIM pressure going forward

Outperformance in Fee Generation

Fees / Revenues



Fees / Costs



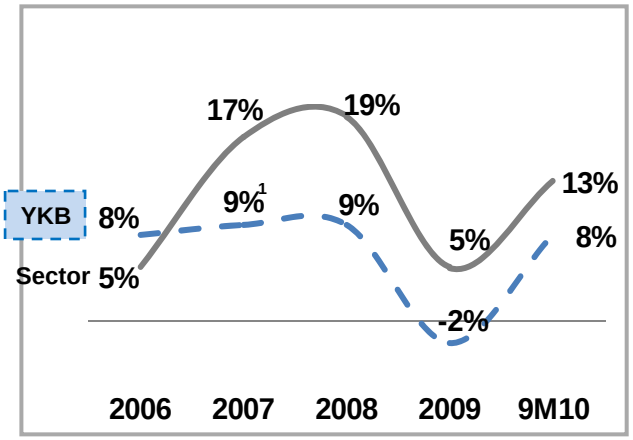
Focus Areas to Increase Fee Generation

- **Continuous emphasis on innovation**
  - Product bundles
  - Structured products
- **Sustained focus on cash management and trade finance**
- **Exploiting new fee sources**
  - Introduction of fees in leasing & factoring
- **Strong focus on bancassurance**
- **Constant focus on increasing fee collection rate**

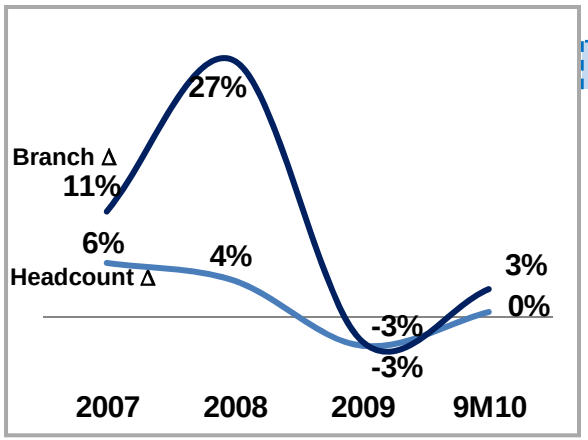
Source:ECB and Deutsche Bank Research. EU indicates EU27 countries also including UK, Germany, France, Italy, Hungary, Spain and Romania. EM includes Latin America, Asia, Africa, Middle East and CEE regions also covering countries such as Brasil, China, India, Russia, Poland, Hungary, Korea and UAE

Unique track record and execution capability in pursuing growth together with efficiency as a key success factor in a declining margin environment

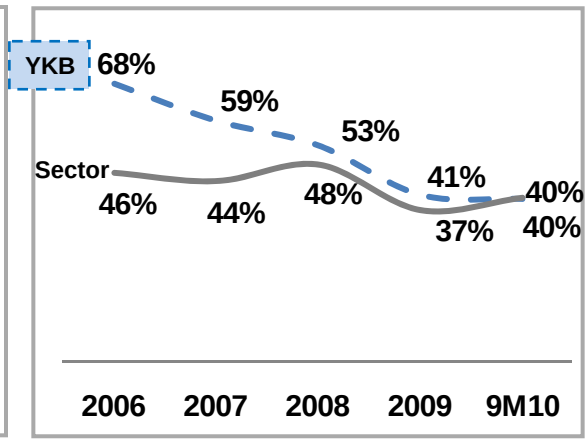
Cost Evolution *(y/y growth)*



Branch and Headcount Increase



Cost / Income

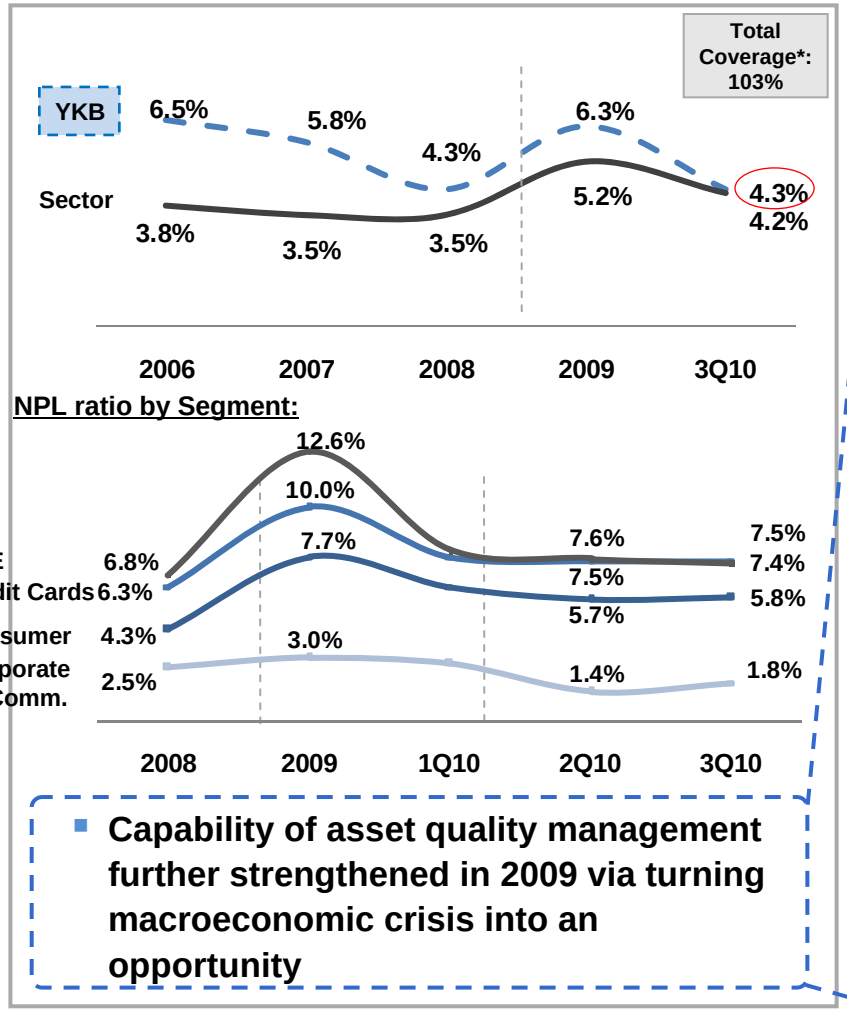


- **Strong improvement in cost/income since 2006** (from 68% down to 40%) on the back of **30% increase in branch network**
  - **Successful execution of retail growth strategy** driven by branch expansion accompanied by **strong improvement in headcount release on existing network** (~750 headcount)
  - **Ongoing initiatives till 2011-2012 to release headcount** in order to continue to self- finance branch expansion plan

1 Adjusted to exclude the effect of one-offs in 2007

Proven capability to react quickly to changing market environment and successfully manage asset quality evolution

NPL Ratio Evolution



- Capability of asset quality management further strengthened in 2009 via turning macroeconomic crisis into an opportunity

Key actions taken to control asset quality

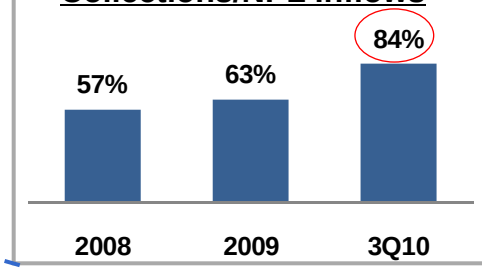
Quick Measures

- More conservative approach in specific coverage
- Implementation of credit crash / restructuring programs
- Proactive portfolio management through NPL sales
- Increased focus on collections

Structural Measures

- Launch of SME scorecard in June'09
- Conservative risk classification
- Launch of revised credit process in Jan'10 leading to reduced lending response times with stable approval ratios
- Upgrade of individual scoring model

Collections/NPL Inflows

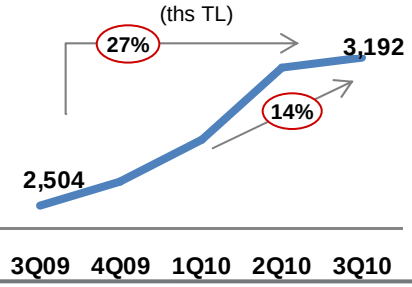


* Specific and general provisions / NPLs

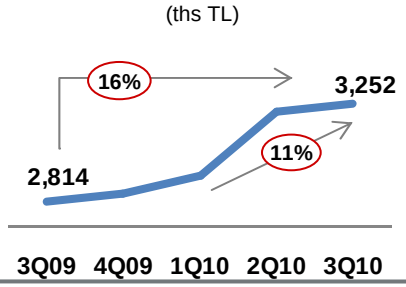
Rapid and effective shift from “crisis” in 2009 to “growth” in 2010; significant improvement potential in commercial effectiveness

	Action taken	Results
Product / Service Innovation	**Launch of new product bundles** **Launch of new credit cards, asset management and insurance products** **Launch of new ADC implementations**	▪ **~270,000 product bundle sales in 8 months** ▪ **~260,000 new cards sold** (+23% vs 1Q) ▪ **352 mln TL generated through new funds ytd** ▪ **~ 40,000 insurance contracts since Aug** ▪ **Loan payments via ATMs up 23% y/y** ▪ **Corporate internet transactions up 30% y/y** ▪ **Call center sales up 21% y/y**
Client Penetration / Activation / Acquisition	**Conversion of credit card only clients** **Upgrade of commercial clients** **Focus on retail customer acquisition**	▪ **~320,000 clients converted** (82% of 2010 target) ▪ **~1,400 clients upgraded** (40% of 2010 target) ▪ **~100,000 customer additions since 1Q** (2010 target achieved)
Systems Enhancements	**Improvement in sales support tools** **Simplification of credit granting process**	▪ **Higher commercial productivity coupled with significant decline in response time**

Loans per Employee



Deposits per Employee



Lending Response Times

(Days)	2009	Sept-10
Mortgages	2	1
SME	10	3
GPL	~1-2	1
Commercial	~40	~5-16

1 Excluding card-only clients
Note: BRSA Bank-only figures used for commercial effectiveness indicators

Key strategic priorities to achieve leadership in selected segments / products as well as in overall profitability

Growth & Commercial Effectiveness	▪ **Above sector growth** on the back of **increased commercial effectiveness**
	  ▪ Focus on further penetration of existing and potential client base, cross-sell and product bundling, leveraging on enhanced CRM and MIS systems
	  ▪ Strong focus on high margin TL individual and SME
	▪ **Continuous effort to redesign processes to improve sales effectiveness**
	▪ **Continuation of branch expansion plan**

Profitability	▪ **Sustained revenue generation** driven by **increased emphasis on product penetration / innovation and fee collection** in light of margin compression ▪ **Strong ROE to continue to sustain business growth / contribute to capital base**
Cost & Efficiency Improvements	▪ **Continuation of disciplined approach towards cost containment** ▪ **Efficiency improvements** (back-office centralisation, HC rationalisation and IT efficiency improvements, simplification of processes) ▪ **Continuation of investments in alternative distribution channels** (migration of both transactions and sales activity to ADCs) to **decrease cost to serve**
Asset Quality	▪ **Dynamic / proactive NPL portfolio management** ▪ **Ongoing improvement of monitoring processes / tools** (especially SME) ▪ **Centralisation of SME underwriting** ▪ **Upgrade of individual scoring model**
Sustainability	▪ **Constant focus on customer and employee satisfaction** ▪ **Continuation of medium term investments** ▪ **Proactive loans / deposits management** and **diversification of funding sources**

Strong and mutually beneficial relationship between UniCredit Group and Yapı Kredi

Yapı Kredi not only stronly benefits from being part of UniCredit Group but also contributes to the Group significantly

Yapı Kredi

- Engine for growth coupled with profitability
- Unique franchise with strong retail focus and leading positions in credit cards, leasing, factoring and asset management and 4th largest branch network in Turkey
- Proven capability in managing accelerated organic growth
- Skilled innovator and benchmark
- Group best practice for credit cards, ADC, IT efficiency and training
- Large and strong talent pool to leverage

UniCredit

- Strong and dedicated shareholder with solid commitment to growth in the Turkish market
- Know-how and managerial expertise in retail and SME, risk management, internal audit, organisation, financial planning and control
- Strong contribution in efficiency improvements and cost management
- Possibility for Turkish clients to leverage on UCG's European network
- Training / international career opportunities
- Synergies within UCG and access to investment banking and asset management global reach
- Funding support

AGENDA

- Operating Environment
- Yapı Kredi at a Glance
- Competitive Positioning and Strategic Priorities
- **Concluding Remarks**

Concluding remarks

Significant growth potential of a young and fast growing country with robust track record of economic activity and an underpenetrated banking sector

Yapı Kredi, a unique platform for growth on the back of key competitive advantages and proven track record of consistently strong performance and solid profitability

Key competitive advantages:

- ✓ Strong and committed shareholders
- ✓ Large network and leading brand
- ✓ Strong retail focus with leadership in key segments / products
- ✓ Customer focused service model
- ✓ High quality revenue generation
- ✓ Focus on efficiency and cost management
- ✓ Solid risk profile
- ✓ Strong potential for commercial effectiveness
- ✓ Focus on customer and employee satisfaction
- ✓ Strong and mutually beneficial relationship with UniCredit

Unique position to benefit from significant growth in the upcoming period