# Yapı Kredi 1H10 Earnings Presentation

**BRSA Consolidated**

**İstanbul,** 3 August 2010

## AGENDA

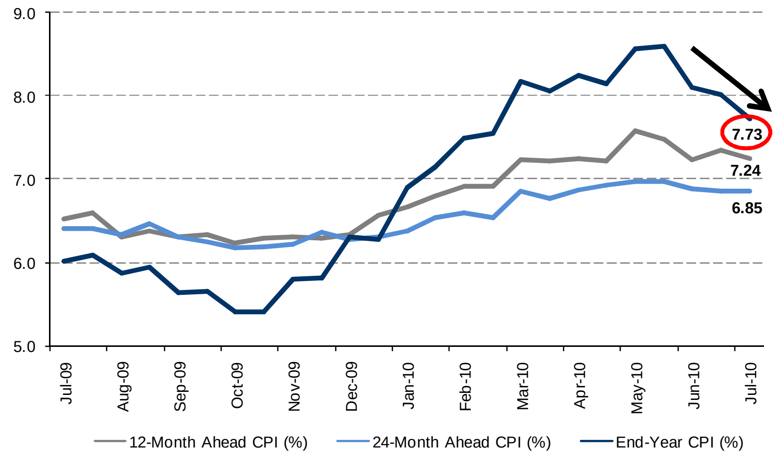
- **1H10 Operating Environment**
- 1H10 Results *(BRSA Consolidated)*
- Performance by Strategic Business Unit *(Bank-only)*
- Performance of Subsidiaries
- Current Trends and Expectations
- Annex

# Strong signs of economic recovery in 1H10. Low inflation and stable interest rate environment supportive of positive macroeconomic outlook

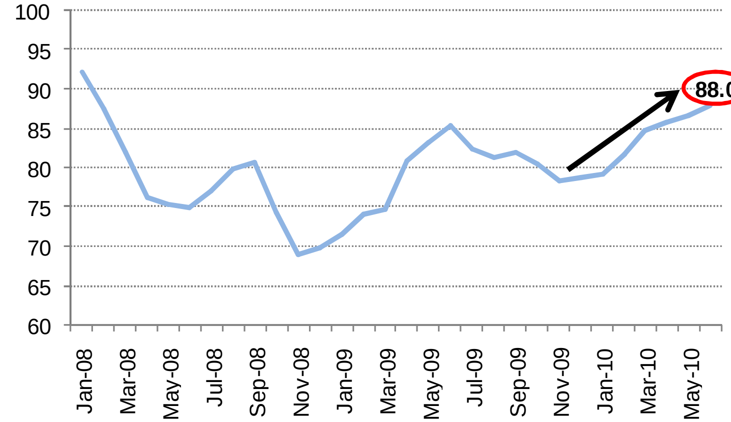
| | 4Q09 | 1Q10 | 2Q10 |
|---|---|---|---|
| GDP Growth (y/y) | 6.0% | 11.7% | 7.1%[1] |
| Industrial Production (y/y) | 9.0% | 17.3% | 16.4%[2] |
| Inflation (eop, y/y) | 6.5% | 9.6% | 8.4% |
| CBRT Policy Rate (eop)[3] | 6.5% | 6.5% | 7.0% |
| Consumer Confidence Index | 78.8 | 84.7 | 88.0 |
| Unemployment Rate[4] | 13.2% | 12.6% | 12.0%[5] |

- **1Q10 GDP growth** (11.7%) **in line with market expectations** mainly driven by **domestic private consumption** and **lower base effect**
- **Industrial production continuing to be strong** and **supportive of growth environment**
- **Weak external demand** and **continuous decline in food prices supportive of low inflation environment** as also confirmed by June CPI inflation
- **CBRT policy rate at 7%[3]. Low interest rate environment to be maintained for a longer period** due to uncertainties regarding the pace of global economic recovery
- **Consumer confidence index continuously improving**
- **Unemployment rate improving significantly from 1Q10 onwards,** confirming the positive outlook

## Rolling CPI Inflation Expectations (%)[6]




## Consumer Confidence Index




1 Yapı Kredi Economic Research estimates
2 Average of April and May 2010
3 As of June 2010, the policy rate has changed to one-week lending repo rate (7.0%) from the CBRT O/N borrowing rate (6.5%) in 4Q09 and 1Q10. CBRT O/N borrowing rate stable at 6.5% since November 2009
4 Seasonally adjusted
5 Average of March 2010, April 2010, May 2010
6 According to CBRT Expectations survey

# Sector loan growth further accelerating in 2Q vs 1Q, especially driven by TL retail loans, together with pick-up in deposit growth

## Sector Volume Growth & KPIs

| | FY08 | FY09 | 1Q10 | 2Q10 | 1H10 |
|---|---|---|---|---|---|
| **Loan Growth** | **30%** | **6%** | **6%** | **9%** | **15%** |
| TL Loan Growth | 22% | 9% | 5% | 9% | 15% |
| FC Loan Growth ($) | 18% | 0% | 6% | 5% | 11% |
| **Deposit Growth** | **27%** | **13%** | **3%** | **5%** | **8%** |
| TL Deposit Growth | 27% | 15% | 5% | 8% | 13% |
| FC Deposit Growth ($) | -2% | 9% | -2% | -4% | -6% |
| **Loans/Deposits** | **82%** | **77%** | **78%** | **81%** | **81%** |
| **Deposits/Assets** | **61%** | **61%** | **61%** | **61%** | **61%** |
| **NPL Ratio** | **3.5%** | **5.2%** | **4.9%** | **4.4%** | **4.4%** |

- **Loans up 15% ytd** driven by **pick up in TL lending in 2Q** (9% vs 1Q10, 15% ytd) and **continuing growth in FC lending** (11% ytd)
- **Asset quality improvement** on the back of **macroeconomic recovery** and **NPL sales** (NPL ratio -50 bps vs 1Q)
- **Comfortable liquidity position** (L/D at 81%), **albeit with slight increase vs 1Q** (+3pp q/q)

Note: Banking sector data based on BRSA weekly data excluding participation banks
1Q10 based on 02.04.10; 2Q10 based on 02.07.2010 weekly data

# AGENDA

# 1H10 Performance Highlights

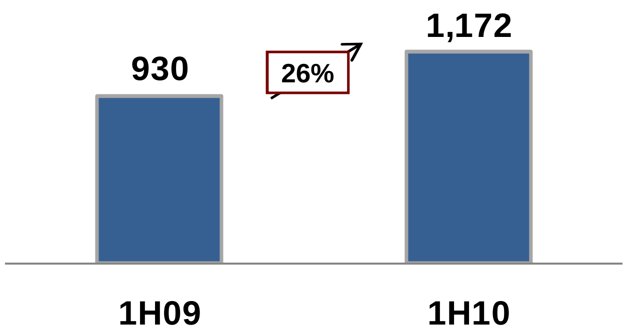
| Highlights | 1H10 Results |
|---|---|
| **Strong above sector volume growth**<br>▪ Acceleration of loan growth in 2Q vs 1Q driven primarily by retail (incl. SME and individual), followed by mid-corporate, also on the back of increased commercial effectiveness<br>▪ Significant pick-up in deposit growth in 2Q vs 1Q, driven especially by TL deposits<br>▪ Effective management of loan / deposit ratio (<100%); deposits / assets ratio at 60% | **Loans 21% ytd**<br>(TL loans 24% ytd)<br>**Deposits 13% ytd**<br>(TL deposits 21% ytd) |
| **Increased profitability**<br>▪ Revenue performance impacted by NIM compression, offset by solid fee growth and strong collections<br>▪ Continuous cost control and asset quality improvement leading to increased profitability<br>▪ Strong ROAE contributing to capital base in order to sustain future business growth | **Cumulative NIM 5.0%**<br>**Net Income 26% y/y**<br>**ROAE 28%**<br>**Group CAR 15.1%** |
| **Controlled cost and headcount management**<br>▪ Cost growth in line with inflation, despite one-offs in 2010, driven by productivity improvements<br>▪ Continuation of branch expansion with 12 new branches (9 net increase) during 1H10, resulting in 847 branches. Group headcount at 16,826 (-2% y/y) | **Total Costs 8% y/y**<br>**Cost /Income 41.8%**<br>**Fees/Costs 63%** |
| **Continuation of positive trend in asset quality**<br>▪ Asset quality improvement driven by slowdown in NPL inflows, strong collections and NPL sales, resulting in below sector NPL ratio<br>▪ Cost of risk at more normalised level vs 1Q. Strong specific coverage maintained | **NPL ratio 4.1%**<br>**Specific coverage 72%**<br>**Cost of Risk 1.30%** |
| **Continuation of commercial effectiveness improvements**<br>▪ Acceleration of new business generation, strong performance of product bundles and increased conversion of credit-card only customers into bank customers<br>▪ Productivity gains generating volume growth and thereby increase in revenues/employee despite NIM compression | **Loans/employee 26% y/y**<br>**Deposits/employee 20% y/y**<br>**Revenues/employee 5% y/y** |

# Key performance indicators

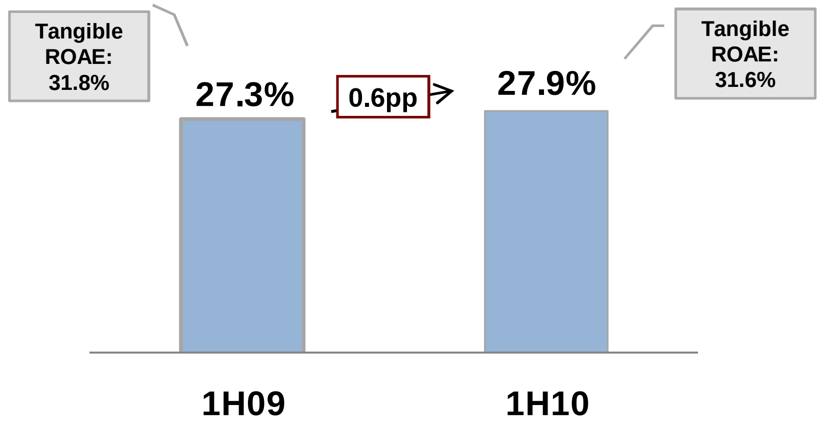


## Net Income

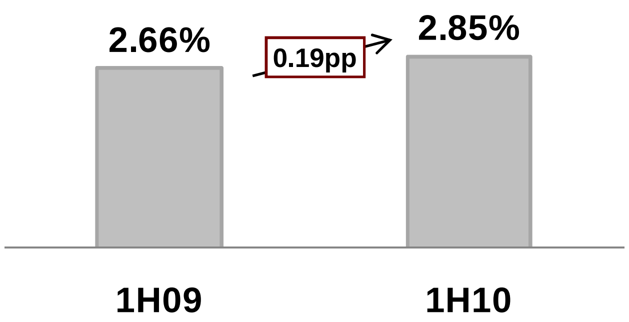
(mln TL)



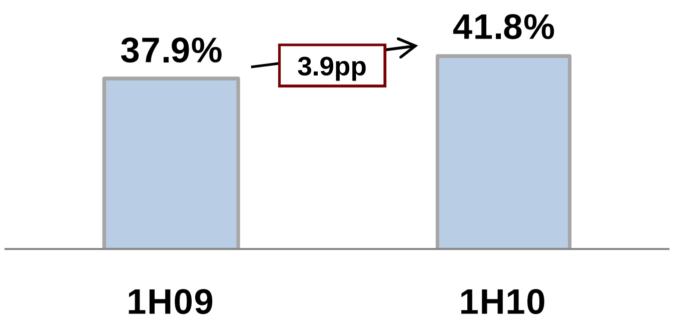

## Return on Average Equity (ROAE)[1]




## Return on Assets (ROA)[2]




## Cost / Income




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

2 Calculations based on net income/end of period total assets. Annualised

# Net income up 26% y/y driven by strong fee growth on the back of above market loan growth, continuous cost containment and asset quality improvement



| *Income Statement, mln TL* | 1H09 | 1H10 | YoY |
|---|---|---|---|
| **Total Revenues** | **3,199** | **3,139** | **-2%** |
| Net Interest Income | 1,883 | 1,818 | -3% |
| Non-Interest Income | 1,316 | 1,321 | 0% |
| Fees & Comms. | 730 | 830 | 14% |
| Trading & FX (net) | 399 | -53 | -113% |
| Other | 187 | 544 | 191% |
| **Operating Costs** | **1,214** | **1,311** | **8%** |
| HR | 505 | 554 | 10% |
| Non-HR[1] | 606 | 698 | 15% |
| Other[2] | 103 | 59 | -43% |
| **Operating Income** | **1,985** | **1,828** | **-8%** |
| Provisions | 803 | 352 | -56% |
| Loan Loss Provisions | 773 | 319 | -57% |
| **Pre-tax income** | **1,182** | **1,476** | **25%** |
| Tax | 252 | 304 | 21% |
| **Net Income** | **930** | **1,172** | **26%** |

- **Revenues down 2% y/y**
  - **Interest income (-3% y/y)** impacted by NIM compression
  - **Fees and commissions (14% y/y)** driven by strong volumes
  - **Trading / FX results (-113% y/y)** impacted by high base in 1H09 and negative IRS performance due to declining interest rate environment
  - **Strong other income (191% y/y)** driven by collections
- **Total costs up 8% y/y** despite one-offs in 2010
  - **HR costs up 10% y/y due to seasonality** on the back of annual salary increases
  - **Non-HR costs** up 15% y/y. **Core non-HR costs up 7% y/y**[3]
  - **Other costs down 43% y/y** mainly driven by **stabilised pension fund deficit** vs YE09
- **Provisions down 56% y/y** driven by continued asset quality improvement
- **Net income up 26% y/y**

1 Non-HR costs include HR related non-HR costs, advertising, rent, SDIF, taxes and depreciation
2 Other costs includes pension fund provisions and loyalty points on World card
3 Excluding one-off effects of branch tax introduced in 2010 (40 mln TL), legal fees related to NPL sales in 1Q10 (8 mln TL) and 2Q10 (1.2 mln TL)

# Healthy and customer-oriented balance sheet with continued above sector growth

1H10 Results (BRSA Consolidated)

| *Balance Sheet, bln TL* | 1H09 | 2009 | 1H10 | %YoY | %YTD |
|---|---|---|---|---|---|
| **Total Assets** | **70.0** | **71.7** | **82.3** | **18%** | **15%** |
| **Loans** | **38.2** | **38.9** | **47.2** | **23%** | **21%** |
| TL | 23.8 | 24.6 | 30.5 | 28% | 24% |
| FC (in $) | 9.7 | 9.7 | 10.9 | 12% | 12% |
| **Securities** | **15.1** | **16.3** | **16.8** | **11%** | **3%** |
| **Deposits** | **41.9** | **43.4** | **49.0** | **17%** | **13%** |
| TL | 22.6 | 23.2 | 28.0 | 24% | 21% |
| FC (in $) | 12.9 | 13.7 | 13.6 | 6% | -1% |
| **Shareholders' Equity** | **7.8** | **8.5** | **9.6** | **22%** | **13%** |
| **AUM** | **7.3** | **7.7** | **8.1** | **12%** | **5%** |

| *Ratios* | 1H09 | 2009 | 1H10 | ∆ YoY *(pp)* | ∆ YTD *(pp)* |
|---|---|---|---|---|---|
| **Loans/Assets** | 54.6% | 54.2% | 57.3% | 2.7 | 3.1 |
| **Securities /Assets** | 21.6% | 22.8% | 20.4% | -1.3 | -2.4 |
| **Loans/Deposits** | 91.3% | 89.6% | 96.4% | 5.1 | 6.8 |
| **Deposits/Assets** | 59.8% | 60.5% | 59.5% | -0.4 | -1.0 |
| **Leverage**[1] | 7.9x | 7.5x | 7.6x | - | - |
| **Borrowings/Liabilities**[2] | 14.7% | 13.8% | 15.3% | 0.6 | 1.5 |
| **Group CAR** | 15.7% | 16.5% | 15.1% | -0.6 | -1.4 |
| **Bank CAR** | 17.1% | 17.8% | 16.1% | -0.9 | -1.6 |

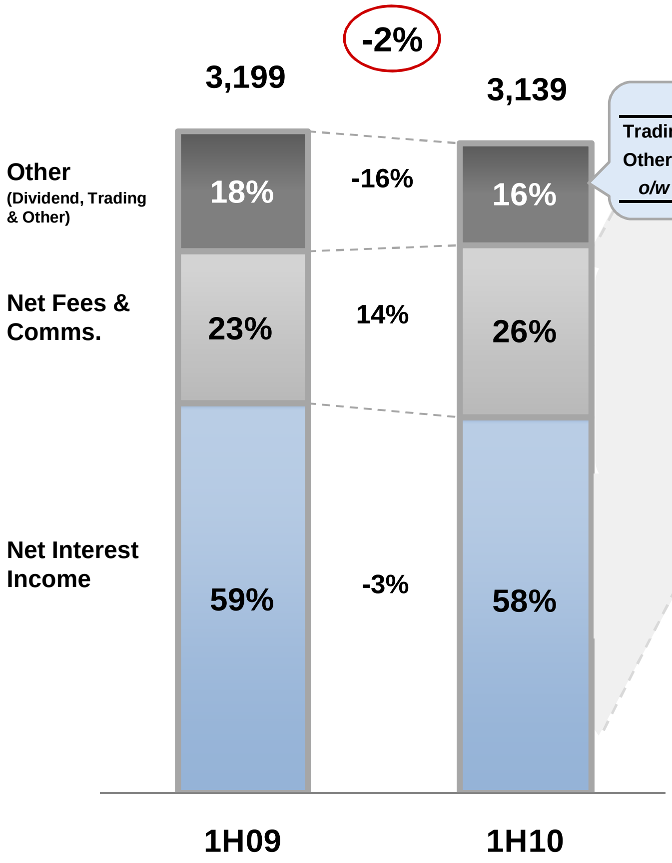
- **Strong above sector loan growth with further acceleration vs 1Q** (11% in 2Q vs 9% in 1Q) mainly driven by **TL loans** on the back of **increased commercial effectiveness** and **customer-business focused approach**
- **Significantly above sector deposit growth** (13% ytd) **driven by TL deposits** (21% ytd)
- **AUM up 5% ytd** (vs 2% sector)
- **Loans/assets at 57%** (+3pp ytd) in line with **customer-business focus. Securities/assets at 20%**
- **Loan/deposit ratio at 96%. Deposits/assets ratio at 60%**, in line with sector
- **Group CAR at 15.1%** and **Bank CAR at 16.1%**, decreasing vs YE09 driven by **loan volume growth**

Note: Loan figures indicate performing loans
1 Leverage ratio = (Total assets – equity) /equity
2 Includes funds borrowed, sub-debt and repo funding

# Customer-business focused approach driving continuous increase in sustainable revenue base with highest fees/revenues in the sector

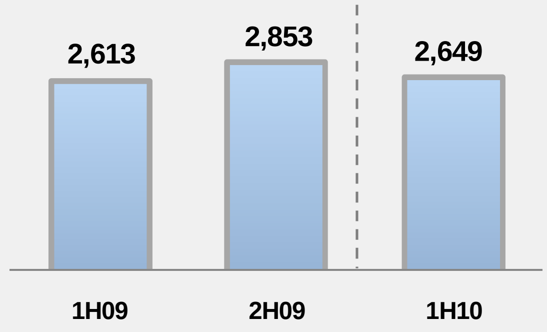
**1H10 Results (BRSA Consolidated)**

## Total Revenues
(mln TL)




| Mln TL | 1H09 | 1H10 |
|---|---|---|
| Trading & FX (net) | 399 | -53 |
| Other | 187 | 544 |
| *o/w collections* | *45* | *330* |

## Quarterly Core Revenues[1]
(mln TL)



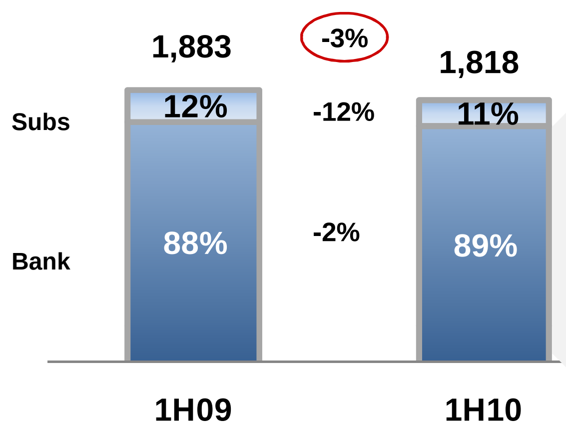

- **Total revenues down 2% y/y** due to **NIM pressure** and **negative trading results** despite **sustained fee performance** and **strong collections**
- **Share of net interest income in total revenues slightly down to 58%** (vs 59% in 1H09) on the back of **continued NIM pressure** despite volume growth
- **Fees / total revenues up to 26%** (vs 23% in 1H09), **highest in the sector**
- **Positive contribution** from **net trading and FX** in 1H09 compensated by other income in 1H10 due to **continued strong collections performance** (~330 mln TL)

1 Net interest income and fees and commissions

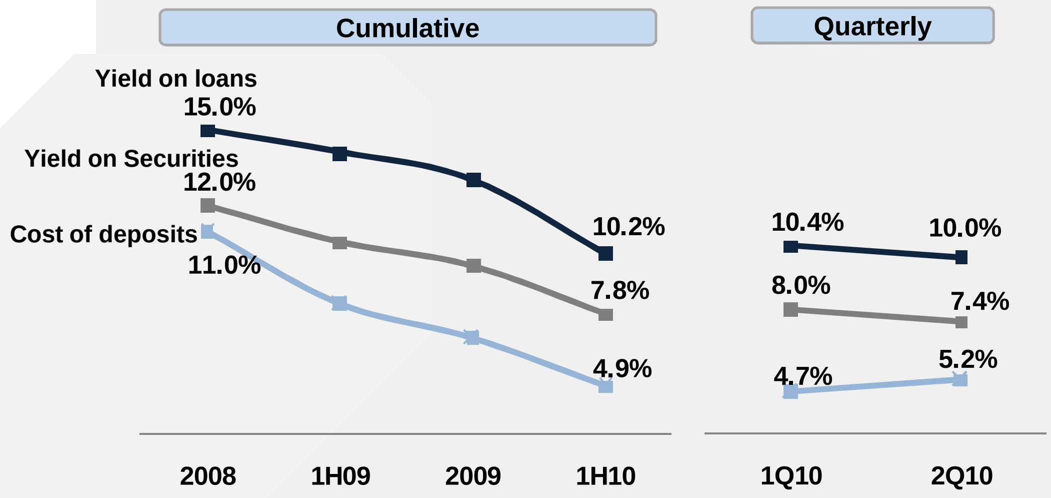
# NIM compression driven by continued decline in lending rates accompanied by increase in deposit costs on the back of stabilising interest rate environment and increased competition



## Net Interest Income
(mln TL)

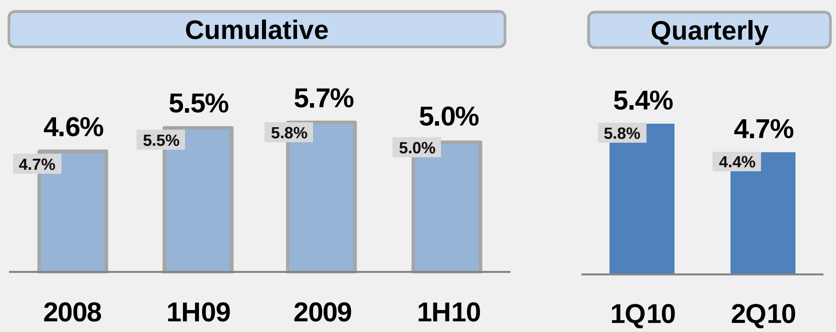



## BANK: Spread Analysis[1]




- **Net interest income down 3% y/y**, driven by 2% y/y decline at Bank level and 12% y/y decline at Subs
- **Cumulative NIM at 5.0%** (-49bps vs 1H09) driven by **stabilising / low interest rate environment and competition**
- **Quarterly NIM at 4.7%** (-65bps vs 1Q10) driven by **increased competitive pressure** resulting in **lower yields** and **higher deposit costs**, especially concentrated in June

## BANK: Quarterly NIM(1)
(Net interest income / Avg. IEAs)




| | 2008 | 1H09 | 2009 | 1H10 | 1Q10 | 2Q10 |
|---|---|---|---|---|---|---|
| Avg Benchmark Bond Rate | 19.4% | 13.8% | 11.7% | 9.0% | 8.9% | 9.1% |

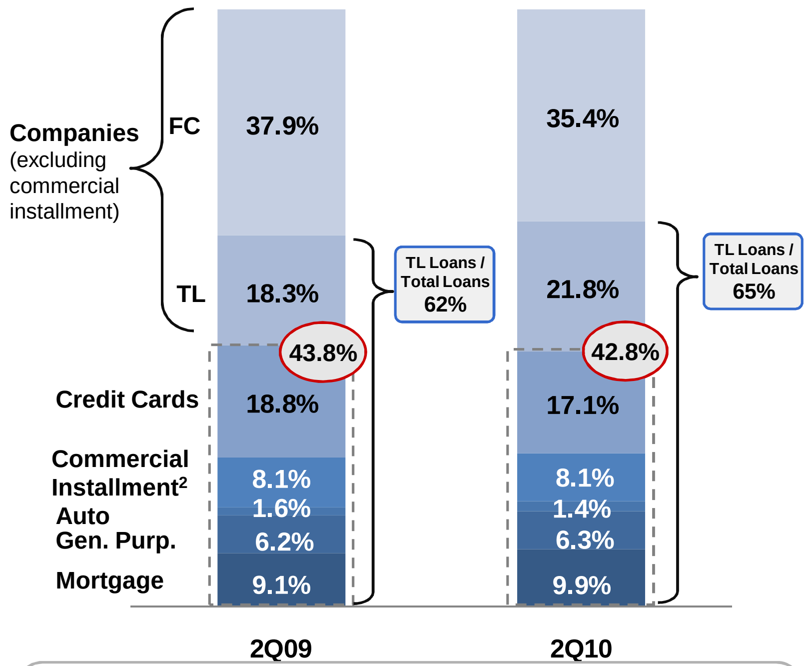
1 All calculations based on average volumes, quarterly
Note: NIM and yield on securities adjusted to exclude the effect of reclassification as per BRSA between interest income and other provisions related to impairment of held to maturity securities. Blue columns refer to adjusted NIM figures while figures in grey boxes refer to reported NIM

# Further acceleration of loan growth vs 1Q with continued focus on higher yielding TL lending, driven primarily by retail (incl. SME) followed by mid-corporate



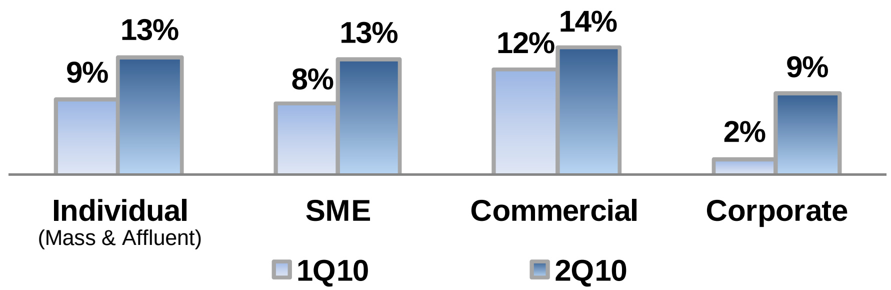
| Spreads | | Loan Growth YTD | Loan Growth 1Q10 | Loan Growth 2Q10 | YKB Market Shares 2Q10 | YKB Market Shares Δ YTD |
|---|---|---|---|---|---|---|
| | Total Loans[1] | 21% | 9% | 11% | 10.6% | + 55 bps |
| 5.2% | TL Loans | 24% | 11% | 12% | 9.8% | + 77 bps |
| 2.7% | FC Loans ($) | 12% | 6% | 6% | 12.5% | + 11 bps |
| | Consumer Loans | 20% | 8% | 11% | 7.8% | + 23 bps |
| | Mortgages | 22% | 9% | 12% | 9.4% | + 46 bps |
| | Auto Loans | 13% | -1% | 14% | 15.9% | + 192 bps |
| | General Purpose | 19% | 10% | 9% | 5.7% | + 9 bps |
| | Credit Cards | 8% | 2% | 7% | 20.1% | - 31 bps |
| | Companies | 26% | 12% | 13% | 9.6% | + 30 bps |
| | TL | 39% | 19% | 17% | 7.5% | + 80 bps |
| | FC ($) | 12% | 6% | 6% | 12.3% | + 20 bps |
| | Comm. Install.[4] | 26% | 11% | 14% | 8.4% | + 61 bps |

## Composition of Total Loans[1]




## Loan Growth by Segment[3]

(Q/Q)




- **Further strenghtening of TL loan growth** (12% in 2Q vs 11% in 1Q)
- **TL share in total loans at 65%** (62% in 2Q09) vs sector at 59% in 2Q10
- **Share of retail** (incl. credit cards and SME) **in total loans strong at 43%**
- **In FC lending, strong focus on higher yielding project finance** (disbursed loans of USD 460 mln, potential project pipeline of USD 2.1 bln)

Note: Sector data based on weekly BRSA unconsolidated figures. Market shares based on unconsolidated figures for YKB and sector according to BRSA classification with FC-indexed loans included in TL loans
1 Total performing loan
2 Proxy for SME loans as per BRSA reporting
3 Based on MIS data. Please refer to slide 29 for Yapı Kredi's internal segment definitions

# Significant acceleration in asset gathering in 2Q, in line with strong loan growth. Demand deposit ratio significantly above sector due to strong focus



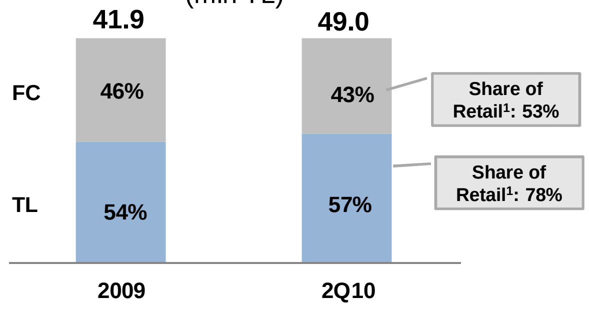
## 1H10 Deposit & AUM Growth vs Sector

| | Deposit Growth | | | YKB Market Shares | | |
|---|---|---|---|---|---|---|
| | YTD | 1Q10 | 2Q10 | 2Q10 | | ∆ YTD |
| Total Deposits | 13% | 4% | 9% | 8.5% | ↑ | + 41 bps |
| TL Deposits | 21% | 7% | 13% | 7.5% | ↑ | + 57 bps |
| FC Deposits ($) | -1% | -1% | 0% | 10.6% | ↑ | + 36 bps |
| Demand Deposits | 18% | 0% | 18% | 12.0% | ↑ | + 183 bps |
| AUM | 5% | 5% | 0% | 18.0% | ↑ | + 41 bps |

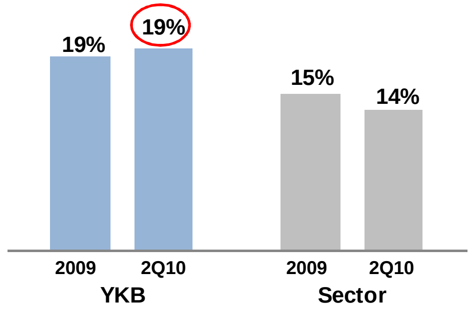
- **Significant acceleration in asset gathering in 2Q with total deposits up 13% ytd** (9% q/q)**. TL deposits up 21% ytd** (13% q/q) in line with **TL driven retail focused strategy**
- **High share of TL in total deposits** (57% as of 2Q) driven by **strong focus on TL retail loan growth**
- **Weight of demand deposits over total at 19%** vs 14% sector. **Demand deposits 18% ytd** (vs 0% ytd sector)
- **Total AUM up 5% ytd** driven by **new product offerings** and **interest rate environment**. **#2 position reinforced** with 18% market share

## Total Deposits by Currency

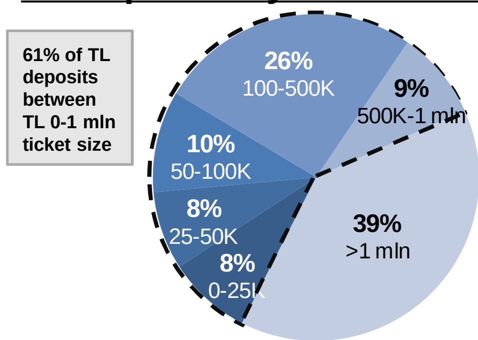
(mln TL)




## Demand Deposits/Total Deposits




## TL Deposits by Ticket Size[2]

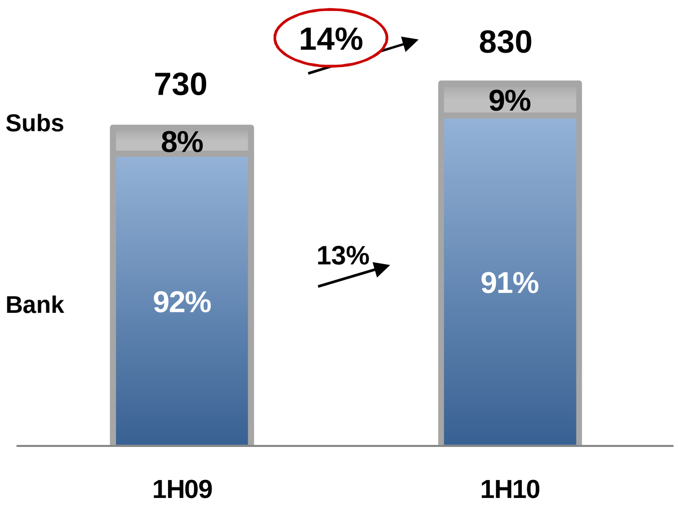



Note: Sector data based on weekly BRSA unconsolidated figures. Market shares based on unconsolidated figures for YKB and sector
1 Retail includes SME, mass, affluent and private
2 Based on MIS data

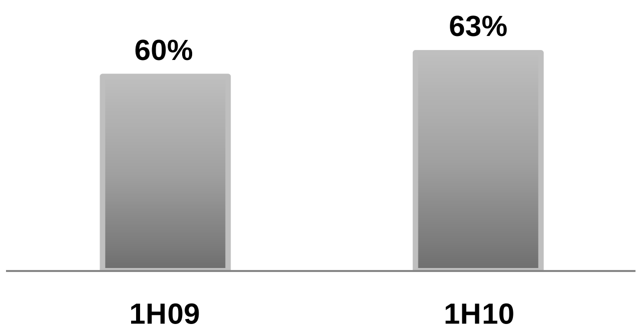
# Solid fee performance driven by strong lending activity, new product bundles and continuing focus on insurance

**1H10 Results (BRSA Consolidated)**

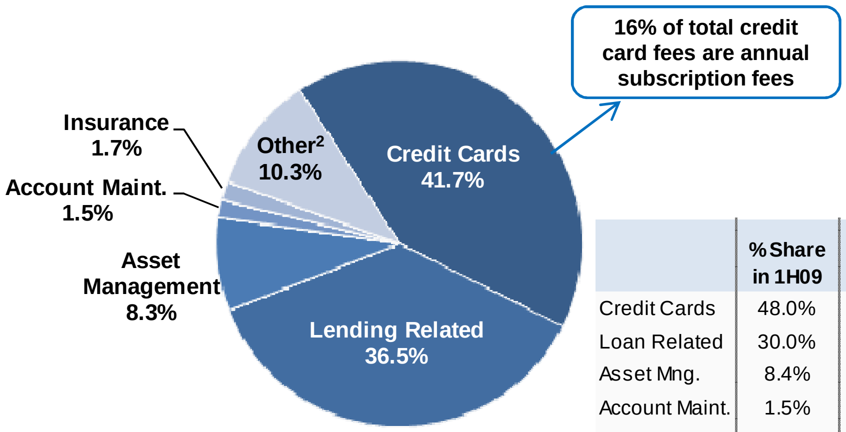
## Net Fees & Commissions
(mln TL)




## Fees & Commissions/Total Costs




## BANK: Composition of Fees & Commissions Received[1]




| | % Share in 1H09 | 1H09-1H10 Growth |
|---|---|---|
| Credit Cards | 48.0% | -6.8% |
| Loan Related | 30.0% | 30.8% |
| Asset Mng. | 8.4% | 6.0% |
| Account Maint. | 1.5% | 10.3% |
| Insurance | 1.2% | 51.8% |
| Other[2] | 10.9% | 1.3% |

- **Fees up 14% y/y at Group level**
- **Fees up 13% y/y at Bank level** driven by **lending related and insurance fees**
  - **Fee growth** impacted by **competition** and **weak performance of credit card interchange fees** with **already improving trend vs 1Q** driven by increased turnover
  - **Share of lending related fees in total at 36.5**% (+6.5pp vs 1H09) due to **strong lending performance in 1H10**
- **Fees/total costs at 63%** (vs 60% in 1H09)

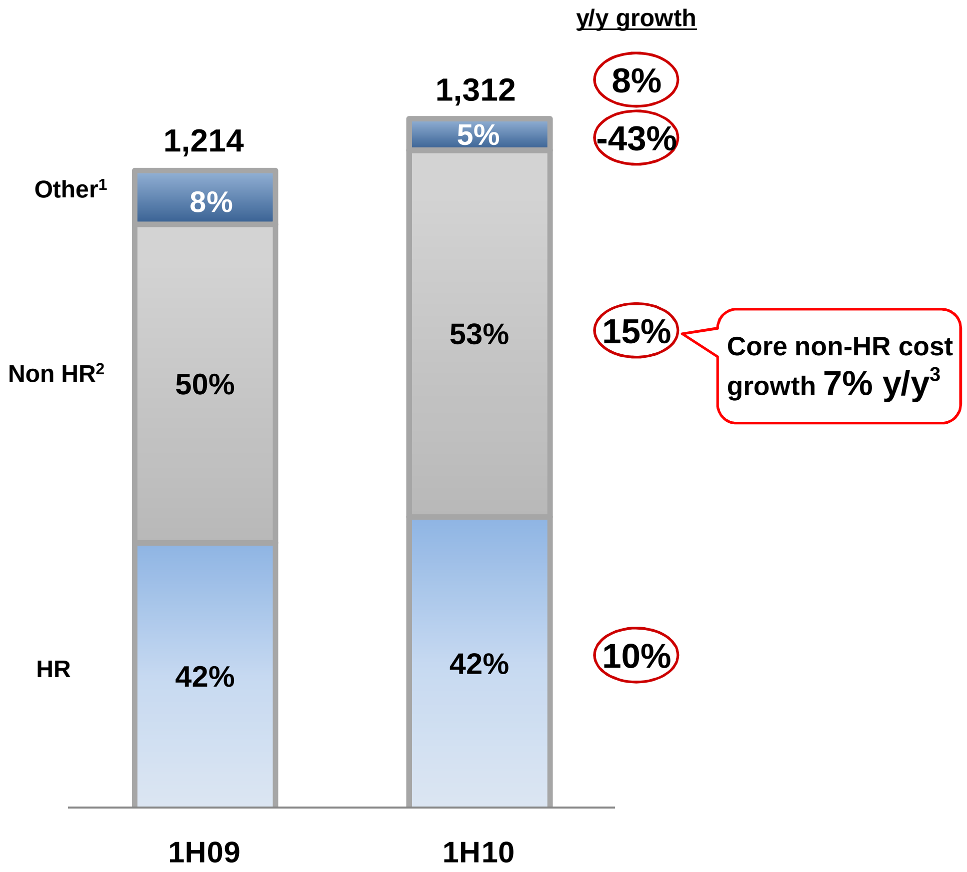
1 Total Bank fees received as of 1H10: 874 mln TL (814 mln TL in 1H09)
Total Bank fees paid as of 1H10: 117 mln TL (145 mln TL in 1H09)
2 Other includes money transfers, equity trading, campaign fees, product bundle fees etc.

# Controlled cost and headcount management



## Composition of Costs

(mln TL)



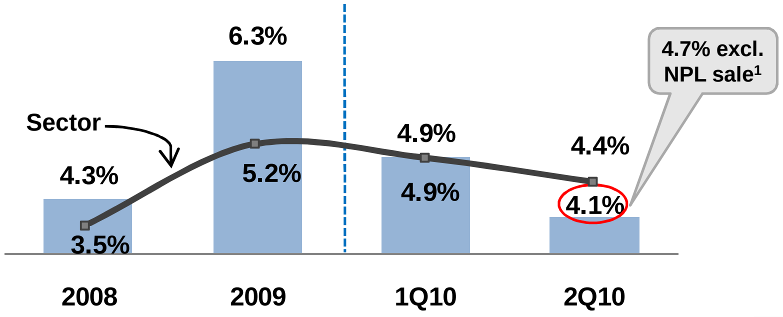

- **Total cost growth in line with inflation** (8% y/y) despite one-offs in 2010
- **HR costs up 10% y/y** due to **seasonality** on the back of **annual salary increases**
  - **Group headcount at 16,826 (-2% y/y)** driven by **headcount rationalisation**
- **Non-HR costs up 15% y/y** driven by one-off effects of branch tax in 1Q10 and legal fees related to NPL sales in 1H10. **Core non-HR costs up 7% y/y[3]**
  - **Branch expansion continuing with 12 new openings** (9 net) in 1H10. **847 branches as of June 2010**
- **Other costs down 43% y/y**, driven by **effective management of World loyalty points and stabilised pension fund deficit[4]** vs YE09

1 Includes pension fund provision expense and loyalty points on Wold card
2 Non-HR costs include HR related non-HR costs, advertising, rent, SDIF, taxes and depreciation
3 Excluding one-off effects of branch tax introduced in 2010 (40 mln TL), legal fees related to NPL sales in 1Q10 (8 mln TL) and 2Q10 (1.2 mln TL)
4 Obligation to provide all qualified employees with pension and post-retirement benefits, calculated annually by an independent actuary registered with the Undersecretariat of the Treasury

# Strong improvement in asset quality with NPL ratio below sector, driven by further slowdown in NPL inflows, strong collections and NPL sale

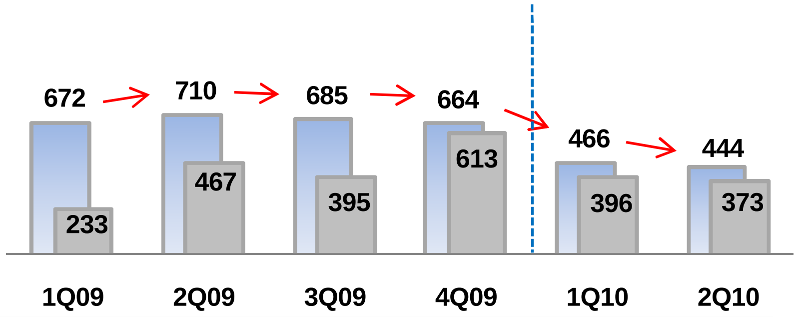
**1H10 Results (BRSA Consolidated)**

## NPL Ratio




## NPL Inflows and Collections

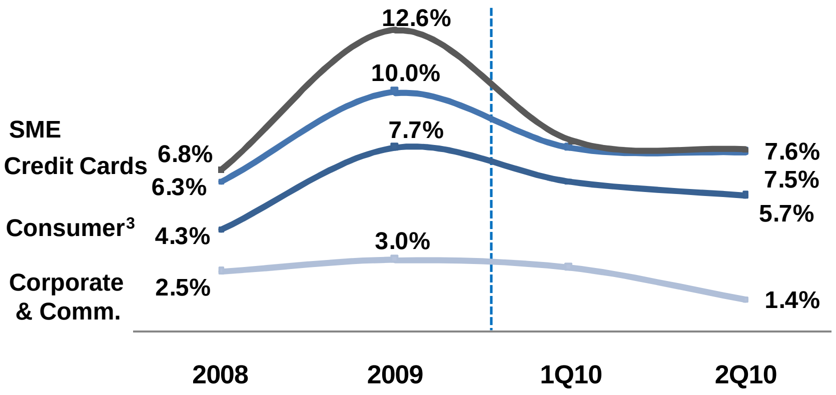
(mln TL)




| | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 |
|---|---|---|---|---|---|---|
| Write-offs | - | 24m TL | 17m TL | 26m TL | - | - |
| NPL Sales | - | 77m TL | - | - | 499m TL[4] | 270m TL[1] |

New NPL inflows    Collections

## NPL Ratio by Segment[2]




- **NPL ratio down to 4.1% in 2Q** (vs 4.9% in 1Q10) driven by:
  - **further slowdown in NPL inflows** (-5% q/q)
  - **continued strong collections performance** (collections /NPL inflows at 84%)
  - **sale of corporate and commercial NPL portfolio**[4]
  - **successful implementation of restructuring /collections** for selected SME, credit cards and commercial loans (~1.4 bln TL as of June 2010)

1 Sale of TL 299 mln NPL portfolio of corporate and commercial loans with gross P&L impact of TL 4.5 mln (BS effect: TL 270 mln excluding interest)

2 As per YKB's internal segment definition, SMEs: companies with annual turnover <5 mln USD.
Corporate & Commercial: companies with annual turnover >5 mln USD

3 Including cross default. If excluding, 1H10: 4.9%

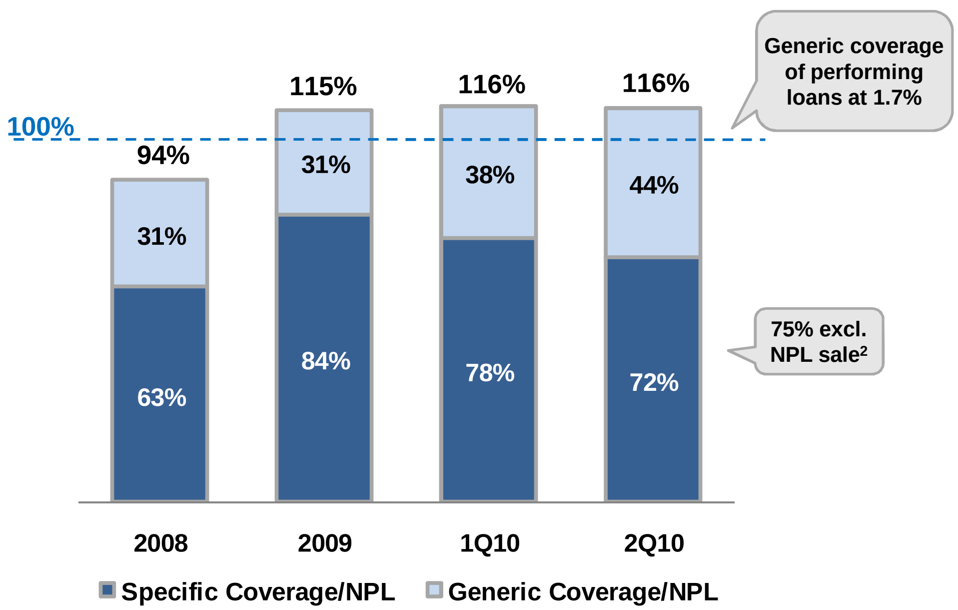
4 Sale of TL 681 mln NPL portfolio of credit cards, SME and individual loans with gross P&L impact of TL 12 mln (BS effect: TL 499 mln excluding interest and portion already written-off). Excluding NPL sale, NPL ratio at 6.0%

Please see Annex (page 41) for NPL sale details in 2010

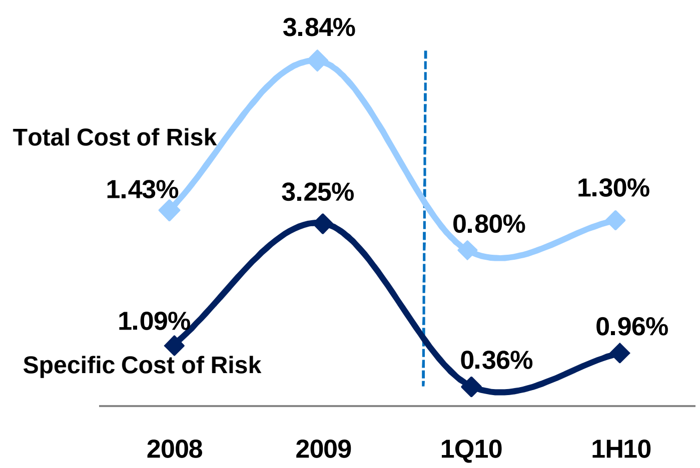
# Cost of risk at more normalised level vs 1Q. Strong specific coverage maintained

1H10 Results (BRSA Consolidated)

## Specific and Generic NPL Coverage




## Cumulative Cost of Risk[1]




- **Total coverage of NPL volume** (including generic NPL coverage) **at 116%, stable vs 1Q10**
  - **Specific coverage at 72%** (vs 84% at YE09) due to **asset quality improvement and NPL sales**
  - **Generic coverage of performing loans at 1.7%** (1.4% standard loan coverage, 11.1% watch loan coverage)
- **Total cost of risk at 1.30%** (+0.50pp vs 1Q10) due to **aging impact; specific cost of risk at 0.96%**

1 Cost of risk = total loan loss provisions / total gross loans

2 Sale of TL 299 mln NPL portfolio of corporate and commercial loans with gross P&L impact of TL 4.5 mln (BS effect: TL 270 mln excluding interest)

Note: Generic coverage/NPL= (standard+watch provisions)/NPL

Generic coverage = (standard+watch provisions)/performing loans

Please see Annex (page 41) for NPL sale details in 2010

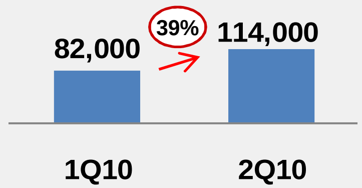
# Operating results continuing to confirm commitments in terms of growth and commercial effectiveness

**Loan Generation**

- **Acceleration in new loan generation, also driven by decreased response time.** Average disbursement/month:
  - **Mortgage:** 3,300/month (19% ytd)
  - **General purpose:** 44,000/month (28% ytd)
  - **SME:** 25,000/month (15% ytd)
- **Further improvement in response times vs 1Q** on the back of **revision of credit granting process**
  - **Mortgage:** 1 day (vs 2 days at YE09)
  - **SME:** 4 days (vs 10 days at YE09)
  - **General purpose:** 1 day (vs 1-2 days at YE09)
  - **Commercial: ~5-20 days** (vs ~40 days at YE09)

**Product Bundles**

- **Acceleration of newly introduced product bundle sales vs 1Q**
  - **Individual:** 130,000 product sales
  - **SME:** 36,000 product sales
  - **Mortgage:** 22,000 product sales



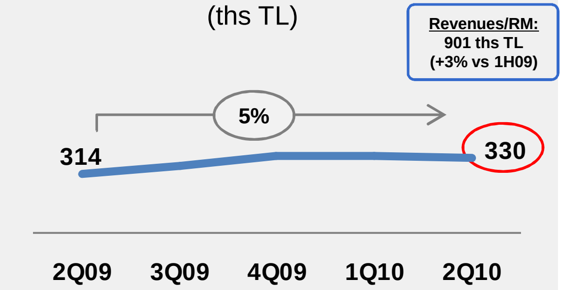

**Conversion of Card-only Clients**

- **2010 Target:** To convert 10-15% of 2.6 mln credit card only clients into bank clients

**~220,000 clients converted already in 1H10**

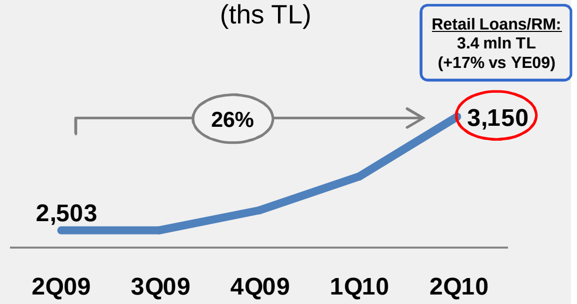
## Core Revenues[1] per Employee

(ths TL)



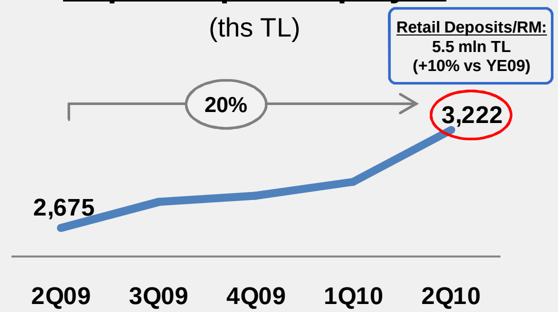

## Loans per Employee

(ths TL)




## Deposits per Employee

(ths TL)




Note: BRSA Bank-only figures used for commercial effectiveness indicators

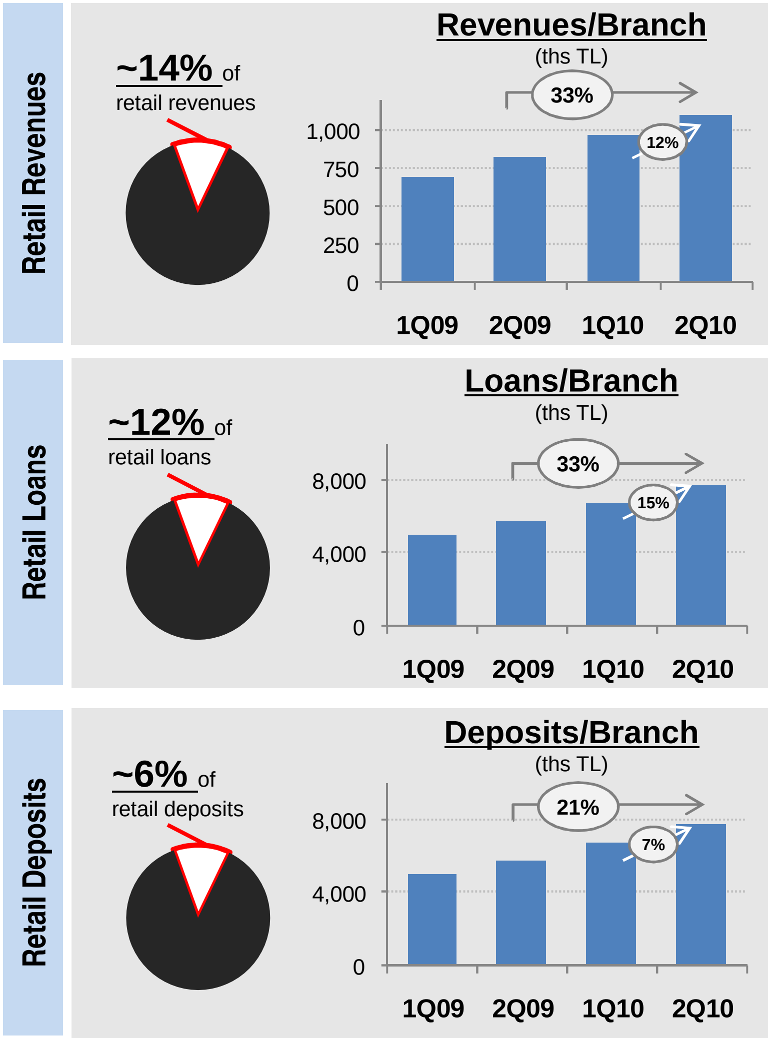
1 Core revenues indicate net interest income and fee income. Net interest income adjusted to exclude effect of HTM securities impairment

# Increasing positive contribution of new branches

Branch Expansion Plan Details

- **847 branches as of June 2010** (9.3% market share)
- **12 new openings[1]** in the first six months of 2010
- **260 new branch[2] openings** since July 2007 (30% of total branch network)
  - **67 branches already graduated / transferred to existing network**
  - **193 branches currently monitored under "new branch" category**
- **Accelerated evolution of branch expansion in 2H** to meet **target of ~50 / 60 openings** in 2010
- **Newly opened branches performing above expectations**
  - Cumulative break-even at ~18 months
  - Realisation vs plan better in loans, revenues and costs

## Contribution of New Branches (2Q10)




1 Gross number of branch openings
2 Gross number of branch openings including 6 commercial branches (excluding closures)

## AGENDA

- 1H10 Operating Environment
- 1H10 Results *(BRSA Consolidated)*
- **Performance by Strategic Business Unit *(Bank-only)***
- Performance of Subsidiaries
- Current Trends and Expectations
- Annex

# Continued strong performance of retail and private driven by increased commercial effectiveness and customer-business focus. Cards, corporate and commercial impacted by margin pressure

**Performance by SBU**

| Weight in Bank: Revenues[1] | Weight in Bank: Customer Business[2] | SBU | Revenues (mln TL) | Y/Y (1H09 - 1H10) | Drivers of revenue growth |
|---|---|---|---|---|---|
| 33% | 35% | Retail[3] | 781 | 14% | ■ **Revenues up 14% y/y,** driven by **increased commecial effectiveness** resulting in **above sector volume growth** (23% ytd)<br>■ **Mass revenues significantly increasing (+35% y/y)** on the back of **increased commercial effectiveness** and **innovative product bundling approach** |
| 22% | 8% | Credit Cards[4] | 513 | -13% | ■ **Revenues down 13% y/y** due to continued **decline in cap rates in a stable interest rate environment** and **weak performance in turnover / interchange fees** due to **lower issuing volume** |
| 4% | 14% | Private | 89 | 12% | ■ **Revenues up 12% y/y** driven by **strong AUM volume** (13% y/y) supported by **low interest rate environment** and **new product offerings** |
| 5% | 17% | Corporate | 117 | 1% | ■ **Revenues up 1% y/y** mainly due to **increased competition** leading to **margin pressure**<br>■ **Strong focus on higher yielding project finance loans** |
| 18% | 23% | Commercial | 425 | - 3% | ■ **Revenues down 3% y/y** driven by **margin pressure** due to **stabilised interest rate environment accompanied by increased competition** |

1 Revenues excluding treasury and other
2 Customer business = Loans + Deposits + AUM
3 Retail includes individual (mass and affluent) and SME banking
4 Net of loyalty point expenses on World cards
Note: all figures based on MIS data

## AGENDA

- 1H10 Operating Environment
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# Strong profitability performance by subsidiaries, especially brokerage and asset management. Increased focus on further enhancing synergies between subsidiaries and the Bank

| | | Revenues (mln TL) | Revenue (y/y growth) | ROE | Key Highlights |
|---|---|---|---|---|---|
| Core Product Factories | YK Leasing | 85 | -8% | 15% | ▪ **Revenues down 8% y/y** due to **lower net interest income as a result of continued margin compression**<br>**#1 in the sector with 20.5% market share in total transaction volume** |
| Core Product Factories | YK Factoring | 22 | -29% | 35% | ▪ **Revenues down 29% y/y impacted by lower net interest income** on the back of **stable interest rate environment**<br>▪ **Sustained outstanding asset quality**<br>**#1 in the sector with 29.9%[1] market share** |
| Core Product Factories | YK Yatırım | 78[2] | 3% | 41% | ▪ **Strong performance in equity trading** and **structured products** on the back of **better integration of Yatırım with Bank distribution model**<br>**#3 in the sector** in terms of **total equity transaction volume** |
| Core Product Factories | YK Portföy | 40 | -1% | 137% | ▪ **Revenues almost stable** due to **low interest rate environment compensated by increase in AUM volumes**<br>**#2 in the sector in mutual funds with 18% market share** |
| Insurance Subs | YK Sigorta | 78[3] | 107%[3] | 16% | ▪ **Significant improvement in revenue performance** driven by **increased focus on high profitable segments** and **macroeconomic recovery**<br>**#2 in the health insurance market** with **16.5%[4] market share** |
| Insurance Subs | YK Emeklilik | 47 | -2% | 20% | ▪ **Revenues slightly decreasing** due to **lower investment income**<br>▪ **#6 in the life insurance sector with 4.7%[4] market share**<br>**#3 in the sector** with **private pension market share of 15.6%[4]** |
| International Subs | YK Azerbaijan | 14 | 27% | 16% | ▪ **Strong revenue performance** on the back of **organic growth efforts** to leverage on **faster growing emerging economy** |
| International Subs | YK Moscow | 15 | -10% | 16% | ▪ **Performance** mainly contributed by **business generated through Turkish Yapı Kredi customers** |
| International Subs | YK NV | 40 | 35% | 16% | |

***All subsidiaries integrated with YKB distribution network to maximise cross sell to YKB customers as well as to generate revenue opportunities and cost synergies***

1 As of Mar 2010
2 Including dividend income from YK Portföy
3 Including dividend income from YK Emeklilik. Revenue growth excluding dividend income 68% y/y
4 As of May 2010

## AGENDA

# Expectations for 2H10 / Macro and Banking Sector

**Macro**

- **Continuation of positive macroeconomic outlook in 2010. Positive GDP growth** expected in the remaining quarters despite some loss of momentum (Estimate for 2Q10: 7.1%; 3Q10: 3.6%, 4Q10: 1.5%; 2010: 5.6%)
- **Inflation expected to follow a downward trend** mainly driven by **continuous decline in food prices** and **weaker EUR supporting durable goods' prices** (2010 CPI inflation estimate: 8.3%)
- **CBRT policy rate likely to remain constant** until end of 2010. **Rate hike expectations delayed to end of 2010 / beginning of 2011**. **Total of 125 bps of rate hike expected until 1Q11** (75 bps in Dec 2010, 50 bps in 1Q11)

**Banking Sector**

- **Business volume growth faster than expected in 1H10; some deceleration expected in 2H10**
  - 2010 sector loan growth ~25% (revised up from ~20%)
  - 2010 sector deposit growth ~17% (revised up from ~15%)
- **NIM compression faster than expected in 2Q; stabilisation expected in 2H**.
  **NIM compression** to be partially **offset by more rational competitive environment** and **stronger focus on fee income**
- **Cost growth to remain under control** despite **branch expansion efforts**
- **Asset quality to improve further**

# Expectations for 2H10 / Yapı Kredi

| | |
|---|---|
| **Business Volumes** | ■ **Continued focus on above market growth** but with **increasing emphasis on adequate profitability** to sustain revenue growth<br>■ **Business volume growth faster than expected in 1H10; deceleration expected in 2H10**<br>– 2010 loan growth ~30% (~25% previously)<br>– 2010 deposit growth ~20 / 25% (~15% previously) |
| **Revenues** | ■ **NIM pressure to continue, albeit at a lower pace, resulting in 100 / 110bps compression vs 2009** (previously 80 / 90bps)<br>■ **Fee performance to improve further** driven by **higher loan base and ongoing contribution of new products**, also to compensate downward pressure on NIM |
| **Costs** | ■ **Controlled cost growth in line with inflation** on the back of:<br>– **Continued cost containment**<br>– **Cost optimisation initiatives** (migration of cards to open system, credit process redesign, process reengineering)<br>– **Continuation of branch openings** in line with pre-set targets (50 / 60 new branch openings in 2010) |
| **Asset Quality** | ■ **Positive trend in asset quality to continue** |

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# AGENDA

- **Annex**
  - **Detailed Performance by Strategic Business Unit**
  - Other

# Definitions of Strategic Business Units

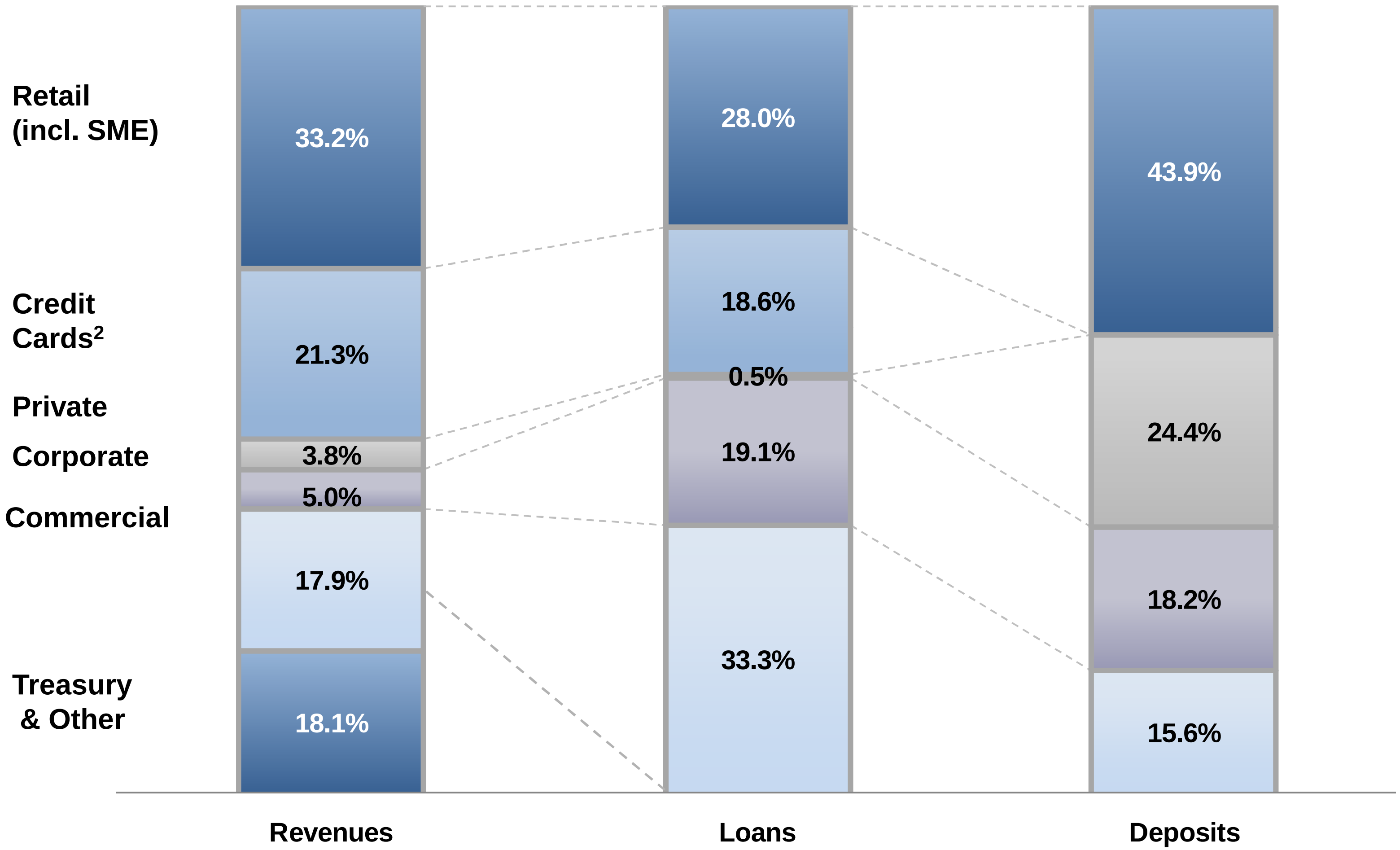


- **Retail:**
  - **SME**: Companies with turnover less than 5 mln USD
  - **Affluent**: Individuals with assets less than 250K TL
  - **Mass**: Individuals with assets less than 50K TL
- **Commercial:** Companies with annual turnover between 5-100 mln USD
- **Corporate:** Companies with annual turnover above 100 mln USD
- **Private:** Individuals with assets above 250K TL

# Diversified revenue mix with retail focused loan and deposit portfolio



## Revenues & Volumes by Business Unit[1] 1H10 (Bank-only)



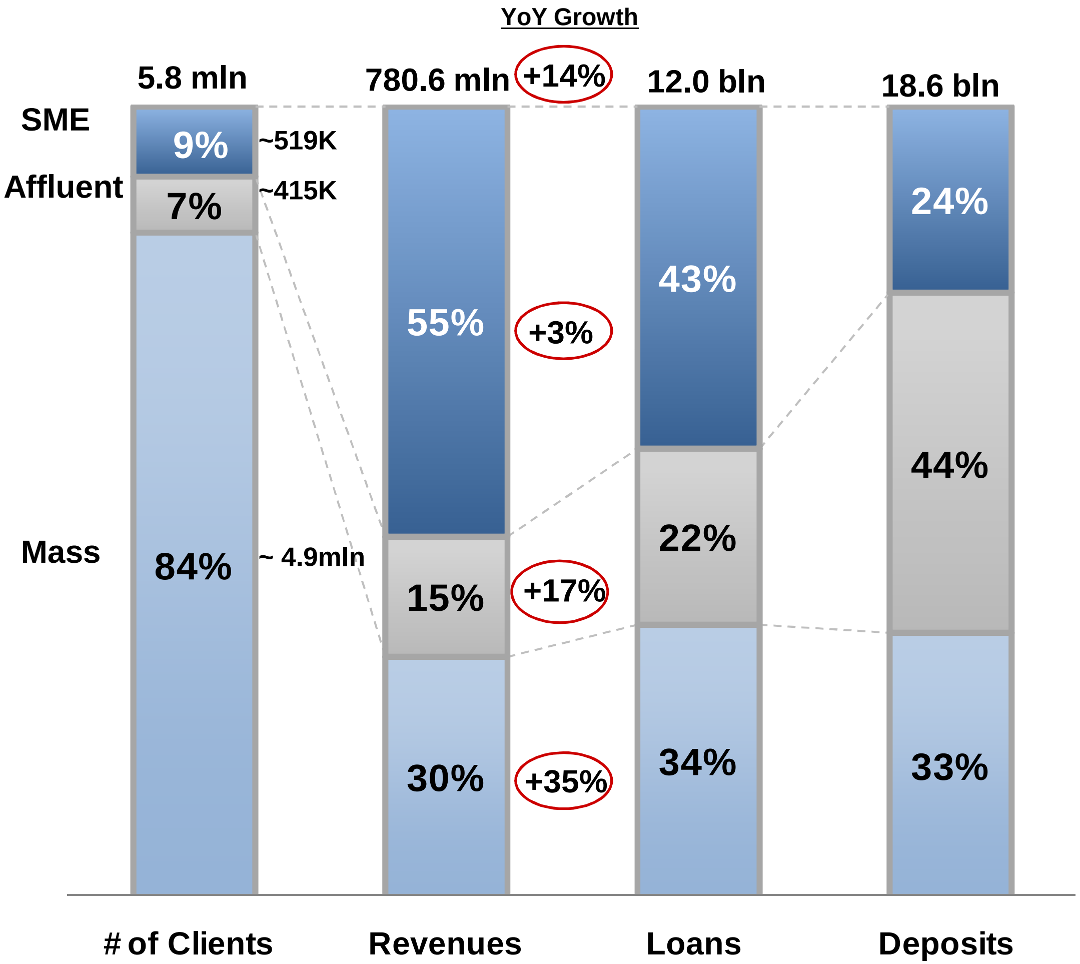

1 Please refer to definitions of Business Units
2 Net of loyalty point expenses on World card
Note: Loan and deposit allocations based on monthly averages (source: MIS data)

# 55% of retail banking revenues generated by SME business, constituting 9% of total retail clients



**Retail Banking - Composition of Active Clients & Total Revenues**

(TL, 1H10)




- ~519K active SME clients generating **55% of total Retail revenues**
- **9% of total retail clients are SMEs generating 43% of loans and 24% of deposits**
- **Mass sub-segment** generating **30% of total Retail revenues with ~4.9 mln clients**
- **Mass sub-segment revenues growing** at a high **35% y/y**
- **Affluent sub-segment** generates **15% of total Retail revenues**

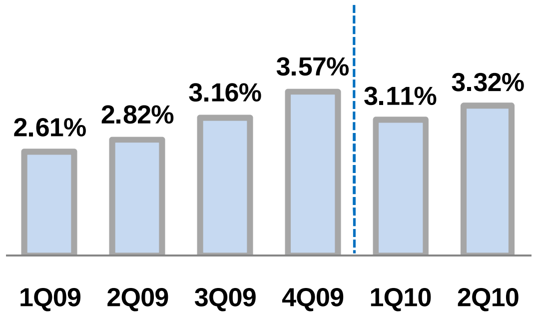
Retail (Mass & Affluent)

# Retail (mass & affluent) banking revenues up 29% y/y driven by customer business focused approach and profitability focus

Performance by SBU

| *Mln TL* | 1H10 | YoY | YTD |
|---|---|---|---|
| **Revenues** | 356 | 29% | - |
| **Loans** | 6,796 | 31% | 23% |
| **Deposits** | 14,230 | 11% | 8% |
| **AUM** | 2,627 | 0% | -1% |
| **% of Demand in Retail Deposits** | 14.8% | 1.0 pp | 0.3 pp |
| **TL % in Retail Deposits** | 75.3% | 2.3 pp | 3.2 pp |
| **% of TL in Retail Loans** | 100.0% | 0.0 pp | 0.0 pp |

**Revenues/ (Customer Business[1])**




- **Retail (mass & affluent) banking revenues up 29% y/y** driven by **above sector volume growth** as a result of **increased commercial effectiveness** compensating the negative effect of margin pressure
- **Significant pick up in consumer lending in 1H10** mainly driven by mortgages and general purpose loans **Innovative product bundling approach also supportive of retail loan and deposit growth** (~130K mass & affluent product bundles sold as of June 2010)
- **Consumer loan NPL ratio at 5.7%[2]** (vs 7.7% in December 2009) driven by **asset quality improvement** on the back of **macroeconomic recovery** and **NPL sale** in 1Q10
- **Better integration of retail with credit card business** to **develop existing customer base** and **increase cross-sell**

Note: Volumes (loans, deposits and AUM) based on monthly averages except for revenues/loans ratio which is based on 3-month average. MIS data
1 Customer business: Loans + Deposits + AUM
2 Including cross default. If excluding, 1H10: 4.4%

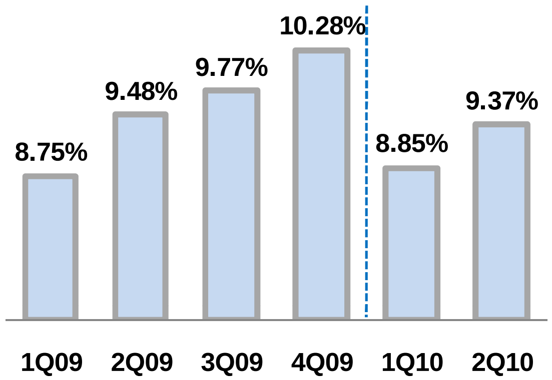
Retail (SME)

# SME banking revenues up 4% y/y due to low interest rate environment



| *Mln TL* | 1H10 | YoY | YTD |
|---|---|---|---|
| **Revenues** | **427** | **4%** | **-** |
| **Loans** | **5,193** | **11%** | **22%** |
| **Deposits** | **4,415** | **25%** | **14%** |
| **AUM** | **704** | **21%** | **10%** |
| **% of Demand in SME Deposits** | **39.2%** | **4.0 pp** | **0.0 pp** |
| **TL % in SME Deposits** | **69.9%** | **3.2 pp** | **2.7 pp** |
| **% of TL in SME Loans** | **97.4%** | **0.3 pp** | **-0.1 pp** |

**Revenues/ (Customer Business[1])**




- **SME revenues increasing 4% y/y** due to low interest rate environment
- **SME loans up 22% ytd** driven by continued **customer-business focus** and **increased commercial effectiveness** also supported by **product bundling approach** (~36,000 SME product bundles sold as of June 2010)
- **SME NPL ratio at 7.6%** (vs 12.6% in December 2009) on the back of **asset quality improvement** driven by **macroeconomic recovery, enhanced credit risk infrastructure** and **NPL sale in 1Q10**
  - **Restructuring / crash programs** continuing to deliver positive results

Note: Volumes (loans, deposits and AUM) based on monthly averages except for revenues/loans ratio which is based on 3-month average. MIS data
1 Customer business: Loans + Deposits + AUM

# Credit card net revenues down by 13% y/y due to continued cap rate decreases in a stable interest rate environment and decline in turnover/interchange fees



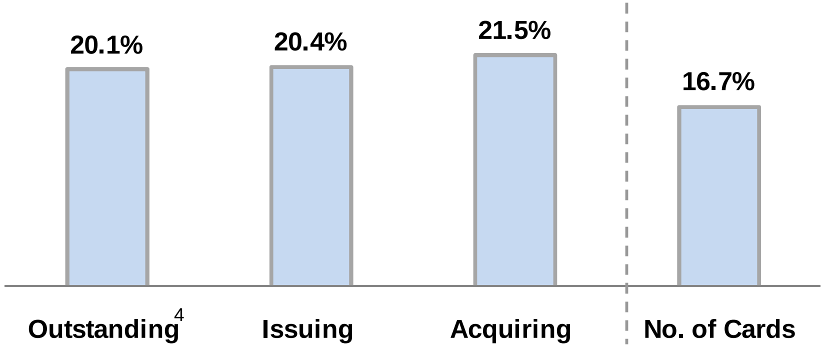
| *Mln TL* | 1H09 | 1H10 | YoY | YTD |
|---|---|---|---|---|
| **Revenues** | 639 | 539 | -16% | - |
| **Net Revenues[(1)] (mln TL)** | 590 | 513 | -13% | - |
| **# of Credit Cards[(2)] (mln)** | 7.6 | 7.7 | - | - |
| **# of merchants (ths)** | 276 | 315 | 14% | 8% |
| **# of POS (ths)** | 333 | 385 | 16% | 8% |
| **Activation** | 84.4% | 84.6% | 20 bps | 40 bps |

## Credit Card Volumes & Market Shares[3]

**Volumes** (bln TL):

| Outstanding | Issuing | Acquiring |
|---|---|---|
| 8.1 | 22.7 | 24.0 |

**Market Shares:**




- **~470 ths new World cards** issued in 1H10
- **Credit card net revenues[1] down 13% y/y** due to:
  - **continued decrease in cap rates** (46 bps of reduction in 1H10)
  - **lower commission income** driven by **decline in turnover/interchange fees due to lower issuing volume**
- **Credit Card NPL ratio** at **7.5%** (vs.10.0% in 4Q09 and 4.4% in 1Q10) driven by **positive impact of restructurings, macroeconomic recovery** and **NPL sale in 1Q10**

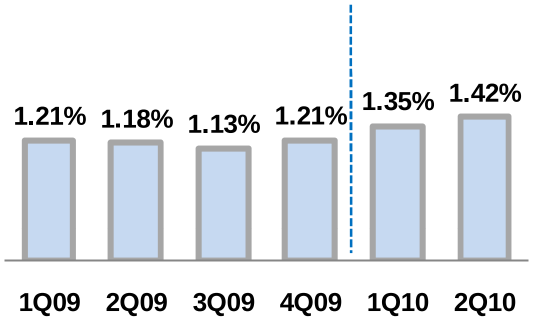
1 Net of loyalty point expenses on World card
2 Including virtual cards (1H09: 1.5 mln, 1H10: 1.5 mln)
3 Market shares and volumes based on bank-only 3-month cumulative figures
4 Based on personal and corporate credit card outstanding volume. Retail credit card outstanding volume (excluding corporate) market share: 20.1%

# Private banking revenues up 12% y/y mainly driven by sustained AUM volumes and strong fee growth



| *Mln TL* | 1H10 | YoY | YTD |
|---|---|---|---|
| Revenues | 89 | 12% | - |
| Loans | 196 | -5% | -2% |
| Deposits | 10,872 | 0% | 8% |
| AUM | 2,295 | 13% | 1% |
| % of Demand in Priv. Deps. | 6.4% | 0.1 pp | -0.9 pp |
| TL % in Private Deposits | 59.7% | 8.3 pp | 10.1 pp |
| % of TL in Private Loans | 100.0% | 0.0 pp | 0.0 pp |

**Revenues/ (Customer Business[1])**




- **Private banking revenues up 12% y/y** driven by sustained AUM volumes and also strong fee generation capability
- **Deposits up 8% ytd** and **mainly driven by TL** as a result of TL driven lending strategy
- **Continued focus on leveraging on product factories** in distribution of **asset management** and **brokerage products** with further **development of existing customer base** and **customer acquisition**

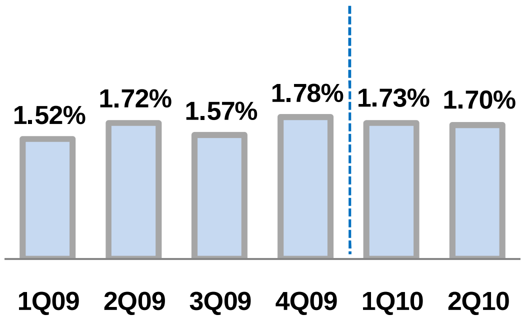
Note: Volumes (loans, deposits and AUM) based on monthly averages except for revenues/loans ratio which is based on 3-month average. MIS data
1 Customer business: Loans + Deposits + AUM

# Corporate banking revenues up 1% y/y impacted by margin pressure as a result of increased competition



| *Mln TL* | 1H10 | YoY | YTD |
|---|---|---|---|
| Revenues | 117 | 1% | - |
| Loans | 8,005 | 7% | 11% |
| Deposits | 8,138 | 21% | 54% |
| AUM | 35 | -74% | -70% |
| % of Demand in C. Deposits | 8.7% | -1.0 pp | -4.8 pp |
| TL % in Corp. Deposits | 41.4% | 10.5 pp | 17.7 pp |
| % of TL in Corp Loans | 23.3% | 9.2 pp | 6.0 pp |

**Revenues/ (Loans + Deposits)**




- **Corporate banking revenues up 1% y/y** mainly due to **lower net interest income** as a result of **margin pressure** driven by **increased competition**
- **Loans up 11% ytd** driven by **strong focus on higher yielding project finance loans**
- **Sound asset quality** (Corporate/Commercial NPL ratio at 1.4%) **further improved** due to continued focus on **managing exposures at risk through increased collateralisation, collections, restructurings** and **NPL sale during 1H10**

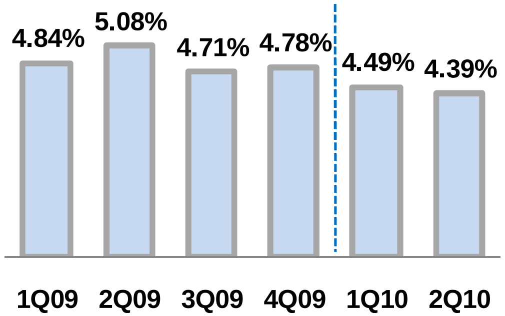
Note: Volumes (loans, deposits and AUM) based on monthly averages except for revenues/loans ratio which is based on 3-month average. MIS data

# Commercial banking revenues down 3% y/y impacted by increased competition and low interest rate environment



| *Mln TL* | 1H10 | YoY | YTD |
|---|---|---|---|
| **Revenues** | 426 | -3% | - |
| **Loans** | 14,603 | 34% | 28% |
| **Deposits** | 6,968 | 6% | 11% |
| **AUM** | 211 | -43% | -42% |
| **% of Demand in Com. Deposits** | 33.5% | 7.6 pp | 1.6 pp |
| **TL % in Comm. Deposits** | 42.3% | 2.4 pp | 4.1 pp |
| **% of TL in Com. Loans** | 42.3% | 1.4 pp | 2.1 pp |

**Revenues/ (Loans + Deposits)**




- **Commercial banking revenues down 3% y/y** mainly due to **lower net interest income** as a result of **margin pressure** driven by **increased competition** and **low interest rate environment**
- **Loans up 28% ytd** driven by **macroeconomic recovery** and **increased commercial effectiveness**
- **Sound asset quality** (Corporate/Commercial NPL ratio at 1.4%) **further improved** due to continued focus on **managing exposures at risk through increased collateralisation, collections, restructurings** and **NPL sale during 1H10**

Note: Volumes (loans, deposits and AUM) based on monthly averages except for revenues/loans ratio which is based on 3-month average. MIS data

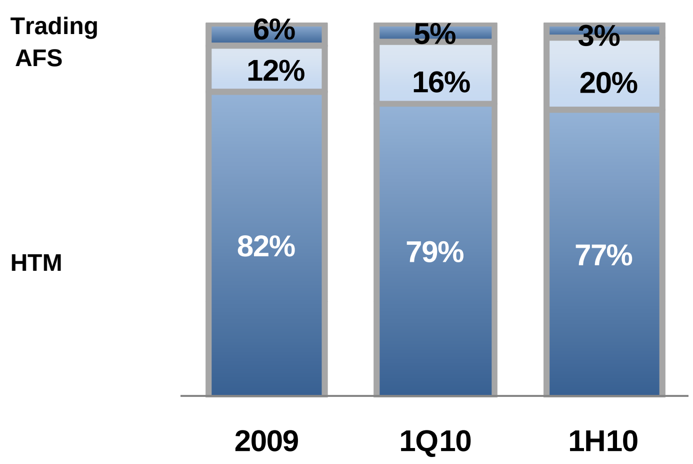
# AGENDA

- **Annex**
  - Detailed Performance by Strategic Business Unit
  - **Other**

# 77% of securities portfolio invested in HTM

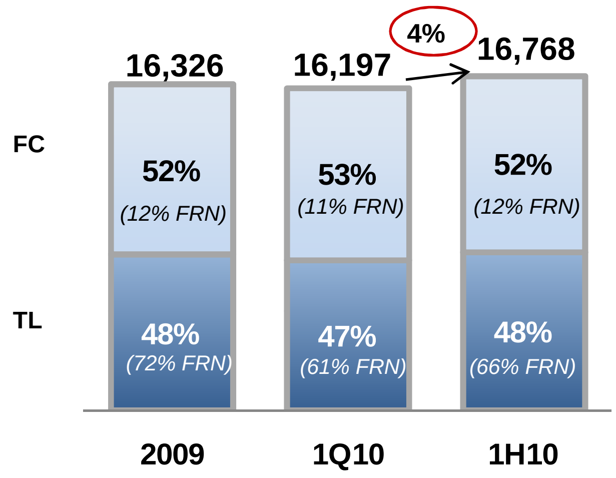


## Securities Composition by Type




## Securities Composition by Currency

(mln TL)




- **Share of Held to Maturity (HTM) at 77%** (vs 79% in 1Q10). **HTM mix in total securities higher at bank level at 80%**
- **Share of securities in total assets slightly decreasing to 20.4%** (vs 21.9% in 1Q10)

FRN: Floating Rate Notes

# International borrowings



| | |
|---|---|
| Syndications | **~2 bln USD outstanding**<br>▪ Apr 11: ~USD 1 bln, Libor +1.5% bps all-in cost, 1 year<br>▪ Sept 10: ~USD 985 mln, Libor + 2.25% bps all-in cost, 1 year |
| Securitisations | **~1 bln USD outstanding resulting from market transactions concluded in Dec 06 and Mar 07**<br>▪ 7-8 year, 6 wrapped tranches, Libor+18 bps-35 bps +insurance premiums |
| Subloans | **€1,050 mln outstanding**<br>▪ €500 mln - YKB Mar 06 (10NC5, Libor+2.00% p.a.)<br>▪ €350 mln - Koçbank Apr 06 (10NC5, Libor+2.25% p.a.)<br>▪ €200 mln - YKB Jun 07(10NC5, Libor+1.85% p.a.) |
| Other | ▪ **Sace Loan:** €100 mln in Jan 07 to support Italian trade finance transactions (5 years, all-in Euribor+1.20% p.a.)<br>▪ **EIB Loan:** €100 mln in July 08 and €200 mln in Oct 09 to support SMEs in Turkey (10-12 years)<br>▪ **IBRD (World Bank) Loan:** $25 mln 6 year loan signed in Nov 08 to be disbursed on a project basis (Libor+1,50% p.a.) |

# 2010 NPL sale details

| *TL mln* | March 2010 | May 2010 |
|---|---|---|
| Segment | Credit Cards, SME and Individual Loans | Corporate and Commercial Loans |
| Buyer | Girişim Varlık Yönetimi, LBT Varlık Yönetimi, Standard Varlık Yönetimi | LBT Varlık Yönetimi |
| Portfolio Sold | 681.0 | 299.1 |
| *o/w Amount affecting Balance Sheet* | *499.3* | *270.1* |
| *o/w Already Written-off* | *125.0* | *-* |
| *o/w Overdue Interest* | *56.7* | *29.0* |
| Consideration | 70.1 (~10 cents / $) | 7.5 (2.5 cents / $) |
| Portfolio Coverage[1] | 88.4% | 99.0% |
| Gross Profit[2] | ~12.0 | ~4.5 |
| Average Age of Portfolio | NPLs predominantly from 2008 | NPLs originating between 1997-2009 |
| Collateralisation | Limited | Very limited |

1 Excluding written-off amount
2 Excluding legal / transaction expenses