

**Among private  
sector banks...**

**4<sup>th</sup>**  
in total asset size

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**Credit cards...**

**leader**

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**Leasing...**

**leader**

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**Factoring...**

**leader**

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**Health insurance...**

**leader**

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**Asset management...**

**2<sup>nd</sup>**

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**Pension funds...**

**3<sup>rd</sup>**

# Finance



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## Finance sector in 2009

Despite subdued economic activity and deteriorating asset quality, the Turkish banking sector maintained its resilience and stability with its sound capital structure and high liquidity. In 2009, Turkish banks pursued strategies focused on profitability, liquidity, capital and funding rather than aggressive growth.



Strong liquidity, sound asset and funding structure, solid capital adequacy and risk management, the importance given to internal control and corporate governance were the main factors behind the resilience of the Turkish banking sector to the global financial crisis.

### 6% growth in loans

In an environment characterized by weak demand and macroeconomic uncertainty, loan growth was weak, especially in the first half of the year. Total loans in the sector (excluding participation banks) registered a growth of 6% in 2009 driven especially by improvement in lending appetite toward the end of the year in specific products including mortgages (14% growth) and general purpose loans (14% growth). The banking sector did not encounter funding difficulties in 2009, with total deposits growing 14% compared to the end of 2008.

The most evident effect of the economic contraction manifested itself in the asset quality deterioration of the sector. The ratio of non-performing loans (NPL) to total loans, which was 3.5% at the beginning of the year, increased to 5.2% by year end, though remaining stable compared to September 2009. Significant increase in the NPL ratio of credit cards, consumer loans and commercial installment loans were the main drivers of the asset quality deterioration during the year.

### 53% increase in sector profitability

Strong liquidity, sound asset and funding structure, solid capital adequacy and risk management as well as the importance given to internal control and corporate governance were the main factors behind the resilience of the Turkish banking sector to the global financial crisis.

Continuous rate cuts by the Central Bank throughout the year also had a positive effect on the profitability of the sector. As a result of the rapid fall in cost of funding together with slower adjustment in asset yields, interest margins expanded significantly, bringing a 36% year-on-year increase in net interest income at sector level. Banks managed to increase their net fees and commission income by 13% in this period, despite weak lending. Consequently, the total revenues of the sector registered an increase of 32% year-on-year. With solid cost control, the sector successfully kept the growth in its operating expenses at a mere 5% in this period. Finally, despite a sharp increase of 85% in loan loss provisions due to rising NPLs, the Turkish banking sector recorded a year-on-year increase of 53% in net income and a return on equity of 23%.

## Koç Group Finance Segment

Koç Financial Services, a 50-50 joint venture between Koç Holding and UniCredit Group Italia and Turkey's first consumer finance company Koçfinans operate in this segment. Koç Financial Services is the parent company of Yapı Kredi, established in 1944 as Turkey's first private nationwide bank, its subsidiaries and UniCredit Menkul Değerler A.Ş., which joined the Group on August 15, 2008.

Through sustained efforts to continuously improve service quality and customer satisfaction, Yapı Kredi served 6 million active customers through its extensive network of 838 branches. As of the end of 2009, Yapı Kredi's total consolidated assets reached TL 71.7 billion, making it the 4<sup>th</sup> largest private bank in the country.

Yapı Kredi maintains leading positions in key segments and products supported by its strong franchise, large network and leading brand.

The Bank is the leader in credit cards (20.4% market share in outstanding and 21.4% market share in issuing volume). In addition, Yapı Kredi holds leading positions in factoring (leader with 26.9% market share), leasing (leader with 16.1% market share), asset management (2<sup>nd</sup> player with 18% market share), brokerage services (2<sup>nd</sup> player with 6.4% market share), private pension funds (3<sup>rd</sup> player with 15.0% market share) and life and non-life insurance (5.1% and 5.7% market shares, respectively) through its domestic subsidiaries. Yapı Kredi also has international banking operations in the Netherlands, Russia and Azerbaijan.

Yapı Kredi operates the 4<sup>th</sup> largest branch network in the Turkish banking sector with 838 branches located in more than 70 cities. High quality products and services are also provided to customers through alternative delivery channels including rich content telephone, internet and mobile banking as well as 2,353 ATMs, the 5<sup>th</sup> largest network in Turkey.

Yapı Kredi served 6 million active customers through its extensive network of 838 branches.

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## Yapı Kredi

### Domestic Market Position:

4<sup>th</sup> among private sector banks in asset size  
 Leader in credit cards (20.4% in outstanding and 21.4% in issuing volume), factoring (26.9%) and leasing (16.1%)  
 2<sup>nd</sup> in asset management (18%) and brokerage services (6.4%)  
 3<sup>rd</sup> in private pension funds (15.0%)

### Network:

838 branches (4<sup>th</sup> largest network)  
 2,353 ATMs (5<sup>th</sup> largest network)  
 6 million active customers  
 7.6 million credit cards<sup>1</sup>  
 (2<sup>nd</sup> in number of credit cards)

### Total Loans:

\$26,473 million

### Capital Adequacy Ratio:

17.8% (Bank)  
 16.5% (Group)

### Total Revenues:

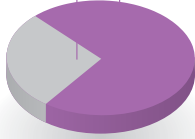
\$ 4,136 million

### Total Assets:

\$ 48,865 million

### Shareholder Structure:

Koç Financial Services  
 81.8%  
 Free Float  
 18.2%



[www.yapikredi.com.tr](http://www.yapikredi.com.tr)

<sup>1</sup> Including virtual cards (2009: 1.5 million virtual cards)

### Why Yapı Kredi?

- Leader in credit cards
- Strong capital structure
- Bank of the Year in Turkey
- Best Private Banking Services in Turkey
- Most creative call center
- Best corporate internet bank

## 2009 highlights

Yapı Kredi utilized this period characterized by subdued loan demand and sluggish business activity to reinforce its position by adopting a flexible approach to proactively align its strategy and priorities to the rapidly changing environment. Throughout this period, Yapı Kredi maintained its focus on core banking operations while investing in projects aimed at increasing commercial effectiveness and developing innovative new products and services. Yapı Kredi also increased its emphasis on efficiency and productivity so as to be best positioned for rapid growth when macroeconomic conditions normalize.

### A powerful performance maintained through continuous customer support

In 2009, Yapı Kredi maintained its profitability thanks to solid revenue growth and cost containment efforts, coupled with proactive credit risk management and focus on innovation. Yapı Kredi increased its consolidated net income by 23% year-on-year to TL 1,553 million. Return on average equity was 22.7% driven by strong revenue performance and tight cost containment. Cost/income ratio improved to 41.3% compared to 53.3% at the end of 2008, an improvement of 12 points.

In view of asset quality deterioration, due to unfavourable macroeconomic conditions, Yapı Kredi improved its risk management approach and undertook a series of initiatives aimed at maintaining asset quality. The Bank launched a number of important projects to improve its credit infrastructure and undertook proactive restructuring programs to increase collections and to support customers in temporary difficulty.

Yapı Kredi entered the challenging environment in 2009 with a strong capital, liquidity and funding position. Leveraging on its deep-rooted banking relationships and solid financial performance, Yapı Kredi successfully secured around \$ 410 million syndication with an all-in cost of Libor+2.50% per annum in April and around \$ 985 million syndication with an all-in cost of Libor+2.25% per annum in September. The Bank maintained its comfortable liquidity and funding position in 2009 with a loan to deposit ratio of 90.5%.

Despite adverse market conditions, Yapı Kredi continued its investment in strategic focus areas in 2009 to be best positioned for growth through improvements in infrastructure, efficiency and commercial effectiveness.

One of the most important strategic ventures undertaken by Yapı Kredi in 2009 was the revamping of the organizational structure, aimed at improving service quality as well as increasing efficiency through enhancement of synergies between business units, product factories and international banking operations. Other major strategic projects and initiatives undertaken in 2009 included improvements in the customer relationship management (CRM) system, investments in the management information systems (MIS) infrastructure, migration of credit card operations and retail credit risk management applications to a new platform and reinforcement of the bancassurance business.

### Expansion of branch network

The Bank had launched a branch expansion plan in July 2007 with the aim of achieving accelerated growth. As part of its branch expansion plan, Yapı Kredi opened 250 new branches in 18 months and recorded the highest number of openings in the sector in 2008 with 185 net new branch openings. At the beginning of 2009, the branch expansion plan was put on a temporary hold in view of the global crisis. In order to utilize this period effectively, Yapı Kredi shifted its focus towards the optimization of branch network via relocation, renovation and enlargement of 75 branches aimed at improving service quality and customer satisfaction. As macroeconomic conditions started to stabilize towards the end of the year, the branch expansion plan was resumed in December 2009, with 7 new retail branch openings.

### Customer and employee satisfaction

In 2009, Yapı Kredi continued to provide support for its customers and leveraged on its alternative delivery channels to provide better customer service. The share of alternative delivery channels in total banking transactions increased to 74% in 2009 from 69% in 2008.

Yapı Kredi developed state of the art customer satisfaction monitoring systems and 12,000 internal and 70,000 external customers were surveyed in 2009 with an aim to understand, measure and monitor the satisfaction and expectations of both internal and external customers.

Considering employee engagement as a key enabler of customer satisfaction, Yapı Kredi continued its efforts to improve the satisfaction of employees in 2009. The Bank invested in improving employees' qualifications so as to provide the highest quality customer service and launched the Yapı Kredi Banking Academy in October 2009, a first in the banking sector in terms of size, scope and function.

## Focus on innovation

Yapı Kredi further enhanced its strong position in innovation with the launch of new products and services tailored to meet the diverse needs of its extensive customer base. The innovative products and services Yapı Kredi introduced in 2009 include product and service packages that offer tailored solutions for SMEs; an exclusive iPhone financial application, a first in Turkey, providing customers instantaneous access to financial markets and easy reach to the Yapı Kredi Call Center; a new credit card, "adios", dedicated to customers who travel frequently, providing privileged travel advantages and campaigns; specially designed ATMs offering banking services to physically impaired customers, a first in Turkey; a tool designed to facilitate the offering of tailored products and services to hearing impaired customers through online chat sessions; and three new capital guaranteed funds with varying fund strategies aimed at satisfying the diverse investment choices of private banking customers.

## Increasing Corporate Governance performance

Yapı Kredi's corporate governance rating increased to 8.44 in 2009 from 8.02 in 2008. Yapı Kredi is the only bank in its peer group that is included in the Istanbul Stock Exchange Corporate Governance Index.

## Awards

Yapı Kredi won many awards in 2009: Bank of the Year in Turkey (The Banker); The Best Private Banking Services in Turkey (Euromoney); Most Creative Call Center (IMI Conferences Istanbul Call Center Awards); Best Consumer Website Design in Europe (Global Finance); Best Corporate Website Design in Europe (Global Finance); Best Corporate Internet Bank in Turkey (Global Finance) and Building of the Year in Training Category - Yapı Kredi Banking Academy (ArchDaily). Yapı Kredi's credit card programme "World" received The Best of the Best (Visa Europe Member Awards 2009); The Best New Customer Proposition (Visa Europe Member Awards 2009); The 10<sup>th</sup> Most Valuable Credit Card Brand in the World (The Banker) and Turkey's Largest and Europe's 6<sup>th</sup> Largest Credit Card Programme (The Nilson Report) awards.

## 2010 targets

Yapı Kredi anticipates that 2010 will be a year with higher volume growth as a result of the macroeconomic recovery. Having successfully completed key investments aimed at increasing commercial productivity, Yapı Kredi is well-positioned for growth with a sound, flexible and customer-oriented approach.

In 2010, Yapı Kredi will continue to focus on achieving superior customer satisfaction, sustainable growth and improvement in commercial effectiveness while maintaining strong emphasis on asset quality, cost control and efficiency.

## Yapı Kredi's subsidiaries

**Yapı Kredi Leasing** was the market leader with 16.1% market share as of 2009-end and is the only Turkish member of the Multilease Association, an international organization of major leasing companies.

A leading company in the sector since 2002, **Yapı Kredi Faktoring** (Factoring) dominated the market in 2009 with 26.9%.

**Yapı Kredi Portföy Yönetimi** (Asset Management) ranks 2<sup>nd</sup> in mutual funds in Turkey with 18% market share. It holds a M2+(tur) rating by Fitch Ratings, the highest among Turkish asset management companies.

**Yapı Kredi Yatırım Ortaklığı** (Investment Trust) is Turkey's 2<sup>nd</sup> largest investment trust. As of the end of 2009, it had a portfolio worth TL70.5 million and a market share of 10.1%.

**Yapı Kredi Yaptırım** (Invest) was the 2<sup>nd</sup> brokerage house, with 6.4% market share of the equity market on the basis of all transactions conducted on the Istanbul Stock Exchange.

## International banking operations

**Yapı Kredi Bank Moscow** aims to contribute to the development of Turkish-Russian relations by providing banking products and services to meet the needs of Turkish corporate and commercial customers doing business in Russia.

**Yapı Kredi Bank Nederland** provides a wide range of retail, corporate and private banking services in the Netherlands, as well as foreign trade financing.

**Yapı Kredi Bank Azerbaijan**, one of the few private equity banks in Azerbaijan, aims to take advantage of the opportunities for growth, particularly continued organic growth, this market offers. The Bank supports domestic and foreign customers of Yapı Kredi doing business in Azerbaijan.

## Other subsidiaries

**Yapı Kredi Sigorta** (Insurance) led the health insurance sector with a 20% market share.

**Yapı Kredi Emeklilik** (Pension) is one of the leading companies in the sector. It ranked 3<sup>rd</sup> in terms of fund size with a market share of 15.1% and 5<sup>th</sup> with 5.1% market share in life insurance.

**Yapı Kredi Kültür Sanat Yayıncılık** (Culture Art & Publishing), which was founded in 1984, is one of Turkey's most established and prestigious culture and art companies. It provides services to the public through the Yapı Kredi Cultural Center and Yapı Kredi Publications.

**Yapı Kredi Koray** began operations in 1996 and has pioneered many successful projects in the areas of residential and commercial real estate development.

**Banque de Commerce et de Placements (BCP)**, founded in 1963 in Switzerland, offers high quality service to customers in the areas of foreign trade financing, private banking, treasury transactions and correspondence banking.

Established in 2008, **UniCredit Menkul Değerler** operates in equity markets, corporate finance, merger and acquisition advisory, corporate sales and equity-based research.

## Koçfinans

Koçfinans is the first consumer finance company in Turkey and the sector leader with 23.4% market share and high loan volume. In 2009, the Company's total loan volume reached TL625.6 million, representing 46,000 individual loans. Of these loans, TL570.1 million was for cars, TL48.4 million for consumer durables and TL7.1 million for mortgages.

Koçfinans is the only financing company providing loans in such diverse segments as mortgage, heating-cooling, furniture, consumer durables, motorcycles and education. Despite the financial crisis and the contracting loan markets, the Company successfully completed TL100 million corporate bond issue on June 2, 2009.

Koçfinans, started offering insurance brokerage services in 2009 in connection to the loans extended to its customers.

