

# Yapi Kredi Bank Azerbaijan

## Executive Presentation

# Content

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 **Azerbaijan: The fastest growing economy in the region**

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 Azerbaijani Banking System & Business environment

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 Yapı Kredi Bank Azerbaijan

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# Country Information

- Area: **86,600 sq. km.**
- Population: (2014) **9.5 million**
- GDP per capita (2014): **8,173\$**
- Life expectancy (2014): **74**
- Literacy rate : **99.8**
- Language: **Azeri**
- Capital: **Baku**
- Other main cities: **Ganja, Sumgait  
Lankaran, Mingachevir**
- Borders with **Iran** (611 km), **Turkey** (9 km),  
**Russia** (284 km), **Georgia** (321 km) and  
**Armenia** (787 km)
- Currency: Manat (1 USD = AZN 1.05)



**STANDARD  
& POOR'S**  
BBB-

**Fitch**  
BBB-

**MOODY'S**  
Baa2\*

\*<http://www.tradingeconomics.com/azerbaijan/rating>

# Country highlights

**Economic Growth:** Azerbaijan has increased its economic potential since 2006, owing to buoyancy in the oil sector. The country has enjoyed comfortable economic boom following high oil prices. Since 2010 there has been a marked shift in the underlying economic dynamics, with considerable movement toward developing the non-oil sector. Output from the oil industry, which accounts for around 50% of GDP, will decline overall in 2015-19. However, investment will remain high in the energy sector in advance of the launch of the Shah Deniz II gas field in late 2018. According to the report of the World Economic Forum, Azerbaijan was one of the most competitive economy in the 50 countries and more than 4 years, maintains a leading position among the CIS countries



**International Relations:** Azerbaijan is focused on resolution of Nagorno-Karabakh conflict and energy issues. Relations with European countries, which have long-standing economic and other ties will remain strong. Azerbaijan has multilateral diplomatic relationships with United Nations, OSCE, Council of Europe, NATO, European Union, OIC, GUAM, UNESCO, OAS. Azerbaijan was elected as one of the members of the Human Rights Council established by General Assembly.



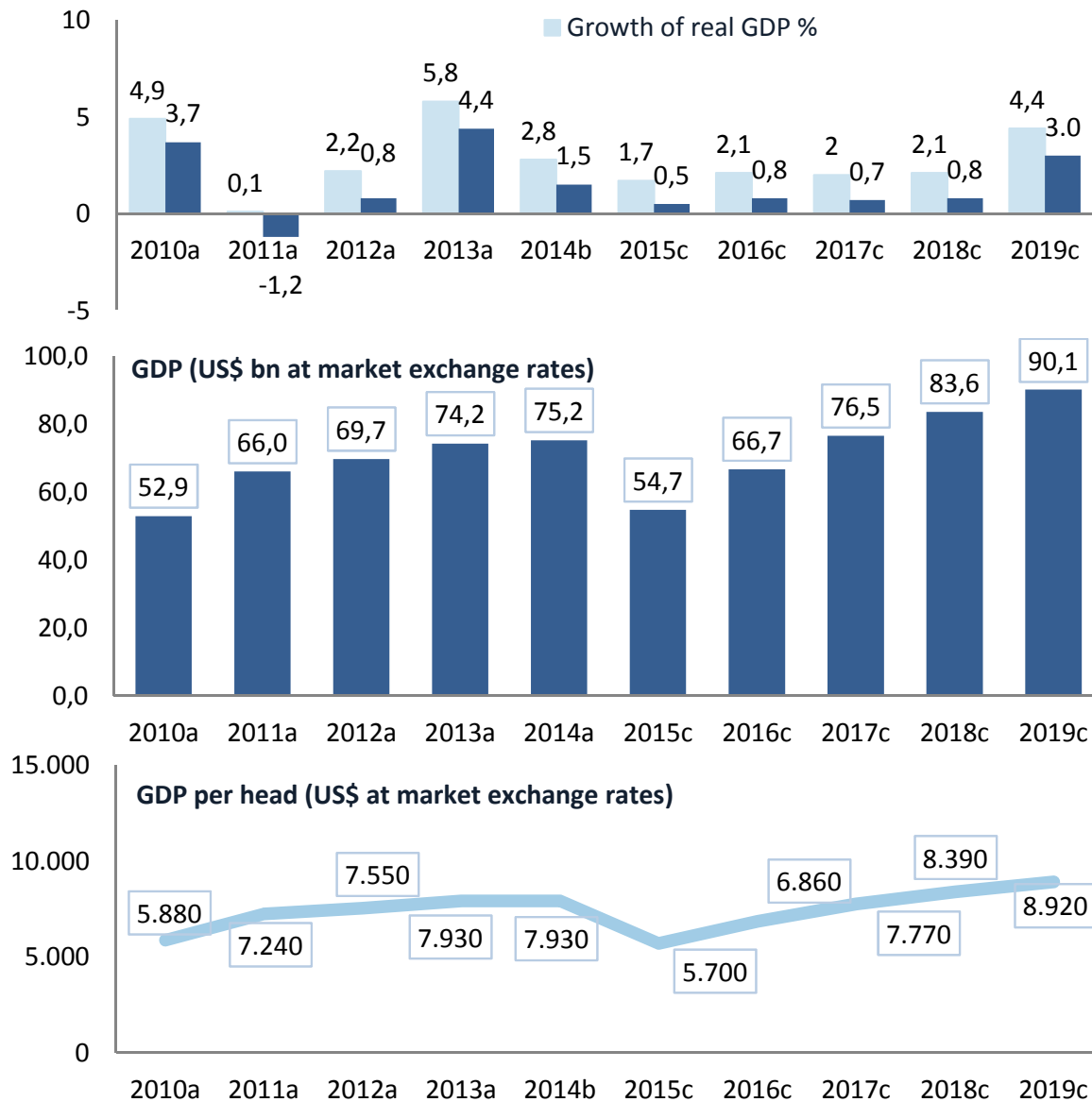
Source: Economist Intelligence Unit

**Political Stability:** In October 2013 President Ilham Aliyev won a landslide victory by winning 84.5 percent of the votes, which marked his 3<sup>rd</sup> term in Azerbaijan.

**Inflation:** The devaluation of the Manat in February 2015 will lead to a sharp rise in inflation this year, but will relieve fiscal and balance-of-payments pressures.

**Exchange Rate:** Following the devaluation, the Manat is expected to appreciate slightly from its new level during the remainder of 2015 and 2016.

# National Accounts



➤ **The remarkable growth performance over 2007-2014** reflects gains in term of trade and an improvement in macroeconomic management, notably on the fiscal front.

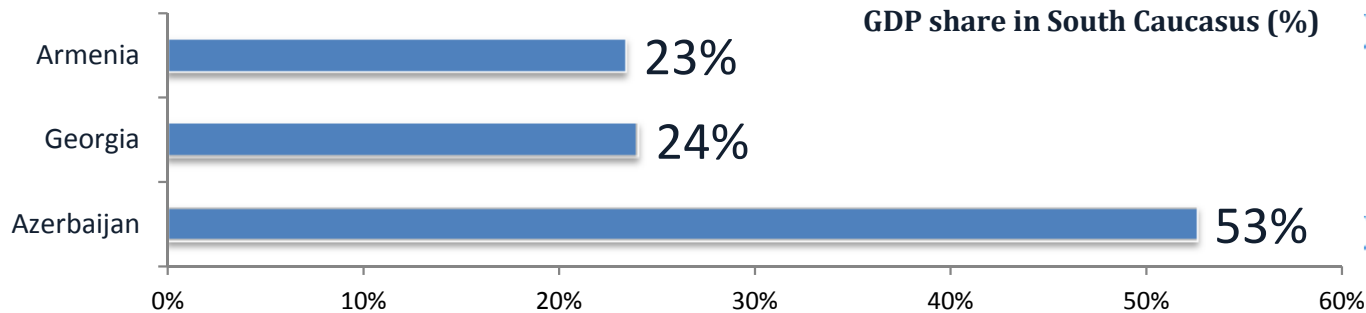
➤ **Azerbaijan's government finances are solid. The assets of SOFAZ** accounted for **USD 37.1 billion** as of 2014, December.

➤ **GDP per head at market exchange rates** is behind Russia and Kazakhstan in the Commonwealth of Independent States (CIS).

➤ **The authorities will continue to pursue policies aimed at diversifying the economy** away from its reliance on oil, with only limited success.

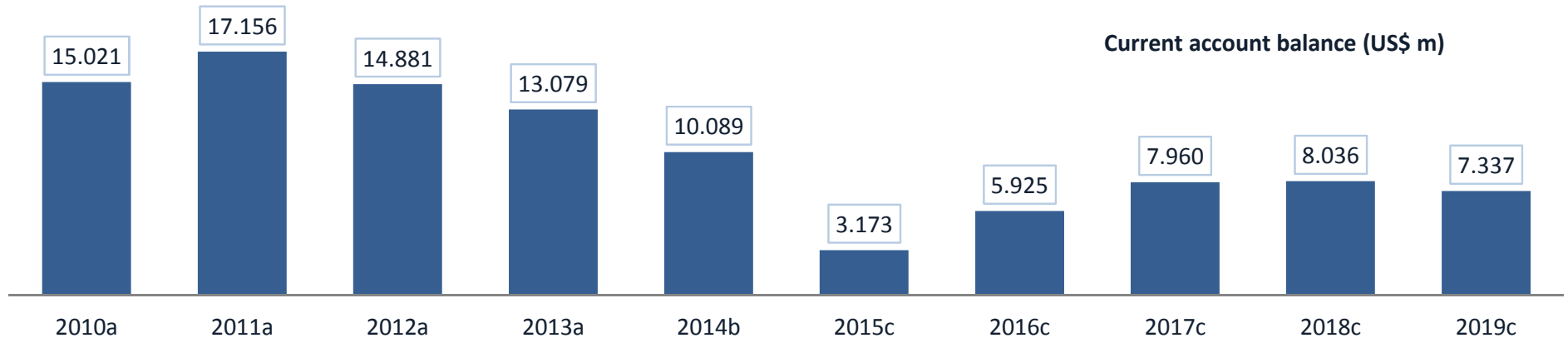
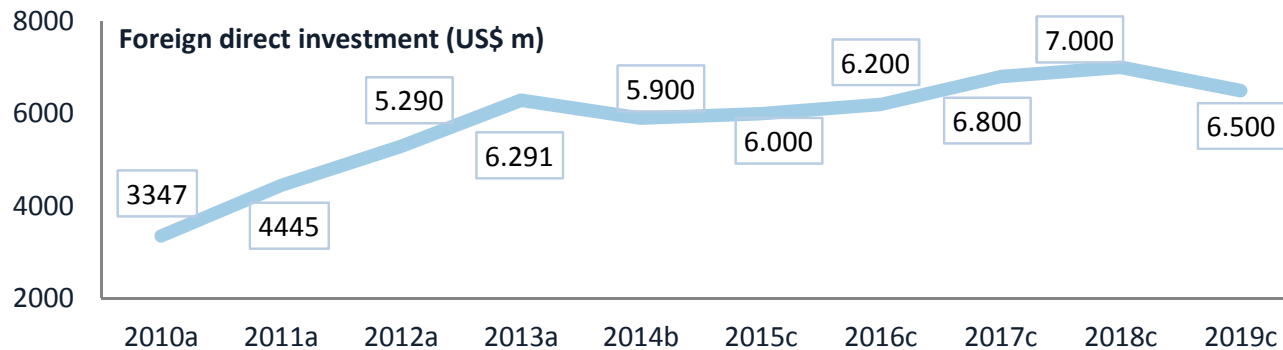
Source: Economist Intelligence Unit

# National Accounts



➤ FDI flows to Azerbaijan are dominated by oil and gas sectors

➤ Output from the oil sector, which accounts for 50% of GDP, will be flat in 2014-18. However, investment will remain high in the energy sector in advance of the launch of the Shah Deniz gas field in late 2018.



Source: Economist Intelligence Unit

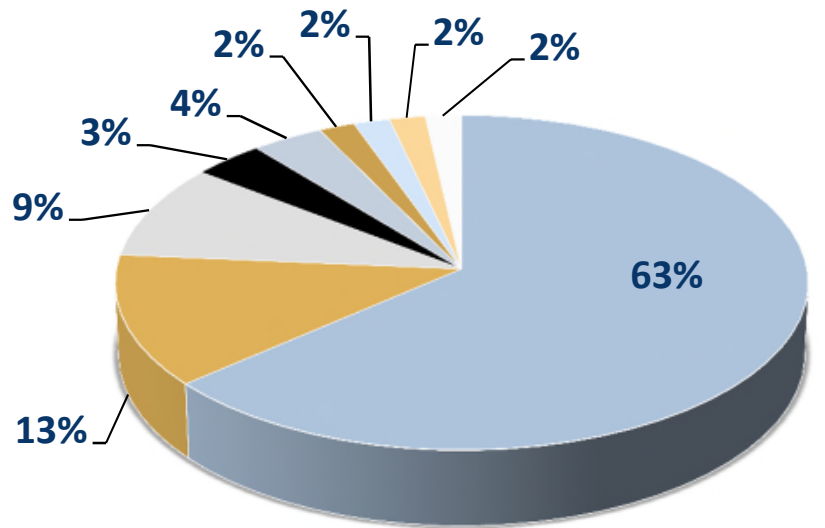


# Multinationals and the largest local companies of Azerbaijan



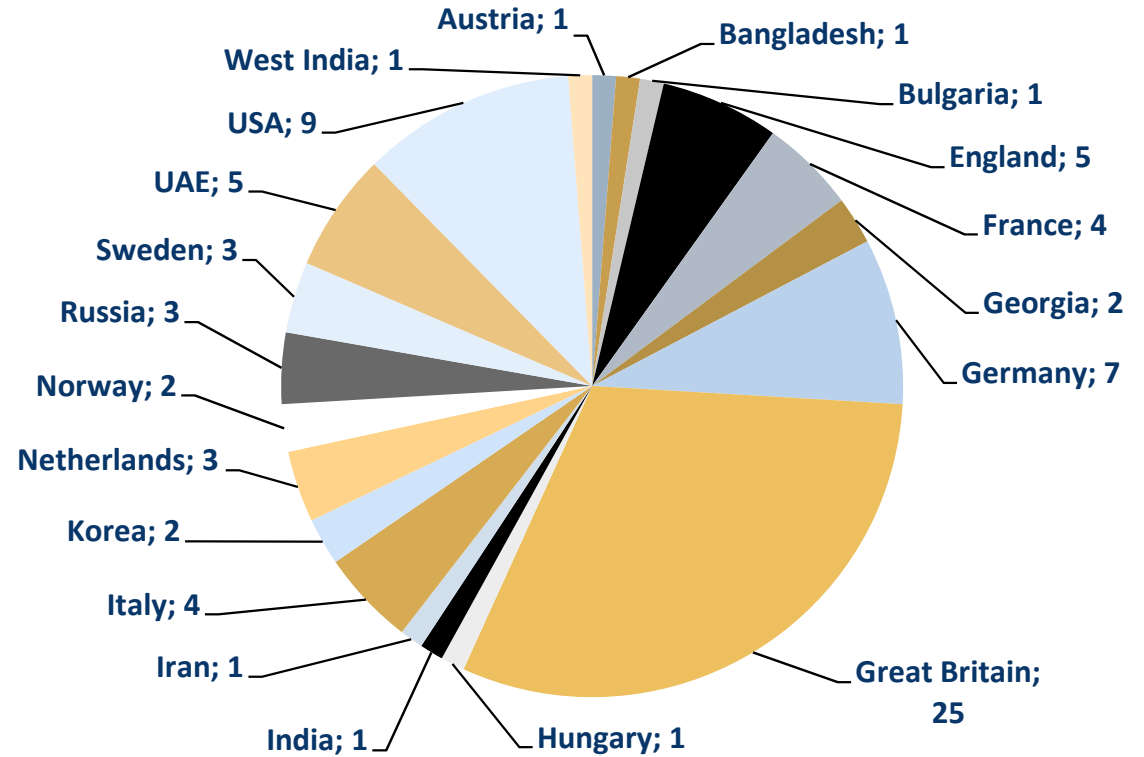
# Multinational companies working with YapiKredi Azerbaijan

## Sectors



- oil and gas sector
- construction, engineering and installation services
- transportation, logistic and shipping services
- software products and services
- trading
- IT equipment
- food industry
- shore processing services in the maritime sector
- innovative security technologies

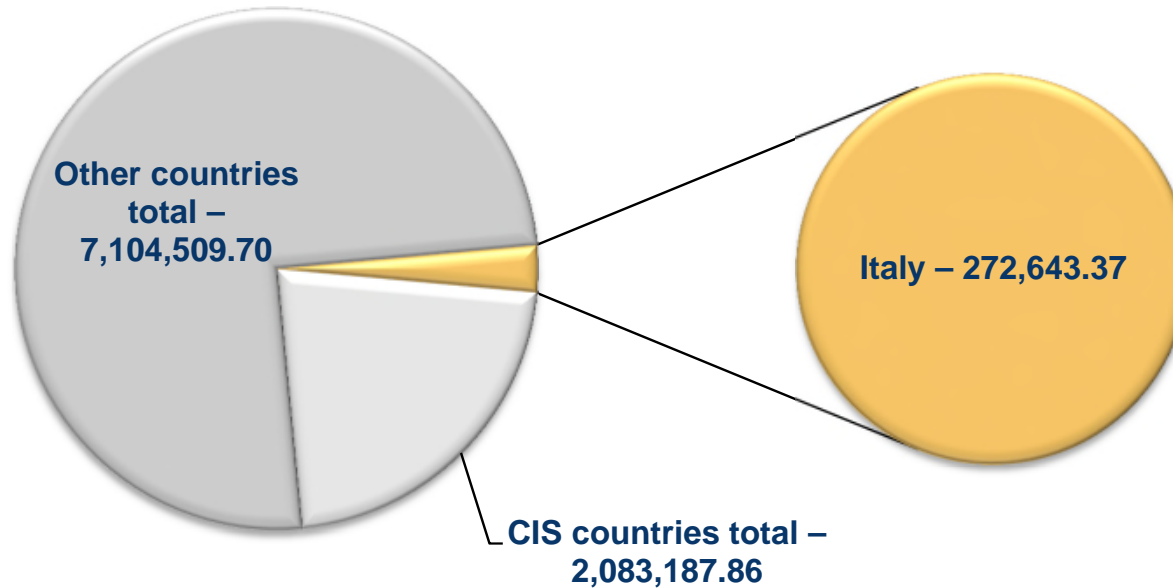
## Country breakdown



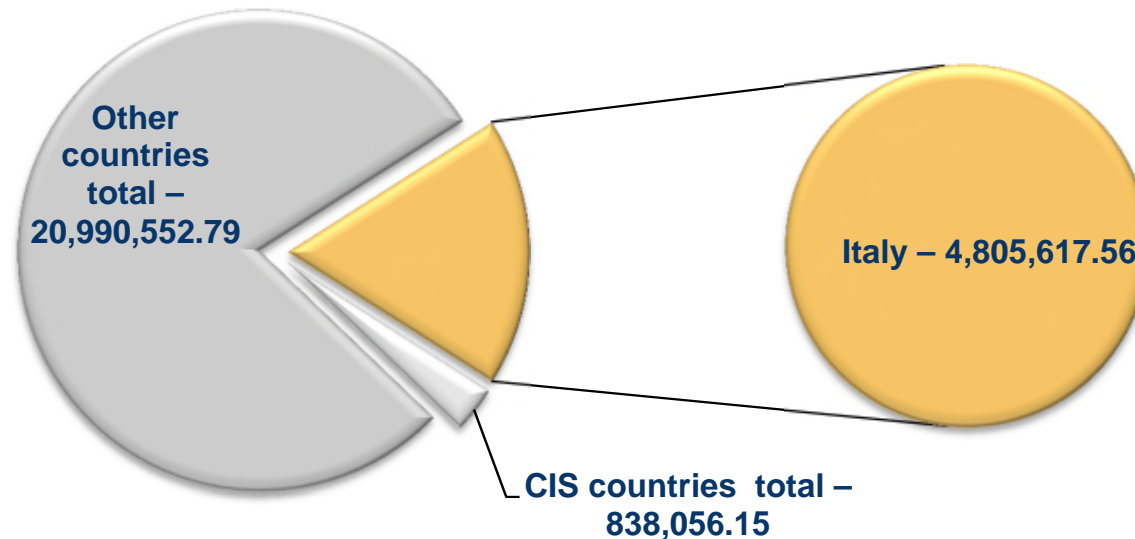


# Import-export operations in 2014

ths. USD



- Total import operations volume for the year 2014 was 9.2 bln. USD. Share of Italy was 3%.



- Total export operations volume for the year 2014 was 21.8 bln. USD. Share of Italy was 22%.

# Italian companies operating in Azerbaijan



## CONSTRUCTION & ENGINEERING & DRILLING

- ✓ **TODINI-SALINI (customer of YKA)**
- ✓ **SAIPEM (ENI)**

## LOGISTICS AND TRANSPORTATION

- ✓ **RINA (customer of YKA)**
- ✓ **BAGGIO LLC**
- ✓ **TUVIA GROUP**

## DESIGN AND FURNITURE

- ✓ **MADE IN PROJECT BY EX.TR.O SRL DESIGN**
- ✓ **ITALIAN DESIGN LLC**
- ✓ **GRUPPO MALIGNO**

## ENERGY, OIL AND GAS INDUSTRY

- ✓ **GAS - GEOLOGICAL ASSISTANCE AND SERVICES (customer of YKA)**
- ✓ **FOSTER WHEELER ITALIANA**
- ✓ **TECHNIP**

## PRODUCE OF WINE

- ✓ **FIRELAND VINEYARDS**
- ✓ **ASPI WINERY**

## OTHER

- ✓ **MADE FLORENCE GROUP (dormant customer of YKA)**
- ✓ **SALFRA Spa**
- ✓ **SGARAVATTI – VIVAI**
- ✓ **VN MONTAGGI S.R.L.**



Foster Wheeler

BAGGIO

ASPI WINERY  
& VINEYARDS



# Agenda

☐ Azerbaijan: The fastest growing economy in the region

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☒ **Azerbaijani Banking System & Business environment**

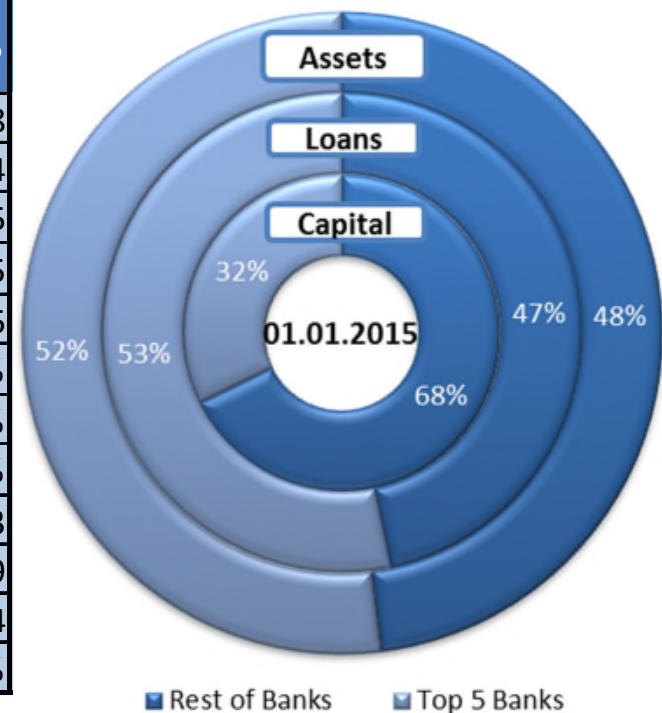
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☐ Yapı Kredi Bank Azerbaijan

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# Banking system

Name	01.01.2012	01.01.2013	01.01.2014	01.01.2015
Real GDP (mln\$)	63,661	68,783	73,560	75,188
Total Asset size (mln\$)	17,733	22,476	25,985	32,104
Number of Banks	44	43	43	45
Total Loans (mln\$)	12,332	15,795	18,070	21,895
Overdue Loans (mln\$)	806	954	1,011	1,245
Assets to GDP	27.86%	32.68%	35.32%	42.70%
Total loans to GDP	19.37%	22.96%	24.56%	29.12%
Total overdue loans to total gross loans	6.53%	6.04%	5.59%	5.68%
Average assets of one bank (mln\$)	403	523	604	713
Max asset size (largest bank) (mln\$)	6,158	7,865	8,861	11,219
Min asset size (smallest bank) (mln\$)	10	13	14	14
IBAR Market Share (State Bank)	35%	35%	34%	35%



- › Few foreign-owned banks operate in the country.
- › The Central Bank has been trying to decrease bank numbers by increasing capital requirements 5-fold from 10 million to 50 million AZN.
- › Rather than competitive Retail banking, large state enterprises often choose banks under order from the government as well as some larger groups has their own banks.
- › In terms of assets and based under local reporting, Yapi Kredi Azerbaijan accounted for 1.43 % of market share, ranking 17<sup>th</sup> at the end of 2014.

# Business climate (SWOT)

## ■ Strengths

- \* Attractive natural resource endowment
- \* Stable macroeconomic situation
- \* Growing economy
- \* Political stability
- \* Competitive labor costs

## ■ Weaknesses

- \* Shadow Economy
- \* Difficult business environment (monopolies, oligopolies, weak legal system, unofficial payments)
- \* Economy's dependence on energy sector.
- \* Underdevelopment of non-oil sector

## ■ Opportunities

- \* Potential to become regional economic and financial centre
- \* Diversification of economy (non-oil sector)
- \* New oil & gas discoveries  
(In Nov., 2010 new gas field "Umid" was discovered, est. reserves: 200 bln m3, estim. revenue \$30-40 bln )

## ■ Threats

- \* Escalation of Armenia-Azerbaijan conflict
- \* Volatility of oil prices
- \* Oil reserves might be less than reported



# Agenda

☐ Azerbaijan: The fastest growing economy in the region

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☐ Azerbaijani Banking System & Business environment

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☒ **Yapı Kredi Bank Azerbaijan**

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# Principal activities

Yapı Kredi Bank Azerbaijan CJSC was incorporated and is domiciled in the Republic of Azerbaijan.

The Bank has operated under a full banking license issued by the Central Bank of the Republic of Azerbaijan (the “CBA”) since 11 January 2000 under registration number 243.

The Bank’s principal business activity is commercial and retail banking operations.

The Bank participates in the state deposit insurance scheme, which was introduced by the Azeri Law, “Insurance of individual deposits in the Republic of Azerbaijan” dated 29 December 2006. The State Deposit Insurance Fund guarantees full repayment of deposits of individuals in the amount up to AZN 30 thousands.

The Bank has its wholly-owned brokerage subsidiary, Yapı Kredi Invest LLC which operates since February 2008 and is involved in dealing and brokerage operations.

Yapı ve Kredi Bankası A.Ş. (“YKB”), the ultimate parent of Yapı Kredi Bank Azerbaijan is an entity established in Turkey. YKB’s shares have been traded on the Istanbul Stock Exchange (“ISE”) since 1987. As at 31 December 2014, 18.20% of the shares of YKB are publicly traded. The remaining 81.80% is owned by Koç Finansal Hizmetler A.Ş. (“KFS”). The ultimate shareholders of KFS are UniCredito Italiano SPA and Koç Holding, with 50% ownership each.

# Key events in the growth of the Bank



In 2014 Internet Banking introduced

In 2013 Head Office moved to a new address . The Number of branches reached to 15 (+1), while 2 of them in the regions (Ganja and Sumgait)



In 2012 Banking Academy was established

In 2012 Worldcard, one of the world's famous credit card brand introduced in Azerbaijan

In 2005 Koc Financial Services acquired Yapi ve Kredi Bankasi A.S. And in 2007 The name of KocBank Azerbaijan was changed to Yapi Kredi Bank Azerbaijan

In 2008 the Bank founded its own subsidiary, Yapi Kredi Invest Azerbaijan LLC.

In 2001 Merging protocol was signed between Koc Group and Unicredit Group and in 2002 Koc Financial Services (KFS) Partnership Agreement was signed between Koc Group and Unicredit Group with the partnership of %50 each



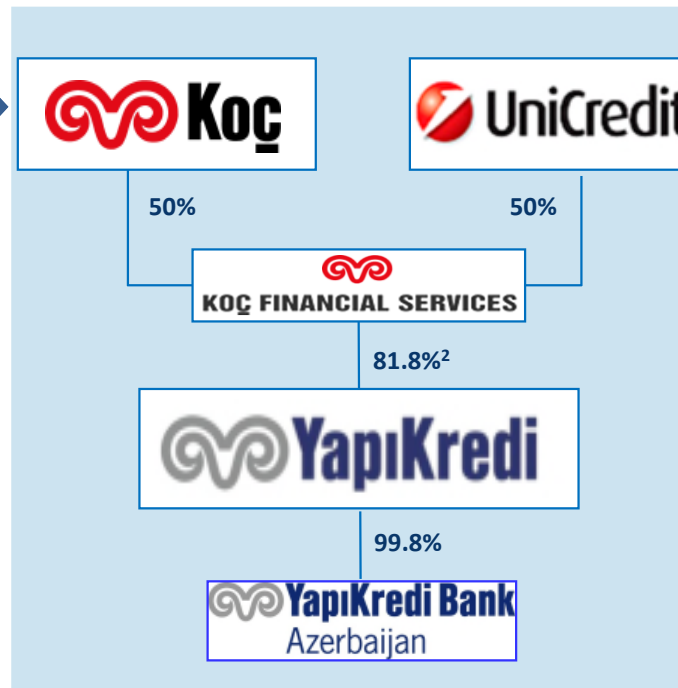
In 1998 Kocbank Azerbaijan CJSC was founded

# Strong and committed shareholders

*Stable, long-term focused shareholding structure supporting Bank's balanced growth and sustainable performance*

- Established in 1926, largest conglomerate in Turkey and ranks among the world's top 350 companies in Fortune Global 500
- Long-standing leadership in core sectors (automotive, finance, energy, consumer durables)
- 5 out of top 10 companies in Turkey are part of the Koç Group
- Best proxy to the Turkish market (combined revenues/GDP: 8%, total exports/Turkey's exports: 10%)
- Largest distribution and after-sales network in Turkey
- Share of intragroup lending in total capital at 6.6% (max regulatory limit 20%)

Total Assets (US\$ bln) <sup>1</sup>	27.9
Revenues (US\$ bln)	23.7
Net Profit (US\$ mln)	977
Number of Employees	82,856



*YKB considered a key long-term strategic asset by both shareholders*

- Systemically important Italian financial institution in Europe with roots dating back to 1870
- Full service group engaged in a wide range of banking, financial and related activities
- Extensive international presence with strong roots in 22 European countries and presence in 50 other markets
- Leader in Austria, #2 in Italy, #3 in Germany, #1 in CEE with more than 7,500 branches
- Turkey among top 4 long-term growth markets in CEE
- Providing €1.7 bln funding to YKB<sup>3</sup> (o/w 80% for subsidiaries)

Total Assets (€ bln)	844.2
Revenues (€ bln)	22.5
Net Profit (€ bln)	2.0
Number of Employees	129,021

Note: All information and figures (unless otherwise stated) regarding UniCredit and Koç Group taken from public data on company investor relations websites. Financial data as of FY14

(1) Financial data as of 3Q14

(2) Remaining 18.2% listed on the Istanbul Stock Exchange and Global Depository Receipts that represent the Bank's shares are quoted on the London Stock Exchange

(3) Excluding US\$ 585 mln sub-debt

# Vision, Mission, Strategy, Motto

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## Vision

To be one of the market leaders by understanding and foreseeing our targeted customers and by exceeding their expectations in serving them.

## Mission

To ensure long-term sustainable growth and value creation for stakeholders, and become the first choice of customers and employees.

## Strategy

Healthy and Consistent Growth  
Strong and Sustainable Profitability  
Superior and Long-lasting Customer Satisfaction

## Motto

Dedication to deliver.



# Geographical Presence and Future Expansion Plan



Current positions



Possible future sites

# Correspondent relations

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The Bank established strong and reliable relationships with highly reputable commercial banks in Europe, USA, CIS countries and successfully conducts correspondent relations in different currencies.

Our main correspondent banks are:

- **Bank of New-York** (USA)
- **United Credit Italiano** (Italy)
- **Commerzbank AG** (Germany)
- **Yapi ve Kredi Bankasi AS** (Turkey)
- **Yapi Kredi Nederland** (Nederland )
- **Garanti Bank Moscow** (Russian Federation)

Based on our extensive financial know-how and using the global network of UniCredit we are continuing our international expansion and cooperation in order to give a solid support to our customers in their international operations.

# Main products and Services

- **Account Operations**

*Account opening;  
Cheque-book issuing;  
Incoming/outgoing local and FX transfers;  
Currency Exchange;  
Cash withdrawals;  
Salary accounts management;  
Cash collections and deliveries.*

- **Credit Operations**

*Individual Loans  
Corporate Loans*

- *Short-term bridge financing*
- *Long term project finance*

*Letters of Credit  
Letters of Guarantee*

- **Deposit Operations**

- **Safe Deposit Boxes**

- **Western Union**

- **Internet Banking**

*Credit Card Payments  
Loan Payments  
Tax Payments  
Bill Payments  
In-Bank and Out-Bank Money Transfers  
Exchange Operations  
Opening Drawing Accounts  
Smart Assistant  
Automatic Payment Order*

- **ATM Network**

- **Payment Cards**

*Debit Cards  
Credit Cards (Worldcard)*

- **POS**

# Yapi Kredi is your banking partner in Azerbaijan...

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- **It is the ideal commercial banking partner and the entry point for International investors** in Azerbaijan thanks to being in vast network of Yapi Kredi and UniCredit and diversified products range (cash management, trade finance, project finance, treasury products, and investment services etc.)
- **It is part of UniCredit network the largest of any bank In Central and Eastern Europe**
- **It operates directly by shareholder bank in Turkey and its subsidiaries in The Netherlands, and Russia**



Thank you







