



INVESTOR RELATIONS RELEASE

Yapı Kredi confirms increasing profitability in 1H10, reporting TL 1,172 mln net income (+26% y/y) and 28% ROAE, driven by productivity improvements allowing above market volume growth together with cost growth below inflation

On 3 August 2010, Yapı Kredi announced its consolidated 1H10 results based on Turkish accounting standards (BRSA), reporting TL 1,172 mln of net income (+26% y/y). The Bank recorded 28% Return on Average Equity (ROAE) driven by strong above sector volume growth, cost control and continuation of asset quality improvement.

The Bank posted TL 3,139 mln revenues impacted by downward pressure on net interest margin, offset by solid fee growth (14% y/y) and strong collections. Controlled cost and headcount management led to in line with inflation cost growth (8% y/y) despite one-offs in 2010, also driven by productivity improvements. Cost/income ratio was recorded as 41.8%. Provisions declined 56% y/y driven by continued asset quality improvement.

As of end of June 2010, Yapı Kredi recorded above sector loan growth with acceleration in 2Q vs 1Q driven primarily by retail (incl. SME and individual) and followed by mid-corporate lending, also on the back of increased commercial effectiveness. Yapı Kredi grew its loans by 21% ytd focused on local currency lending (24% ytd). Local currency loan growth was driven by SME loans (22% ytd), mortgages (22% ytd), and local currency mid-corporate loans (35% ytd). In credit cards, Yapı Kredi maintained its leading position in the sector (20.1% outstanding volume market share). In terms of foreign currency lending, Yapı Kredi focused on higher yielding project finance lending and as of 1H10, disbursed loans reached USD 460 mln with potential project pipeline of more than USD 2.1 bln.

In line with strong loan growth, Yapı Kredi recorded noteworthy deposit growth as of end of June, with acceleration in 2Q vs 1Q (13% ytd). Deposit growth was mainly driven by local currency deposits (21% ytd), in line with local currency driven retail lending. The Bank also maintained its large demand deposit base with weight of demand deposits in total at 19% (vs 14% sector). Yapı Kredi strengthened its #2 position in the sector in assets under management (AUM) with 18% market share.

In 1H10, the positive trend in asset quality continued driven by slowdown in non-performing loan (NPL) inflows, sustained collections and NPL sales. As a result of positive developments in terms of asset quality and the impact of NPL sale that was finalised in June, Yapı Kredi's NPL ratio declined to 4.1% (vs 6.3% at YE09, 4.9% in 1Q10), better than sector level of 4.4%. Strong specific coverage was maintained at 72%.

Yapı Kredi maintained its comfortable capital and liquidity position in 1H10 with capital adequacy ratio of 16.1% at Bank level and 15.1% at Group level and with loans to deposits ratio below 100%.

As of 1H10, together with 12 new branch openings (9 net increase), Yapı Kredi has the fourth largest branch network in Turkey with 847 branches and 9.3% market share.

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